



Press Release

CAE reports second quarter fiscal 2023 results

Reconciliation of adjusted segment operating income

<i>(amounts in millions)</i>	Civil Aviation		Defense and Security		Healthcare		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
<i>Three months ended September 30</i>								
Operating income (loss)	\$ 88.4	\$ 49.9	\$ 12.1	\$ (8.9)	\$ 1.6	\$ (1.8)	\$ 102.1	\$ 39.2
Restructuring, integration and acquisition costs	16.0	15.4	6.3	35.6	0.3	0.5	22.6	51.5
Adjusted segment operating income (loss)	104.4	65.3	18.4	26.7	1.9	(1.3)	124.7	90.7

Reconciliation of adjusted net income and adjusted earnings per share

<i>(amounts in millions, except per share amounts)</i>	Three months ended September 30	
	2022	2021
Net income attributable to equity holders of the Company	\$ 44.5	\$ 14.0
Restructuring, integration and acquisition costs, after tax	17.0	39.2
Adjusted net income	61.5	53.2
Average number of shares outstanding (diluted)	318.4	318.7
Adjusted EPS	\$ 0.19	\$ 0.17

Reconciliation of free cash flow

<i>(amounts in millions)</i>	Three months ended September 30	
	2022	2021
Cash provided by operating activities*	\$ 138.0	\$ 78.2
Changes in non-cash working capital	—	(47.3)
Net cash provided by operating activities	\$ 138.0	\$ 30.9
Maintenance capital expenditures	(15.0)	(10.3)
Change in ERP and other assets	(5.5)	(8.0)
Proceeds from the disposal of property, plant and equipment	0.5	6.1
Net (payments to) proceeds from equity accounted investees	(9.6)	0.1
Dividends received from equity accounted investees	—	0.6
Free cash flow	\$ 108.4	\$ 19.4

* before changes in non-cash working capital

Reconciliation of capital employed and net debt

<i>(amounts in millions)</i>	As at September 30 2022	As at March 31 2022
Use of capital:		
Current assets	\$ 2,170.0	\$ 2,148.6
Less: cash and cash equivalents	(203.2)	(346.1)
Current liabilities	(2,112.2)	(2,091.2)
Less: current portion of long-term debt	243.2	241.8
Non-cash working capital	\$ 97.8	\$ (46.9)
Property, plant and equipment	2,295.9	2,129.3
Intangible assets	4,057.8	3,796.3
Other long-term assets	1,577.6	1,504.6
Other long-term liabilities	(517.0)	(596.6)
Total capital employed	\$ 7,512.1	\$ 6,786.7
Source of capital:		
Current portion of long-term debt	\$ 243.2	\$ 241.8
Long-term debt	3,154.6	2,804.4
Less: cash and cash equivalents	(203.2)	(346.1)
Net debt	\$ 3,194.6	\$ 2,700.1
Equity attributable to equity holders of the Company	4,238.3	4,009.7
Non-controlling interests	79.2	76.9
Source of capital	\$ 7,512.1	\$ 6,786.7

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 September 30, 2022 filed with the Canadian Securities Administrators available on our website (www.cae.com) and on SEDAR (www.sedar.com).

Consolidated Income Statement

<i>(Unaudited)</i>	Three months ended		Six months ended	
	September 30		September 30	
<i>(amounts in millions of Canadian dollars, except per share amounts)</i>	2022	2021	2022	2021
Revenue	\$ 993.2	\$ 814.9	\$ 1,926.5	\$ 1,567.6
Cost of sales	719.6	587.3	1,420.0	1,126.2
Gross profit	\$ 273.6	\$ 227.6	\$ 506.5	\$ 441.4
Research and development expenses	32.2	30.7	72.9	54.2
Selling, general and administrative expenses	128.0	122.1	273.1	228.0
Other (gains) and losses	(3.2)	(4.1)	(5.6)	(9.8)
Share of after-tax profit of equity accounted investees	(8.1)	(11.8)	(19.5)	(20.1)
Restructuring, integration and acquisition costs	22.6	51.5	44.1	63.7
Operating income	\$ 102.1	\$ 39.2	\$ 141.5	\$ 125.4
Finance expense – net	41.3	35.0	77.5	63.6
Earnings before income taxes	\$ 60.8	\$ 4.2	\$ 64.0	\$ 61.8
Income tax expense (recovery)	14.5	(13.0)	14.0	(2.7)
Net income	\$ 46.3	\$ 17.2	\$ 50.0	\$ 64.5
Attributable to:				
Equity holders of the Company	\$ 44.5	\$ 14.0	\$ 46.2	\$ 60.4
Non-controlling interests	1.8	3.2	3.8	4.1
Earnings per share attributable to equity holders of the Company				
Basic and diluted	\$ 0.14	\$ 0.04	\$ 0.15	\$ 0.20

