

Investor Presentation

May 17, 2019



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Caution regarding forward looking statements

This presentation includes forward-looking statements about our activities, events and developments that we expect to or anticipate may occur in the future including, for example, statements about our vision, strategies, 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*, *anticipate*, *plan*, *intend*, *continue*, *estimate*, *may*, *will*, *should*, *strategy*, *future* and similar expressions. 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 harbor 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, 2019 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 May 17, 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 "*backlog*", "*book-to-sales*", "*capital expenditures (capex)*", "*earnings per share (EPS) before specific items*", "*free cash flow*", "*gross profit*", "*net-debt-to-capital*", "*net debt*", "*non-cash and working capital*", "*operating profit*", "*return on capital employed*", "*segment operating income (SOI)*", are non-GAAP measures which are useful supplemental information but may not have any standardized meaning according to GAAP. Furthermore, these non-GAAP measures should not be compared with similarly titled measures provided or used by other companies. Refer to the definitions in this presentation and to Section 3.7 (Non-GAAP and other financial measures) in our fourth quarter and year ended March 31, 2019 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 Training
- Business Aviation Training
- Training equipment
- Ab Initio Training
- Crew sourcing

Defence and Security

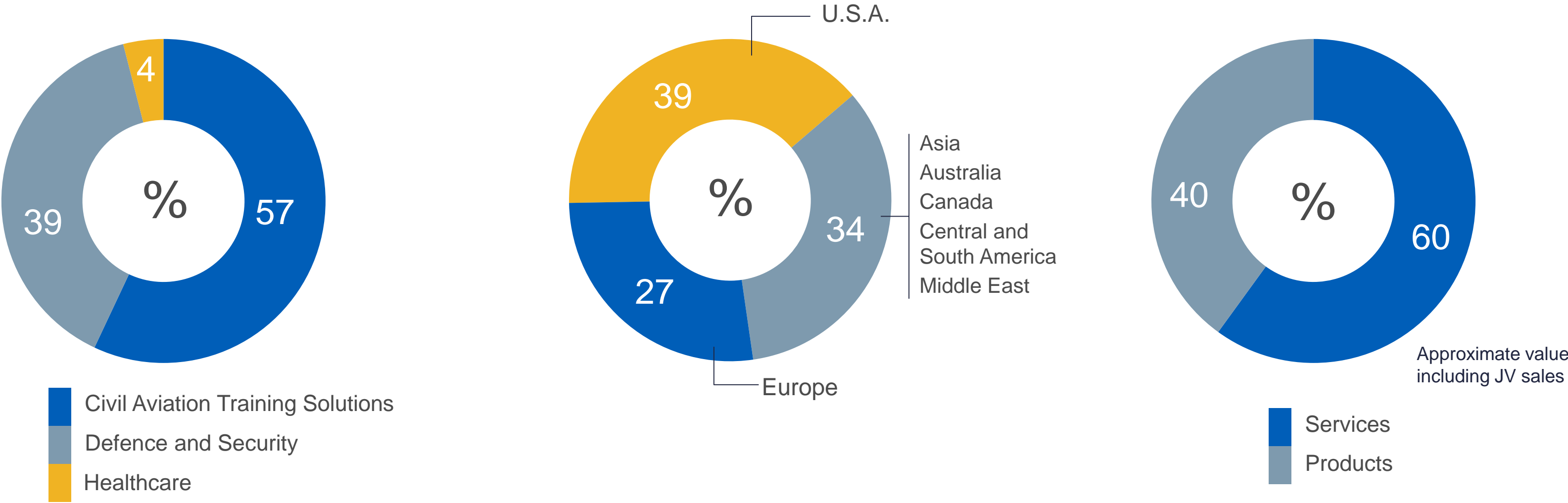
- Training Systems Integrator
- Virtual and live training
- Training equipment

Healthcare

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

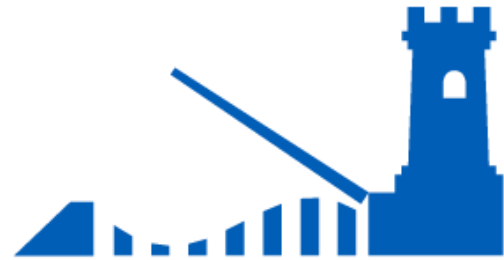
CAE at a glance

Diversified base of business with a high degree of recurring revenue



Total FY19 revenue: \$3.3B

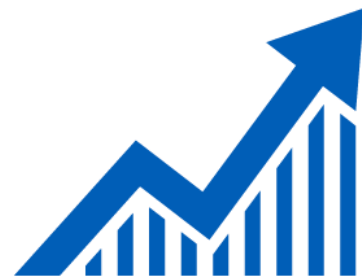
Six pillars of strength underlie CAE's strategy and investment thesis



