CORPORATE PARTICIPANTS

Andrew Arnovitz *CAE - VP of Strategy and IR*

Marc Parent *CAE - President, CEO*

Sonya Branco *CAE - CFO*

CONFERENCE CALL PARTICIPANTS

Cameron Doerksen *National Bank Financial - Analyst*

Benoit Poirier *Desjardins Securities - Analyst*

Tim James *TD Securities - Analyst*

Konark Gupta *Macquarie Capital Markets - Analyst*

Kevin Chiang *CIBC - Analyst*

Turan Quettawala *Scotiabank - Analyst*

Chris Murray *AltaCorp Capital Inc. - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the CAE second quarter conference call. Please be advised that this call is being recorded. I would now like to turn the meeting over to Mr. Andrew Arnovitz. You may now proceed, Mr. Arnovitz.

Andrew Arnovitz *- CAE - VP of Strategy and IR*

Good afternoon, everyone. Thank you for joining us today. Before we begin I'd like to remind you that today's remarks, including management's outlook for fiscal year 2017 and answers to question contain forward-looking statements. These forward-looking statements represent our expectations as of today, November 10, 2016, and accordingly are subject to change. Such statements are based on assumptions that may not materialize and are subject to risks and uncertainties. Actual results may differ materially and listeners are cautioned not to place un due reliance on these forward-looking statements.

A description of the risks, factors and assumptions that may affect future results is contained in CAEs annual MD&A available on our corporate and in our filings with the Canadian Securities Administrators on SEDAR at www.sedar.com, and the US Securities and Exchange Commission at EDGAR. On the call with me this afternoon are Marc Parent, the President and Chief Executive Officer, and Sonya Branco, our Chief Financial Officer. After remarks from Marc and Sonya, we will take questions from financial analysts and institutional investors. Following the conclusion of that Q&A period we will open the call to questions from members of the media. Let me now turn the call over to Marc.

Marc Parent *- CAE - President, CEO*

Thank you, Andrew. Good afternoon to everyone joining us on the call. I'm pleased with our performance in the second quarter, and we're on track to deliver our full year outlook for growth. Our customers continue to depend on CAE as their training partner of choice, and for the Company overall we received $747 million in new orders, contributing to a record $6.5 billion backlog.

We continue to make good progress in executing our growth strategy in all three of our business segments. Specifically in civil, utilization was up six percentage points to 70%, which translated into steady operating income growth. We saw continued robust demand for our training solutions with new civil orders totaling $458 million for a book-to-sales ratio of 1.29 times.

We signed long-term trading services agreements with airlines, including Air Jordan and Japan Airlines, and in business aviation we signed two notable deals with major aircraft management companies in Europe, including TAG Aviation. We also sold 12 more full flight simulators in the quarter, bringing us up to 21 for the first half, and we ended the quarter with a new record $3.3 billion civil backlog.

In defense, we had modest operating income growth and $262 million in new contracts, enabling us to sustain a healthy $3.2 billion defense backlog and a book-to-sales ratio above one time. Notable awards included continuing training systems and services support on enduring platforms, such as the M21 predator and MQ9 reaper unmanned aerial systems, the KC135 aerial refueling aircraft, the ME60RNS helicopter and the T44 light transport aircraft.

We also expanded CAE's role on these platforms with training systems, modifications, upgraded training materials, and increased instructor support. These contracts are good examples of the increasingly recurring nature of our business, and in CAE's ability to increase market share within its broad established customer base in defense.

And in healthcare, we saw year-over-year revenue growth and higher profitability. We continued to see positive signs that corroborate our market thesis and where CAE can add the most value in Healthcare simulation. Notable during the quarter was the sale of our training solutions to a major medical device manufacturer in the United States, and a collaboration with another medical device manufacturer for point-of-sale ultrasound training. And more recently our VIMEDIX ultrasound simulator was used as part of an echo examination process for physicians in Europe.

With that I'll now turn over the call to Sonya who will provide a more detailed outlook at our financial performance. I'll return at the end of the call to comment on our outlook. Sonya?