Consolidated Statement of Comprehensive Income

<i>(Unaudited)</i>	Three months ended September 30		Six months ended September 30	
<i>(amounts in millions of Canadian dollars)</i>	2022	2021	2022	2021
Net income	\$ 46.3	\$ 17.2	\$ 50.0	\$ 64.5
Items that may be reclassified to net income				
Foreign currency exchange differences on translation of foreign operations	\$ 235.6	\$ 49.4	\$ 291.9	\$ 11.8
Net loss on hedges of net investment in foreign operations	(99.7)	(21.9)	(143.3)	(7.5)
Reclassification to income of foreign currency exchange differences	(2.2)	(1.0)	(2.4)	(3.2)
Net loss on cash flow hedges	(13.8)	(3.9)	(5.5)	(17.7)
Reclassification to income of (gains) losses on cash flow hedges	(5.1)	3.8	(21.0)	0.1
Income taxes	8.9	(5.6)	12.4	0.5
	\$ 123.7	\$ 20.8	\$ 132.1	\$ (16.0)
Items that will never be reclassified to net income				
Remeasurement of defined benefit pension plan obligations	\$ (15.2)	\$ 32.5	\$ 46.9	\$ 36.1
Income taxes	4.0	(8.6)	(12.5)	(9.5)
	\$ (11.2)	\$ 23.9	\$ 34.4	\$ 26.6
Other comprehensive income	\$ 112.5	\$ 44.7	\$ 166.5	\$ 10.6
Total comprehensive income	\$ 158.8	\$ 61.9	\$ 216.5	\$ 75.1
Attributable to:				
Equity holders of the Company	\$ 154.3	\$ 58.0	\$ 209.2	\$ 70.8
Non-controlling interests	4.5	3.9	7.3	4.3

Consolidated Statement of Financial Position

<i>(Unaudited)</i>	September 30	March 31
<i>(amounts in millions of Canadian dollars)</i>	2022	2022
Assets		
Cash and cash equivalents	\$ 203.2	\$ 346.1
Accounts receivable	638.1	556.9
Contract assets	603.8	608.3
Inventories	566.3	519.8
Prepayments	81.0	56.7
Income taxes recoverable	54.6	33.2
Derivative financial assets	23.0	27.6
Total current assets	\$ 2,170.0	\$ 2,148.6
Property, plant and equipment	2,295.9	2,129.3
Right-of-use assets	348.4	373.0
Intangible assets	4,057.8	3,796.3
Investment in equity accounted investees	508.8	454.0
Employee benefits assets	13.7	—
Deferred tax assets	111.7	117.4
Derivative financial assets	14.1	10.5
Other non-current assets	580.9	549.7
Total assets	\$ 10,101.3	\$ 9,578.8
Liabilities and equity		
Accounts payable and accrued liabilities	\$ 890.5	\$ 975.1
Provisions	31.1	36.7
Income taxes payable	32.0	22.7
Contract liabilities	829.1	788.3
Current portion of long-term debt	243.2	241.8
Derivative financial liabilities	86.3	26.6
Total current liabilities	\$ 2,112.2	\$ 2,091.2
Provisions	20.4	20.6
Long-term debt	3,154.6	2,804.4
Royalty obligations	122.3	126.0
Employee benefits obligations	83.9	109.7
Deferred tax liabilities	95.5	93.7
Derivative financial liabilities	7.4	1.0
Other non-current liabilities	187.5	245.6
Total liabilities	\$ 5,783.8	\$ 5,492.2
Equity		
Share capital	\$ 2,242.5	\$ 2,224.7
Contributed surplus	40.2	38.6
Accumulated other comprehensive income	97.4	(31.2)
Retained earnings	1,858.2	1,777.6
Equity attributable to equity holders of the Company	\$ 4,238.3	\$ 4,009.7
Non-controlling interests	79.2	76.9
Total equity	\$ 4,317.5	\$ 4,086.6
Total liabilities and equity	\$ 10,101.3	\$ 9,578.8

Consolidated Statement of Changes in Equity

(Unaudited)

Six months ended September 30, 2022

(amounts in millions of Canadian dollars, except number of shares)

