

# Investor Presentation

February 7, 2020



Your worldwide  
training partner  
of choice



# 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](http://www.cae.com)) and on SEDAR ([www.sedar.com](http://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](http://www.sec.gov)). Forward-looking statements in this document represent our expectations as of February 7, 2020, 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 5 (Non-GAAP and other financial measures) in our quarter ended December 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.

# CAE at a glance

## 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

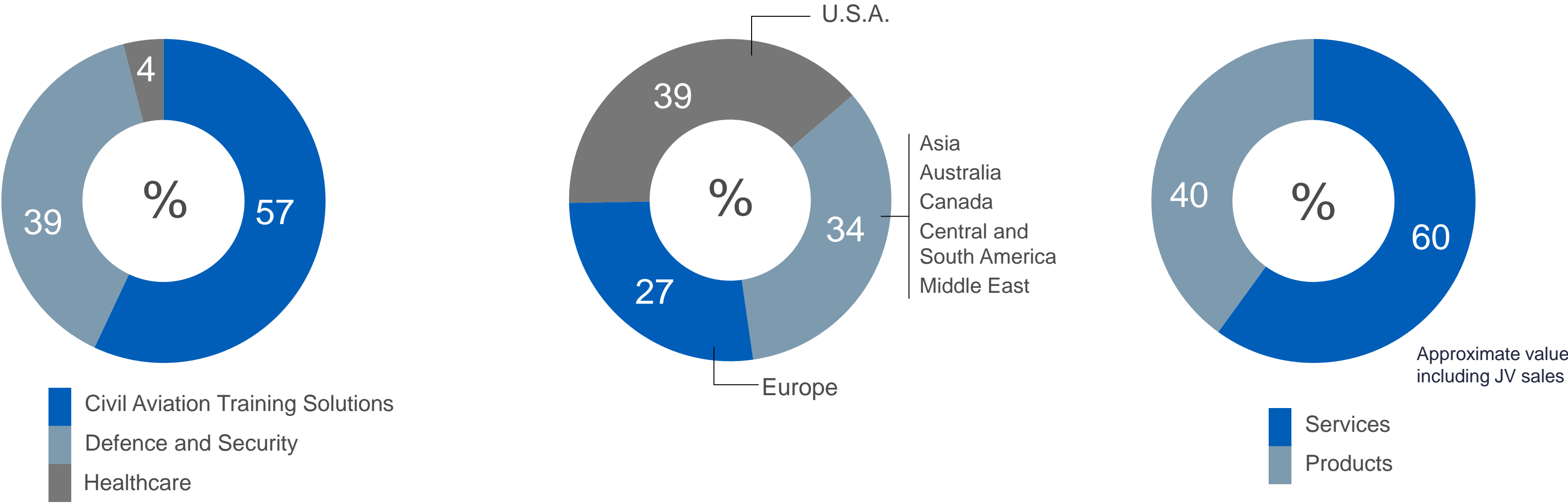
- Training Systems Integrator
- Virtual and live training
- Training equipment

### Healthcare

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

# CAE at a glance

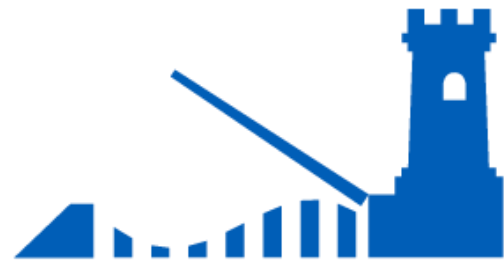
Diversified base of business with a high degree of recurring revenue



Total FY19 revenue: \$3.3B



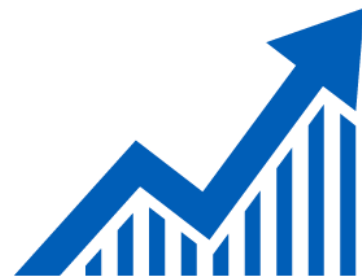
# Six pillars of strength underlie CAE's strategy and investment thesis



