

Investor Presentation

February 2019



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Caution regarding forward looking statements

This presentation contains forward-looking statements about our activities, events and developments that we expect to or anticipate may occur in the future. These forward-looking statements include, without limitation, statements about our vision, strategies, plans, market trends and outlook, future revenues, capital spending, expansions and new initiatives, financial obligations, and expected sales. Forward-looking statements normally contain words like believe, expect, plan, intend, continue, estimate, may, will, should, strategy, future and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will. A statement is forward-looking when it uses what we know and expect today to make a statement about the future. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties associated with our business which may cause actual results in future periods to differ materially from results indicated in forward-looking statements. While these statements are based on management's expectations and assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that we believe are reasonable and appropriate in the circumstances, readers are cautioned not to place undue reliance on these forward-looking statements as there is a risk that they may not be accurate. All such forward-looking statements are made pursuant to the safe harbour provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

You will find more information in Section 9-Business risk and uncertainty of our fourth quarter and fiscal year ended March 31, 2018 MD&A. This document has been filed with the Canadian securities commissions and is available on our website (www.cae.com) and on SEDAR (www.sedar.com). It has also been filed with the U.S. Securities and Exchange Commission under Form 6-K and is available on EDGAR (www.sec.gov). Forward-looking statements in this document represent our expectations as of February 8, 2019, and, accordingly, are subject to change after this date. We caution readers that the risks described are not necessarily the only ones we face; additional risks and uncertainties that are presently unknown to us or that we may currently deem immaterial may adversely affect our business. Additionally, differences could arise because of events that are announced or completed after the date of this document, including mergers, acquisitions, other business combinations and divestitures. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. The forward-looking information and statements contained in this report are expressly qualified by this cautionary statement.

The terms "segment operating income (SOI)", "backlog", "book-to-sales", "free cash flow", "return on capital employed", "net debt", "net-debt-to-capital ratio", "earnings per share (EPS) before specific items", "capital expenditures (capex)", "operating profit", "gross profit", and "non-cash working capital" are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Refer to the definitions in this presentation and to Section 5- Non-GAAP and other financial measures in our second quarter ended September 30, 2018 MD&A for more details.



Our vision is to be the recognized global
training partner of choice
to enhance safety, efficiency and readiness.

Leader in three business segments



Civil Aviation Training Solutions

- Commercial Aviation
- Business Aviation
- Training equipment
- Ab Initio Training
- Crew sourcing

Defence and Security

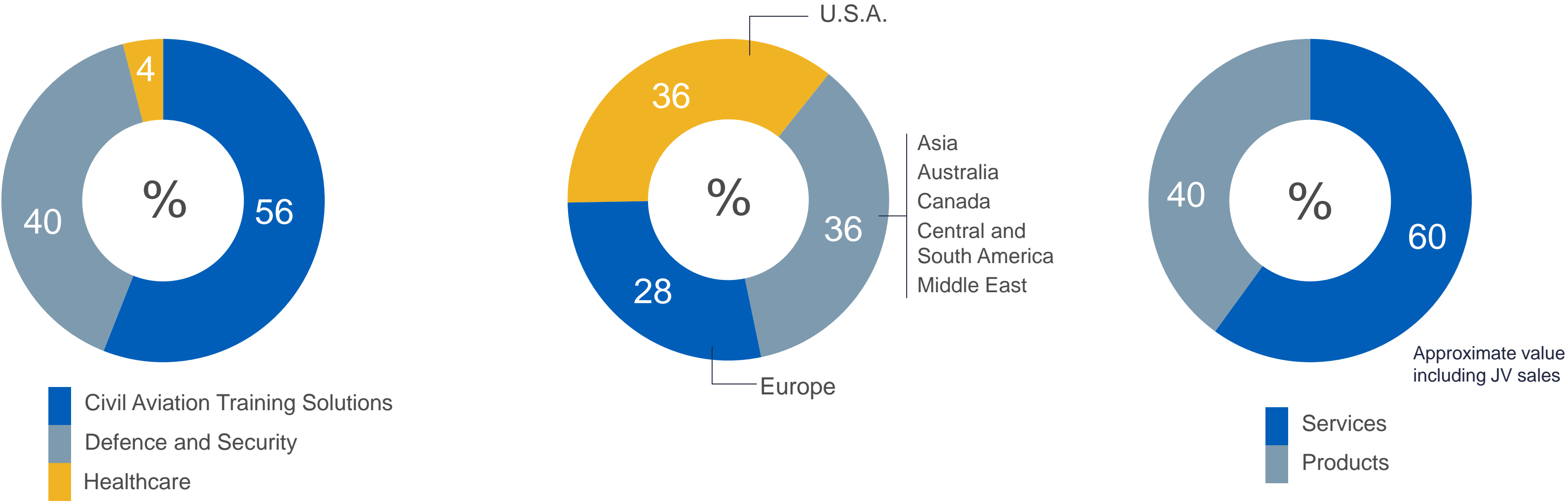
- Training Systems Integrator
- Virtual and live training
- Training equipment

Healthcare

- Patient simulation
- Imaging/Interventional simulation
- Courseware & Audiovisual solutions
- Turnkey training solutions

CAE at a glance

Diversified base of business with a high degree of recurring revenue

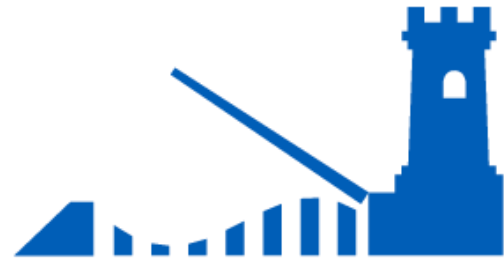


Total FY18 revenue⁽¹⁾:
\$2,823.5M

⁽¹⁾ IFRS 15 basis



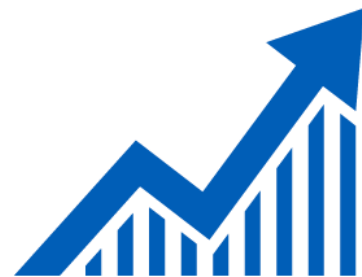
6 pillars of strength underlie CAE's strategy and investment thesis