**Strong
competitive
moat**



**Underlying
secular
tailwinds**



**Headroom
in large
markets**



**Potential
for superior
returns**

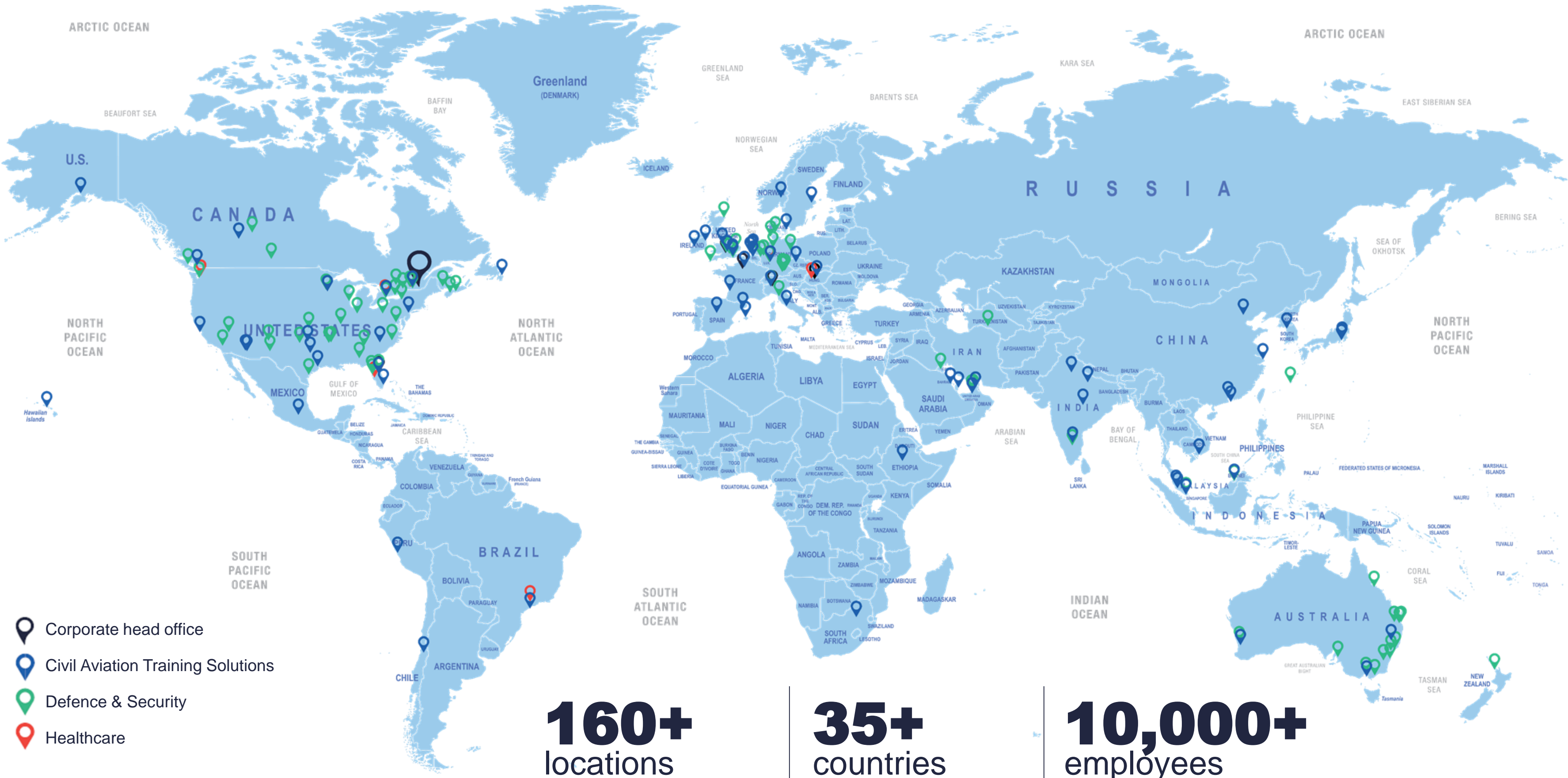


**High degree
of recurring
business**

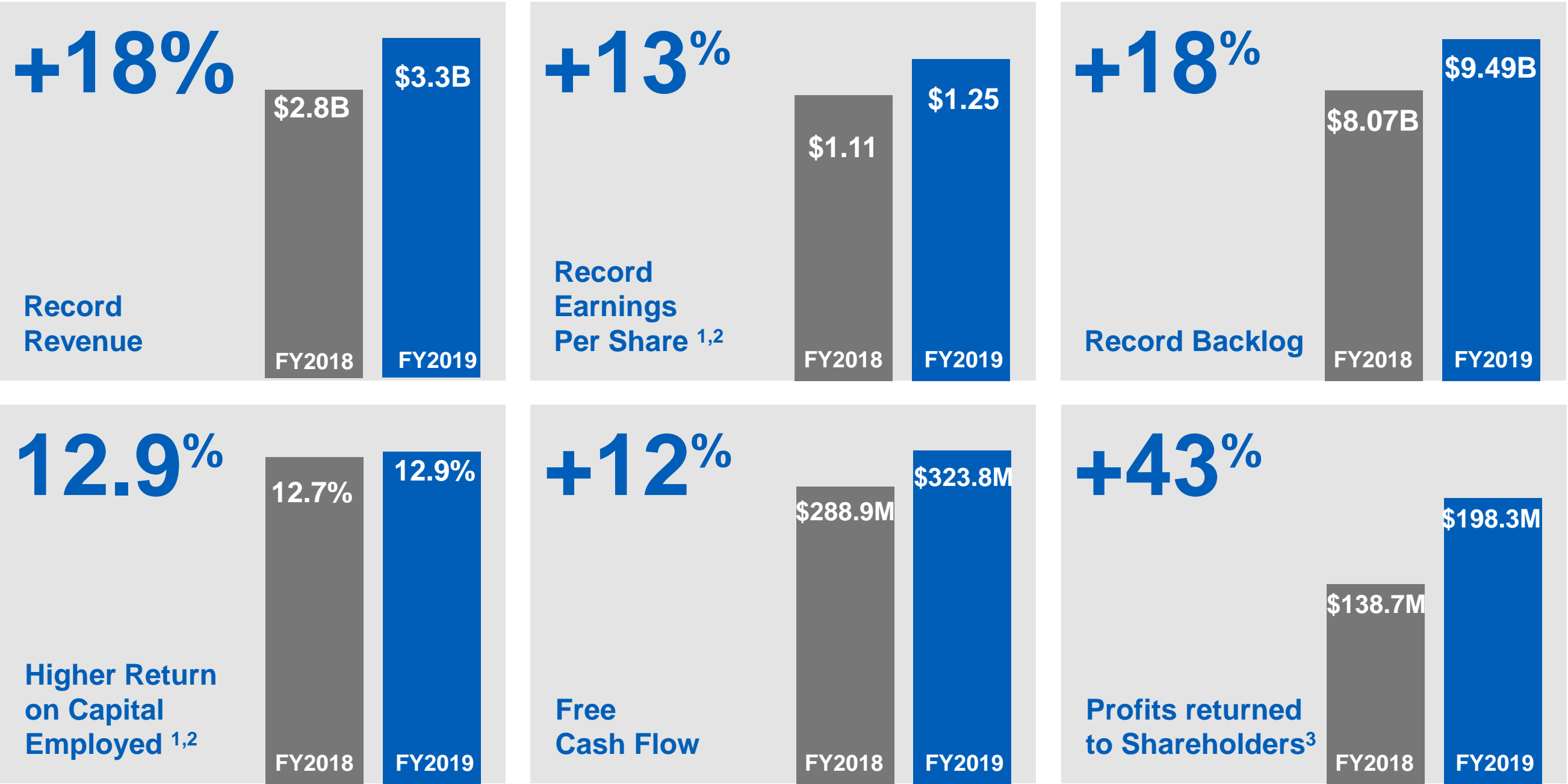


**Culture
of innovation**

Unmatched global reach



FY2019 select performance highlights



1. Before specific items in FY2018: net gains related to our Asian joint ventures and the remeasurement of the previously held Asian Aviation Centre of Excellence Sdn.Bhd.(AACE) investment and the impacts of the enactment of the U.S. tax reform

2. Before the costs arising from the acquisition and integration of Bombardier's BAT Business, and the reorganizational and integration costs related to AOCE acquisition in FY2019

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 FY2019 Management discussion and analysis



