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QUESTION AND ANSWER SESSION

Marc Parent, President and Chief Executive Officer

Operator, we'll now take questions from financial analysts.

Operator

Thank you. If you are a financial analyst and would like to register a question, please press the 1, followed by the 4 on your telephone. You will hear a three-tone prompt to acknowledge your request. If your question has been answered and you would like to withdraw your registration, please press the 1, followed by the 3.

One moment, please, for the first question. Our first question comes from Fadi Chamoun with BMO. Please proceed.

Fadi Chamoun

Yeah. Good afternoon, everyone. Thanks for taking my question. So, first question I have does the mid-20% EPS growth guidance that you reaffirmed take into account the expected divestment of healthcare? And secondly, I guess, I'm just trying to square off the pushback in the defense margin inflection point and the maintaining of the guidance for fiscal 2025, effectively.

Like the -- so are you still expecting defense margin to bounce back kind of in 2025? And to what level are you still thinking the double-digit is achievable, kind of in the back half of 2025? I'm just trying to square off the maintenance of this guidance, in the context of the divestment of healthcare and the weaker results in defense.

Marc Parent, President & Chief Executive Officer

Okay. Yes. Thanks for the question, Fadi. Look, our three-year guidance continues to be our target. We continue to see strong growth and profit improvements across the portfolio. I think it's safe to say, obviously, that -- as you point out, that we see incremental risk in defense, related to the factors we talked about -- new program ramps up, the timing of risk environment, the environment that we're in, in terms of the budgetary issues that we see in the United States, specifically.

But as I mentioned, we're very focused on closing out the work on legacy contract as soon as we can. So, I'm not giving guidance today about fiscal '25. But as we get closer to fiscal '25, if there's more color to provide, then I will do so. But the target's hard is the same. And with regards to the healthcare, I would say that the impact -- I mean, it's not nothing, but it's relatively minimal, in terms of its impact to the guidance that we've given and the results coming out of the sale.

Fadi Chamoun

Okay. And maybe one follow-up. Like I think we understand kind of the budgetary issues and some of the ramp-up on the new business that you have been -- like the backlog, obviously, has been growing. You've reported few quarters of increasing backlog, and outlook for defense is quite positive. But if we put aside this budgetary issue and potential for ongoing delays, how can we kind of understand what is the margin impact today from these legacy contracts that are eventually going to move out of the P&L?

Or whether that happens next year or the year after -- but is this 300-basis point, 200 basis point? Just trying to kind of understand what is the core profitability kind of run rate of defense and notwithstanding whatever delays are happening on the ramp-up of new business?

Marc Parent, President & Chief Executive Officer

Okay. Well, let me try to get to the -- to answer your question by pointing out some of the factors, and hopefully, we get there. Look, first of all, when we talk about these lower-margin drag programs, we're talking about a relative small number. We're talking about a relatively small number of contracts here, a fraction, a small fraction of our overall backlog. And I think it's important to note, as well, that none of those contracts are recent awards.

In fact, I look at the whole list of these finite programs, and they were all awarded before COVID. So, we -- well, imagine that the impacts that we see, although the small number of programs, the impacts of inflation, we're starting the inflation at 2% escalation, clearly, we're seeing inflation at 10%, 15% and compounded, has an impact. Staffing shortage has an impact. And those are the programs that were most impacted by those factors, as well as manpower shortages that we have. So those programs are more profoundly affected, and those are the ones that are weighing on the profitability of the business.

And at the same time, there's other factors. We see the impact of this inflationary environment. And part of it is some of those programs, we have very, very strong business cases to be reimbursed for the, actually egregious cost increase that we've seen. But in this kind of environment, there is no appetite for anything. But they're very -- we've been competitive for a very small portion of what we think we should be. I mean as well, not to pile on, but in this kind of budgetary environment that we see where we have a normal kind of end of budget year, what we call sweep-up money of defense budget, we haven't seen this quarter.

So, I mean, that's what's kind of happening with these drag programs. But when I think about the new programs coming up, first of all, and what we call our transformational programs, the ones that we talked about in the releases, programs like FTSS, like FAT (ph), like HADES. I think a no-wording point to make when you think about the profitability impact and when that -- they start impacting is that if I look at Q2, those -- when I think about the revenue coming from those transformational programs, only 3% of that was in our revenues for this quarter.

So 3% of those transformational programs were in the quarter, but yet, they make up 20% of our backlog. And those programs, those transformation programs are at very accretive margins that basically give us strong confidence in the targets that we put to our business, which is lower, double-digit profitability. So those are the elements that are at play here.

