



CAE INVESTOR DAY

CAE HEALTHCARE

Robert Amyot, MD

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.

POSITIVE MOMENTUM IN HEALTHCARE







Notable achievements – FY16YTD

- ▶ Revenue up 19%; SOI up 42% YTD
- ▶ Introduced innovative products
 - ▶ Apollo, Athena, Surgical Cut suits, Abiomed simulator
- ▶ New partnerships with thought leaders
 - ▶ American Society of Anesthesiologists
 - ▶ International Nursing Association for Clinical Simulation & Learning
- ▶ Staffing contracts with Georgia Regents University (US) and Albert Einstein Hospital (Brazil)



Robert Amyot
President
CAE Healthcare

CAE'S SIX PILLARS OF STRENGTH

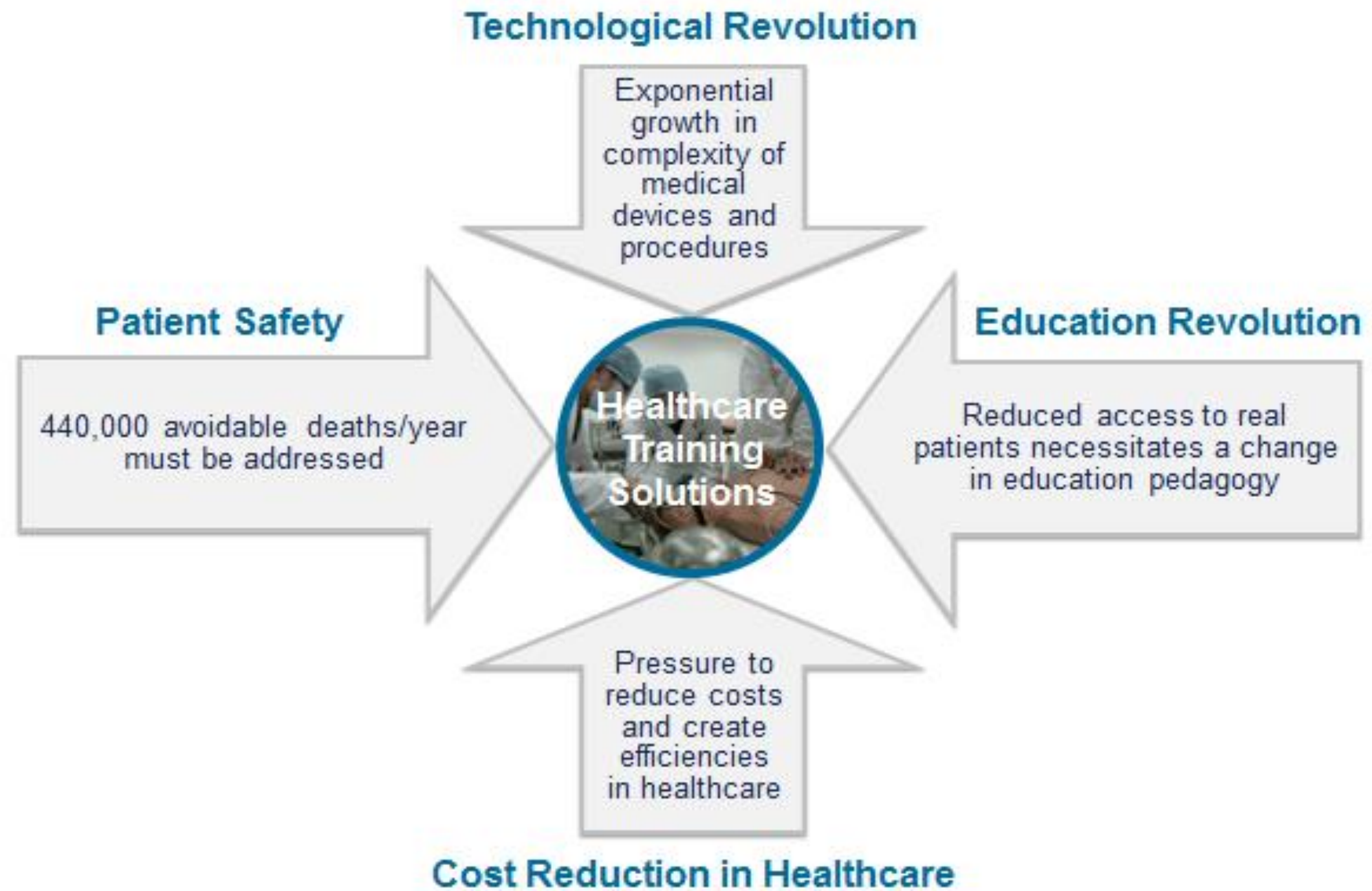
High Degree of Recurring Business	Strong Competitive Moat	Headroom in Large Markets	Underlying Secular Tailwinds	Potential for Superior Returns	Culture of Innovation
					