**Strong  
competitive  
moat**



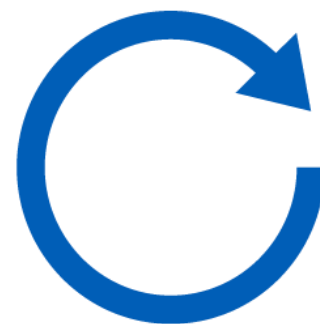
**Underlying  
secular  
tailwinds**



**Headroom  
in large  
markets**



**Potential  
for superior  
returns**

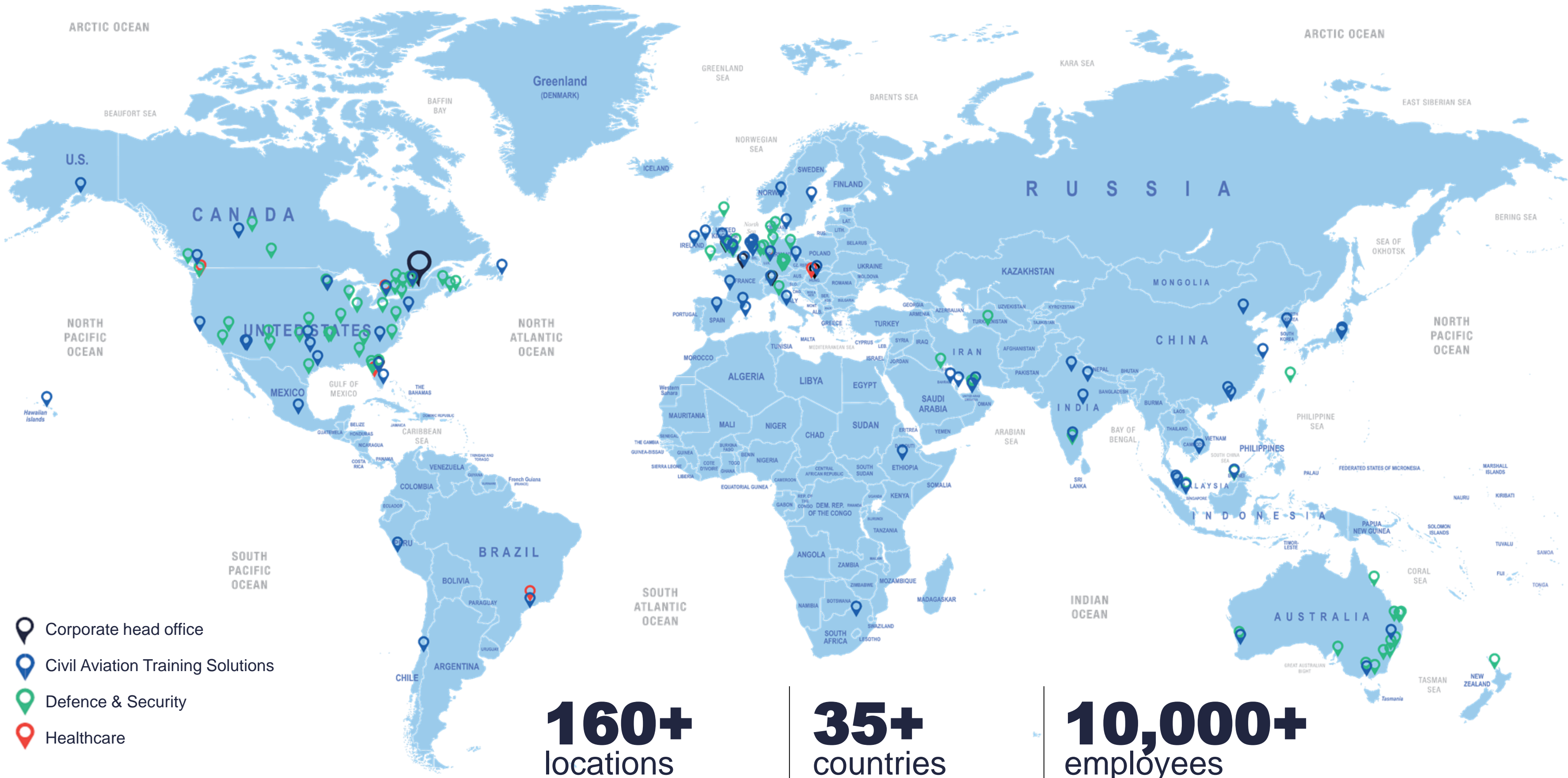


**High degree  
of recurring  
business**



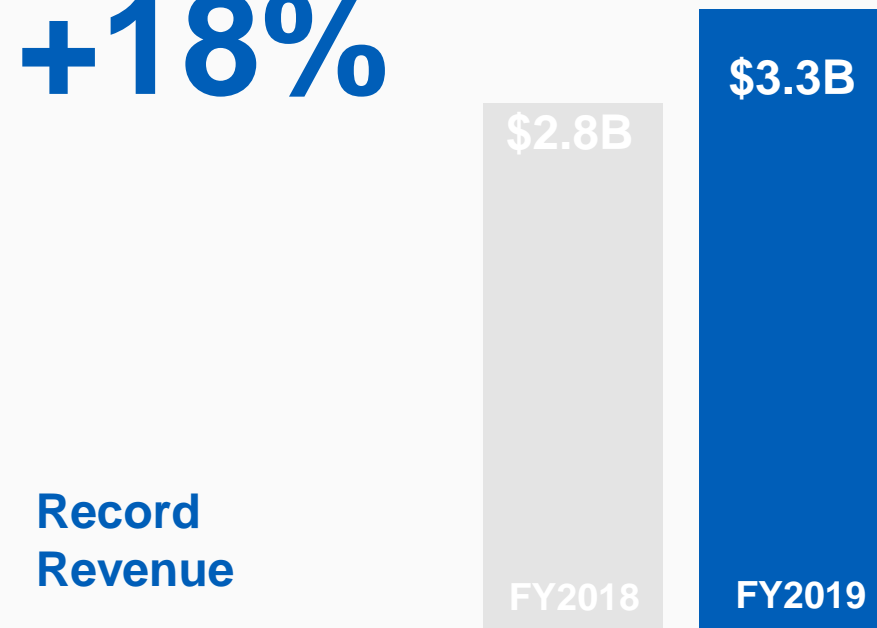
**Culture  
of innovation**

# Unmatched global reach

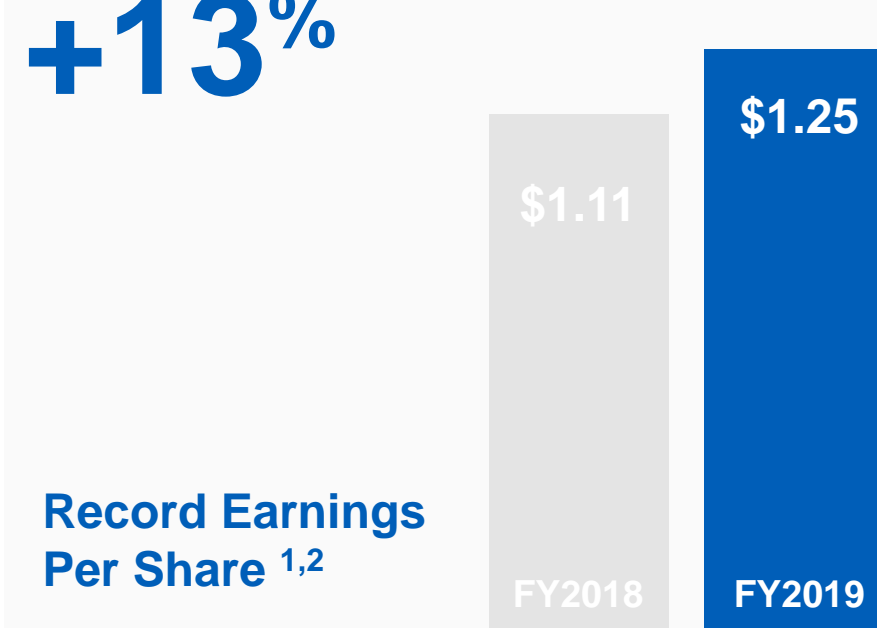


# FY2019 select performance highlights

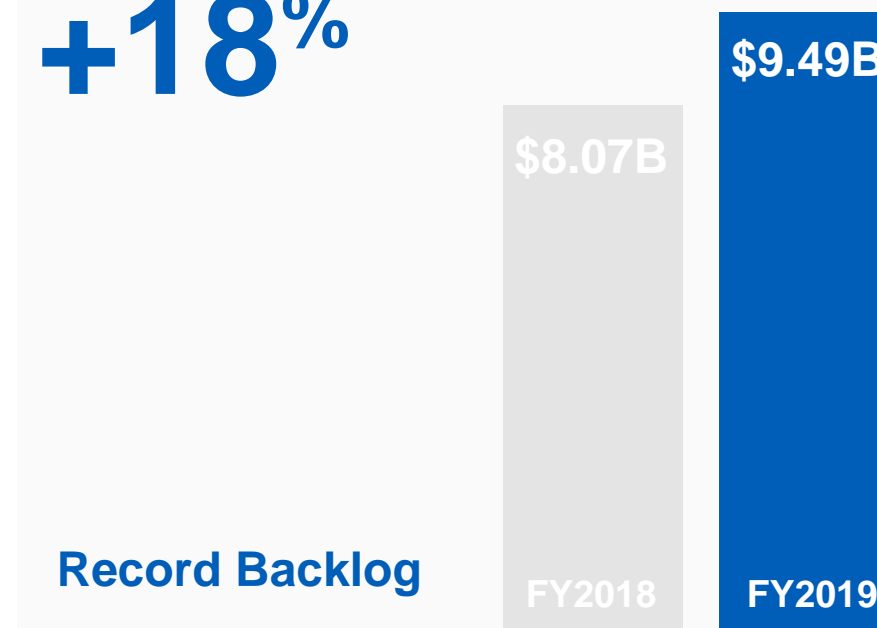
**+18%**



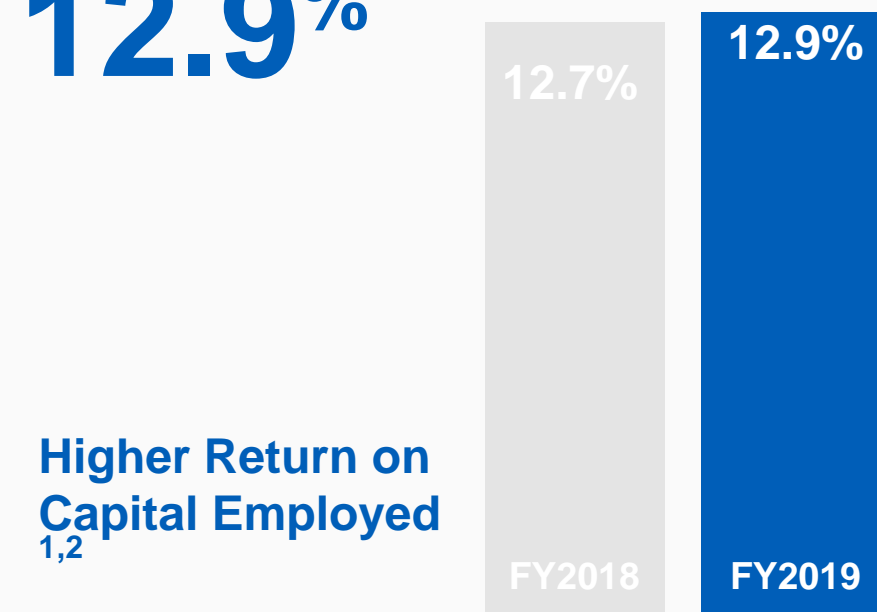
**+13%**



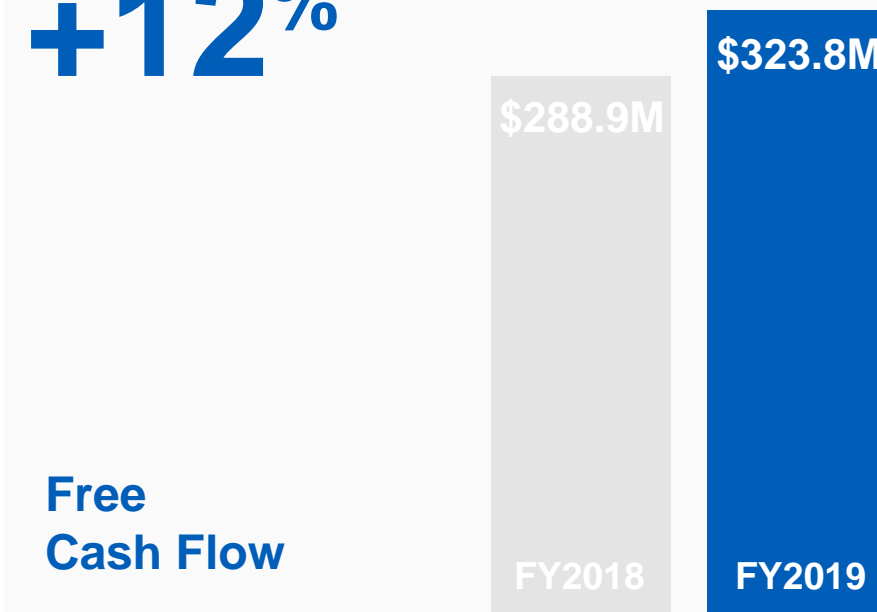
**+18%**



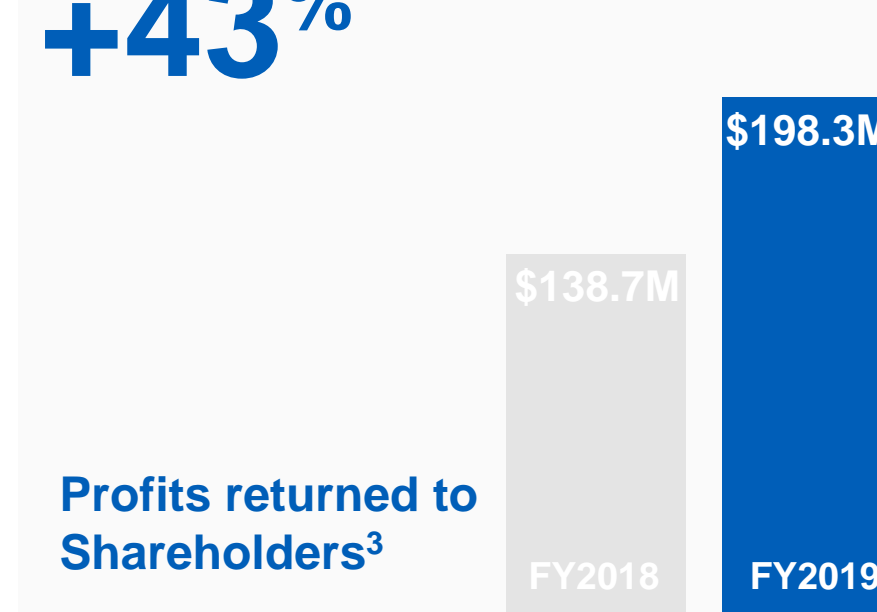
**12.9%**



**+12%**



**+43%**



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





# An ESG-focused company at its core

## Proud of the societal benefits of our solutions

CAE helps make air safer - Allows defence forces to be mission ready - Makes healthcare safer  
+ Training via simulation helps save millions of gallons of fuel

