



# CAE INVESTOR DAY

## CIVIL AVIATION TRAINING SOLUTIONS

Nick Leontidis

March 30, 2016



# CAUTION REGARDING FORWARD LOOKING STATEMENTS

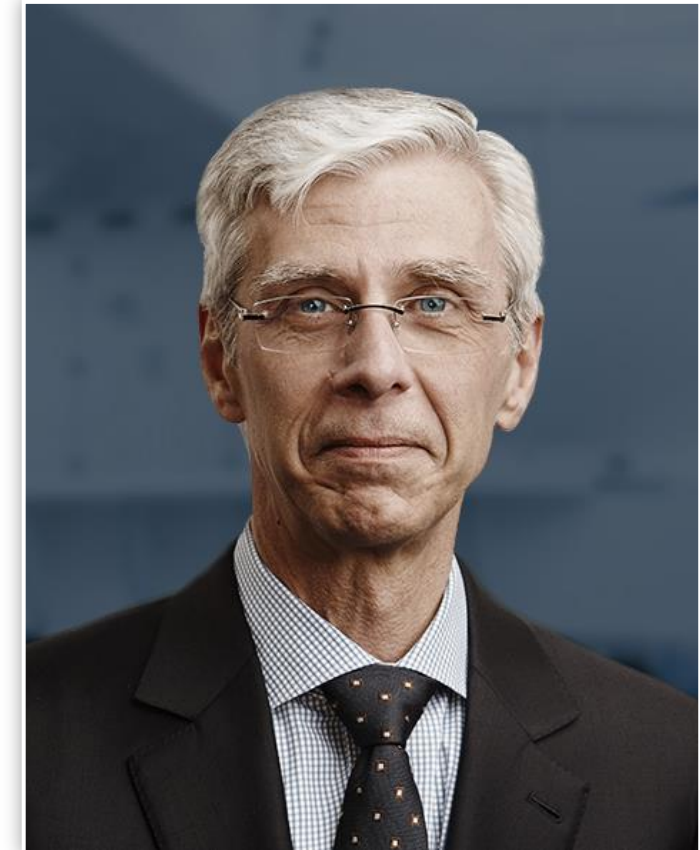
The following investor presentation and oral statements made by management during CAE Inc.'s March 30, 2016 Investor Day include forward-looking statements about our activities, events and developments that we expect to or anticipate may occur in the future including, for example, statements about our vision, strategies, market trends and outlook, future revenues, capital spending, expansions and new initiatives, financial obligations and expected sales. Forward-looking statements normally contain words like believe, expect, anticipate, plan, intend, continue, estimate, may, will, should, strategy, future and similar expressions. 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. You will find more information about these and other factors in our reports filed with securities regulators in Canada and the United States. Reference should be made in particular to "Management's Discussion and Analysis" in our annual and interim reports and to our Annual Information Form and Form 40-F. These documents have been filed with the Canadian securities commissions and are available on our website ([www.cae.com](http://www.cae.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)). They have also been filed with the U.S. Securities and Exchange Commission and are available on EDGAR ([www.sec.gov](http://www.sec.gov)). Forward-looking statements represent our expectations as of March 30, 2016, and, accordingly, are subject to change after this date. We caution readers that the risks described 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. Additionally, differences could arise because of events that are announced or completed following the date of the presentation, including mergers, acquisitions, other business combinations and divestitures. 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. Any forward-looking information and statements made during the presentation or contained herein are expressly qualified by this cautionary statement.



