

# CAE Investor Day

New York, NY

June 7, 2022



# Disclaimer

## 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, available liquidities, expected sales, general economic outlook, prospects and trends of an industry, expected annual recurring cost savings from operational excellence programs, estimated addressable markets, statements relating to our acquisitions of L3 Harris Technologies Military Training business (L3H MT) and Sabre's AirCentre airline operations portfolio (AirCentre), CAE's access to capital resources, the expected accretion in various financial metrics, expectations regarding anticipated cost savings and synergies, the strength, complementarity and compatibility of the L3H MT and AirCentre acquisitions with our existing business and teams, other anticipated benefits of the L3H MT and AirCentre acquisitions and their impact on our future growth, results of operations, performance, business, prospects and opportunities, our business outlook, objectives, development, plans, growth strategies and other strategic priorities, and our leadership position in our markets and other statements that are not historical facts. Forward-looking statements normally contain words like believe, expect, anticipate, plan, intend, continue, estimate, may, will, should, strategy, future and similar expressions. All such forward-looking statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995. 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.

Important risks that could cause such differences include, but are not limited to, risks relating to our business and business strategy, such as evolving standards and technology innovation and disruption, our ability to penetrate new markets, estimates of market opportunity, supply chain disruptions, original equipment manufacturer (OEM) leverage and encroachment, subcontractors, diversion of management attention, product integration and program management and execution, research and development (R&D) activities, strategic partnerships and long-term contracts, fixed-price and long-term supply contracts, backlog, customer credit risk, length of sales cycle, seasonality, and our reputation, risks relating to our markets and the international scope of our business, such as the international scope of our business, geopolitical uncertainty, global economic conditions, the military conflict in Ukraine, foreign exchange, taxation matters, risks relating to our industries and macroeconomic conditions, such as our competitive business environment, constraints within the civil aviation industry, inflation, the continued risk of global health crises, the level and timing of defence spending, business development and awarding of new contracts, and extreme weather conditions and the impact of natural or other disasters (including effects of climate change), legal and regulatory risks, such as ethics and compliance, continued scrutiny regarding environmental, social and governance (ESG) matters, environmental laws and regulations, liability risks that may not be covered by indemnity or insurance, warranty or other product-related claims, U.S. foreign ownership, control or influence mitigation measures, compliance with laws and regulations, and government audits and investigations, risks relating to information technology, cybersecurity and intellectual property, such as reliance on third-party providers for information technology systems and infrastructure management, data rights and governance, the protection of our intellectual property and brand, and third-party intellectual property, risks relating to talent and labour, such as talent management, key personnel and management, corporate culture, and labour relations, risks relating to mergers, acquisitions, joint ventures, strategic alliances or divestitures, such as the risk that we will not effectively manage our growth, integration risks, our continued reliance on certain parties and information, and acquisition and integration costs, risks relating to controls and accounting matters, such as the effectiveness of internal controls over financial reporting, estimates used in accounting, impairment risk, and pension plans funding, risks relating to indebtedness and liquidity, such as indebtedness to finance acquisitions and ability to meet debt service requirements, availability of capital, liquidity risk, and interest rate volatility, and risks relating to our common shares and ownership of our securities, such as sales of additional common shares, the market price and volatility of our common shares, returns to shareholders, our foreign private issuer status, and enforceability of civil liabilities against our directors and officers. 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. Additionally, differences could arise because of events announced or completed after the date of this presentation. You will find more information in the Business risk and uncertainty section of the MD&A of the financial report for the year ended March 31, 2022, which have been filed with the Canadian Securities Administrator on SEDAR ([www.sedar.com](http://www.sedar.com)) and is available on CAE's website ([www.cae.com](http://www.cae.com)). The MD&A has also been filed with the U.S. Securities and Exchange Commission and is available on its website ([www.sec.com](http://www.sec.com)). Any one or more of the factors described above and elsewhere in the MD&A may be exacerbated by the continuing COVID-19 pandemic and may have a heightened negative impact on CAE's business, results of operations and financial condition.

Accordingly, readers are cautioned that any of the disclosed risks could have a material adverse effect on CAE's forward-looking statements. Readers are also cautioned that the risks described above and elsewhere in the MD&A of the financial report for the year ended March 31, 2022, 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. 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 the MD&A of the financial report for the year ended March 31, 2022, are expressly qualified by this cautionary statement. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this presentation. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

This presentation also provides, on slide 71, management's outlook for fiscal year 2023 and 3-year financial targets with respect to certain financial metrics and measures. These targets and objectives constitute forward-looking statements within the meaning of applicable securities laws and as such, as based on a number of assumptions, including those set forth on slides 3 and 70 of this presentation.

# Disclaimer

## MATERIAL ASSUMPTIONS

The forward-looking statements set out in this presentation are based on certain assumptions including, without limitation: the anticipated negative impacts of the COVID-19 pandemic on our businesses, operating results, cash flows and/or financial condition, including the intended effect of mitigation measures implemented as a result of the COVID-19 pandemic and the timing and degree of easing of global COVID-19-related mobility restrictions, the prevailing market conditions, customer receptivity to CAE's training and operational support solutions, the accuracy of our estimates of addressable markets and market opportunity, the realization of anticipated annual recurring cost savings and other intended benefits from recent restructuring initiatives and operational excellence programs, the ability to respond to anticipated inflationary pressures and our ability to pass along rising costs through increased prices, the actual impact to supply, production levels, and costs from global supply chain logistics challenges, the stability of foreign exchange rates, the ability to hedge exposures to fluctuations in interest rates and foreign exchange rates, the availability of borrowings to be drawn down under, and the utilization, of one or more of our senior credit agreements, our available liquidity from cash and cash equivalents, undrawn amounts on our revolving credit facilities, the balance available under our receivable purchase facility, our cash flows from operations and continued access to debt funding will be sufficient to meet financial requirements in the foreseeable future, access to expected capital resources within anticipated timeframes, no material financial, operational or competitive consequences from changes in regulations affecting our business, our ability to retain and attract new business, our ability to achieve synergies and maintain market position arising from successful integration plans relating to the L3H MT and AirCentre acquisitions, our ability to otherwise complete the integration of the L3H MT and AirCentre businesses acquired within anticipated time periods and at expected cost levels, our ability to attract and retain key employees in connection with the L3H MT and AirCentre acquisitions, management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the L3H MT and AirCentre acquisitions and resulting impact on growth and accretion in various financial metrics, the realization of the expected strategic, financial and other benefits of the L3H MT and AirCentre acquisitions in the timeframe anticipated, economic and political environments and industry conditions, the accuracy and completeness of public and other disclosure, including financial disclosure, by L3Harris Technologies and AirCentre, absence of significant undisclosed costs or liabilities associated with the L3H MT and AirCentre acquisitions. For additional information, including with respect to other assumptions underlying the forward-looking statements made in this presentation, refer to "Business Risk and Uncertainty" in the MD&A of the financial report for the year ended March 31, 2022 report. 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. Air travel is a major driver for CAE's business and management relies on analysis from the International Air Transport Association (IATA) to inform its assumptions about the rate and profile of recovery in its key civil aviation market. Accordingly, the assumptions outlined in this presentation and, consequently, the forward-looking statements based on such assumptions, may turn out to be inaccurate.

## MARKET AND INDUSTRY DATA

Market and industry data presented throughout this presentation was obtained from third-party sources and industry reports, and from publications, websites and other publicly available information, as well as industry and other data prepared by us or on our behalf on the basis of our knowledge of the markets in which we operate, including internal analyses as well as information provided by suppliers, partners, customers and other industry participants. Although we believe it to be reliable, none of us has independently verified any of the data from third-party sources referred to in this presentation, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data are subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. In addition, certain of these publications, studies and reports were published before the global COVID-19 pandemic and therefore do not reflect any impact of the COVID-19 pandemic on any specific market or globally.

# Agenda

**Tuesday, June 7, 2022**  
Lotte New York Palace, Holmes 1 & 2

| Activity   | Presenter  | Timing               |
|--|--|----------------------|
| ❖ <b>Registration</b><br>• <b>Light breakfast and Technology Demos</b> |  | 07:30 – 8:30         |
| ❖ <b>Welcome and Introductions</b>                                     | <b>Andrew Arnovitz</b> , Senior Vice President, Investor relations and Enterprise Risk Management                    | 8:30 – 8:40          |
| ❖ <b>CEO's Opening Remarks</b>   | <b>Marc Parent</b> , President and Chief Executive Officer   | 8:40 – 9:20          |
| ❖ <b>Civil Aviation</b>  | <b>Nick Leontidis</b> , Group President, Civil Aviation  | 9:20 – 9:40          |
| ❖ <b>Defense &amp; Security</b>  | <b>Daniel Gelston</b> , President and General Manager, CAE USA and Group President, Defense and Security             | 9:40 – 10:00         |
| ❖ <b>Healthcare</b>  | <b>Heidi Wood</b> , President, CAE Healthcare, Executive Vice President, Business Development and Growth initiatives | 10:00 – 10:20        |
| ❖ <b>Break and Technology Demos</b>                                    |  | 10:20 – 10:50        |
| ❖ <b>Capital Priorities and Financial Outlook</b>                      | <b>Sonya Branco</b> , Executive Vice President, Finance and Chief Financial Officer                                  | 10:50 – 11:10        |
| ❖ <b>CEO's Closing Remarks</b>   | <b>Marc Parent</b> , President and Chief Executive Officer   | 11:10 – 11:20        |
| ❖ <b>Combined Q&amp;A Session</b>                                      | <b>Executive Management Committee</b>  | 11:20 – 12:15        |
| <b>Lunch and Technology Demos</b>                                      |  | <b>12:15 – 13:30</b> |



# CEO's opening remarks

CAE Investor Day

Marc Parent, President & Chief Executive Officer

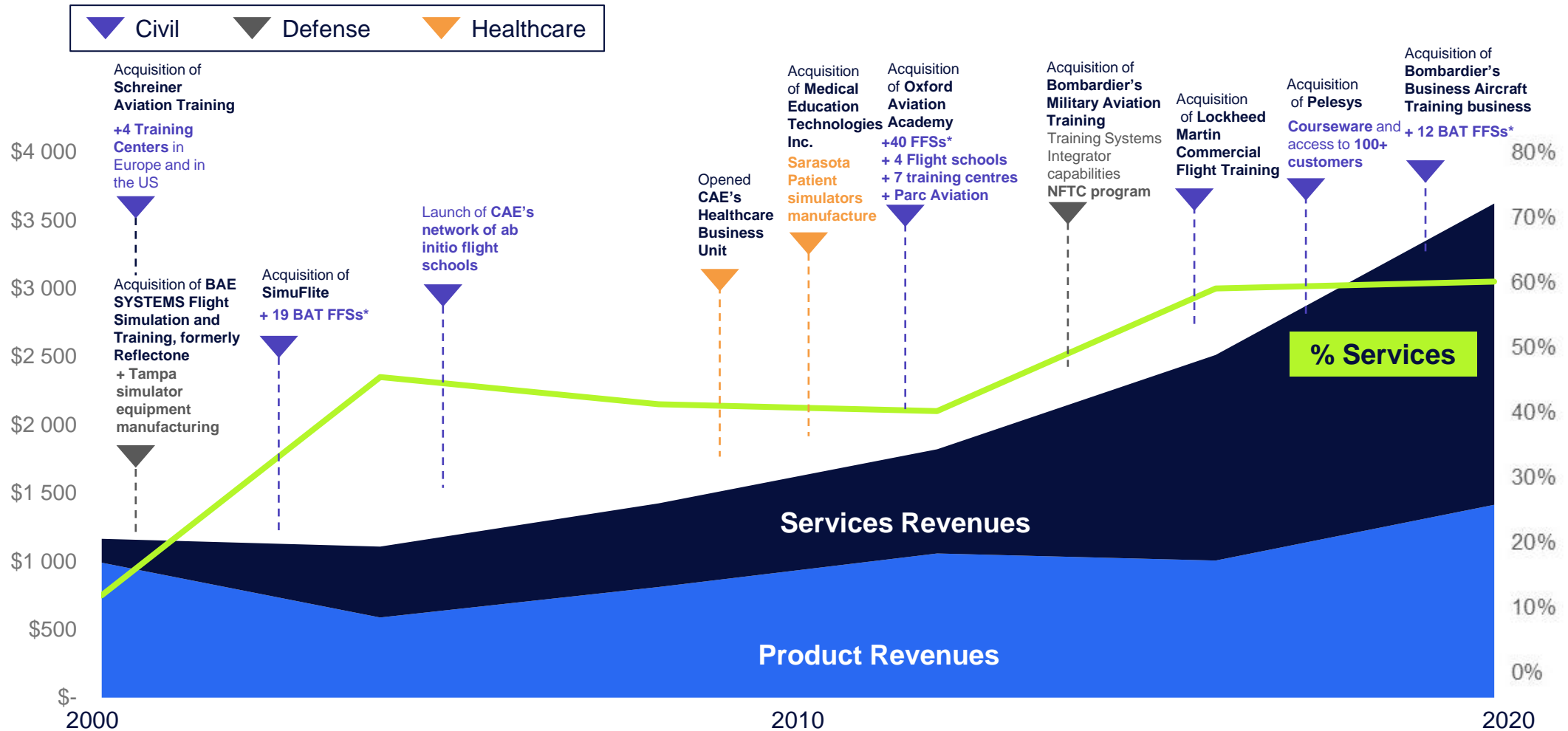


# We are an essential partner to people in critical roles who are moving our world forward safely



**Our cutting-edge training and critical operations solutions empower our customers with the skills and expertise they need to perform in the moments that matter**

# CAE has evolved over time



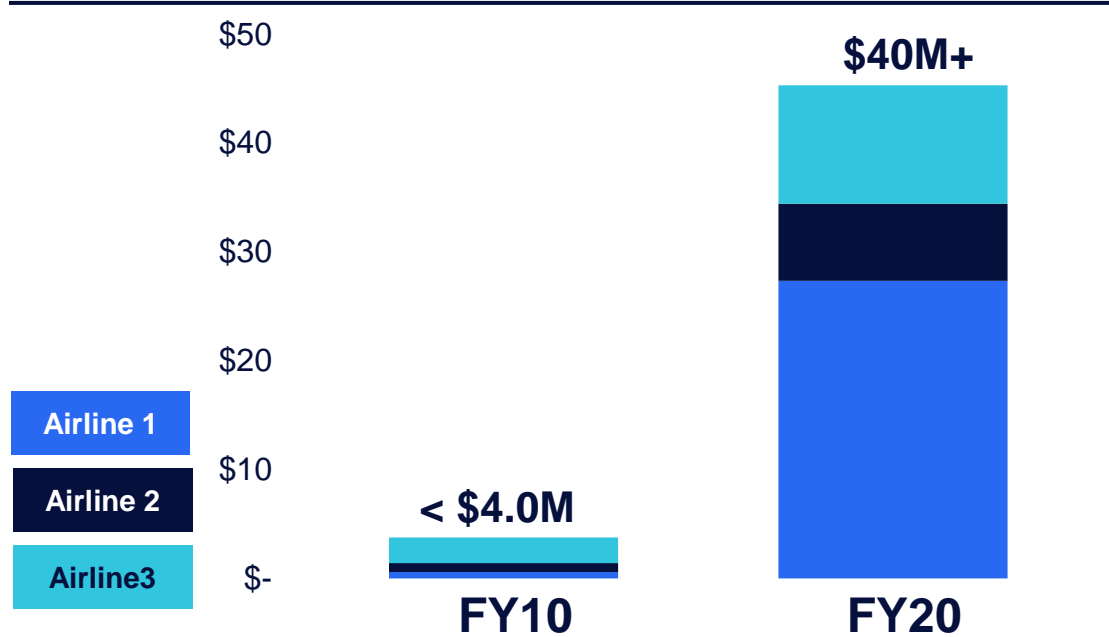
**60+% recurring revenue, a \$18B+ and growing TAM, 1 million training hours, 280 FFSS\*  
50+ locations**

\*Non-GAAP and other financial measures (see slides 75-76)

