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Desjardins Capital Markets

Allison Lampert
Reuters

Martin Jolicoeur
Le Journal de Montréal

Henry Canaday
Aviation Week

QUESTION AND ANSWER SESSION

Operator

Our first question comes from the line of Steve Arthur with RBC Capital Markets. Please go ahead.

Steve Arthur, RBC Capital Markets

Great. Thank you very much. Just a question first on the civil margins. They looked very strong in the quarter at around 22% and, if I remember correctly, that's about as high as we've seen them. Were there any one-time items in there that were supporting that or is this more a case of civil margins moving meaningfully higher with the evolving business mix?

Sonya Branco, Chief Financial Officer

Thanks, Steve. With the acquisition, we guided that there would be margin accretion of 100 to 150 basis points and we see this coming through. Margin is also a reflection of the mix of training and the product business. So, combined, good training margins, but also it does reflect a good program mix in the quarter. So, that's really kind of what's driving some of those margins.

Marc Parent, President & Chief Executive Officer

And I'd just add that, (inaudible), there is no one-timers. No one-timers, Steve.

Steve Arthur, RBC Capital Markets

Okay. Okay, good. So then over the next several years then we should continue to see that kind of 100, 150 basis point bump over where we were into the low 20s?

Marc Parent, President & Chief Executive Officer

You'll get our outlook for next year very soon, but not at this call. But look, I think we're very happy with the performance we have. I think we tend to, as you've seen, we like to guide on the operating income growth in the absolute terms, but look, I think there is no reason to expect our performance to go down.

Steve Arthur, RBC Capital Markets

Okay. And I guess related and probably a similar answer on the longer term, but defence margins, you're calling for modest growth in the year but you're down, I think, 8% or 10% so far year to date, implies a strong finish, as I'm sure you're aware, so I guess a couple things. One, just in terms of what do you see in the near term that supports that jump in Q4? And then just looking out over the mid to longer term, are we right in thinking about this as kind of a 10% to 12% margin business as it has been historically or has something in the mix changed there?

Marc Parent, President & Chief Executive Officer

Well, I think, first and foremost, yeah, (inaudible) the same answer to a certain extent with regards to longer-term outlook. Still, it's a growth business and we're quite confident of that. I'm going to leave some time for Todd Probert, as the new Head of Defence, to get his hands around the business, but clearly we expect that we can do well and longer term I fully expect us to beat market growth in defence. But we'll precise that, as we have done, as we get into the early part of next year as it relates to next year for sure.

In the short-term, yeah, you're absolutely right, it implies a strong, very strong actually I'd say, fourth quarter. But we did that last year and we have the habit of doing that and it's supported by, you would imagine, if we're basically committing to it is because we have a strong forecast of support staff. But it's supported by the usual suspects. It's how we're executing the programs that we have in the backlog and the orders that we had in the quarter. As I said, I was encouraged by the positive book-to-bill that we had in the quarter, especially the strong product orders, like I talked about the NH90 order, that's very important.

But I would tell you, it does require that we win, there are a few orders that we need to win in the quarter, and that's no different. We always have to win orders in the quarter. So, I think some of that variability, and you saw it bring us down slightly, our outlook in the last quarter for defence, and that was basically on, you know, some of the orders that we had were going to moving out of the year. But look, again, I have confidence in the orders, because over 90% of the ones we need, we've already been selected on it. So it's not a question of their competed contract, it's one, it's just decide can we reach the contract, can we get the customers to sign on before the end of March. That's really where we're at on that one. So, those are the elements that make up our outlook for the year.

Steve Arthur, RBC Capital Markets

Okay. Thank you. And just a final point, just on the training centres and customers in China, any comment at all in terms of what's happening with your operations there right now? Obviously, no crystal balls, but have there been closures? Or what's the near-term status of some of the facilities right now?

Marc Parent, President & Chief Executive Officer

I think we're following what the recommendations mainly of WHO and governments around the world, as you might expect this to do. Obviously, our first priority is the safety of our employees, our customers around the world.