# CIVIL AVIATION TRAINING SOLUTIONS

## Notable achievements – FY16YTD

- ▶ Solid financial performance
  - ✓ Increased revenue by 12%
  - ✓ Increased SOI by 9%
  - ✓ Book-to-sale of ~1.11 YTD, above 1 for the last 3 years
- ▶ Agreement to acquire Lockheed Martin Commercial Flight Training



**Nick Leontidis**  
Group President  
CAE Civil aviation  
training solutions

Significant progress on financial performance

# WORLDWIDE TRAINING PARTNER OF CHOICE



Cadet  
Training



Commercial  
Aviation Training



Business & Helicopter  
Aviation Training



Training  
Equipment



Crew Resourcing  
Services

**1,000+**

*Pilots created /year*

**120,000+**

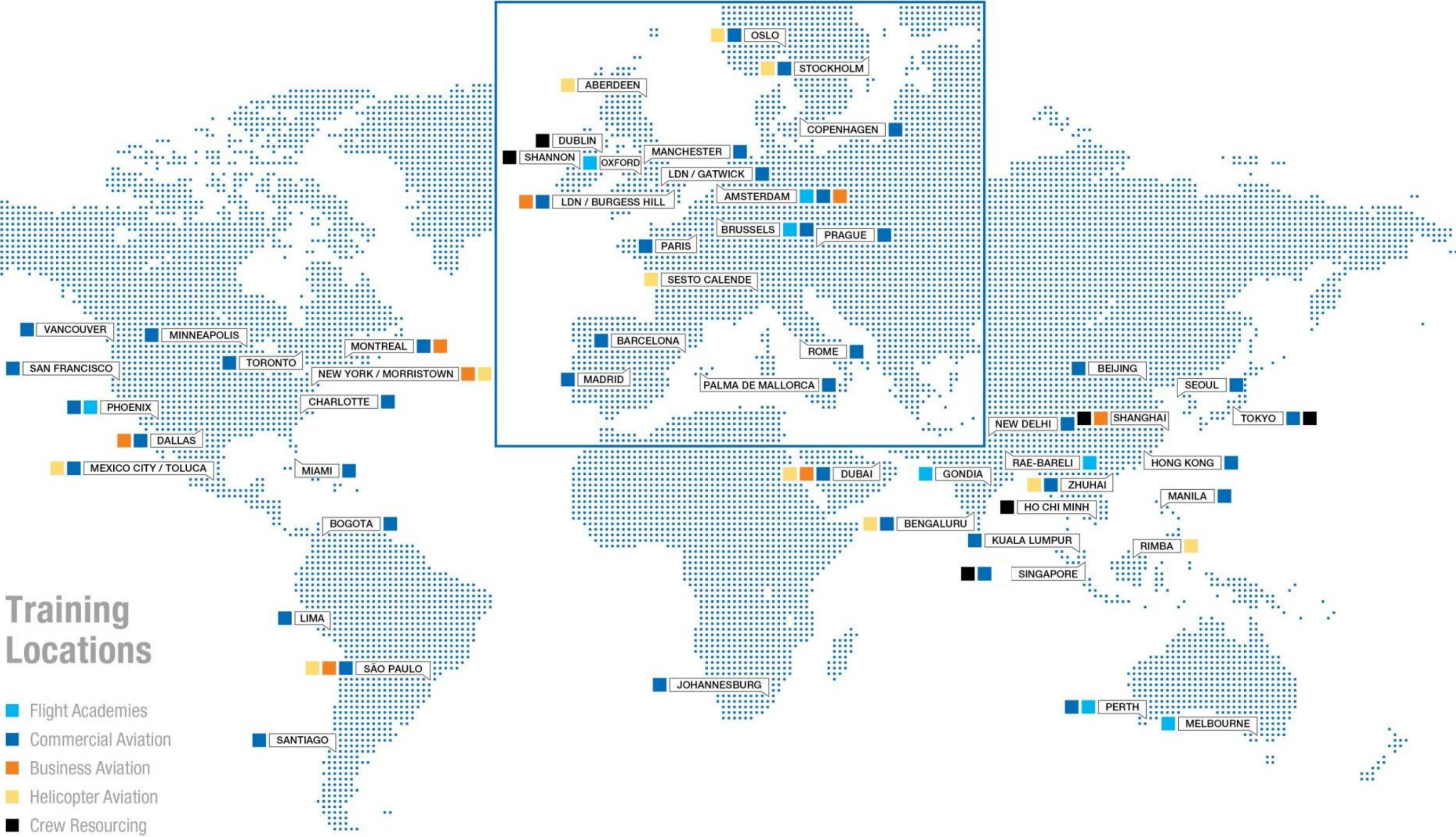
*Pilots trained /year*

**1,000+**

*Pilots on assignment*



# WORLD'S LARGEST CIVIL AVIATION TRAINING NETWORK

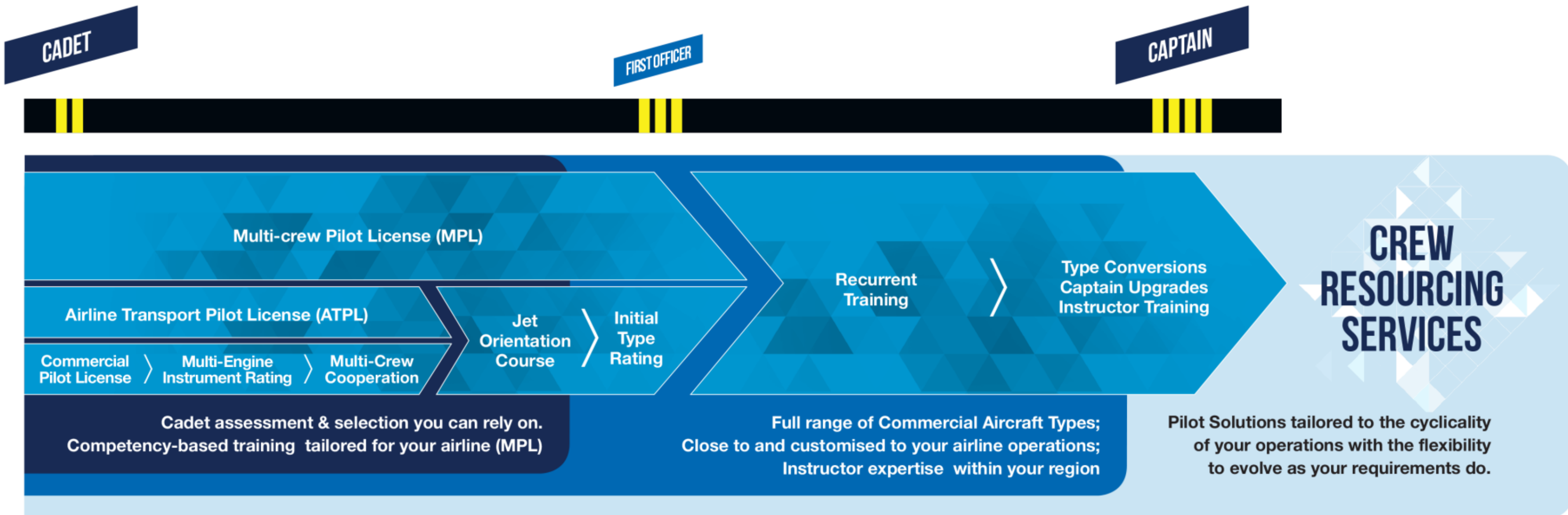




# WORLDWIDE CIVIL AVIATION TRAINING CAPACITY



# CADET-TO-CAPTAIN TRAINING PROGRAMS



Spanning the entire life cycle of the professional pilot


# SUITE OF INNOVATIVE TRAINING EQUIPMENT


CAE Simfinity 



