



**REMARKS FOR CAE'S ANNOUNCEMENT OF ITS ACQUISITION OF
L3HARRIS TECHNOLOGIES' MILITARY TRAINING BUSINESS**

March 1, 2021

Time: 8:00 a.m.

Speakers:

Mr. Marc Parent, President and Chief Executive Officer

Ms. Sonya Branco, Vice President, Finance, and Chief Financial Officer

Mr. Daniel Gelston, Group President, Defence & Security

Mr. Andrew Arnovitz, Vice President, Strategy and Investor Relations

Andrew Arnovitz, Senior Vice President, Strategy and Investor Relations

Good morning, everyone, and thank you for joining us.

Before we begin, I'd like to remind you that this morning's remarks contain forward-looking statements including, without limitation, as it relates to our proposed acquisition of the L3Harris Technologies Military Training business, as well as certain expectations with respect to the same. These forward-looking statements represent our expectations as of today, March 1, 2021, and accordingly are subject to change. Such statements are based on assumptions that may not materialize and are subject to risks and uncertainties. Actual results may differ materially, and listeners are cautioned not to place undue reliance on these forward-looking statements. Please refer to slides 1 through 3 of our Investor Presentation which can be downloaded on our Website for a detailed description of the cautions and risk factors pertaining to the proposed acquisition and related forward-looking statements.

On the call with me this morning are Marc Parent, CAE's President and Chief Executive Officer, Sonya Branco, our Chief Financial Officer, and Dan Gelston, Group President, Defence & Security.

After remarks from Marc and Sonya, we will take questions from financial analysts and institutional investors. Following the conclusion of that Q&A period we will open the call to questions from members of the media.

Please link to the investor presentation that we have prepared for your reference; you may wish to use it to follow along with the remarks. It's available in the investor section of CAE's website or by clicking the link in this morning's press release.

Let me now turn the call over to Marc...

Marc Parent, President and Chief Executive Officer

COVER PAGE

Thanks, Andrew, and thank you to everyone for joining us on short notice for this morning's call.

It's an exciting day for CAE. This morning we announced that we've concluded a definitive agreement to acquire L3Harris Technologies' Military Training business for US\$1.05 billion. This transaction is the logical next step for CAE as we expand our core military training business in the United States, add breadth and expertise in mission and operations support, and significantly broaden our position in training and simulation across multi-domain operations.

HIGHLY STRATEGIC ACQUISITION WITH SIGNIFICANT FINANCIAL BENEFITS

The proposed acquisition represents a unique opportunity for us to accelerate our Defence and Security growth strategy and effectively double the size of our US defence presence. We've known L3Harris Military Training intimately for decades, and to say the least, we're extremely pleased to now have the opportunity to add this world-class business to our own. It's highly complementary to our existing core military training business, and it will significantly broaden our presence in the United States. And related, it further enhances the alignment of our defence business with the priorities defined by the US National Defence Strategy. The acquisition will give us new customers, valuable experience on new platforms, and a broader expertise that we will use to address all five operational domains — space, air, land, sea and cyber — with our training and operational support solutions. With the acquisition we also gain a talented workforce and the benefit of highly complementary cultures with a mutual focus on innovation at the very frontier of digital immersion. Sonya will review the financial highlights in detail, but at a high level, we expect to realize significant cost synergies with the acquisition and to achieve low-teens percentage accretion to earnings per share in the first full year post closing.

L3HARRIS MILITARY TRAINING...

Now a little more detail about the business... L3Harris Military Training is headquartered in Arlington, Texas with more than 1,600 employees, approximately 80% of whom possess secret clearances or higher. And much like CAE, they're a leading full-service training provider with

comprehensive training solutions across multiple domains. They're a leader in live and virtual aircrew training, with for example, Doss Aviation as the sole provider of initial flight training services to the US Air Force. In the realm of Fighter Jets, they provide nearly all F-16 simulators currently in use, and 100 percent of the high-fidelity F/A-18 simulators for the US Navy. These are enduring platforms, essential not just to the US, but for international allies as well. In Rotary, they are a leader in advanced helicopter training systems, and their capabilities and platform experience are an excellent complement with our own. In that domain, they're one of the training system partners for the US Army's Flight School 21, which is the largest helicopter simulation program in the world, training 1,200 new student pilots a year. L3Harris Military Training also brings a wealth of experience, providing training systems for bomber aircraft, including as the prime contractor on the B-2 training system for the US Air Force's iconic stealth bomber.