Sonya Branco - ***CAE - CFO***

Thank you, Marc. Good afternoon, everybody. Consolidated revenue for the second quarter was $635.5 million, and quarterly net income before specific items of $7.2 million was $55.5 million or $0.21 per share. Specific items involved restructuring completed this quarter related to the process improvement program that we introduced last year, as well as restructuring integration and acquisition costs related to the purchase of Lockheed Martin commercial flight training.

Our process improvement program led to the standardization of certain types of commercial aircraft simulators, and so we began recognizing revenue upon completion for such simulators this year. As we make this transition, there will be some differences in the timing of the revenue and net income recognition between the two accounting methods.

For the current second quarter, this change resulted in the deferral of $15.3 million of revenue, and approximately $0.01 of earnings per share. A full reconciliation of these timing differences can be found under additional financial highlights in this morning's second quarter press release.

Free cash flow from continuing operations was $27.3 million for the quarter, and for the first half of the year it was $42.8 million, which is up from $40.5 million for the first half of last year. As we had a somewhat higher investment in non cash working capital in the first half, the increase in free cash flow owes mainly to higher cash from continuing operating activities.

As is usually the case for CAE, we expect a portion of the non cash working capital investment to reverse in the second half of the fiscal year. Uses of cash during the quarter involved funding capital expenditures for $58.8 million mainly in the support of growth.

We also distributed 20.3 million in dividends and repurchased and canceled 829,000 common shares under the NCIB program for another 14.3 million. We continue to maintain a strong balance sheet with net debt of $922.7 million at the end of September for a net debt to total capital ratio of 32.1%. The effective tax rate in the quarter was 16%, which compares to 21% for the second quarter last year, excluding one-time tax items. The lower rate is mainly due to a change in the mix of income from various jurisdictions.

Now turning briefly to our segmented performance highlights. Civil revenue was $354.7 million, and operating income was up 8% to $54.2 million for a margin of 15.3%. On an apples-to-apples basis, had the standardized civil simulators been accounted for under the percentage of completion method, civil revenue would have been $15.3 million higher, to $370 million, while operating income would have been $3.9 million higher, on 16%, to $58.1 million.

On the same basis, the civil operating margin for the quarter would have been 15.7%, which is up 200 basis point increase year-over-year. In defense, revenue grew by 12% over Q2 last year to $253 million, and operating income grew by 2% to $29 million for an operating margin of 11.5%. In Healthcare, second quarter revenue was $27.6 million compared to $25.4 million in Q2 last year, while segment operating income was $2.6 million compared to $1.5 million in Q2 of last year.

With that, I will ask Marc to discuss the way forward.

Marc Parent - ***CAE - President, CEO***

Thanks, Sonya. Our results for the second quarter and first half of the year add to our confidence in our outlook for growth for the year as a whole. We continue to make good progress on our training partner of choice vision and our strategy, which is focused on bolstering our competitive moat and growing recurring revenue to achieve superior returns over the long term.

In civil, we continue to see potential for superior growth and more recurring revenue as we penetrate a greater share of the $3.3 billion global civil training market. Demand for training, the largest part of our business in civil, is driven primarily by the regulatory requirements associated with the global active commercial fleet and by passenger traffic growth which continues to track the historical rate of about 4% to 5%. Demand for full flight simulators also continues to be strong on the back of aircraft deliveries with another five full flight simulator orders from a major Chinese airline announced today, we're at 26 year to date.

In the business aviation segment, the overall market as measured by the level of activity of the existing business aircraft fleet has in aggregate been relatively stable. That said, we're continuing to make very good progress as demonstrated by our recent wins with large business aircraft operators in Europe to increase our share within the existing business training market and we see more opportunity for gains ahead. Overall for civil, we continue to expect higher demand for training this year to translate into higher annual utilization of our civil training network.