GROUND SCHOOL TRAINING  
SOLUTIONS

LEARN

CAE400 

CAE500 



FLIGHT TRAINING DEVICES

PRACTICE

CAE7000 



FULL-FLIGHT SIMULATORS

EXPERIENCE



# THOUGHT LEADERSHIP AND CREDIBLE REGULATORY PARTNERSHIPS



*Collaboration & working groups on training devices, new training regulations*



*Aviation rulemaking committee & various training and regulatory workgroups*



- *Flight simulation training devices*
- *Flight crew licensing*



- *Working groups*
- *International pilot training symposium*



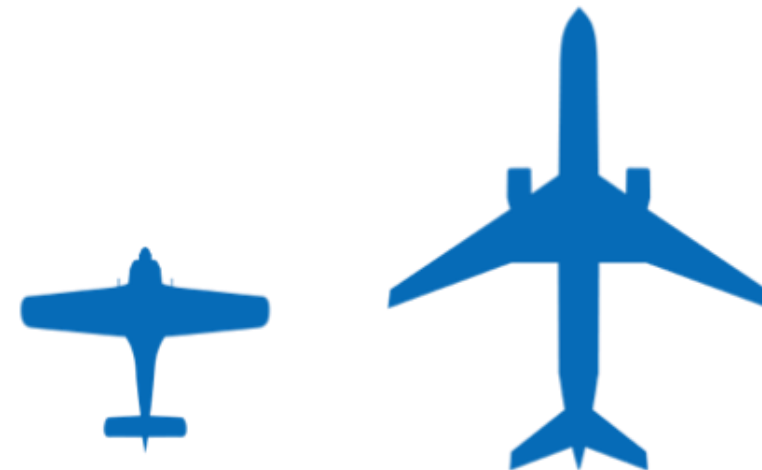
- *Working groups*
- *Evidence based training*

# TRAINING VALUE EQUATION : REDUCING COST WHILE ENHANCING EFFICIENCY AND IMPROVING QUALITY

Worldwide training network + Cadet to Captain training + Flexible partnering approach + Innovative training methods & tools



- Options closer to hubs
- Compliant, safe & reliable



- Full range of solutions
- Comprehensive & credible training know how



- Track record of investing in airline growth



- Leadership in training methods, tools & technology evolution