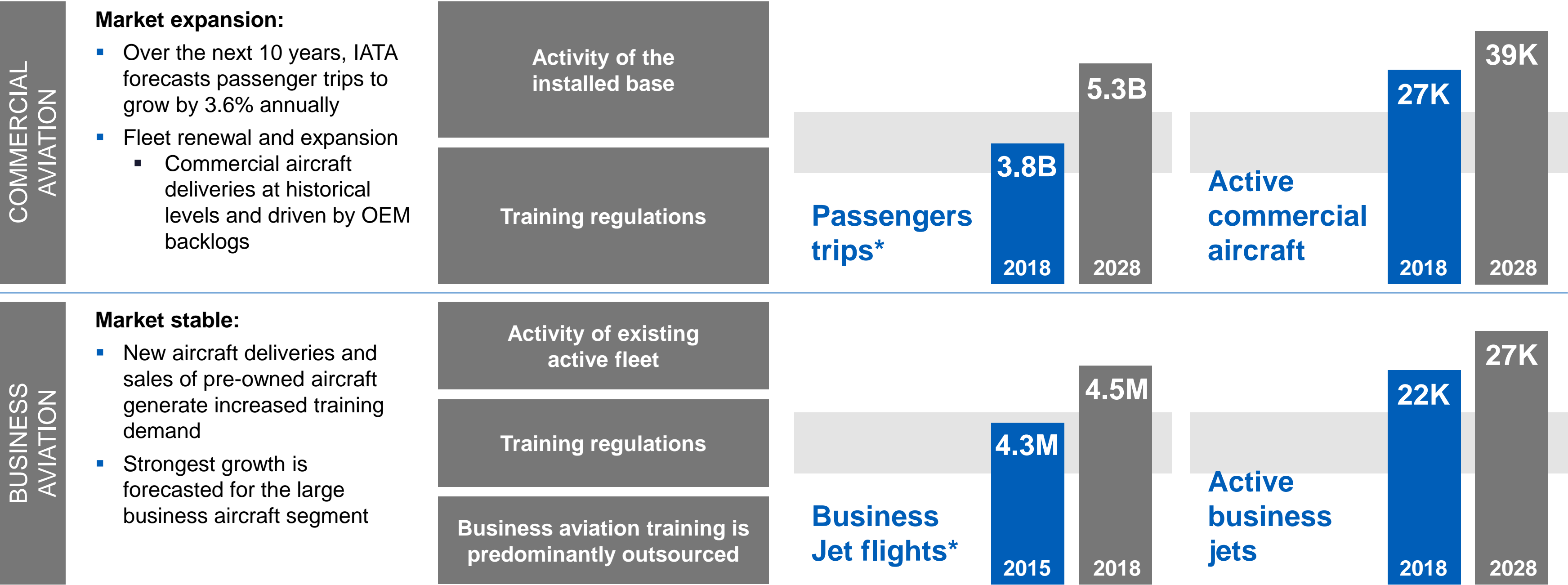
Civil Aviation Training Solutions



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Market drivers

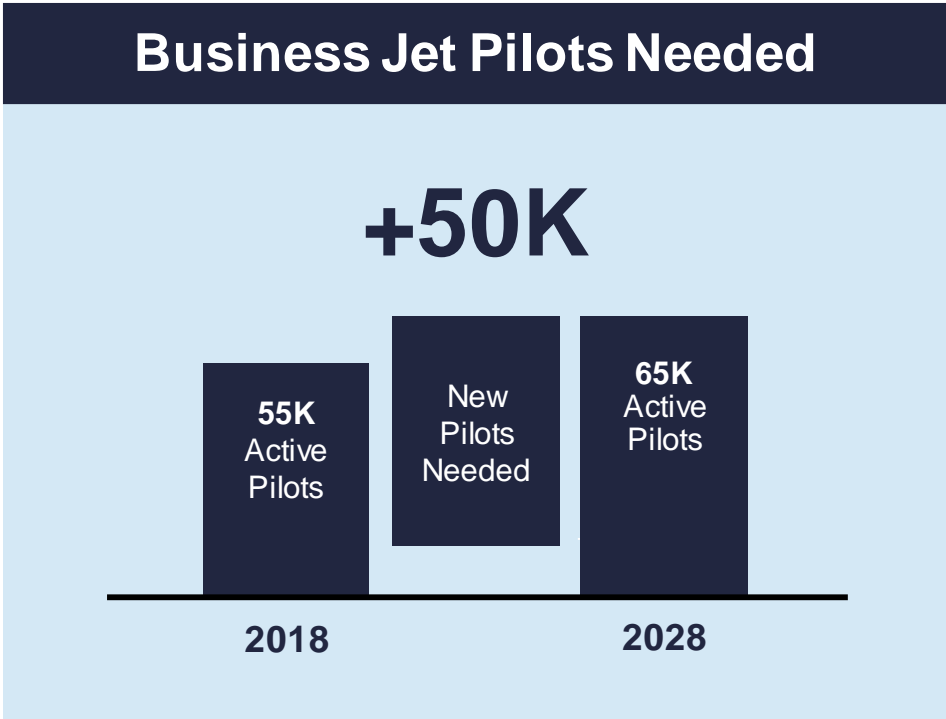
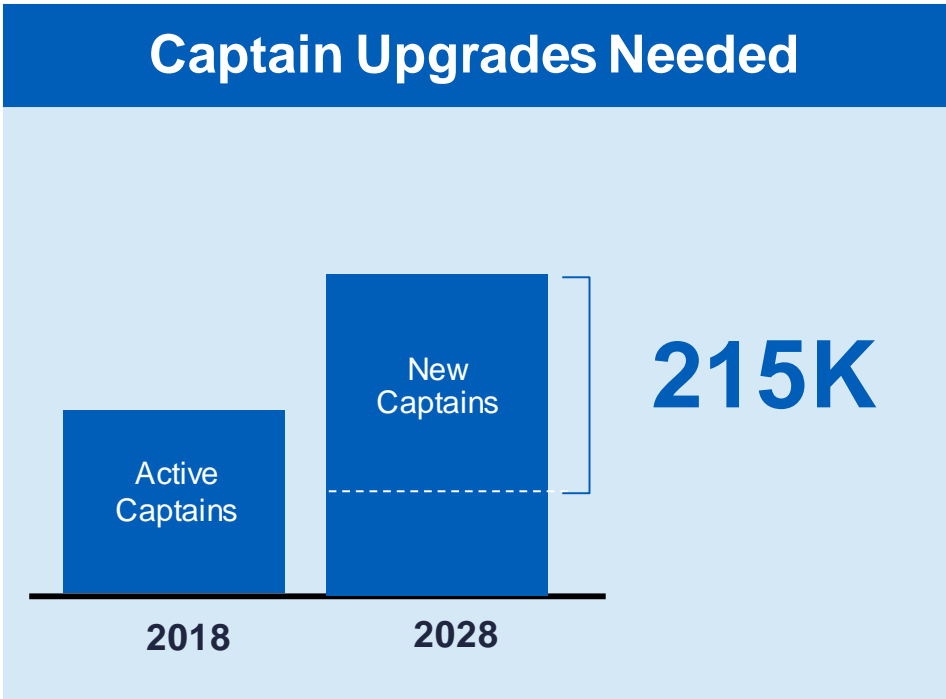
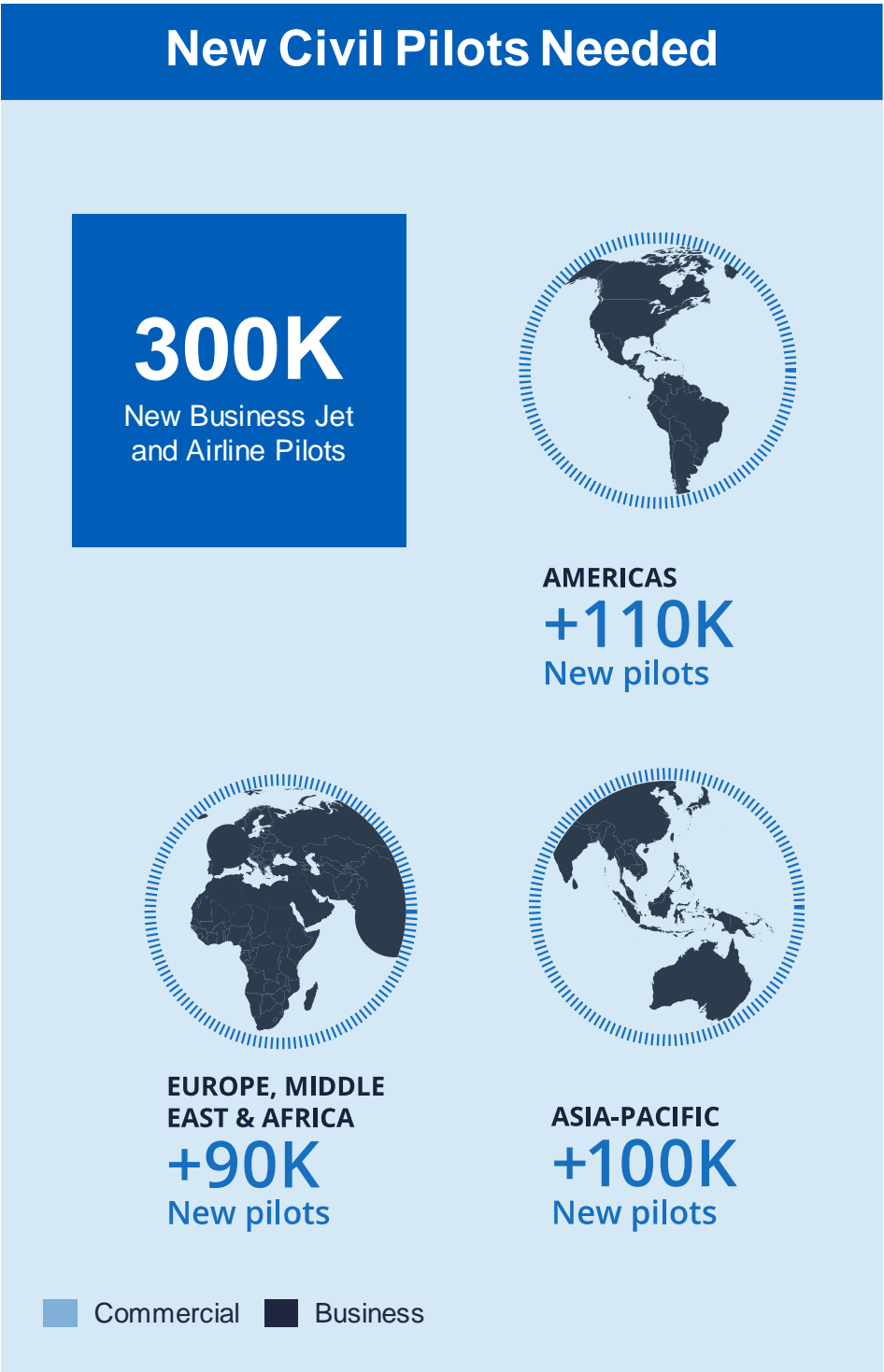
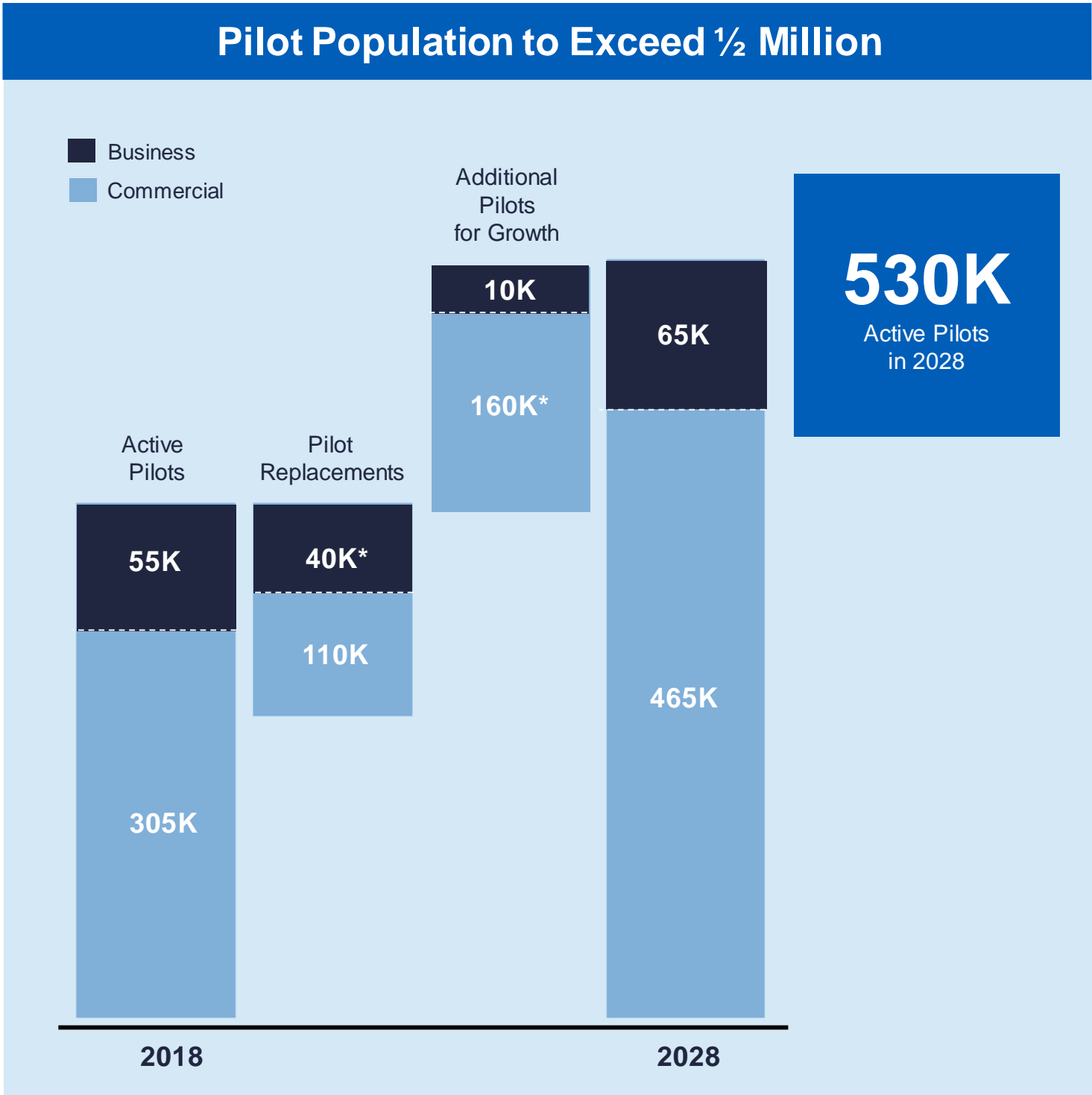