**Strong
competitive
moat**



**Underlying
secular
tailwinds**



**Headroom
in large
markets**



**Potential
for superior
returns**

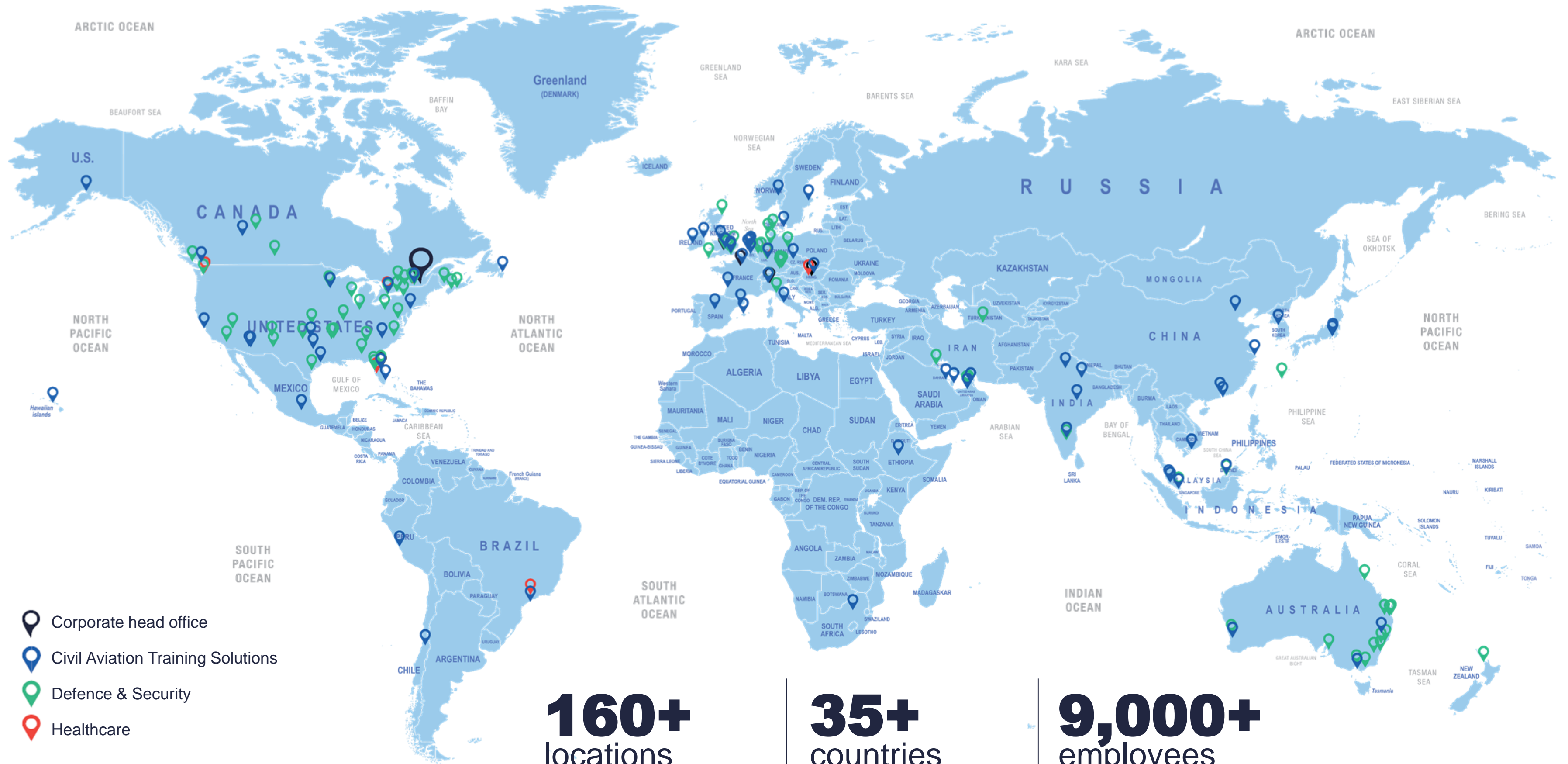


**High degree
of recurring
business**

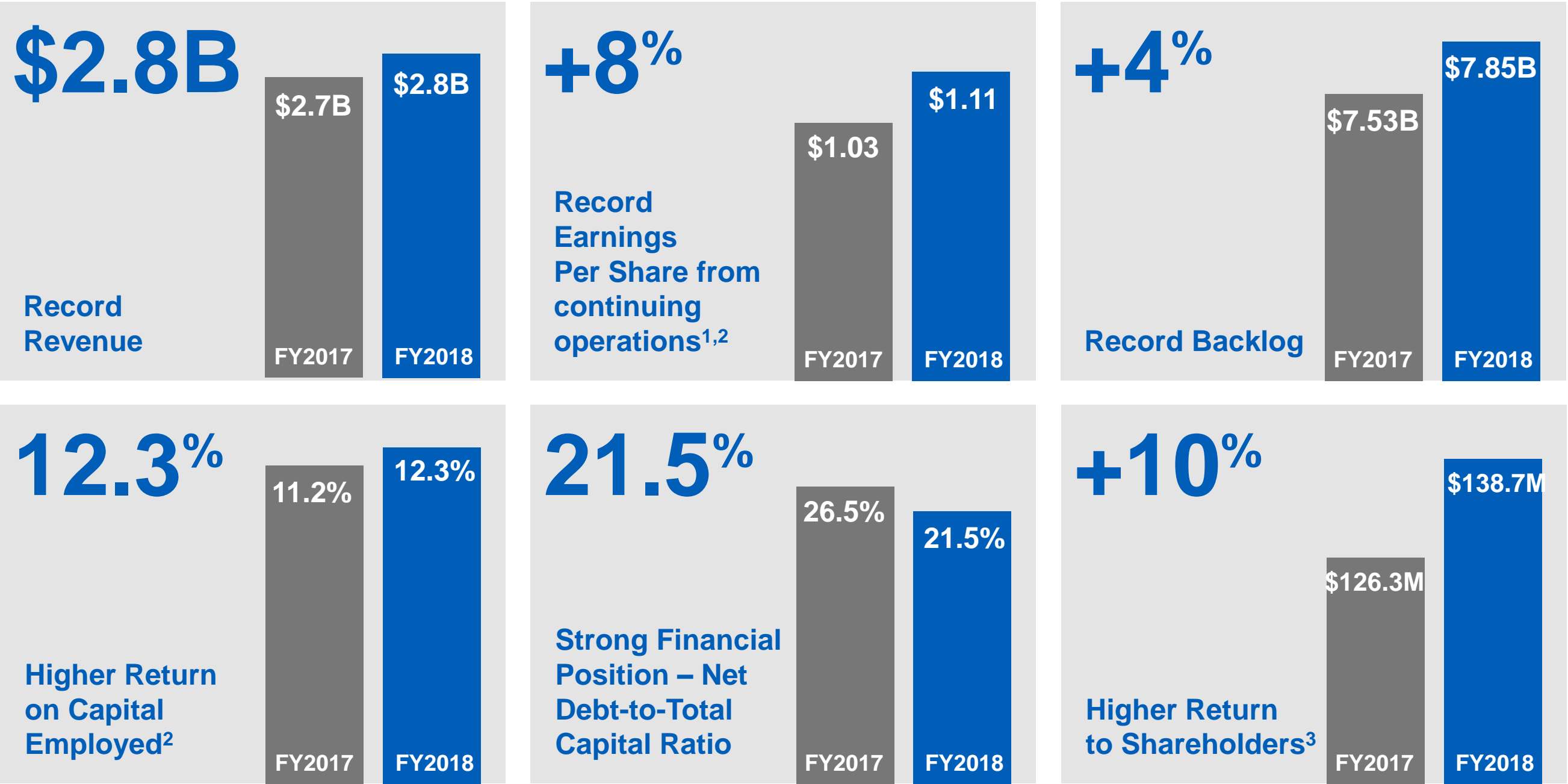


**Culture
of innovation**

Unmatched global reach



FY2018 SELECT PERFORMANCE HIGHLIGHTS



1. Before specific items in FY2017
2. Before impact of U.S. tax reform and net gains on strategic transactions related to Asian joint ventures in FY2018
3. Combining dividends and share buy-back
Note: EPS from continuing operations before specific items, backlog, return of Capital employed, and debt-to-capital ratio are all non-GAAP financial measures and are defined in CAE's FY2018 Management discussion and analysis