These six pillars underpin the CAE Healthcare strategy

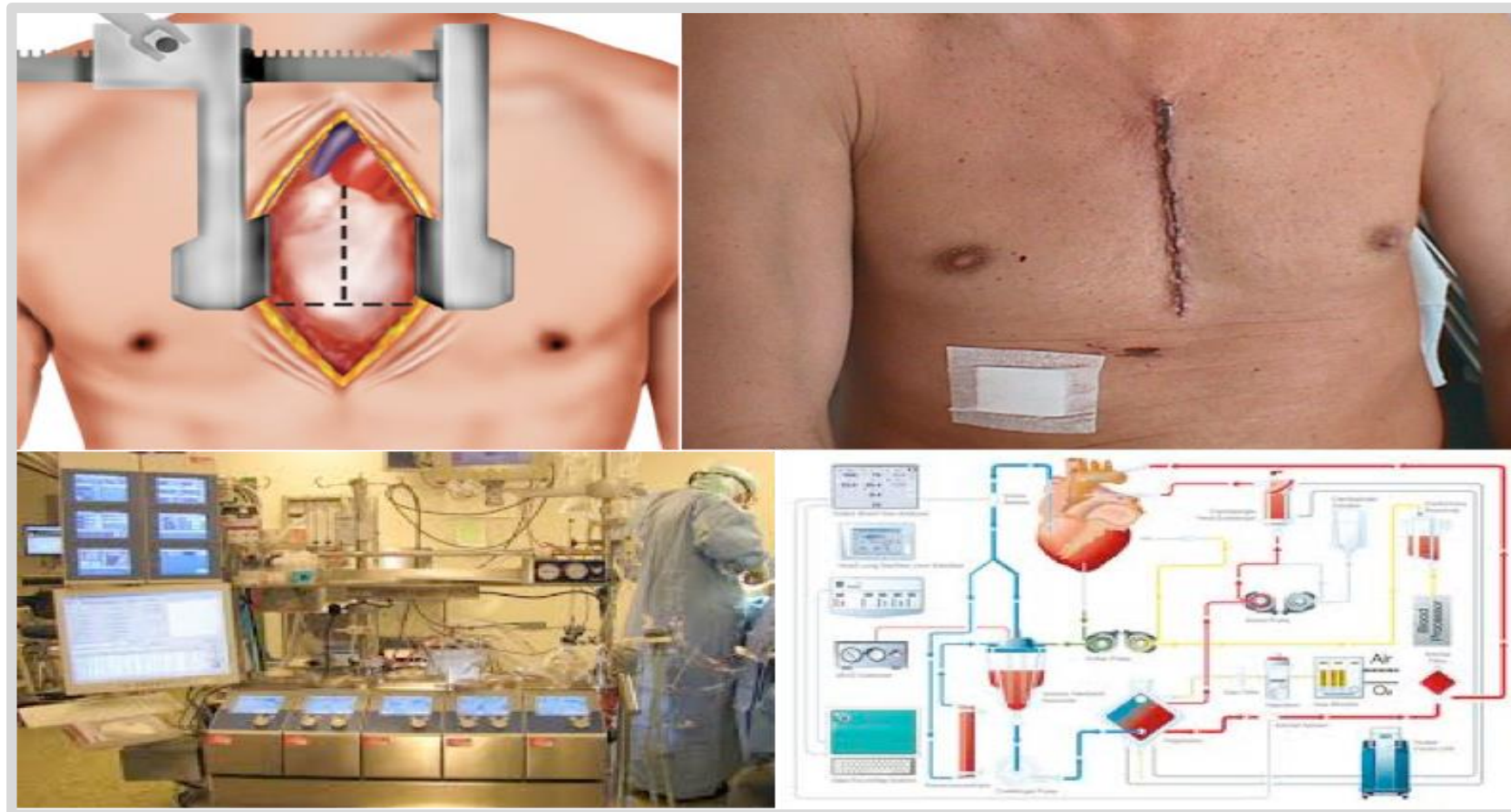
UNDERLYING SECULAR TAILWINDS



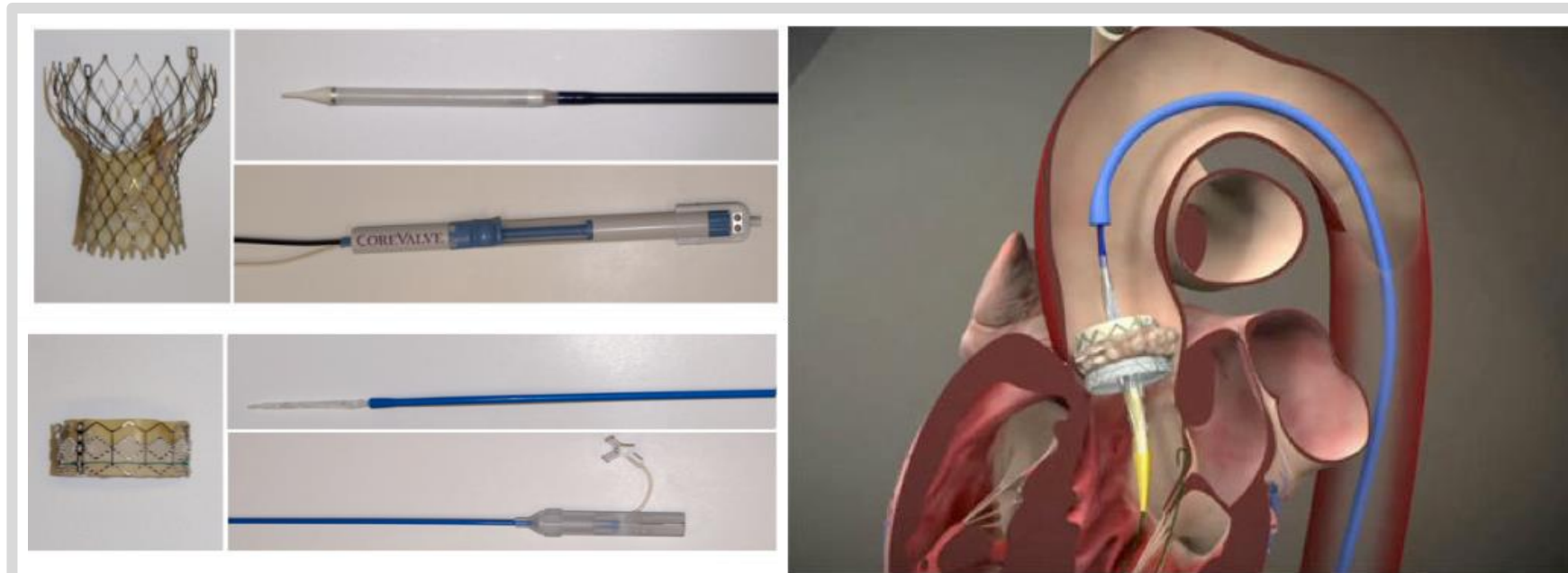
A CONFLUENCE OF CIRCUMSTANCES DRIVING SIMULATION-BASED TRAINING IN HEALTHCARE



