



CAE INVESTOR DAY

DEFENCE & SECURITY

Gene Colabatistto

March 30, 2016



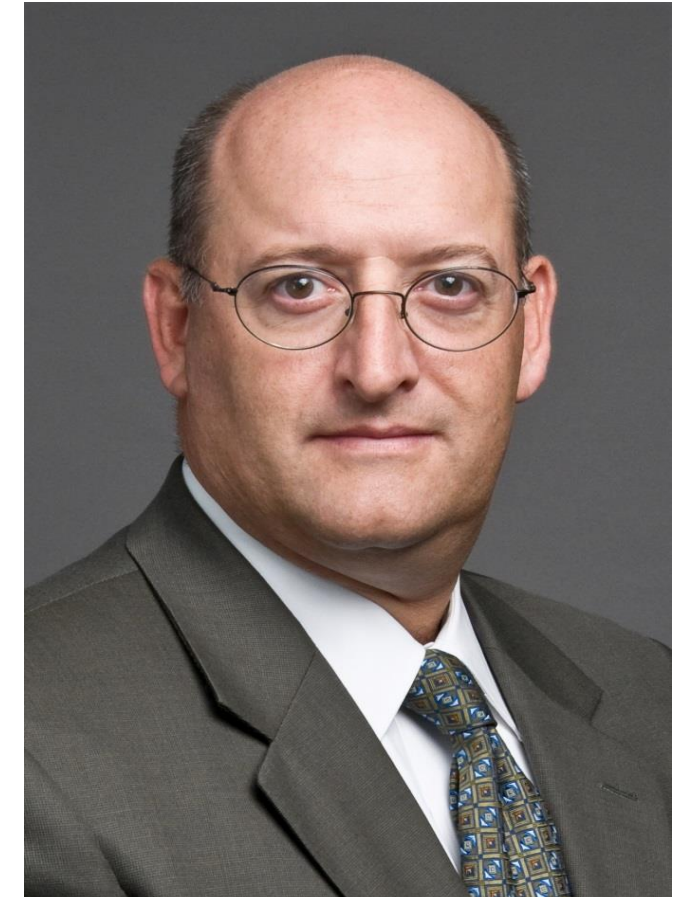
CAUTION REGARDING FORWARD LOOKING STATEMENTS

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) and on SEDAR (www.sedar.com). They have also been filed with the U.S. Securities and Exchange Commission and are available on EDGAR (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.

DEFENCE & SECURITY

Notable achievements – FY16 YTD

- ▶ Solid financial performance in Defence & Security
 - ✓ Increased revenue by 9%
 - ✓ Increased SOI by 7%
 - ✓ Increased orders by 27%
 - ✓ Book-to-sale of ~1.0, first time in 5 years
- ▶ Successful integration of NATO Flying Training in Canada (NFTC)
- ▶ Collaborative wins with Healthcare