In terms of business impacts for us right now, again, as you say, we're watching the situation closely. We do expect it to resolve itself, you know, we do see this as a short-term issue from our standpoint of what we see, but so far the impact for us has been that we have pulled our personnel out of china that we were, for example, installing a simulator, a civil simulator in China, so that simulator was expected to deliver this year, so it will not at this point. So that's the one impact. We had some training customers that have cancelled their training because of, in some cases there were Chinese careers come to train with us, for example, in Dubai and other centres.

So, those are kind of the impacts we have but we've modelled this and it's reflected in the outlook that we have for the end of the year. So, barring some catastrophic escalation of this, which would have far bigger ramifications than what we're talking about here, we feel good that the effects are contained for us.

Steve Arthur, RBC Capital Markets

Okay. Great colour. Thank you.

Operator

Thank you for your question, Mr. Arthur. Continuing on, we now have the question from the line of Konark Gupta with Scotiabank. Please proceed.

Konark Gupta, Scotiabank

Thank you and congrats on a good quarter. Just wanted to follow up on the defence margin and welcome Todd. Margin has obviously come down below 11% over the

past two years and I know the mix has been more skewed to services lately, but should we not expect the margins to kind of remain below 11% as you continue to grow as a TSI business with more service proportion? I mean is it not because of structural changes or is it something else?

Marc Parent, President & Chief Executive Officer

Well, look, I don't want to get out too much in front of that. We still have our backlog that reflects the outlook that we have today for the business in terms of margin performance. I think it really depends on—you've got to remember, ours is a very international business, so yes, on a typical basis, services tend to run lower, as we've said before.

Now it doesn't necessarily have to be the case around the world. You can imagine that if we're putting capital at work, you know, we'll be looking for a higher margin than that. But it's really going to be, I think it's going to be based on where the revenue comes from, from various jurisdictions around the world, and very, very importantly, it's going to be the products and service mix, as you said. Services tend to be lower, but I have quite confident that we can continue to build our products business with the portfolio that we have. So, look, more to come, but I wouldn't come to the conclusion that the margins (inaudible) to dip structurally.

Konark Gupta, Scotiabank

Okay. That's a great colour, Marc. Thanks. And then on the MAX, thanks for updating on orders and backlog. That's pretty useful. Can you talk about your plans for MAX simulator production rate and outlook? How do you foresee this backlog translating into production? And are you seeing any interest in upgrade of existing 737NG simulators as opposed to new orders?

Marc Parent, President & Chief Executive Officer

Well, I think it's too early to tell with regards to upgrades. I think in some cases—it will really depend on the airline. Typically upgrading a simulator can be quite involved and sometimes you're better off to just buy a brand new simulator. In the majority of cases, that's what we see in our business, even like, for example, replacing an old 320 with a new 320 or old 737 versus new one, that people tend to buy new ones. So, that's been the history. We'll see for the MAX. If there is a demand for it, we will certainly be there. We have a very big aftermarket business and so we would do that as well, we'd be part of that.

There has been a step-up in demand, as you saw, that, ah, testimony by six MAX orders since January and big exploration as a result of the news that Boeing was recommending MAX simulator training. But look, I think that, you asked for production rate, I'm not going to get out there and tell you what the production rate is, but I can tell you that we have increased it, but we have the capacity to increase it even more. We're still at a rate that we're below, in terms of production rate, below what we were when we recovered from the strike last year and we still have lots of capacity. So, we're following this closely, but we have a bunch of, ah, I'm not going to say how many, of sims, as we have talked about last time as what we call white tail, ready to go and there is interest out there. But I don't want to get out more in front of that, because it's really going to be dependent on what the regulator decides and the regulator hasn't come out yet. So, I think we're holding our fire, but we'll be prepared.

Konark Gupta, Scotiabank

Okay, that's great. And lastly, Sonya, if I can ask you, on the leverage ratio, you still said there is 18 to 30 months of normalization to happen here, but if you see any good opportunity out there, perhaps because of the recent consolidation in the industry and if somebody wants to divest an asset or something, would you pursue that at current leverage ratio or would you still wait for it to normalize? Thanks.

