CORPORATE PARTICIPANTS

Marc Parent
Chief Executive Officer

Andrew Arnovitz
Senior Vice President, IR

CONFERENCE CALL PARTICIPANTS

Konark Gupta
Scotiabank

Noah Poponak
Goldman Sachs

Kevin Chiang
CIBC

James McGarragle
RBC Capital Markets

Tim James
TD Securities

Cameron Doerksen
National Bank Financial

Kristine Liwag
Morgan Stanley

Jordan Lyonnais
Bank of America

Michael Kypreos
Desjardins Capital Markets.

QUESTION AND ANSWER

Operator

Our first question comes from Konark Gupta with Scotiabank. Please proceed.

Konark Gupta, Scotiabank

Thanks, operator. Good afternoon, everyone.

Marc Parent, Chief Executive Officer

Yeah. Hi.

Konark Gupta, Scotiabank

Yeah. Good afternoon. My just first question on the defense contracts - Marc, you mentioned about a couple of these big wins recently. They had very similar attributes to airline training contracts. Can you explain us what the similarities are? Is it in respect of margin profiles, in terms of execution or customer quality? And any background on that, please.

Marc Parent, Chief Executive Officer

Well, I think there's elements of all that. Let me just illustrate a little bit. First of all, let me just go back a step to a story which I really love and am excited about, which is what we are doing in lower Alabama.

That's a big training base for the U.S. Army at Fort Novosel, and right down the road is our training centre in Dothan, Alabama. So I go back to that, a few years ago, as you'll remember that 2015, we invested to create a turnkey training facility where we put a greenfield because it literally was a peanut field where we set it up, we put buildings there, we put simulators, we bought aircraft, and we won the contract to train all the U.S. Army's fixed-wing pilots.

Recently, this year, we won the recompete after that, after seven years. That's good. So we are good for another seven years there. And then it was a strong win. So basically accretive to kind of the expectations we have with regards to margin expectations that we have set out there in the market.

Now, think about what we are doing now. The recent contracts that we won, let me start by just the contract that we won with IFT-R. IFT-R now is the Air Force. U. S. Air Force now. We've won the contract to train all of their rotary wing pilot and we'll be doing that at our facility at Dothan. So, well, imagine now the synergistic benefits of using our existing facilities whether it be hangers, personnel, management, all that. So the synergistic benefit of now throwing more training at the same facility. So, that's one example.

Now, think about the next one I talked about, HADES contract with the U.S. Army. A different contracting authority by the way, different customer, part of the U.S. Army. That's exciting in itself. But what we're going to be doing here, the training is for a Global 6500 business aircraft where we do the simulators, we are the authorized training provider for Bombardier customers of that aircraft. And so, we are basically going to put that-- we are basically going to put a Global 6500 simulator in Dothan, Alabama. And we are going to be now selling training, okay, to the U.S. Army for literally years to come.

So again, leveraging our assets, leveraging what is a commercial simulator built here in Montreal. And you can expect that the kind of margin profile that we meant, because we are putting our assets there that we can derive a better margin because basically, we are furnishing the assets. So in all of this, it's more business using this quasi-same asset.

Konark Gupta, Scotiabank

That's very good color, Marc. Thanks so much. And then if I can just quickly follow-up, some of your peers have publicly mentioned about how they want to kind of move away from fixed price contract in Defense. And, obviously, you guys and a lot of other guys are trying to cover the cost of inflation and talking to customers. Any updates on those fronts? How are you positioning on the new contract wins with respect to fixed price or cost plus?

Marc Parent, Chief Executive Officer

I think the first thing I'd tell you is our bid discipline is very stringent. And there's no secret that we talked about in past year that we executed contracts, and we still have some in our backlog that were executed at the time that were bid at the time where that would be a little hyper--or quasi hyper-inflation, part shortage, things like that. So, you can expect that.

As we bid now, especially on fixed term price contracts, we are either going to have escalation criteria that protects us for almost any scenario, or we will basically execute it with having so many elements as pass-through.

Konark Gupta, Scotiabank

Okay. Thanks for the color. Appreciate it. Thank you.

Operator

Our next question comes from Noah Poponak with Goldman Sachs. Please proceed.

Noah Poponak, Goldman Sachs

Hey, good afternoon, guys.

Marc Parent, Chief Executive Officer

Good afternoon, Noah.