Gene Colabatistto
President
CAE Defence & Security

Our experience in the market and our performance validate our strategy

DEFENCE & SECURITY OVERVIEW

#1

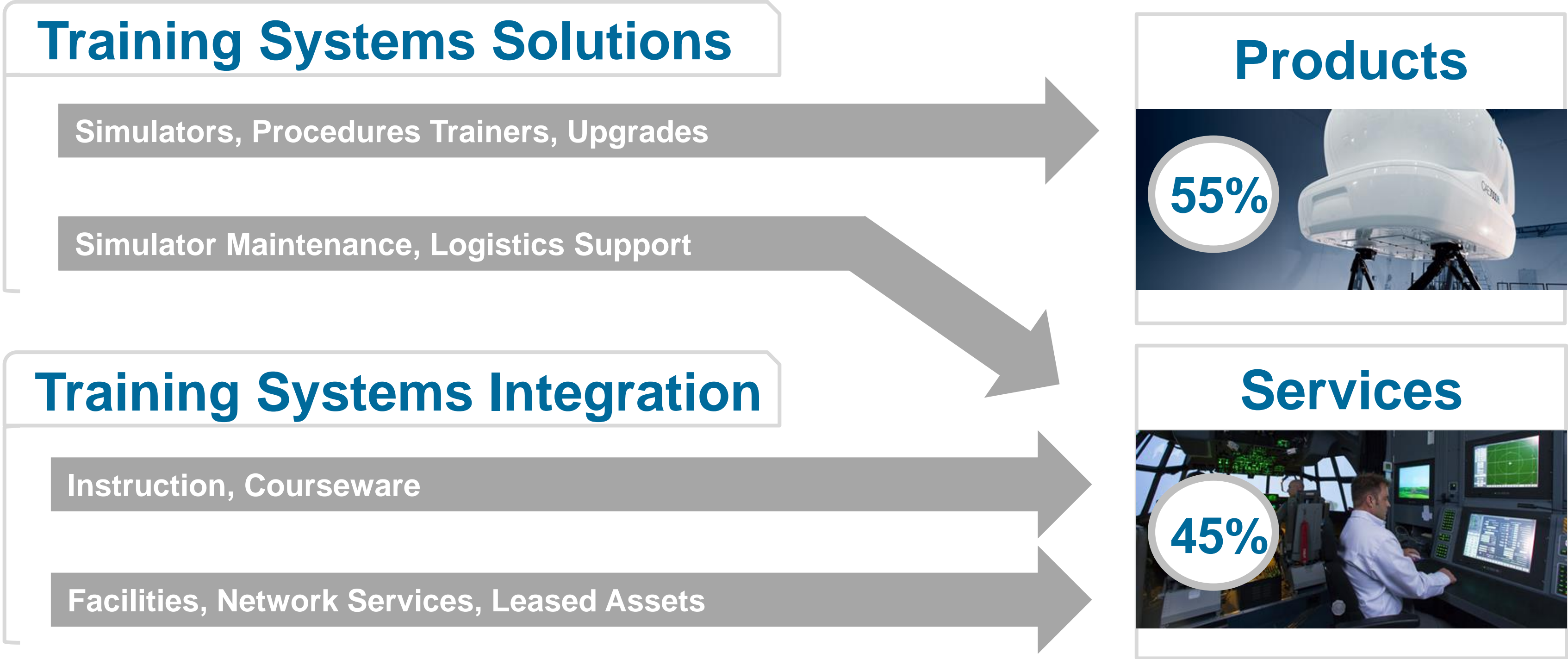
Virtual Air Training

- >400 Simulators
- 72 Platforms



**2,200 employees strategically located to provide training solutions
in 35 countries, for 50 defence agencies, at over 80 sites**