CAE Civil business is supported by strong pilot demand and the recurring (and regulated) nature of training

*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



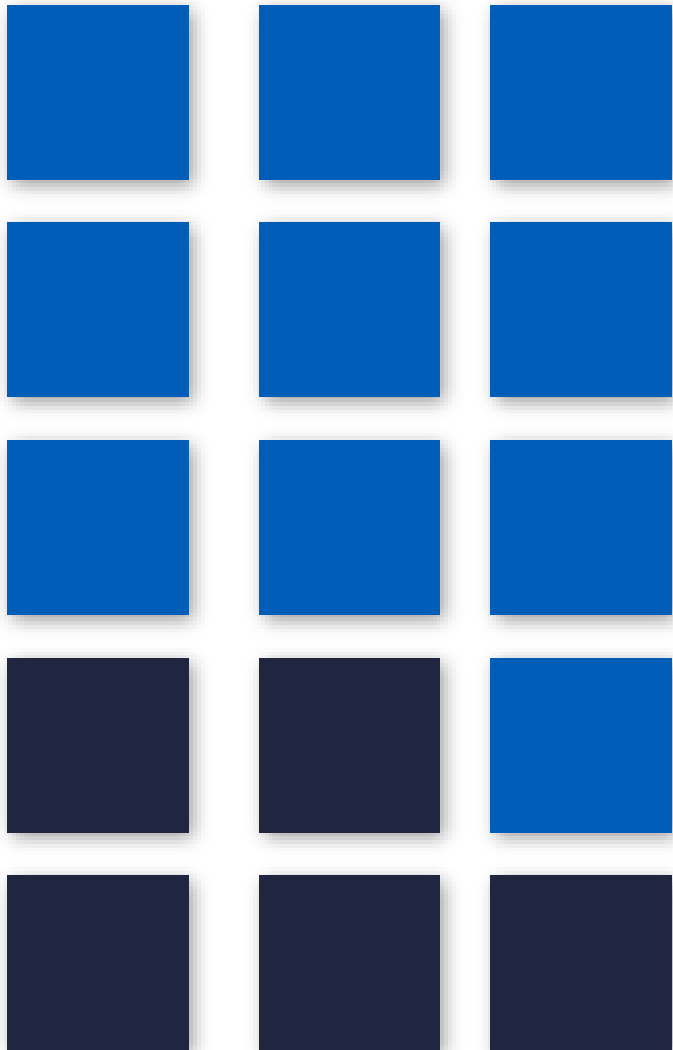
*Including a net 20K business jet pilots movement to airlines