Noah Poponak, Goldman Sachs

Marc, how should we be thinking about the top-line growth rate Civil can see into the medium term? You've alluded to not having yet recovered all the pre-pandemic and you have some exposure to geographies that have been a little slower to recover. And then, once we kind of click back into 6%, 7% air traffic growth, you're taking market share, you're training a lot of new pilots, you're growing a software business that's become organic. I mean, do we see multiple years beyond this year of continued double-digit organic revenue growth from Civil?

Marc Parent, Chief Executive Officer

Well, I don't know if I can go out there and say double-digits. I can tell you I see very good years for Civil Aviation for years to come. Absolutely.

Noah Poponak, Goldman Sachs

Got it. On the margin in the segment, I wondered if you could just spend a second on the shape of the year, because it seems like, given the full year target and the first quarter being the same number, the seasonality this year is maybe a little different than in the past. Is that down sequentially and then higher in the back half, or just anything you could share on the shape of the year and the Civil margin?

Marc Parent, Chief Executive Officer

Well, look, I'd tell you that as you said in your question, it's Q1. So, we won't get ahead of ourselves, although I'm obviously very pleased with the results that we have in our Civil business in Q1, as in all of our businesses in Q1.

And so, look, yeah, to--repeating again what I said, and you've emphasized again in the question though, is that we're in a more kind of, let's call it normal kind of flying activity now, meaning that anybody goes to the airport, sees it, right, that airplanes are full and flights are full. So what you're seeing is when all the airlines are flying and having trouble meeting the demands that's out there, we're seeing less training, and that's across commercial and business aviation in the summer, as we always do in a more normal environment.

What I would tell you though, is the bookings in the third and fourth quarter are strong and indicative of it's going to be another good year. But I'm not going to get ahead of myself in Q1 here.

Noah Poponak, Goldman Sachs

Okay. Thanks a lot. I appreciate it.

Marc Parent, Chief Executive Officer

Thank you.

Operator

Our next question comes from Kevin Chiang with CIBC. Please proceed.

Kevin Chiang, CIBC

Hi. Good afternoon. Thanks for taking my question. Maybe just following up on some of the color you provided Konark there on some of these recent Defense wins, which look to be highly accretive. You get to leverage some of the fixed assets you already have in place. Does that strategically change how you think about, I guess, the capital allocation in Defense?

I guess historically I've thought of that as being more of an asset-light business, where your partner typically puts in the capital. But it seems like you're having some wins here where you've deployed capital and now you can leverage those fixed costs. Is there a bit of a change in thinking how you think about deploying capital into this segment?

Marc Parent, Chief Executive Officer

Not really. No. Look, we've done this before. As I was saying at the outset of the question by Konark, we deployed a few years ago our first facility in lower Alabama. And at that time we had 0% market share with U.S. Army. Today, I would tell you, we have a very high market share in both rotary and fixed wing contracts with the U.S. Army.

So that's been a very, very attractive opportunity. It will be literally for years to come. And so, look, it depends on the opportunity. What you're seeing here is really the power of -- I use the term a lot -- One CAE, and that applies to teamwork, but it also applies to how we go to market in leveraging our advantages, what are being Civil on Defense or Defense on Civil.

So when you think about it, really, what--if you look at the model, I go back to the HADES model, this--where we're putting a Global 6500 simulator and we're selling training to this new part of the U.S. Army, we're doing it at margin expectations there that are going to be the kind of margins that we're more used to in Civil. So, it doesn't really change anything with regards to how we will market. It depends on the opportunity.

And I mean, you've seen in Civil the kind of incremental returns that we get in training. And if we're deploying assets like that for this kind of opportunity, expect the kind of--the same kind of return profile, which is part and parcel of the outlook that we've given for improving margins in Defense, per outlook that we've given.

Kevin Chiang, CIBC

That’s helpful. And maybe just my second questions, maybe just sticking with Defense. If I go back to your last earnings call, you talked about some of these problem contracts and those broadly running off by the end of this fiscal year, which gave you that visibility to inflect into double-digit SOI margins maybe sometime in fiscal 2025. Just an update there in terms of how that runoff is progressing. Is that still the broad timeline we should be thinking about in terms of margin progression in Defense this year and into next year?

Marc Parent, Chief Executive Officer

Yeah. Well, I think the first thing I'll talk about--I'll emphasize is, those contracts that we talked about as being lower margin profile, in some case, a very low margin, we're talking about a very small number of contracts, relatively speaking, compared to the hundreds of contracts that we execute at any given quarter in Defense. And we're steadily closing out that work. We have been steadily closing out those--some of those programs or advanced the progress we've made on those programs in recent quarters, again, this quarter.

