



REMARKS FOR CAE'S FIRST QUARTER FISCAL YEAR 2026

August 13, 2025

Time: 8:00 a.m.

Speakers:

Mr. Calin Rovinescu, Chairman of the Board, Corporate Director

Mr. Marc Parent, President and Chief Executive Officer

Mr. Matthew Bromberg, Incoming President and Chief Executive Officer

Mr. Constantino Malatesta, Interim Chief Financial Officer

**Mr. Andrew Arnovitz, Senior Vice President, Investor Relations and Enterprise Risk
Management**

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Good morning, everyone, and thank you for joining us today.

Before we begin, I'd like to remind you that today's remarks, including management's outlook and answers to questions, contain forward-looking statements. These forward-looking statements represent our expectations as of today, August 13, 2025, and accordingly are subject to change. Such statements are based on assumptions that may not materialize and are subject to risks and uncertainties. Actual results may differ materially, and listeners are cautioned not to place undue reliance on these forward-looking statements. A description of the risks, factors and assumptions that may affect future results is contained in CAE's Annual MD&A and MD&A for the three months ended June 30, 2025, available on our corporate website and in our filings with the Canadian Securities Administrators on SEDAR+ at www.sedarplus.ca and the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov.

On the call with me this morning from CAE are Calin Rovinescu, the company's Chairman, Marc Parent, President and Chief Executive Officer, Matthew Bromberg, Incoming President and Chief Executive Officer and Constantino Malatesta, our interim Chief Financial Officer. Nick Leontidis, Chief Operating Officer, is on hand for the question period.

After formal remarks, we'll open the call to questions from financial analysts. Let me now turn the call over to Calin...

Calin Rovinescu, Chairman of the Board

Thank you, Andrew and good morning, everyone.

Since being appointed Chairman of CAE earlier this year, I've had the chance to connect with a number of our long-term investors—many of whom I've known through my years at Air Canada. While this is my first time addressing the broader investment community in this role, I want to share why I was compelled to accept the Chairman position, and more recently, to take on expanded responsibilities as Executive Chairman.

My relationship with CAE goes back many years. As President and CEO of Air Canada, I saw firsthand the value CAE brought as a trusted partner in building and sustaining a world-class training organization, particularly through our co-located training centres in Toronto and Vancouver. Earlier in my career, during my time in law and as managing partner of Stikeman Elliott, I also had a connection to CAE through one of its original investors and longtime chairman, Fraser Elliott, co-founder of the firm that bore his name. And as an investor, I've been a long-time supporter of the company's mission and potential.

So, it is both an honour and a privilege to now take on an active role as Executive Chairman. I've reoriented my professional commitments to dedicate the time required to support Matt and help guide CAE's long-term direction. In addition to Board duties, I'll work closely with him on strategy, operational excellence, and capital allocation—with a clear focus on enhancing the customer experience, improving free cash flow conversion, and driving stronger returns on invested capital. A key priority will be deleveraging the balance sheet—not merely as a financial objective, but as a means to enhance shareholder value and strengthen CAE's long-term resilience. The company made solid progress last

fiscal year, and we're targeting a net debt-to-adjusted EBITDA ratio of approximately 2.5 times by fiscal year-end. I see that as a waypoint, not the final destination, as I believe we can go further in reinforcing our financial position.

At the same time, we continue to give thoughtful consideration to the potential timing and form of shareholder returns, including dividends and share repurchases. We have a buyback program in place to be used opportunistically, and at the appropriate time, we may also consider reinstating a dividend.

As Executive Chairman, I will also engage regularly with key stakeholders, including investors and government leaders. With defence spending accelerating across NATO toward 5 percent of GDP, along with initiatives like the EU's ReArm strategy and renewed momentum in Canada, I intend to play an active role in positioning CAE as a strategic partner. This includes sustained engagement with federal and provincial governments—particularly in Quebec, where CAE is a longstanding anchor company. Our goal is to ensure CAE is recognized not only for its critical training and simulation capabilities, but also for the broader economic value we deliver through high-quality jobs, exportable IP, and technology leadership. As defence procurement and policy frameworks continue to evolve, we remain committed to close alignment and active participation.