Fadi Chamoun

Okay. I appreciate the color. Thanks.

Operator

Our next question comes from Tim James with TD Cowen. Please proceed.

Tim James

Thanks very much. Just have one question here. And I'm just wondering if you could give us an update on the progress with AirCentre, how it's performing versus expectations, and sort of year-over-year comparisons? I know there was some integration costs in the quarter. Maybe just some details on what those costs were around and what that provides for the business, going forward?

Marc Parent, President & Chief Executive Officer

Well, look, yes, I think the first -- thanks for the question, Tim. What I would tell you, I'm very happy with the business, the progress that we're making. We are -- especially when I think about the success we're having in the market. You look at -- I mean, you've seen that going back to the Paris Air Show. So, the strong -- very strong orders that came out, for example, of airlines in India that -- specifically you saw Air India. Well, while we just signed a major contract with Air India, with our AirCentre suite of products. And considering that Air India is bringing together a number of airlines together, as part of Air India group, that is very, very promising, in terms of the business.

As well, I was just recently in Budapest, and the CEO and his team at Wizz Air. And they selected us for our AirCentre suite. So -- and that's just a couple. So, from a business, front-end standpoint, I'm quite happy with the business. And I shouldn't say that's the only thing I'm satisfied with. I'm very, very happy with the impact that we're making with our customers, with regards to how they see CAE, which is something you see as the natural owner of this business.

Look, it's taking -- it will take time to recognize revenue, because this is software as a service. Well, remember

that we bought AirCentre at seven times EBITDA. So, when I think about that and the money we're spending, we are making the investments that we wanted to make at the rate we want to make, to develop that business. And look, we're on track where we want it to be, and it's contributing positively to this quarter.

Tim James

Okay. Thanks, Marc. That's really helpful. I want to just actually ask one more question, if I could? The working capital in the quarter was great, really impressive. Just wondering, maybe if you can talk a little bit about were there surprises in there? What drove that? Is that kind of more indicative of what second quarters might look like going forward? Just any details on that strong performance.

Sonya Branco, Executive Vice President, Finance and CFO

Hi, Tim. Thanks for the question. Yes, no, like I said in the remarks, very pleased to see strong a reversal in working capital in the quarter. And really, this is not a surprise. This is really the outcome of continued focus on optimizing capital and our metrics. So, we saw good improvements all across the board, whether it's on our day sales outstanding, contract assets, and deposits on contracts. And so, these all contributed to the positive reversal of working capital. We expect that to continue, that momentum to continue in the second half, as (inaudible).

Tim James

Great. Thank you.

Operator

Our next question comes from Cameron Doerksen, with National Bank Financial. Please proceed.

Cameron Doerksen

Yeah, thanks. Good afternoon. Just a couple of questions on the restructuring activity. We see that, ongoing, in Q2.

Can you just maybe update us on where we are in that restructuring program? And how much of that, at this point, is reflected in your cost base?

Sonya Branco, Executive Vice President, Finance and CFO

So, I wouldn't think that, Cameron -- I wouldn't necessarily call it a restructuring program anymore. The restructuring program, we closed out last year. This is really continued integration of the two acquisitions. So, the flight service is one. Marc just spoke of it. We bought that at seven times EBITDA, knowing that there would be investments to harmonizing and modernizing the structure. And what we're seeing is investments in our more modernized IT infrastructure and migration of customers, which we expect to complete by mid next year.

On the L3Harris military training, this is really a second phase of our integration, which was -- which we had as a catalyst, was a major ERP implementation to harmonize all of those businesses, the legacy, and the new businesses together. So, this triggered a second phase of further planned integration and synergies on that side. And that's relatively towards this end.

Cameron Doerksen

Okay. So, we should expect, I guess, the outcome of these sort of integration activity to have maybe a more meaningful impact on -- on margins, as we look ahead to 2025, is that fair?

Sonya Branco, Executive Vice President, Finance and CFO

Sure. Yes.

Cameron Doerksen

Okay. And maybe just, secondly, just wondering if you could maybe talk about, I guess, what you're seeing as far as opportunities to deploy additional capital into the training network? What are you seeing on outsourcing opportunities, JV opportunities?

