

# CAE to Accelerate Defence Strategy via Proposed Acquisition of L3Harris Technologies' Military Training Business

## Investor Presentation

March 1, 2021



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Pending the Acquisition closing, L3Harris Military Training is a fully integrated business unit of L3Harris, and separate financial statements historically have not been prepared for the L3Harris Military Training business. Consequently, the financial information of the L3Harris Military Training business included in this document has been derived from the consolidated financial statements and historical accounting records of L3Harris and reflects certain significant assumptions, judgments and allocations made by L3Harris. The financial position, net income and cash flows of the L3Harris Military Training business may not be representative of the financial performance if the L3Harris Military Training business had been a stand-alone entity or operated independently of L3Harris. For example, in preparing financial information on the L3Harris Military Training business, L3Harris has made an appropriate allocation of costs and expenses that are attributable to the L3Harris Military Training business. However, these costs and expenses reflect the costs and expenses attributable to the L3Harris Military Training business operated as part of a larger organization and do not reflect costs and expenses that would be incurred by the business had it been operated independently. As a result, the historical financial information of the L3Harris Military Training business may not be a reliable indicator of future results.

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This presentation includes forward-looking statements, which include, without limitation, statements relating to the Acquisition and the related private placements, available liquidities, the use of proceeds of the private placements, the expected timing of, and conditions precedent to, completion of the Acquisition and related private placements; the attractiveness of the Acquisition from a financial perspective and expected accretion in various financial metrics; expectations regarding anticipated cost savings and synergies; the strength, complementarity and compatibility of L3Harris Military Training's business with CAE's existing business and teams; other anticipated benefits of the Acquisition and their impact on the Corporation's future growth, results of operations, performance, business, prospects and opportunities, CAE's business outlook, objectives, development, plans, growth strategies and other strategic priorities, and CAE's leadership position in its markets; general economic outlook; prospects and trends of an industry; and other statements that are not historical facts. Although CAE believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that they will prove to be correct.

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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, including risks and uncertainties relating to the following: the possible failure to realize anticipated benefits of the Acquisition; the integration of L3Harris Military Training's business (such as the impact of significant demands placed on CAE as a result of the Acquisition, the time and resources required to integrate L3Harris Military Training's business, diversion of management time on integration-related issues, unanticipated costs of integration, including operating costs or business disruption being greater than expected, and the difficulties and delays associated with such integration); uncertainty as to the expected financial condition and economic performance of the combined company following the closing of the Acquisition, including future revenues, expenses, earnings, indebtedness, losses, prospects, business strategies for the management, expansion and growth of CAE following the closing of the Acquisition; CAE's dependence on key employees and the loss of certain key personnel of L3Harris Military Training; the possible failure to realize, in the timeframe anticipated or at all, the anticipated synergies of the Acquisition, including without limitation anticipated cost savings and synergies; the failure to close the Acquisition or change in the terms of the Acquisition; the uncertainty of obtaining in a timely manner, or at all, the requisite regulatory approvals required to complete the Acquisition and the related private placements; unfavourable capital markets developments or other factors that may adversely affect CAE's ability to finance the Acquisition; increased indebtedness; transitional risk; the fact that CAE does not currently own or control L3Harris Military Training; potential undisclosed costs or liabilities associated with the Acquisition; impact of acquisition-related expenses; the reliance on information provided by, and assumptions, judgments and allocations made by, L3Harris and the risk of inaccurate or incomplete information; historical and/or carve-out financial information may not be representative of future performance; change of control and other similar provisions and fees; the nature of acquisitions; exchange rate and foreign currency exposure risks; the fact that the combined company will continue to face the same risks that CAE currently faces and potential litigation. The foregoing list is not exhaustive and other unknown or unpredictable factors could also have a material adverse effect on the performance or results of CAE or L3Harris Military Training. The completion of the Acquisition is subject to customary closing conditions, termination rights and other risks and uncertainties, including, without limitation, regulatory approvals, and there can be no assurance that the Acquisition will be completed. There can also be no assurance that if the Acquisition is completed, the strategic and financial benefits expected to result from the Acquisition will be realized.