I would tell you, look, we're basically where we thought we would be, we expect to be. We're continuing to work through our existing backlog. We're making very good progress, as planned. And even more importantly, as we've answered in the previous question, we're winning new profitable business. And with the bid discipline and the execution discipline, I fully expect to be able to execute those contracts at the margins at which we bid them, which, again, are accretive to margin expectations that we've communicated.

And if I look at the year, I mean, look, it takes time for these new contracts to work themselves through. So as we've said before, we expect second half performance in Defense to step up, both in margin and absolute levels. So yes, I would expect Q2 to look similar to Q1 and in all--in broad terms. Again, big step up in the second quarter and as we expected, as we've communicated bigger inflection in margins next fiscal year.

Kevin Chiang, CIBC

Thank you for the color. Congrats on a solid start to the fiscal year.

Operator

Our next question comes from James McGarragle with RBC Capital Markets. Please proceed.

James McGarragle, RBC Capital Markets

Hey, good afternoon, everyone, and thanks for taking my question.

Marc Parent, Chief Executive Officer

Good afternoon.

James McGarragle, RBC Capital Markets

So I just wanted to ask a question on the Civil segment and kind of the impact on potential slowdown in the economy. I know pilot training is regulated and travel demand is extremely strong right now. But would past recessions be a good indicator of what we could potentially expect on the Civil side of the business if the economy potentially slowed, or do you think some of those changes that you've made during the pandemic, some of the M&A that you did during the pandemic kind of changes the way you think the Civil business would perform in the event of a potential slowdown?

Marc Parent, Chief Executive Officer

Look, without being--appear to be Pollyanna here, all I see out there is unmet demand. And I'm not seeing any sign slowdown in terms of level of training activity in our forecast, either in commercial or business aviation training. S, I don't want to really be hypothetic about the future. Look, I will just give you an anecdotal evidence, look, we are ramping up to satisfy the demand. As you have seen, we deployed I think 23 full-flight simulators last year in both Civil and--well across Civil, we have opened up new training centers.

I'm the CEO and I got, anecdotally, this doesn't happen every day, but just to give you an idea, I got two text messages today during the board meeting for people that I know looking for training slots. And obviously, they are calling me, it's because there is so many people that have flight departments or whatever, they are calling me to say, can we help you out?

It's really--if we have slots, we are filling them. And so, I'm not seeing any signs of basically slow down. And there are a lot of people out there that I talked to that actually would welcome a little bit, so they could catch up.

James McGarragle, RBC Capital Markets

And then another follow-up I had was on how your team is viewing some of the organic opportunities or potentially M&A in the current environment. Obviously, you just cited demand is very, very strong right now. We're seeing that in the results. So is this kind of creating any opportunities for additional organic investment or for M&A as we start to look into fiscal 2025? And if so, how would you kind of prioritize this investment spend, especially given some of the progress you're making on your balance sheet target?

Marc Parent, Chief Executive Officer

Look, I would tell you that there is--maybe question depends on timing. Right now, as we said before, our priority has been on deleveraging. And we are well on--down on the track that we have said to reach our deleveraging target this year. We have made excellent progress. We are very happy to see down to 3.2 this quarter. And so I'm pretty confident. No big risk on us achieving our leverage target of three-times midyear. So look, that opens up possibilities for us in terms of capital allocation.

Look, I think in terms of M&A, I'll say it again, there is nothing that we need to buy, okay? We have everything we have. However, if there is opportunities out there, we are always looking, obviously. But think about some of the acquisition that would be accretive to the growth that we have, consolidator picture. I mean, there is not a lot of people that can bring the amount of synergy that we can bring to an acquisition. I wouldn't be looking for anything in the short-term.

I mean, what we will do is continue to deploy assets in line with the market. You have seen us do that. And again, just highlighting what we just said in the previous call, if you have a--if you've seen some of the incremental returns that we're making out of both the commercial and business aviation training simulators that we put in the market, I think you would be pleased for us to deliver that capital. And as we said before, we don't deploy that capital unless we have long-term contracts to back them up. So look, I think we'll continue to look for a balanced capital allocation approach from us.

James McGarragle, RBC Capital Markets

Awesome. And appreciate you taking the time, and I'll turn the line over. Thank you.

Marc Parent, Chief Executive Officer

Yeah.

Operator

Our next question comes from Tim James with TD Securities. Please proceed.