# WORLDWIDE AIRLINE TRAINING PARTNER OF CHOICE

## Training Equipment & Operations



## Cadet-to-Captain Training



## Crew resourcing services



## Training Joint Ventures



AIR FRANCE KLM

RYANAIR  
THE LOW FARES AIRLINE

AirEuropa

LATAM  
AIRLINES

NCA  
Nippon Cargo Airlines

TURKISH  
AIRLINES

الإتقاد  
ETIHAD  
AIRWAYS

easyJet







AIR CANADA

Jetstar

ASIANA AIRLINES

Training  
solutions

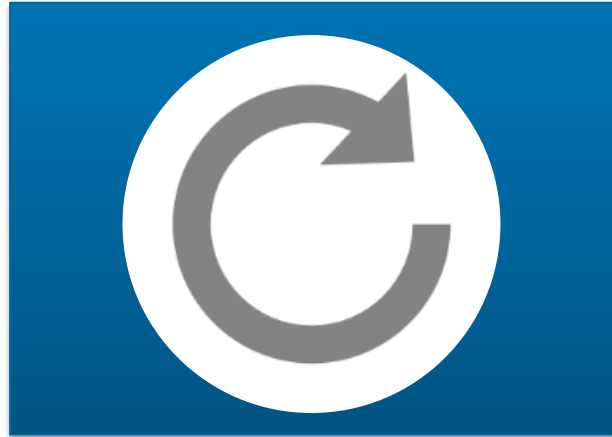
# CAE'S SIX PILLARS OF STRENGTH

High Degree of Recurring Business	Strong Competitive Moat	Headroom in Large Markets	Underlying Secular Tailwinds	Potential for Superior Returns	Culture of Innovation
					

These six pillars underpin the civil investment thesis



# HIGH DEGREE OF RECURRING BUSINESS



- ▶ *Regulated by national (e.g., FAA / EASA) and / or international (ICAO) regulators*
- ▶ *Pilot training regulations tightening*  
*Example: First officers to have 1,500 hours of experience + undergo additional training since 2013 under FAA*
- ▶ *Emerging regulation: Upset prevention & recovery training (UPRT)*  
*FAA & EASA implementation ongoing*