Sonya Branco, Chief Financial Officer

Even at this level, we're in a very comfortable balance sheet position and capacity. So, on the heels of the cash generation of the acquisition and the other investments that we've made, we have a profiling that can take us to more de-leveraging, both on the organic business and the CapEx that we're deploying. All of this generates good free cash flow and so it de-leverages. But if there are opportunities, we, of course, always look at various opportunities, whether they're organic outsourcings, whether they are JVs or even inorganic, we continue to look at those, or even any items that may come up on the M&A space. So, the balance sheet is flexible and has capacity and we can, I think, comfortably with our cash flow generation balance, some de-leveraging, and continue to invest in growth.

Konark Gupta, Scotiabank

Okay. That's it for me. Thank you so much.

Operator

Thank you for your question, sir. Next question comes from the line of Kevin Chiang with CIBC. Please proceed.

Kevin Chiang, CIBC World Markets

Hi. Good afternoon and thanks for taking my questions here. Maybe first one from me, if I could ask it in a little bit of a different way, you had a 70% utilization in civil, margins up at 22%, and I appreciate that the mix and some of your recent acquisitions have aided in the improvement in your profitability, but if I think of that utilization rate getting back to, say, the mid-to-high 70%, what we saw maybe a year or so ago, is a way to think of the upside to civil operating income as you get that better utilization through your training centres?

Marc Parent, President & Chief Executive Officer

Well, again, we're not going to get ahead of it, because we're not giving our outlook for (inaudible) here, and I think you correctly said there is a lot involved in the mix. So I think, look, we obviously take comfort, as you probably do and inherent in your question, the fact that we're able to generate this level of margin at 70% utilization. Yes, for sure. And the reason that we're at 70% is because we're moving a lot of simulators around. And if you think about, ah, we've added, we've gone in the last three quarters from 266 simulators to 303 over the last three quarters. So, while we're moving sims, while we're bringing sims that are not fully ramped up in terms of revenue potential, but at the same time we have had short-term headwinds in Europe. The 737MAX has caused some disruption in the overall 737 market. We've have some market consolidation remember, airlines such as Thomas COO going under. So look, is there room to grow earnings? Yeah, sure, there's room to grow earnings. How that will reflect as absolute margin itself? It will depend on the mix. Because not all businesses are of the same, earn the same in terms of margin percentage itself. But I think we'll probably continue to focus on absolute income growth as the measure that we'll drive to.

Kevin Chiang, CIBC World Markets

I appreciate that. That's good colour there. And then, I know Todd over at, ah, as a new group president in defence, it's a recent hire, but is there something like to accomplish longer term within defence that you're currently not capturing in terms of opportunities, in terms of growth, or should we think of that long-term strategy

essentially being the status quo even with the change at the top of that division?

Marc Parent, President & Chief Executive Officer

Well, look, I think that, really what, ah, if I was to say anything of our defences, you've seen the success that we've had in civil and there are a lot of things that we can bring from our business model in civil that are imminently applicable in the defence market. So I think, first and foremost, you'll see us applying some of those technologies, some of those lessons learned of those business models more and more into the defence market.

Todd comes from, you know, he's a very strong business leader, comes from a very strong position and strong background in terms of the US Defence Department specifically, but with international experience as well. So, as I said before, when I was looking for a replacement for Gene Colabatistto in this market, we're looking for somebody that knew his way around, if you like, knew his way around the Pentagon, knew his way around the defence market in the United States and internationally, and had basically a good view of areas of the US DOD that we don't necessary, well, we haven't been focused on, and I think those doors opened.

So I think first and foremost is concentrating our strategy, leveraging our core competencies, core capabilities, including the digital innovation that we have applied in civil, applying them to defence, and Todd comes with strong capabilities in that regard. And then we'll see. But (inaudible), we're not seeing any change in strategy here, but definitely I think he brings strong expertise to the fold that I feel confident will, as I said, be very good for CAE and our customers.

Kevin Chiang, CIBC World Markets

That's a good colour. And maybe just last one for me. Sonya, just to clarify, as I think about working capital maybe in the fiscal fourth quarter here and maybe even the fiscal first quarter, so the next couple of quarters, you mentioned ramping up, I think, some of the inventory around the MAX simulators. Should I think of the working capital, I guess, seasonality that we typically see, maybe Q4, Q1 being a little bit different because of that inventory build or maybe it's an immaterial impact in how your working capital flows over the next three to six months?