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These statements are not guarantees of future performance or events, and we caution you against relying on any of these forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The forward-looking statements contained in this presentation describe our expectations as of March 1, 2021 and, accordingly, are subject to change after such date. 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 presentation are expressly qualified by this cautionary statement. Except as otherwise indicated by CAE, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may occur after March 1, 2021. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements are presented in this presentation for the purpose of assisting readers in understanding certain key elements of the Acquisition and the related private placements. Readers are cautioned that such information may not be appropriate for other purposes.

## Material assumptions

The forward-looking statements set out in this presentation are based on certain assumptions including, without limitation: our liquidity from our cash and cash equivalents, undrawn amounts on our revolving credit facilities, the balance available under our receivable purchase program, our cash flows from operations and continued access to debt funding will be sufficient to meet financial requirements in the foreseeable future; and no material financial, operational or competitive consequences of changes in regulations affecting our business. For additional information, including with respect to other assumptions underlying the forward-looking statements made in the press release, refer to the applicable reportable segment in CAE's Management Discussion and Analysis (MD&A) for the year ended March 31, 2020. Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from CAE, governments, regulatory authorities, businesses and customers, there is inherently more uncertainty associated with CAE's assumptions. Accordingly, the assumptions outlined in this presentation and, consequently, the forward-looking statements based on such assumptions, may turn out to be inaccurate. As it relates to the Acquisition or the combined company following the Acquisition, the assumptions underlying the forward-looking statements this presentation include, without limitation, the receipt of all requisite regulatory approvals required to complete the Acquisition and the related private placements in a timely manner and on terms acceptable to CAE; the realization of the expected strategic, financial and other benefits of the Acquisition in the timeframe anticipated; economic and political environments and industry conditions; CAE's ability to retain and attract new business and achieve synergies and expand market position and leadership arising from successful integration plans relating to the Acquisition; CAE's ability to otherwise complete the integration of the business acquired within anticipated time periods and at expected cost levels; the accuracy and completeness of public and other disclosure (including financial disclosure) by L3Harris; absence of significant undisclosed costs or liabilities associated with the Acquisition; CAE's ability to attract and retain key employees in connection with the Acquisition; the ability of CAE to opportunistically access the capital markets before or after the Acquisition closing and absence of material change in market conditions; the ability to hedge exposures to fluctuations in interest rates and foreign exchange rates; the maintenance of CAE's investment grade credit rating; as well as management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the Acquisition and resulting impact on growth and accretion in various financial metrics.

## Other Material risks

Other important risk factors that could cause actual results or events to differ materially from those expressed in or implied by our forward-looking statements are set out in CAE's MD&A for the year ended March 31, 2020 filed by CAE with the Canadian Securities Administrators (available at [www.sedar.com](http://www.sedar.com)) and with the U.S. Securities and Exchange Commission (available at [www.sec.gov](http://www.sec.gov)). The fiscal year 2020 MD&A is also available at [www.cae.com](http://www.cae.com). Any one or more of the factors set out in CAE's MD&A may be exacerbated by the growing COVID-19 outbreak and may have a significantly more severe impact on CAE's business, results of operations and financial condition than in the absence of such outbreak. Accordingly, readers are cautioned that any of the disclosed risks could have a material adverse effect on our forward-looking statements. We caution that the disclosed list of risk factors is not exhaustive and other factors could also adversely affect our results.

## Non-GAAP Measures

Except as otherwise indicated, all financial information has been reported in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). This presentation includes non-GAAP and other financial measures. Non-GAAP measures are useful supplemental information but do not have a standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other issuers. These measures should not be confused with, or used as an alternative for, performance measures calculated according to GAAP. They should also not be used to compare with similar measures from other companies. Management believes that providing certain non-GAAP measures provides users with a better understanding of our results and trends and provides additional information on our financial and operating performance. For non-GAAP and other financial measures monitored by CAE, and a reconciliation of such measures to the most directly comparable measure under GAAP, please refer to Section 5 of CAE's MD&A for the quarter ended December 31, 2020 filed with the Canadian Securities Administrators available on our website ([www.cae.com](http://www.cae.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)). Non-GAAP and other financial measure definitions can also be found in the Appendix of this presentation.