Tim James, TD Securities

Thanks very much. Good afternoon, everyone. I'm wondering first, Marc, the award, the Boeing authorized training provider agreement, I think seems to me like quite an interesting kind of position to be taking on with Boeing. And as we look about training into the future, I'm just wondering if you could talk about what that agreement means to CAE and into the future of commercial training and the Company's positioning.

Marc Parent, Chief Executive Officer

Well, I think it's great. I mean, look, to me, I couldn't be, as I said, couldn't be more proud of the partnership we're doing with Boeing here. And what this is about? It's about safety. And you couldn't be more proud of the fact that great company that is Boeing is basically entrusting us to deliver the training, their new Competency-Based Training curriculum to the airlines of which they sell aircraft.

And this is a contract that is basically an umbrella contract covering the world. We're launching in India, and so we'll be delivering the Competency-Based Training for Boeing in India. And as you know, there's a lot of airplanes been sold in India. So that's going to be a good business. So again, it's about safety here. There's long-term training agreements and we're very proud of it, obviously.

Tim James, TD Securities

Maybe if I could just follow onto that question, is it about scale for Boeing, see helping them roll out their Competency-Based Training to a bigger footprint through your assistance? Or is it about Boeing wanting to be aligned with CAE because of the safety aspect of it, or is it both?

Marc Parent, Chief Executive Officer

Look, I think it is Boeing recognizing who CAE is. What we do at CAE is simulation training aircrew. We'll do 1.2 million hours of training this year. So imagine, the technology we bring to bear, the insights we bring to bear based on just the sheer amount of training that we do, you're right, part of it's like, yeah, we're leveraging the installations that we have around the world.

So they basically have facilities there with simulators there that are either there or we can deploy to deliver the training, deliver using their curriculum. But we're able to, as well, provide objective database insights as to how well, for example, the curriculum has been assimilated so that around the world, they're selecting CAE to be able to make sure that safety remains paramount. And in fact, we're getting--we're basically going to the next level of safety here, again leveraging data and data analytics-based insights.

Tim James, TD Securities

Okay. That's really helpful. And then just my last question, rather broad question, and I guess, I'm thinking more about the Civil side of the business. I mean, your competitive position is quite something, is very, very good. Are you seeing any changes in the competitive environments? I mean, the outlook is very strong. You're generating good results and momentum. Is it attracting any moves on the competitive front that you're noting or are worth calling out?

Marc Parent, Chief Executive Officer

No. Look, I don't see it different. I would tell you that certainly before I concentrate on customers and meeting customers' demands across our business. That’s what I'm focused on. That's what we're focused on. And at CAE, our mantra is not to satisfy customers, it's delight customers.

What we do see is, and you've seen it, like airlines are much more amenable to outsourcing because we provide them the only real global alternative, globally based alternative to be able to outsource the training and deliver training that is to the level that an airline would provide, leveraging not only regulatory--meeting regulatory requirements, but requirements of the airlines themselves, their standard operating procedures as an example.

I'll just point to the fact that six out of the top seven U.S. airlines now are now training within our network. And that's versus, again, zero before the pandemic. You see us now do a deal for training AEGEAN, largest Greek carrier. Training with Qantas. I mean, these are marquee airlines. So that's the dynamic that we see. So the competitive--to me--I mean, look, I don't see any difference in the competitive environment from that standpoint.

Tim James, TD Securities

Okay. That’s great. Thank you very much, Marc.

Operator

Our next question comes from Cameron Doerksen with National Bank Financial. Please proceed.

Cameron Doerksen, National Bank Financial

Yeah, thanks. Good afternoon. Just a question on full-flight simulator orders. 22 in the quarter, obviously very strong. I just wonder if you can talk about the outlook for order activity there for the remainder of the year. Because it does seem like you would be--I know it's only one quarter, but very much on pace to exceed last year's total, which was also pretty strong.

Marc Parent, Chief Executive Officer

It's been a long time since we haven't had a question on the number of full-flight simulator deliveries. I like that. But look, I expect it to be elevated. Look, we've got 22 so far. What we’re always focused, Cameron, is maintaining our share--our leading share. And you know, we're not going to take every order if it doesn't make sense. It has to be accretive to our expectations. But, by and large, look, with the commanding market share that we have, we’ll imagine that it's not a commodity game here.