ADDRESSING NEW REALITIES IN THE DEFENCE ENVIRONMENT

A big part of what underlies our decision to take this action now involves CAE's reinvigorated Defence growth strategy, which centres on aligning our business more closely with the priorities associated with the National Defense Strategy in the United States. The global threat environment has shifted materially, from asymmetric warfare, specifically counterterrorism involving non-state actors, to near-peer threats. This brings with it the added complexities of having to plan and train for scenarios that involve the integration of multiple domains at once, which is something that's generally either too costly or just not feasible to do outside of a virtual environment. This paradigm shift, combined with highly focused defence budget priorities that are driving a greater move from live to virtual training, mean that we will see an increasing demand for simulation-based training and the use of synthetic environments across multi-domain operations. This has created a significant opportunity for CAE in the United States and around the world as NATO and allied nations also adapt to these new realities.

STRONG ALIGNMENT WITH D&S STRATEGIC IMPERATIVES

The acquisition of L3Harris Military Training brings scale, capability and a breadth of experience that supports our strategy and further positions CAE as a leader in providing digitally immersive solutions for training and operational support. With it, we solidify our position in the air domain, we augment our position in land and sea, and critically, we further strengthen our ability to provide solutions involving multi-domain operations. The acquisition also gives us a leg up on our imperative to develop strategic

partnerships on Next-Gen platforms with a potential tie into NGAD, or Next Generation Air Dominance and the B-21 bomber. The high clearance level of our combined workforce will be a key enabler to positioning on such strategic, Next-Gen platforms. The combination of capabilities and program incumbency between CAE and L3Harris Military Training means that we have even broader scope for teaming opportunities. And the access we gain to Department of Defence labs and DARPA should enable us to expand and extend our addressable market. L3Harris Military Training's position on Ground Based Strategic Deterrent and the Air Force's SCARS program, or simulator common architecture requirements and standards, provide a very good entry point for us in the space and cyber domains. And lastly, we have a strategic imperative to target larger opportunities and the acquisition serves to significantly augment the comprehensiveness of our offering for major programs.

ADDS BALANCE TO CAE, WITH COMPLEMENTARY OFFERING IN D&S

The acquisition of L3Harris Military Training brings additional balance between CAE's major end markets; and from a geographic standpoint, it gives us more exposure to the United States. There's also a high degree of complementarity in critical domains between our combined entities. CAE has extensive training solutions experience on platforms involving rotary wing and air mobility aircraft, and the addition of L3Harris Military Training brings significant experience in the development and delivery of training systems for fighter and bomber aircraft, Army rotary-wing platforms, submarines, and remotely piloted aircraft. As an example, CAE is the provider of fixed-wing and advanced helicopter flight training to the US Army, and as previously mentioned, Doss Aviation expands CAE's live flight training portfolio as the provider of initial flight training to the Air Force.

In summary, L3Harris Military Training is an excellent complement to CAE D&S in terms of platforms, capabilities and program depth. With that, I will now turn the call over to Sonya to take us through the transaction summary.

Sonya Branco, Executive Vice President, Finance, and Chief Financial Officer

TRANSACTION SUMMARY

Thanks Marc. I'll go through some of the key financial highlights of the transaction, including our capital structure to fund the deal, and then I'll talk a bit about our capital allocation priorities and how this transaction aligns well with them.

The transaction is based on an agreed purchase price of US\$1.05 billion, which represents approximately 10 times estimated adjusted 2020 EBITDA of the L3Harris Military Training business, taking into consideration our estimate of annual run-rate cost synergies in the order of \$35 to \$45 million. The multiple before synergies is about 13.5 times. The transaction is also expected to be immediately accretive to Defence and Security operating profit and EBITDA margins on operational efficiencies.

With 2020 revenues of approximately US\$500 million, L3Harris Military Training brings both scale and capabilities to CAE. We expect the acquisition to be low-teens percentage accretive to EPS in the first full year post closing. And I would note that we also expect growth from new business opportunities arising from the broadened scope and capabilities the acquisition is expected to provide us, which would naturally be incremental.

The cornerstone of the funding for the transaction involves a US\$550 million private placement investment by way of subscription receipts with Caisse de dépôt et placement du Québec, a Canada-based global institutional investor, and by GIC Private Limited, one of the world's largest sovereign wealth funds, with an established global network. We are extremely pleased to expand our existing relationships with these two key CAE shareholders, and we are especially grateful for their work to evaluate CAE's investment thesis and the merits of this highly significant transaction. While the Private Placements and other currently available liquidities provide sufficient funds to close the Acquisition, we may, subject to market and other conditions, also opportunistically undertake the issuance of additional equity and/or debt financing. With this transaction and funding profile, we continue to have an investment grade profile and the capacity to consider our pipeline of future potential growth investment opportunities.