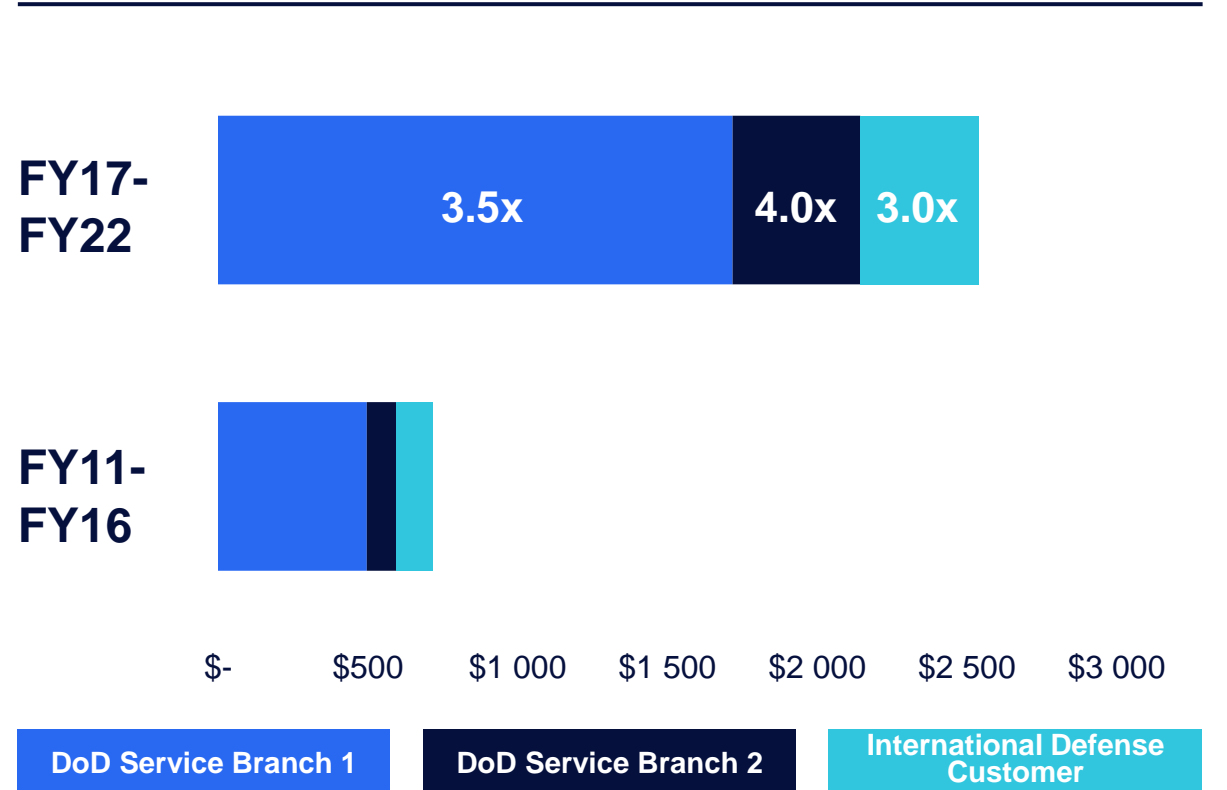


# Broadening customer workscope and deepening customer relationships over time

Annual training billings from airline partners (\$M)



Cumulative orders from strategic government customers (\$M)

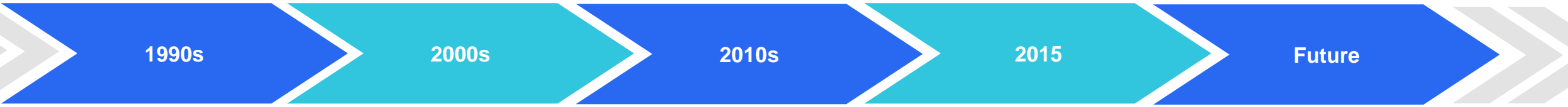


Buying non-recurring sim products → Training outsourcing → Fully outsourced recurring training

Over time, we become increasingly essential to our customers



# Staying ahead of foundational technology shifts has long been part of our history



## Immersive Simulation

Fully immersive visual systems, fly-by-wire architectures, better motion cueing systems, and simulators with re-hosted real aircraft avionics



## COTS Technology Enablement

GPU cards, real-time computers and software stack, projectors. Movement from hydraulic to electric



## Training Service Delivery

Full spectrum learning advancement including: content, systems, procedures, grading, etc.



## Cloud Adoption

Game engines in the cloud and application development



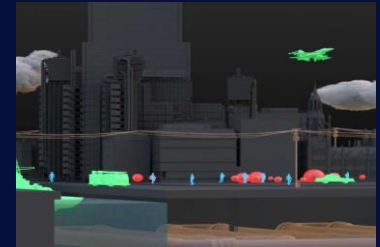
## VR/AR/MR

Deploying virtual/mixed reality solutions across multiple markets



## Synthetic Environments

Digital twins, advanced modelling and simulation capabilities, complex systems integration



# Leaning into technology to further transform the business and define the 2020s

- > **AI/ML & Data Analytics**  
Enhance training & mission efficacy. Subjective → objective data-driven training evaluation
- > **Biometric Sensors**  
Fully adaptive learning & training to generate deeper insights in the training experience
- > **Digital Applications**  
Improving customer experience and touchpoints via transformed customer interface
- > **AR/VR/MR**  
Next-generation training across multiple markets. Leading the design and regulatory journey
- > **Digital Twins and Synthetic Environments**  
Accelerate and enhance decision making through large scale synthetic environments supporting real-time operations



**3,600**

global high-tech engineering workforce



**600M**

digital customer touchpoints over the last year



**Millions**

of people simulated in city and country-level digital twins



**1M**

gigabytes of accumulated training data from connected sim devices



**Billions**

of pixels in CAE's dome display

# CAE played offense to become bigger, stronger and more profitable



## Near break-even in Q1 FY21

in the depths of the pandemic with positive earnings and positive FCF\* excluding change in NCWC for all FY21 and FY22 quarter, including Q1FY21



## Protected and served our communities

Via CAE Air1 ventilator and leadership role in the private/public vaccination campaign



## \$480M+ of capex\* and R&D\* deployed

to strategically expand our edge



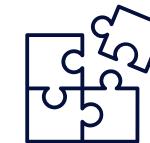
## \$70M of structural cost savings\*\*

to permanently improve our cost structure and margins; ~2.5 years payback period



## Leveraged technology

to expand into new markets



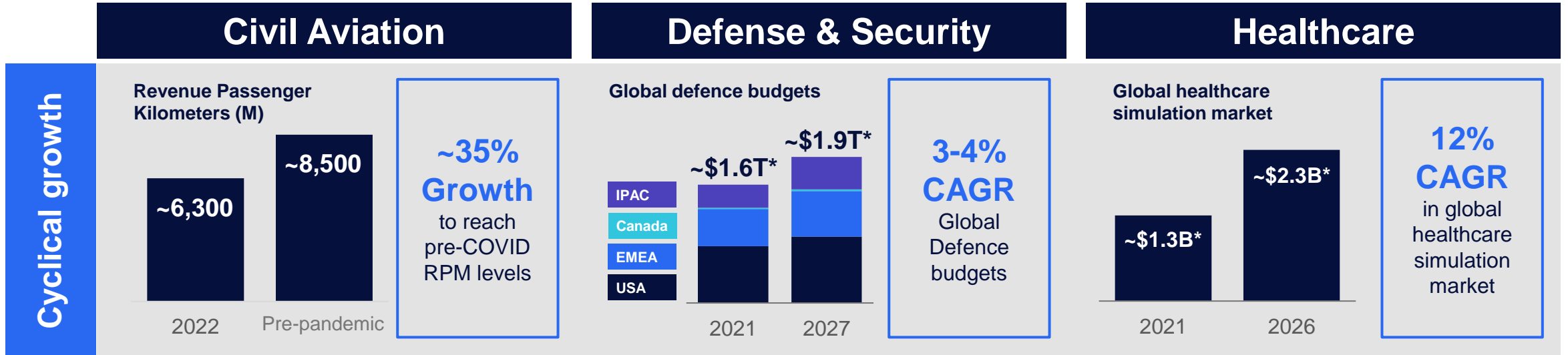
## 9 accretive M&A deals

completed since the start of the pandemic

\*Non-GAAP and other financial measures (See slides 75-76)

\*\* Forward-Looking Statements (see slides 2-3)

# Numerous indications of strong growth ahead in our markets



\*USD

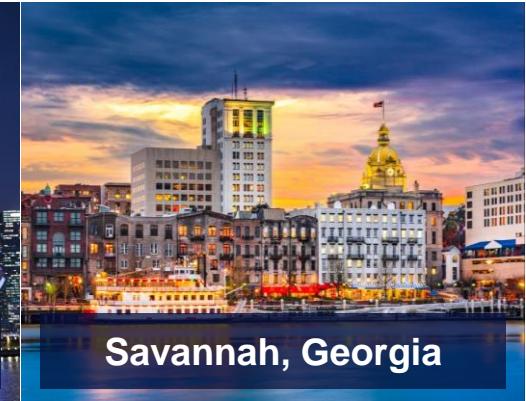
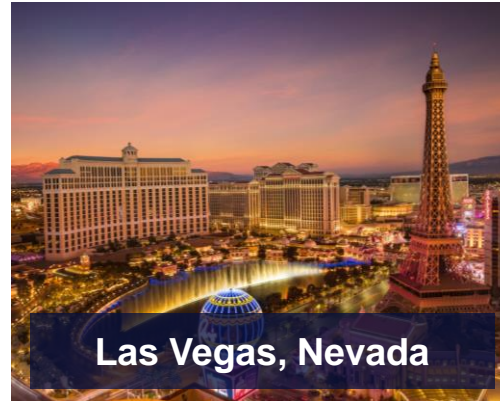
\*\*Joint All-Domain Command and Control: US DoD strategic concept that connects the data sensors and communications across all US military services

\*\*\*2025 vs. 2020

Sources: CAE Internal Analysis; Various Market Research Firm Reports (M&M, Research & Markets, Allied Market Research 2021); IATA; 2022 NSI National Healthcare Retention & RN Staffing Report figures; United Nations; Janes

# Continuing to organically invest to extend our leadership position and establish future growth markets

Strategically expanding business aviation footprint in attractive geographic locations



Growing training network with 20+ FFS\* deployments and notable wins



Deployed capex\* and R&D\* to expand market share and fuel future growth and returns

\*Non-GAAP and other financial measures (See slides 75-76)

# Continuing to organically invest to extend our leadership position and establish future growth markets

Developing single synthetic environments to accelerate and enhance decision making



CAE delivered the second technology demonstrator for UK's Single Synthetic Environment

Becoming the partner of choice with a broad range of end-to-end solutions across eVTOL ecosystem



Deployed capex\* and R&D\* to expand market share and fuel future growth and returns

\*Non-GAAP and other financial measures (See slides 75-76)

# Completed 9 accretive acquisitions since the start of the pandemic

**1** **FSC**



+ 12 FFSs\* and extended European footprint

**3** **Merlot**



Crew optimization software

**6** **L3Harris Military Training**



Expansion across multi-domain operations as a prime; positions on key classified programs

**7/8** **GlobalJet and SkyWarrior**



Expansion of maintenance training capabilities and comprehensive military flight training program

**2020** Expanding our competitive strengths in the core and entering exciting new markets **2022**

**2** **TRU Simulation & Training Canada**




Expansion of addressable market for simulator lifecycle support and access to new customers

**4** **RB Group**



Crew Management App already supporting more than 500 air carriers and 400,000+ users

**5** **Medicor**



Expansion of CAE Healthcare's procedure-focused portfolio

**9** **Sabre's AirCentre**



Industry-leading, digitally-enabled flight and crew operations solutions

**CAE took advantage of market dislocation to accretively expand its capabilities and competitive moat at attractive valuations**

\*Non-GAAP and other financial measures (See slides 75-76)

# Positive ESG impact is core to CAE's mission

## Climate action



**First Canadian aerospace company to become carbon neutral, in 2020**  
(Scope 1 and Scope 2 emissions and Partial Scope 3)

**Committed to reduction of GHG emissions**

All CAE sites are **100% sourced with renewable energy** or covered by renewable energy certificates (RECs)



Green building



Product upgrades



Electric aircraft



Green sourcing

**Strong impact on the industry decarbonization**

For FY21, **5M+ tonnes CO2e emissions avoided** due to our simulation technologies

## Diversity, Equity and Inclusion

**Women employees\***

**21%**

**Women Board members\***

**28%**

**Women Senior Executives\***

**30%**



**Named to the Bloomberg Gender-Equality Index for the fourth consecutive year**

**Strong impact on the Aerospace industry**

**CAE Women in Flight**



## Strong ESG impact across businesses

**Civil Aviation**

**Moving aviation safety, diversity and sustainability forward**

+ reducing our emissions through the retrofitting of the planes in our flight schools and across the industry

**Defense & Security**

**Noble mission to support preparedness; fostering sovereignty, stability and safety**

+ deterrence through supporting mission readiness + safer & greener multi-domain training through synthetic environments

**Healthcare**

**Improving patient safety and outcomes through simulation & training**

+ elevating safety standards with regulators

\* FY21



# Summary

## Civil Aviation

*Market leader with strong cyclical and secular growth drivers*

- Strong growth from **cyclical recovery boosted by secular dynamics**
- Starting an **upcycle with near-record margins** with room for further expansion
- **Technology and new markets optionality**

## Defense & Security

*Transformed opportunity set and growth profile*

- **Pure-play and platform agnostic fully aligned with spending** priorities in higher growth areas
- Positioned to **outgrow markets** and drive margin expansion
- Recent order flow indicative of successful strategy

## Healthcare

*Well positioned in a high growth market*

- **Attractive growth market**
- Aligned with **CAE's core values** & technology
- Maximizing potential of business to capture growth and margin opportunities



# Civil Aviation

CAE Investor Day

**Nick Leontidis – Group President, Civil Aviation**



# Market leader with strong cyclical and secular growth dynamics



Trusted partner in CIVIL AVIATION

## CAE Civil Aviation: Elevating and Advancing Human Performance

\*Non-GAAP and other financial measures (See slides 75-76)

# Industry-leading standard for full-flight simulators\*

## Aviation Training Equipment



- Market leader with the largest production of simulators in the industry
- High quality equipment, including the latest CAE 7000XR Series Level D FFS\*
- Long useful life with equipment in continuous service for decades

## Aftermarket Services



- Diverse lifecycle services to airlines and fleet operators
- Upgrades and updates to postpone end-of-useful-life and de-risk obsolescence
- Strong intellectual property protection creating high barriers to entry

## Advanced Technology and Innovation



- Backed by 75 years of continuous innovation
- Full training equipment suite: from ground school training solutions to full-flight simulators

\*Non-GAAP and other financial measures (See slides 75-76)

# Seamless experience through all training phases with the CAE XR

## Learn

### Ground School Training Solutions

CAE Simfinity XR series



## Practice

### Flight Training Devices

CAE600XR SERIES



CAE400XR SERIES CAE500XR SERIES



## Experience

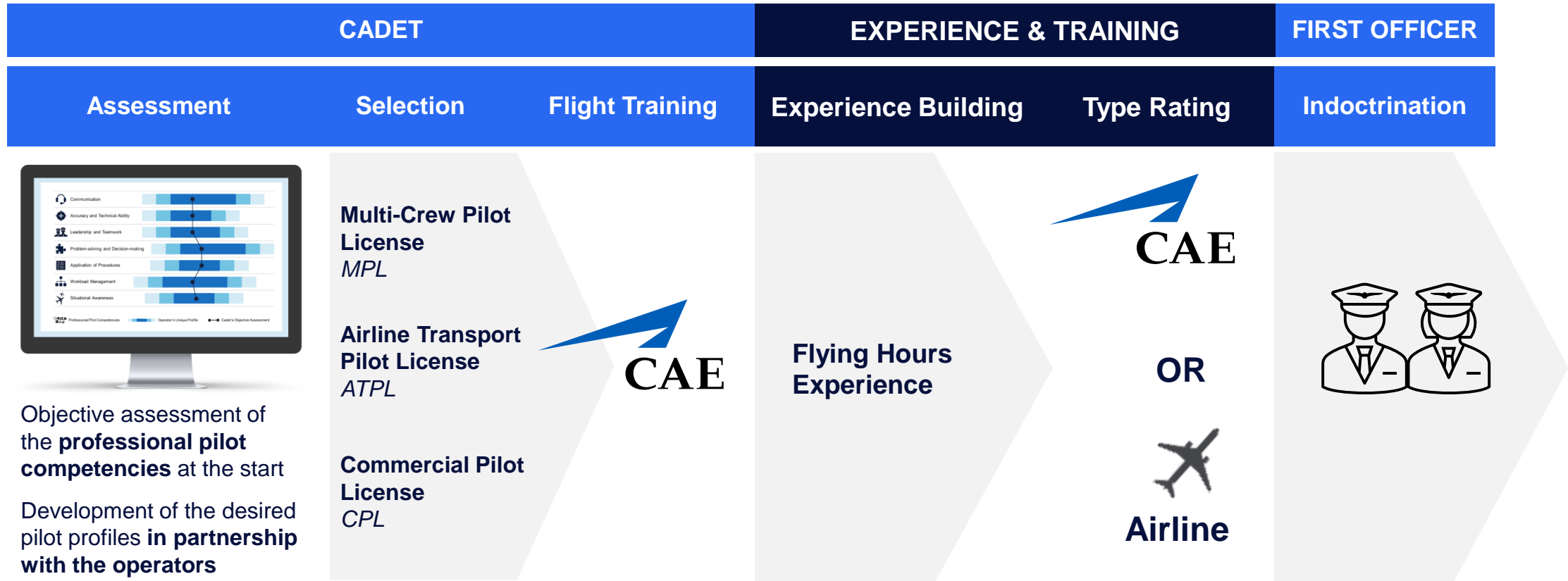
### Full Flight Simulators

CAE7000XR SERIES



Advanced and reliable aviation equipment to develop skilled and safe pilots

# With pilots through their journey – from Cadet to Captain



**Highly regulated training solutions tailored to multiple operator needs**

# Global footprint more than doubled in the last decade



**CAE Civil has the largest aviation training network**

\*Non-GAAP and other financial measures (See slides 75-76)