**New commitment:  
Reach carbon neutrality  
by Summer 2020  
by offsetting:**

Greenhouse gas emissions from our aircraft fleet

Emissions related to the use of energy  
at our sites

Emissions related to  
our employees' business air travel

## Focus on diversity and inclusion



## World-class employee experience



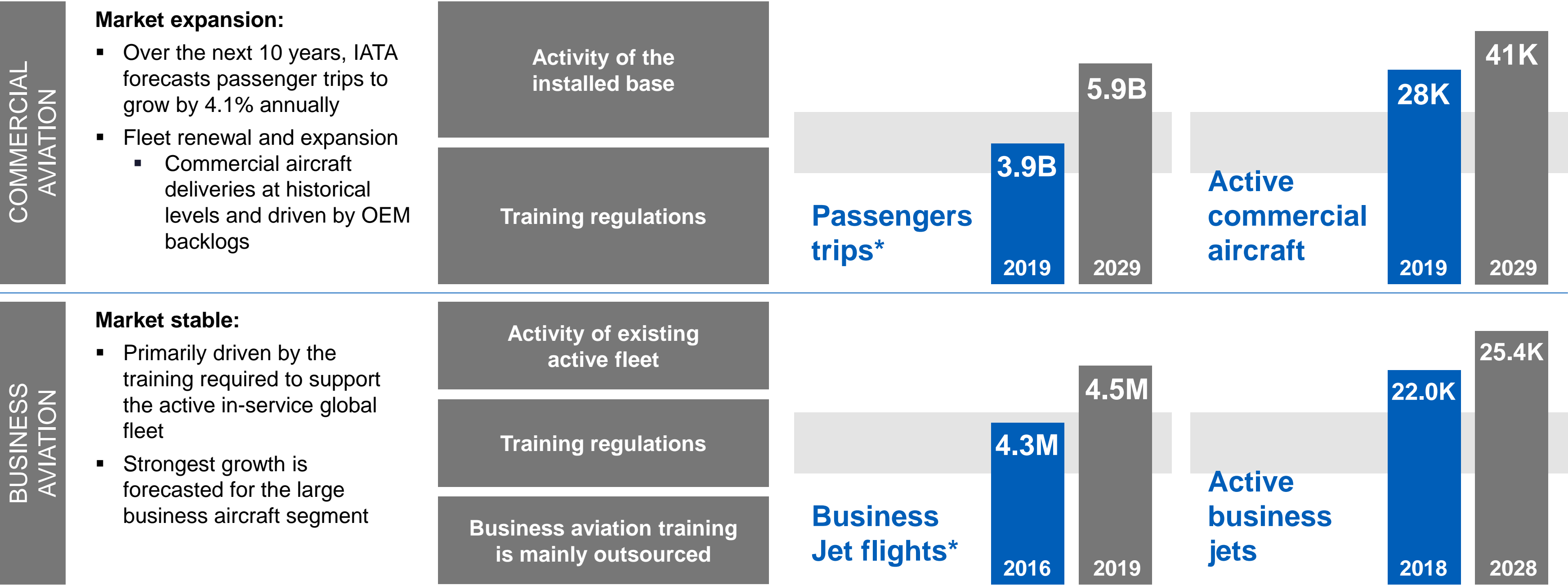
# Civil Aviation Training Solutions



Your worldwide  
training partner  
of choice



# Market drivers



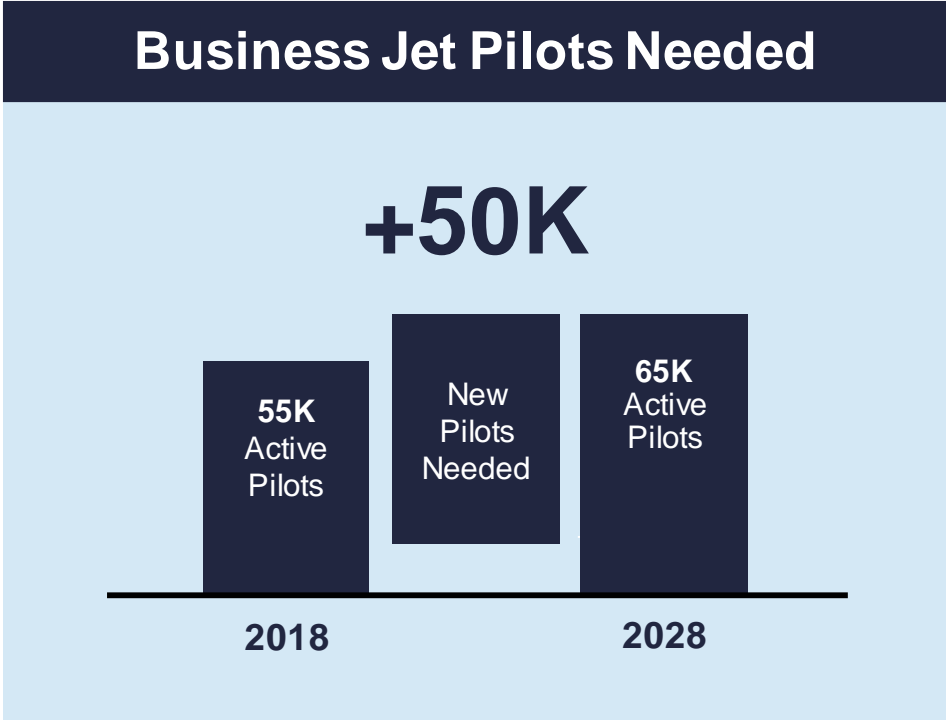
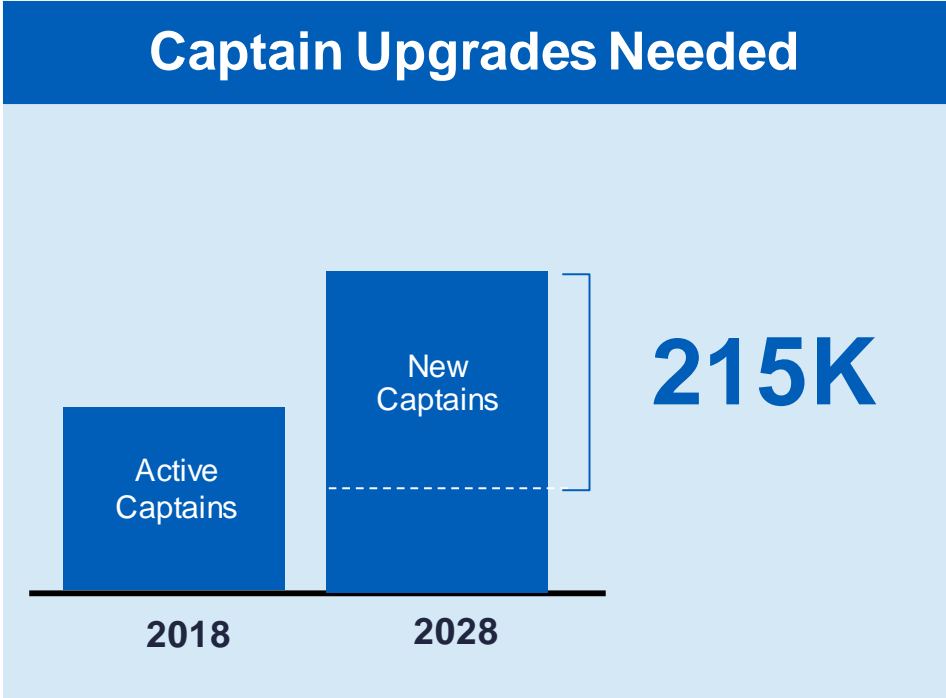
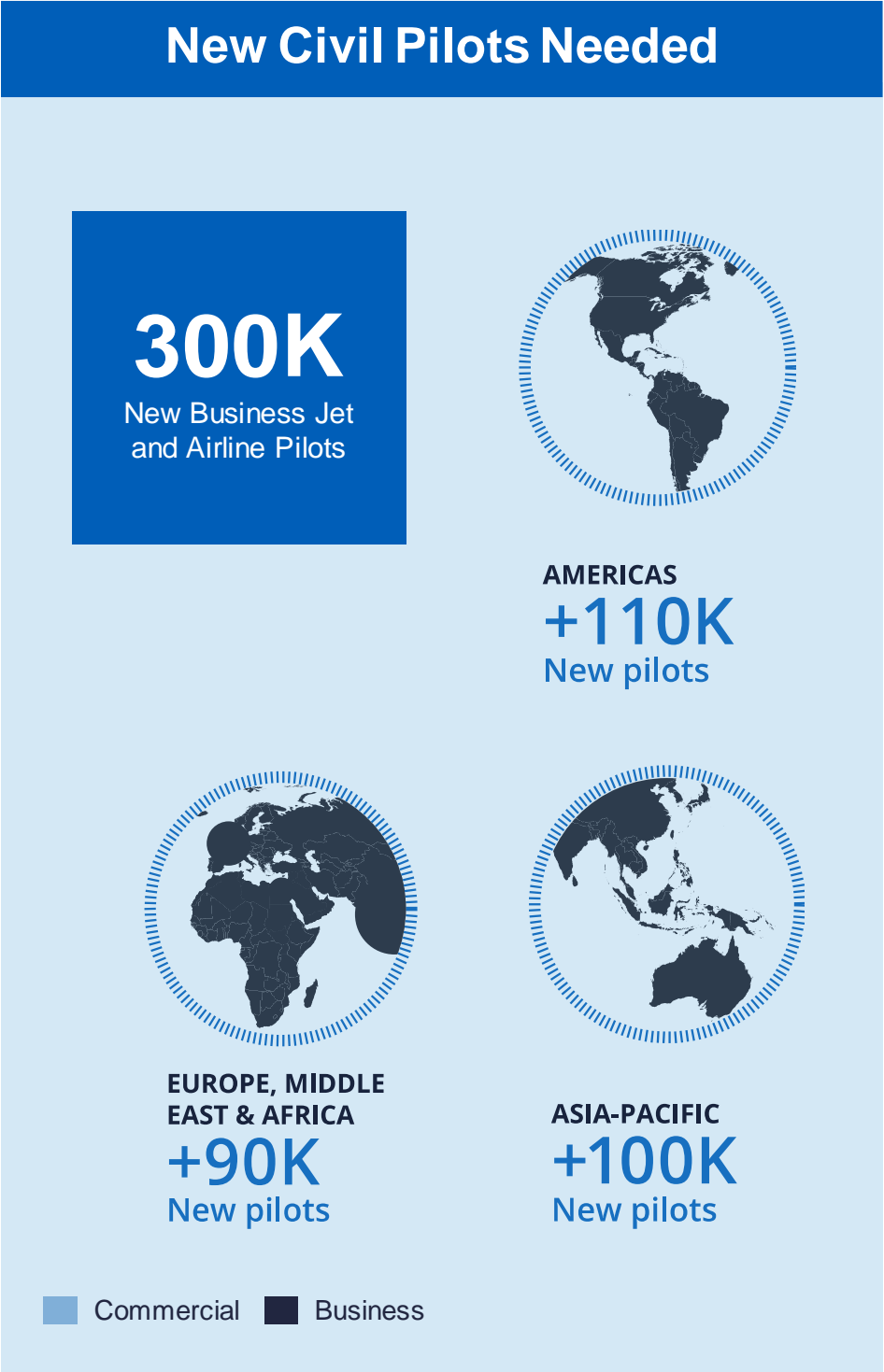
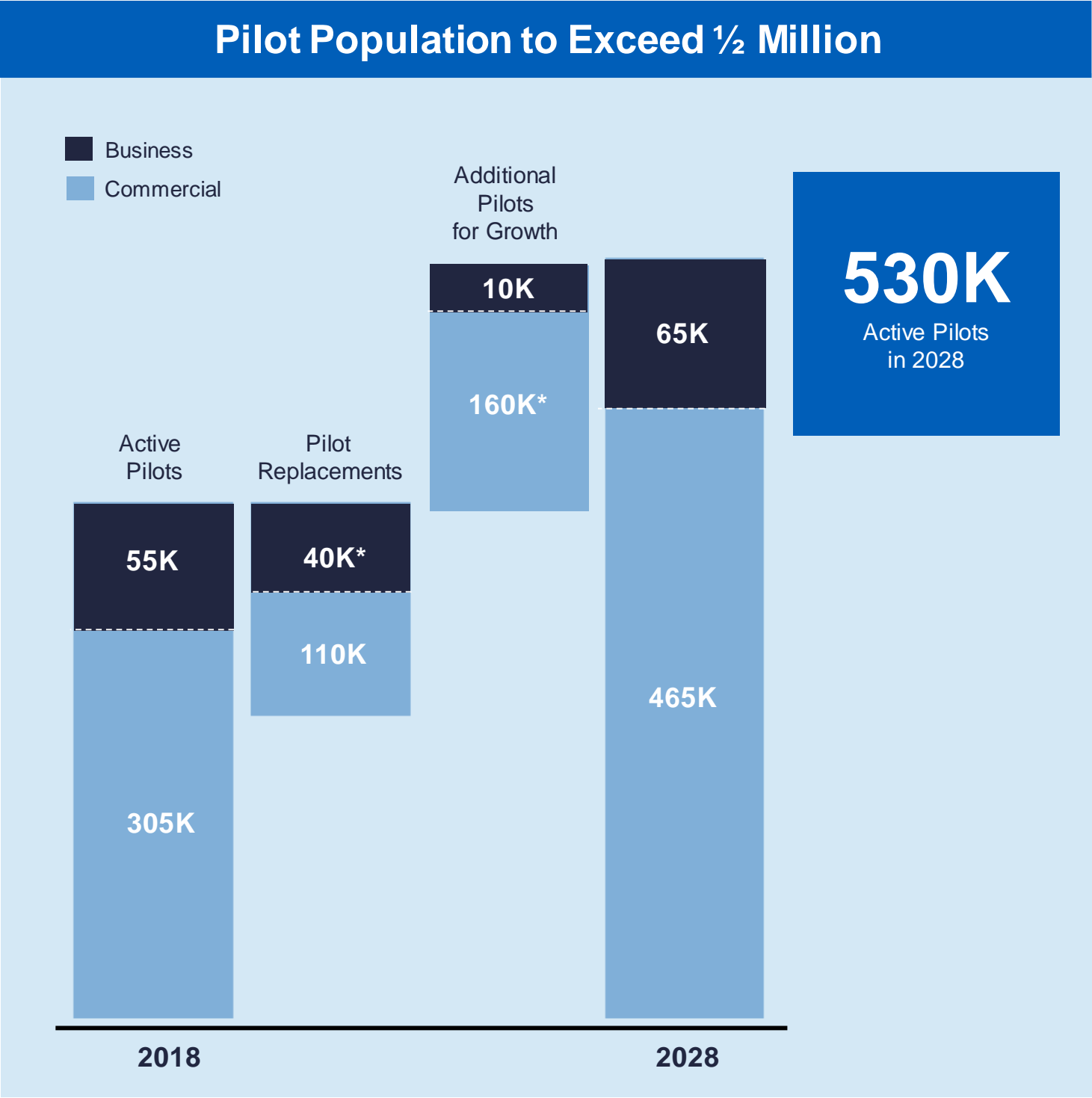
Civil supported by strong pilot demand and the recurring (and regulated) nature of training