We also look forward to seeing the benefits of our process improvement program and continue to expect civil operating income to grow at a low double digit percentage rate for the year as a whole. In defense, activity remains strong with nearly $4 billion of bids and proposals currently submitted and pending with customers. Our backlog involves a higher proportion of longer-term training services programs, which augments the recurring revenue nature of our defense business, and our position on long-term enduring programs provides opportunities for us to increase scope within our broad range of capabilities.

We continue to expect modest growth this fiscal year in the defense segment. Longer term, we see significant head room for growth in defense, supported by secular trends for increased use of simulation-based training, and more outsourcing. Given the size of the market, and our potential to increase share, CAE is certainly not market constrained.

The landscape is positive with defense budgets stabilizing in the west, and customers in the Middle East and Asia modernizing and recapitalizing their defense systems. These actions drive the need for training, and we believe that CAE is well positioned.

Finally in Healthcare, we're seeing continued signs that our solutions are becoming increasingly relevant to healthcare professionals as they look for ways to improve safety and efficiency. Just last month, CAE Healthcare, together with the American Society of Anesthesiologists, began to promote our latest innovation at the ASA's annual meeting in Chicago, by leveraging CAE's expertise we developed a simulation based training solution, called Anesthesia SimSTAT which is due for release in 2017.

This unique solution has the potential to become a valuable tool for practicing anesthesiologists to earn credits for continuing medical education. We remain encouraged by the long-term prospects for CAE in the developing healthcare simulation market, and in the short term our pipeline continues to support our outlook for double digit growth this fiscal year.

With that I thank you for your attention. We're now ready to answer your questions.

Andrew Arnovitz - ***CAE - VP of Strategy and IR***

Operator. We would now be pleased to take questions from analysts and institutional investors.

QUESTION AND ANSWER

Operator

Thank you. (Operator Instructions). Your first question coming from the line of Cameron Doerksen, with National Bank Financial. Please, proceed with your question.

Cameron Doerksen - ***National Bank Financial - Analyst***

Good afternoon. My question is on the process improvement program in civil. I think that was completed in Q2. I'm just wondering if we saw any benefit on the margins in the quarter, and whether we'll see the full impact starting in Q3?

Sonya Branco - ***CAE - CFO***

Hi, Cameron. Sonya. So, yes, the process improvement plan has been completed in the quarter, and while there is a little bit of savings that have started really we'll see them ramp up in the last half. So what we had guided to was $15 million to $20 million of annual recurring savings, and we should expect to see about half in the second half of the year. We've incorporated that into our forecast of low double-digit percentage operating income growth for civil.

Cameron Doerksen - ***National Bank Financial - Analyst***

Okay. And if I could just get a quick verification question, just on the foreign exchange impact on revenue, is there any way you can disaggregate I guess what maybe what the negative impact was between civil and defense from, I guess specifically the depretiation of the UK pound. I know you generate some revenue there that might have impacted revenue growth in both those segments.

Sonya Branco - ***CAE - CFO***

Overall there was a negative impact on revenue growth from the -- on the revenue. And $1.1 million on net income for the year. However, I don't necessarily have the splits between civil and the currency. So we can come back to you on that. What we saw in this quarter was, not only in terms of the translation, it did provide a little bit of a headwind, $1.1 million on the net income, but also on the non-cash working capital where we saw an expense of $5 million.

Cameron Doerksen - ***National Bank Financial - Analyst***

Okay. Great. Thank you very much.

Operator

Thank you. Our next question coming from the line of Benoit Poirer with Desjardin Capital Market. Please proceed with your question.

Benoit Poirier - ***Desjardins Securities - Analyst***

Good afternoon. If we look on the military side margin has been a little bit below the 12% threshold in the quarter. I was just wondering if you could provide more color about whether you see its related to some volume in Middle East or is it related to the integration of BMAT or again more mix towards services? I'm just wondering, if you could provide more color going forward?