We basically compete on the fact that, again, our sims are going to be out there for decades and we're going to be supporting because that's what we do. So look, I would expect it to remain elevated. I said we'll deliver probably over 50 full-flight simulators for the year. I'm not going to get ahead of myself for the demand, but I can tell you that the demand is still pretty--the demand out there in terms of what we see in the market is still pretty high.

Cameron Doerksen, National Bank Financial

Okay. That’s good to hear. And just maybe second question on the future aircrew training contract that you've been selected as preferred bidder for, obviously, a huge contract over a long period of time. Assuming that that contract actually gets awarded in 2024, I just wonder if you can talk a bit about how that kind of scales up. I mean, is that something where you'd start to see workflow into CAE fairly quickly after contract award?

Marc Parent, Chief Executive Officer

Well, I think short answer is yes. Okay. It is going to last for quite a long time. It is really--we're really talking a generational contract here. No exaggeration. I'm pretty darn sure I was--I can tell you I was in Moose Jaw just last Friday with our team. And that's going to be a contract that we are going to hire people that spend their whole careers on this contract, no exaggeration. I'm very proud of that, the fact that we are creating such an opportunity.

So look, I can't go in--I think you would understand. I'm not going to go into specifics of contract because now we have got to move from being selected to negotiate terms and get the contract signed. So can't go into detail, but look, what I would tell you is that it's a meaningful expansion of the work that we do today. It will start to deliver fairly early because there is a lot of work to be done to prepare new billings, new aircraft, a lot of new things, new simulators. But I won't get into absolute details right now.

Cameron Doerksen, National Bank Financial

Okay. Fair enough. Thanks very much.

Operator

Our next question comes from Kristine Liwag with Morgan Stanley. Please proceed.

Kristine Liwag, Morgan Stanley

Great. Hey, good afternoon, guys. Marc, the pilot shortage issue in the industry has been longstanding for the past few years now. And here we are, it seems like there is still tightness in the industry and this could get worse. So maybe a three-part question, and I apologize in advance.

So, first, how far along is the industry in addressing this? Are we in the second inning, the seventh inning, or are we spring training? Second, when you talk to airline customers about their needs, what's the level of urgency that they have in trying to attract new pilots to the industry versus where they should be if they want to address the problem? And the third portion of this question would be, if the industry were to act with appropriate urgency and actions to fully address this issue, what does that look like for CAE?

Marc Parent, Chief Executive Officer

Okay, a lot of questions here. But, yes, look, for your question on the baseball analogy, I think we are still in early innings when it comes to market. That's the way to characterize it. There is lots of room--lots of time to play this out. And of course, people are focused on the United States, but it's a global situation with different dynamics depending on where you are.

I could tell you there is lots of urgency amongst our customers out there, whether business aircraft, commercial airline customers for sure, there is lots of urgency out there. And for us, airlines are doing a lot to attract and retain pilots. You see it everywhere.

And for us, look, we're not putting a finer point on it. We just put out, as I was saying, our aviation professionals forecast at Paris Air Show. There is going to be a lot of pilots, a lot of aircrews, a lot of maintenance technicians going to have to train over the next 10 years. And that's our business. That's what we do. And we are number one in the world at it, so I'm bullish in almost any scenario.

Kristine Liwag, Morgan Stanley

Great. And in terms of the actions that they take, if they actually take those, I mean, what does that mean for CAE? Would you need to open up new aviation training facilities? Like, can you size the market and the opportunity, if they actually take that action today?

Marc Parent, Chief Executive Officer

Well, we are doing it. I mean, you saw us--I think we launched 23 new simulators last year. I think we have either launched or broke ground on eight new simulator centers in the past few months. So we are moving, and we'll continue to move in lockstep with demand. That's what we have always done and that's what we will continue to do.

But again, I will emphasize that if we are going to deploy that capacity, we're going to do it with--it's not a question of that we're going to like build it and it will come. It will be--we could see that demand for years to come, and it'll be--and the contracts will be based on us being able to support that capacity profitably in line with the expectations that we have for those full segments.

Kristine Liwag, Morgan Stanley

Great. Thank you, Marc.

Marc Parent, Chief Executive Officer

Thank you.

Operator

Our next question comes from Ron Epstein with Bank of America. Please proceed.

Jordan Lyonnais, Bank of America

Hi. Good afternoon. This is Jordan on for Ron. I just had a question. So on the about $800 million in unfunded backlog, could you guys give a more color on when you expect that funding to come through?