Marc Parent, President & Chief Executive Officer

Lots of opportunities out there, Cameron. And, you've seen what we're doing. I think we've -- from the outset, we came into this with a lot of dry powder. I mean, when we think about what we did, going back a little bit, through COVID, we didn't reduce the asset size. We put it at the right place. And in doing so, we took a lot of structural cost, back in the neighborhood of \$70 million, structural hard cost out of business. And we're seeing a lot of that come to fore today.

Since then, we've been seeing -- we've been seizing the opportunities that the market gives us. And you've seen that in the business aviation training centers that we've deployed. We had Singapore, we're opening up at Savannah very soon. We opened up Las Vegas, which has been very successful, thus far. We have Orlando, together with SIMCom opening up, and we're announced it in Vienna next year.

Outsourcing is -- look, I can tell you, the progress is pretty much as I indicated in the past. I'm very happy with what we've seen. We talked about Qantas before, was that -- I was just -- in the last month, I was in Athens with the CEO and his team at Aegean, and they're the largest carrier in Greece, and we've done a deal with them. There's other deals that I can't really talk about right now, but I can -- suffice it to say that we're traveling a lot, we're meeting a lot of customers, and we see opportunities to continue to grow and efficiently deploy capital, particularly in the civil network, which as you know, is very accretive to margins.

Cameron Doerksen

Great. Okay. I appreciate the color. Thanks very much.

Marc Parent, President & Chief Executive Officer

Thank you.

Operator

Our next question comes from Kevin Chiang with CIBC. Please proceed.

Kevin Chiang

Hi. Good afternoon. Thanks for taking my questions here. Maybe just turning back to defense. Maybe if I look at it at a high level -- and I know this math is overly simplistic. But if I just look at your run rate, I guess, adjusted segmented operating income, and I look at the capital employed into defense, your returns are kind of 3%, 4%. Presumably, with margins double or a little bit more than double, you'll get high, single-digit returns on that capital employed. That still feels, like relatively low to me, just thinking about the margin cadence you've kind of laid out over the medium term.

Just wondering, how do you think about driving that return higher? Is it kind of being able to grow revenue, while keeping that capital employed relatively static? Do margins need to actually get closer to the mid-teens, over time, to -- to maybe drive better returns? Just trying to think of the cadence of these return -- the returns on capital here, over -- maybe over a longer period of time.

Marc Parent, President & Chief Executive Officer

Well, as I said, over a long period of time, we feel very comfortable about the service, and -- and achieving the target that we've given of low double-digit margins. And look, it's clear that we're not where we want to be today. We'd rather not be here. But it's finite, it's temporary. It's not reflective of the long-term potential of the business. And again, the same factors are at play here. I mean, really, the two, overall factors that are at work -- number one, it's on risk retirement. And risk retirement on what we call these drag programs, and we're making progress.

In some cases, we're actually moving to accelerate it. I can tell you, like in this past quarter, there were a few programs that we've shifted to 7-day work weeks to basically accelerate the schedule and get these behind us. Obviously, when we do that, we incur extra costs, but I think it's worth it to make sure that we exercise contractual opportunity obligation to meet the schedule on those contracts.

In the case of new programs, as I talked about, and during the -- my remarks, we remain very bullish about the profitability of those new programs that we're winning, for all kinds of reasons. And such as, something that I've talked about on previous calls, like being able to leverage and exercise what we call commercial rates on government contracts. And that -- don't -- it's going to be a mix of programs. But in aggregate, the profitability of all those new programs that we're winning are very -- they we're -- they are very accretive to the margin obligation that we get.

So that's really what's happening here. And as I said, where we are today on those transformational programs - - again, in the second half, they make only 3% of our revenue. Next year, that's probably going to be about 15%. And obviously, accelerating as we go through the year. As you get into the end of the year, you're going to have more of -- basically, the revenue has been driven throughout the business, that's going to be from those transformational programs. And at the same time, we'll be substantially down the curve of retiring the risk on the drag program. So that's where -- what's at play here.

And of course, what's affecting those two trend lines are some of the factors I talked about, like basically contracts moving to the right, in terms of us being able to execute on a contract. Or, in a lot of cases, no fault of our own, if I should say, like in some cases, we've been selected for training contracts, but we've been delayed as much as six months, because the customer is not getting the airplanes on time, because the OEMs have been, themselves affected by supply chain challenges that are not able to meet the production rates. And of course, that means delays for us. So, all of those factors are at play here. But again, from a long-term standpoint, we feel very comfortable about the business.