As you all know, today marks an important milestone for CAE, as Matt Bromberg formally succeeds Marc Parent and steps into the role of Chief Executive Officer, following our AGM. I want to acknowledge Marc for his outstanding leadership and enduring contribution to CAE. Over his 21 years with the company, including 16 as CEO, Marc guided CAE through a period of tremendous transformation and growth. Under his stewardship, CAE became the global leader in civil aviation and defence training and simulation that it is today. Perhaps most importantly, Marc is widely credited with instilling a deeply customer-centric culture across the organization that continues to define the way CAE's more than 13,000 employees around the world serve our partners and stakeholders each day. Marc has earned a deep

respect within the global aerospace industry and his impact extends far beyond CAE. His vision, passion, and unwavering commitment to excellence have helped shape the future of aviation training globally. On behalf of the Board and the entire CAE team, I want to thank Marc for his legacy that will continue to inspire us as we build upon his accomplishments.

It is also my pleasure to formally mark the beginning of Matt's tenure as Chief Executive Officer, as he steps into this important leadership role at CAE. I had the privilege of leading the Board's CEO selection process, and I'll speak briefly to the qualities and experience that led us to the clear conclusion that Matt is the right person to lead CAE into its next era, as the company builds on nearly eight decades of leadership and innovation.

His appointment follows a comprehensive and highly competitive international search. Given the distinctiveness of CAE's business, we sought a leader with a strong record of value creation in either aerospace or defence—and in Matt's case, we found both. We also prioritized candidates with experience managing complex, large-scale global operations. Most recently, Matt led Global Operations at Northrop Grumman, where he drove significant enterprise-wide cost and performance transformations. Prior to that, he served as President of Military Engines at Raytheon, and earlier as President of Commercial Aftermarket at Pratt & Whitney. Matt brings a rare combination of strategic insight, operational depth, and leadership acumen. He is, as one would expect of an MIT-trained engineer with a business degree, intellectually rigorous. But equally important, he brings a high degree of emotional intelligence. His track record of leadership in world-class aerospace and defence organizations, combined with that important balance of IQ and EQ, makes him exceptionally well-suited to carry forward CAE's unique culture, which we believe is one of our most important differentiators.

Equally important to the Board was Matt's full commitment to CAE's identity as a proudly Quebec headquartered global company. Matt and his family are relocating to Montreal, which we view as

essential. He has also begun taking French lessons, a reflection of his respect for our local roots and commitment to leading CAE in a way that is fully aligned with our values and culture. On behalf of the Board and the broader CAE community, I want to formally welcome Matt as he begins this important new phase with us.

As Matt, the management team, and I begin to assess CAE's forward plans, I am highly optimistic about the next three-to-five-year period. We are building on the strong foundation established under Marc's leadership and are now well positioned to unlock the next level of performance and value creation. With a refreshed Board, new CEO, and an even sharper focus on financial and operational priorities, we see a clear path to delivering stronger returns. These internal drivers, combined with favorable long-term market dynamics, support what we believe is a compelling and durable investment thesis.

In Civil, the long-term fundamentals remain particularly strong, despite some timing noise around pilot hiring. The two major aircraft OEMs currently hold a record combined backlog of more than 17,500 aircraft, and both forecast that the global in-service fleet will nearly double over the next 20 years. CAE also estimates that approximately 300,000 new pilots will be needed globally over the next decade to support this growth and offset retirements. These structural drivers point to a sustained runway for growth in commercial pilot training. In business aviation, the long-term outlook remains quite positive as well, supported by strong aircraft OEM backlogs, an expanding population of high-net-worth individuals, and a shift toward fractional ownership models.

We are in the early stages of a generational upcycle in Defense, driven by rising geopolitical tensions and a surge in spending across NATO, the EU, and Canada. This is fueling sustained demand for advanced training and simulation. This is an area where CAE's global reach, technical capabilities,

and trusted customer relationships position us to lead. The Canadian government's renewed emphasis on aerospace and sovereign industrial capacity further reinforces the durability of this demand. As allied nations work to rebuild critical capabilities, CAE's alignment with national priorities, from mission readiness to supply chain resilience, supports our conviction in the long-term growth opportunity ahead. Importantly, our growing Defense business provides a predictable revenue stream and adds balance to CAE's portfolio, offering meaningful upside in a sustained upcycle and complementing the secular growth we continue to see in Civil aviation.