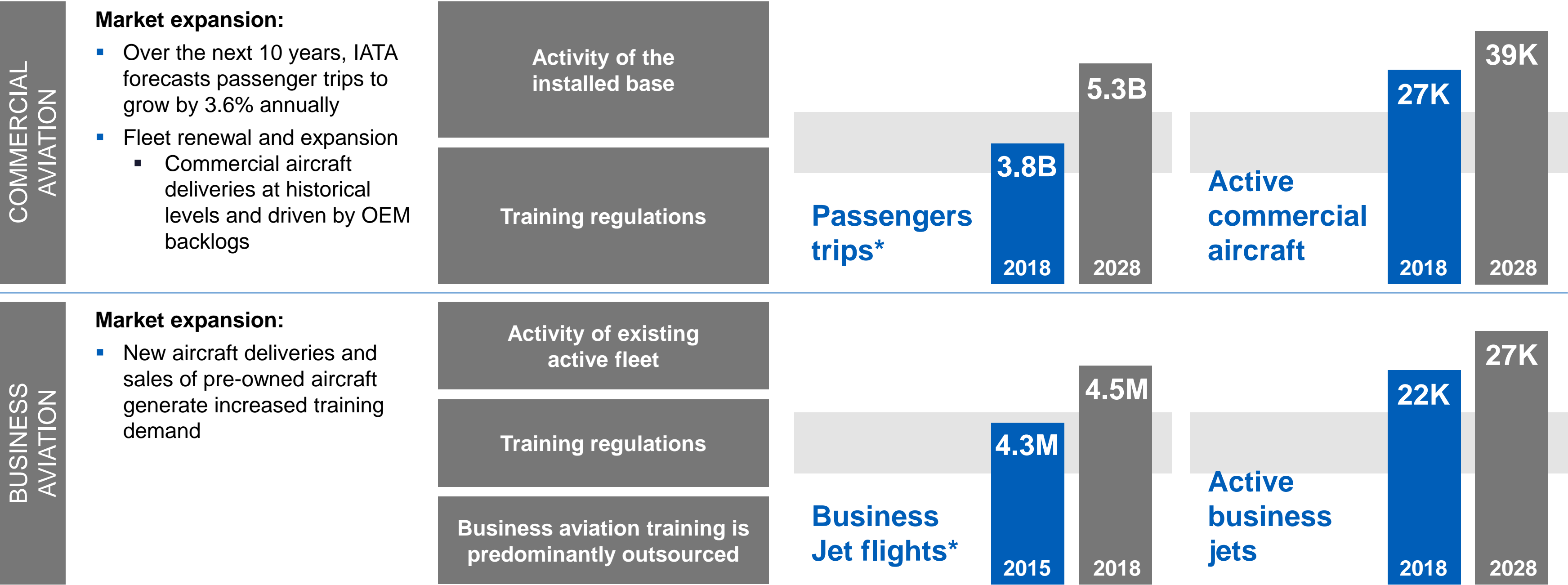
Civil Aviation Training Solutions



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Market drivers

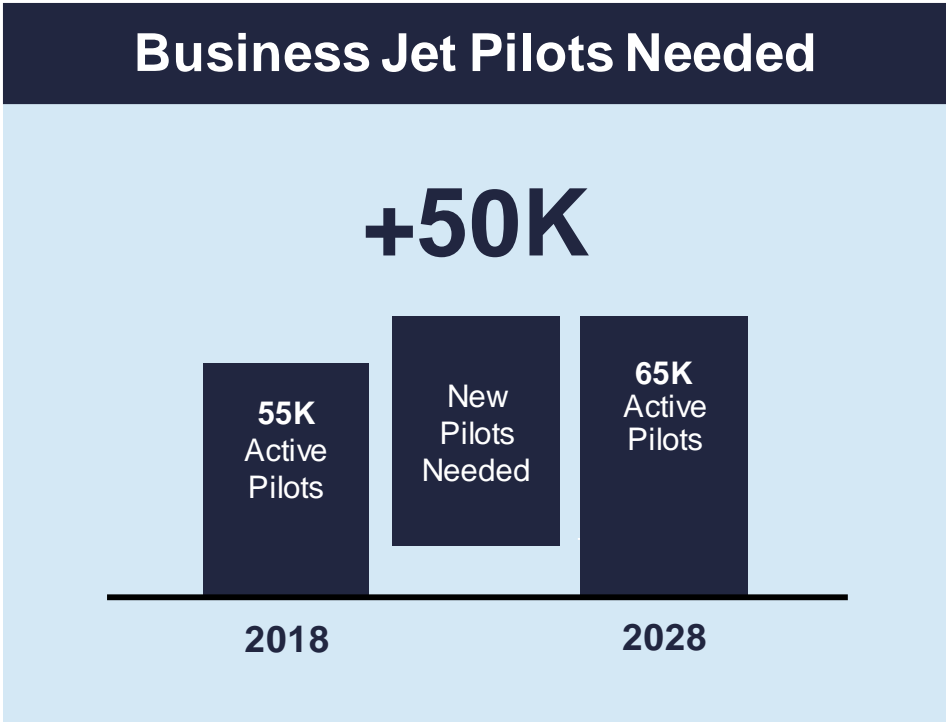
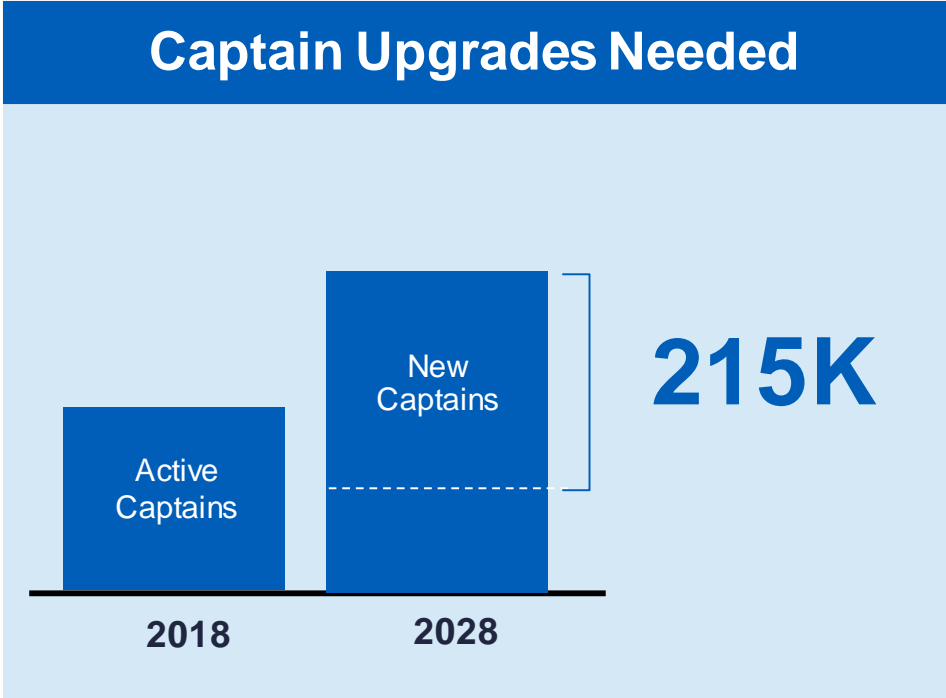
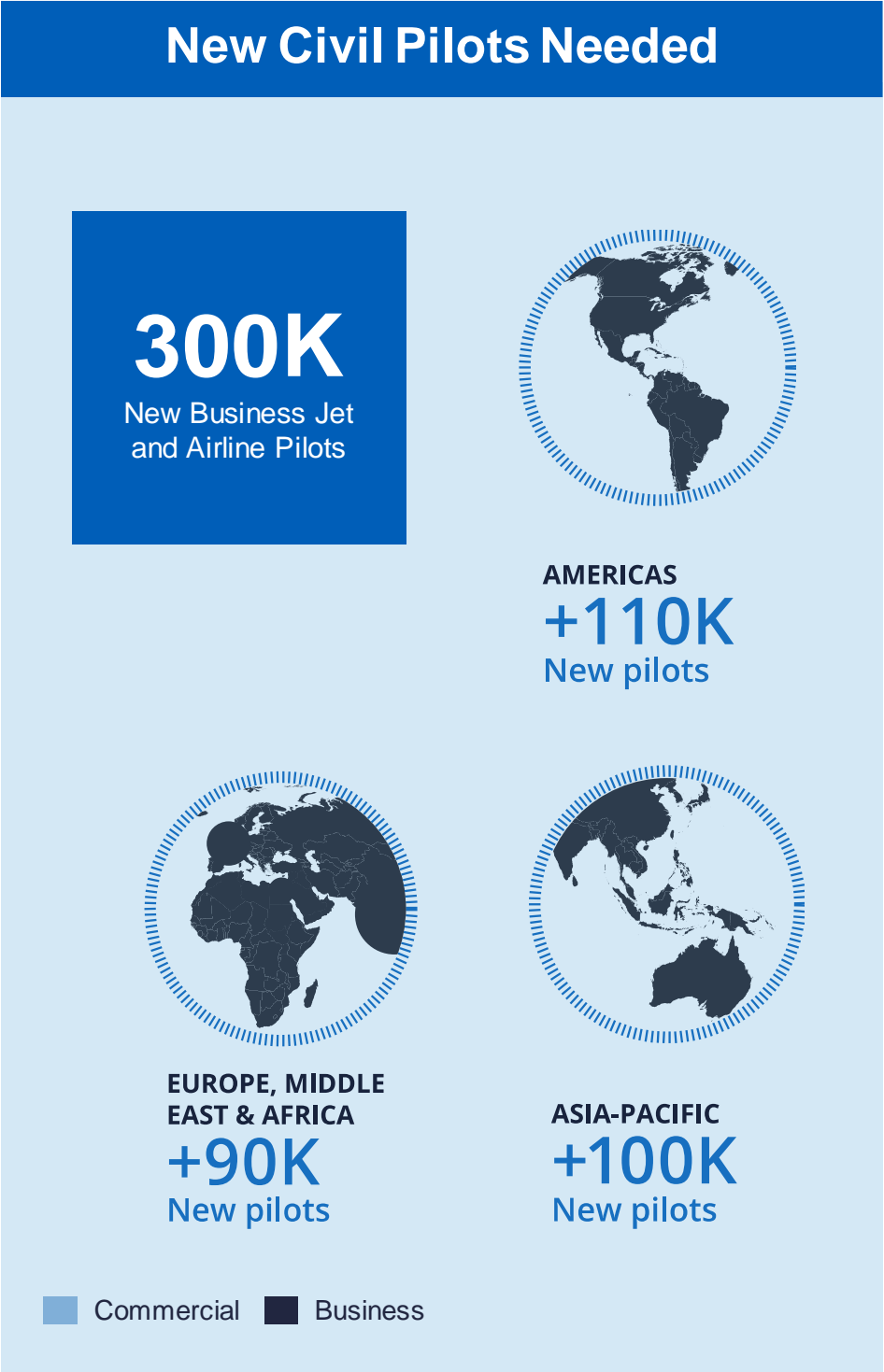
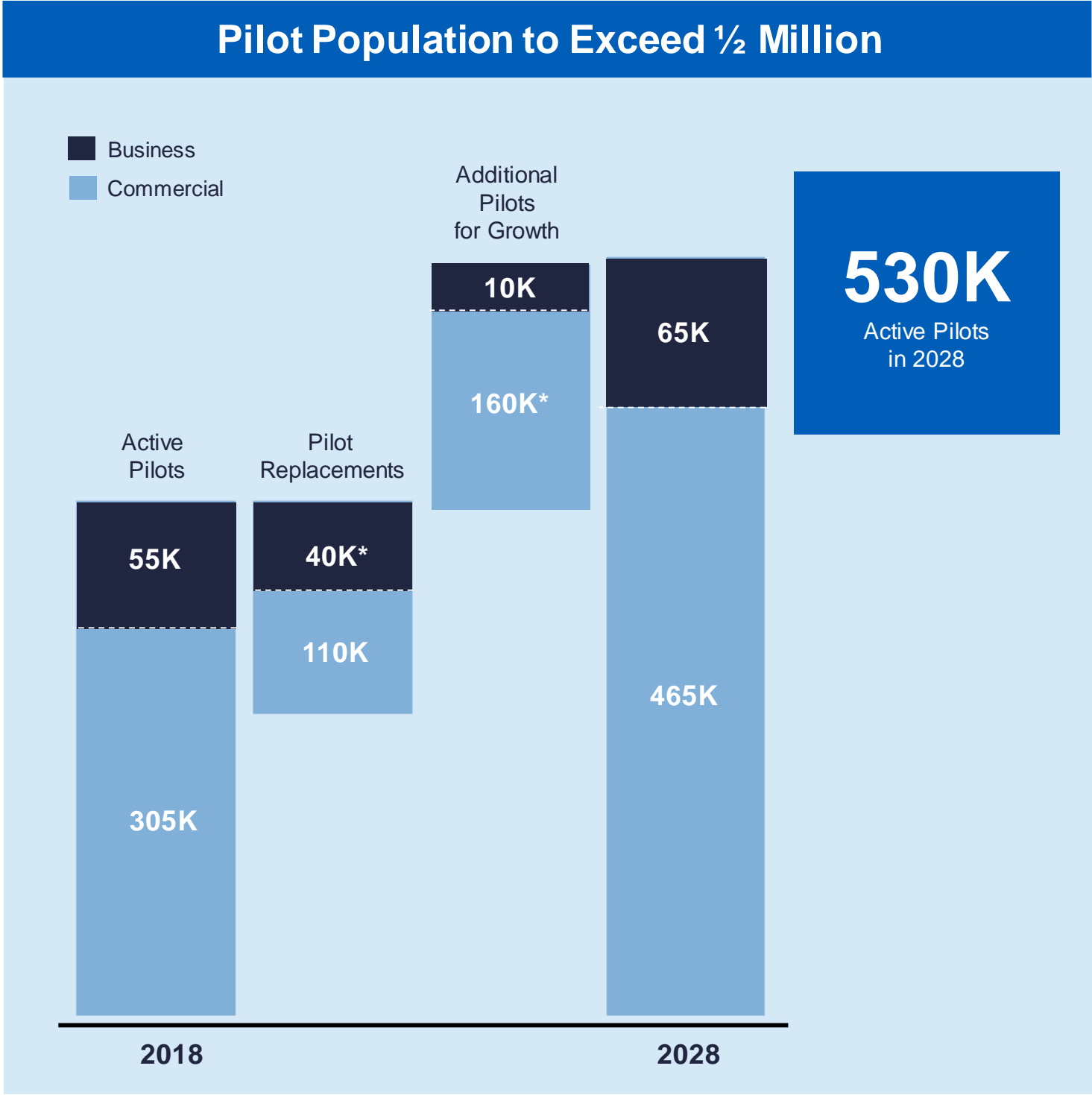


CAE Civil business is supported by strong pilot demand and the recurring (and regulated) nature of training

*Passenger trips: IATA Passenger forecasts, October 2018
Business Jet flights: millions takeoffs and landings, FAA data