# HIGHLY STRATEGIC ACQUISITION WITH SIGNIFICANT FINANCIAL BENEFITS

**1**

*Accelerates CAE's Defence & Security growth strategy*

**2**

*Enhances alignment with key US National Defense Strategy priorities and next gen platforms*

**3**

*Creates end-to-end suite of capabilities in military air training & simulation*

**4**

*Broadens position in other large and growing military training and simulation domains*

**5**

*Common culture focused on innovation, at the frontier of digital immersion*

**6**

*Low-teens % EPS accretion expected in first full year, including significant cost synergies*



**CAE**

# L3 HARRIS TECHNOLOGIES' MILITARY TRAINING: A LEADING, FULL-SERVICE TRAINING PROVIDER WITH COMPREHENSIVE SOLUTIONS ACROSS MULTIPLE DOMAINS

- 

**HEADQUARTERS**  
Arlington, TX
- 

9 COUNTRIES  
**23 LOCATIONS**
- 

EMPLOYEES  
**1,600+**  
80% secret / high clearance
- 

**75,000+ Training Hours**  
1,200 Aircrew Students trained annually
- 

**150+ Programs**  
Vertically integrated total training solutions provider
- 

**15 Year F-16 Training Provider**  
Legacy of electronic warfare systems on F-16s
- 

**1 Million+ Training Hours**  
Helicopter simulation provided to U.S. Army's Flight School XXI students

**Core Business Areas...**



**Fast Jet**



**Bombers**



**Rotary**



**Ground**



**Submarines**

**...Provide Complete Solutions for Critical US Defense Priorities**



**US Army**



**US Navy**



**US Air Force**



**US Dept. of Defense**



**US Marine Corps**



**US Air National Guard**



# ADDRESSING NEW REALITIES IN THE DEFENCE ENVIRONMENT

The global threat environment and budget priorities are accelerating demand for digital immersion solutions

- Focus has shifted from **asymmetric** to **near-peer threats**
- **Budget priorities** driving shift from live training into cost-effective, virtual trainers
- Defence forces need to train in multi-domain operations using **immersive synthetic environments**



The US National Defense Strategy (NDS) lays out priorities that address the capabilities necessary to operate in this changing, multi-domain environment

These priorities are shared by our customers around the world

The acquisition enhances our ability to address these evolving needs

# STRONG ALIGNMENT WITH D&S STRATEGIC IMPERATIVES

## CAE DEFENSE & SECURITY STRATEGIC IMPERATIVES





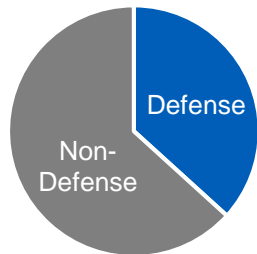
# ADDS BALANCE TO CAE, WITH COMPLEMENTARY OFFERING IN D&S

L3Harris Military Training provides greater balance to CAE overall, and is highly-complementary to CAE D&S

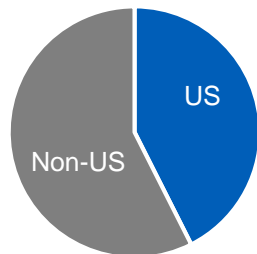
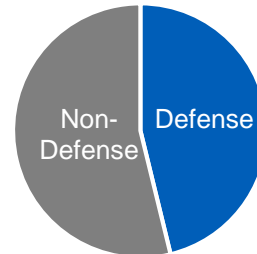
## Pro Forma Mix (FY20)