Sonya Branco, Chief Financial Officer

It will have an impact, but I don't see it reversing the overall cash profile, which usually is a first half

investment and then reversal or partial reversal in the second half. And good performance in Q3 and reversing \$180 million in the quarter and, back to what we mentioned last quarter, we expect to continue on that non-cash working capital efficiency to drive a significant reversal, we called it around 75%, of that first half investment. And that's with some continued investment in the inventory. Now, if some of it turns even quicker in the quarter or in Q1, there may be some variation there. I don't suspect it will change the overall cash profiling between the first and second half, but we are driving to further reversal in Q4.

Kevin Chiang, CIBC World Markets

Thanks for the clarification. That's all from me. Thank you very much.

Operator

And thank you so much, sir, for your question. Our next question comes from the line of Cameron Doerksen with National Bank Financial. Please proceed with your question.

Cameron Doerksen, National Bank Financial

Thanks. Good afternoon. Maybe a question for Sonya just on the, I guess, the leverage question that was earlier. I wonder if you can maybe talk about your ability, if you want, to pay down debt earlier than expected. I mean is there a way that you would potentially accelerate debt retirement here or are you kind of restricted on what you can do on a yearly basis just on the terms of that debt?

Sonya Branco, Chief Financial Officer

So, in terms of the level of financing, we have the private placements that we issued last year and the last tranche in the quarter. We do have also some flexibility with term loans. So, if we wanted to accelerate that, that is an option. We do continue to see very good options for investment.

And I'll go back to our capital allocation priorities and, first and foremost, continuing to invest in accretive growth organically and if there is any inorganic approaches to it as well. But to your question, we do have the flexibility to do so if we wanted to shift a little bit of the balance.

Cameron Doerksen, National Bank Financial

Okay. That's fair. Just secondly from me, maybe a question for Marc just on the sort of end markets. We have seen a little, I guess, less activity on business jet flying. I'm just wondering what you're seeing in your business jet training centres. Are you seeing any change in the level of demand? Obviously, you've got the new acquisition that's driving the year-over-year growth but I'm just wondering on the sort of legacy business there, do you see any change in the demand for training on business aircraft?

Marc Parent, President & Chief Executive Officer

Not really. It's very dependent on which platform and what market, but overall, no. I think I would tell you, we don't typically disclose it, but I can tell you that the growth in our printing activity organically is very strong and a big component of that is business aircraft.

When you break down business aircraft, I think a lot of the growth comes from the acquisition that we made. But equally, we have, in fact I think we can talk about, yeah, well actually I was going to look first to if we have the breakdown, but we don't have it, but in terms of the organic growth in business aircraft training, it's actually been pretty good. We've been outpacing the market itself overall. There are a number of, ah, the flight activity itself, which is a metric, but there are a lot of pilots changing jobs as well, and that stimulates broad training activity. And in the higher-end business jets there's a lot of activity. So, overall, we're doing well and the organic growth is pretty good.

Cameron Doerksen, National Bank Financial

Do you feel that you've gained some market share in that sub-segment?

Marc Parent, President & Chief Executive Officer

Yeah, we have. We have. And if you look at the contracts that we had just this quarter, we had like three-year, just in business aircraft alone, a three-year training renewal with TAG Aviation Holdings. That's a very big contract in itself with TAG. Six years with JetSuite. Four years with the Solairus Aviation. So, yeah, there's no doubt we've gained share and we're quite happy with the customers that have moved over to CAE.

Cameron Doerksen, National Bank Financial

Okay, great. That's all from me. Thanks very much.

Operator

Thank you so much, Mr. Doerksen, for your question. Up next we have Fadi Chamoun with BMO Capital Markets. Please go ahead, sir.

Fadi Chamoun, BMO Capital Markets

Good afternoon. Just one question, if you can clarify the acquisition you made from Bombardier. If there were to be a change in control of those assets, do you've any exposure, do you've kind of solid long-term commitment under that transaction that you've done with Bombardier?

Marc Parent, President & Chief Executive Officer

Yeah, we have a 20-year exclusive ATP agreement, an exclusivity that would flow over to any potential buyer, Fadi.