# STRONG COMPETITIVE MOAT



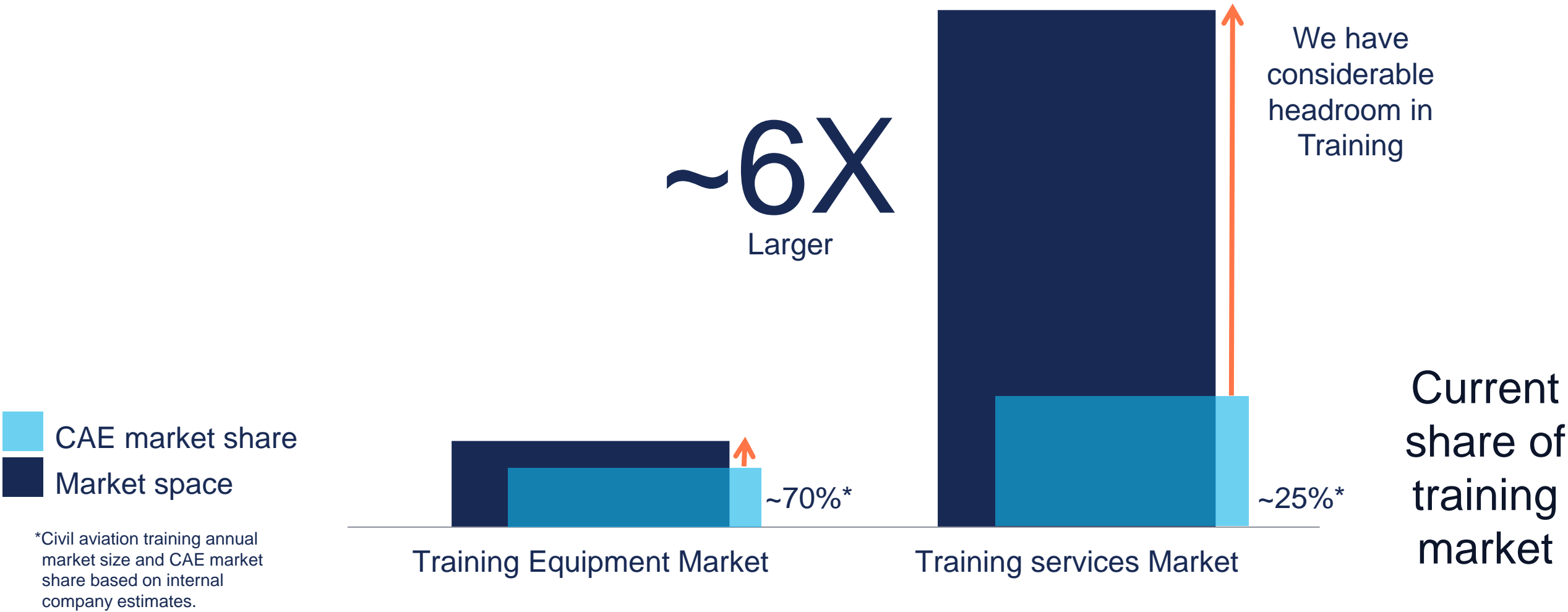
- ▶ *Largest & most global aviation training network*
- ▶ *Largest installed base of FFS*
- ▶ *Most comprehensive solutions portfolio*
- ▶ *Deepest customer relationships*
- ▶ *Leading training equipment provider*