Standalone CAE

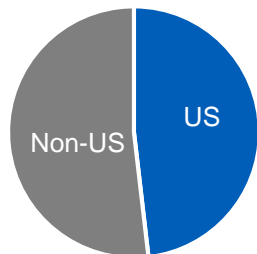
Pro Forma<sup>1</sup>



Revenue



Revenue by Geography



## Complementary Exposure in Critical Domains

Domains



AIR

▪ Fast Jets



▪ Transport / Tanker



▪ Rotary



▪ Bombers



GROUND



SEA



SPACE & CYBER

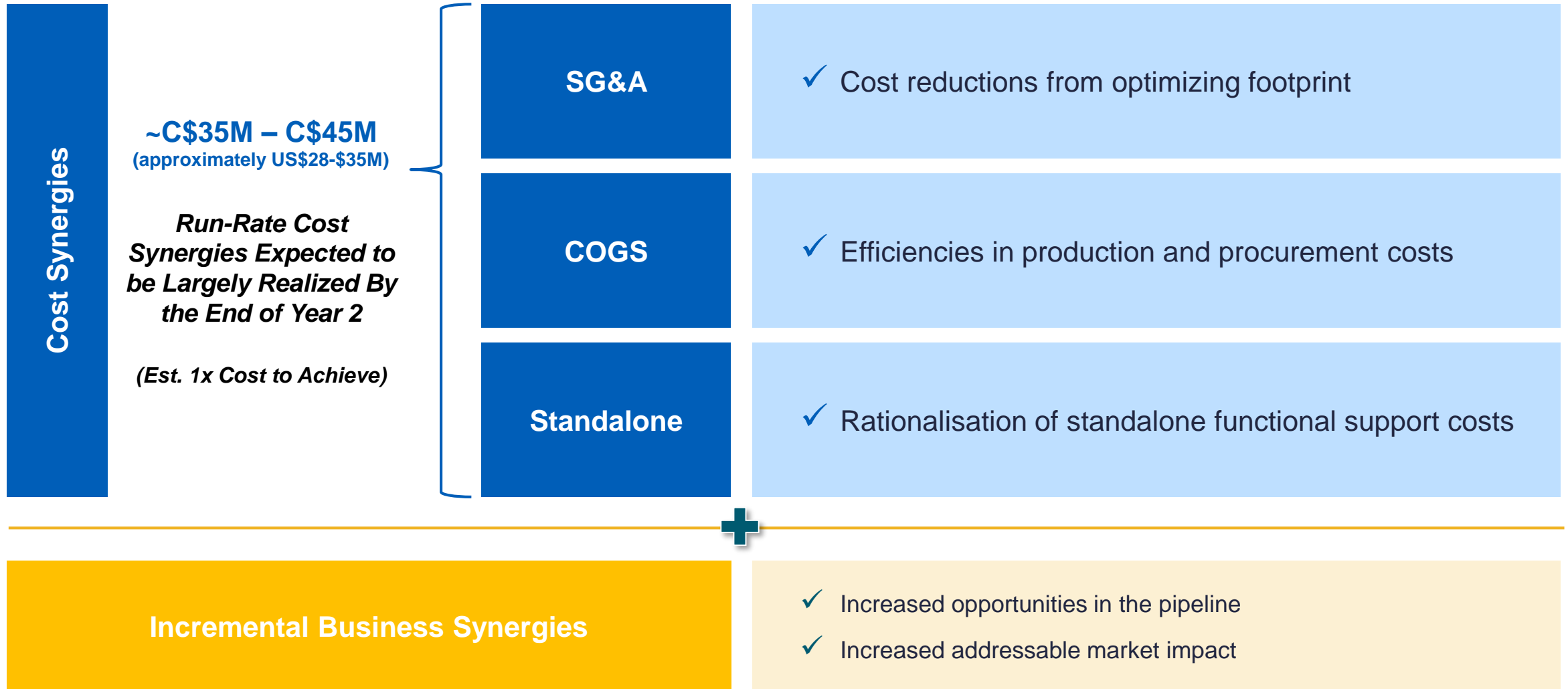


# TRANSACTION SUMMARY

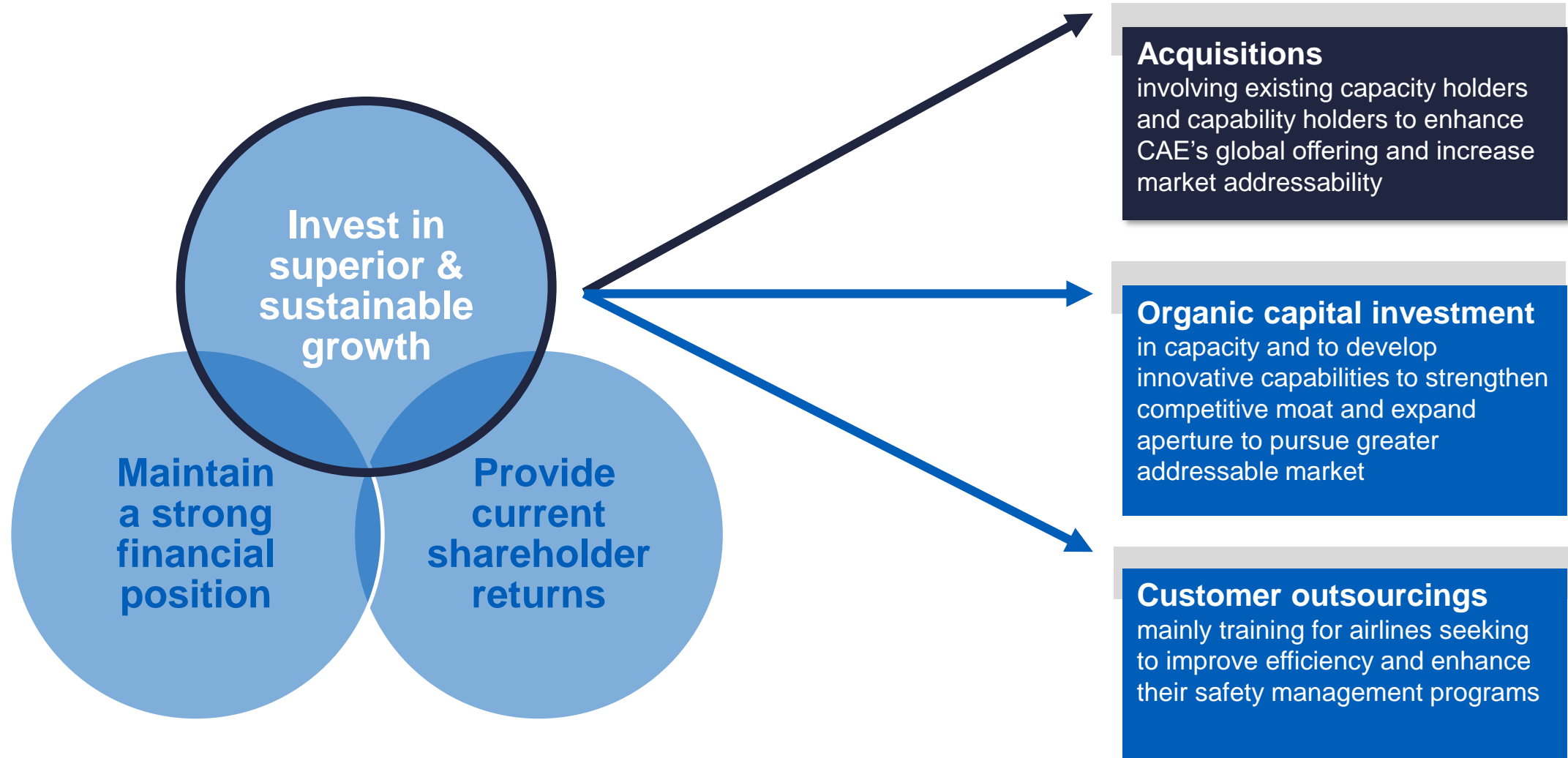
<b>Transaction Consideration</b>	<ul style="list-style-type: none"><li>▪ All-cash purchase price of US\$1.05 billion (C\$1.35B)</li><li>▪ ~13.5x 2020E adjusted EBITDA of L3Harris Military Training<sup>1</sup>, or ~10.0x including expected run-rate cost synergies (C\$35-\$45M or approximately US\$28-\$35M)</li></ul>
<b>Financial Highlights</b>	<ul style="list-style-type: none"><li>▪ L3Harris Military Training estimated revenue of approximately US\$500M in 2020</li><li>▪ Expected to be immediately accretive to D&amp;S' operating profit and EBITDA margins<sup>1</sup> on operational efficiencies</li><li>▪ C\$35-45M (approximately US\$28-\$35M) of run-rate cost synergies, expected to be mostly realized by the end of Year 2 post-closing – quantified and reasonably achievable</li><li>▪ Low-teens % EPS accretion expected in first full year post-close, including cost synergies</li><li>▪ Expect incremental growth from new business opportunities due to broadened scope and capabilities</li></ul>
<b>Financing</b>	<ul style="list-style-type: none"><li>▪ Transaction supported by aggregate US\$550M PIPE investment from CDPQ and GIC and other available liquidities provide sufficient funds to close the transaction</li><li>▪ CAE may, subject to market and other conditions, also opportunistically undertake the issuance of additional equity and/or debt financing</li><li>▪ Continued investment-grade credit profile and balance sheet capacity to support future growth opportunities</li></ul>
<b>Anticipated Timing</b>	<ul style="list-style-type: none"><li>▪ Anticipated closing in the second half of calendar year 2021, subject to customary regulatory approvals</li></ul>