MARKET APPROACH



CAE sells products and services packaged the way governments buy

TRAINING SYSTEM SOLUTIONS

The Industry's Most Comprehensive Suite of Simulation Solutions



**CAE Simfinity™
Desktop Trainers**



**CAE Simfinity™
Integrated Procedures Trainers**



**CAE Simfinity™
Flight Training Devices**



**CAE 3000
Full-Flight Simulators**

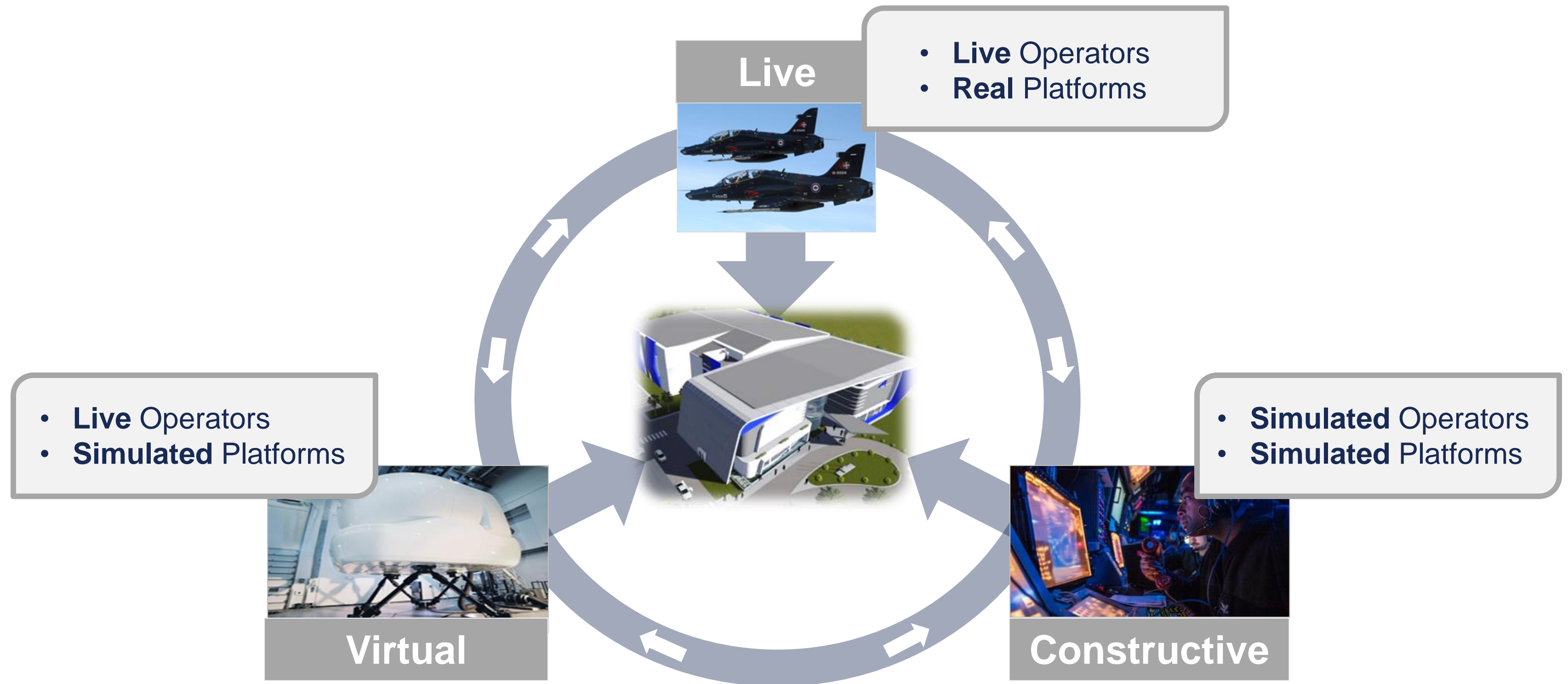


**CAE 7000 XR
Full-Flight Simulators**

**Common Hardware and Software baseline
Network Connectivity and Cyber Security
Logistics, Sustainment and Lifecycle Support**