10-YEAR AIRLINE AND BUSINESS JET PILOT DEMAND OUTLOOK



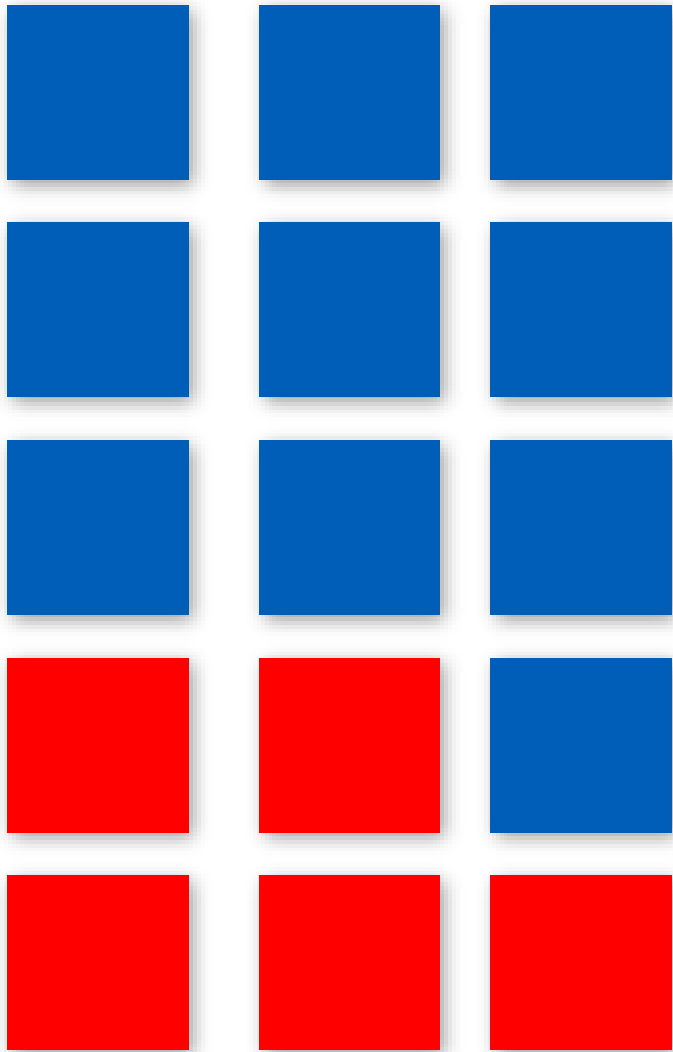
*Including a net 20K business jet pilots movement to airlines

Sources: Based on CAE analysis



Civil Training Market
\$4.2B

35%
CAE



CAE has potential to increase share in a large and growing market

World's largest civil aviation training network




50+
Training Locations



250+
Full Flight Simulators



10 | **160+**
Academies | Aircraft



**CAE trains
135,000+
pilots every
year**



Thought leadership and innovation

Trusted partner of regulatory organizations and industry associations



Constantly developing training solutions for partners

Development of the Next Generation Training System

Supported by innovative data collection and analysis techniques, we aim to improve training quality and efficiency through the integration of untapped data-driven insights into training



- ✓ Electronic Training Suite
- ✓ SOP Management Tool
- ✓ Objective Assessment
- ✓ Data Analytics

Thought leadership and innovation are at the heart of our success

CAE to acquire Bombardier's Business Aircraft Training business for US \$645M (EV) to expand its position in the business aviation training market



Expands CAE's addressable market in Business Aviation Training

- Acquires an established and growing business for the provision of flight and maintenance training services for operators of one of the world's largest and most valuable in-service business jet fleets
- Extends OEM Authorized Training Provider (ATP) agreement to 2038



Enhances CAE's position in largest and fastest growing segment of Business Aviation Training

- Increases training portfolio focus on medium- and large-cabin business jet market



High quality training platforms based on in-production aircraft with superior growth profiles

- Modern fleet of state-of-the-art full-flight simulators with limited ongoing maintenance investment required



Strong strategic and operational fit

- Expands CAE's addressable market for business jet instructor-led (wet) training
- Provides greater leverage across CAE's BAT network
- Low-risk, plug-&-play integration with operations already co-located within CAE's training premises



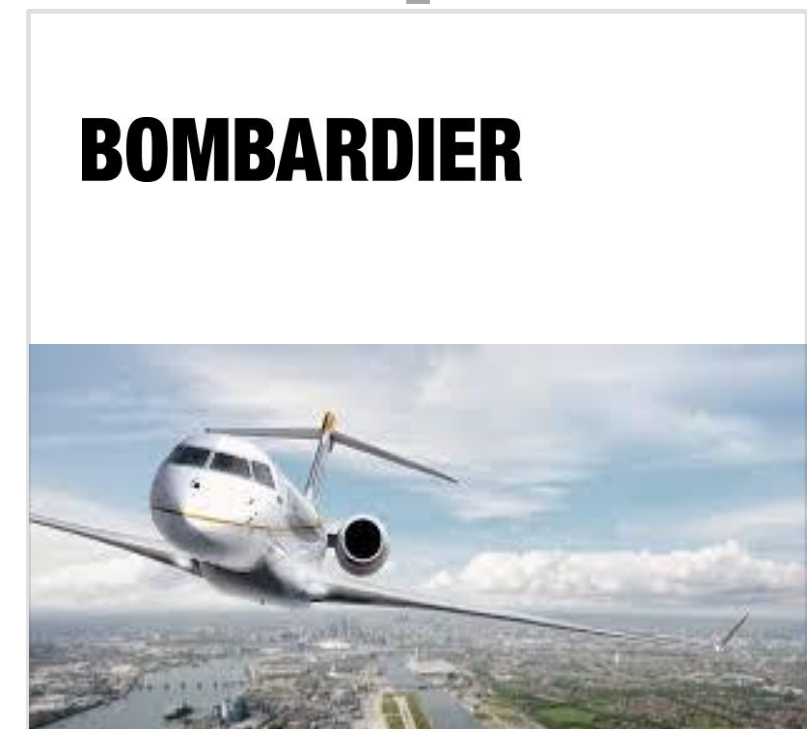
Financially attractive

- Accretive to earnings and free cash flow in the first full year of ownership
- Attractive growth and margin profile
- Provides additional value from ATP extension and monetization of existing royalty obligations at a discount



Fits capital allocation strategy for a balance of growth and cash returns to shareholders

- High cash flow generating business provides flexibility to deleverage balance sheet to lower end or target net-debt-to-capital range (35-45%) within 24-36 months post closing; continue supporting future growth opportunities; and generate current returns to shareholders
- Maintains CAE's investment grade profile with proforma leverage ratio remaining within target leverage range



Defence & Security



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Global Presence



3750+
EMPLOYEES

30+
COUNTRIES

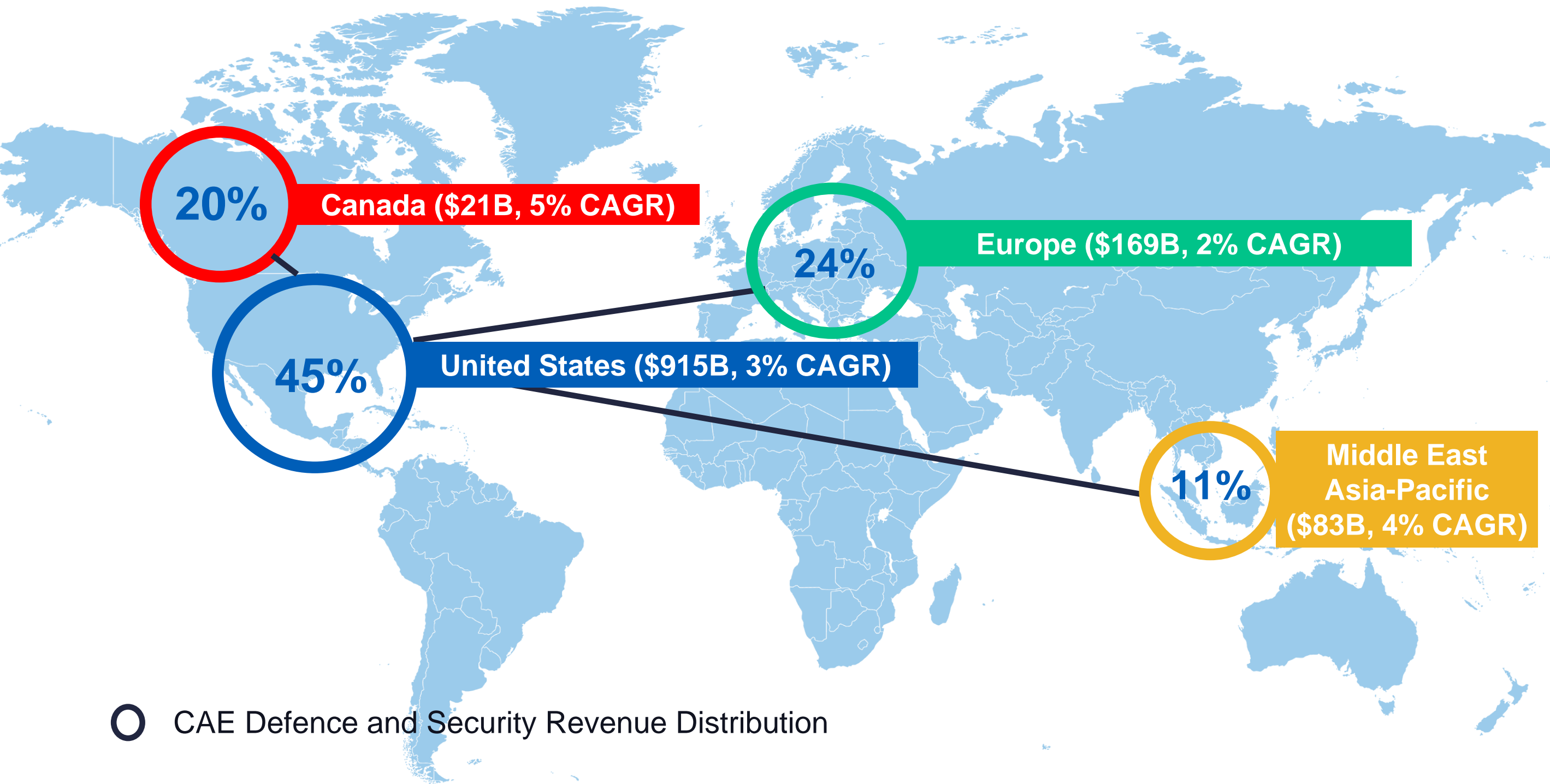
50+
DEFENCE AGENCIES

100+
SITES

70+
MILITARY AIRCRAFT TYPES

CAE D&S is a \$1B+ Business strategically located in key growth markets

Defence Market Growth Cycle



- 70% spending increase over 10 years
- Acquisition of Major Capital Assets
- Significant unmet needs
- Reliant on US defense technology

- Persistent Defence budget increases
- Aerospace & Defence firms are
 - Shaping portfolio to focus on core
 - Vertically integrating
 - Consolidating
- Trend towards increased outsourcing
- Focused on Foreign Military Sales