# Deepening customer relationships through flexible partnership models

Training  
Joint Ventures  
&  
Training operations

Digital Solutions



Aviation Equipment

Cadet to Captain Training & Recruitment



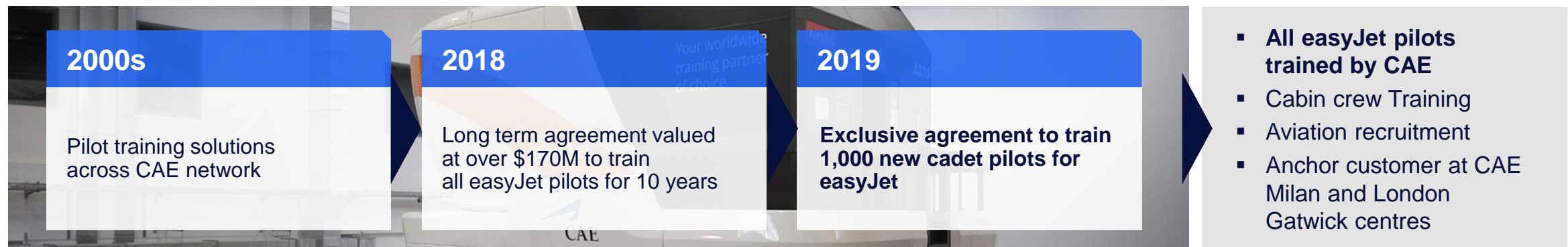
# Customer Journey Stories



# Customer Journey Stories



## easyJet



# Commercial and Business Jet aviation markets show continued signs of growth

## FY21-22 Rebound

## FY22-25 Outlook\*

## FY22-25 CAGR\*

Business Jet



**+50%**

# of Flights  
FY22 vs FY21<sup>1</sup>

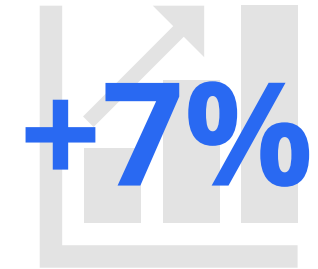
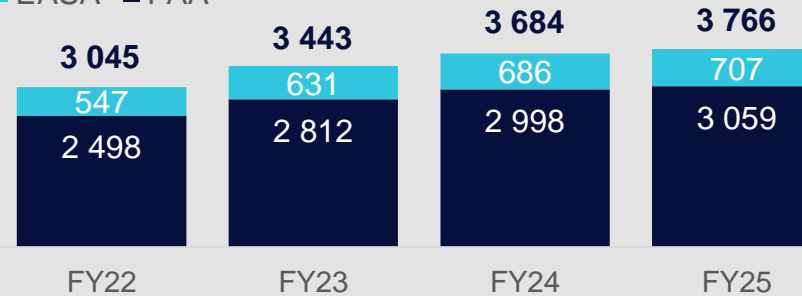


**+2.9x**

# of Aircraft orders  
FY22 vs FY21<sup>2</sup>

### # of Business Aviation flights (K)<sup>1</sup>

■ EASA ■ FAA



Commercial



**+63%**

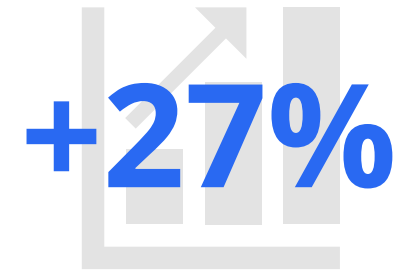
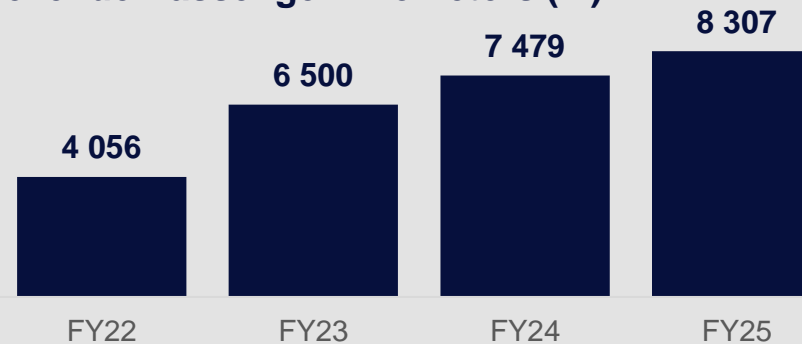
# of Flights  
FY22 vs FY21<sup>3</sup>



**+3.5x**

# of Aircraft orders  
FY22 vs FY21<sup>2</sup>

### Revenue Passenger Kilometers (M)<sup>3</sup>



1 – Source: JETNET IQ & Rolland Vincent Associates

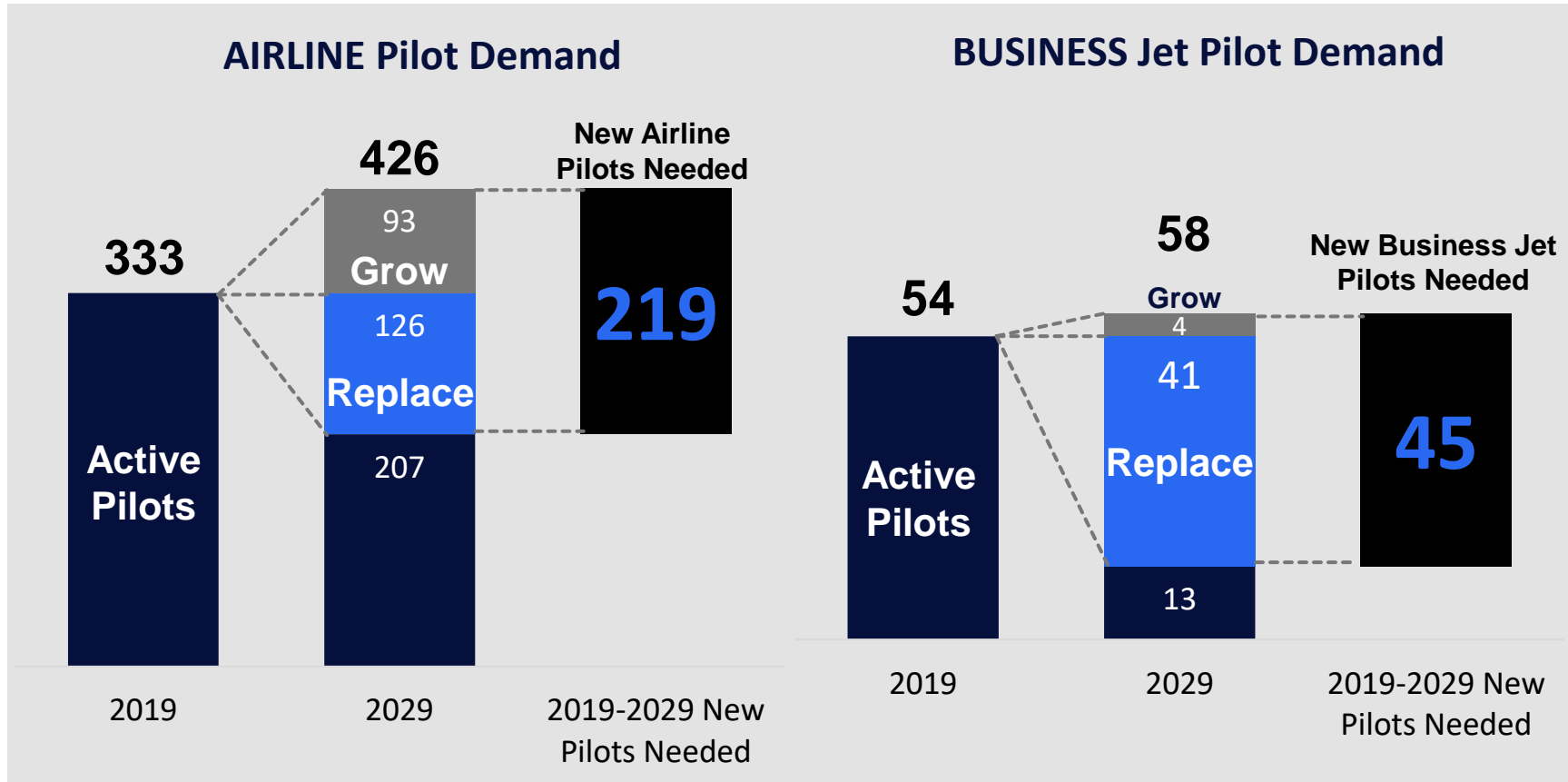
2 – Source: Cirium Aircraft Orders

3 - Source: IATA (traffic Nov 21 forecast)

\*Forward-Looking Statements (see slides 2-3)

# Cyclical growth expected to be boosted by secular dynamics

## CAE Pilot Demand Outlook



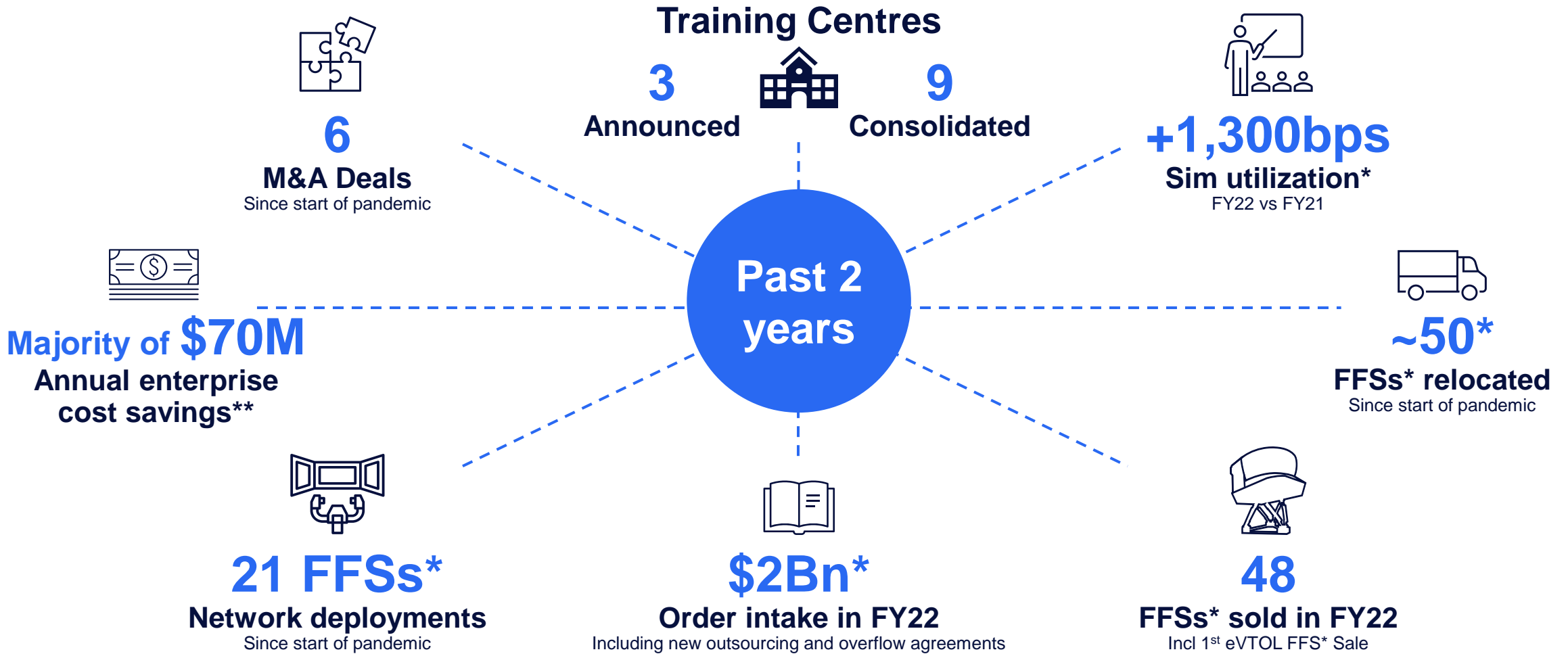
**264K**

new civil aviation pilots needed over the next decade

Mandatory retirements and COVID-related early retirements driving demand for qualified pilots

Source: CAE 2020 Pilot demand Outlook

# Major accomplishments during COVID pandemic



**Civil Aviation poised to capture recovery**

\*Non-GAAP and other financial measures (see slides 75-76)

\*\* Forward-Looking Statements (see slides 2-3)

# Listening to the market and investing to build a broad digital ecosystem

February 2018

April 2019

December 2020

April 2021

July 2021

March 2022

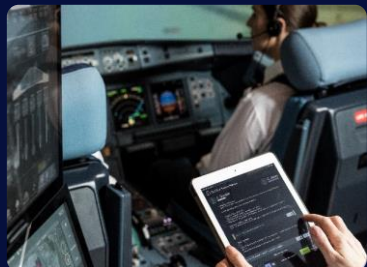


AirCentre Airline Operations Portfolio

On-site demo

## Launched digital transformation projects

with first application for training efficacy and insights



## Expanded into crew training

with learning, grading and qualification management software suite



## Entered crew management

with crew and training scheduling, and proven optimizers



## Grew into crew engagement

loved by half a million crew members worldwide for work and life on the go



## Launched \$1B investment program

on solving aviation industry challenges with future technology



On-site demo

## Expanded flight and crew management

with movement, crew, flight, airport, and in-flight solutions

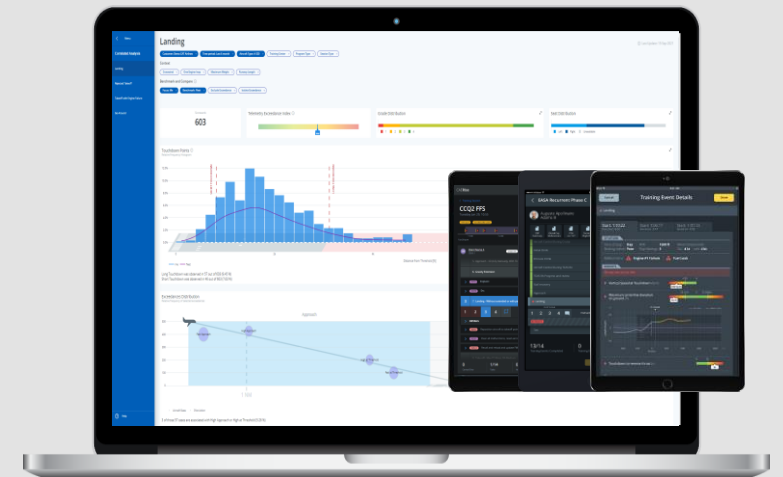


# CAE Rise™ is a next-generation platform leveraging real-time data analytics to increase pilot training effectiveness

## 3 main capabilities

- 1 eGrading app**  
**Increases training efficiency**  
Digitizes training, captures assessment data in a standardized manner and generates training records
- 2 Metrics-based insights**  
**Highlights objective pilot training performance**  
Automatically detects and assesses predefined training events during simulator sessions
- 3 Analytics**  
**Identifies training effectiveness and trends to mitigate emerging risks**  
Elevates training standards through new training intelligence enabling data-driven decision-making







On-site demo



# Leveraging AirCentre acquisition to broaden our Digital Solutions offering

End-to-end aviation operations platform

On-site demo

| Flight Management   | Movement Management   | Crew Management   | In-Flight Services Management  | Airport Management  | Training Management   |
|---|---|---|--|---|---|
|  |  |  |  |  |  |
| Flight planning, dispatch & monitoring  | Aircraft & Flight tracking, network operations                                    | Crew planning, tracking & disruption management                                   | Automation, planning for onboard catering  | Planning, utilization for gate assignments & staffing                               | Training Management & deployment solutions  |
| Up to <b>0.75%</b> In fuel savings  | <b>5-10%</b> decrease in delay & cancellation costs                               | <b>10-20%</b> decrease in crew costs  | <b>10-15%</b> reduction in food and beverage costs and reduced waste               | <b>20%</b> Improvement in administrative staff utilization                          | Productivity Improvement, Compliance Management & Courseware Content                |