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



280+
Full Flight Simulators



10
Academies

160+
Aircraft

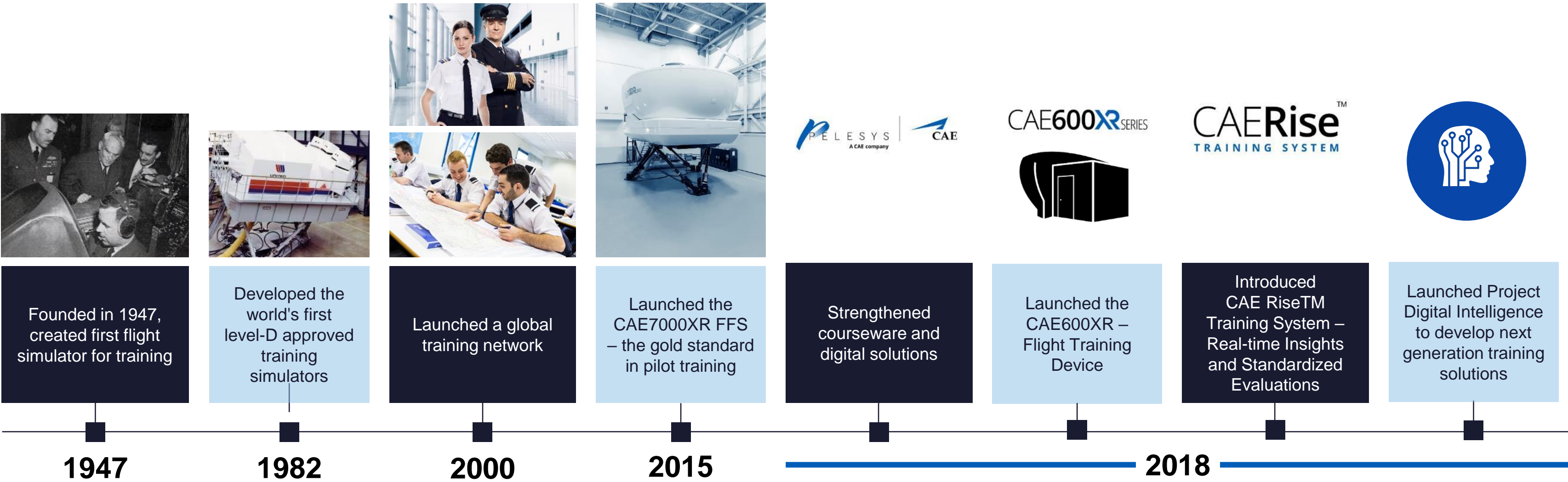
CAE trains
135,000+
pilots every year

1M+ Training
hours delivered in
FY19



CIVIL AVIATION TRAINING SOLUTIONS

70+ years of training innovation



CAE will be investing C\$1 billion over the next 5 years in innovation

Defence & Security



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Global Presence



30+
COUNTRIES

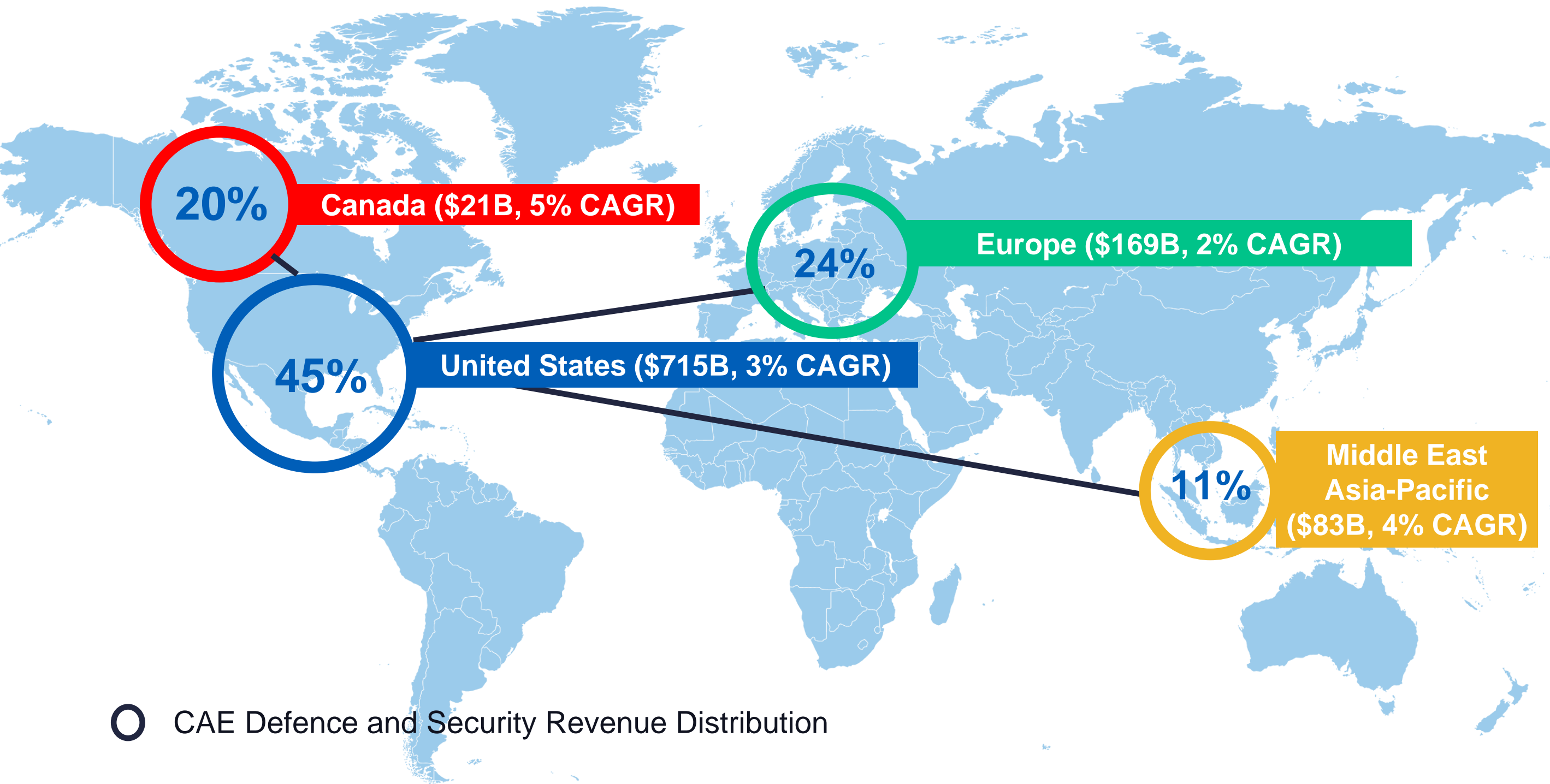
50+
DEFENCE AGENCIES

100+
SITES

70+
MILITARY AIRCRAFT TYPES

Defence is a \$1.3B 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



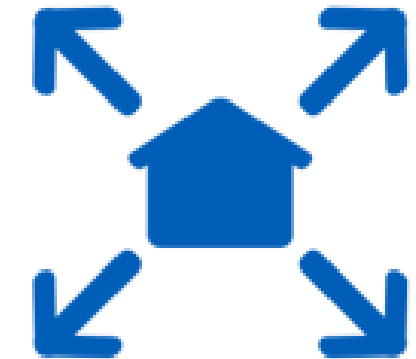
Increased
Defence spending
in all major markets



Requirement to
maintain
mission readiness



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



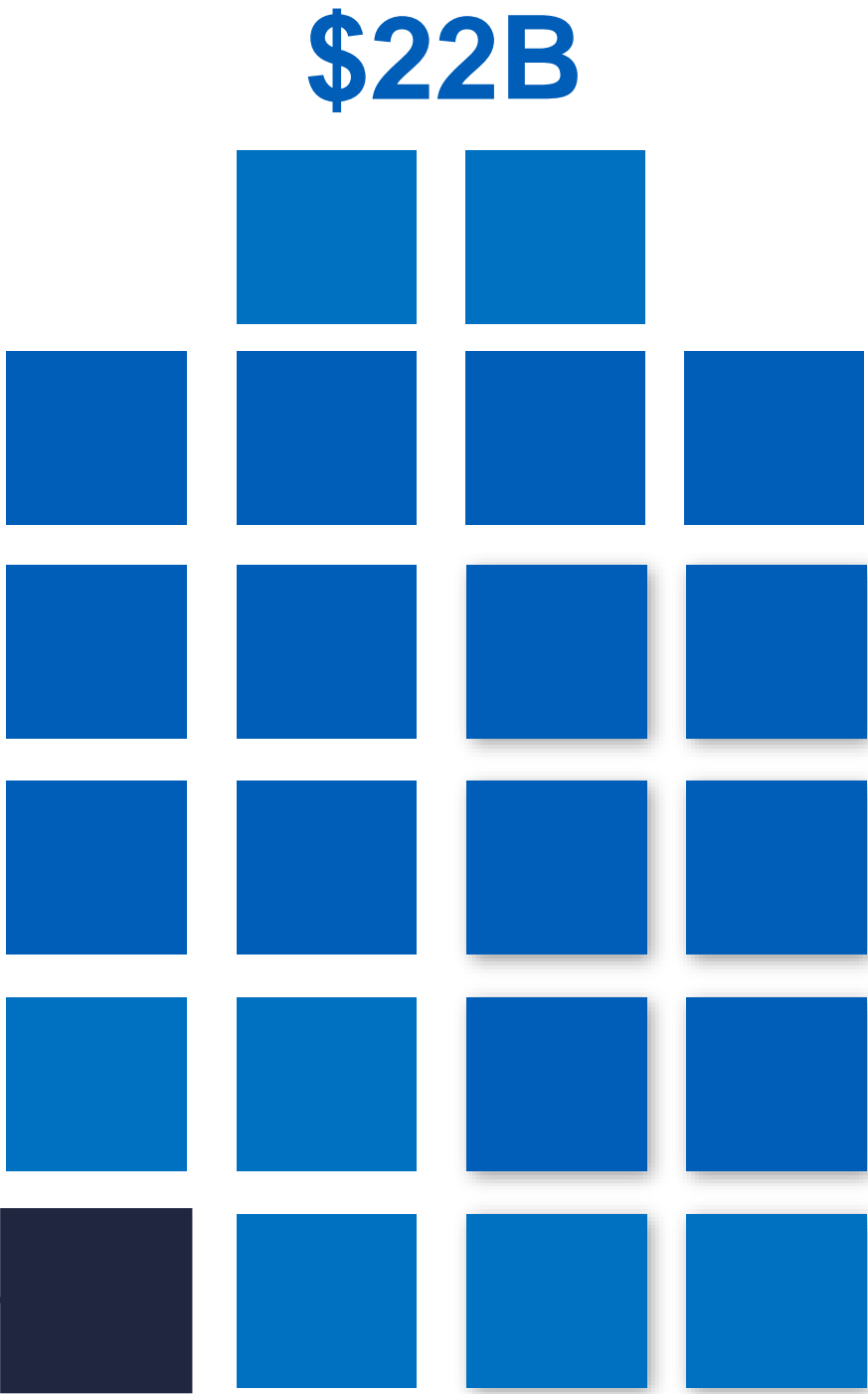
Propensity to increase
outsourcing of
training solutions

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

Defence accessible/addressable market



\$1.3B
CAE Defence



Integrated training solutions with Live, Virtual and Constructive components
Defence has significant headroom in a \$22B addressable 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

Healthcare



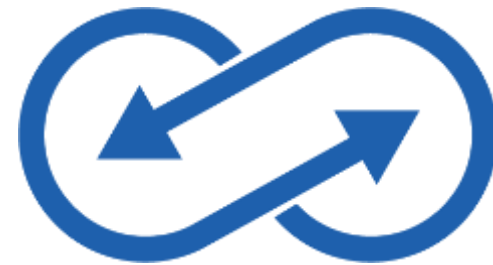
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Why CAE entered healthcare simulation



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 practices with patient outcomes

Opportunity to lead in a potentially much larger market as the focus on quality of care increases in the interest of patient safety and is increasingly tied to financial incentives

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 a major driver for the adoption by US hospitals of simulation-based training to improve the quality of care