- Plans to recapitalize/modernize aircraft
- Near-term shortfalls delaying programs
- Increased bi-lateral cooperation
- Reliant on US technology

- Geopolitical instability
- Adoption of US technology
- Focus on Air/Naval Systems

Historic increases in US Defence budgets are being met with similar increases in the EU, NATO, GCC and APAC

Defence Training Market Drivers



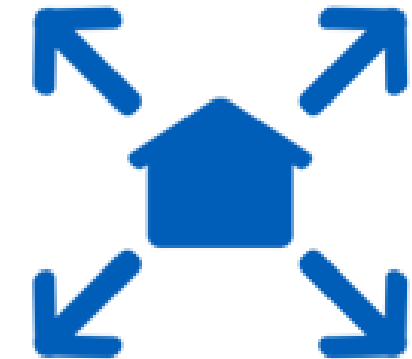
Increased
Defence spending
in all major markets



Requirement to
maintain
mission readiness



Increased use of
Live-Virtual-Constructive
solutions for
Integrated Mission Training



Propensity to increase
outsourcing of
training solutions

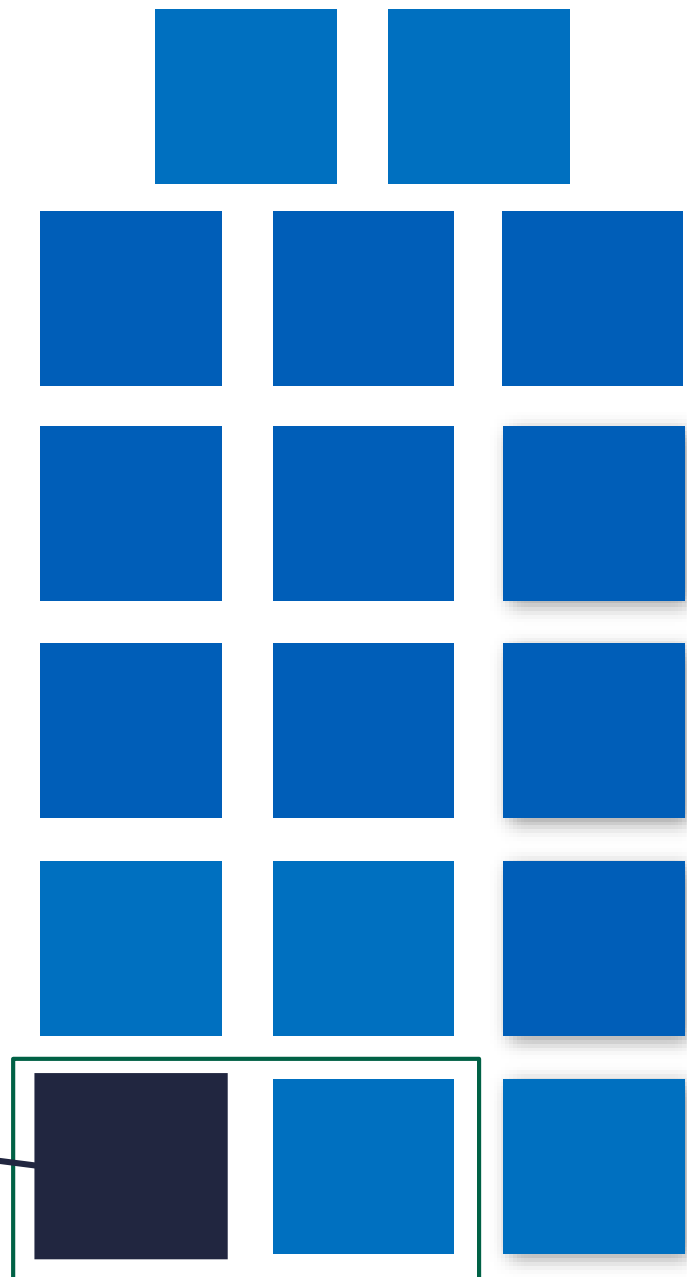
Growing budgets, the rapid adoption of advanced technology and increased reliance on outsourcing are all persistent trends

Defence Training Systems Integration (TSI) Market



\$1B+
CAE D&S

\$17B



Traditional Flight Simulation Market

**Integrated training solutions all have Live, Virtual and Constructive components
CAE D&S has headroom in this \$20B TSI market**

Proven Training Systems Integration track record

			
US Army	US Navy	US Air Force	Royal Canadian Air Force
<ul style="list-style-type: none"> Fixed-Wing Flight Aircrew Training Centre UH72A Lakota Training Systems M1A Abrams Maintenance Training Systems 	<ul style="list-style-type: none"> T45/T6 Goshawk/ Texan Aircrew Training T44C Pegasus Aircrew Training MH60R Seahawk Training System P8 Poseidon Training System USMC KC130J Super Hercules Training Systems 	<ul style="list-style-type: none"> KC135 Stratotanker Aircrew Training C130H Hercules Aircrew Training MQ1/MQ9 Predator/Reaper Aircrew Training AFSOC AC130J/V22/UH60 Aircrew Training ACC F15/F16/F22 Fighter Aircrew Training ACC C2 ISR Systems Engineering C130J Super Hercules Training Systems 	<ul style="list-style-type: none"> NATO Flying Training in Canada (NFTC) C295 Fixed Wing SAR Aircrew Training C130J and CH147F Aircrew Training
			
UK Royal Air Force	Royal Australian Air Force	UAE Armed Forces	Royal Canadian Navy
<ul style="list-style-type: none"> Medium Support Helicopter Aircrew Training Centre Military Flying Training Systems Merlin Life Sustainment Program MQ9 Sky Guardian Aircrew Training 	<ul style="list-style-type: none"> Management and Support of ADF Aerospace Simulators (MSAAS) MRH90 Training Systems P8 Training Systems MQ9 Reaper Aircrew Training 	<ul style="list-style-type: none"> Naval Training Centre (NTC) Joint Aviation Command AH407 / UH60 Training Systems MQ1 Protector Aircrew Training 	<ul style="list-style-type: none"> Halifax Class Modernization Program Canadian Surface Combatant Training System

CAE D&S has a proven track record delivering innovative and comprehensive training solutions for Defence organizations worldwide

Healthcare

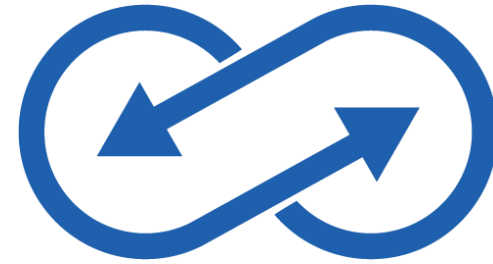
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The case for CAE healthcare simulation



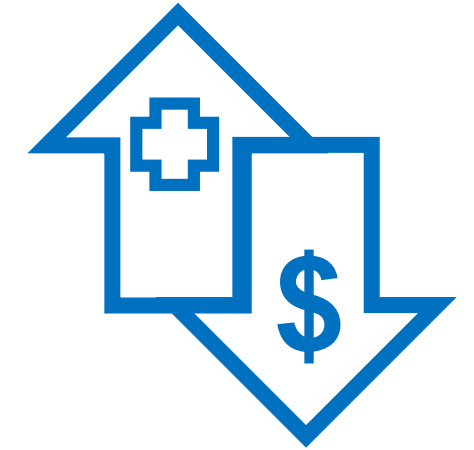
**Digital transformation
enables data-driven
care and training**



**Synergies with CAE's
next generation
training solutions**



**Explicit desire
to adopt aviation
best practices**



**Shift to value-based
care aligns prices with
patient outcomes**

**Opportunity to lead in a potentially much larger market
as quality of care gets incentivized and regulations take hold**

Market drivers

Increasing use of simulation in healthcare

Digital transformation of healthcare training

Growing emphasis on quality of care and patient safety

Reducing medical errors* and improving patient outcomes

Limited access to live patients during training

- Students paired with experienced staff
- Limited access to high-risk procedures and rare conditions

Medical technology revolution

Advancements in medical technology are driving the use of simulation by OEMs, pharma and clinicians



* 3rd leading cause of death in USA

Regulatory shift toward Value-based Care

US Centers for Medicare and Medicaid Services' *Hospital Acquired Conditions* (HAC)

- Uses quality of care as a performance metric

6 Quality Measures

1. Patient Safety Indicators 90 Composite
2. Central line bloodstream infections
3. Catheter-associated urinary infections
4. Surgical site infections
5. Multi-resistant infections
6. Clostridium difficile infections

Objective quality measures

- 25% lowest performing US hospitals face penalties

- FY17 = 1% payment cut
- FY18 = 4% payment cut
- FY19 = 6% payment cut

for nearly ¼ of more than 3,300 US hospitals

- ▶ In FY17, lowest performing hospitals lost **\$430M USD** in government reimbursements
- ▶ In FY19, lowest performing hospitals will lose **~\$3B USD** in government reimbursements

Value-based Care is driving a greater adoption by US hospitals of simulation-based training to improve the quality of care