Fadi Chamoun, BMO Capital Markets

Okay. That's great. And on the 56 MAX orders that you received or you've sold or received order from, do you know off the top of your head how many airlines that represent?

Marc Parent, President & Chief Executive Officer

How many in total? I know it's probably all of them, but I'm not sure how many airlines. We could probably get to that number later. I don't remember exactly how many airlines it is. But, as I said, the high majority of all the airline customers that have bought the MAX have bought our simulators.

Fadi Chamoun, BMO Capital Markets

Okay. Thank you.

Marc Parent, President & Chief Executive Officer

If I get the number, I'll come back and tell you what it is. We're looking.

Fadi Chamoun, BMO Capital Markets

Okay.

Operator

Thank you, Mr. Chamoun for your question. La prochaine question vient de la lignée de M. Jean-François Lavoie from Desjardins Capital Markets. Please go ahead, sir.

Jean-François Lavoie, Desjardins Capital Markets

Good afternoon and thank you for taking my question. I just wanted to come back on the military side. You mentioned in the past that the business mix would evolve favourably in the second half. I think it remained fairly stable in Q3 but the margin has still increased fairly significantly in the quarter. So, I was wondering if we should expect a similar performance in Q4 and if the mix will change accordingly.

Marc Parent, President & Chief Executive Officer

I will leave it to Sonya a little bit, but I guess it has to if we're going to beat the outlook that we said we are, which, again, we have confidence in achieving it. I would caution as well, as I usually do and we've said many times, is it's kind of hard to look at the military business on any of the major metrics on a quarterly basis, because of the size of the contracts themselves and whether they are service or product. This quarter we had kind of flat revenue but much higher earnings. Last time we had the contrary. So, I think it's best to look at it over a number of peers. Maybe 12 months is the best way to look at it. Sonya, you want to...?

Sonya Branco, Chief Financial Officer

Yeah, absolutely. It's really, because of that variability, always best to look at it over a longer annual basis, at least annual basis. In the quarter there was a more favourable program mix, drove a higher contribution, and contribution of orders signed and started in the quarter. So, that drove some of that margin. And while the revenue was relatively stable, I'll also point to the fact that revenue doesn't, our revenue line doesn't capture the revenue from JVs, which are accounted for as equity pickup and included in the EBIT, and so some growth that came from those joint ventures is not necessarily reflected on the revenue line.

Jean-François Lavoie, Desjardins Capital Markets

Okay. That's great colour. And if we get back to the civil segment, I think you mentioned in the MD&A a lower utilization rate in Europe, so I was wondering if you could talk a little bit more about the utilization there please.

Sonya Branco, Chief Financial Officer

Well, I think Marc spoke to it and ultimately we're seeing a bit of headwinds in Europe. There is a little bit from consolidation that we're seeing with certain airlines. Now, we see this more as a short term, because as they consolidate they will generally, the traffic will generally be picked up by other CAE customers and we'll recuperate at that way, but there is a bit, we see a bit of headwind in Europe on the utilization there.

Andrew Arnovitz, Vice President, Strategy & Investor Relations

And just to add and to reiterate what Marc said before, some of that headwind is owing to the MAX having been out of service for quite some time now, and so our 737 simulator training in Europe is directly affected by that as well.

Jean-François Lavoie, Desjardins Capital Markets

Okay. Thank you for the colour. And maybe a last one from me, Sonya, on the CapEx. I know you don't want to provide guidance for next year but just directionally would it be fair to assume some growth in fiscal year 2021 as the pipeline for opportunities remain robust in both civil and military?

Sonya Branco, Chief Financial Officer

We'll come back next quarter with a view on all of the guidance for next year. For this year we'll stick to our guidance, which is slightly higher than last year's, 10% to 15% over last year.

Andrew Arnovitz, Vice President, Strategy & Investor Relations

I think it's important to add though that as a ratio of operating cash flow or of revenue, you know, that number has been declining, whatever the quantum, but as a ratio of the size of the business, which continues growing, it has been declining.

Jean-François Lavoie, Desjardins Capital Markets

Okay. Thank you very much.