Looking ahead, our priorities are disciplined execution, greater operating leverage, and translating earnings into robust and sustainable cash generation to support future investment and shareholder returns. With strong market tailwinds, a focused leadership team, and a reinforced internal foundation, I believe we are well positioned to deliver meaningful long-term value to our shareholders.

Now turning to our first quarter performance. Overall, we had a solid start to the year amid a backdrop of heightened economic uncertainty. We delivered adjusted earnings per share of \$0.21 and secured \$1.1 billion of adjusted order intake.

Defense delivered strong year-over-year growth in adjusted segment operating income and margin expansion, driven by improved execution and disciplined program management. In Civil, performance was mixed, with continued strength in business aviation offset, as I said, by some near-term softness in commercial training, consistent with the outlook we provided.

I will now turn it over to Marc and Constantino to walk you through the results in more detail.

Marc Parent, President and Chief Executive Officer

Thank you, Calin for your very kind words.

Let me start with a few highlights from the quarter.

In **Civil**, we delivered solid results, supported by the essential nature of our services and the durability of our recurring training business. As indicated last quarter, we continue to take a measured view of the first half of fiscal 2026 in light of macroeconomic uncertainty and ongoing aircraft supply constraints. In Q1, we saw an extension of the temporary pause in pilot hiring and a more cautious approach from commercial airlines—particularly in the U.S., where we believe hiring reached a trough, with just 55 pilots hired in June by the 13 largest airlines. Similar dynamics were observed in other regions. These factors contributed to lower utilization and fewer full-flight simulator orders in the quarter. By contrast, market conditions for business aviation, which accounts for about half of Civil's profit, remained strong throughout the period.

Training centre utilization came in at 71 percent, down from 76 percent in the prior year period, consistent with the short-term softness in commercial training we experienced last year. We also delivered 8 full-flight simulators, which is the same number we delivered last year.

While the early part of the year was shaped by macroeconomic uncertainty, we are beginning to see encouraging signs of stabilization, along with improvements in aircraft supply chains that are bringing greater clarity to airline hiring and fleet planning. The recovery in demand for commercial training solutions is a matter of when, not if, and we continue to expect a positive inflection in the second half of the fiscal year.

On the order front, we secured \$511 million of business, including 5 full-flight simulators, for a book-to-sales ratio of 0.84 times and 1.27 times on a trailing 12-month basis. We ended the quarter with \$8.4 billion total Civil adjusted backlog, which is up, notably, 27% year over year.

During the quarter we announced the expansion of our commercial Embraer E2 training offering with the deployment of the first full-flight simulator to support the growing E2 fleet across Europe, the Middle East, and Africa. Since quarter-end, we also announced that E2 pilot training will be delivered in Montreal, further supporting Porter Airlines' expanding fleet and enhancing the efficiency of their pilot training program.

In business aviation, we were pleased to open our first dedicated training centre in Central Europe, located in Vienna, which welcomed its first customer in April. The state-of-the-art business aviation training centre, an 8,000-square-foot facility, offers an elevated training experience and reflects our continued commitment to supporting customers closer to where they operate. A Gulfstream G550 full-flight simulator is already in service, and a new Pilatus PC-24 FFS will be added in the second half of 2026. The centre will ultimately feature up to nine full-flight simulators, including Europe's first Bombardier Global 7500, a Global Vision, Embraer Phenom 100/300, and a Bombardier Challenger 3500.

And in airline operations, we're proud to have rebranded our suite of solutions under a new name: Flightscape – Powered by CAE. Flightscape is a data-driven platform that delivers real-time insights to help airlines enhance operational performance. It empowers Operations Control Centre teams to anticipate disruptions, adapt quickly to changing conditions, and optimize costs, even in the most complex, time-sensitive scenarios. During the quarter, we signed a long-term agreement with Allegiant, which will leverage Flightscape to transform its operational intelligence and drive improved performance.