Marc Parent - ***CAE - President, CEO***

MAT does affect it a little bit, because the profitability profile of that program when we went into anyway. It's largely mixed, Benoit. Today we're seeing, per our strategy actually, a growing order intake in the service sector, and right now I think our mix is about 50/50 in terms of products and services. Depending on what we execute, what we win, again, it kind of skews where the margin actually percentage winds up. On the lower end, if you get into more service contracts, and vice versa. But, I mean all of that is -- we take it into account when we continue to guide for the outlook we have for defensive security this year.

Benoit Poirier - ***Desjardins Securities - Analyst***

Okay. And just with respect to the US election, any thoughts on what could be the impact you foresee down the road so far?

Marc Parent - ***CAE - President, CEO***

Well, I think that -- look, I don't think it changes anything in the long term, but in the upcoming -- this administration, typically a Republican administration is positive for defense, from a historical standpoint. I don't think this will be any different. I think if you've seen some of the dialog during the election -- on the run-up to the election, I think that we would be led to believe that would be the case. But I think the trends don't lie. I mean, we've seen that -- just currently the situation right now is that defense budgets have stabilized certainly in the west, and we see increasing budgets in Asia, and far east.

Certainly over our planned period, you know, three to five years, what we're seeing for defense overall is I guess a kind of climate that we haven't seen in a long time, which is that not only does what is still in some cases called the war on terror continues with the fight against ISIS on the one hand, and you see the pivot to Asia continuing because of threats there. And now you have the threat of a resurgent in Russia. All of that is leading to inevitable budget increases over the period that we're talking about in our plan.

I think for us specifically as well, a lot of this is leading to recapitalization, modernization of platforms, leads to more training, leads to more -- you know, we see continued trends of outsourcing, non-core activities such as training, because of the focus on active duty troops, for example, and finally for all of this, the forces want to maintain readiness, and simulation-based modeling is seen as a very cost effective way of doing that. So I think all of that is positive. I think all of that's positive and I think the election itself just adds to that positive.

Benoit Poirier - ***Desjardins Securities - Analyst***

Okay. Related to the US Army fixed wing flight training program, is the CapEx ramp up mostly in line with initial expectation?

Marc Parent - ***CAE - President, CEO***

Yes, Benoit, it is. We spent a little over $20 million on the US Army fixed wing in the quarter. In line with our expectations. There was also a bit of a ramp-up on the civil side. So hence the slightly heavier CapEx in the first half of the year. We should see a ramp down in the second half of the year.

Benoit Poirier - ***Desjardins Securities - Analyst***

Okay, perfect. Just for the tax rate of 16%, how should we be thinking going forward in terms of a percentage, Sonya?

Sonya Branco - ***CAE - CFO***

16% is a little lower, but there continues to be some volatility. But really there's nothing unusual in the rates this quarter. It really is just a factor of where the income was earned, in which countries. What I continue to use is 22% as the benchmark. I expect that going forward.

Benoit Poirier - ***Desjardins Securities - Analyst***

Okay. Perfect. Thank you very much for the time.

Sonya Branco - ***CAE - CFO***

Thank you.

Operator

Thank you. Our next question coming from the line of Tim James, with TD Securities. Please proceed with your question.

Tim James - ***TD Securities - Analyst***

Thank you. Sonya, I'm just wondering, sort of a housekeeping question here. Could the new accounting treatment for full flight simulator manufacturing actually benefit revenue in some quarters relative to the year earlier period? I realize it was actually sort of at the new treatment had a net negative impact this quarter, but I'm wondering if the reverse could happen as well in future quarters.

Sonya Branco - ***CAE - CFO***

So the change now is with these new standardized products, you recorded all that completion, rather, throughout the build. As we transition and build-out, it will have a negative effect like we called out this quarter. Now to the extent we start delivering these simulators, and signing new ones, it will have a net effect ultimately. So, yes, there could be some quarters where the deliveries are higher, that could be positive. But ultimately what we'll see is a driver for these products, is that the deliveries metric will be much more in terms of a good metric to follow for revenue.