# CLEARLY IDENTIFIED AND REASONABLY ACHIEVABLE SYNERGIES

Proven M&A team with track record of success – focused on executing detailed integration roadmap



# TRANSACTION CONSISTENT WITH CAE'S THREE INTERRELATED CAPITAL ALLOCATION PRIORITIES TO DRIVE SUPERIOR AND SUSTAINABLE GROWTH



# WE HAVE BEEN OPPORTUNISTIC IN M&A



*Amsterdam-based provider of total civil training solutions as well as instructor provisioning*

*A leading manufacturer of flight simulators and training devices for civil markets*

*A leading civil aviation crew management and optimization software company*

## Highlights

- ✓ Expands CAE's addressable market of customers including commercial cargo operators
- ✓ Low integration complexity within CAE's existing European footprint

## Highlights

- ✓ Acquisition strengthens CAE's global civil training capabilities
- ✓ Expands addressable market for simulator lifecycle support
- ✓ Adds order backlog<sup>1</sup> and access to new customers

## Highlights

- ✓ Accelerates expansion into software-enabled civil aviation services
- ✓ Strengthens CAE's digital flight operations portfolio
- ✓ Expands addressable market in airline crew operations and optimization software

**CAE capitalized on market disruption to successfully execute acquisitions that align with our strategic priorities**



# CONCLUDING THOUGHTS



***Significant  
Opportunity to  
Create Value for Both  
Our Customers and  
CAE Shareholders***

Logical step in CAE's progression of growth investments



Highly complementary and strategic acquisition



Expected to accelerate D&S growth strategy



Complementary capabilities and technology solutions



Clearly identified cost synergies



Significant opportunities to enhance growth



# Appendix



# NON-GAAP MEASURE DEFINITIONS

## Backlog

Total backlog is a non-GAAP measure that represents expected future revenues and includes obligated backlog, joint venture backlog and unfunded backlog and options:

- Obligated backlog represents the value of our order intake not yet executed and is calculated by adding the order intake of the current period to the balance of the obligated backlog at the end of the previous fiscal year, subtracting the revenue recognized in the current period and adding or subtracting backlog adjustments. If the amount of an order already recognized in a previous fiscal year is modified, the backlog is revised through adjustments;
- Joint venture backlog is obligated backlog that represents the expected value of our share of orders that our joint ventures have received but have not yet executed. Joint venture backlog is determined on the same basis as obligated backlog described above;
- Unfunded backlog represents firm Defence and Security orders we have received but have not yet executed and for which funding authorization has not yet been obtained. Options are included in backlog when there is a high probability of being exercised, but indefinite-delivery/indefinite-quantity (ID/IQ) contracts are excluded. When an option is exercised, it is considered order intake in that period and it is removed from unfunded backlog and options.

## EBITDA

EBITDA comprises earnings before income taxes, finance expense – net, depreciation and amortization. Refer to section 5.2 “Non-GAAP measure reconciliations” of the MD&A for the quarter ended December 31, 2020 for a reconciliation of this non-GAAP measures to the most directly comparable measure under GAAP.

EBITDA margin in D&S is defined as the EBITDA of the Defense and Security segment expressed as a percentage of the Defense and Security revenues.

EBITDA of L3Harris Military Training business comprises earnings before income taxes, finance expense – net, depreciation and amortization.

Adjusted EBITDA of L3Harris Military Training business is calculated as EBITDA from L3 Harris Military Training, after giving effect to the Acquisition and Acquisition related adjustments from sales type leases accounted for under US GAAP and estimated standalone costs. Adjusted EBITDA does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view Adjusted EBITDA as an alternative measure to, for example, net earnings (loss), or as a measure of operating results, which are IFRS measures.

## Other

The following non-IFRS measures are also used by the Company in this presentation and defined as follows:

- Accretion is defined as the expected change in CAE's EPS before specific items after giving effect to the acquisition.
- Pro forma revenue is defined as revenue as if the revenues of L3 Harris Military Training were included for the entire period. Proforma revenue does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view proforma revenue as an alternative measure to, for example, revenue, which is an IFRS measure.

Thank you!