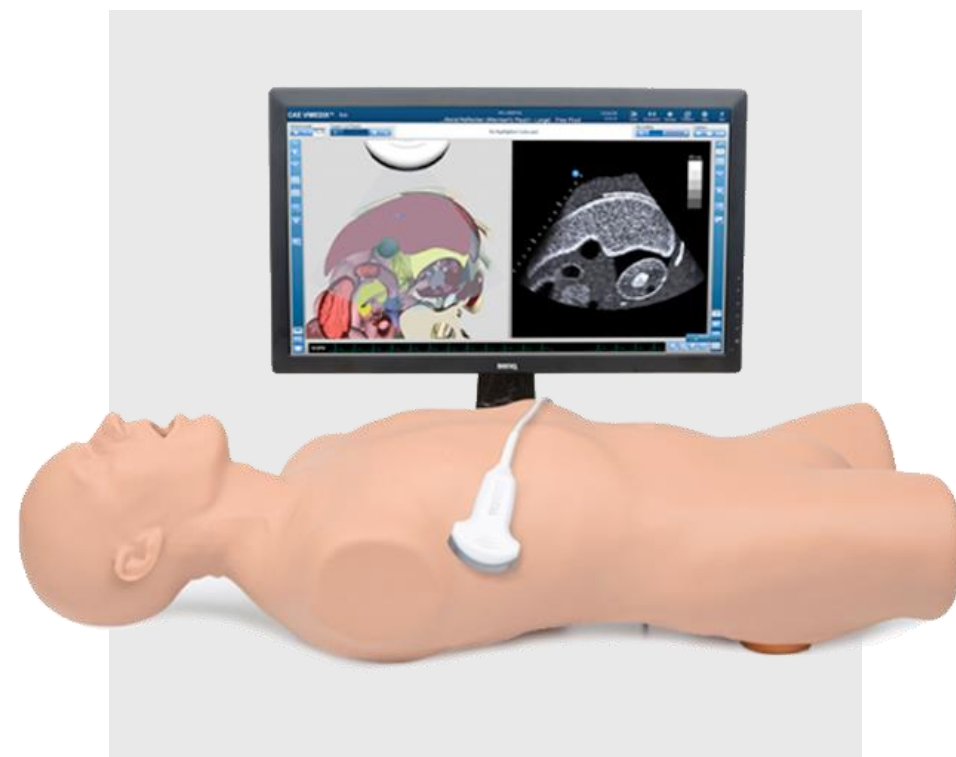
Broadest portfolio of training solutions



Patient simulators



Courseware



Ultrasound simulators



Surgical simulators



Simulation centre management solutions

Culture of innovation

**CAE Healthcare
became the first
company to bring a
commercial Microsoft
HoloLens mixed-
reality application to
the medical
simulation market...**



**...by using the
Microsoft HoloLens,
the CAE VimedixAR
ultrasound simulator
integrates real-time
interactive holograms
of the human
anatomy**

Thought leadership and Innovation

Trusted partner of scientific societies

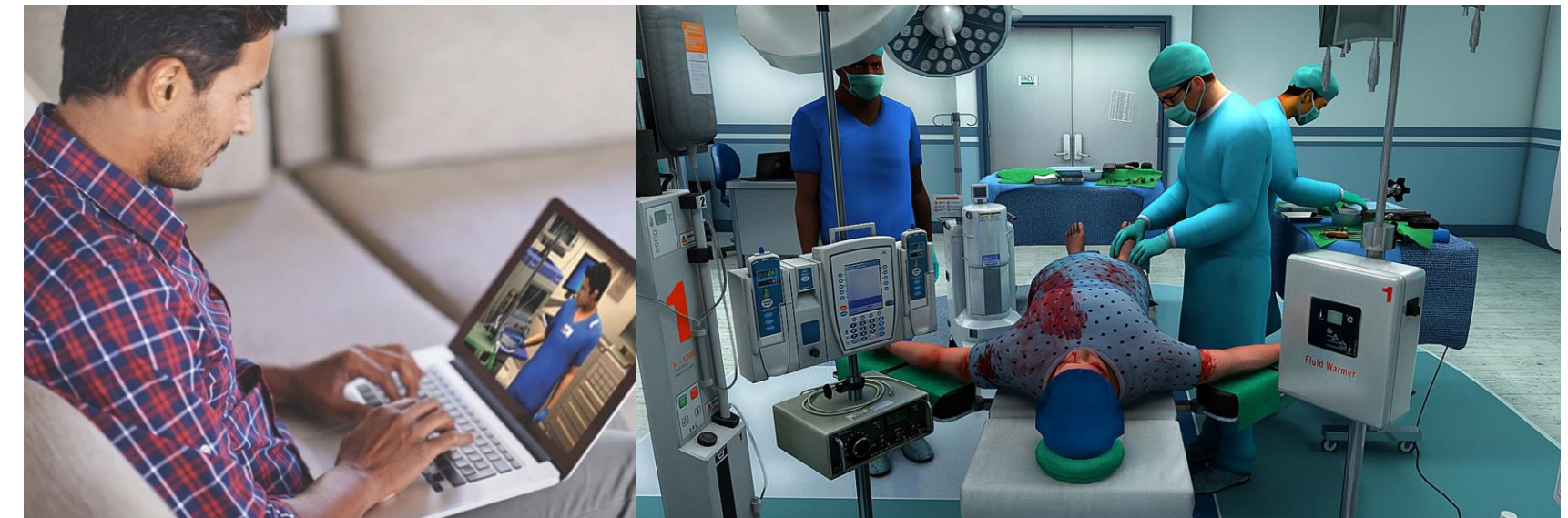


Screen-based simulation for Maintenance of Certification in Anesthesiology (MOCA)

The Next Generation Training and Certification

Created in collaboration with American Society of Anesthesiologists (ASA) and approved by American Board of Anesthesiology (ABA)

Powered by CAE MÜSE physiology and deployed via ASA Education Center



Financial highlights and capital priorities



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Priorities

1

Invest in superior and sustainable growth

Market/customer-led investments in core and close adjacencies with a clear path to market share gains and attractive returns

2

Provide current shareholder returns while generating long term growth

Current shareholder returns commensurate with earnings and cash performance

3

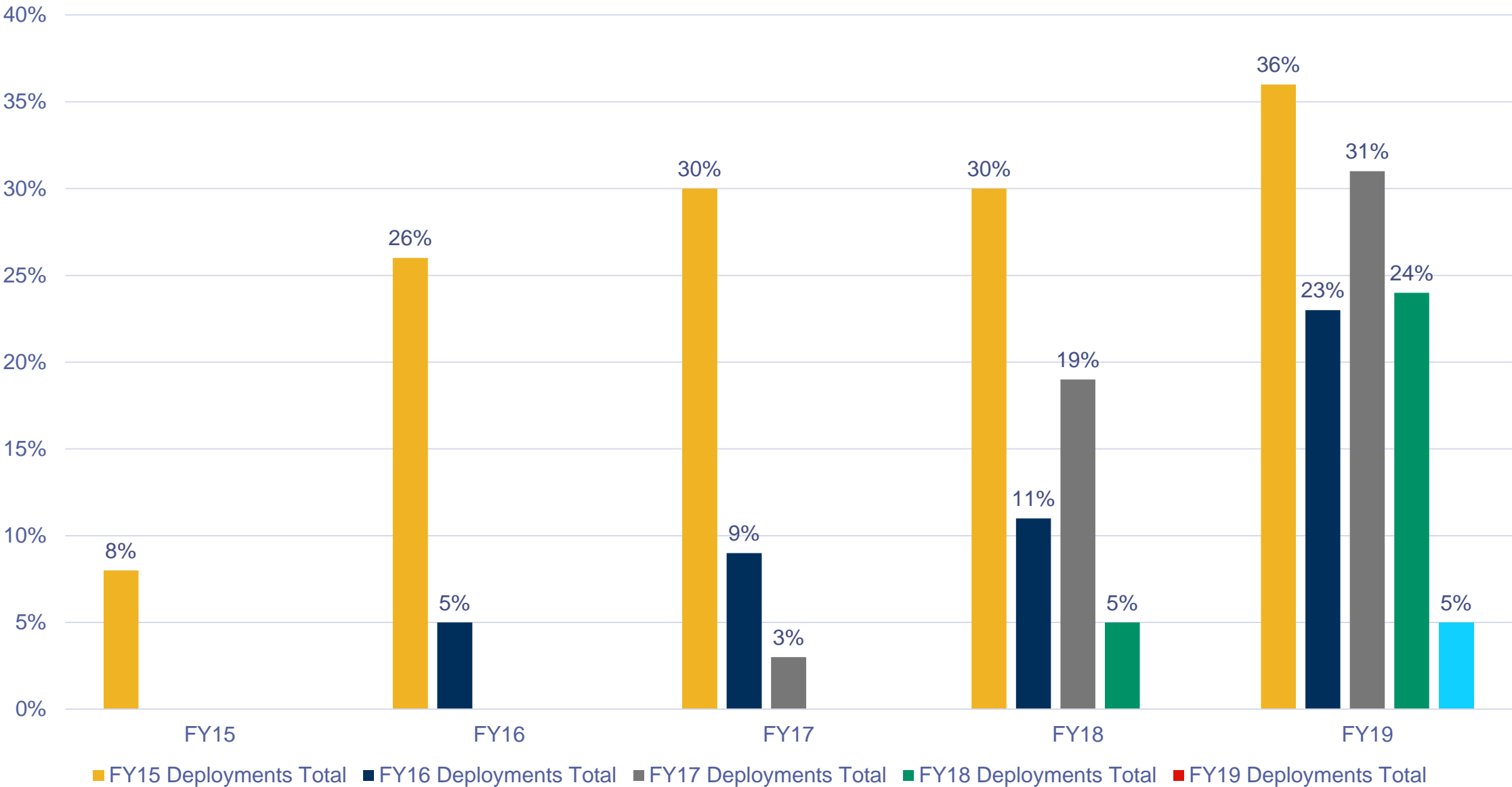
Maintain a strong balance sheet

Target leverage ratio of Net Debt-to-Capital of 35-45% to maintain flexibility for growth investment opportunities

Investment in accretive growth remains a priority given attractive return potential

1

Incremental Pre-tax DOI Return % on Capital Deployed in Civil Training
(FY15-FY19 Forecast #9)