\*Passenger trips: IATA Passenger forecasts, October 2019  
Business Jet flights: millions takeoffs and landings, FAA data





# 10-year airline and business jet pilot demand outlook



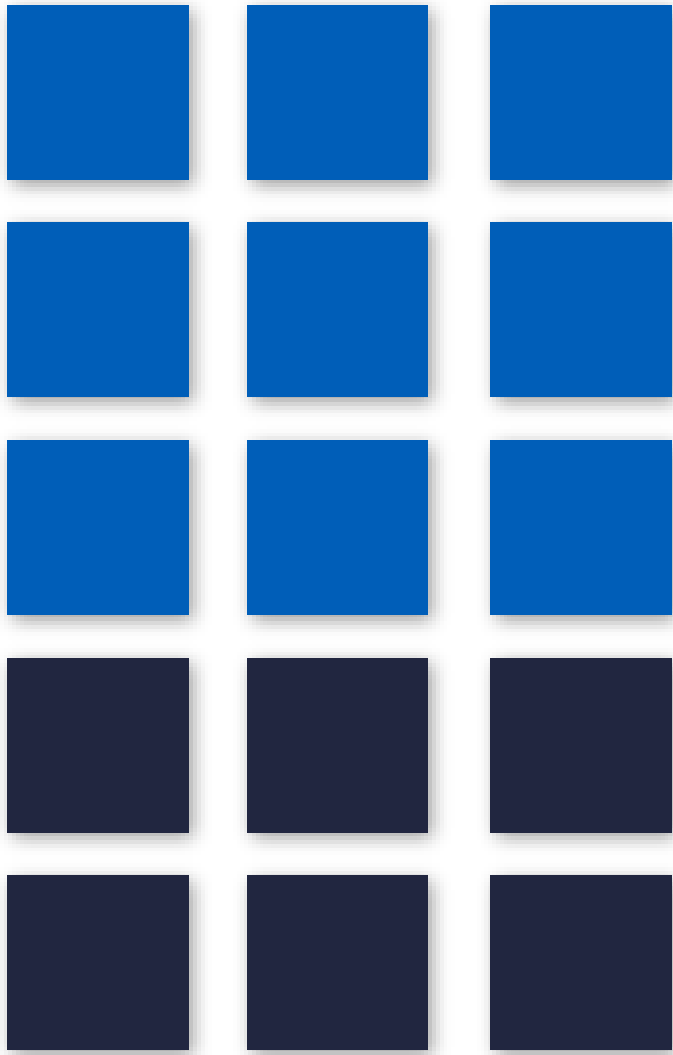
\*Including a net 20K business jet pilots movement to airlines

Sources: Based on CAE analysis

# Headroom in a large market



Civil Training Market  
\$4.3B



38%  
CAE

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



# World's largest civil aviation training network



**170+**  
Aircraft



**300+**  
Full Flight  
Simulators (FFS)



**60+**  
Training  
Locations



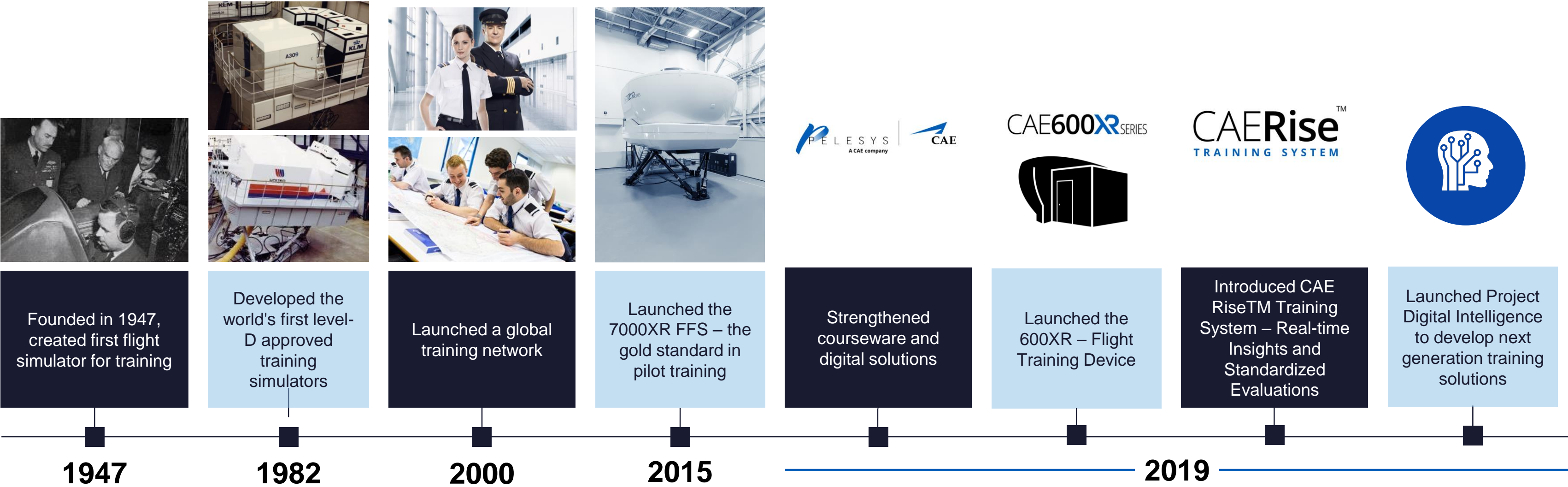
**1M+ hours**  
Annual Training Delivery

**135,000+ pilots**  
Trained Every Year





# 70+ years of training innovation



CAE's \$1B Project Digital Intelligence is focused on developing next-generation training solutions

# Defence & Security

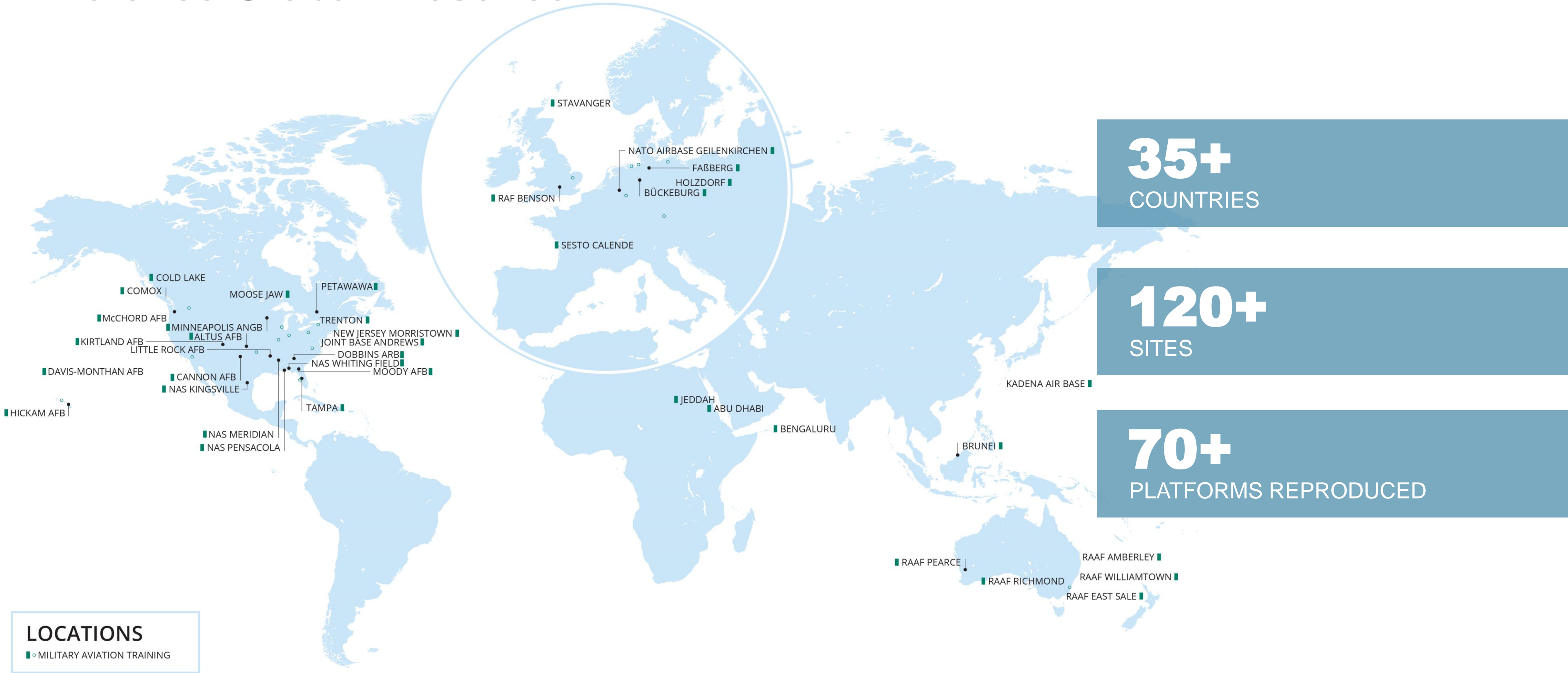


Your worldwide  
training partner  
of choice





# Defence Global Presence



Operations strategically located in key growth markets  
Providing training support services in over 120 sites



# Defence Training Market Drivers



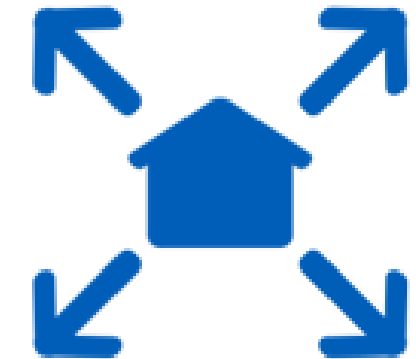
Increased  
Defence spending  
in all major markets