## Significant increase in customer touchpoints

- 200K
crews supported across the globe
- 1M
meals catered daily
- 7,000
aircraft managed
- 20K
flight plans generated daily
- 20K
airport staff managed worldwide
- 5 seconds
every flight takes off using this platform

## Key customers





# CAE positioned to provide end-to-end solutions for the emerging eVTOL market

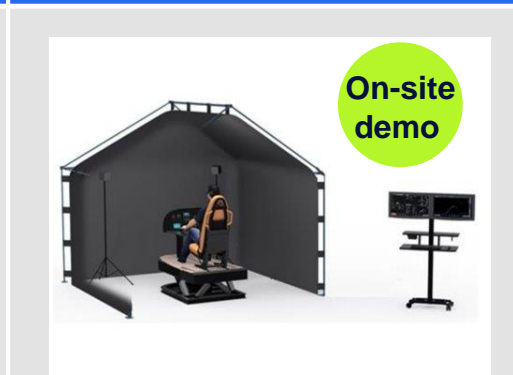
| Pre-certification     |                        | Operational Readiness |                |                     |                    | EIS Phase 2 / Autonomous |               |
|-----------------------|------------------------|-----------------------|----------------|---------------------|--------------------|--------------------------|---------------|
| Engineering Solutions | Courseware Development | Simulation Products   | Pilot Training | Technician Training | Workforce Sourcing | Mission Planning (OCC)   | RPAS Training |
|                       |                        |                       |                |                     |                    |                          |               |

## Simulation Products tailored to the eVTOL market

| eVTOL* Feature Set | eVTOL Dome FSTD | Mixed Reality FSTD |
|--------------------|-----------------|--------------------|
|--------------------|-----------------|--------------------|



\* eVTOL = electric vertical take-off and landing



## CAE gaining traction with leading advanced air mobility OEMs



**Advanced Air Mobility market will offer future growth opportunities for CAE**

# Summary – Civil Aviation

## Growth drivers

- **Industry rebound started in FY22**
- **Cyclical + secular growth drivers**
  - Double-digit growth expected in passenger traffic
  - ~264K new civil aviation pilots needed over the next decade

## CAE Positioning

- **Established market leader** leveraging strong IP
- **Further optimized training centre network** during pandemic
- **Increased total addressable market** with recent AirCentre acquisition
- **Sticky business model based on deepened customer relationships**

## Looking Ahead

- **Leverage technology differentiators** in new and existing civil aviation markets
- **Positioned to reap benefits of investments in digital, partnerships and recent acquisitions**
- **Optimized network and structural cost reduction point to record margins**



# Defense & Security

CAE Investor Day

**Daniel Gelston – President and General Manager CAE USA and Group President, Defense & Security**



# Defense & Security environment has changed

Allied strategy pivoted from asymmetric fight to training for near-peer threat

Fighting to training

New platforms

Land to all five domains

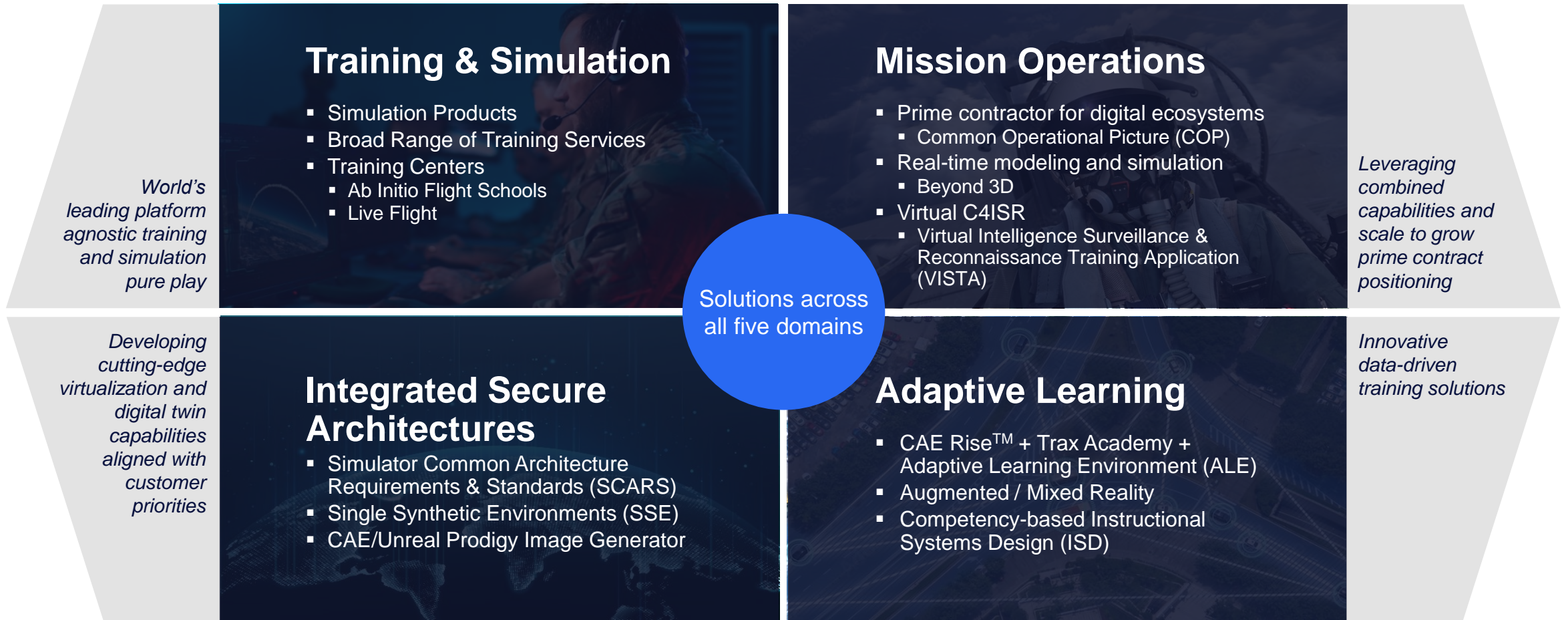
More classified

Greater need for synthetic environments



CAE Defense & Security reimagined based on these threat-based customer requirements

# D&S: transformed with L3Harris Military Training



**CAE is the world's leading platform agnostic training & simulation pure play; ensuring mission readiness by integrating solutions across all five domains**

# D&S now positioned to capitalize on higher-growth markets

## Allied Defense budgets are growing 3-4% annually\*

USD

| USA                                    | EMEA                                   | IPAC                                   | CAN                                  |
|--|--|--|--------------------------------------|
| CAGR 2021: \$746B<br>2.6% 2027: \$871B | CAGR 2021: \$485B<br>3.5% 2027: \$596B | CAGR 2021: \$301B<br>5.5% 2027: \$426B | CAGR 2021: \$19B<br>3.3% 2027: \$23B |

D&S participates in higher growth areas

5% ▲

### Training in synthetic environments

To reduce costs & support complex multi-domain exercises

10% ▲

### Integrated Secure Common Architectures

Enabling secured and distributed training and mission operations

30% ▲

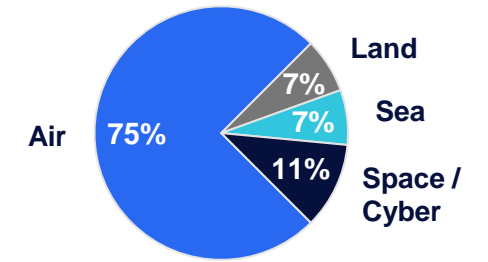
### Joint All-Domain Command & Control (JADC2)

Processing disparate data for scenario generation & decision making

## CAE Addressable Markets\*

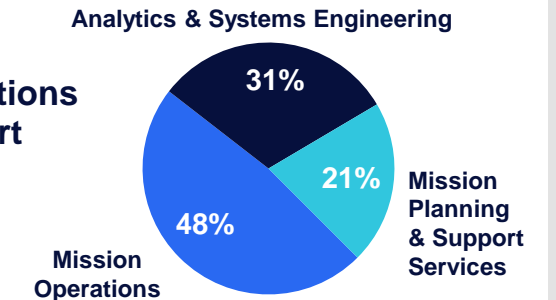
### CORE

~\$14B Training & Simulation



### ADJACENT

~\$24B Operations Support



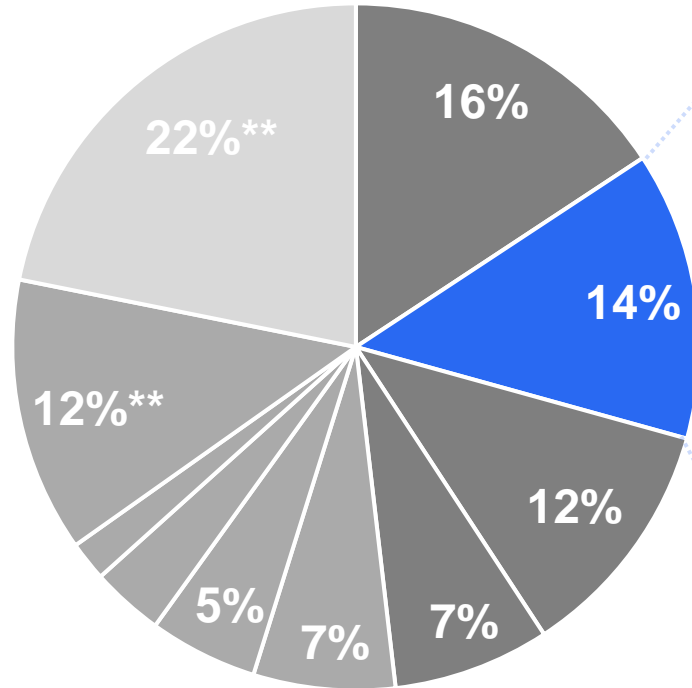
*“Integrated modeling and simulation solutions across all domains are part of U.S. DoD’s Strategic Directives instructing the services when developing new capabilities.” – Joint Requirements Oversight Council*

\*Budget and Addressable Market figures from FY21 Janes Market Forecast, compiled prior to Ukraine invasion

# Core training & simulation competitive landscape



|                         |   |
|-------------------------|---|
| <b>OEM</b>              | <b>OEMs Refocusing on Core Platforms:</b><br>Seeking training & simulation partnerships instead of vertical integration             |
| <b>Mid Tier / Other</b> | <b>Demand for Multi-domain Solutions:</b><br>Few mid-tier providers able to cross all five domains and reach customers worldwide    |
| <b>Small Business</b>   | <b>Fusion of Services + Technology:</b><br>Small Businesses struggle to transition from pure services to bundled, complex solutions |



- 75+** Platforms
- 145+** Sites
- 50+** Countries
- 5,700+** Employees
  - 1,700+** Engineers
  - 4,100+** Cleared

\*Market Share based on organic assessment pulling Training & Simulation programs from Janes Market Forecasts

\*\*Market share for Small Business and Mid Tier / Other represents multiple companies

**D&S position as the global, platform agnostic training & simulation pure play across all five domains provides a clear market discriminator**



# D&S technology portfolio: the leading edge of ensuring mission readiness

## > Revolutionary Digital Training Solution

- Solving Pilot Shortages
- Speed to Proficiency

## > Next-Gen Situational Awareness

- Solving Speed to Decision in Multi-Domain Environments

The image shows two software interfaces. On the left is the L3H MT interface, featuring a circular logo with 'CONDITIONING' and 'CLIENT FORMAT' around the perimeter, and 'ALE' in the center. On the right is the CAE Rise interface, titled 'Training Event Details', showing a 'Landing' event with start and end times, a 'SITUATION' section with 'Day: Poor', 'RV: 1500 ft', and 'Wind Components: Tail: 4 kt, Left: 4 kt', and 'Malfunctions: Engine #1 Failure, Fuel Leak'. Below each interface is a blue label: 'L3H MT' and 'CAE Rise'.

The image shows two situational awareness displays. On the left is the 'Common Operational Picture (USA)', showing a 3D map of a city with green and red overlays. On the right is the 'Single Synthetic Environment (INT)', showing a dark, abstract 3D environment with glowing green and blue elements. Below each display is a blue label: 'Common Operational Picture (USA)' and 'Single Synthetic Environment (INT)'. A blue plus sign is positioned between the two displays.