TECHNOLOGICAL REVOLUTION

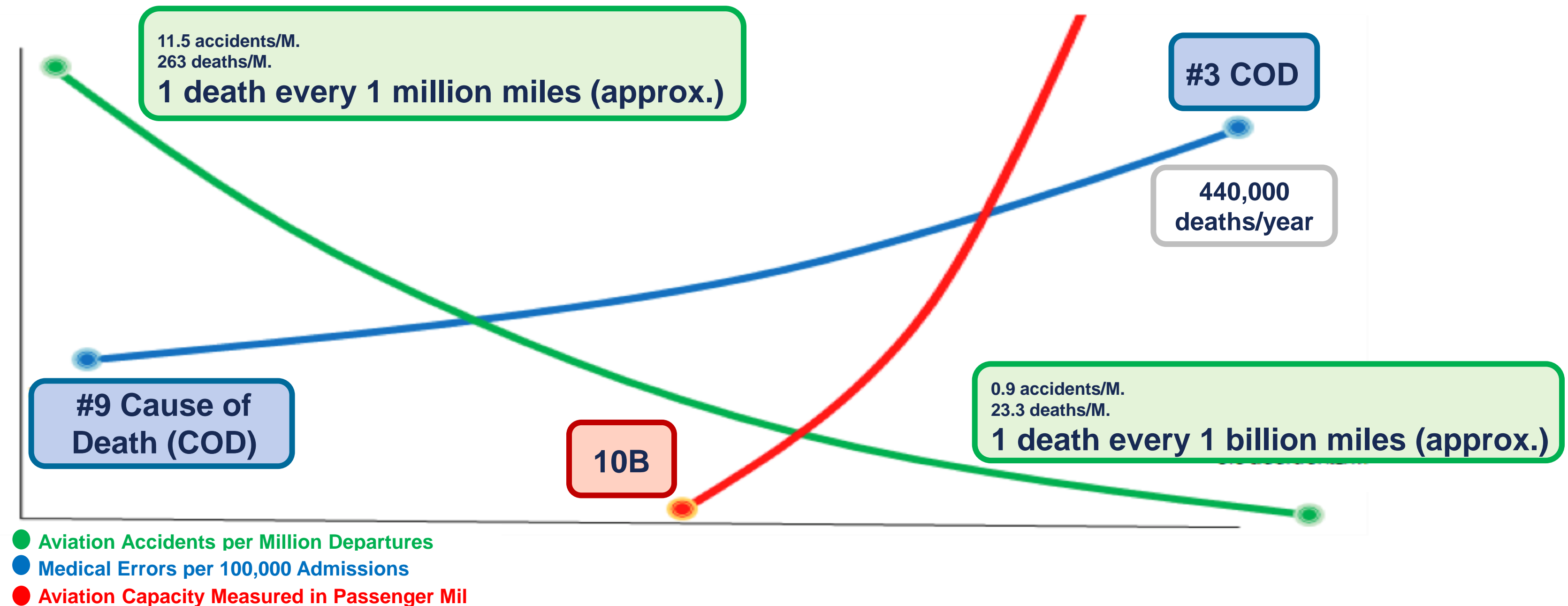


Trends from maximally
invasive to minimally
invasive procedures



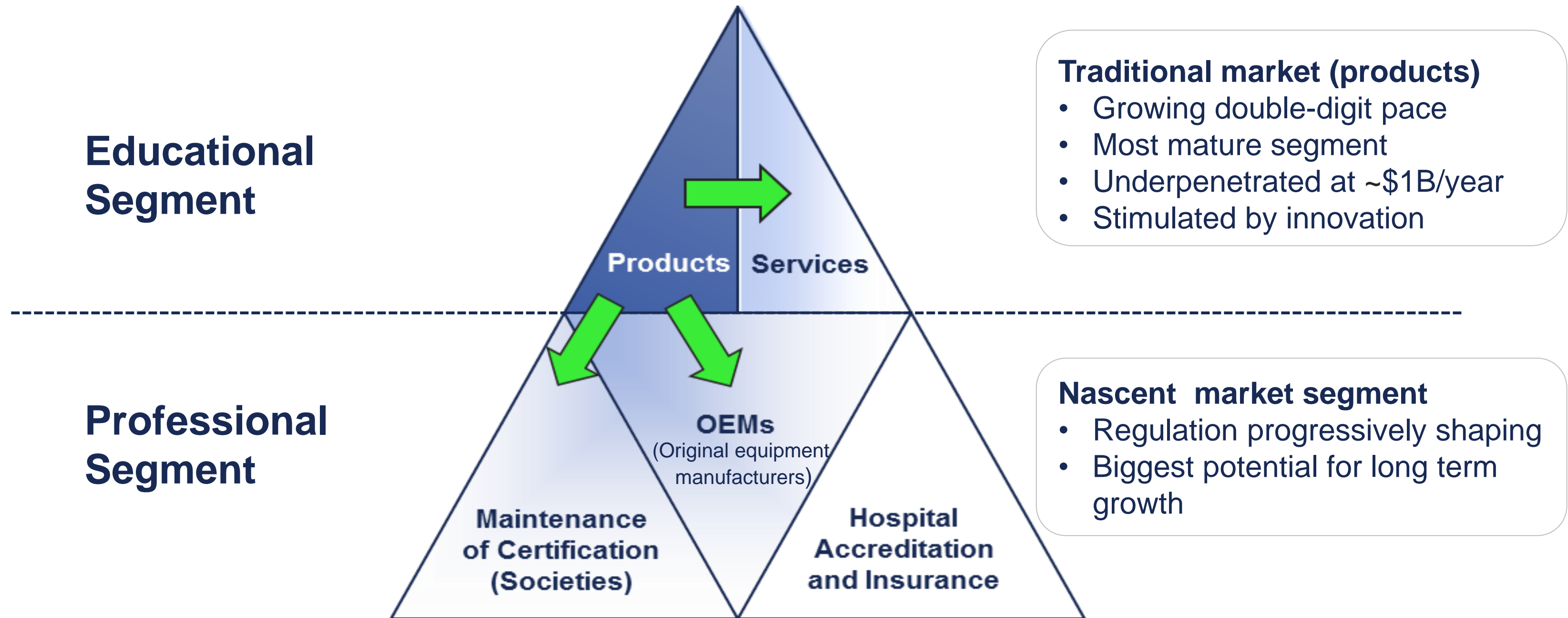
DESIRE TO BORROW FROM AVIATION BEST PRACTICES

Medical Errors vs. Aviation Errors Patient Safety and Aviation Safety



Source: A guide to Medical Errors Prevention & Reporting. Vantage Professional Education. <http://www.vantageproed.com/mederrors/dederrorsc.htm>