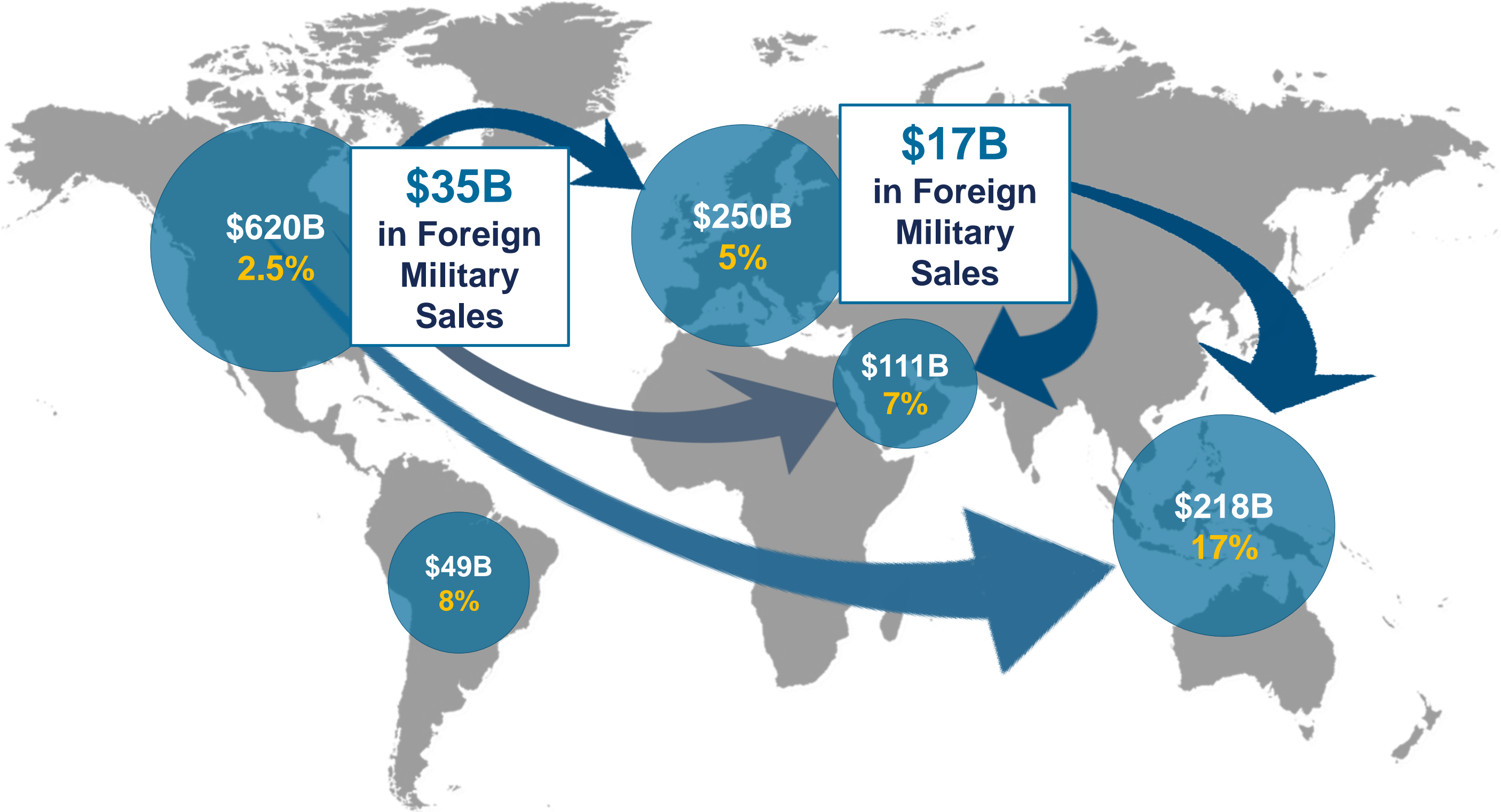


TRAINING SYSTEM INTEGRATION



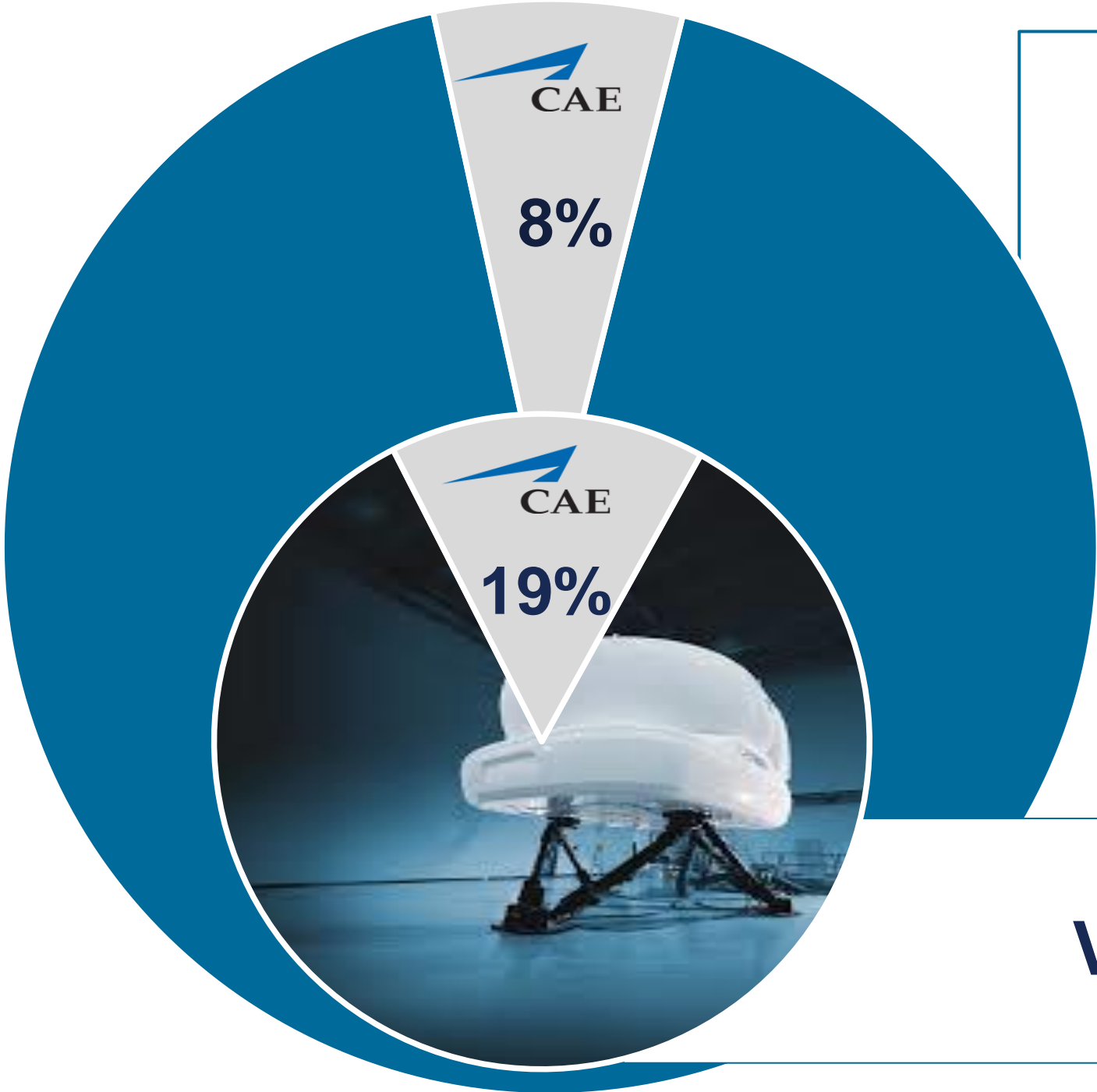
CAE is a 1st tier provider of Immersive, Integrated and Interoperable training environments

