



CAE'S 2019 ANNUAL MEETING OF SHAREHOLDERS

Mr. Marc Parent, President and Chief Executive Officer

Ms. Sonya Branco, Vice President, Finance, and Chief Financial Officer

Wednesday, August 14, 2019

Montreal

ENGLISH VERSION

One CAE: Together for our customers

(VIDEO PLAYS)

Thank you John.

Good morning Ladies and Gentlemen and welcome to CAE's global headquarters! Thank you for joining us for our annual meeting of shareholders.

As you saw in the video, our customers are at the heart of everything we do, and more than ever, everyone at CAE is working together to **delight our customers**.

We are a diverse family of individuals, there are more than 10,000 of us today, working in different business units in over 35 countries around the world. As our ONE CAE value suggests, we work as a team, with one singular focus: to deliver excellence in training.

An ever-growing number of airlines, defence forces and healthcare professionals are recognizing CAE for its reputation as the industry leader and are entrusting us as their **training partner of choice**.

This was a milestone year for CAE. For the first time in our history, we delivered more than one million hours of civil aviation training. At the same time, we grew into what is now the largest civil aviation training company in the world, with nearly 300 full-flight simulators in more than 50 locations.

Every year, we train 220,000 civil and defence crewmembers, including 135,000 pilots, and thousands of healthcare professionals. We work with more than 300 airlines, major business-aircraft operators, and 50 defence forces.

Throughout our history, we have been driven by a noble purpose: to make the world a safer place. This is what motivates us every day. It is gratifying to know that the training we provide helps make air travel safer, prepares defence forces to be mission-ready, and enables medical professionals to save lives. This mission drives a passionate and committed workforce to deliver the highest levels of customer satisfaction.

(Fiscal 2019 – Record year)

Fiscal 2019 was a record year. I can't tell you how proud I am of our performance. It was quite simply our best year ever.

As shareholders I trust you share my excitement: our share price has increased by more than 30% over the past year alone, and if you look at the last decade, total return has been over 450%, far exceeding the TSX Composite Index over the same period.

Underscoring our performance and our positive long-term view, I am pleased to announce that CAE's Board of Directors has approved a one cent or 10% increase to CAE's quarterly dividend, which becomes 11 cents per share, effective September 30, 2019. This represents CAE's ninth consecutive dividend increase in as many years.

(PAUSE)

Let's have a look at what we have accomplished in our different segments over the past year.

(Civil aviation)

In Civil– the largest of our three business units – we are making a valuable contribution in shaping the future of training by delivering innovative and full-service cadet-to-captain training solutions.

We sold an unprecedented 78 full-flight simulators last year, and secured a higher number of long-term contracts, a sign of a healthy pipeline and of our ability to accelerate the pace at which airlines outsource their training to CAE.

Among the contracts we signed was a 10-year pilot training agreement with easyJet, exclusive multi-year pilot training agreements with Asiana and CityJet and an exclusive 15-year training outsourcing agreement with Avianca.

We have also grown our position in business aviation training with the purchase of Bombardier's Business Aircraft Training unit – a transformative move for CAE and our largest-ever acquisition. We were pleased to welcome 250 skilled employees to the CAE family, while expanding our market addressability to include operators of the nearly 5,000 Bombardier business jet fleet worldwide.

(Defence & Security)

In Defence & Security, our contribution is essential to providing training solutions to allied defence forces.

Among our key contract wins were the U.S. Air Force's C-130H Aircrew Training System program as well as the U.S. Navy's Contracted Instruction

Services program. We had major competitive wins with Lockheed Martin on the Canadian Surface Combatant program and General Atomics on the UK's Protector program.

We also signed training systems contracts with the Royal New Zealand Air Force for the NH90 helicopter, the German Air Force on both their Eurofighter and Tornado aircraft, Lockheed Martin on the C-130J for the U.S. Air Force, and with Boeing on the P-8A for the UK's Royal Air Force.

We anticipate new growth opportunities in the US with the strategic acquisition of Alpha-Omega Change Engineering. We welcomed 600 talented employees to CAE, and now have the ability to pursue, win and execute programs at higher levels of security classification.

(Healthcare)

In Healthcare, CAE is playing a leading role in making healthcare safer. Our training solutions are helping healthcare professionals and caregivers to hone their skills on patient simulators as opposed to real patients, thus reducing the risk of medical errors.

The steady stream of new simulation products that we have brought to market and the expansion of our salesforce led to accelerated revenue growth. We launched innovative products, such as CAE Luna, our simulator for neonatal and infant care training, and our emergency care mannequin, CAE Ares.