Tim James - ***TD Securities - Analyst***

Okay. Thank you. And my next question regarding the Healthcare segment, I'm wondering are there any capabilities, additional product lines, or anything that you believe are required to take Healthcare growth where you think it should be here longer term, whether that's the high teens in terms of a growth rate, or do you think small acquisitions may be required?

Marc Parent - ***CAE - President, CEO***

Look, I think on the -- acquisitions are always possible. It's a fragmented market. You know, as we know, we've done a couple along the way here. Valuation assumptions that people have are still pretty high. Our view has been, you know, it's rather make rather than buy. I don't see that changing very much. I think really the answer to your question is, the real potential for this business is greater adoption of simulation for the certification of medical practitioners, both from an initial and recurrent standpoint.

I get pretty encouraged when I see things like -- you know, we've seen in this quarter where we see some societies, specifically the one I mentioned in my example in the outlook of the American Society of Anesthesiologists where, you know, at their convention, or annual meeting in Chicago, we developed a course for them.

Now that course, the online course can be used for certification credits for continuing medical education. I mean, just us presenting that at that conference. And another one that was held for another society in Hong Kong recently. We're seeing people, have a big aha moment when they see that. That's just a couple of these societies. There's hundreds of these societies.

So to me when you see a course like this be used as credits for continuing medical education, well, that is regulation. So it's not the same regulation, for example, that we see for civil, in terms of the FAA, or (inaudible), but it is adoption of regulations. So I think that really is what's going to drive this business in terms of disproportionate growth.

Tim James - ***TD Securities - Analyst***

Okay. Thank you very much, Marc.

Marc Parent - ***CAE - President, CEO***

You're welcome.

Operator

Thank you. Our next question coming from the line of Konark Gupta, with Macquarie Capital Markets. Please proceed with your questions.

Konark Gupta - ***Macquarie Capital Markets - Analyst***

Hi. This question on guidance first. When you say low double-digit growth and civil EBIT, does that reflect accounting changes that have taken place and the currency impact?

Sonya Branco - ***CAE - CFO***

It's ultimately on the absolute number, yes. What we report, that's what we are providing the outlook on.

Konark Gupta - ***Macquarie Capital Markets - Analyst***

Okay. Thank you. And then on the defense revenue, it was up very strong in the first half, 21% I guess. So does your guidance of modest growth reflect the BMAT acquisition? I guess that's one of the bigger drivers there. If is reflected, then do you expect basically flat to negative growth in the second half? Because even with the flat growth in the second half on defense side, your full year revenue would be would be up 9%, which I don't think looks really modest.

Marc Parent - ***CAE - President, CEO***

No. I think we maintained the same outlook on the whole year as we mentioned. We don't expect flat to negative in the second half. I think what you have to look at, perhaps Sonya could provide more color, but I think what you have to look at in your comparison, is that look for not extraordinary, but things that we pointed out last year, that you really should look at when you're comparing both years. Definitely we anticipate negative or flat in the second half. And really when you talk about the growth, I think we're really -- I mean, revenue is one thing, but, I'm really talking about SOI here.

Konark Gupta - ***Macquarie Capital Markets - Analyst***

Okay, Marc. And then following up on defense, Marc, on your bid pipeline, can you please repeat the number that you mentioned in the outlook? And what's the expected timing of some of those bids and contracts you're bidding on right now coming to fruition? And how much of your expected full year revenue is in the backlog right now?

Marc Parent - ***CAE - President, CEO***

Okay, I'll try to answer those questions in order. The number we said is about $4 billion of bids and proposals that are currently submitted and pending with customers, meaning that there's official RSPs out there we've responded to with bona fide proposals, and they're in the hands of those customers. I mean, decision time lines in defense I would not hazard to guess, but, you know, I think if you take two of the three years you probably won't be off too much. What was the last question? Oh, yeah, how much we've got in backlog, right?

Konark Gupta - ***Macquarie Capital Markets - Analyst***

How much of your current year revenue is in the backlog? How much do you expect --

Marc Parent - ***CAE - President, CEO***

I don't know the answer to that question. Do you know?