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

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

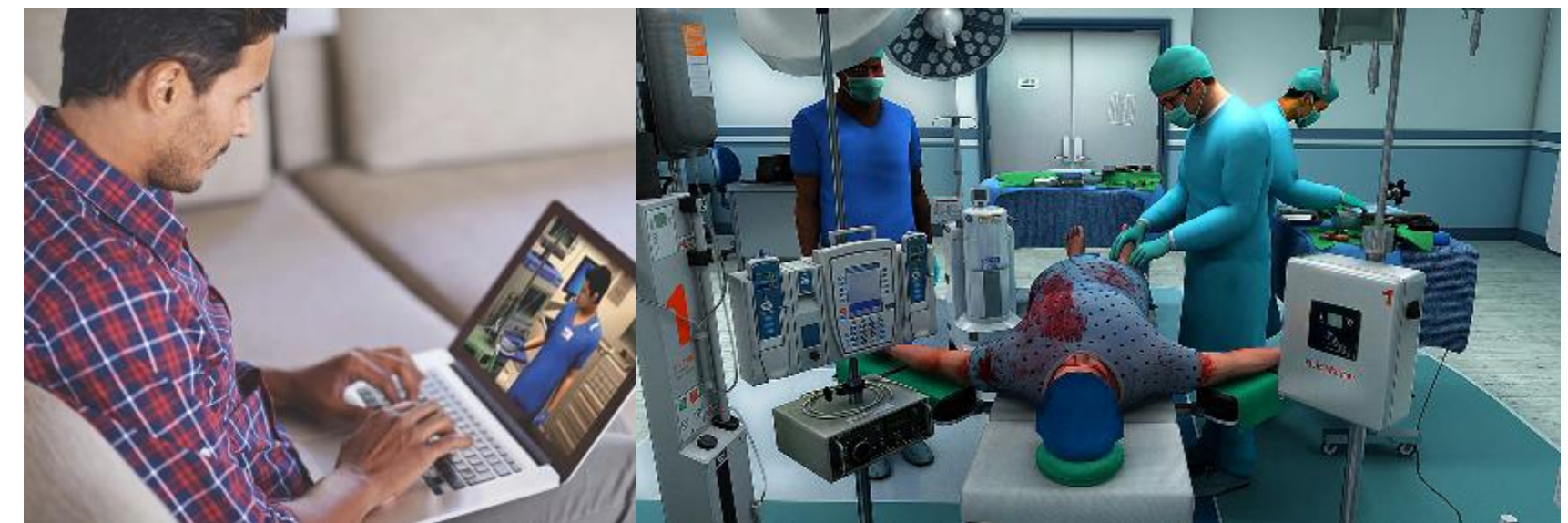


Screen-based simulation for Maintenance of Certification in Anesthesiology (MOCA)

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 MUSE 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

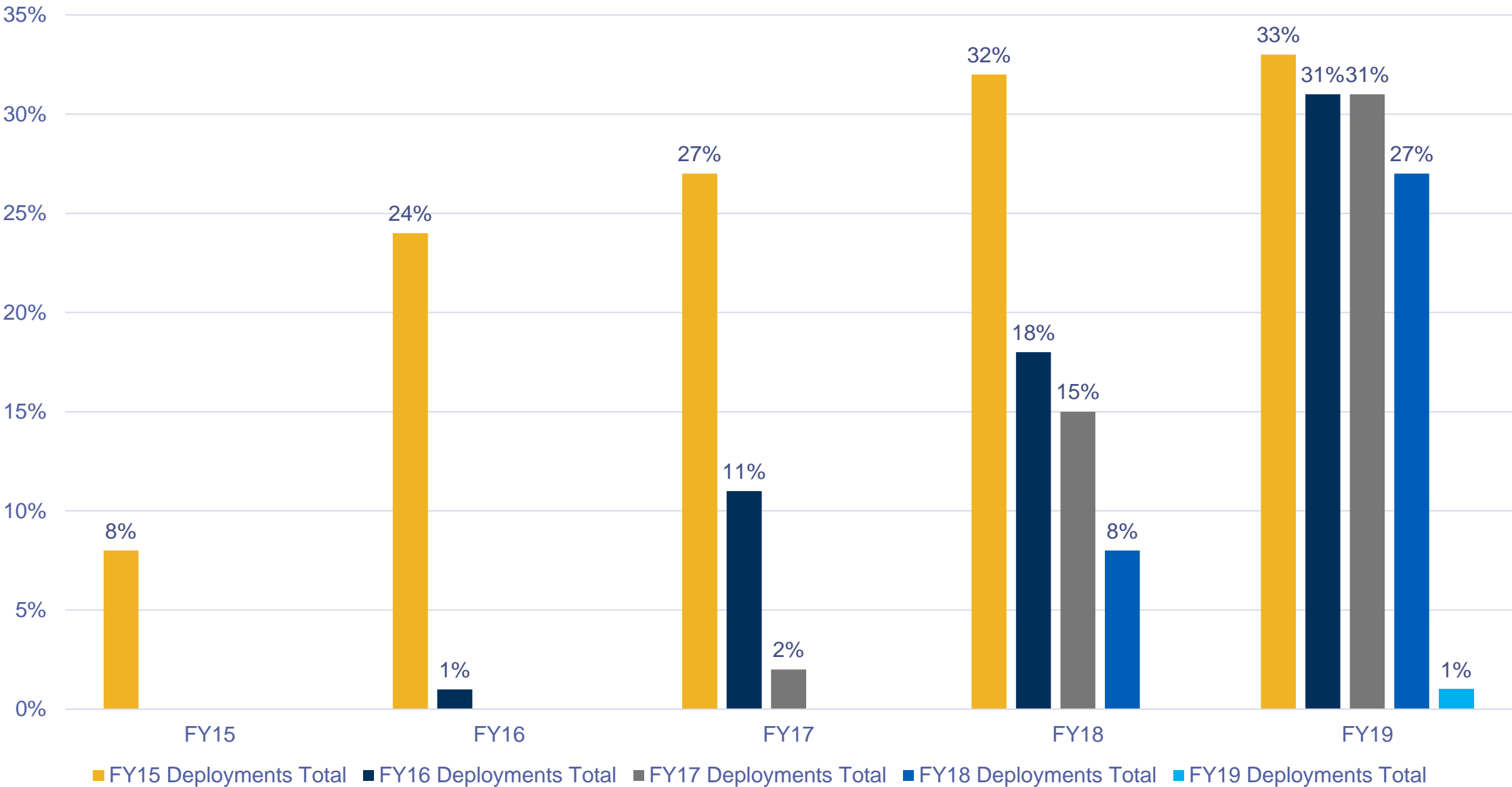
Maintain a strong balance sheet

Expect to deleverage to lower end of target Net Debt-to-Capital range of 35-45% within 24 to 36 months

Investment in accretive growth remains a priority given attractive return potential

1

Incremental Pre-tax Return % on Organic Capital Deployed in Civil Training (FY15-FY19)

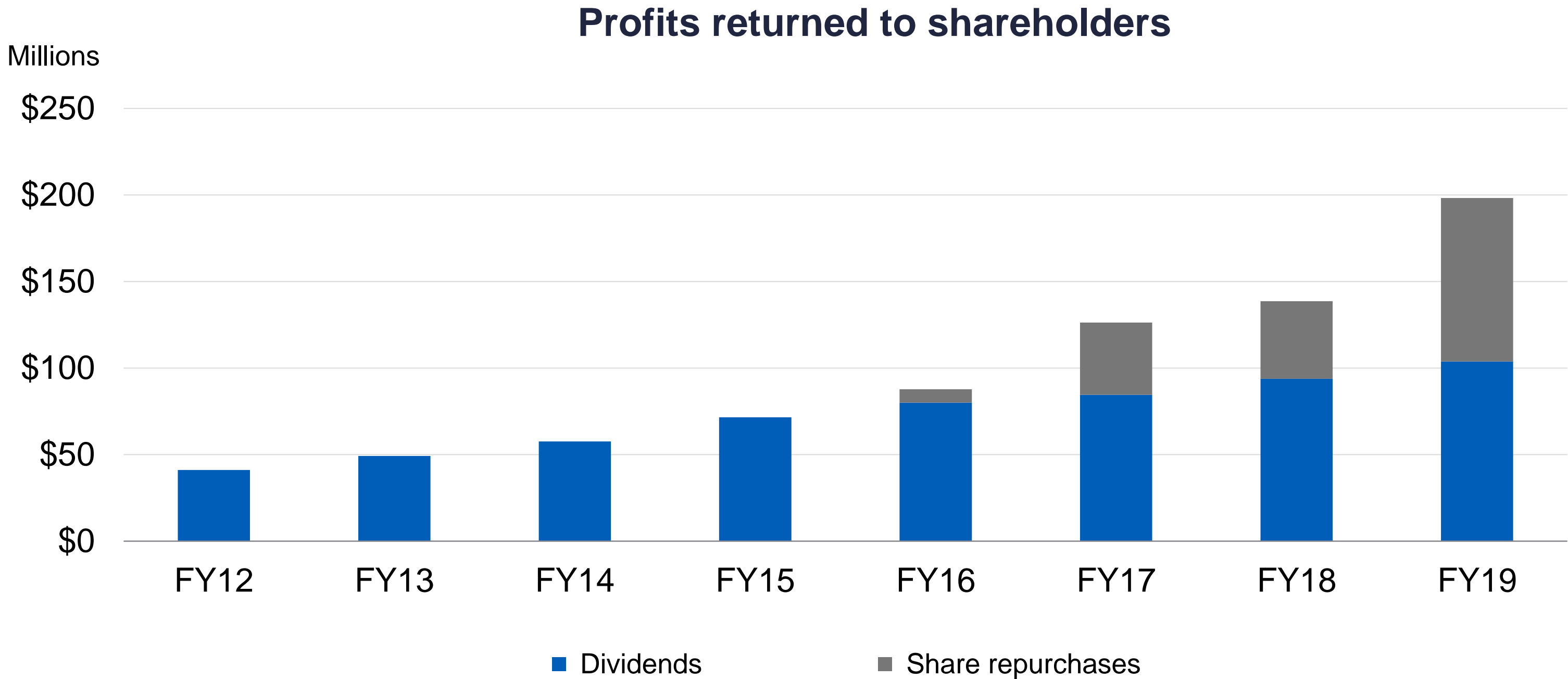


\$375M+ organic capital investment from FY15-FY19 to deploy 50+ FFSs within CAE’s Civil commercial and business aviation training network