CAE has a proven track record of leveraging technology to drive innovation and improve the effectiveness of our training solutions. Last fall, we became the first to develop an immersive pilot training app for Apple Vision Pro, enabling pilots to complete key training activities remotely—enhancing efficiency, scalability, and training outcomes. Apple selected CAE as a flagship use case for Vision Pro in aviation, and Apple's CEO, Tim Cook, and CFO highlighted us on its latest earnings call. They recognized how our adoption of spatial computing will improve pilot readiness and drive more productive simulator training.

Turning to **Defense**, we had a particularly strong quarter, driven by solid program execution across the board and an improving mix, program mix I should say Adjusted segment operating income and margin grew significantly year over year, reflecting better program performance and the successful completion of lower-margin contracts.

We recorded a total \$611.4 million in Defense orders, achieving a book-to-sales ratio of 1.25 times, contributing to \$11.1 billion in Defense adjusted backlog—up 7% year over year. Over the last 12 months, the Defense book-to-sales ratio stood at 2.08 times. The pipeline continues to be robust with some \$6.0 billion of orders pending customer decisions.

In Defense, we continued to win strategically important contracts that really reflect the breadth of our training and mission support capabilities. During the quarter, we secured a continuation of flight training services for the U.S. Air Force on KC-135 tanker aircraft, as well as an extension of our management role in the Simulators Common Architecture Requirements and Standards (SCARS) program. SCARS is a centralized, open-systems architecture initiative that supports U.S. Air Force platforms, simulators, and the Joint Synthetic Environment—underscoring CAE's leadership in enterprise training solutions.

For the U.S. Army, we signed an agreement with GDIT under the Flight School Training Support Services contract (FSTSS), providing simulation capabilities and training support for rotary-wing pilot instruction at Fort Novosel, Alabama. In operational support solutions, we announced a collaboration with Sikorsky to deliver CAE's Magnetic Anomaly Detection-Extended Role (MAD-XR) system for the U.S. Navy and the Royal Australian Navy MH-60R SEAHAWK helicopters. Built by CAE and integrated by Sikorsky, this compact, removable sensor detects magnetic anomalies caused by submarines, providing a powerful new anti-submarine warfare capability for MH-60R operators.

In Canada, we signed an additional amendment under the FAcT program, bringing the total value of subcontracts awarded to CAE under the SkyAlyne joint venture to approximately \$2 billion. This is aligned with our strategy to transition the Defense adjusted backlog toward more accretive, long-term contracts.

Since the end of the quarter, we were also awarded a contract by the Italian Air Force to deliver a Block 5 Predator Mission Trainer Plus (PMT Plus) for the MQ-9A Reaper. Developed in partnership with General Atomics, our PMT Plus is the most advanced simulator for the Reaper platform, offering a highly immersive training environment that accelerates readiness and reduces the need for live aircraft time during pilot and sensor operator training.

These wins underscore the impact of the improvements we've made across the Defense business. Through stronger execution and disciplined program delivery, we're seeing tangible results, both in our operational performance and in growing customer confidence. This progress reflects the focus and hard work of our teams to turn strategy into results and improve profitability.

Before I close, I want to shift gears. As many of you know, today is my last day as CEO of CAE, and I want to take a moment to reflect on what these 21 years have meant to me.

It's really been the honour of my professional life to lead this company for the past 16 years. When I joined in 2005, CAE was a very different business. We've gone through multiple transformations since then, expanded into new markets, and today we're a global leader in aviation and defence training.

But what I'm most proud of is our culture. From the very beginning, I've believed that if we take care of our people and our customers, the results will follow. And that's what we've built together at CAE is a company that leads with purpose. A company where people take pride in our noble mission. Where safety, innovation, and customer partnership are not slogans, but part of who we are, of our DNA.