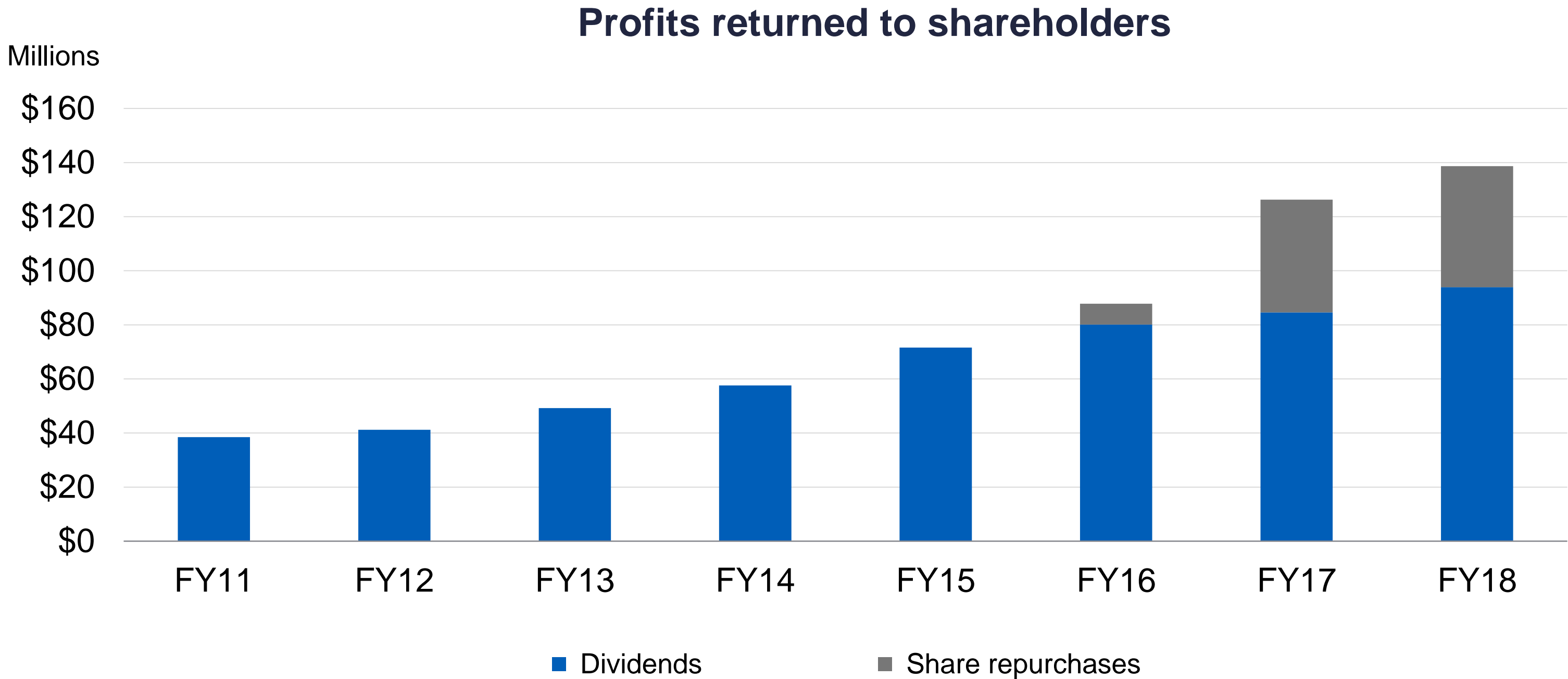


~\$446M capital investment from FY15-FY19 (end of Q3) to deploy 63 FFSs within CAE’s Civil commercial and business aviation training network

Growth capital deployed in Civil in the last five years has grown recurring revenue and has been highly accretive



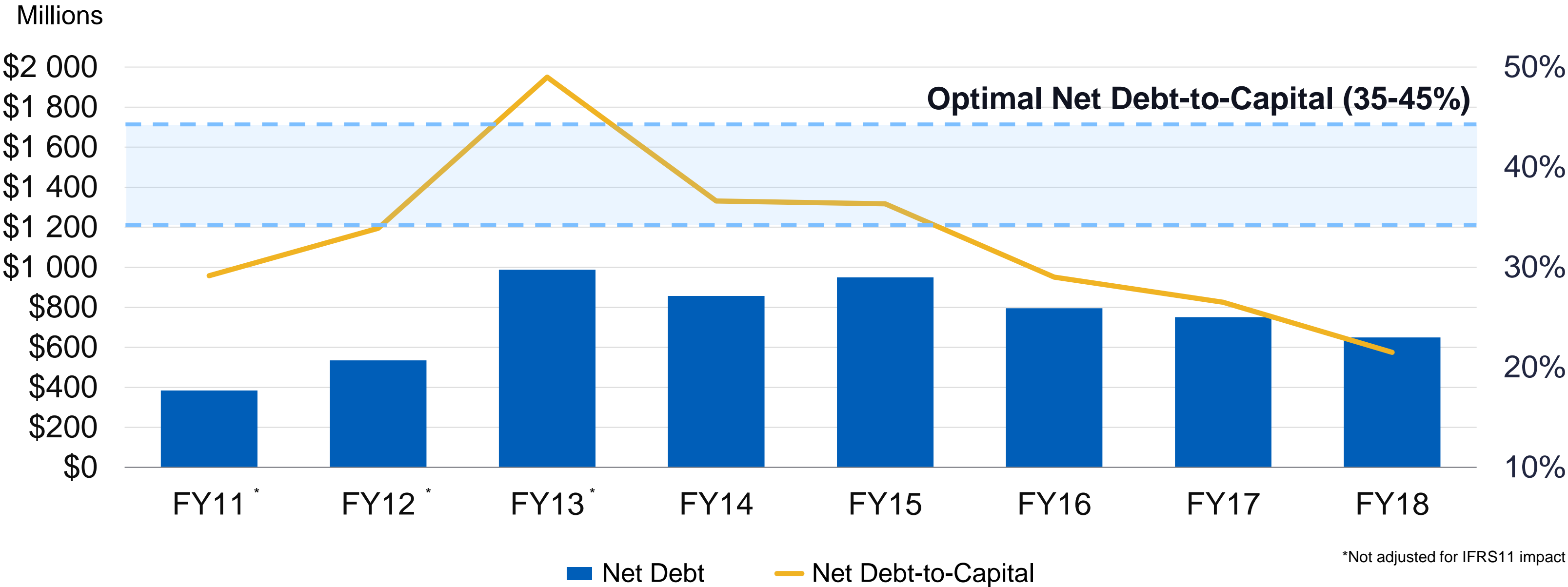
Current shareholder returns



CAE prioritizes a balance between long-term capital appreciation and cash returns to shareholders

Strong balance sheet

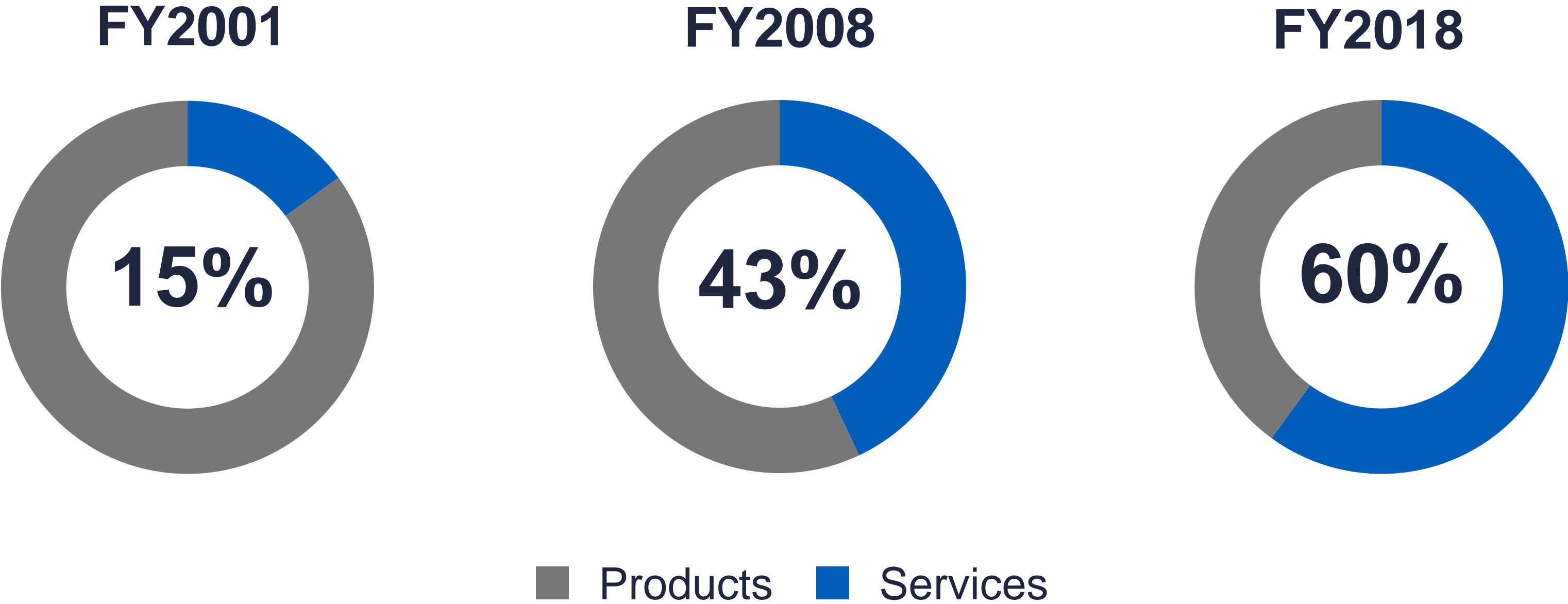
3



CAE’s strong financial position provides stability and flexibility to pursue accretive growth investments in our core