Requirement to  
maintain  
mission readiness



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



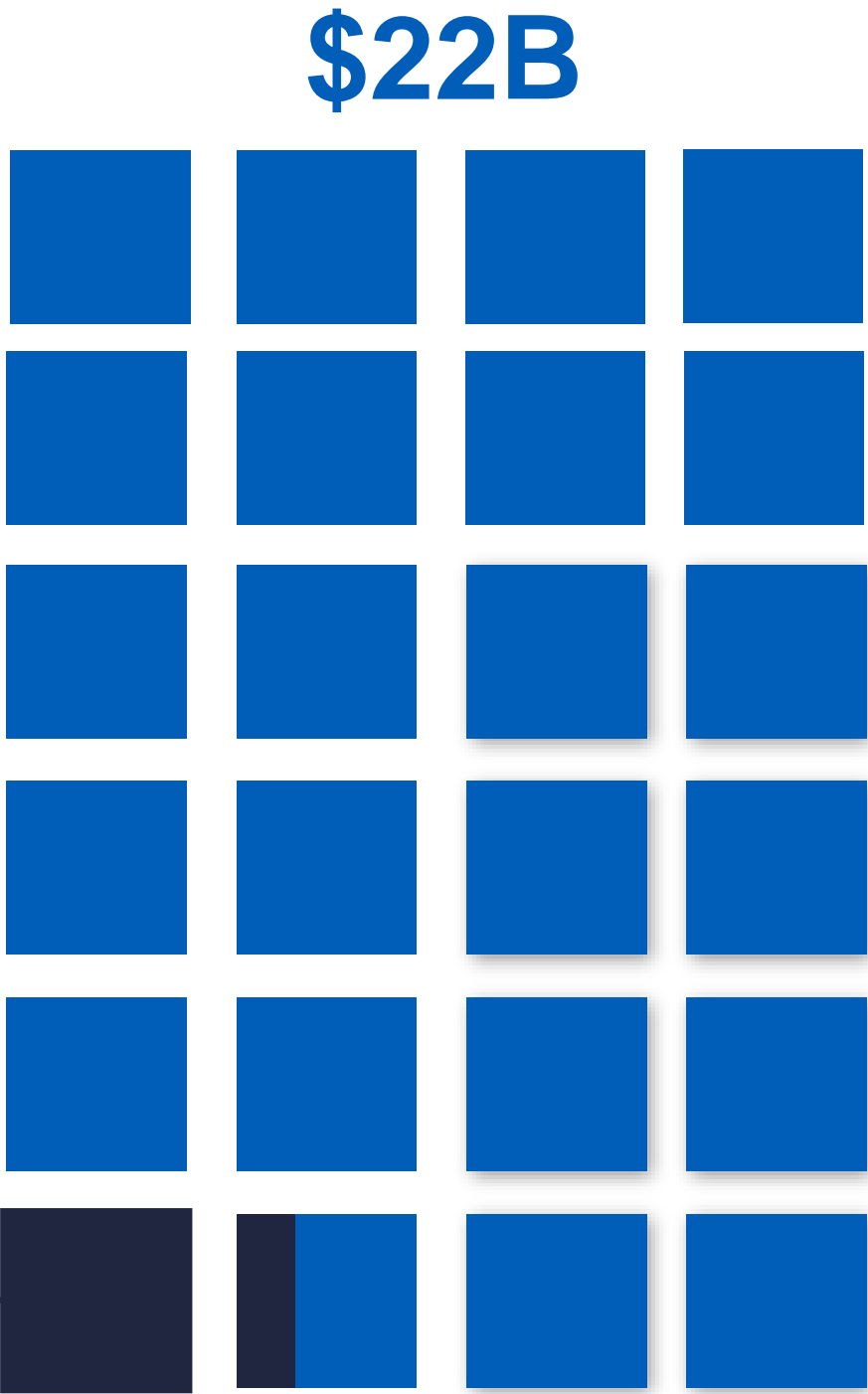
Propensity to increase  
outsourcing of  
training solutions

**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**

# Experienced Training Systems Integrator

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



# Digital Innovation in Defence Training



**CAE TRAX Academy** is a CAE innovation to help redefine how military student pilots learn, practice and perform on the journey to becoming a pilot

- Integrated with courseware, virtual coaching, objective assessment, progress reports and data analytics to facilitate a comprehensive training continuum



**CAE Sprint VR trainer** includes CAE's virtual coach to provide immediate and actionable instruction, and **CAE Rise** to assess progress and measure achievement in mastering the required task or procedure

**CAE TRAX Academy is an integrated and advanced training continuum to deliver faster and more efficient throughput for military student pilot training**

# Healthcare



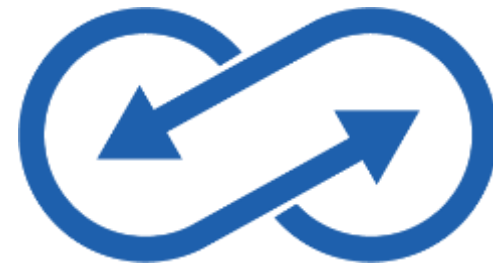
Your worldwide  
training partner  
of choice



# 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**

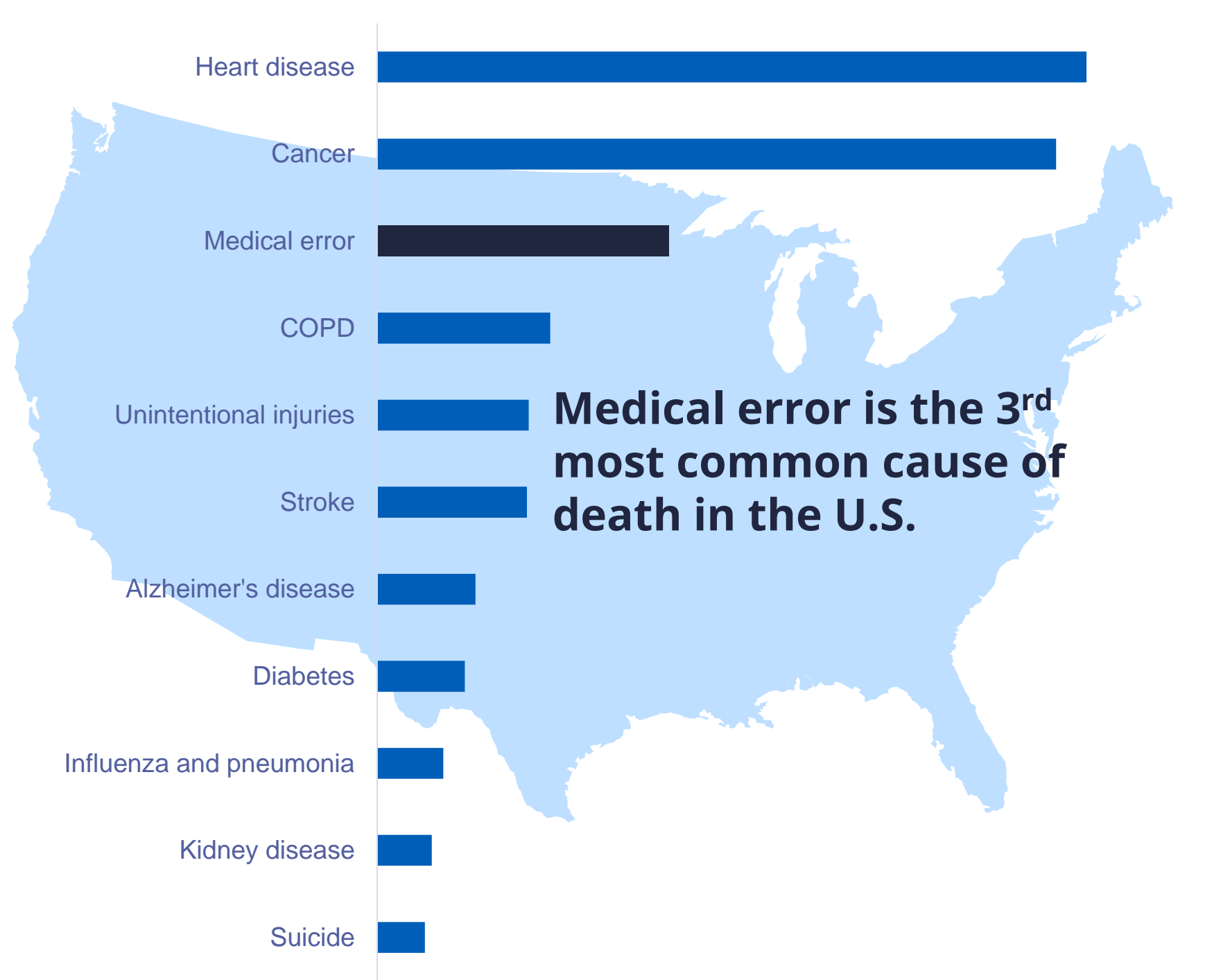


**Shift to value-based  
care aligns practices  
with patient outcomes**

**Opportunity to lead in a potentially larger market as the focus on quality of care increases**



# CAE CAN HELP IMPROVE THE SAFETY OF HEALTHCARE



Improving the **safety** of **healthcare** is an important societal challenge.

As a **global training partner** of choice CAE is well positioned to **enhance safety, efficiency** and **outcomes** in healthcare.

Sources: Centers for Disease Control and Prevention. BIU Publishing group, 2013



# Value-based Care is driving objective assessment of U.S. hospital performance and more use of simulation-based training

- **Hospital Acquired Conditions (HAC)**
  - Uses Quality of Care as a performance metric
  - Bottom quartile of U.S. hospitals lose ~\$3B in government reimbursements
- **Hospital Readmissions Reduction Program (HRRP)**
  - Cuts payments resulting from excess patient readmissions
  - Up to 3% of reimbursements cut per hospital
- **Hospital Value Based Purchasing Program (HVBP)**
  - 2% withheld from operating payments
  - Funds redistributed based on quality of in-patient care
  - Higher payments to hospitals with better quality metrics