Andrew Arnovitz - ***CAE - VP of Strategy and IR***

We would have started the year, Konark, with better than 70% coverage of our expected revenue.

Konark Gupta - ***Macquarie Capital Markets - Analyst***

Okay. Thanks.

Marc Parent - ***CAE - President, CEO***

It will be a high percentage at this point.

Sonya Branco - ***CAE - CFO***

Yes.

Konark Gupta - ***Macquarie Capital Markets - Analyst***

Okay. Thank you very much.

Marc Parent - ***CAE - President, CEO***

You're welcome.

Operator

Thank you. Our next question coming from the line of Kevin Chang, with CIBC. Please proceed with your question.

Kevin Chiang - ***CIBC - Analyst***

Hi. Thanks for taking my question here. Maybe just following up on the questions before. It looks like your business proposal amount $4 billion is awfully higher than it was in, say, previous years. I'm wondering if the conversion rate you're seeing is almost similar to previous years? You're bidding more but you're converting may be at or maybe even above historical rates as well?

Marc Parent - ***CAE - President, CEO***

I think it's pretty stable. Our criteria for how we've bid military programs hasn't changed. We have a pretty stringent bid/no bid kind of criteria, and bid-to-award process. In the military, if anything -- (inaudible) the head of defense and his team have fine tuned that process over the past few years for the simple reason that we don't go after military contracts unless we think we have a pretty good chance at winning because it's quite costly to bid these military programs, because they tend to take weeks to months to prepare, involving a lot of paperwork, a lot of i's to dot, t's to cross. We haven't changed.

I wouldn't expect our probability of win to change either. It hasn't in the past, certainly in the past year. We wouldn't expect it to change going forward. That wouldn't be our assumption. The other thing to look at is that when you look at that backlog, increasingly we're going after training services contracts, which tend to be more -- you know, longer in terms of years of duration. So that will affect the size of the backlog as well.

Kevin Chiang - ***CIBC - Analyst***

That's very helpful. Maybe secondly for me, again, a nice pickup in margin, as you mentioned in civil this quarter on a year over year basis utilization was up nicely. But I was wondering if mix also played a role, or what impact mix may have had in terms of wet hours versus dry hours, and commercial versus business jet flying. Was there a material difference in mix year-over-year?

Marc Parent - ***CAE - President, CEO***

We had a higher mix of wet to revenue versus dry, and that affected things. The biggest impact you see is the higher level of utilization. It was quite high in this quarter, when you consider that the summer months are the months, at least in the western world, where airlines are flying. Typically not flying very much. So for us to have that level of utilization in the quarter is testimony to us being able to throw more revenue across those assets. Some of that is what you've been asking, is more wet training. So I think it's a good trend, which is what we've been looking for, which portends our outlook for growth in the periods ahead in civil.

Kevin Chiang - ***CIBC - Analyst***

That's very helpful. That's it for me. Thank you very much.

Operator

Thank you. Our next question coming from the line of Turan Quettawala with Scotiabank. Please, proceed with your question.

Turan Quettawala - ***Scotiabank - Analyst***

Wondering if after the Lockheed acquisition that you guys have made, have you started to see any change or improvement in the competitive market on the civil side?

Marc Parent - ***CAE - President, CEO***

I think it hasn't changed in the past -- since we talked about it last time. I would qualify it as the competitive environment is stable. It's still competitive. There's still a lot of competitors for the size of this market. I don't know what else to say other than it's relatively stable, still highly competitive. You can see the margins we're making. I think we're able to maintain our market share and still deliver pretty good margins. We play our game. The competitors play theirs. But I feel pretty good about our competitor vote and if you look, we've announced another five more today. 26 at this date. I think we're doing pretty well. As I mentioned, that's not making compromises on our margins.

Turan Quettawala - ***Scotiabank - Analyst***

Perfect, that's great. Thank you. Just one more on depreciation. It seems to have dropped quite a bit on the defense segment on a sequential basis. Just wondering, is there anything going on there that's specific to the quarter?