Andrew Arnovitz, Vice President, Strategy & Investor Relations

Operator, I guess that's all the time we have for questions from members of the financial community. We now want to open the lines to members of the media.

Operator

Absolutely. Thank you. We now welcome the press and media to feel free to press the one followed by the four to register for a question. Thank you. One moment please. Our first question from the media comes from the line of Allison Lampert with Reuters. Please proceed with your question.

Allison Lampert, Reuters

Thanks very much. Just two quick questions on the MAX. First, you talked about demand for the MAX simulator before. Would you say that that is the most popular simulator that you're selling right now during this fiscal year? And secondly, you also mentioned that you would deploy more in your training centres. Where are you looking?

Marc Parent, President & Chief Executive Officer

I think that, well, I don't think we've actually developed all the locations, have we, Sonya? But I think first, wherever the customers are, but...

Sonya Branco, Chief Financial Officer

Yeah, and the three that we have deployed are in Toronto and Singapore and in the midst of deploying in Dallas right now. And we're looking at other sites, but those are the ones that have been deployed.

Allison Lampert, Reuters

Right. No, I was thinking—do you've any idea of where you're looking in terms of the other sites? I was thinking maybe Europe. From what I understand, there are not many simulators there, so that might be an interesting location.

Sonya Branco, Chief Financial Officer

As Marc said, we're looking at where the customer demand drives us.

Allison Lampert, Reuters

Fair enough.

Marc Parent, President & Chief Executive Officer

But, yeah, it's reasonable to expect that one would go there, yeah, at least. And Southeast Asia.

Allison Lampert, Reuters

Right. And just my other question, would you say—is the MAX simulator your most popular, your strongest selling model at the moment?

Marc Parent, President & Chief Executive Officer

I really haven't looked at the breakdown but, look, I think that certainly since the beginning of January, yes, six out of seven. But for the year as a whole, look, I wouldn't expect it, and it wouldn't expect it, it wouldn't be normal to be, because the airplane has been grounded. So, inevitably, while the airplanes have been grounded, orders have slowed for the 737MAX type. But going forward, with the backlog of aircraft, I mean to me there's, you know, I don't want to get in front of regulators, but to me there's no doubt that the aircraft will resume flying and the backlog of 737MAX aircraft is very large, so we'll be delivering sims for quite a while. And I think the ratios of simulators aircraft will be the same as other narrow body, so I think that will presage many simulator sales for the 737MAX in the future.

Allison Lampert, Reuters

Thank you.

Operator

Thank you, Ms. Lampert, for your question. La prochaine question vient de la lignée de Martin Jolicoeur du Journal de Montréal. La parole a vous. Please proceed.

Martin Jolicoeur, Le Journal de Montréal

Thank you. I have two questions. About the fact that United announced yesterday or two days ago that they would buy a new flight academy, is it something that is just—does it make you nervous or not? And second question: Could you repeat what you said that the coronavirus has any effect in your operation?

Marc Parent, President & Chief Executive Officer

Well, I talked about the coronavirus. I mean, as I mentioned before, the first priority for us is the safety of our employees around the world, safety of our customers, so we've taken precautions that are very similar to and in line with the recommendations of the Canadian government and WHO in that regard. So, our personnel that were in China have left China. We had business impacts with regards to one simulator was being installed in China, so we, of course, with our people moving back to Canada, then that activity has been delayed for the moment. We have some training of Chinese customers that has been postponed for the same reasons. We have put very strict hygiene protocols in all of our centres around the world to get to protect our personnel, our customers. So that's, I guess, the answer on coronavirus.

With regards to your previous question on the centre for United, no, look, I think it just reflects the fact that what we've been saying is there is a global pilot shortage out there and it's affecting airlines around the world and airlines are moving to be able to ensure that they have the proper source of this highly-skilled workforce. So to me, it's just testimony that they need that's out there. Now, as a company, and I think I've said this before, we never pretended to want to control the full capacity in this market, but look, I am very proud of the customers that we have in our training centres at the moment. We have very great contracts on (inaudible) pilots, which are new pilots like what you talked at United, with American Airlines, with Southwest Airlines, with JetBlue, just in the United States alone.