**Hospitals mitigate the risk of hefty penalties by improving the training of their professionals**



# INNOVATIVE AND BROAD PORTFOLIO OF TRAINING SOLUTIONS

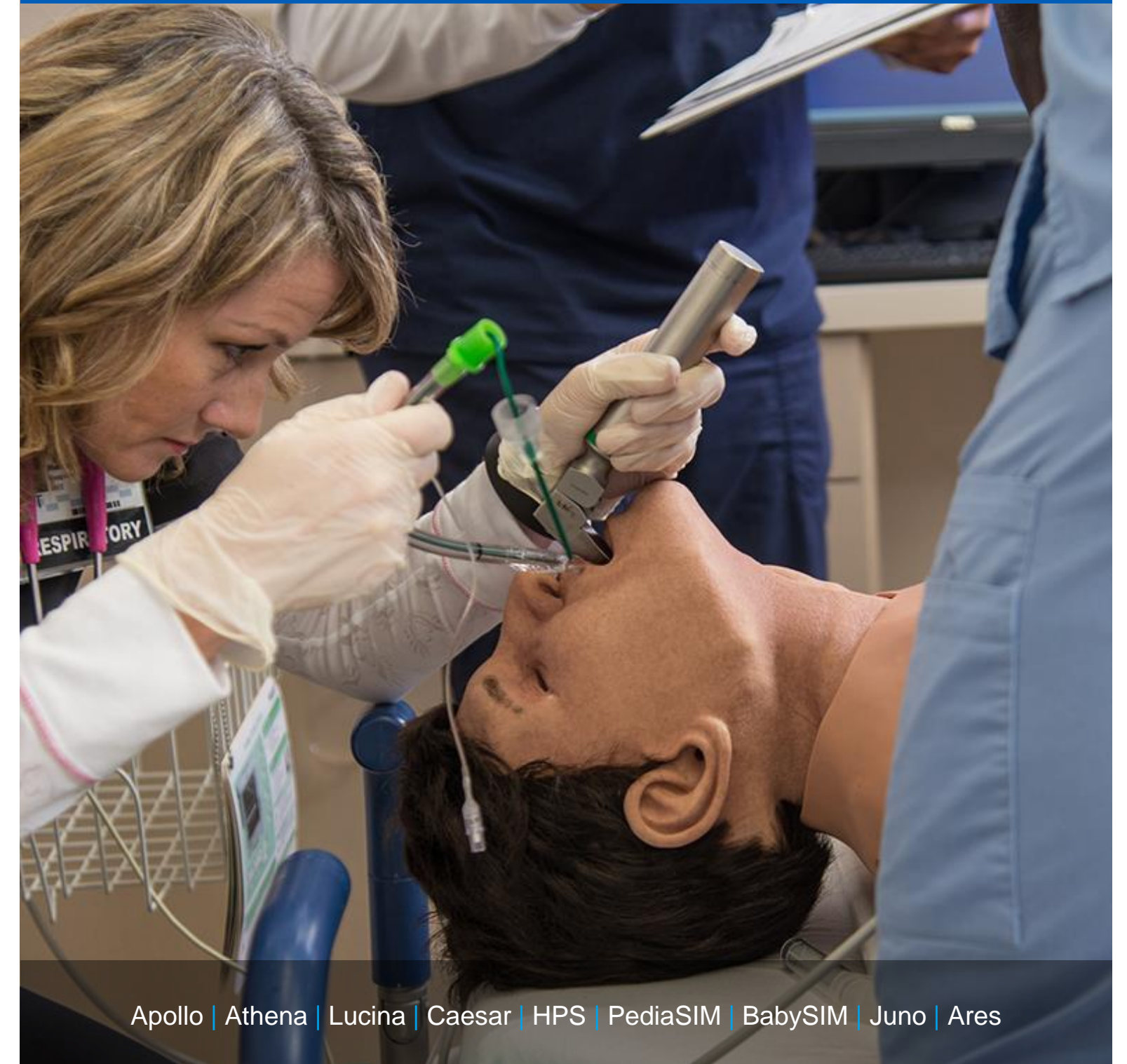
## Imaging Simulation



## Interventional Simulation



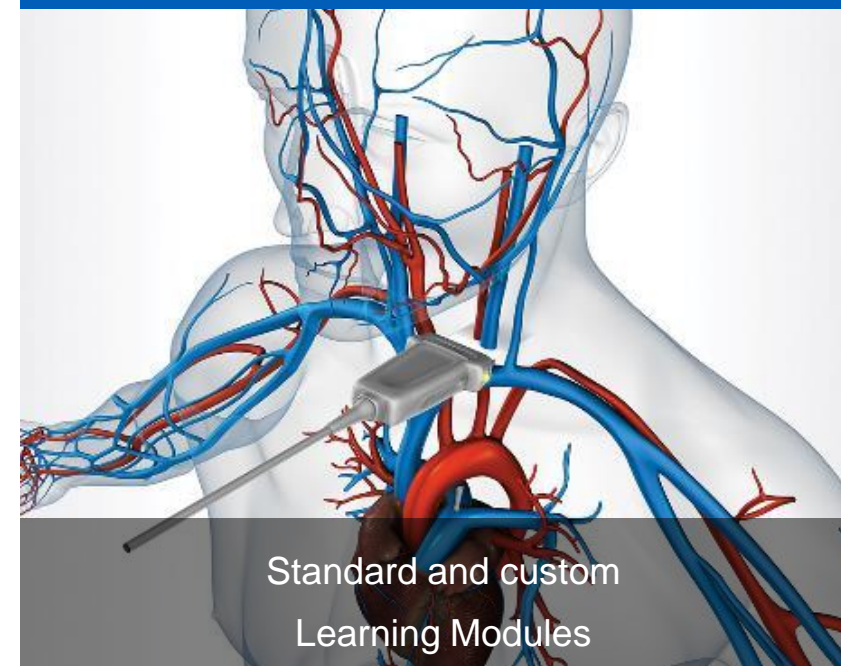
## Patient Simulation



## Center Management



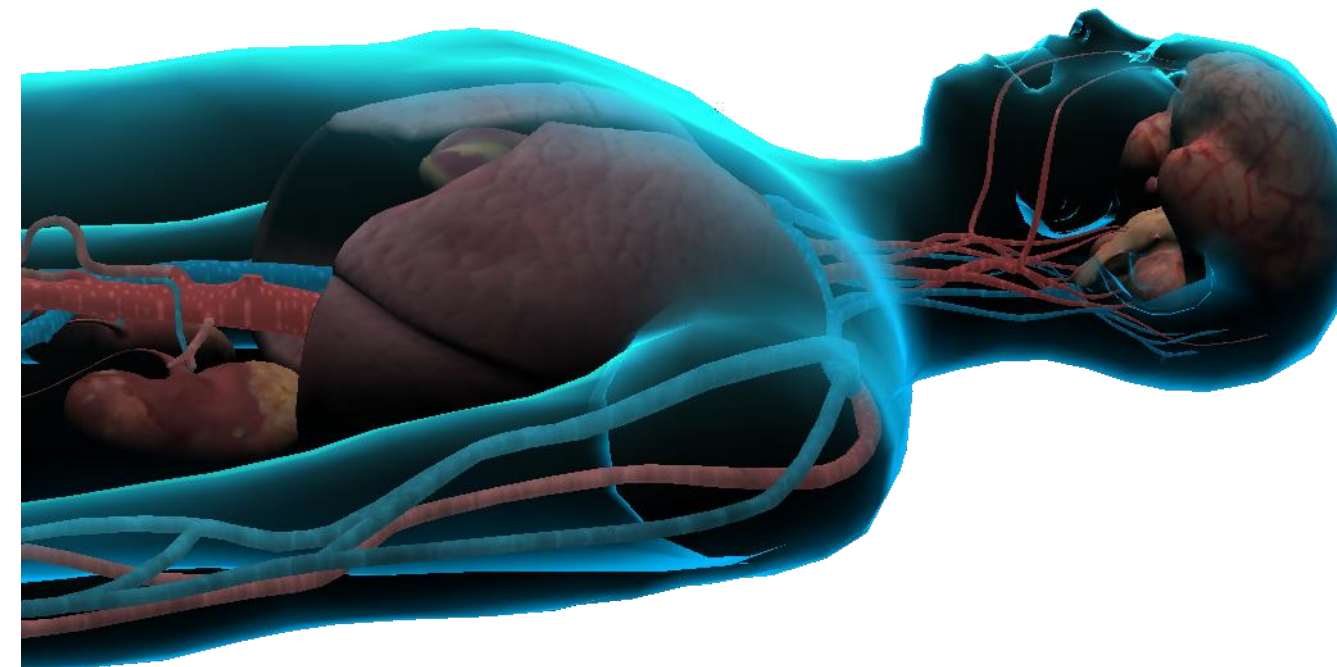
## Curriculum





# Innovation and thought leadership

**CAE Healthcare  
announces the  
release of its first  
training applications  
for Microsoft  
HoloLens 2**



**The ARES AR  
application has  
received the 2019  
EMS World Innovation  
Award**

**EMSWORLD**



# CAE HEALTHCARE CUSTOMERS

## NURSING



## HOSPITAL



## INDUSTRY/OEM SOLUTIONS



## MILITARY



## DISASTER RESPONSE



## EMERGENCY MEDICAL SERVICES





# Financial highlights and capital priorities



Your worldwide  
training partner  
of choice





# 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

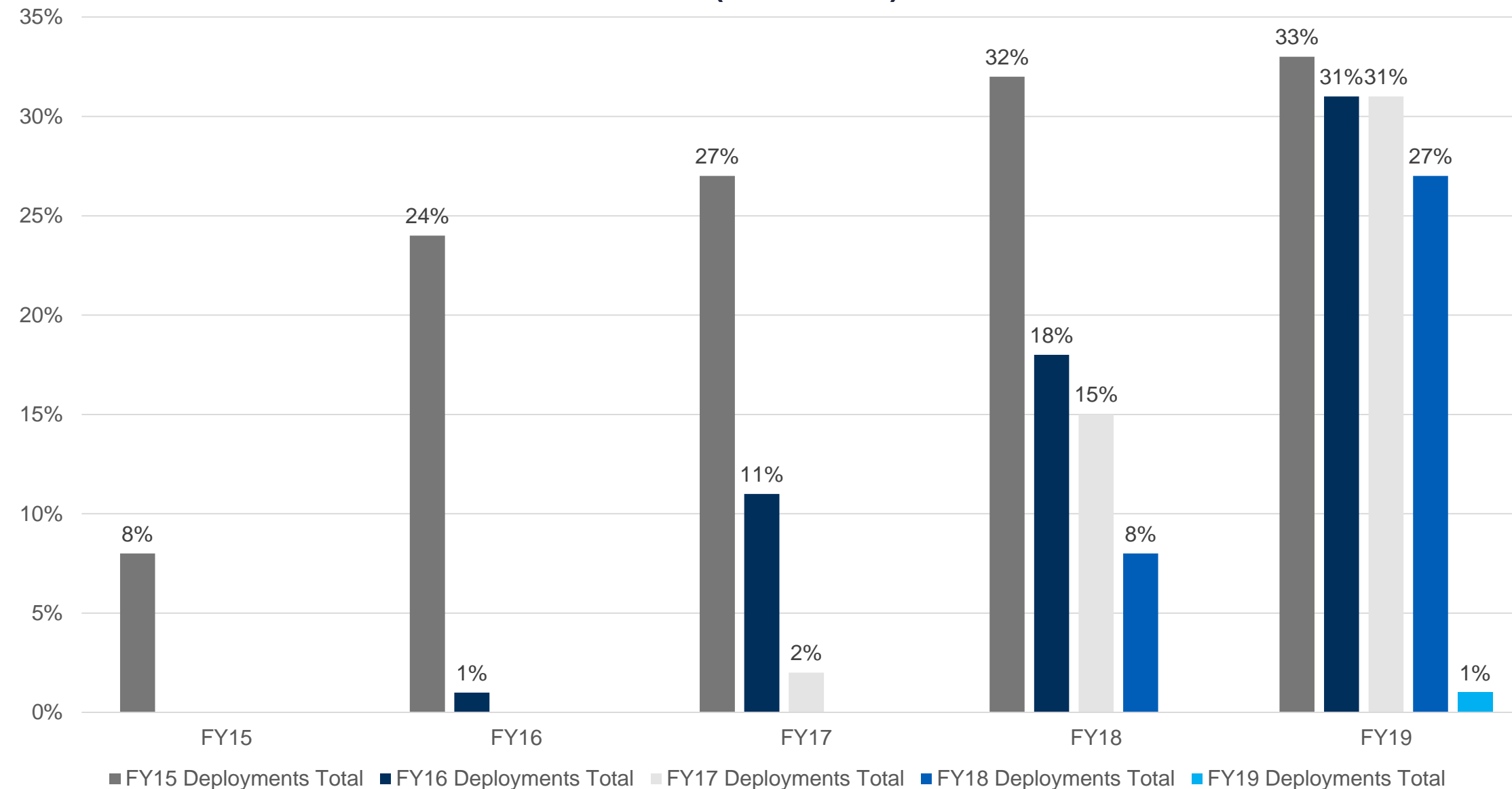
## **Maintain a strong balance sheet**

Expect to deleverage to lower end of target Net Debt-to-Capital range of 35-45% within 18 to 30 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)