None of this would have been possible without the incredible team at CAE. I want to thank our instructors, engineers, technicians, support staff, and everyone in between for their dedication, their grit, and their belief in what we do. As I have often remarked, we are merely a collection of buildings without our 13,000 employees who bring CAE to life. I know much has been asked of you over the past decade and a half, all of our employees listening to me, and I am extremely proud of all that you have accomplished to make CAE the global leader it is today.

I am equally grateful to our exceptional civil aviation and defence customers around the world. We exist to make the world safer, and it has been a true honour to serve as their trusted partner and to help you prepare for the moments that matter most.

I also want to thank the Board and our investors for their trust over the years. And of course, I want to thank Calin, warmly, and welcome Matt as he officially steps into the CEO role today. I've had the chance to work closely with Matt over the past couple of months, and I can say without hesitation that he

brings the right mix of leadership, operational discipline, and vision to take CAE forward and I am honored that he has been chosen to replace me.

I'm confident in the team, confident in the company, and incredibly grateful for the opportunity to have served as CAE's CEO, which really has been the privilege of my life.

With that, I'll turn it over to Dino for some additional financial details.

Constantino Malatesta, Executive Vice President, Finance, and Interim Chief Financial Officer

Thank you, Marc, and good morning, everyone.

Consolidated revenue of \$1.10 billion was 2% higher compared to the first quarter last year while **adjusted segment operating income** was \$147.8 million, up 10% compared to \$134.2 million in the first quarter last year. Our quarterly **adjusted EPS** was 21 cents, in line with the first quarter last year.

Net finance expense this quarter amounted to \$54.6 million, up from \$49.5 million in the first quarter last year, mainly because of additional lease financing costs related to recently opened training centres in our global network in support of growth. We also have the additional financing costs associated with the consolidation of the SIMCOM joint venture in business aviation, which took place in Q3 last year. The increase was partially offset by lower finance expense on long-term debt on a lower level of borrowings during the period, in line with our ongoing deleveraging undertakings.

Income tax expense this quarter was \$19.0 million, for an effective tax rate of 24%. The adjusted effective income tax rate was also 24%, which is the basis for the adjusted EPS. We continue to expect a run-rate effective income tax rate of 25%, considering the income anticipated from various jurisdictions and the impact from global minimum tax legislative changes.

Net cash from operating activities this quarter was negative \$15.3 million, compared to negative \$12.9 million in the first quarter of fiscal 2025. **Free cash flow** was negative \$36.2 million compared to negative \$25.3 million in the first quarter last year. The decrease was mainly due to a higher investment in non-cash working capital, partially offset by higher net income adjusted for non-cash items and higher dividends received from equity accounted investees. With continued expected reversals in

non-cash working capital investments and our outlook for operations, we expect to generate strong free cash flow for the year with a conversion of adjusted net income of approximately 150 percent.

Capital expenditures totaled \$106.9 million this quarter, with approximately 75 percent invested in growth. Approximately 40% of growth capital expenditures this quarter were for simulators deployed to the FSTSS program, in support of U.S. Army helicopter training in Alabama. We remain highly focused on capital efficiency, and notwithstanding this contract-specific investment opportunity in Defense, we continue to expect total CAPEX in fiscal 2026 to be modestly lower than in fiscal 2025. This will be concentrated mainly on organic growth investments in simulator capacity to be deployed to CAE's global network of aviation training centres, which are backed by multiyear customer contracts.

Our **net debt** position at the end of the quarter was approximately \$3.2 billion, for a net debt-to-adjusted EBITDA of 2.75 times at the end of the quarter. As Calin indicated, we remain committed to further strengthening our financial position and continue to expect to reach 2.5 times net debt-to-adjusted EBITDA by the end of the fiscal year.

Now turning to our segmented performance...

In Civil, first quarter revenue grew 3% year-over-year to \$607.7 million, while adjusted segment operating income rose 1% to \$107.6 million, resulting in a 17.7% margin. The approximate 40-basis point decrease in the Civil margin reflects lower utilization in commercial training and some differences in product solutions mix this quarter.