## Enabling Technology

- Hybrid cloud-based
- Cyber secured
- Networked architecture

Human-machine teaming

Decentralized Command & Control

Accelerated decision-making

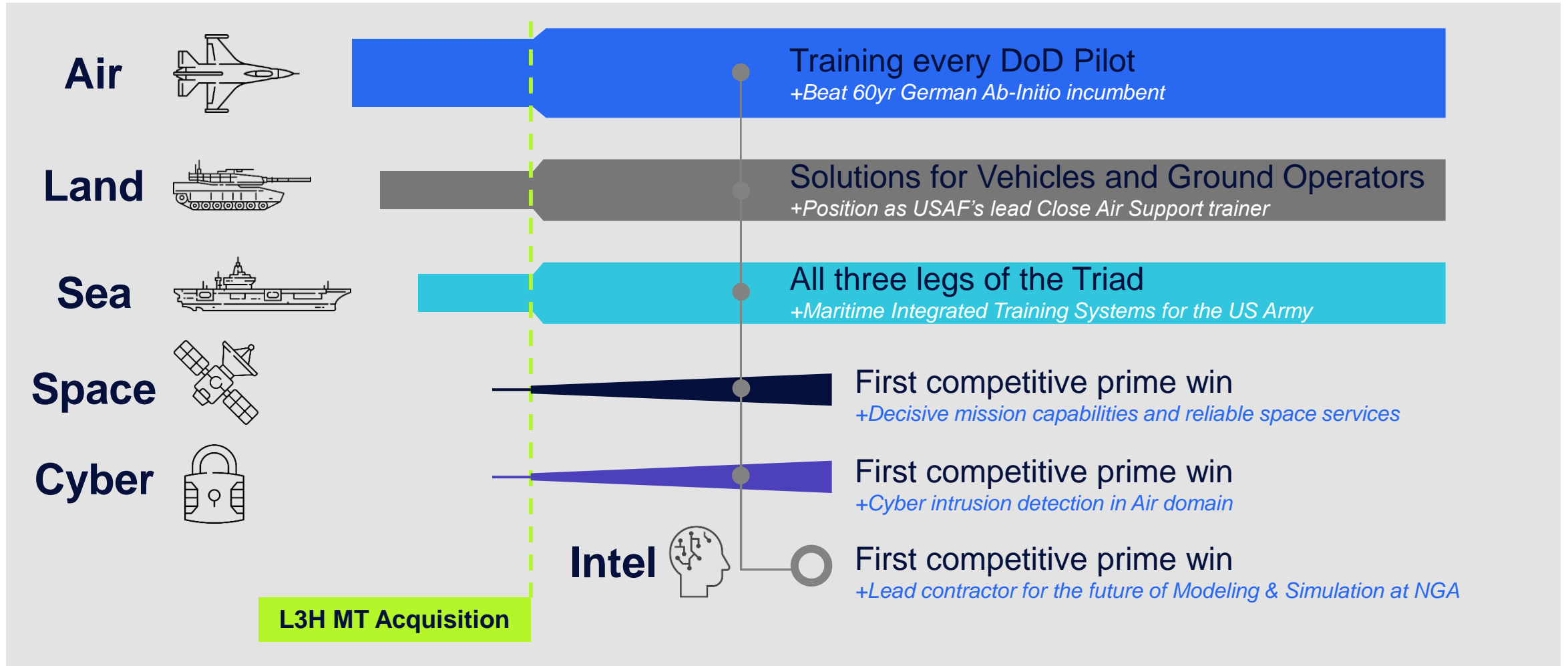
Adaptive training

Student-centric ecosystem

AI/Synthetic instructors

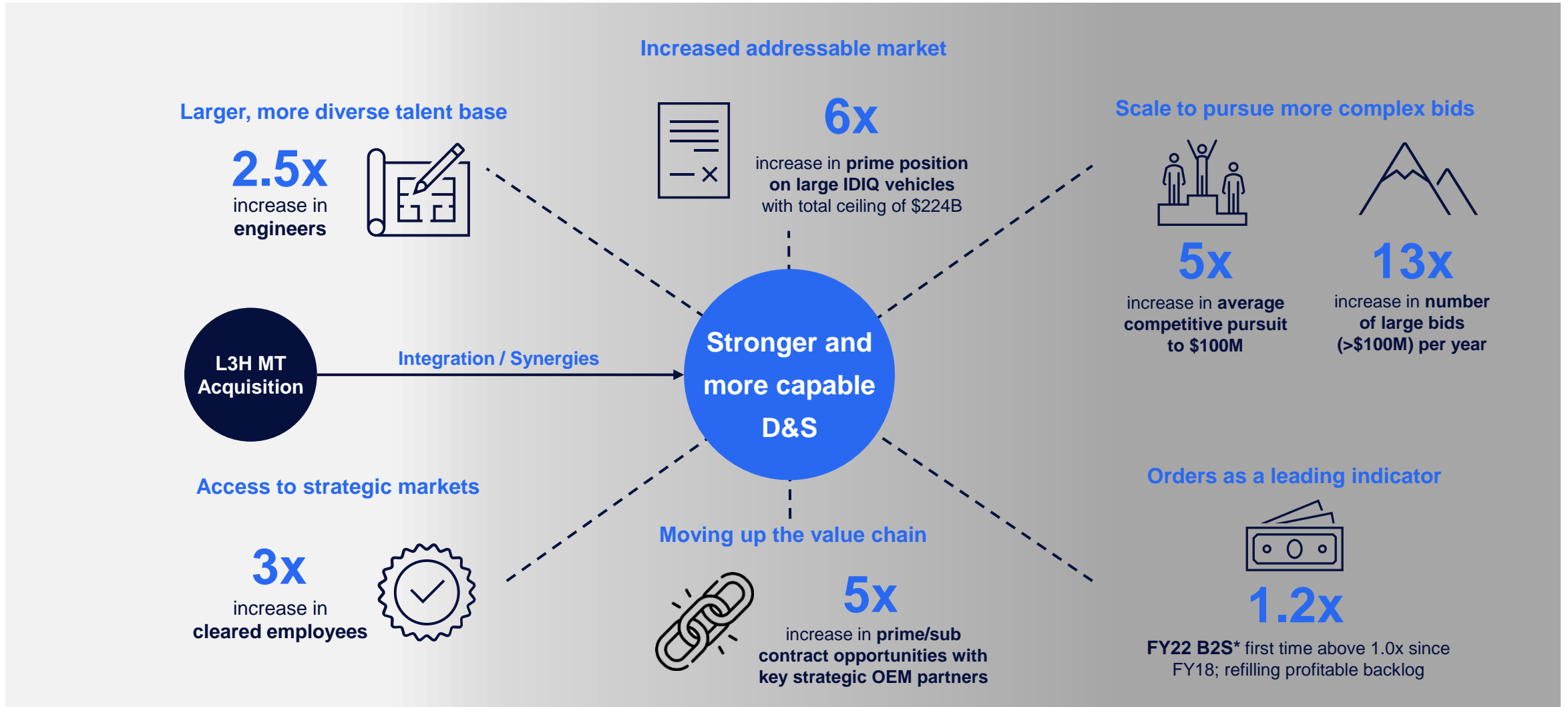


# Larger, more capable enterprise: already yielding results



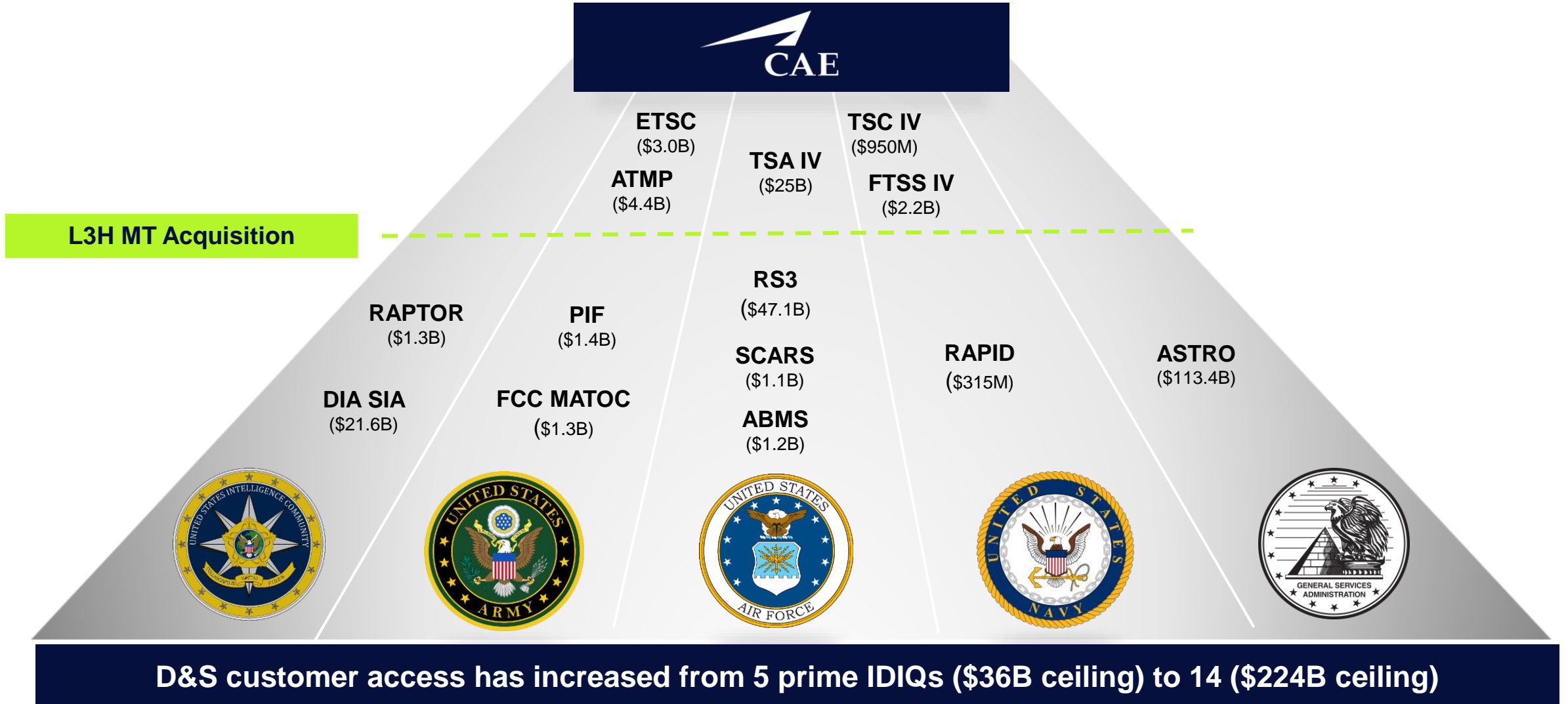
**Prime competitive wins across all domains + Intel in FY22**

# Larger, more capable enterprise: accelerating future growth



\*Non-GAAP and other financial measures (see slides 75-76)

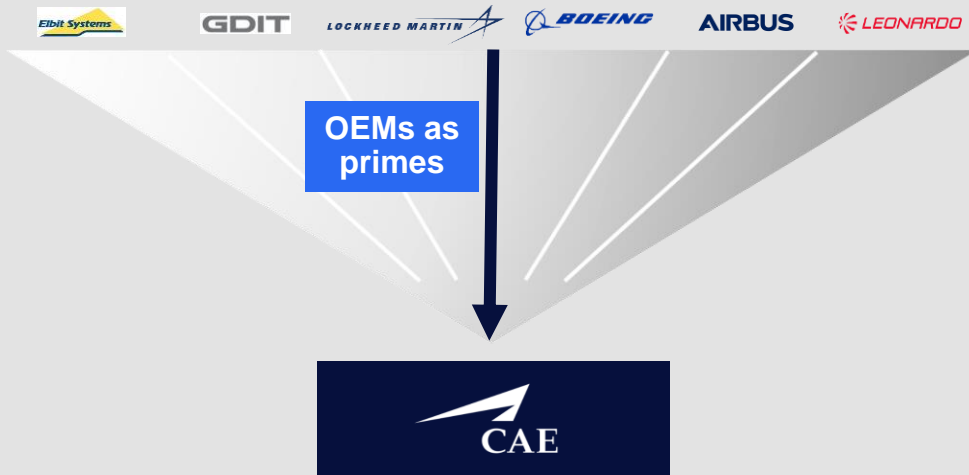
# Increasing addressable market: prime Indefinite Delivery, Indefinite Quantity (IDIQ) access



# Driving our destiny: moving up the value chain

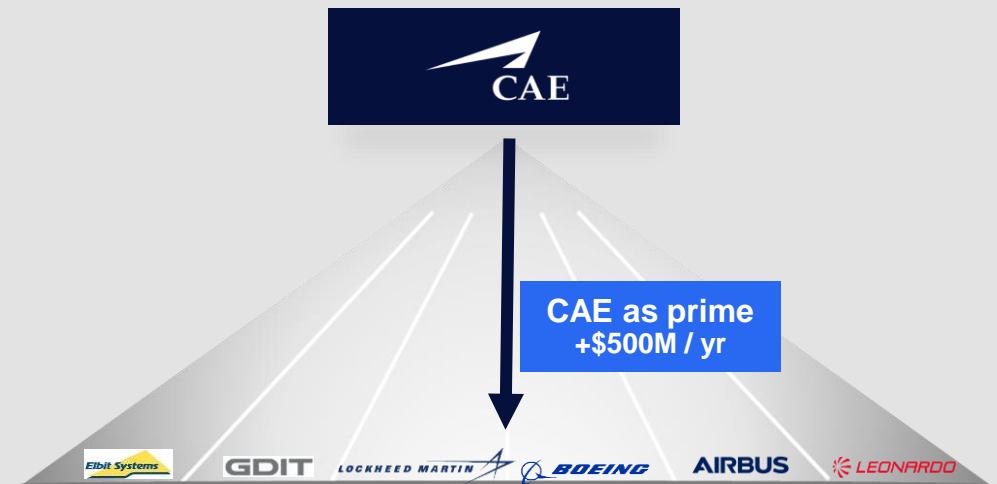
## Pre-acquisition

\$150M / year in subcontractor orders



## Post-acquisition

\$800M / year order pipeline, majority as prime

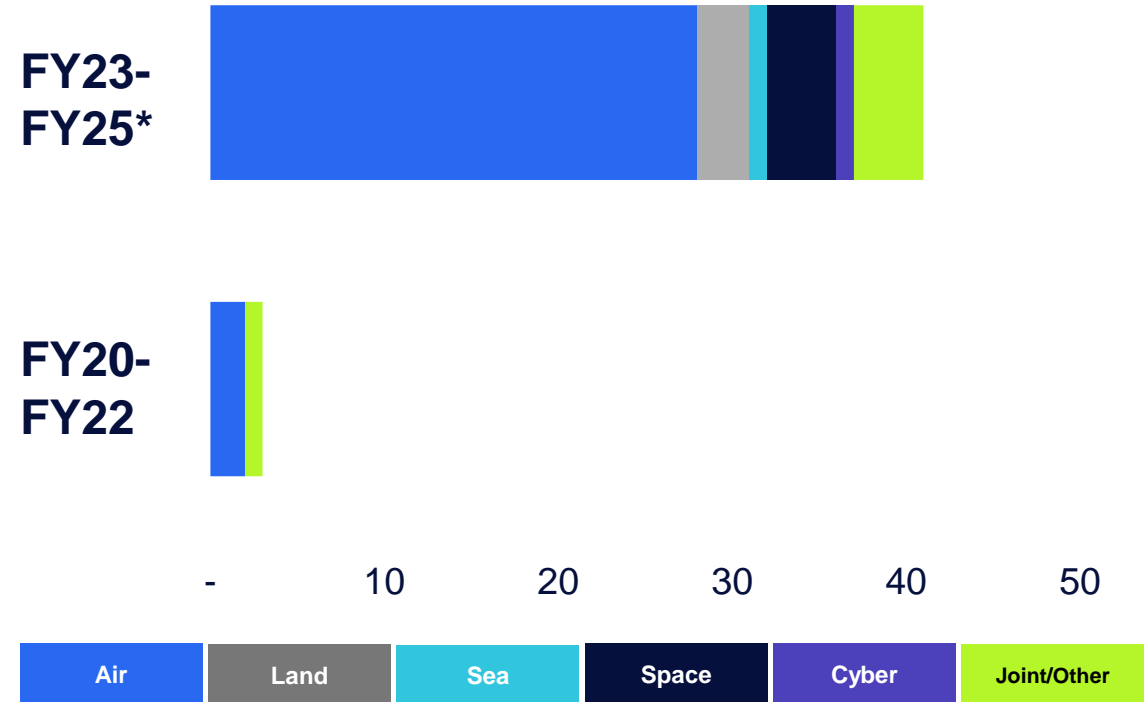
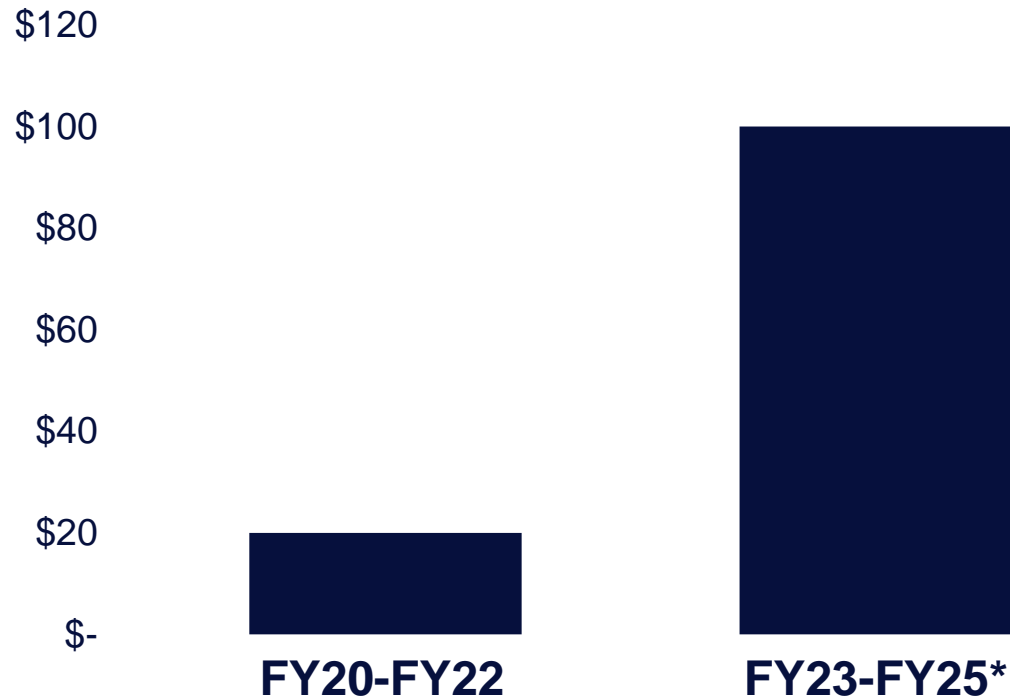


**400% increase in annual order pipeline with OEM partners;  
\$500M of prime opportunities + doubling subcontract potential**

# Prime pursuits: increasing in size and quantity across all domains

Average bid size (\$M)

Quantity of competitive prime pursuits > \$100M



**Average bid size from \$20M to \$100M; \$100M+ bids from 1 to 13 per year**

\* Forward-Looking Statements (see slides 2-3)

# Successful integration: positioning D&S for profitable growth

## L3H MT Integration Progress

### Leadership

Best-of-breed

Leadership Team = 1/3 legacy CAE, 1/3 L3H MT, 1/3 new talent

### Culture

Reenergized

Retained >97% of senior leaders (67 of 69)