GROWING DEFENCE BUDGETS

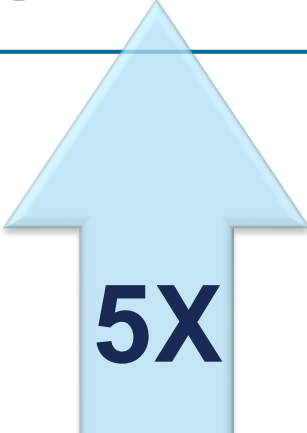


Defence budgets are stabilizing, growth is resuming

LARGE AND GROWING TRAINING MARKET



CAE’s position as a **Training Systems Integrator** expands our addressable market to **\$9.5B**, growing at 2.5%



Virtual Air Market (\$1.8B)

TREND TOWARDS INCREASED USE OF SIMULATION AND OUTSOURCING



- Explicit desire to **increase the use of simulation** to mitigate budget pressures



- **Commitment to Outsourcing** training solutions and support



- Use of virtual training and simulation for **Integrated Mission Training**



- Need for virtual training and simulation to conduct **Joint and Coalition Forces Training**

TREND TOWARDS INTEGRATED MISSION TRAINING

AIR

60% of the market

Technology “Early Adopter”



Individual Training



Platform Training



Mission Training



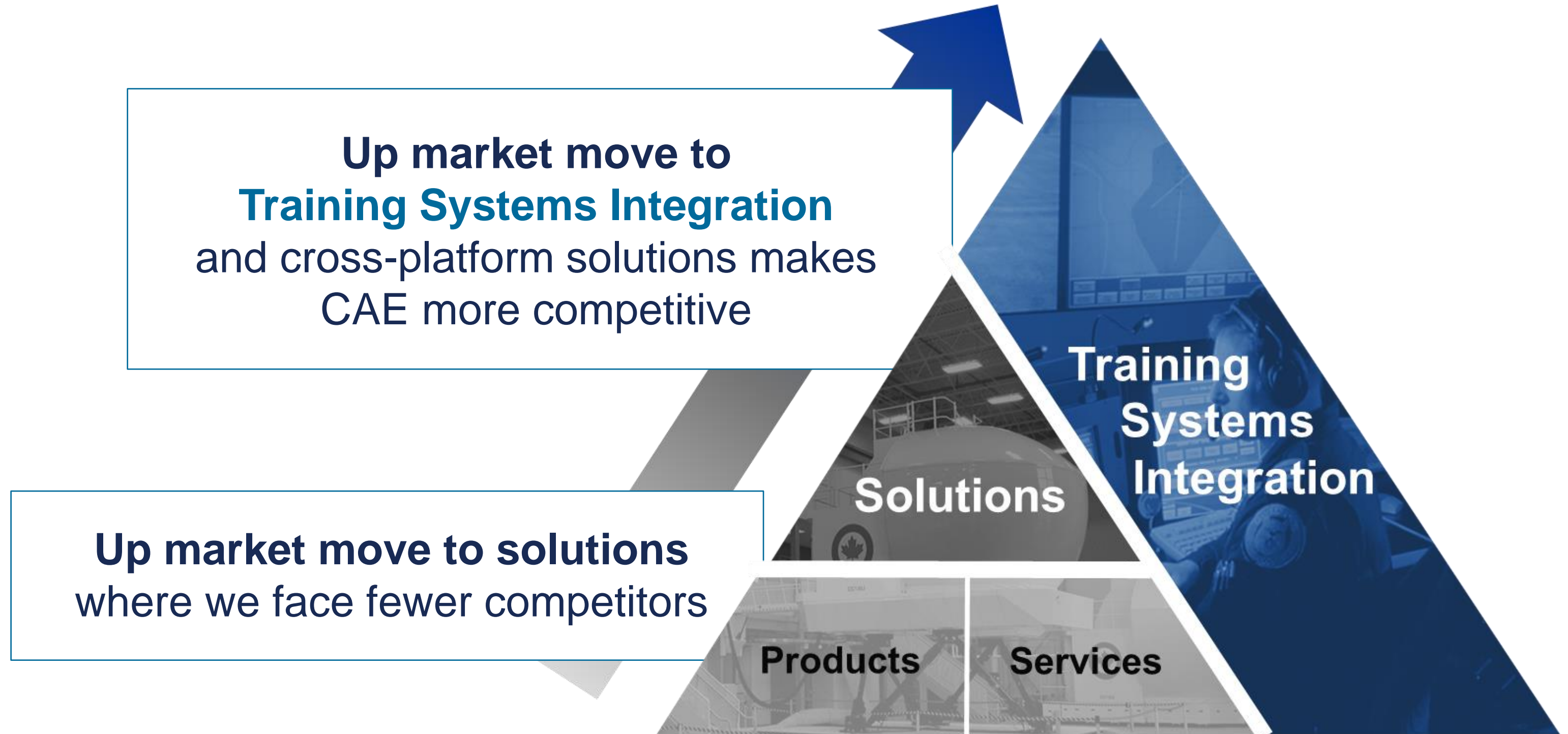
NAVAL

20% of the market

Technology “Fast Follower”

Network Connectivity, Cyber Security and Open standards
are enablers for Joint and Coalition Training

UP MARKET STRATEGY



Up market strategy differentiates and protects CAE's position in the market

LEADING INDICATORS

External



Defence Budgets

- US Defence budget growth in 2017
- Exports to the Middle East/Pacific exceed \$50B



Platform Sales

- Increased US commitment to C130J, P8, MH60R, MQ9 and CH47
- Increased commitment to US platforms in Middle East/Pacific



Major Training Programs

- USAF funds TX NextGen Training System
- France funds Future Pilot Training Program
- RCAF outsourcing Pilot Training Programs

Internal



New Contract Awards (FY16 YTD)

- \$655M in Orders + \$393M in Options
- 27% YoY growth



New Proposals Submitted (FY16 YTD)

- \$2B+ New Proposals
- 43% YoY growth



Proposals Currently Pending

- \$3B+ Proposals Submitted/Pending
- 20% YoY growth

Total backlog increased by 38% to \$3.3B in FY16 YTD

CAE'S SIX PILLARS OF STRENGTH

High Degree of Recurring Business



- Positioned on enduring platforms
- ~50% of revenue will come from Services Contracts

Strong Competitive Moat



- Strong Customer and Partner Relationships
- Platform independent
- Geographic diversity and reach

Headroom In Large Markets



- \$9.5B TSI Market (8% market share)
- \$1.8B Virtual Air Market (19% market share)

Underlying Secular Tailwinds



- Trend towards increased use of simulation
- Trend towards increased outsourcing

Potential for Superior Returns



- Sustained above market growth
- Growth in services adds stability

Culture of Innovation










- Invest in Discriminating Technologies
- Develop Technology Partnerships
- Adaptable Business Models

HIGH DEGREE OF RECURRING BUSINESS



- Positioned on enduring platforms
- ~50% of revenue will come from Services Contracts

Positioned on Enduring Platforms

Type	Aircraft	OEM	2010	2015	2020	2025
Transport		C130J	LMCO			
Maritime Patrol		P3 P8	BOEING			
Trainer		Hawk M346	BAE ALENIA			
Fighter		Tornado Eurofighter	BAE EADS			
UAS		MQ1 MQ9	GA			
Helicopter		CH47F	BOEING			
		NH90 EC725	AIRBUS			

CAE is well positioned on both legacy and NextGen platforms

STRONG COMPETITIVE MOAT



- Strong Customer and Partner Relationships
- Platform independent
- Geographic diversity and reach