We also welcomed Rekha Ranganathan, our new President of CAE Healthcare, who brings deep commercial experience in the healthcare industry to help take CAE Healthcare to a higher level of scale.

(Activity Report)

The value CAE creates goes well beyond financial results.

Last year, we expanded our commitments in corporate social responsibility. We were active on many fronts, promoting workplace diversity and inclusion, implementing sound environmental practices at our sites worldwide and launching a program to recognize and encourage employee volunteering.

We also launched our new ethical principles for the responsible use of data analytics. As a leader in digital innovation, we want to affirm our commitment to adhere to the highest standards of ethical conduct in our dealings with employees, customers and all other stakeholders, when it comes to the use of data.

I invite you to read our interactive online Annual Activity and Corporate Social Responsibility Report to find out how our employees are helping make the world a better, cleaner and safer place.

(PAUSE)

Now I'd like to ask Sonya Branco, our Chief Financial Officer to provide us with an overview of our financial results.

Sonya Branco, Vice President, Finance and CFO

Good morning ladies and gentlemen.

As Marc mentioned, CAE delivered a record financial performance in fiscal 2019.

Annual revenue was up by 17% to \$3.3 billion, and annual net income before specific items was \$335.2 million, or \$1.25 per share, which is up 13% compared to the previous year. I'm especially pleased with our record \$4 billion in annual orders and record \$9.5 billion backlog, which underline CAE's positive momentum as the world leader in aviation training.

Overall for CAE, our strong operational performance translated into a good year from a cash flow standpoint. We generated a near one-to-one return of net income to free cash flow in fiscal 2019. Our strong balance sheet together with highly supportive capital markets enable us to pursue significant customer-driven, accretive investment opportunities, and continue our growth. Last year, we closed in our 13% multi-year return on capital employed target with an increase in return on capital to 12.9%.

(PAUSE)

For fiscal 2020, we're off to a good start in Q1 with 14% revenue growth and 15% higher operating income before specific items. Our earnings per share was \$0.24 before specific items, compared to \$0.26 last year. On the order front, we booked over \$940 million of orders, for a \$9.4 billion backlog.

As we look to the remainder of the fiscal year, our outlook for growth remains unchanged. Overall, we expect to continue exceeding underlying market growth. In Civil, we expect our operating income to grow in the upper 20 percent range on continued strong demand for our training solutions. In Defence, we expect mid to high single-digit percentage operating income growth as we deliver

from backlog and continue to win opportunities from a large pipeline. For Healthcare, we expect to achieve double-digit growth with our expanded salesforce and the continued launch of innovative products.

We continue to concentrate on three capital allocation priorities:

First, **investing in superior and sustainable growth**, either through acquisitions, which give us additional capabilities, or through continuing to deploy full-flight simulators to support client contracts or the outsourcing of training by our customers.

We have significant headroom in our core markets with highly accretive opportunities for investment, while continuing to deliver accretive returns. Illustrating this point, the capital invested in simulators throughout our global training network over the last five years has already ramped up to 20-30 % range pre-tax incremental returns within only 2 to 3 years of deployment.

Our second capital allocation priority is **providing our shareholders with current returns while generating long-term growth**. We have consistently increased our dividend, commensurate with the growth of CAE and the significant cash flow it generates. And in recent years, we have instituted a share buy back program. Taken together, over the last five years, CAE has returned more than \$620 million to shareholders.

Our third capital allocation priority is **maintaining a strong balance sheet**. With the strong free cash flow generation inherent to our business and the high level of free cash flow we expect from our recent training investments, we expect to further strengthen our balance sheet, by deleveraging over the next 24 to 36 months.

We are well positioned for accretive returns supporting our vision to be the training partner of choice.

Thank you for your attention and I now turn the podium over to our CEO, Marc Parent.

Marc Parent, President and Chief Executive Officer

Thank you Sonya.

As you can see, we had a fantastic year and our strategy to be the training partner of choice is working well for all of our stakeholders.

Here is a glimpse of what we have accomplished over the past 4 years since we launched our pivot to training strategy. We gained greater access to large and growing markets. We've continued to lead the market with 230 full-flight simulators sold over the past 4 years, and we built the world's largest civil aviation training network.

On the defence side we deployed two thirds of all new high-fidelity simulators and we became a top-tier Training System Integrator. We expanded our offering in Healthcare to pursue larger markets. CAE's long-term transformation has been profound. For a company deriving most of its revenue from products not that long ago, our revenues are now highly recurrent with over 60% coming from training.