### Synergies

Realized

On track for \$35-\$45M\*\*

### Revenue

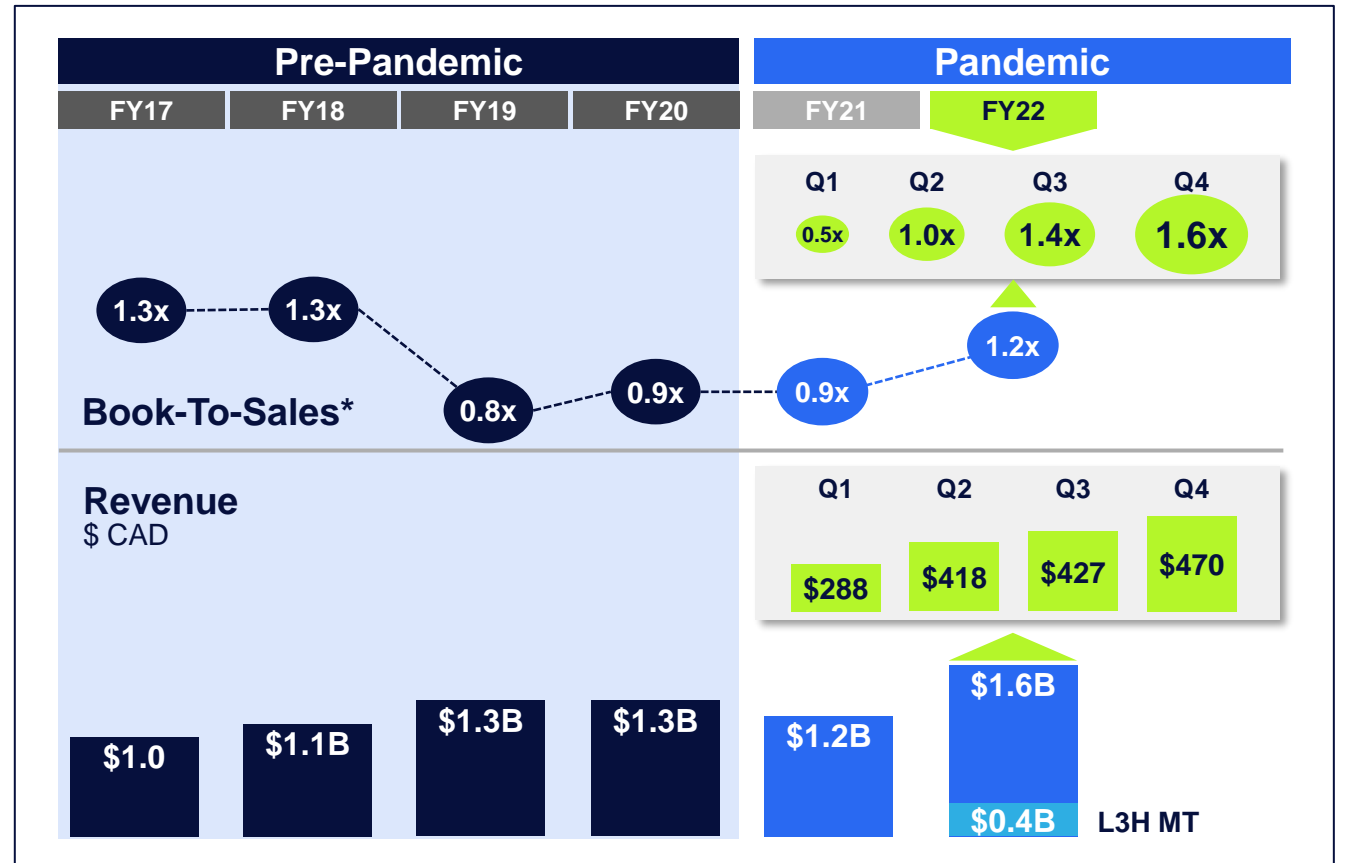
Upside identified

Identified & tracking >\$2B of potential total program value\*\*

### Orders

Momentum

Book-to-Sales\* (1.2x) leading indicator of turnaround, \$1.9B = all-time Orders record



\*Non-GAAP and other financial measures (see slides 75-76)

\*\* Forward-Looking Statements (see slides 2-3)

# Summary: Defense & Security

## Growth drivers

- Shift from asymmetric fight to near-peer training generates **five clear customer requirements**
- D&S as the global, platform agnostic training & simulation pure play across all five domains provides a **clear market discriminator**
- Leveraging **scale, capabilities and technology** to enhance competitive positioning

## CAE Positioning

- D&S digital training solution and next-gen situational awareness, enabled by integrated secure architectures, **improve efficiency and efficacy** of training and mission operations outcomes
- Prime positions on OEM, IDIQ and leading-edge pursuits enable **D&S to drive its destiny**
- Larger, more complex **prime contract wins** will accelerate growth

## Looking ahead

- **Orders are leading indicator** of multi-year improvement
- Moving up value chain on contracts of greater complexity and classification **demand higher margins**
- **Synergy capture and top-line momentum** equal multiplicative margin impact

**Standing on the shoulders of giants:  
the three founding fathers of simulation legacies now under one roof,  
ensuring another 75+ years of success**



# Healthcare

CAE Investor Day

**Heidi Wood, President, CAE Healthcare**  
**Executive Vice President, Business Development & Growth Initiatives**



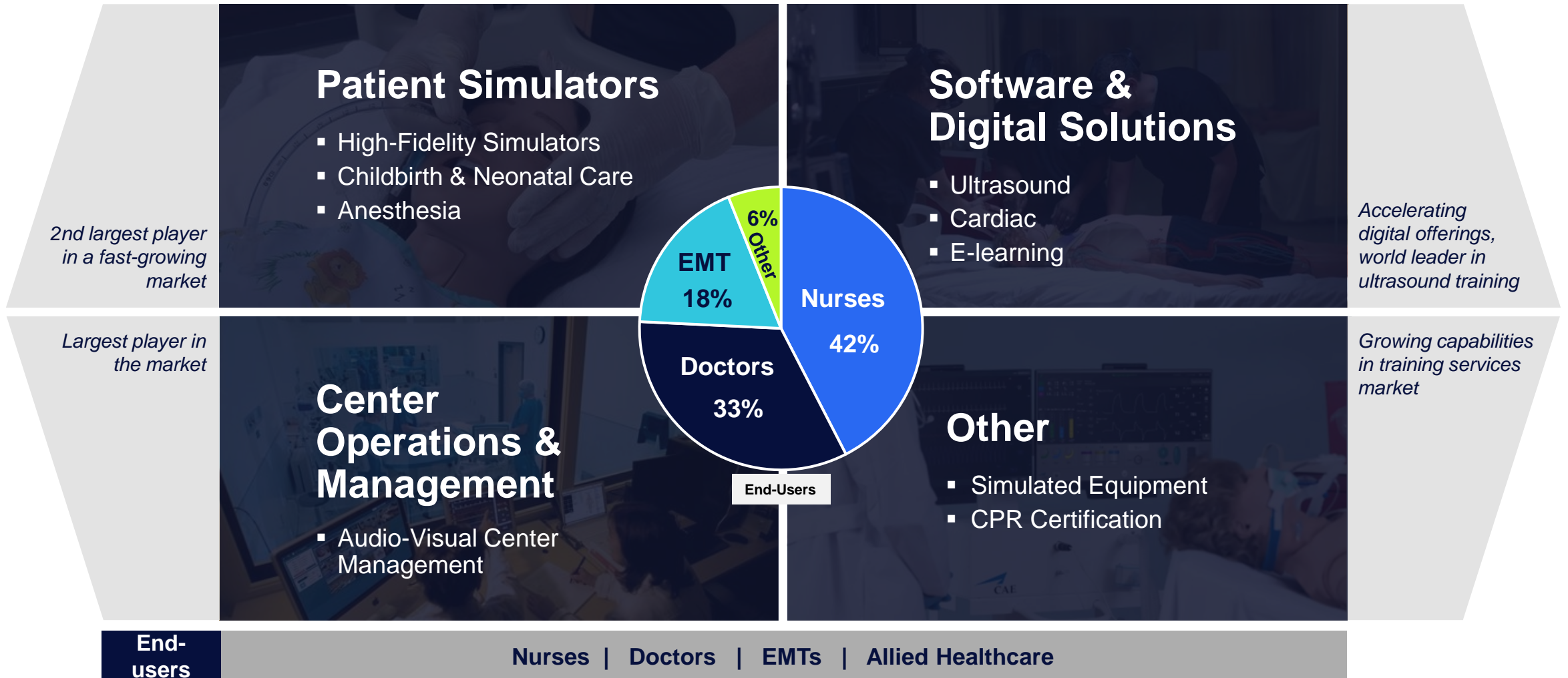


# Why Healthcare?

- 1 Aligned with CAE's mission and technology
- 2 Natural migration into crucial growth market



# Well positioned in a high growth market



Market Sources: Various Market Research Firm Reports (M&M, Research & Markets, Allied Market Research 2021) End-Users: CAE Internal Data

# Broad suite of capabilities to serve growing markets

Patient Simulators

## Adult



*Apollo*

## Pediatrics



*Aria*

## Trauma/EMS



*Ares*

## Skills Trainers



*Medicor*

## Nursing



*Juno*

## Childbirth



*Lucina*

## Anesthesia



*HPS*

## Neonatal Care

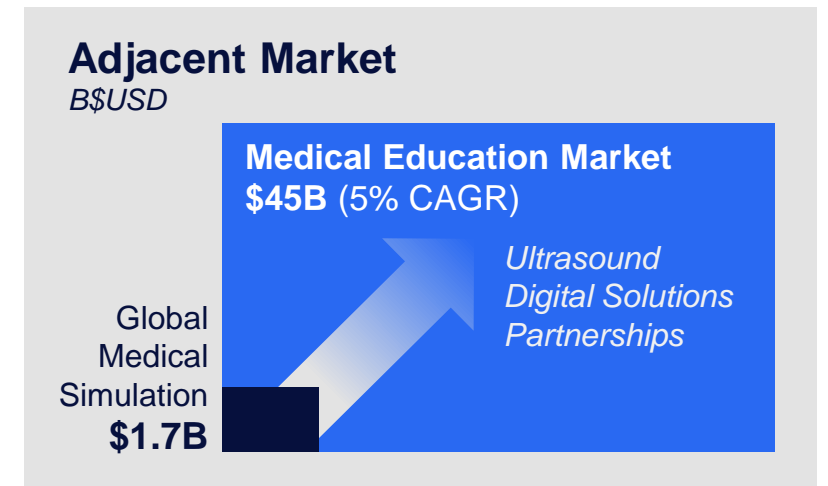
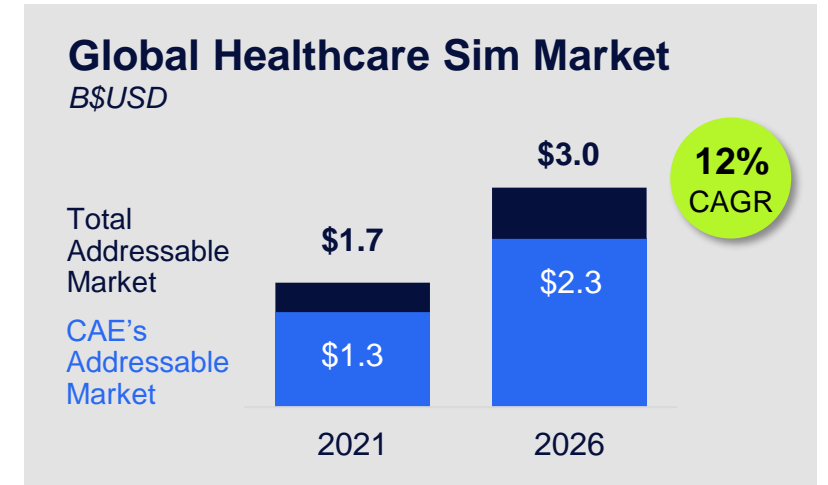
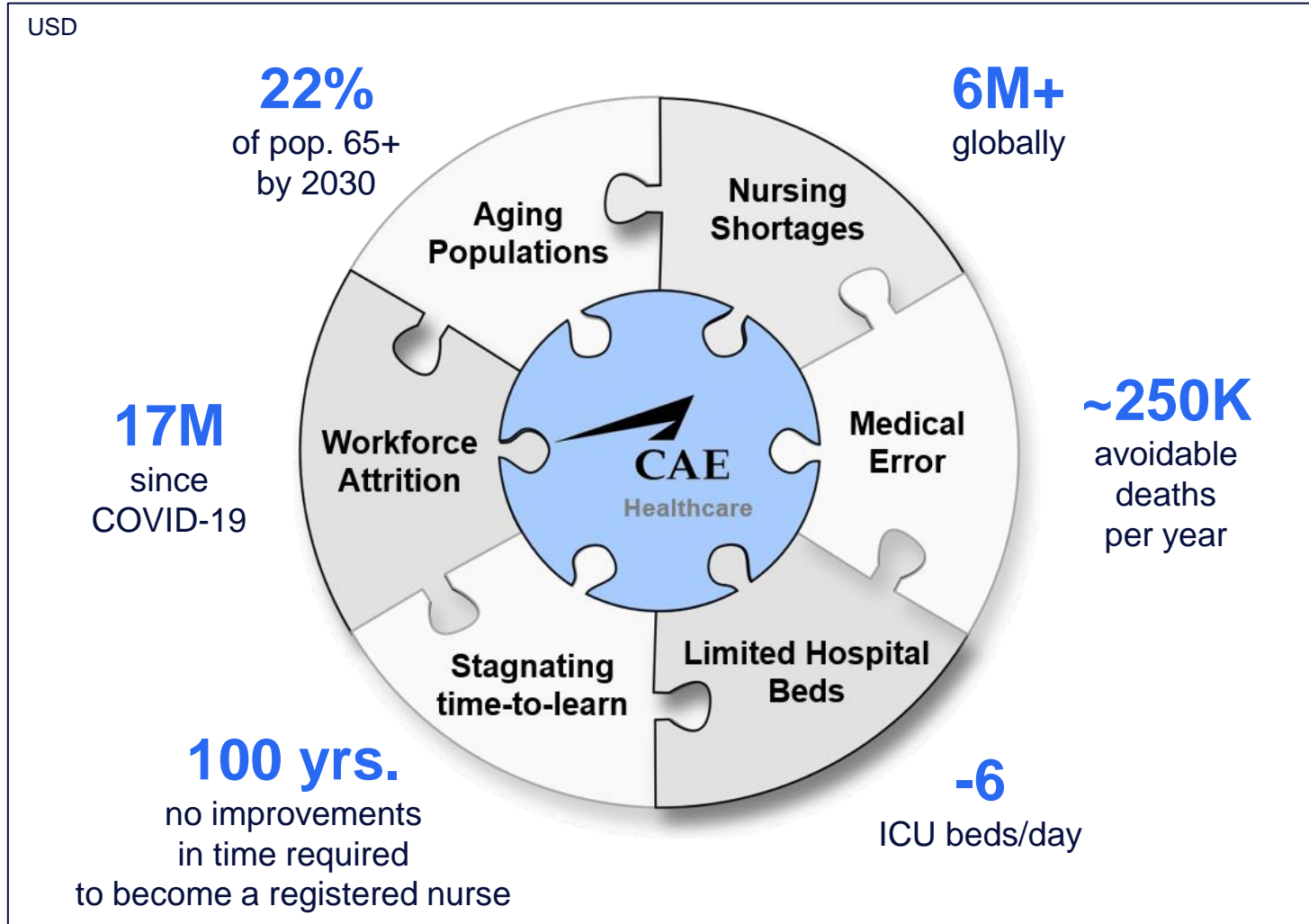


*Luna*

# Addressing the needs of an evolving learning environment

|         |   |   |   |  |
|---------|---|---|---|--|
| Digital | <b>Ultrasound</b><br><br><i>Vimedix</i>  | <b>Sim Lab Management</b><br><br><i>LearningSpace</i>     | <b>Cardiac Training</b><br><br><i>CathLab VR</i>   | <b>E-Learning</b><br><br><i>Maestro</i> |
|         | <b>CPR</b><br><br><i>Certifications</i> | <b>Defibrillator (AED)</b><br><br><i>Simulated Equip</i> | <b>Custom Courses</b><br><br><i>Custom Module</i> |  |

# Healthcare training and simulation is an attractive growth market benefiting from multiple secular tailwinds



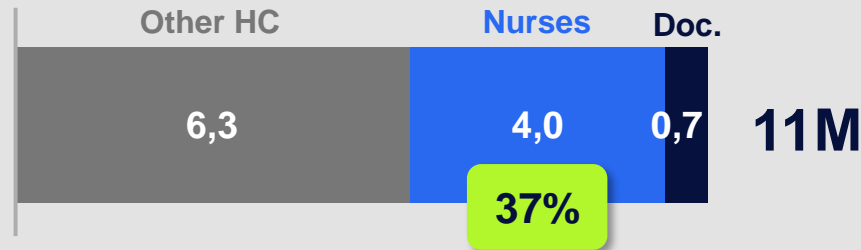
Sources: U.S. Census, 2020; Job Openings and Labor Turnover Survey Results (Bureau of Labor Statistics, 2021); American Association of Colleges of Nursing (AACN, 2021); Institute for Health Metrics & Evaluation-US Hospital Bed Data (2022); Medical Error-The Third Leading Cause of Death in the US (British Medical Journal, 2016); WHO National Health Workforce Accounts (NHWA)

Sources: CAE Internal Analysis; Various Market Research Firm Reports (M&M, Research & Markets, Allied Market Research 2021)