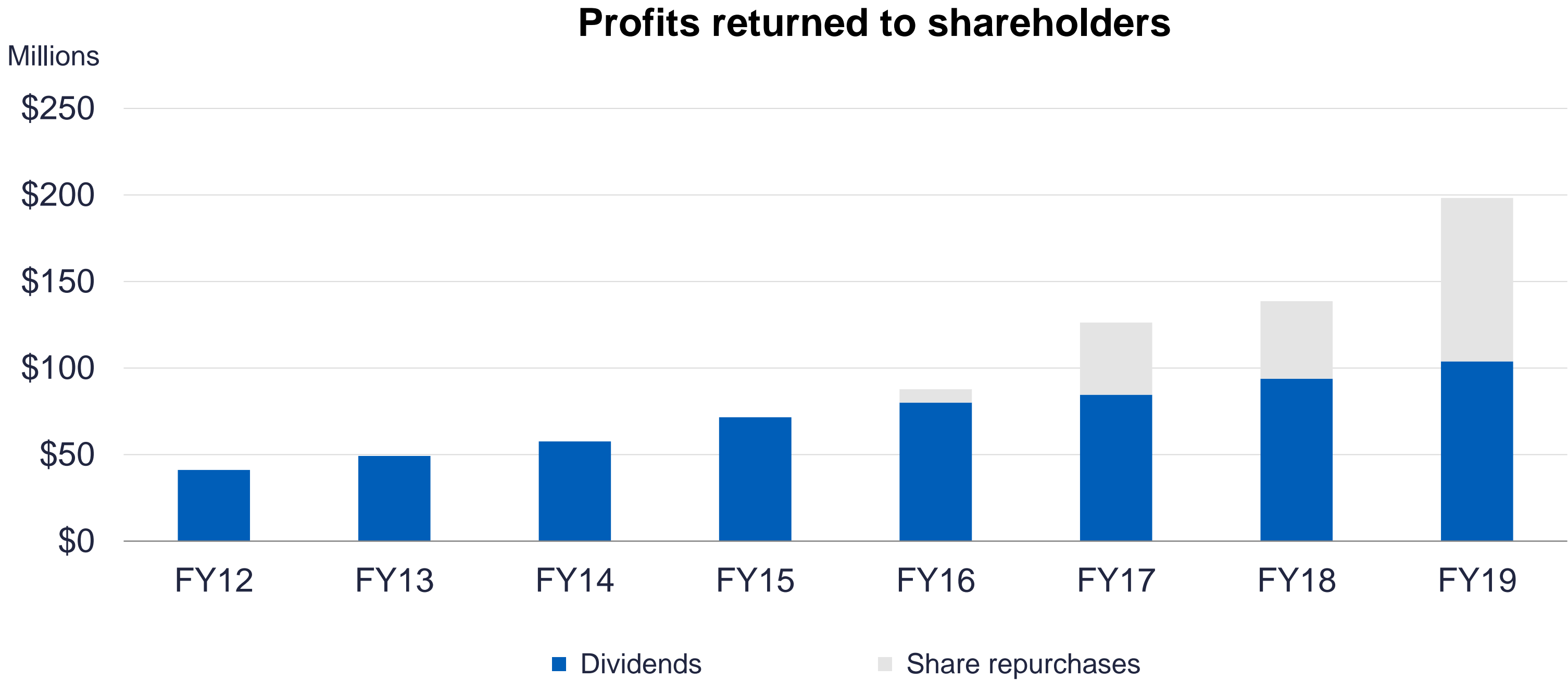


\$375M+ organic capital investment from FY15-FY19 to deploy 50+ FFSs within CAE's Civil commercial and business aviation training network

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

# Current shareholder returns

2



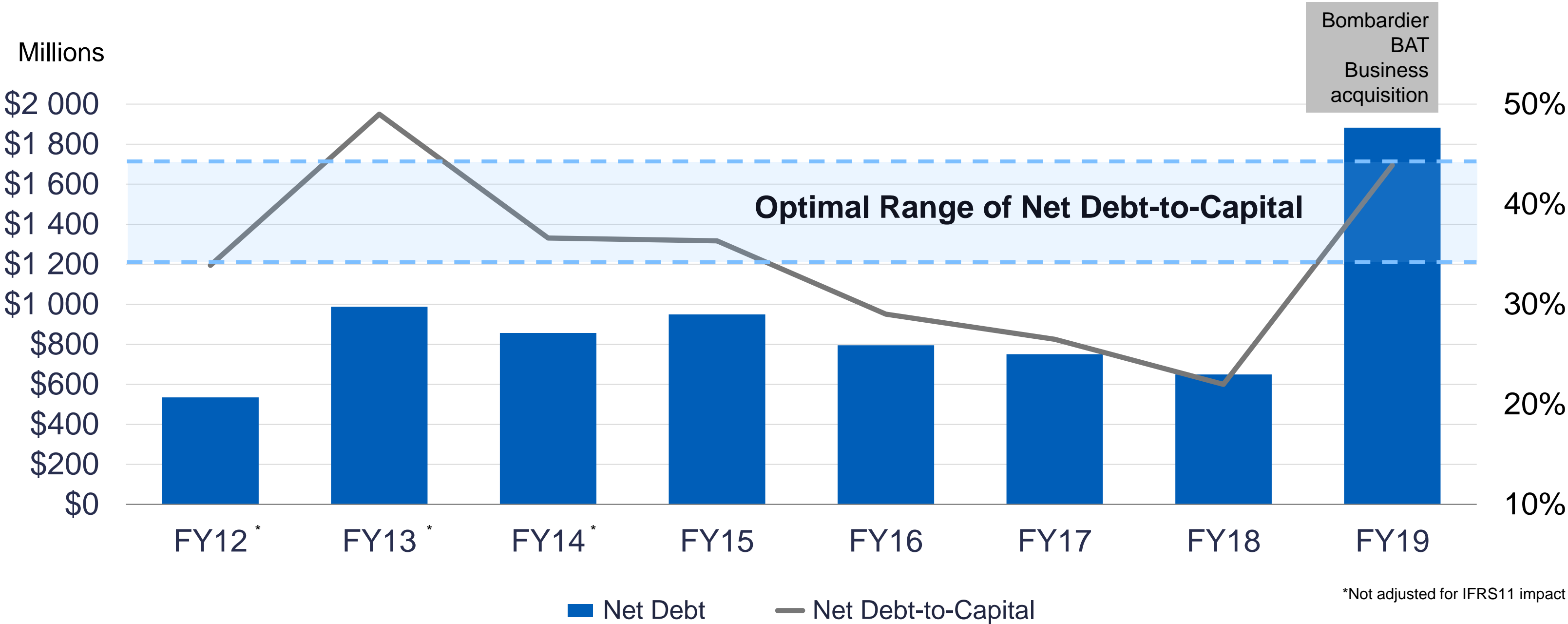
**Growing shareholder returns commensurate with CAE’s growth in earnings and free cash flow**





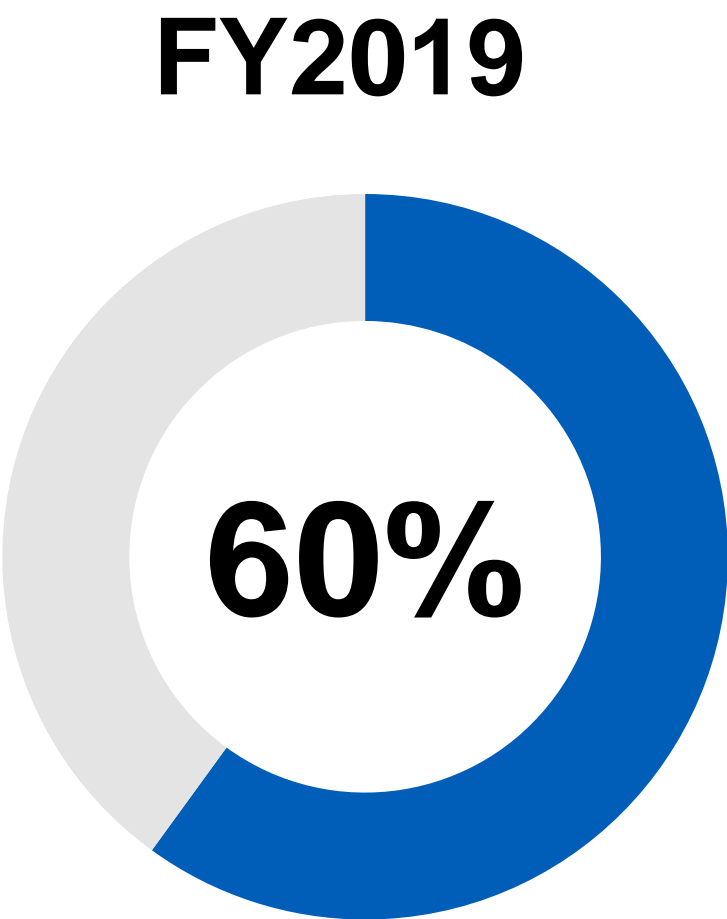
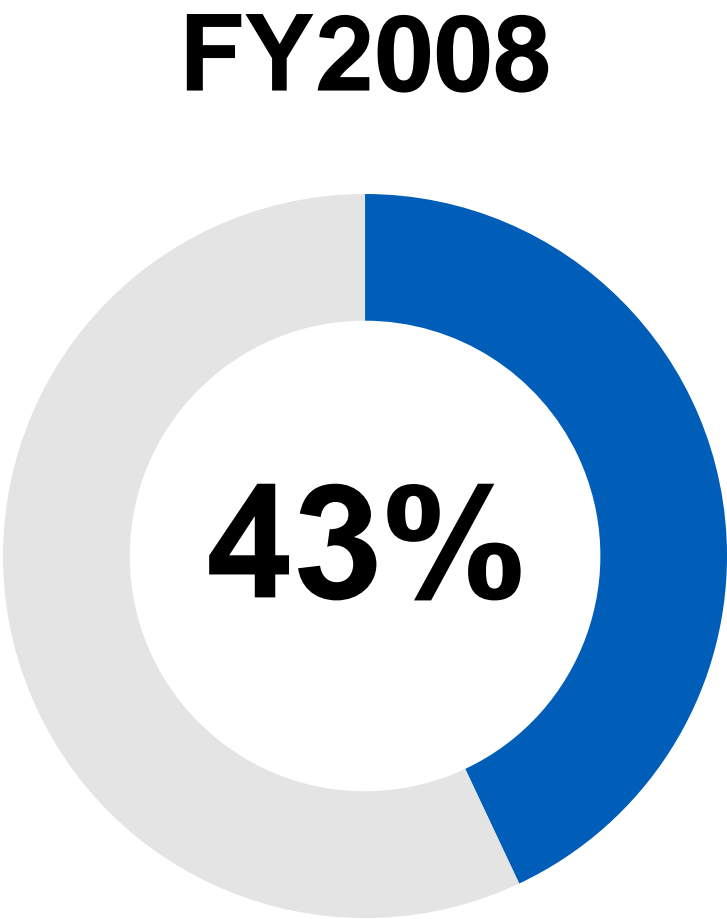
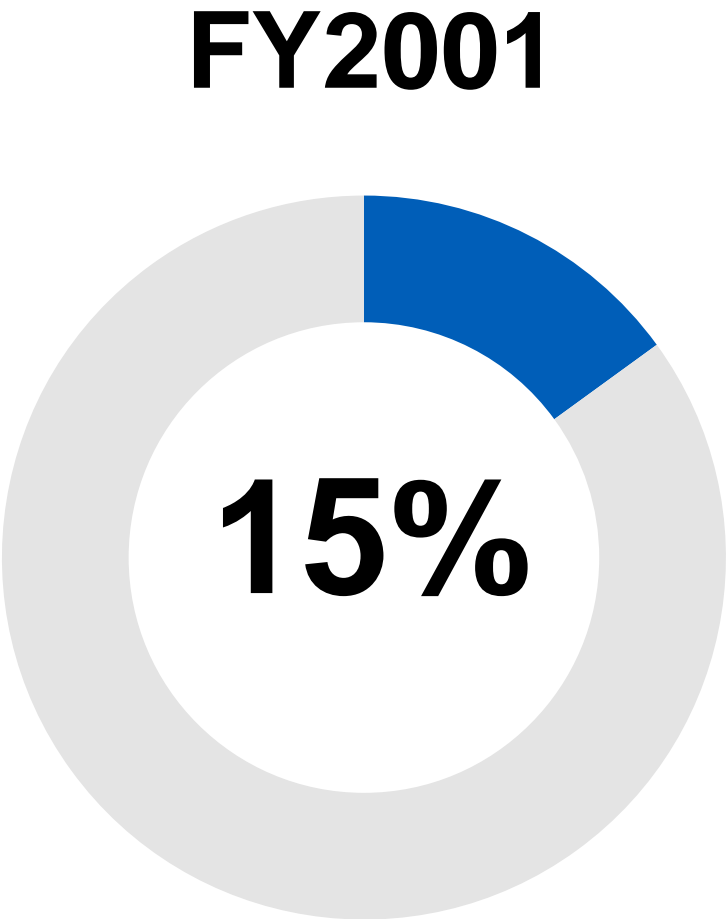
# Strong balance sheet