We are well positioned for superior growth thanks to secular tailwinds in all of our markets, to our innovation leadership, and to our talented employees. As we look ahead, we will continue building on our positive momentum as a trusted partner for our customers.

We have an active pipeline of airline outsourcing opportunities. Our well-differentiated position gives us even greater potential for more long-term, recurring training partnerships for CAE.

And air travel is expected to continue to grow. In civil aviation alone, we forecast that 300,000 new pilots will be required globally over the next decade to support this growth and replace retirements. More and more airlines are turning to CAE to help them recruit and train their cadets, their next-generation pilots. Southwest Airlines was the latest one, we announced it two weeks ago.

As the leader in aviation training, we want to encourage young people to consider the noble profession of pilots. Trained pilots play a critical role in maintaining aviation as the safest mode of transportation, bar none.

To help them discover the profession and what the training journey entails, we held numerous recruitment drives globally, created a pilot portal, and launched a CAE pilot account on Instagram and Facebook. We increased our follower base by allowing our cadets, customer pilots and instructors to take-over the channel every week to share their experience live.

And we strongly believe that more women should consider becoming pilots -only 5% of today's airline pilots are women. To develop ambassadors and role models for other women, we have launched the *CAE Women in Flight* scholarships. Every year, these exceptional women will publicly share their pilot journey. We have already announced our first 3 winners with our airline partners: Georgina Thomas-Watson, a cadet with easyJet; Daniella Saucedo Orozco, a cadet with Aeromexico; and Bisma Petafi, a cadet with CityJet. We will announce additional winners in the coming weeks with our partners AirAsia and American Airlines.

In Defence and Security, the market is also highly supportive with governments around the world placing a high priority on mission readiness and looking at partners like CAE to help create and maintain critical operations personnel, including pilots. We are seeing good momentum as we convert a large bid pipeline into orders. We expect to continue winning our fair share by building on our successes as a Training Systems Integrator.

And finally, to make healthcare safer, healthcare professionals are increasingly looking at aviation --and simulation-based training-- as a model. Who else is better positioned than the leader in aviation training to have an impact in that area? CAE has the broadest portfolio of innovative simulation products and services in healthcare.

Our solutions are used by medical device manufacturers, hospitals, colleges and universities worldwide, and we believe the use of simulation will continue to expand. Already, value-based healthcare in the US, a model by which hospitals and physicians are paid based on patient health outcomes, is opening up new opportunities for CAE by linking training effectiveness to outcomes. I'm confident in the long-term prospects for Healthcare to become a material part of CAE.

What has always fueled our growth and will continue to do so in the future, is our ability to innovate. Innovation is in our DNA. It's our secret sauce. Last year, we made the bold commitment to invest 1 billion dollars in digital innovation over 5 years, to revolutionize pilot, aircrew and healthcare professional training. We will harness the power of digital to delight our customers and improve our customers' experience throughout their journey.

To accelerate our ability to leverage data analytics and artificial intelligence, we have established the Digital Accelerator team. It is a focused team allowing us to build competitive differentiators to please our customers, faster. Let's hear from them in this video.

(VIDEO- Digital Accelerator)

At the heart of our success are our people. We have a talented team and we want to continue to attract and retain the best employees. How? By continuing to be an employer of choice.

Our *One CAE* culture places a high value on employee empowerment and engagement. We listen to our employees' feedback through biweekly pulse surveys and react quickly. We increased our focus on wellness, physical and mental health. We now better promote employee development through regular conversations focused on coaching and agile goals.

We started transforming our workspaces to optimize teamwork, creativity and open innovation. Every day is different, that's why employees can choose the work set-up that works for them: more focus or more collaboration. The vibe, the cooperation and the energy you can feel in these modern workspaces is amazing. Soon, there will be 1,500 employees in these environments in Montreal.

And we believe it is imperative that every employee feels that they can contribute to our success, with no exception. Our Diversity and Inclusion initiative aims to build a more open and inclusive workplace where every employee can succeed. Our first focus has been on gender diversity and I have made it my personal mission to ensure that everyone at CAE can realize their full potential and have every opportunity for advancement.

Here too, we are making good progress. CAE was selected for the 2019 Bloomberg Gender-Equality Index. among 230 worldwide companies that are trailblazers in their commitment to transparency in workplace gender reporting.

In conclusion, I commend CAE employees for their dedication and excellence and I thank them for their contributions. We are **One CAE, together for our customers**, and I am proud to lead this great company, an industry leader, playing a key role in making the world a better and safer place for everyone.

I would also like to thank all the members of our Board for their advice and support, and of course you, our shareholders, for your trust.

Thank you.