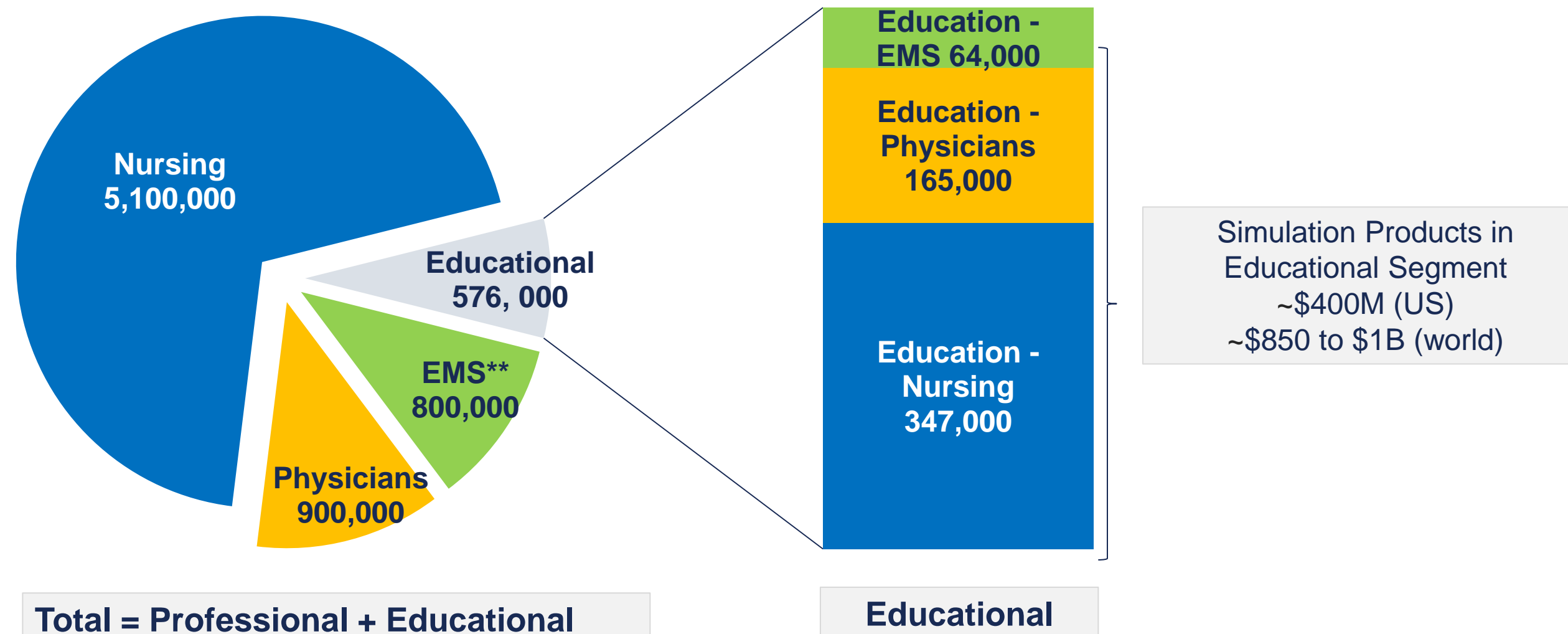
MARKET OVERVIEW



Substantial headroom for growth in traditional Educational segment with upside potential from expansion into the larger Professional segment

HEALTHCARE MARKET SCALE AND DISTRIBUTION

Healthcare Market Distribution (US*)



- ♦ Educational segment (products) is our traditional market
- ♦ Professional segment still nascent but offers potential for a step change in market growth over long term

The Educational segment offers attractive growth near term while the Professional segment offers significant long term growth potential

HIGH DEGREE OF RECURRING BUSINESS



High proportion of revenue from Educational segment (US) is driven by repeat business

- ▶ *Warranty and up-selling content on installed base*
- ▶ *Shorter product replacement cycle compared to aviation (5 yrs)*
- ▶ *Growing services business and long-term staffing agreement*
- ▶ *Adoption of regulation*

CAE Healthcare benefits from a high degree of recurring business in addition to its long term growth potential

STRONG COMPETITIVE MOAT



- ▶ *Benefit from CAE brand/ reputation in aviation training*
- ▶ *Thought leadership in simulation-based training: Chris Broom (American Airlines) speech at HPSN*



**Compelling aviation
safety credibility**

- ▶ *Unique front-end synergies with Defence and Civil*
- ▶ *Share of resources/ knowledge unique in the market*
- ▶ *Global scale/reach, strategic global sourcing and support*



**Numerous synergies
with CAE**

- ▶ *Unmatched portfolio of training solutions*
- ▶ *Resources to innovate, distribute and/or acquire smaller players*



**Leadership in
innovation**

HEADROOM IN LARGE MARKETS



- ▶ *Nursing onboarding programs*
- ▶ *Maintenance of certification in Professional segment*
 - ◆ *Regulation is progressively appearing for professionals*