Looking ahead for Civil, we continue to take a measured view of the first half given commercial market dynamics, while also factoring in the usual seasonal impact on our second quarter from the busy summer travel period, when pilots are flying. We now expect annual adjusted segment operating income to grow in the mid-single-digit percentage range, at the lower end of our prior outlook, with the annual

segment operating income margin remaining stable year over year. The expected weighting of Civil's results toward the second half is consistent with prior fiscal years, supported by usual seasonality, improving market dynamics and macroeconomic conditions. Adding to our confidence is a recent increase in activity with our U.S. airline customers.

In Defense, revenue remained stable at \$490.9 million, while adjusted segment operating income increased 45% to \$40.2 million, delivering an 8.2% margin, thanks to higher profitability and activity on our North American programs. Legacy Contracts remain on track, with costs and schedules well-managed, and there are no changes to our annual outlook for Defense.

With that, I will turn the call over to Matt.

Matt Bromberg, Incoming President and Chief Executive Officer

Thank you, Dino, and good morning, everyone.

I also want to thank Mark and Calin for their kind words and the entire CAE team for their warm welcome. Let me start by saying what an honour it is to be joining CAE and to be stepping into the role of CEO later today. It's a privilege to follow Marc, whose leadership over the past two decades has shaped the CAE we know today. I'm also grateful to have had the opportunity to work closely with him in recent weeks, which has helped ensure both continuity and a smooth handoff.

Although my appointment becomes official following today's Annual General Meeting, I've already had a valuable introduction to CAE through time spent with our people and customers, and other key stakeholders. One of my first experiences was attending the Paris Air Show last month along with the team. It was an intensive and energizing start, and I can say without hesitation—after attending air shows for more than 25 years—I have never seen a company so consistently respected. Every conversation spoke to CAE's professionalism, technical leadership, safety mindset and culture, and deep commitment to customer success.

In these early weeks, I've been extremely impressed by the caliber of CAE's people, the strength of our technology, and the depth of our customer relationships. This is a fantastic organization with tremendous potential to build on past successes. It's clear to me that we have a world-class team, which is an excellent place to start.

Over the next 90 days, I will take a pragmatic approach to evaluating the business, both operationally and strategically. My focus will be on understanding where we can further improve efficiency, sharpen execution, and unlock synergies across our balanced portfolio. I value what makes CAE distinctive—especially its strong culture—and as I look to the future, I intend to protect what's core

while building on our strengths. While it will take time to fully assess and quantify the scale of the opportunities ahead, my initial impressions are that there is real potential to strengthen free cash flow and improve returns on invested capital. This can be achieved not only through enhanced operational excellence, but also through disciplined, data-driven capital allocation. This work will be thoughtful, collaborative, and grounded in a clear objective: creating long-term value for our shareholders.

While CAE is best known for its leadership in civil aviation, our defence technologies are increasingly seen as mission-critical. We help military forces train more safely, more effectively, and with a level of realism that is essential in today's environment.

Having spent a fair part of my career in and around defence, including service as a U.S. Navy submarine officer, I understand how vital it is to be fully prepared before a mission ever begins. That's exactly what CAE enables, and it's why I believe we are uniquely positioned to grow our impact as a strategic partner of choice in defence.

I see real potential to leverage our advanced defence technologies more broadly across CAE's portfolio, including in commercial aviation. At the same time, we can drive greater efficiency by applying commercial best practices within our Defense business. This cross-pollination of innovation and efficiency can unlock new value, enhance customer outcomes, and support higher returns. As we focus on efficiency, we will relentlessly maintain our commitment to our customers, to quality and to safety.

Before I turn the call back to Andrew, I want to take a moment to speak directly to our investors and analysts. I know many of you have longstanding relationships with Calin and Andrew, and I've benefited from their insights about what matters to you. I look forward to building those relationships over time, and once I'm fully up to speed, I'll welcome the opportunity to engage with you directly. In the

meantime, thank you again for the warm welcome. I'm excited to be here, focused on the work ahead, and confident in what we can achieve good growth and a great future together.

Andrew, over to you.

Andrew Arnovitz, Senior Vice President, Investor Relations and Enterprise Risk Management

Thanks, Matt.

Operator, we would now be pleased to take questions from financial analysts.