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 18-30 months

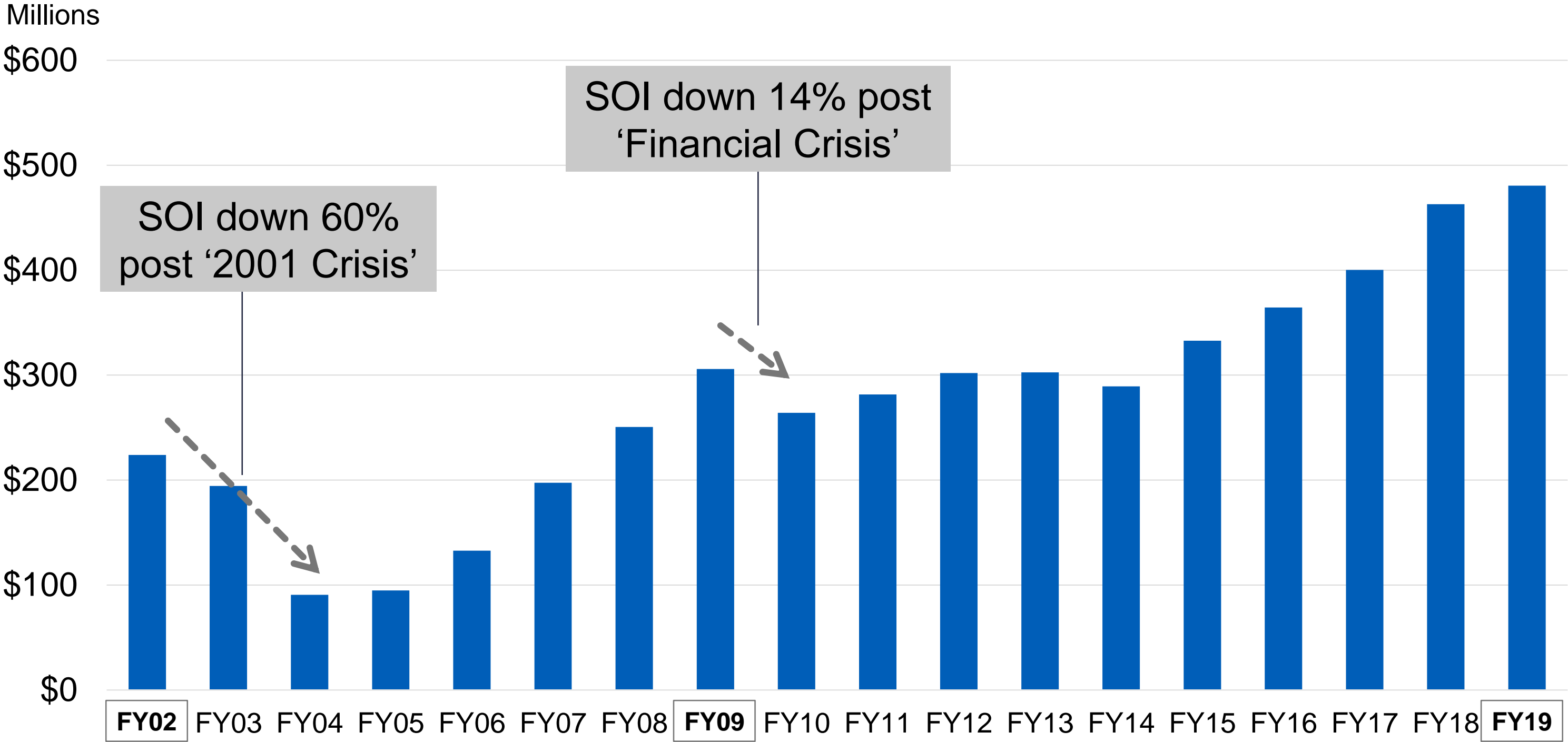
**CAE's transformation over the last 2 decades had led to an increased proportion of recurring revenue (services)**



■ Products ■ Services

# A resilient business model

## CAE Consolidated Segment Operating Income (SOI)

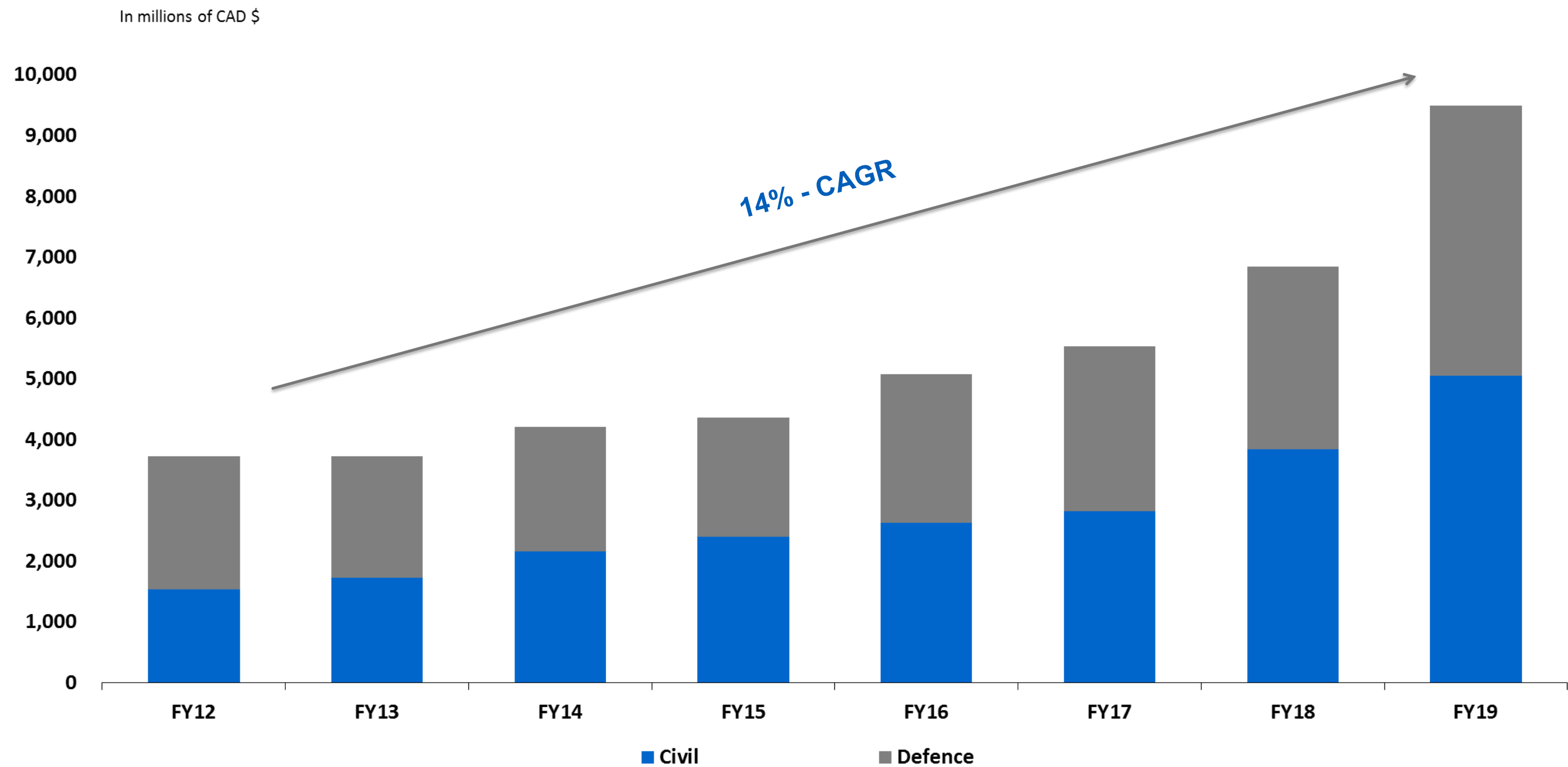


*FY02-FY10 Canadian GAAP; FY11-FY17 IFRS*





# Strong backlog for enhanced visibility



# Compelling long term investment thesis



CAE'S POSITION FOR SUSTAINABLE GROWTH INSIDE OF LARGE AND GROWING MARKETS MAKES IT HIGHLY ATTRACTIVE FROM A RISK/RETURN STANDPOINT

# Management Outlook for FY2020

## Management outlook for fiscal year 2020 (current fiscal year ending March 31, 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 growth closer to 30 percent based on year-to-date performance and a further increase in demand for its training solutions, including maintaining its leading share of FFS sales, and the successful integration of its recently acquired Bombardier BAT business, which is substantially complete.
- In **Defence**, the Company expects modest operating income growth for the year, reflecting the Defence group's performance year-to-date, expected performance on programs in backlog, and the expected timing of new contract awards from a large pipeline.
- CAE continues to expect **Healthcare** to achieve double-digit growth for the year.
- 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 continues to expect total annual capital expenditures to be approximately 10 to 15 percent higher, 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.



# Appendix



Your worldwide  
training partner  
of choice



# Q3 FY20 Business Highlights

	Q3 FY20
EPS	\$0.37 vs. \$0.29 in prior year*
Revenue	\$923.5M (+13% YoY)
Operating profit	\$155.3M (+37% YoY*)
Free cash flow	\$275.3M vs.\$155.1M in prior year
Book-to-sales	1.20x
Total backlog	\$9.4B

\*Before specific items



# Consolidated Financial Results

Summary of Consolidated Results (amounts in millions, except per share amounts)	Three months ended December 31		Fiscal 2020 YTD
	2019**	2018	2019
Revenue	\$ 923.5	\$ 816.3	\$ 2,645.9
Gross profit	291.9	233.3	775.9
Operating profit	155.3	113.0	394.6
<i>As % of revenue</i>	<i>16.8%</i>	<i>13.8%</i>	<i>14.9%</i>
Net income	100.1	79.5	240.7
Net income attributable to equity holders of the Company	98.0	77.6	235.9
Basic EPS attributable to equity holders of the Company	0.37	0.29	0.88
Diluted EPS attributable to equity holders of the Company	0.37	0.29	0.87

\*\* Excludes costs arising from the acquisition and integration of Bombardier's BAT business



# Cash Movements

Consolidated Cash Movements (amounts in millions)	Three months ended December 31		Fiscal 2020 YTD
	2019	2018	2019
Cash provided by operating activities (before changes in non-cash W/C)	\$ 141.7	\$ 123.6	432.1
Changes in non-cash working capital	180.4	94.0	(133.3)
Maintenance capex and other assets	(22.2)	(19.9)	(63.2)
Proceeds from the disposal of property, plant and equipment	-	0.2	0.4
Net payments (from) to equity accounted investees	(10.3)	(17.3)	(10.3)
Dividends paid	(28.3)	(25.5)	(82.2)
Free cash flow	275.3	155.1	166.1



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