Staffing contract with
Georgia Regents University



Agreement for screen-based
simulation with ASA

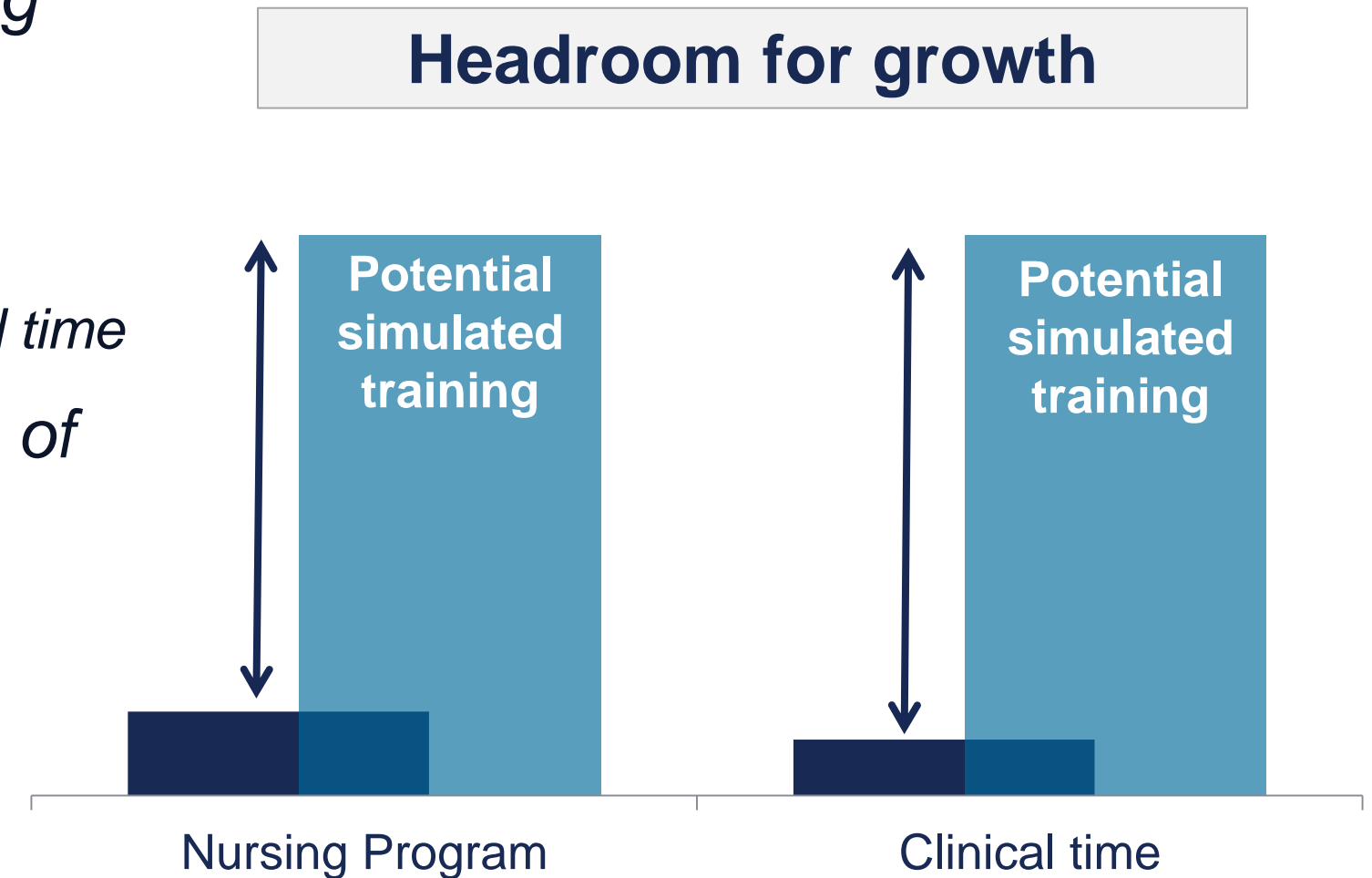
Large Professional segment offers attractive long term growth potential

HEADROOM IN LARGE MARKETS



Nursing Education segment underpenetrated

- *Simulation used in only 53% of Nursing programs*
- *Published evidence:*
 - ♦ *Simulation can replace up to 50% of clinical time*
- *Currently, simulation replaces 10-15% of clinical time*
- *Less costly than clinical time*



Cost and regulation have become more tangible drivers for higher adoption of simulation in Nursing education (US)

CULTURE OF INNOVATION



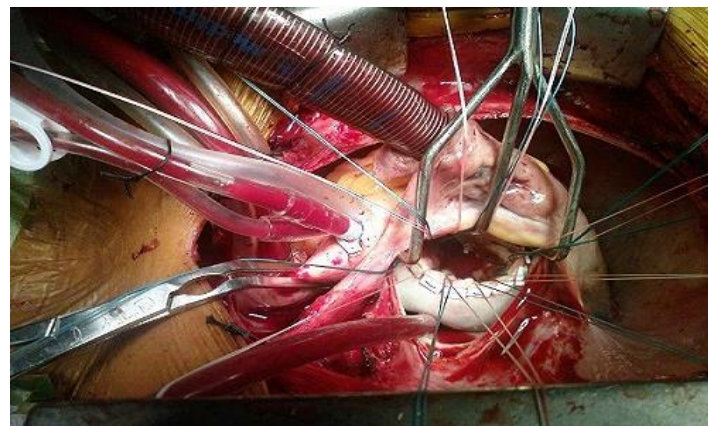
► Fidelis Lucina Maternal Fetal Simulator