Strong Customer and Partner Relationships

MH60R Technology Refresh

- ▶ Prime Contractor
- ▶ \$115M CDN total value
- ▶ 7-year period of performance
 - ◆ Full Flight Simulators/Flight Training Devices
 - ◆ Introducing new technologies
 - ◆ Upgrade and sustain deployed systems



HEADROOM IN LARGE MARKETS



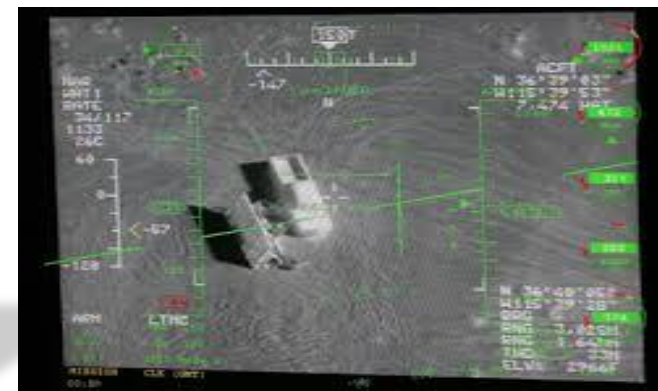
- \$9.5B TSI Market (8% market share)
- \$1.8B Virtual Air Market (19% market share)

\$9.5B Training System Integration Market



USAF MQ1/9 Aircrew Training Services

- ▶ Prime Contractor
- ▶ \$190M CDN total value
- ▶ 5-year period of performance
 - ◆ 1,500 pilots and sensor operators/year
 - ◆ Simulation-based instruction
 - ◆ Curriculum and courseware development
- ▶ Doubled the value of the contract in 24 months
 - ◆ Live flight instruction
 - ◆ Launch and recovery training



UNDERLYING SECULAR TAILWINDS



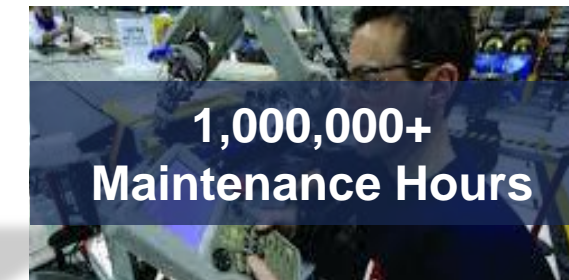
- Trend towards increased use of simulation
- Trend towards increased outsourcing

Trend towards increased use of simulation



NATO Flying Training in Canada (NFTC)

- ▶ Prime Contractor
- ▶ \$400M CDN total value
- ▶ 6-year period of performance
 - ◆ 150 pilots trained per year
 - ◆ Training Systems Integration (Live-Virtual)
 - ◆ Simulation-based instruction
 - ◆ Curriculum and courseware development
 - ◆ Infrastructure and support services



POTENTIAL FOR SUPERIOR RETURNS



- Sustained above market growth
- Growth in services adds stability

Growth in services adds stability



US Army Fixed Wing Flight Training

- ▶ Prime Contractor
- ▶ \$255M CDN total value
- 7-year period of performance
 - ◆ 600 pilots trained per year
 - ◆ Consolidated Training Center in Dothan, AL
 - ◆ Flight line and maintenance facilities
 - ◆ Curriculum and courseware development
 - ◆ Instructors, support and maintenance staff



CULTURE OF INNOVATION



- Invest in Discriminating Technologies
- Develop Technology Partnerships
- Adaptable Business Models

Invest in Discriminating Technologies



KC135 Aircrew Training Services

- ▶ Prime Contractor
- ▶ \$500M CDN total value
- ▶ 5-year period of performance
 - ◆ 2,500 pilots and aircrew/year
 - ◆ Simulation-based instruction
 - ◆ Curriculum and courseware development
- ▶ Doubled the value of the contract in 36 months
 - ◆ Lateral Motion Maneuver upgrade
 - ◆ Distributed Mission Operations
 - ◆ Cyber Security



UNIQUELY POSITIONED FOR SUSTAINABLE GROWTH



- Tier 1 position in the \$9.5B Training Systems Integration market



- Trends towards increased use of simulation
- Trends towards increased outsourcing



- Strong customer and partner relationships
- Geographic diversity and reach



- Positioned on enduring platforms
- ~50% of revenue will come from service contracts



THANK YOU



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.