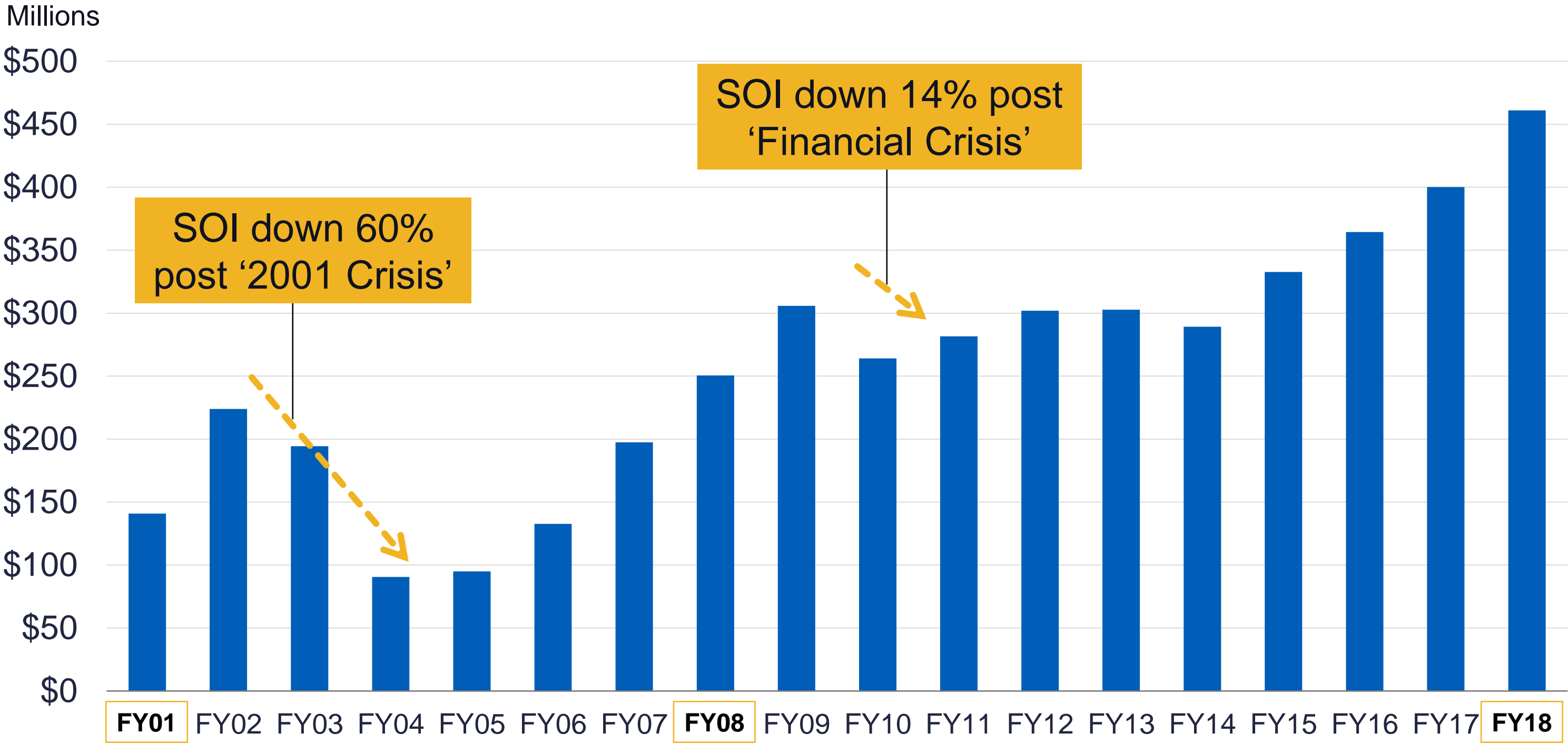


CAE’s transformation over the last 2 decades had led to an increased proportion of recurring revenue (services)



A resilient business model

CAE Consolidated Segment Operating Income (SOI)

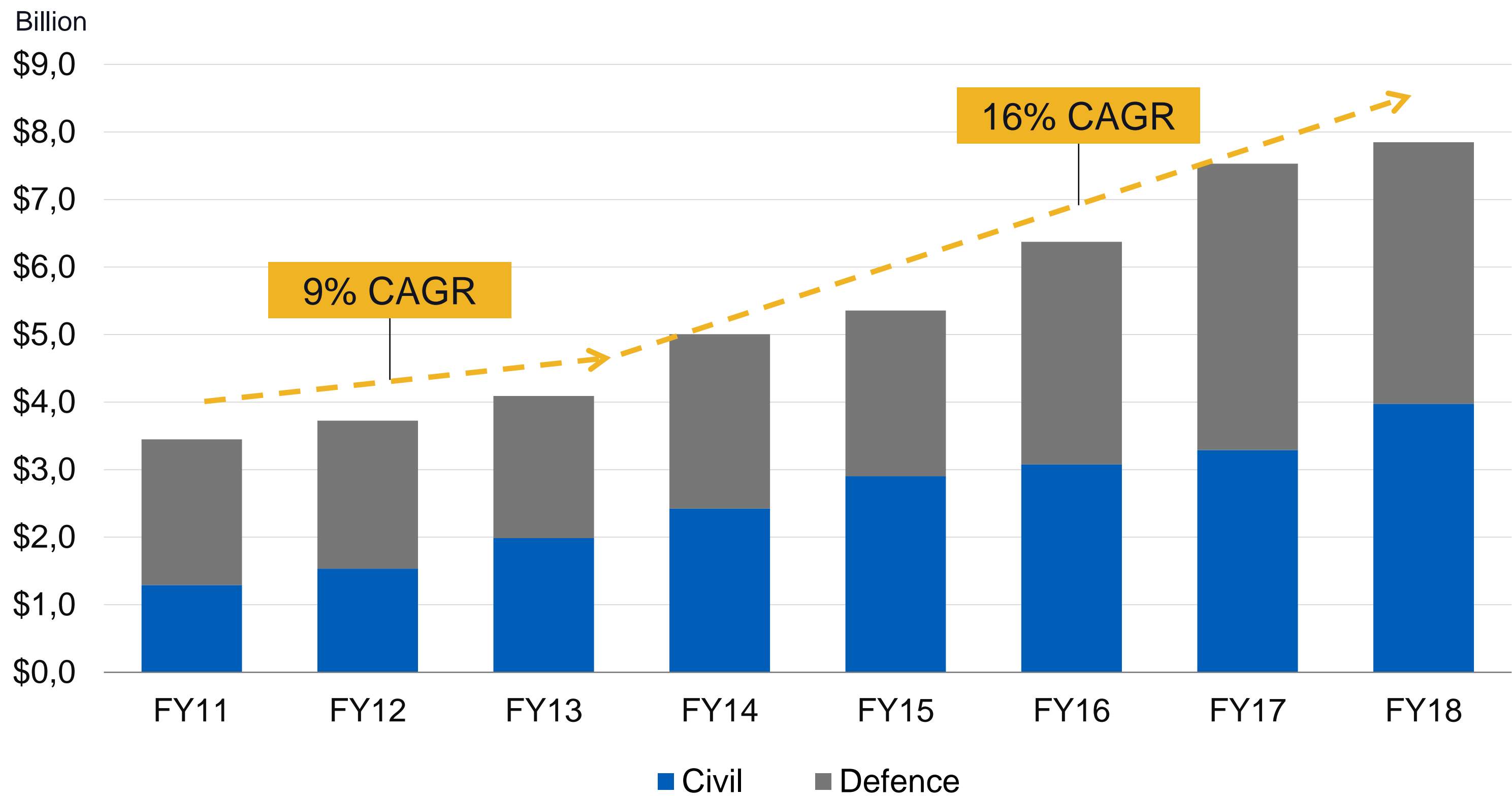


FY01-FY10 Canadian GAAP; FY11-FY17 IFRS



Strong backlog for enhanced visibility

Total Backlog



Compelling long term investment thesis

 High Degree of Recurring Business	<ul style="list-style-type: none">• Services revenue approx. 60% of mix and expected to continue increasing relative to products• Long-term contracts in regulated markets• Large order backlog	 Strong Competitive Moat	<ul style="list-style-type: none">• Market leader• Unique comprehensive Solutions• Unmatched global reach and scale• Deep customer intimacy	 Headroom in Large Markets	<ul style="list-style-type: none">• Large addressable markets in Civil Aviation and Defence• Innovation leader in developing Healthcare simulation market
 Underlying Secular Tailwinds	<ul style="list-style-type: none">• Long-term passenger traffic growth in Civil aviation• Increased defence spending and rise in simulation-based training• Rising adoption of simulation in Healthcare and potential for regulation	 Potential for Superior Returns	<ul style="list-style-type: none">• Rising proportion of recurring services which portends lower volatility• Potential to grow faster than underlying markets by increasing share in large markets	 Culture of Innovation	<ul style="list-style-type: none">• Innovation leader in simulation products and training solutions• Proven outsourcing models

CAE's position for sustainable growth inside of large and growing markets makes it highly attractive from a risk/return standpoint

Outlook summary for FY2019

CIVIL

Continued low double-digit percentage operating income growth
Maintain lead in FFS sales with ~70 for the year

DEFENCE AND SECURITY

Continued mid to high single-digit percentage operating income growth

HEALTHCARE

Resumption of double-digit growth

Continued measured and profitable growth investment mainly in support of and driven by customer training outsourcing opportunities

Total capital expenditures of approximately \$250M commensurate with larger scale of CAE and high level of opportunity for market-led investments offering accretive returns and free cash flows

Revenue and profit weighted to H2 owing the impact of IFRS 15 adoption and 5-week work disruption last summer

Expect to exceed underlying growth of CAE's core markets

Appendix



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Q3 FY19 business highlights

FY19 Q3	
EPS	\$0.29 vs. \$0.38 in prior year*
Revenue	\$816.3M (-1% YoY)
Operating profit	\$113.0M (-25% YoY*)
Free cash flow	\$155.1M compared to \$146.0M to last year
Book-to-sales	1.08x
Total backlog	\$9.0B

*Q3 FY18 results exclude the impact of the net gain of AACE and before the impact of the U.S. tax reform.



Consolidated financial results

Summary of Consolidated Results (amounts in millions, except per share amounts)	Three months ended December 31	
	2018	2017 Restated*
Revenue	\$ 816.3	\$ 828.2
Gross profit	233.3	255.7
Operating profit	113.0	147.2
<i>As % of revenue</i>	13.8%	17.8%
Net income	79.5	104.7
Net income attributable to equity holders of the Company	77.6	102.7
Basic and Diluted EPS attributable to equity holders of the Company	0.29	0.38

*FY18 results restated as a result of the adoption of IFRS 15. Q3 FY18 results exclude the impact of the net gain of AACE and before the impact of the U.S. tax reform.

Cash movements

Consolidated Cash Movements (amounts in millions)	Three months ended December 31	
	2018	2017 Restated*
Cash provided by operating activities (before changes in non-cash W/C)	\$ 123.6	\$ 156.2
Changes in non-cash working capital	94.0	31.4
Maintenance capex and other assets	(19.9)	(17.7)
Proceeds from the disposal of property, plant and equipment	0.2	0.5
Net payments to equity accounted investees	(17.3)	(7.7)
Dividends received from equity accounted investees	-	6.5
Dividends paid	(25.5)	(23.2)
Free cash flow	155.1	146.0

*FY18 results restated as a result of the adoption of IFRS 15.



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