- ◆ Train for emergencies such as a breech birth or hemorrhaging
- ◆ Only simulator to provide training for cardiac arrest of mother
- ◆ Halo effect

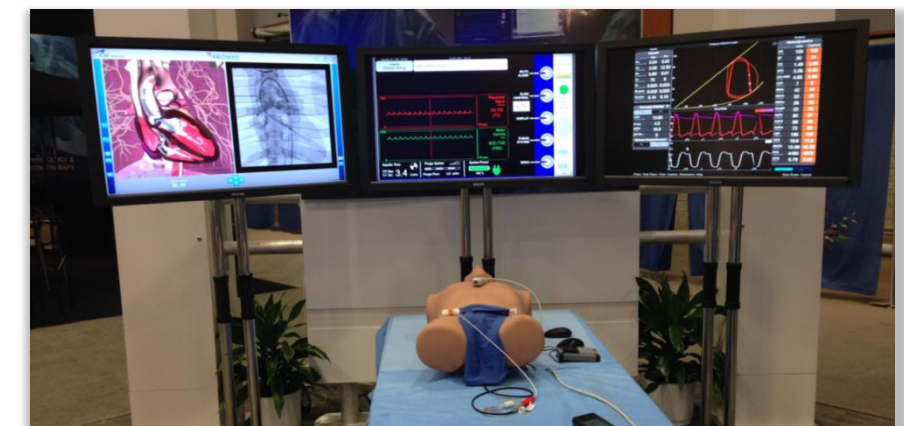
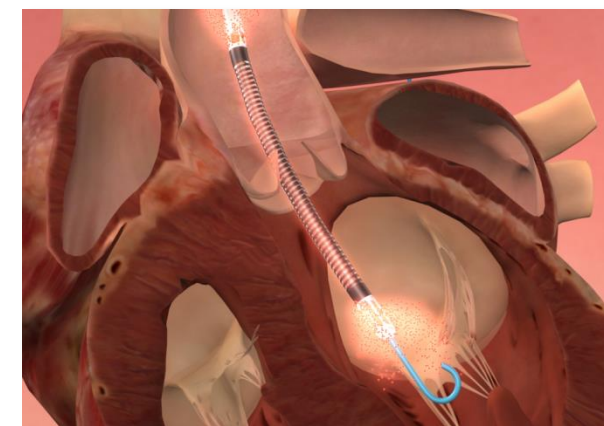


► AbioMed Impella heart pump - OEM partnership

From maximally
invasive...



...To minimally invasive: catheters



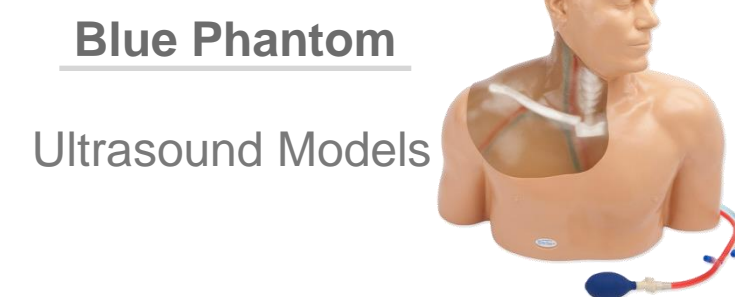
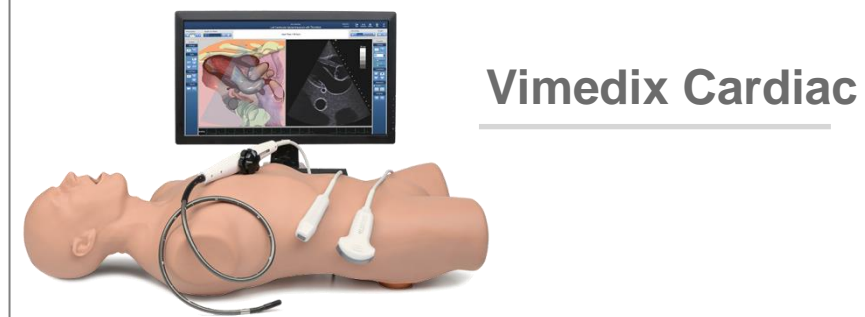
Innovation is an important driver of market growth