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

Current shareholder returns

2

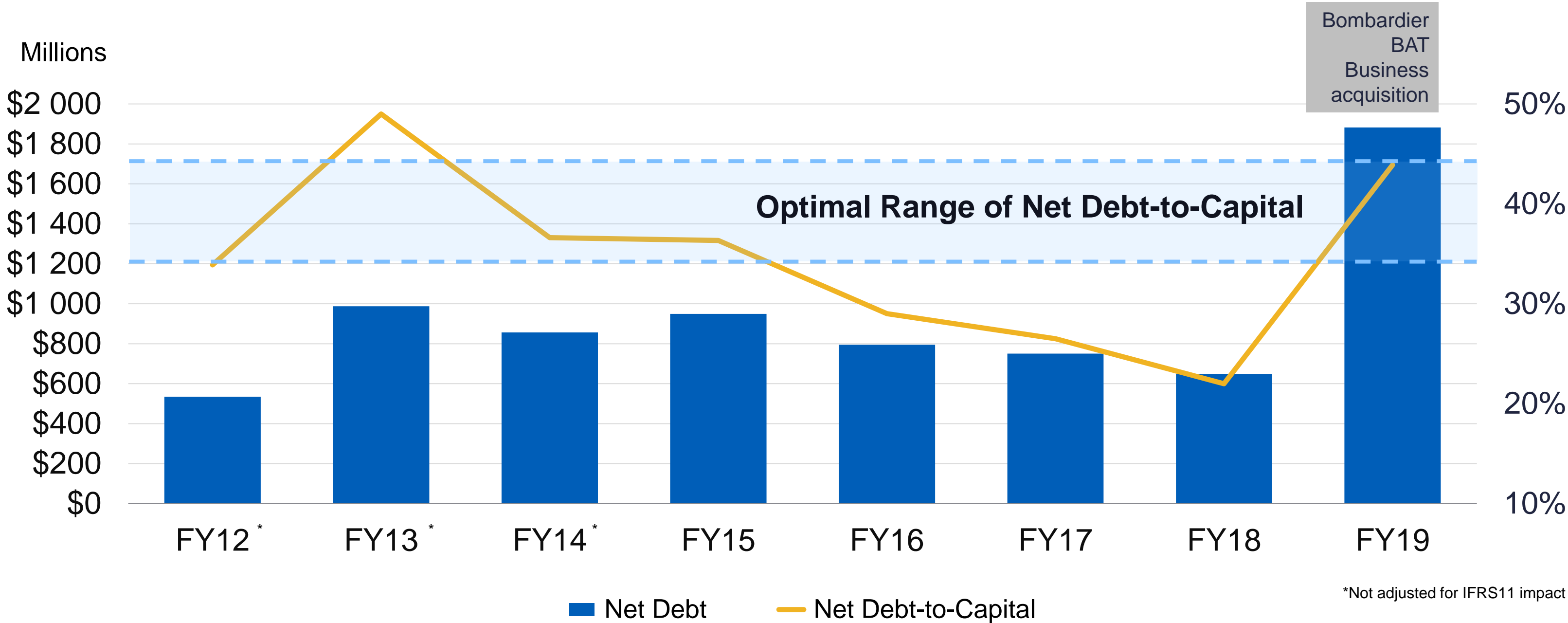


Growing shareholder returns commensurate with CAE’s growth in earnings and free cash flow



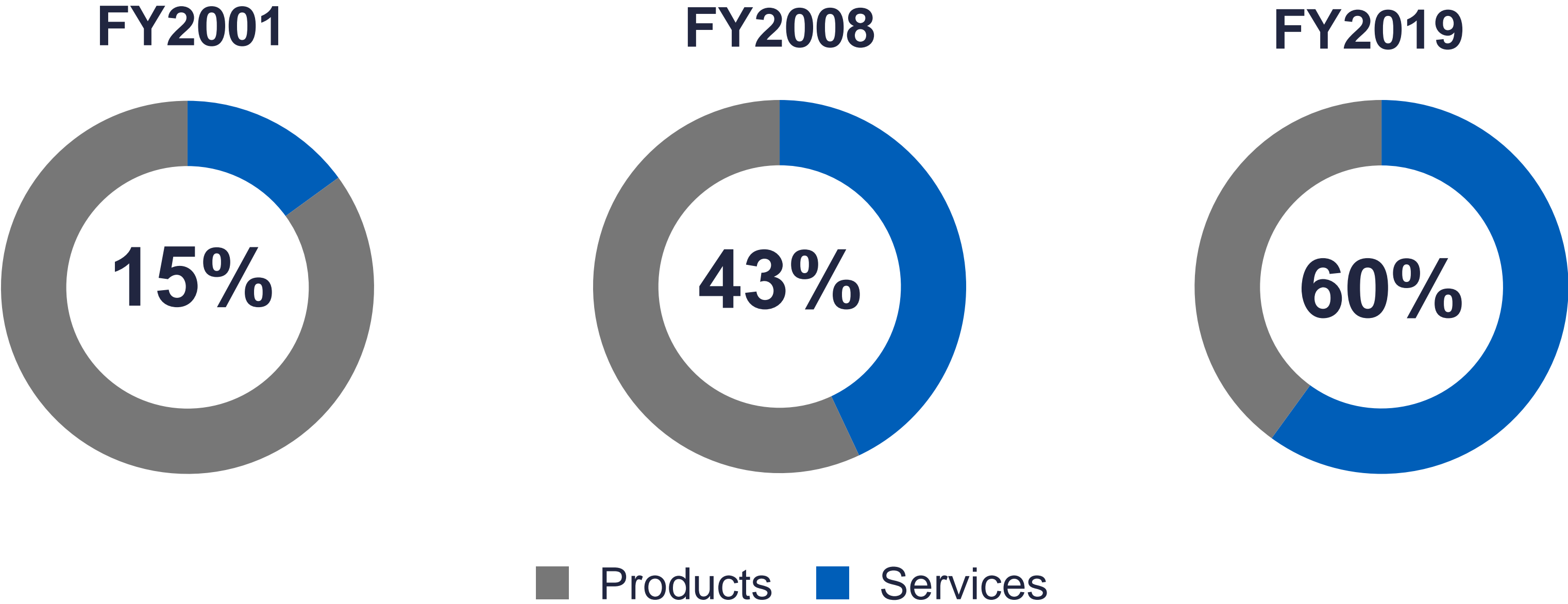
Strong balance sheet

3



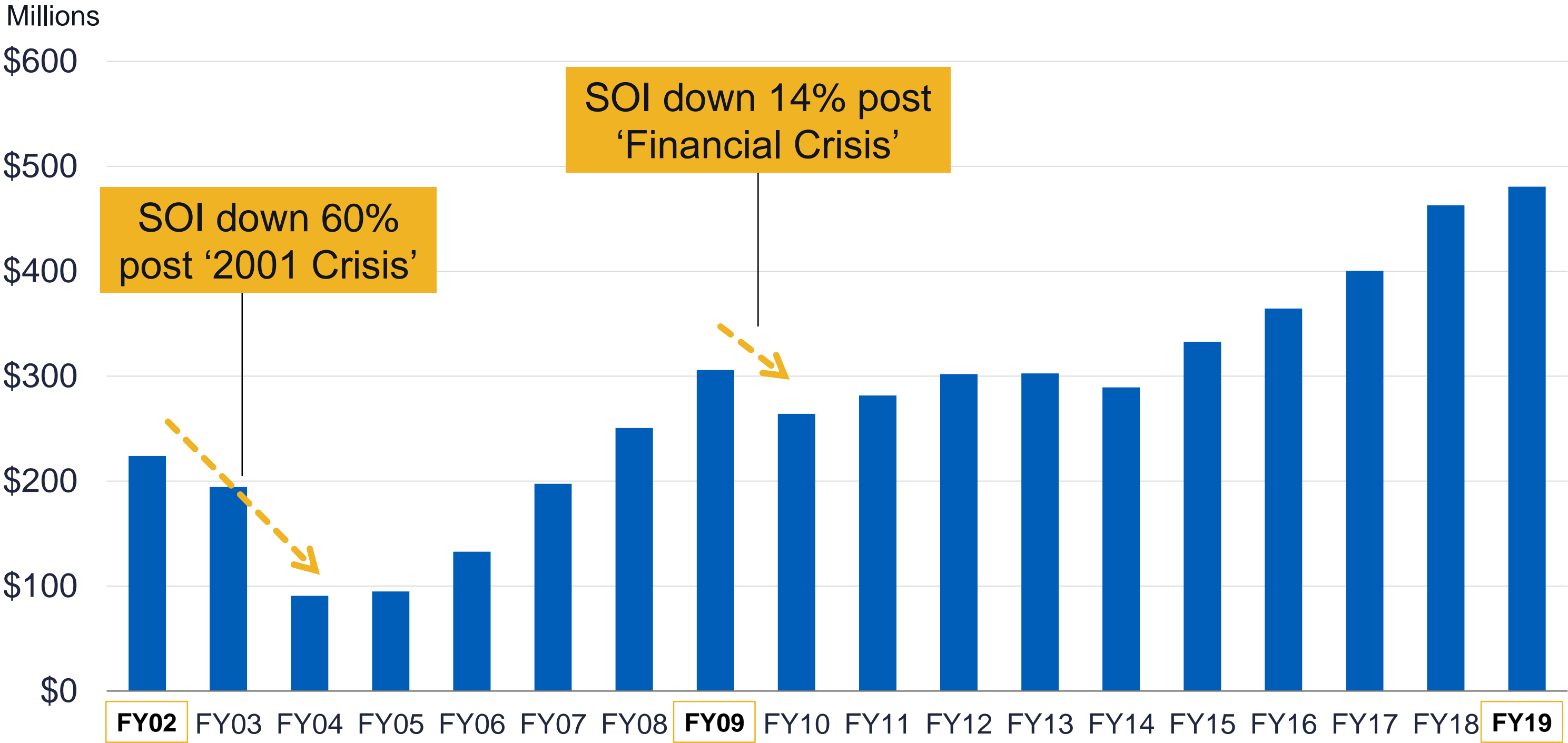
Track record of rapid deleveraging with strong free cash flow generated in training which underlies expectations to reach lower end of target leverage range within 24-36 months