# CAE addresses the growing nursing shortage with its suite of training solutions

## Nurses account for 37% of U.S. healthcare professionals

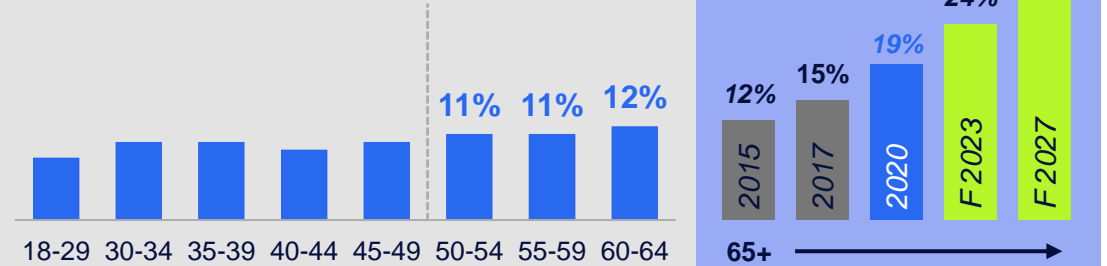
U.S. healthcare professionals by role in 2021 (M)



Source: U.S. Bureau of Labor Statistics Database

## Growing % of U.S. nurses aged 65+

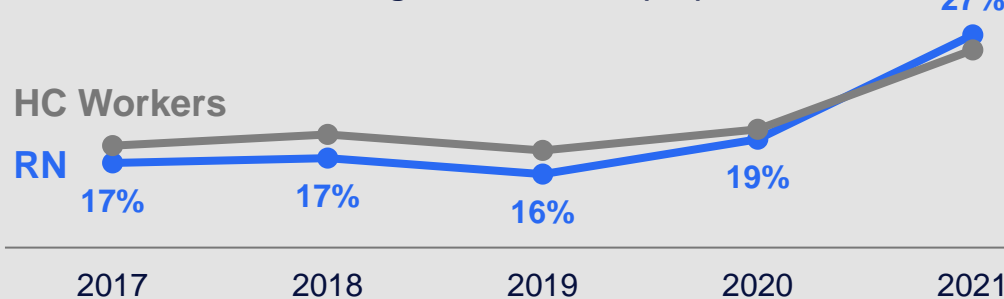
Age distribution of U.S. Registered Nurses in 2020



Source: 2020 NCSBN National Nursing Workforce Survey, CAE forecast

## 11% increase in U.S. nurse turnover rate since 2019

U.S. turnover rate for Registered Nurses (RN)



Source: 2022 NSI National Health Care Retention & RN Staffing Report Figures

## More trends suggest rising need to accelerate nurse training

Rising demand for Healthcare

Elective procedures postponed; more nurses needed

Rapidly aging nursing workforce

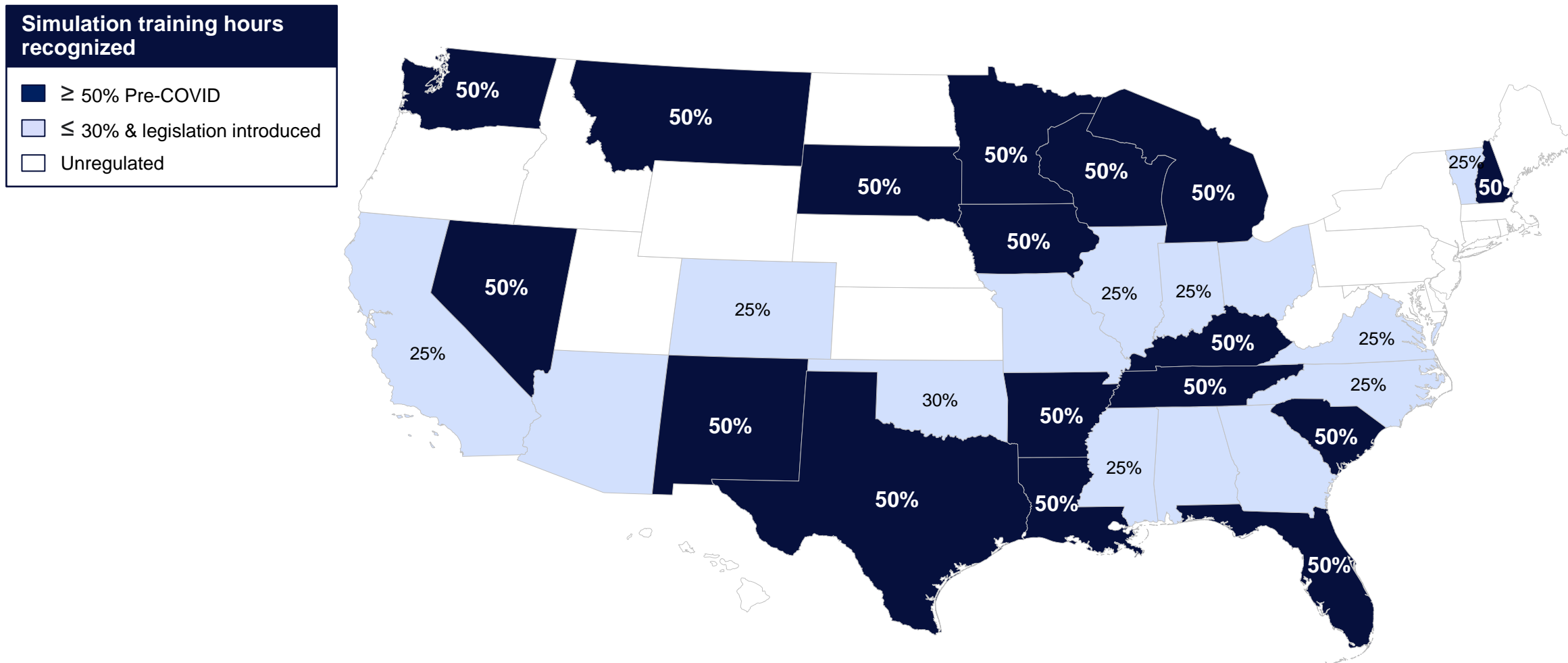
53% of nurses are above 50 y.o.

Increase in RN attrition rates

> 20% of the current workforce plans to retire by 2025

Source: 2020 NCSBN National Nursing Workforce Survey

# Pre-COVID, only 17 states accepted 50% of clinical education hours using simulation

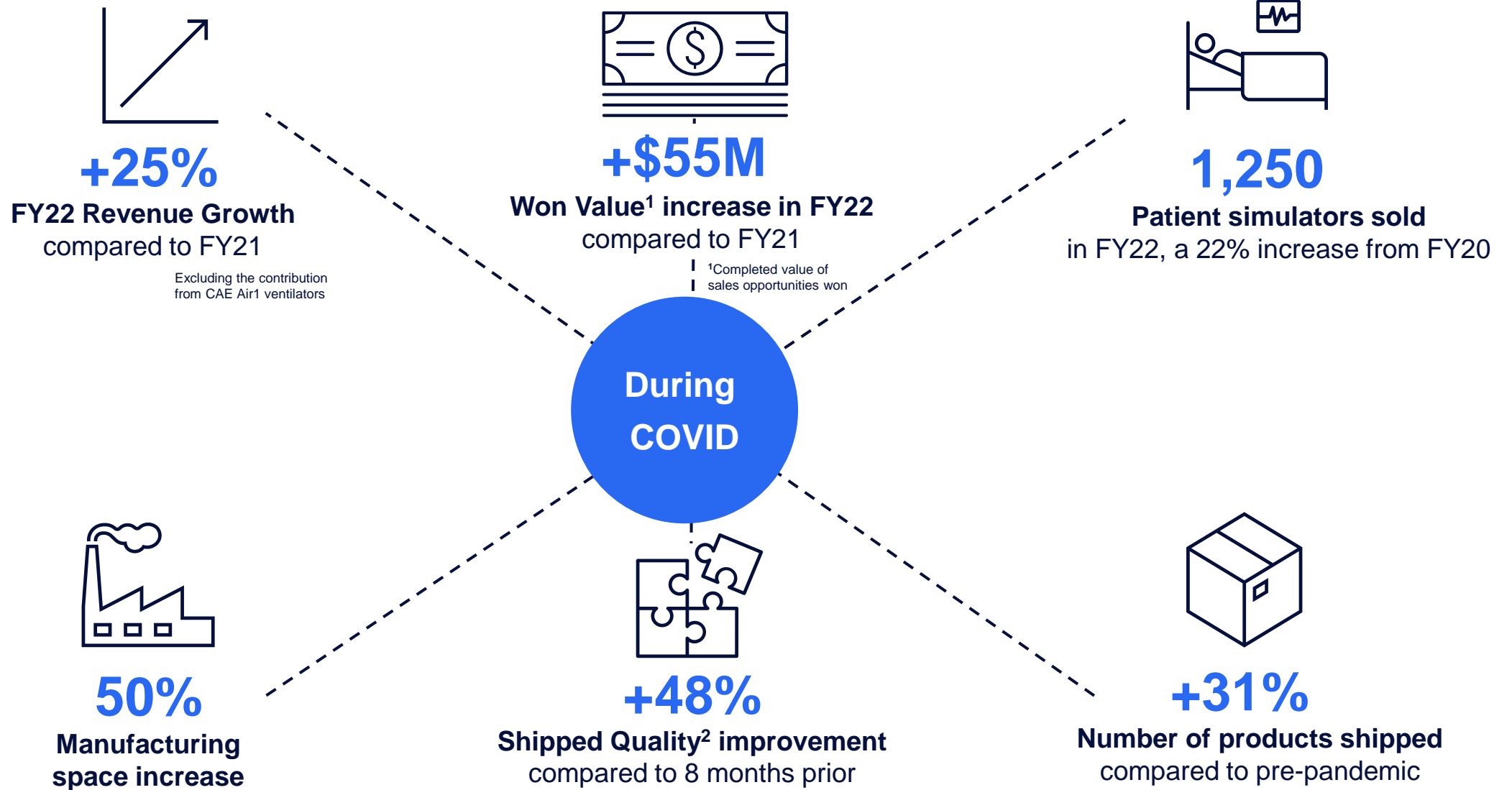


Sources: Regulation of Simulation Use in US Prelicensure Nursing Programs (Marquette University, 2019); Regulation Map (International Nursing Association for Clinical Simulation and Learning, 2022)

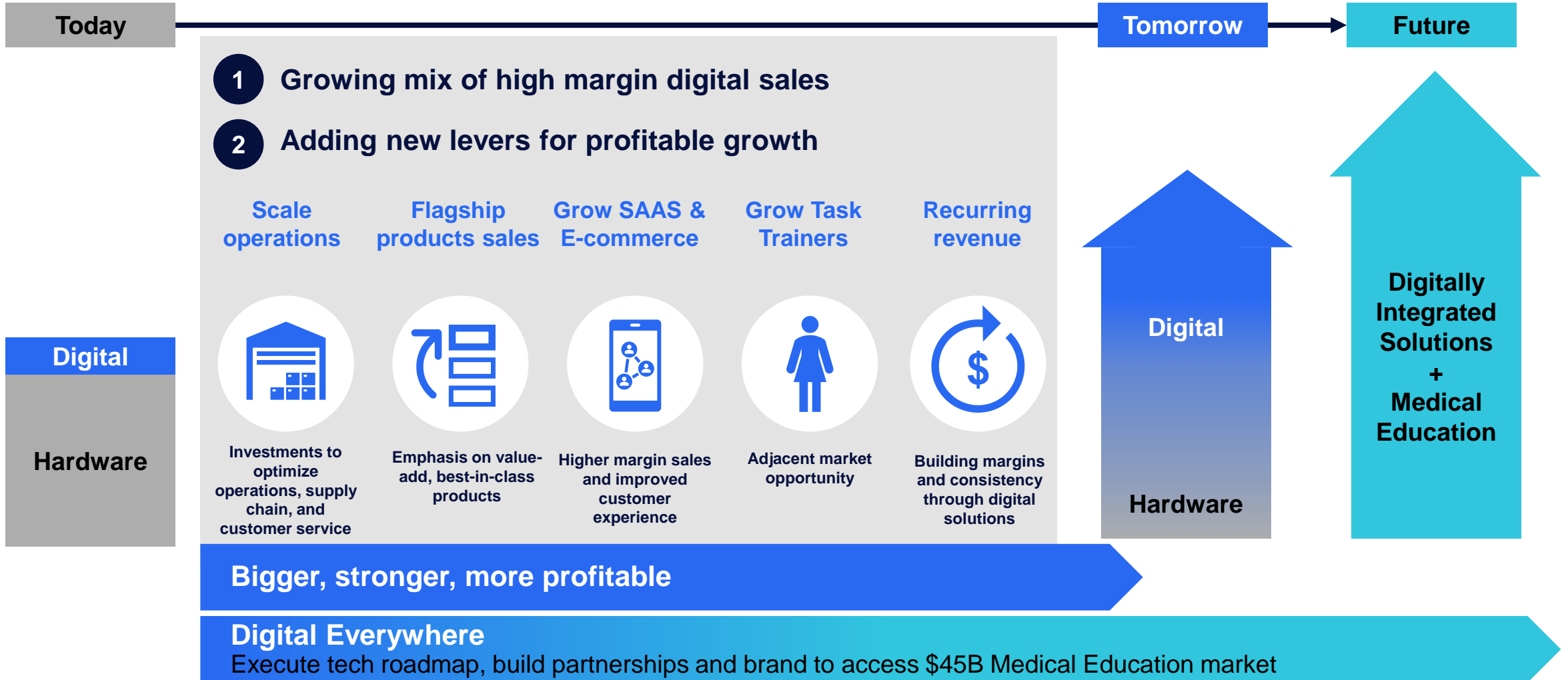




# Healthcare has demonstrated excellent progress in the last 2 years



# Healthcare is on a multi-year journey to accelerate growth & profitability



# Leveraging advanced technologies to build sophisticated digital capabilities

- > **Artificial Intelligence/Machine Learning**  
Enable personalized, adaptive learning
- > **Hybrid Cloud Solutions**  
Combined in-person & remote training for sim centers
- > **Data Analytics**  
Assess student performance and elevate education standards



## Digital Product Adoption & Data Figures



**500**

Unique Customers



**40**

Universities Licensing E-learning Tools



**600K**

Sim Procedure Video Recordings



**650+**

Sim Management System Installs



**2M+**

Data Points Captured in Virtual Operating Rooms

# Summary – Healthcare

## Growth drivers

- Second largest player in a fast-growing market, bolstered by long-lived tailwinds
- Increased statewide acceptance of simulation training could further accelerate growth
- Intensifying nursing shortage could further accelerate demand

## CAE positioning

- Accelerating market growth in digital is favorable for CAE Healthcare
- Strong competitive discriminators widen in years ahead, competitors are not as strong in digital
- Investing to grow into attractive Medical Education market

## Looking ahead

- Expect to grow Healthcare faster than the underlying market
- Benefits of volume, scale and efficiencies taking hold
- Leveraging digital to drive margin expansion

*Sources: CAE Internal Analysis; Various Market Research Firm Reports; Govspend Database*

# Capital Priorities and Financial Outlook

CAE Investor Day

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



# Strong growth dynamics and a large pipeline of accretive investment opportunities



\*Non-GAAP and other financial measures (see slides 75-76)

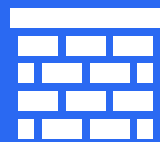
# The 3 pillars of our balanced approach to capital allocation

Invest in accretive growth



**Superior, sustainable and accretive growth to earnings, cash flow and return on capital**

Strong balance sheet



Maintaining a **resilient and flexible financial position**

Balance growth with shareholder returns



At steady state environment, **provide current returns for shareholders with excess free cash flow\***

**Balanced capital deployment for accelerated accretive growth and long-term value**

\*Non-GAAP and other financial measures (see slides 75-76)

# How CAE assesses and prioritizes capital deployment opportunities

- Strengthen competitive position and expand total addressable market
- Bolster capabilities, scalability and enhance customer experience
- Accelerate recurring revenue growth
- Accretive to margins and earnings
- Consistent with ESG priorities
- Strong free cash flow\* generation
- Supportive of CAE's growing ROCE\*

**Deploying capital to the right opportunities to deliver sustainable long-term growth**

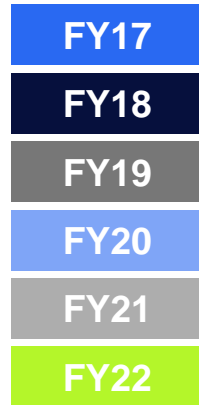
\*Non-GAAP and other financial measures (see slides 75-76)