Marc Parent, Chief Executive Officer

Well, when we talk about unfunded backlog, really what you're talking about is, I'm sure you know, but it's really--if you win, let's say you win a seven-year contract in the United States, well, we'll only take the first year because that's the funded part of the U.S. government. So we fully expect the full contract to be realized. And I don't think

I've ever seen a contract, certainly the U.S., that the definition has gone anywhere but that way.

So I'll give you an example. We were selected on the FSTSS contract. That's a use contract where we'll be deploying new simulators for all the U.S. Army training in Fort Rucker or now Fort Novosel which would be for us like US $455 million in the contract, and that will deploy over 12 years. So right now, our order intake is not $455 million. It’s very small, actually, very small part of that is in our order intake. But of course, it'll be reflected in unfunded backlog.

Jordan Lyonnais, Bank of America

Got it. Thank you. And then, just one quick follow-up, too. On the $8.8 billion that you guys have out for bids and proposals, what do you guys see as your competitive advantage for those proposals to turn them into wins?

Marc Parent, Chief Executive Officer

Well, I think that the first thing I would say is that we wouldn't bid them if we didn't think that we have a pretty good shot at winning them because, if you think of defense proposals, they're very costly and timely to bid, and they require a lot of manpower expertise. So you want to make sure that your expertise, your resources are deployed on the ones that you think you can win.

So look, I think that being--so we expected to win them or we have pretty darn good shot. So for us, beyond that, what are our advantages? Well, scale, for sure, the technology, the market leadership that we have, and the fact that you look at CAE in the market, we're really the only pure play platform independent, which is important because that makes us objective defense simulation training company. So that's very attractive in the market out there.

Jordan Lyonnais, Bank of America

Great. Thank you, guys, so much.

Marc Parent, Chief Executive Officer

Thank you.

Operator

Our next question comes from Michael Kypreos with Desjardins Capital Markets. Please proceed.

Michael Kypreos, Desjardins Capital Markets.

Thanks and good afternoon. Maybe on the IndiGo order for 500 A320s, I know CAE currently has some exposure through the IndiGo Cadet Pilot Program. Maybe just when should we expect any Civil top-line or simulated deliveries will be potentially impacted by this order? And is it possible that IndiGo, the airline, kind of front runs this training to be ready for when the fleet capacity actually starts to be delivered?

Marc Parent, Chief Executive Officer

Well, I think we're very well exposed to that because, IndiGo is--we're partnered with IndiGo, and we have been partners since the beginning they launched the aircraft. So it's not only on initial, but it's on all their simulator-based training centers that they do. So a very strong exposure to that. So we're very, very happy to see that.

I mean, IndiGo, look, they basically carry 50% of passengers, over 50% of passengers in India, and they fly to every airport in India. I know them well. Great airline. And again, it's going to be very good for them. It's going to be very good for us.

Michael Kypreos, Desjardins Capital Markets

Thanks. That’s great color. And maybe just on the India market in general, maybe some of the potential advantages that that has over Asia and China where you can actually provide both on-premise training as well as the simulators?

Marc Parent, Chief Executive Officer

Well, we have a number of training centers in India right now in Bangalore in--the two centers in Delhi. Right off the bat, we have initial (sp) operations there as well. So we're well exposed on the ground in India right now.

Michael Kypreos, Desjardins Capital Markets.

Perfect. That’s great. And maybe just quickly, a quick one on Defense. Your margin came in slightly below sequentially 3Q and 4Q of last year. Is that mostly due to seasonality or was there any type of one-time cost or other elements that impacted that?

Marc Parent, Chief Executive Officer

No, it's in line with our expectations, what we said. It's certainly not a drop or anything. No, it's basically what I thought it would be as we basically talked about what the margin profile should be this year.

Michael Kypreos, Desjardins Capital Markets.

All right. Thanks a lot. That helps.

Marc Parent, Chief Executive Officer

Thank you.

Andrew Arnovitz, Senior Vice President, IR

Thank you. Operator, I think that's all the time we have for financial analysts. We do want to open the lines in the minutes remaining to members of the media, so I'd ask you to please open the queue to members of the media.

Operator

Thank you. If you’re part of the press or media, please press the one-four on your telephone.

Andrew Arnovitz, Senior Vice President, IR

Operator, are there no questions from the media?

Operator

There seems to be no questions at this time.

Andrew Arnovitz, Senior Vice President, IR

Okay. Well, that being the case, we will conclude the conference call. I want to thank those participants who joined us today and remind you that a transcript will later be posted on CAE's website. Thank you.

Operator

That does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your line. Thank you.