Sonya Branco - ***CAE - CFO***

Yes. That drop in depreciation was related to a contract extension, which had some related intangibles as (inaudible) marketization was extended along with it. It should drop. What you don't see is also there's deferred revenue associated with that same contract. So it also got extended. So on a net basis on the P&L for the quarter, the impact was marginal.

Turan Quettawala - ***Scotiabank - Analyst***

Perfect. That's helpful. I guess going forward, Sonya, should we expect that DNA number to stay lower because of the contract?

Sonya Branco - ***CAE - CFO***

Yes.

Turan Quettawala - ***Scotiabank - Analyst***

Thank you.

Operator

Thank you. Our next question coming from the line of Chris Murray, with AltaCorp Capital. Please proceed with your question.

Chris Murray - ***AltaCorp Capital Inc. - Analyst***

Thank you. Turning back to the revenue recognition policy, I have a couple of questions. I'm trying to understand how this will flow through maybe into 2018. Can you let us know of the revenue you actually delivered this quarter, what percentage of that revenue would have actually been for simulators recognized under completed contract. Then the other thing I'm trying to figure out as well are any of these standardized simulators you're building currently, are they all destined for customers?

Sonya Branco - ***CAE - CFO***

Okay. We'll walk through a few of these questions. These are new products that we've started signing this year. And hence the transition period and the deferral of revenue. So we recognize none of that revenue in the current period, or in this year. We will recognize it as we start deliveries. So we expect to start delivering some of them in this year, but the average cycle time on simulators is about 12 to 14 months. These should materialize over that time period as we go forward. The remainder of the simulators is being accounted for on percentage of completion.

Chris Murray - ***AltaCorp Capital Inc. - Analyst***

Okay. That's great. When we think about revenue in 2018, is it fair to think there will be a change in your mix where revenue accounted for under percentage of completion will be coming down as these products displace older products?

Sonya Branco - ***CAE - CFO***

That is what we'll see. The shift between more standardized and less will see a higher shift toward revenue at completion rather than percentage of completion. However, we do still have still a very significant backlog, so we will continue to see a good portion of revenue on the percentage of completion. However there will be an ongoing shift. Now, if that helps at all, we do see for the rest of the year maybe the impact of this timing of deferral of revenues to be between $0.00, to $0.01, to $0.02 per quarter.

Chris Murray - ***AltaCorp Capital Inc. - Analyst***

Okay. Thank you.

Andrew Arnovitz - ***CAE - VP of Strategy and IR***

I think you asked whether they were destined for customers, I believe. Yes. They're all destined for customers.

Chris Murray - ***AltaCorp Capital Inc. - Analyst***

When I'm trying to understand is if you're starting to build, call it stock simulators, or white shelf simulators, just to have the inventory there to respond to customer needs quickly?

Marc Parent - ***CAE - President, CEO***

We do that. Typically for high volume simulators It's a small proportion. Usually we try to sell them in the quarter.

Chris Murray - ***AltaCorp Capital Inc. - Analyst***

Okay. Great. Thank you.

Marc Parent - ***CAE - President, CEO***

You shouldn't see them in -- I mean, you will see some sometimes, but, you know, what the airlines or the manufacturers or the OEMs would call white tails, we do very little of those, although we do some just to be able to react to quick delivery.

Chris Murray - ***AltaCorp Capital Inc. - Analyst***

Okay. Thank you.

Andrew Arnovitz - ***CAE - VP of Strategy and IR***

Great. Operator. That's the time we'll take for questions from the investment community. If you would, please, open the call to questions from members of the media?

Operator

Thank you. (Operator Instructions).

Andrew Arnovitz - ***CAE - VP of Strategy and IR***

Okay. Operator, if there are no questions from members of the media, I want to thank all participants for their time today and to remind you that a transcript of today's call can be found on CAE's website at www.CAE.com.

Operator

Ladies and gentlemen, that does conclude the conference for today. We thank you for your participation and ask that you please disconnect your lines. Have a great day.