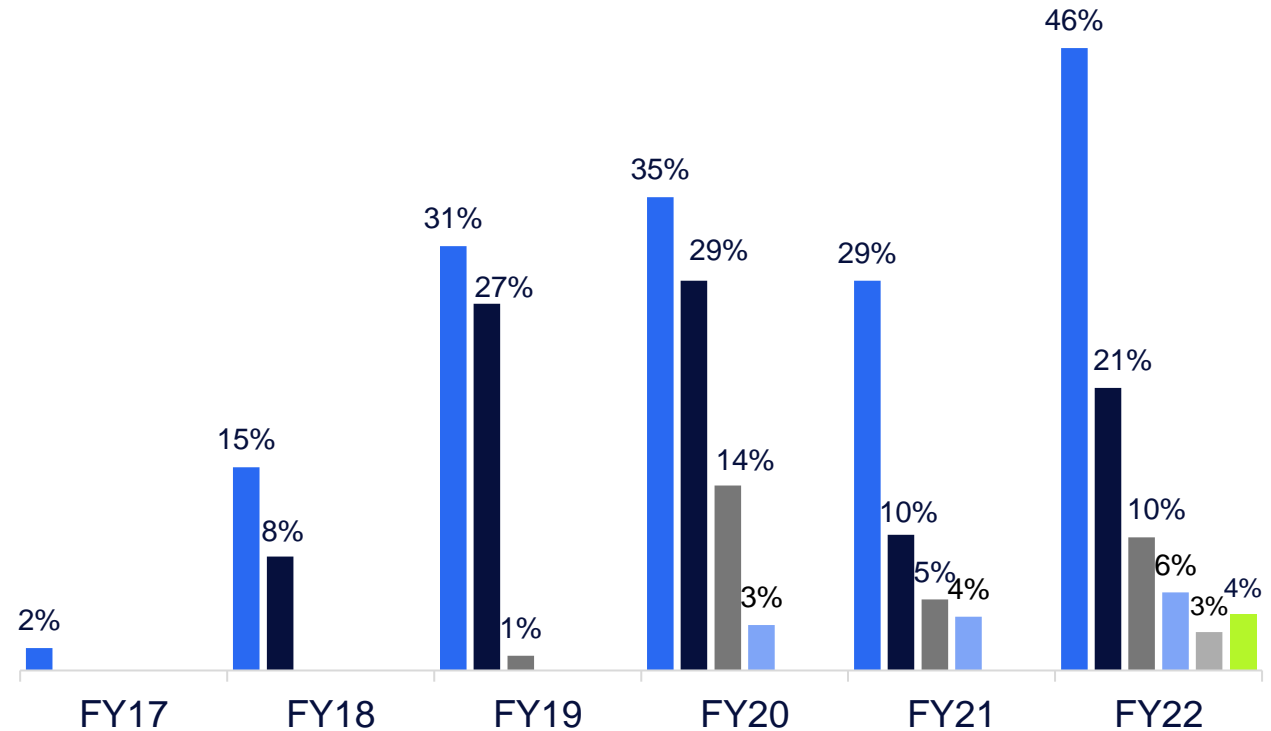
# Organic capital driving recurring revenues and accretive compounding growth

**\$690M+** organic capital invested in FY17-FY22 to deploy **77 FFSs\*** within CAE's Civil aviation training network

Year of FFS\* deployment



Pre-tax returns on Civil Aviation organic deployed capital\*\*



**Investments in long-term assets that quickly generate highly accretive returns**

\*Non-GAAP and other financial measures (see slides 75-76)

\*\*Defined as the operating profit of the FFSs\* divided by the investment in FFSs\* by year of deployment

# Proven record of successfully executing M&A to strengthen our position as the “Partner of Choice”

Multiple

## **BOMBARDIER**

*Business Aircraft Training*

- ~9x EBITDA\* multiple (one-year forward EBITDA)

- Expanded addressable market in Business Aviation
  - Installed base grew to approximately 5,000 aircraft
- Accretive to Civil margins by 200+ bps
- Immediately accretive to earnings
- Strong recurring cash flows\*

Acquisition Benefits

**Sabre**

AirCentre Airline  
Operations Portfolio

- Sabre ~7x EBITDA\* multiple based on pre-pandemic calendar 2019

- Greater access to incremental market
- Over 90% customer overlap
- Accelerates growth in recurring software-based aviation services
- Immediately accretive to earnings in first month of operation
- Opportunity for additional synergies

**Seized opportunities to accelerate accretive growth, expand addressable market & customer reach**

\*Non-GAAP and other financial measures (see slides 75-76)

# Proven record of successfully executing M&A to strengthen our position as the “Partner of Choice”

Multiple

Acquisition Benefits



- ~10x EBITDA\* multiple including synergies
- Transformative transaction adding scale and complementary capabilities
- Strong and stable free cash flow\*
- Immediately earnings and cash accretive
- Accretive to Defense margins by ~150 bps in FY22
- Synergies of \$35M to \$45M CAD on track\*\*

## CMAT

CAE Military Aircraft Training

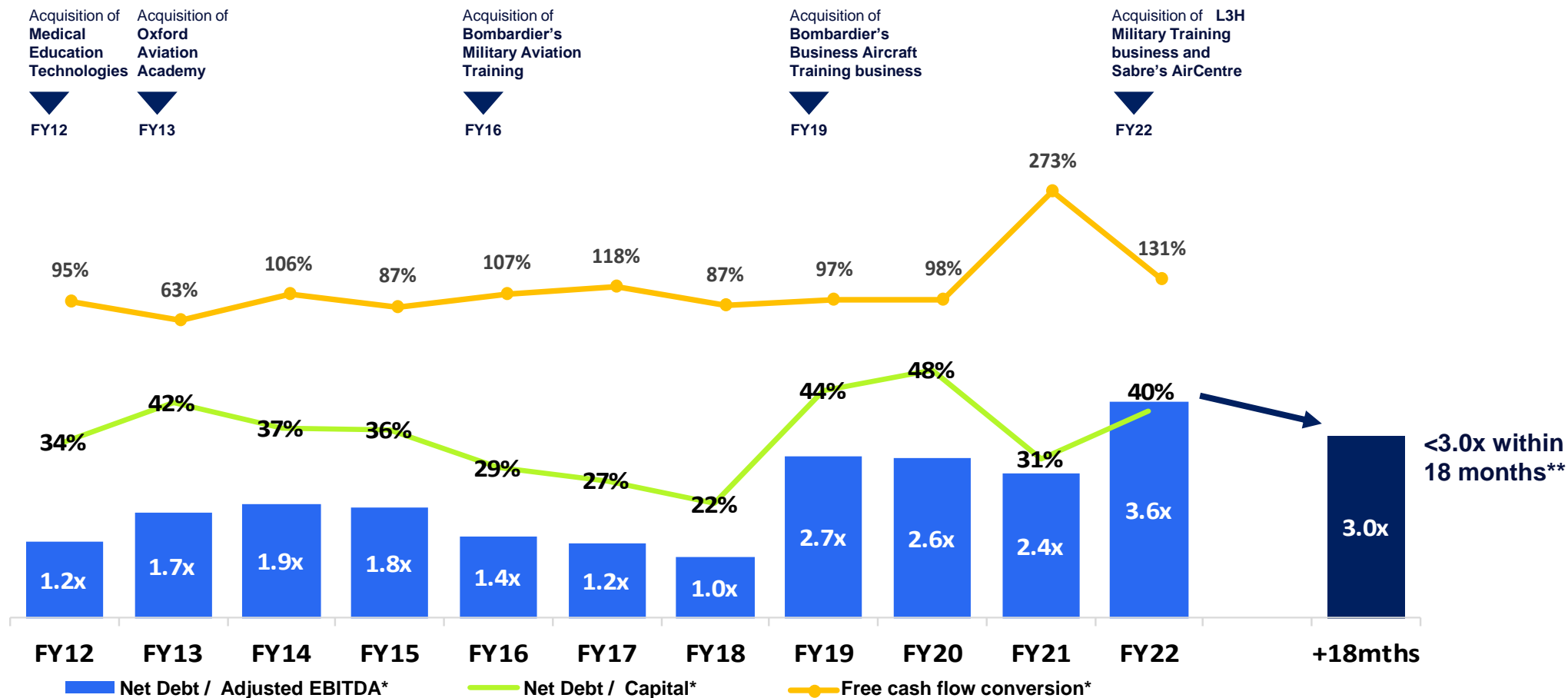
- \$19.8M purchase price in Sept 2015 for NATO Flight Training in Canada (NFTC)
- Expanded access and capabilities for defense live flight training
- Immediately accretive to earnings
- Accretive to Defense margins
- Significant growth in NFTC operations
  - Contract extension from 2021 to 2023 (\$300M/2yrs)
  - 2022 contract extension to 2027
- Leveraged for international growth :
  - Best in class initial flight training across USAF, US Army, US Navy & German Air Force

**Seized opportunities to accelerate accretive growth, expand addressable market & customer reach**

\*Non-GAAP and other financial measures (see slides 75-76)

\*\* Forward-Looking Statements (see slides 2-3)

# Track record of successfully integrating acquisitions and managing a solid balance sheet



**Strong cash generation led to rapid deleveraging following each strategic acquisition**

\*Non-GAAP and other financial measures (see slides 75-76). FCF conversion measured as a % of adjusted net income.

\*\* Forward-Looking Statements (see slides 2-3)

# Optimized cost structure will enable record profitability and higher free cash flow\*

## Cost optimization actions



### Real estate footprint reduction

- 9 training locations consolidated
- Office leases consolidated or reduced: ~20% square footage reduction
- Warehousing optimization : ~10% square footage reduction



~50 simulators relocated



Digital engineering transformation

## Benefits

- Annual recurring structural costs savings of \$70M in FY23\*\*
- Payback period of ~2.5 years
- Relocated simulators enabled incremental revenue capture
- Advancing digital strategy and processes

**Cost optimization mindset to drive efficient and innovative operations**

\*Non-GAAP and other financial measures (see slides 75-76)

\*\* Forward-Looking Statements (see slides 2-3)

# Summary – Capital Priorities

## Track Record

- Successful integration of past acquisitions
- Steady deleveraging following acquisitions
- Above-market revenue growth
- Strong, consistent cash flow generation
- Sound financial position

## Looking Ahead

- Continue to see unique set of growth opportunities across organic investments, M&A and digital innovation
- Maintain balanced capital deployment for accretive growth and long-term value
- Above-market revenue growth and margin expansion to new highs

# Outlook and financial targets

## FY2023 Financial Outlook\*\*

- Mid 30% consolidated adjusted segment operating income\* growth
- Free cash flow\* conversion of approximately 100%
- Capital expenditures\* of approximately \$250M
- Net debt-to-adjusted EBITDA\* < 3x within 18 months

## 3-Year Financial Targets\*\*

- Mid 20% EPS\* CAGR (FY22-FY25)
  - Civil: double-digit growth and new peak margins
  - Defense: above industry growth and low double-digit margins
  - Healthcare: double-digit growth and expanding margins
- Assumptions
  - Air travel recovery predicated on IATA forecast
  - Easing of pandemic-related mobility restrictions
  - No further disruptions to world economy, CAE's operations and our ability to deliver products and services

\*Non-GAAP and other financial measures (see slides 75-76)

\*\* Forward-Looking Statements (see slides 2-3)

# Combined Q&A





# CEO's closing remarks

CAE Investor Day

Marc Parent, President & Chief Executive Officer



# Appendix



# Non-GAAP and other financial measures definitions

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. These measures should not be confused with, or used as an alternative for, performance measures calculated according to GAAP. Furthermore, these non-GAAP measures should not be compared with similarly titled measures provided or used by 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.

## **Adjusted earnings or loss per share (EPS)**

Adjusted earnings or loss per share is a non-GAAP measure calculated by excluding restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events, after tax, as well as significant one-time tax items from the diluted earnings per share from continuing operations attributable to equity holders of CAE. The effect per share is obtained by dividing these restructuring, integration and acquisition costs and impairments and other gains and losses, after tax, as well as one-time tax items by the weighted average number of diluted shares. We track it because we believe it provides a better indication of our operating performance on a per share basis and facilitates the comparison across reporting periods. Refer to section 3.8 “Non-GAAP measure reconciliations” of the financial report for the years ended March 31, 2021 and March 31, 2022 for a reconciliation of these non-GAAP measures to the most directly comparable measure under GAAP.

## **Adjusted net income or loss**

Adjusted net income or loss is a non-GAAP measure we use as an alternate view of our operating results. We calculate it by taking our net income attributable to equity holders of CAE from continuing operations and excluding restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events, after tax, as well as significant one-time tax items. We track it because we believe it provides a better indication of our operating performance and facilitates the comparison across reporting periods. Refer to section 3.8 “Non-GAAP measure reconciliations” of the financial report for the years ended March 31, 2021 and March 31, 2022 for a reconciliation of these non-GAAP measures to the most directly comparable measure under GAAP.

## **Adjusted segment operating income or loss (SOI)**

Adjusted segment operating income or loss is a non-GAAP measure and is the sum of our key indicators of each segment’s financial performance. Adjusted segment operating income or loss gives us an indication of the profitability of each segment because it does not include the impact of any items not specifically related to the segment’s performance. We calculate adjusted segment operating income by taking operating income and excluding restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events. We track it because we believe it provides a better indication of our operating performance and facilitates the comparison across reporting periods. Additionally, adjusted segment operating income or loss is the profitability measure employed by management for making decisions about allocating resources to segments and assessing segment performance. Refer to section 3.8 “Non-GAAP measure reconciliations” of the financial report for the years ended March 31, 2021 and March 31, 2022 for a reconciliation of these non-GAAP measures to the most directly comparable measure under GAAP.

## **Capital employed**

Capital employed is a non-GAAP measure we use to evaluate and monitor how much we are investing in our business. We measure it from two perspectives:

Capital used:

- For CAE, we take total assets (not including cash and cash equivalents), and subtract total liabilities (not including long-term debt and the current portion of long-term debt);
- For each segment, we take the total assets (not including cash and cash equivalents, tax accounts and other non-operating assets), and subtract total liabilities (not including tax accounts, long-term debt and the current portion of long-term debt, royalty obligations, employee benefit obligations and other non-operating liabilities).

Source of capital:

- In order to understand our source of capital, we add net debt to total equity.

Refer to section 7.1 “Consolidated capital employed” of the financial report for the years ended March 31, 2021 and March 31, 2022 for a reconciliation of this non-GAAP measure to the most directly comparable measure under GAAP.

## *Return on capital employed (ROCE)*

ROCE is used to evaluate the profitability of our invested capital. We calculate this ratio over a rolling four-quarter period by taking net income attributable to equity holders of the Company excluding net finance expense, after tax, divided by the average capital employed.

## **Capital expenditures (maintenance and growth) from property, plant and equipment**

Maintenance capital expenditure is a non-GAAP measure we use to calculate the investment needed to sustain the current level of economic activity. Growth capital expenditure is a non-GAAP measure we use to calculate the investment needed to increase the current level of economic activity.

# Non-GAAP and other financial measures definitions

## **Free cash flow**

Free cash flow is a non-GAAP measure that shows us how much cash we have available to invest in growth opportunities, repay debt and meet ongoing financial obligations. We use it as an indicator of our financial strength and liquidity. We calculate it by taking the net cash generated by our continuing operating activities, subtracting maintenance capital expenditures, changes in ERP and other assets not related to growth and dividends paid and adding proceeds from the disposal of property, plant and equipment, dividends received from equity accounted investees and proceeds, net of payments, from equity accounted investees. Refer to section 6.1 "Consolidated cash movements" of the financial report for the years ended March 31, 2021 and March 31, 2022 for a reconciliation of this non-GAAP measure to the most directly comparable measure under GAAP.

## **Full-flight simulators (FFSs)**

A FFS is a full size replica of a specific make, model and series of an aircraft cockpit, including a motion system. In our count of FFSs in the network, we generally only include FFSs that are of the highest fidelity and do not include any fixed based training devices, or other lower-level devices, as these are typically used in addition to FFSs in the same approved training programs.

## **Net debt**

Net debt is a non-GAAP measure we use to monitor how much debt we have after taking into account cash and cash equivalents. We use it as an indicator of our overall financial position, and calculate it by taking our total long-term debt, including the current portion of long-term debt, and subtracting cash and cash equivalents. Refer to section 7.1 "Consolidated capital employed" of the financial report for the years ended March 31, 2021 and March 31, 2022 for a reconciliation of this non-GAAP measure to the most directly comparable measure under GAAP.

Net debt-to-capital is calculated as net debt divided by the sum of total equity plus net debt. Net debt-to-EBITDA is calculated as net debt divided by the last twelve months EBITDA. EBITDA comprises earnings before income taxes, finance expense – net, depreciation and amortization. Adjusted EBITDA further excludes restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events. Refer to section 3.8 "Non-GAAP measure reconciliations" of the financial report for the years ended March 31, 2021 and March 31, 2022 for a reconciliation of these non-GAAP measures to the most directly comparable measure under GAAP.

## **Research and development expenses (R&D)**

Research and development expenses are a financial measure we use to measure the amount of expenditures directly attributable to research and development activities that we have expensed during the period, net of investment tax credits and government contributions.