As for closing of this transaction, we anticipate being able to do so in the second half of calendar 2021, subject to the customary regulatory approvals.

SIGNIFICANT COST SYNERGIES

As I mentioned, we're expecting significant cost synergies to reach a range of C\$35 to C\$45 million annually by the end of the second year following closing of the acquisition, and we expect those synergies to come from three main areas including, cost reductions from asset optimization, efficiencies in production costs and supply chain, and by rationalizing standalone functional support costs. We estimate one-time costs approximately equal to one year's savings in order to achieve these synergies. And again, our valuation assumptions do not include the significant upside potential we expect in terms of the combined entity having a bigger addressable market in areas involving multi-domain operations and the larger opportunities pipeline this presents.

I'm quite proud of our track record at CAE of successfully executing and integrating acquisitions and, in the case of L3Harris Military Training, our company's largest ever acquisition, I take confidence in our intimate understanding of the business and its operations, and our focus on executing our detailed integration roadmap.

TRANSACTION CONSISTENT WITH CAE'S 3 INTERRELATED CAPITAL ALLOCATION PRIORITIES

Our capital allocation priorities continue to be primarily focused on investing in superior and sustainable growth opportunities, balanced with maintaining a strong financial position. We invest organically to expand capacity to serve our customers' growing needs, to maintain our competitive position through technological innovation, and to expand our aperture to pursue a greater addressable market. We also invest to pursue customer outsourcings, and we make acquisitions when we see opportunities to enhance CAE's global offering, and again, increase market addressability. In the current period of major market disruption, we have seen greater potential for CAE to seize on such opportunities that would bolster CAE's ability to better serve our markets and to position the company to emerge from the current period in a position of even greater strength.

WE HAVE BEEN OPPORTUNISTIC IN M&A

We've had great success acquiring and integrating several businesses to help support our overall growth efforts. These have included the three bolt-on acquisitions we've concluded since last November in the Civil aviation market. FSC and TRU Simulation & Training Canada, come under the category of capacity holders, where we saw value-based opportunities to expand our ability to address our customers' training and support solutions needs in commercial aviation. The third company, Merlot Aero, based in New Zealand, is a highly innovative software solutions company that gives us additional capabilities to expand our addressable market and address our customers' needs for crew management and optimization solutions. All three represent excellent opportunities for CAE and align very closely with our strategic priorities in Civil, and we continue to cultivate a pipeline of potential opportunities involving customer outsourcings, capacity holders and new capabilities.

With that, I will turn the call back over to Marc...

Marc Parent, President and Chief Executive Officer

CONCLUSION

Thanks, Sonya. The acquisition of L3Harris Military Training demonstrates our continued focus on bolstering and expanding our position in the markets we serve.

It marks another **logical step** on the path we've been on to make accretive growth investments with the goal of ensuring that we emerge from the current period of market disruption strongly and well prepared to meet the growing demands of our customers.

Defence market fundamentals support growth of adoption of virtual based training and mission rehearsal solutions and the need for synthetic environments to prepare defence forces for the complexities of multi-domain operations. The acquisition is **highly complementary and strategic** and gives us an even stronger platform upon which to **accelerate our Defence growth strategy**.

L3Harris Military Training brings highly **complementary capabilities and technologies** and we expect the transaction to further bolster CAE's position as a platform-agnostic training systems integrator by solidifying our training and simulation leadership in the air domain, complementing our land and naval training solutions, and enhancing our training and simulation capabilities in space and cyber.

We know the business well. We have a **clear plan for cost synergies** that we believe we can achieve, and we have a detailed roadmap for integration. I'm also highly encouraged by the potential I see in combining these two great entities and what we can bring to bear in terms of additional capabilities and even more comprehensive solutions with the goal of enhancing **growth** in the defence and security markets.

In summary, this is a great opportunity for **significant value creation** for all CAE stakeholders.

With that, Sonya, Dan, Andrew and I are ready to take your questions.

Andrew Arnovitz, Vice President, Strategy and Investor Relations

Operator, we would now be pleased to take questions from analysts and institutional investors.

Before we open the lines, let me first ask in the interest of fairness that you please limit yourselves to a single, one-part question. If you have additional questions after that, and if time permits, please feel free to re-enter the queue.