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



A resilient business model

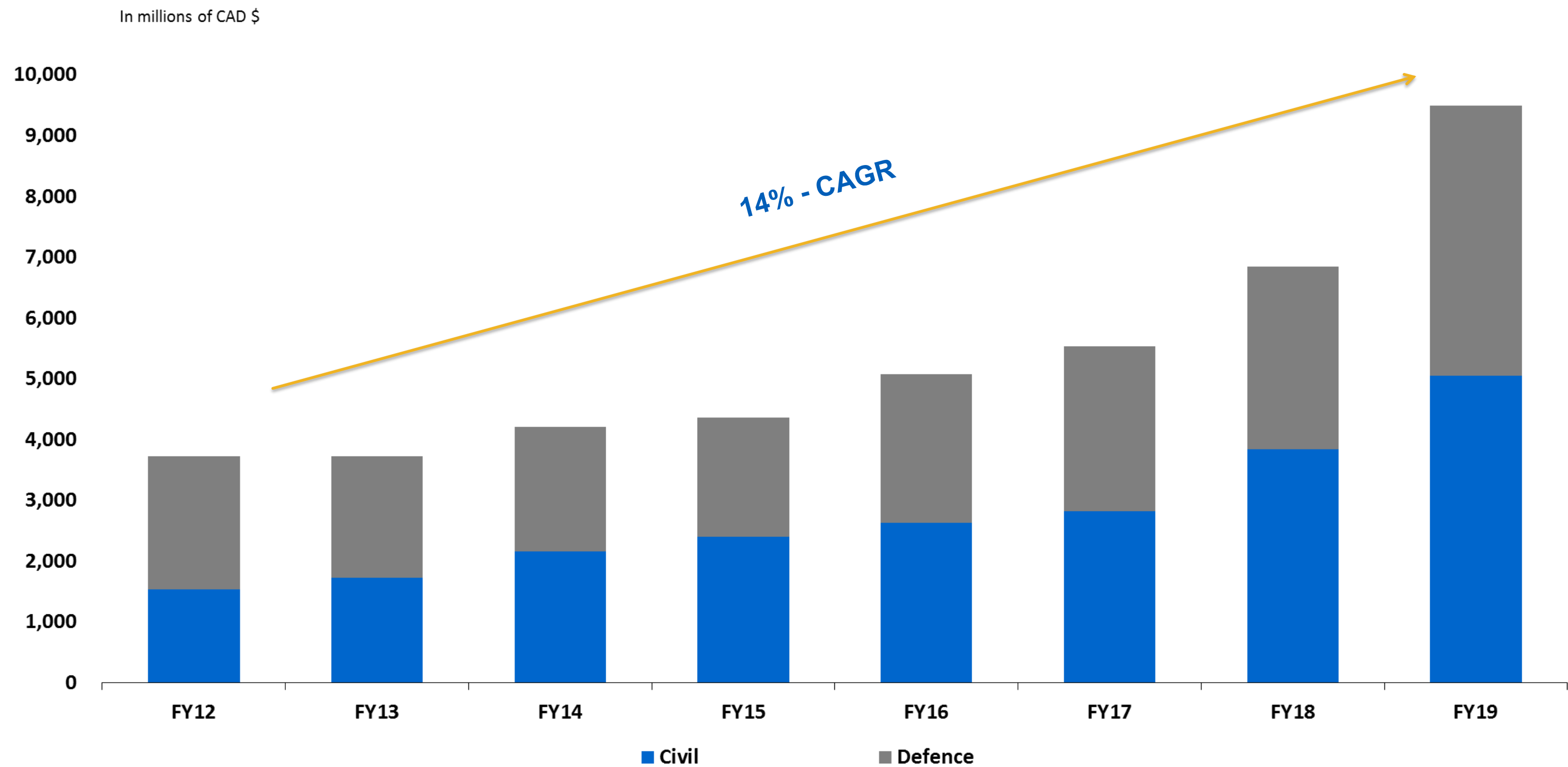
CAE Consolidated Segment Operating Income (SOI)



FY02-FY10 Canadian GAAP; FY11-FY17 IFRS



Strong backlog for enhanced visibility



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 FY2020

Management outlook for fiscal year 2020

CAE's core markets benefit from secular growth and the Company expects to continue exceeding underlying market growth in fiscal year 2020. In Civil, the Company expects to continue building on its positive momentum in training, increasing market share and securing new customer partnerships with its innovative training solutions. Civil expects operating income to grow in the upper 20 percent range on continued strong demand for its training solutions, including maintaining a leading share of FFS sales, and the integration of the recently acquired Bombardier BAT Business. In Defence, the Company expects mid to high single-digit percentage operating income growth as it delivers from backlog and continues to win opportunities from a large pipeline. CAE expects Healthcare to achieve double-digit growth under its new leadership, expanded salesforce, and the continued launch of innovative products. Funding growth opportunities remains CAE's top capital allocation priority and continues to be driven by and supportive of growing customer training outsourcings in its large core markets. The Company prioritizes market-led capital investments that offer sustainable and profitable growth and accretive returns and support its strategy to be the recognized worldwide training partner of choice. CAE currently expects total annual capital expenditures to increase modestly, by approximately 10 to 15 percent, in fiscal 2020, primarily to keep pace with growing demand for training services from its existing customers and to secure new long-term customer contracts. Management's expectations are based on the prevailing positive market conditions and customer receptivity to CAE's training solutions as well as material assumptions contained in this press release, quarterly MD&A and in CAE's fiscal year 2019 MD&A.

Expect to exceed underlying growth of CAE's core markets

Appendix



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Q4 FY19 business highlights

FY19 Q4	
EPS	\$0.48 vs. \$0.31 in prior year*
Revenue	\$1,022.0M (+42% YoY)
Operating profit	\$177.2M (+51% YoY*)
Free cash flow	\$116.8M compared to \$117.3M to last year
Book-to-sales	1.38x
Total backlog	\$9.5B

*Q4 FY19 results exclude the costs arising from the acquisition and integration of Bombardier's BAT



Consolidated financial results

Summary of Consolidated Results (amounts in millions, except per share amounts)	Three months ended March 31	
	2019**	2018 Restated*
Revenue	\$ 1,022.0	\$ 720.9
Gross profit	294.8	237.0
Operating profit	177.2	117.5
<i>As % of revenue</i>	<i>17.3%</i>	<i>16.3%</i>
Net income	130.5	85.6
Net income attributable to equity holders of the Company	127.4	82.3
Basic and Diluted EPS attributable to equity holders of the Company	0.48	0.31

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

** Q4 FY19 exclude the costs arising from the acquisition and integration of Bombardier's BAT business

Cash movements

Consolidated Cash Movements (amounts in millions)	Three months ended March 31	
	2019	2018 Restated*
Cash provided by operating activities (before changes in non-cash W/C)	\$ 131.4	\$ 106.4
Changes in non-cash working capital	34.9	31.4
Maintenance capex and other assets	(28.3)	(22.8)
Proceeds from the disposal of property, plant and equipment	0.2	10.6
Net payments (from) to equity accounted investees	(10.7)	0.2
Dividends received from equity accounted investees	14.9	14.0
Dividends paid	(25.6)	(22.5)
Free cash flow	116.8	117.3

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



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