	Attributable to equity holders of the Company							Total equity
	Common shares		Contributed surplus	Accumulated other comprehensive income		Retained earnings	Non-controlling interests	
	Number of shares	Stated value						
Balances as at March 31, 2022	317,024,123	\$ 2,224.7	\$ 38.6	\$ (31.2)	\$ 1,777.6	\$ 4,009.7	\$ 76.9	\$ 4,086.6
Net income	—	\$ —	\$ —	\$ —	\$ 46.2	\$ 46.2	\$ 3.8	\$ 50.0
Other comprehensive income	—	—	—	128.6	34.4	163.0	3.5	166.5
Total comprehensive income	—	\$ —	\$ —	\$ 128.6	\$ 80.6	\$ 209.2	\$ 7.3	\$ 216.5
Exercise of stock options	828,352	17.8	(2.5)	—	—	15.3	—	15.3
Share-based payments expense	—	—	4.1	—	—	4.1	—	4.1
Transactions with non-controlling interests	—	—	—	—	—	—	(5.0)	(5.0)
Balances as at September 30, 2022	317,852,475	\$ 2,242.5	\$ 40.2	\$ 97.4	\$ 1,858.2	\$ 4,238.3	\$ 79.2	\$ 4,317.5

Six months ended September 30, 2021

(amounts in millions of Canadian dollars, except number of shares)

	Attributable to equity holders of the Company							Total equity
	Common shares		Contributed surplus	Accumulated other comprehensive income		Retained earnings	Non-controlling interests	
	Number of shares	Stated value						
Balances as at March 31, 2021	293,355,463	\$ 1,516.2	\$ 22.5	\$ 58.1	\$ 1,543.7	\$ 3,140.5	\$ 72.3	\$ 3,212.8
Net income	—	\$ —	\$ —	\$ —	\$ 60.4	\$ 60.4	\$ 4.1	\$ 64.5
Other comprehensive (loss) income	—	—	—	(16.2)	26.6	10.4	0.2	10.6
Total comprehensive (loss) income	—	\$ —	\$ —	\$ (16.2)	\$ 87.0	\$ 70.8	\$ 4.3	\$ 75.1
Issuance of common shares upon conversion of subscription receipts	22,400,000	677.2	12.5	—	—	689.7	—	689.7
Exercise of stock options	1,032,293	26.3	(3.5)	—	—	22.8	—	22.8
Share-based payments expense	—	—	5.8	—	—	5.8	—	5.8
Transfer of realized cash flow hedge losses related to business combinations	—	—	—	14.8	—	14.8	—	14.8
Transactions with non-controlling interests	—	—	—	—	—	—	(2.4)	(2.4)
Balances as at September 30, 2021	316,787,756	\$ 2,219.7	\$ 37.3	\$ 56.7	\$ 1,630.7	\$ 3,944.4	\$ 74.2	\$ 4,018.6

Consolidated Statement of Cash Flows

(Unaudited)

Six months ended September 30

(amounts in millions of Canadian dollars)

	2022	2021
Operating activities		
Net income	\$ 50.0	\$ 64.5
Adjustments for:		
Depreciation and amortization	164.5	149.7
Impairment of non-financial assets	4.8	11.3
Share of after-tax profit of equity accounted investees	(19.5)	(20.1)
Deferred income taxes	(3.4)	(8.9)
Investment tax credits	(5.2)	(13.3)
Share-based payments expense	(7.8)	(1.8)
Defined benefit pension plans	7.4	11.9
Other non-current liabilities	(11.0)	(15.8)
Derivative financial assets and liabilities – net	3.4	15.6
Other	22.5	20.2
Changes in non-cash working capital	(230.3)	(311.5)
Net cash used in operating activities	\$ (24.6)	\$ (98.2)
Investing activities		
Business combinations, net of cash acquired	\$ (6.4)	\$ (1,376.4)
Acquisition of investment in equity accounted investees	—	(4.3)
Additions to property, plant and equipment	(142.5)	(120.6)
Proceeds from disposal of property, plant and equipment	4.5	7.9
Additions to intangible assets	(60.3)	(38.9)
Net payments to equity accounted investees	(8.5)	(0.4)
Dividends received from equity accounted investees	6.4	0.6
Other	(5.0)	(2.4)
Net cash used in investing activities	\$ (211.8)	\$ (1,534.5)
Financing activities		
Net proceeds from borrowing under revolving credit facilities	\$ 138.3	\$ —
Proceeds from long-term debt	14.9	414.5
Repayment of long-term debt	(47.9)	(21.9)
Repayment of lease liabilities	(31.7)	(32.4)
Net proceeds from the issuance of common shares	15.3	691.8
Other	(0.1)	(1.1)
Net cash provided by financing activities	\$ 88.8	\$ 1,050.9
Effect of foreign currency exchange differences on cash and cash equivalents	\$ 4.7	\$ (3.9)
Net decrease in cash and cash equivalents	\$ (142.9)	\$ (585.7)
Cash and cash equivalents, beginning of period	346.1	926.1
Cash and cash equivalents, end of period	\$ 203.2	\$ 340.4