# HEADROOM IN LARGE MARKETS



► *Upside in \$3.3B\* civil aviation training market*



# UNDERLYING SECULAR TAILWINDS

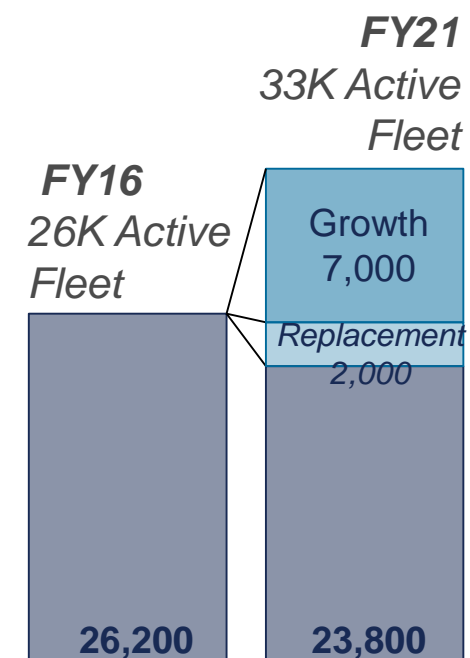


## ► Commercial aviation drivers continue to be positive

- Active Aircraft fleet key training driver
- Less exposed to OEM delivery cycle

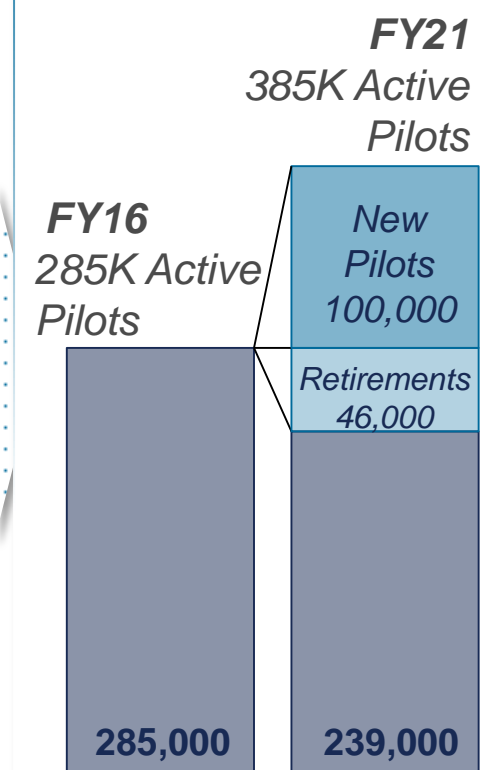


### Active Aircraft fleet +7K Active Fleet



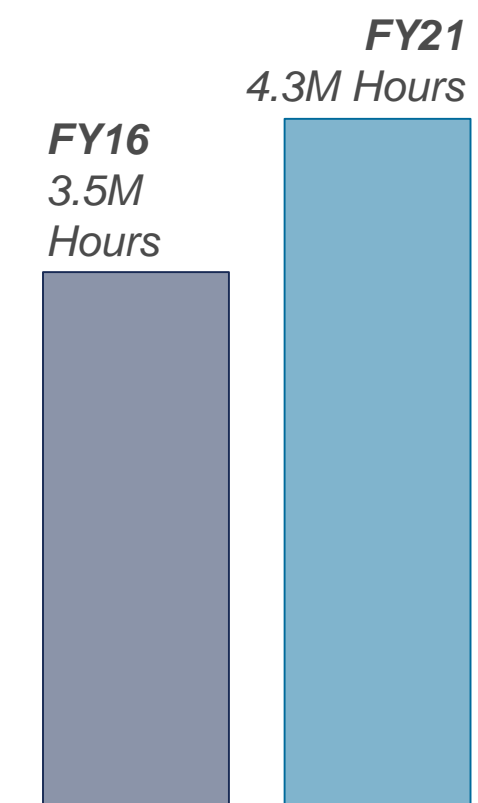
### Airline Pilots

+100K Active Pilots



### Training demand (Hours)

+750K training hours

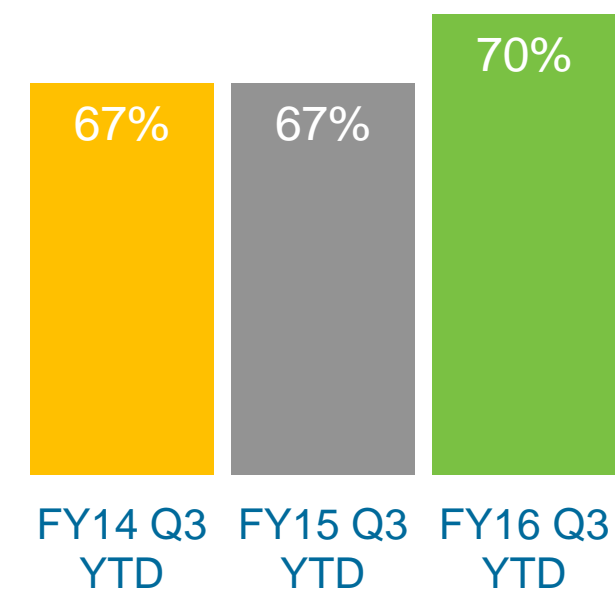


# POTENTIAL FOR SUPERIOR RETURNS

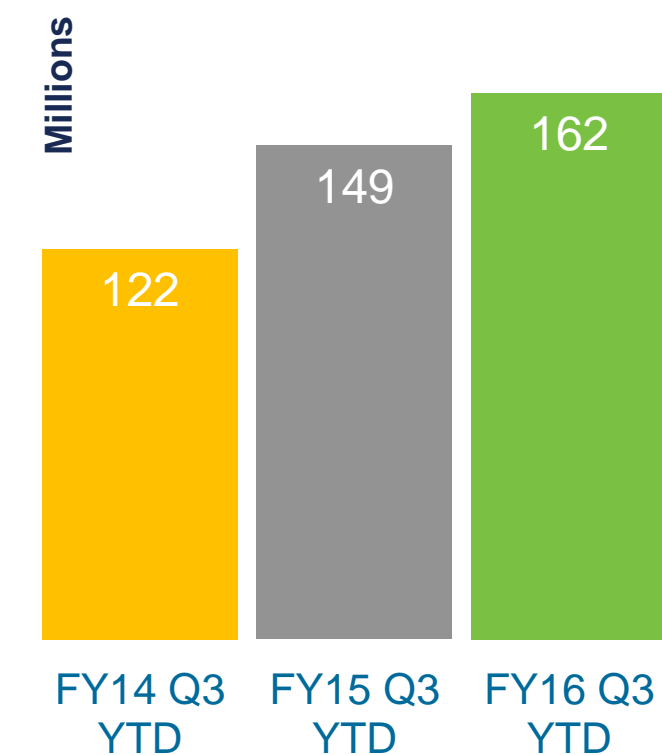


- ▶ *High operating leverage*
- ▶ *Improving network utilization*
- ▶ *Potential to increase yield by growing customer wallet share*
- ▶ *New deployments*

**Utilization**  
(%)



**Operating Income**  
(\$ CAD millions)





# CULTURE OF INNOVATION



- ▶ *Innovative 7000 XR series of full flight simulators*
- ▶ *Training innovation through competency based training programs*
- ▶ *Cadet-to-Captain training programs*
- ▶ *Flexible partnership structures*



**JVs  
Outsourcing**

# UNIQUELY POSITIONED FOR SUSTAINABLE GROWTH



Large headroom in the civil training market is attractive & growing



OEMs have significant backlog



Market leading position



Largest and most capable full solution training provider in the market

# NON-GAAP MEASURES

- **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, investment in 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.
- **Net debt** is a non-GAAP measure we use to monitor how much debt we have after taking into account liquid assets such as 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. Net debt-to-capital is calculated as net debt divided by the sum of total equity plus net debt.
- **Total backlog** is non-GAAP measure that includes obligated backlog, joint venture backlog and unfunded backlog. Obligated backlog represents the expected value of orders we have received but have not yet executed. 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. 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. We include unexercised negotiated options which we view as having a high probability of being exercised, but exclude indefinite-delivery/indefinite-quantity (IDIQ) contracts.
- **The book-to-sales ratio** is the total orders divided by total revenue in a given period.
- **Capital employed** is a non-GAAP measure we use to evaluate and monitor how much we are investing in our business. 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)
- **Segment operating income (SOI)** is a non-GAAP measure and our key indicator of each segment's financial performance. This measure gives us a good 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 it by taking the operating profit and excluding the impact of restructuring costs.
- **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.
- **Return on capital employed (ROCE)** is a non-GAAP measure we use 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.
- **Utilization rate** is an operating measure we use to assess the performance of our Civil simulator training network. We calculate it by taking the number of training hours sold on our simulators during the period divided by the practical training capacity available for the same period.