LARGEST PORTFOLIO OF TRAINING SOLUTIONS

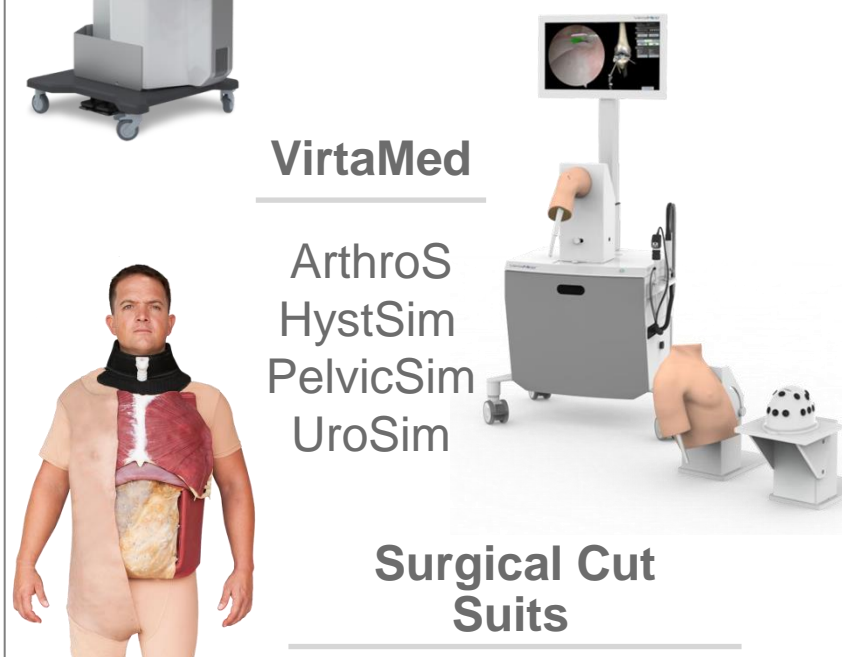
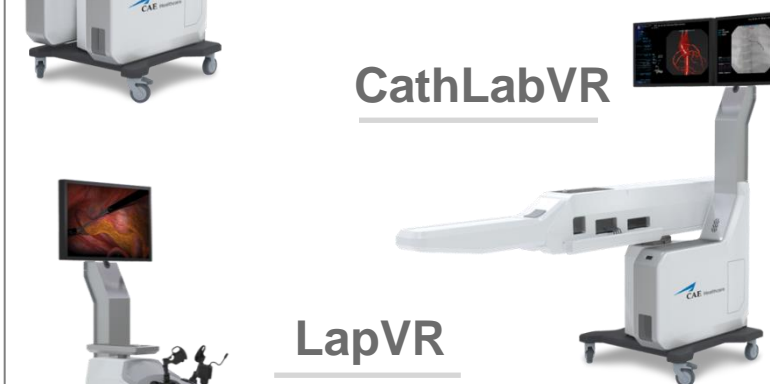
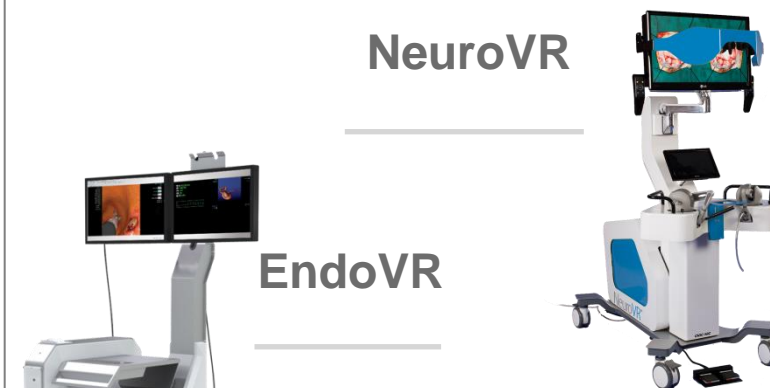
Patient Simulation



Imaging Simulation



Interventional Simulation



Audiovisual Solutions



Courseware



PARTNERSHIPS WITH THOUGHT-LEADERS WORLDWIDE

Education



Societies



Hospitals



Emergency Medical Services (EMS)



Government



U.S. AIR FORCE



CAE is a thought leader among influential entities in healthcare and simulation-based training

UNIQUELY POSITIONED FOR SUPERIOR GROWTH



- **Clear need for simulation-based training in healthcare**
- **Strong pipeline of product innovations to stimulate the market**
- **Large headroom to grow**
 - ◆ Traditional Educational segment growing at a double digit rate and underpenetrated
 - ◆ Opportunity to expand to Professional segment as regulations progresses
- **CAE Healthcare has an excellent position**
 - ◆ Leader in a highly fragmented market
 - ◆ Compelling aviation safety credentials
 - ◆ Strong competitive advantage from numerous synergies with CAE
 - ◆ Ample resources to innovate, distribute and/or acquire smaller players



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.