So, those are all cadets being trained from start to getting an airline type rating with CAE. And in fact, we've been leading the market out there in terms of initiatives to increase diversity. We have given scholarships to five deserving women around the world so they'd become airline pilots. So, look, United is a very, very good customer of ours and they're taking action. I can't answer for them, but I think all it does is reflect the need out there for pilots.

Martin Jolicoeur, Le Journal de Montréal

Okay. And about China, how many employees do you have over there that stopped working or that you brought back?

Marc Parent, President & Chief Executive Officer

Well, Canadians, look, I don't remember the exact number, but it's not a huge number. Probably less than 50.

Martin Jolicoeur, Le Journal de Montréal

Less than 50? And do you have operation—

Marc Parent, President & Chief Executive Officer

Let me correct that. It's less than 20. What I was talking about more is the 50 that were in country.

Martin Jolicoeur, Le Journal de Montréal

Okay. So you said less than 20?

Marc Parent, President & Chief Executive Officer

Less than 20 Canadians returned back to Canada.

Martin Jolicoeur, Le Journal de Montréal

Okay. And did you return other employees that were from other countries, US or anywhere else?

Marc Parent, President & Chief Executive Officer

No. No.

Martin Jolicoeur, Le Journal de Montréal

No? And do you've permanent employees that are not Canadian in China?

Marc Parent, President & Chief Executive Officer

Yes, we do.

Martin Jolicoeur, Le Journal de Montréal

Are they still working or you had to close operations?

Marc Parent, President & Chief Executive Officer

It depends where. We take the same detail. I mean we have not shut down operations but I think most people would be, you know, we don't have a training centre over there, so it's not (inaudible) exposure. I think we would have people—I'm getting outside myself. Sonya, do you've anything to add on it?

Sonya Branco, Chief Financial Officer

So, we have (inaudible) in Beijing and Shanghai and Hong Kong and we are following the measures led by the government.

Marc Parent, President & Chief Executive Officer

Most of it is work from home that we'll be doing at the moment.

Martin Jolicoeur, Le Journal de Montréal

Okay. And grossly talking, it would be how many people working from home or in the three cities you've mentioned?

Marc Parent, President & Chief Executive Officer

Well, probably the majority. I can't tell (inaudible), but it would be the majority of the remaining employees that we have.

Martin Jolicoeur, Le Journal de Montréal

But would there be 100 employees or there would be 20?

Marc Parent, President & Chief Executive Officer

No. No. Look, I don't know the exact number, but it's not more than the 50 employees total that we have in China.

Martin Jolicoeur, Le Journal de Montréal

Okay. Okay. Perfect. I'll let you go. Thank you very much.

Operator

Merci, M. Jolicoeur. Continuing on, our next question comes from the line of Henry Canaday with Aviation Week. Please proceed with your question.

Henry Canaday, Aviation Week

Yes. Could you talk a little bit about what portion of your full-flight simulators for commercial aircraft have been upgraded for the FAA UPRT, the upset prevention and recovery training requirement?

Marc Parent, President & Chief Executive Officer

Look, of our civil simulators, I can't tell you the number, but I do believe it would be 100% that we'd get back to, but I think that was requirements. I'm pretty darn sure that's 100%.

Henry Canaday, Aviation Week

Is that just for the US or upgrades going on internationally or...?

Marc Parent, President & Chief Executive Officer

I think it would be around the world. I think we should get back to make sure I'm right, but it will follow the regulatory requirements. But we led the industry in terms of driving UPRT training, including of its use in simulators, so my belief is we're 100%, but we have to maybe get back to you on an exact number.

Henry Canaday, Aviation Week

Sure. Thank you very much.

Marc Parent, President & Chief Executive Officer

Okay. You're welcome.

Operator

Thank you, Mr. Canaday.

Andrew Arnovitz, Vice President, Strategy & Investor Relations

Sorry, operator, I think that's all the time we have for the call this afternoon. I want to thank all of our participants from the investment community as well as members of the media for having joined us and I would remind you that a copy of a transcript of today's call can be found at CAE's website. Thank you.

Operator

Thank you. And that does conclude the conference call for today. We thank you all for your participation. Please disconnect your lines. Thank you once again. Have a great day, everyone.