Kevin Chiang

I appreciate the color there, Marc. Maybe just turning to civil -- we've been reading more -- obviously, there's a pilot shortage, and airlines are doing all they can to fill that backlog here. One of the things we've been reading about is just the advancements of pilots, pilots are moving from first officers to captain much faster. And I'm just wondering, does that create more training opportunities for you? Does that shift how you think about wet versus dry hours? Like if an individual can kind of move to their career faster than maybe what it looked like pre-pandemic, does that impact, maybe the mix of that commercial revenue between wet and dry, or even the number of events you're typically seeing over a one-year period, with an airline or with a specific pilot?

Marc Parent, President & Chief Executive Officer

Well, I think it does a few things. I think, first of all, to your question about anything that causes a pilot to change airplanes or change their position, from being a first officer to being a captain, then, by necessity and by regulation, and that's on a global basis, requires retraining. And our business is training, and we're by far the largest in the world. So obviously, that's going to be a

first order catalyst for us. So, for us, it's a positive catalyst for our business. There is no doubt about that.

The other component about this, is that we -- this -- the growth -- everyone is focused, as you would expect, to make sure that we do that safely. Everything is (inaudible) that entire -- that basically plays to CAE's strength, because no one trains more pilots in the world than we do. And that's where you see, for example, agreements that we have with -- for example, we announced last quarter with Boeing, that we signed, at the Paris Air Show with. And we're immensely proud of the partnership with Boeing, because that partnership is all about Boeing selecting us to deliver their competency-based training program, starting the -- more we announced and Boeing announced is starting in India.

And to me -- so that's -- that's CAE bringing technology to bear, bringing the sheer size of the footprint that we have, the amount of training hours that we do, the technology that we bring to be able to give objective, data-based insights to OEMs, such as Boeing and to airlines across, the world to make sure that they can efficiently -- basically bring on pilots, new pilots, move pilots to different positions at an earlier age, while still maintaining the safety of the skies that we enjoy. That's what we do.

Kevin Chiang

Thank you for taking my questions.

Operator

The next question comes from -- our next question comes from Kristine Liwag with Morgan Stanley. Please proceed.

Kristine Liwag

Hey, good morning, everyone -- or good afternoon. Marc, so maybe going back to the healthcare business -- the past few quarters, we finally see it to be profitable. Can you just give us a little background of why now, for the sale? And then also as a follow-on, I mean, the healthcare business was supposed to be an industry in which you had low market share, that you had the opportunity for growth. Now that you won't have healthcare anymore, are you thinking about another potential leg to the business, as a strategic area for growth?

Marc Parent, President & Chief Executive Officer

Well, anytime with healthcare, look. Together, in concert with the board, obviously, we're always looking at the portfolio to make sure that we're maximizing the value, and that's the value to all stakeholders. And so, in the specific case, to healthcare, we find ourselves in a place today -- and we've been looking at this for -- not overnight, obviously, but that the next wave of investment that's going to be required for this business is probably best made by new capital providers, so that we, at CAE, can drive more focused investment and synergy in our core.

So, we think now is the right time. And I'm absolutely convinced that Madison Industries is 100% the right owner for this business. I've had an opportunity to talk with the CEO, I think a couple of times, our shared values and our similar cultures, to me, make this transaction a perfect fit, again, for all stakeholders. And -- so that's really how I see that.

With regards to another leg, I mean, what you've seen is we've already done the other leg, and that's software. So, to a certain extent here, we're changing healthcare for software.

Kristine Liwag

Thank you, Marc. Really appreciate it.

Operator

Our next question comes from James McGarragle with RBC Capital Markets. Please proceed.

James McGarragle

Hey, good afternoon, and thanks for taking my question. So, I just wanted to ask another question on the defense margins, with regards to that low-margin business rolling off. So, I'm just trying to better understand how these contracts get retired. Is it as simple -- is that on a specific date, these contracts come off the books? And then the day after that, the margin profile improves by a certain percentage basis? Or is there -- a little bit more nuance than that? Because I'm just trying to get a better understanding on how these contracts get retired and

then what visibility, I guess, that you guys have into margin improvement, on the back of these contracts coming off the books.

Marc Parent, President & Chief Executive Officer

It's really a question of finishing the contracts. There are a number of contracts that we're executing that are to deliver products and services to specific customers, without getting into the specific nature of each one. Each one has a contractual end date, and there's assumptions, on our part, with regards to the cost it's going to take us to be able to complete those programs and deliver what we promised to the customers on time.

So -- and at -- literally on a weekly basis, we manage that to make sure that we basically can achieve what we said we're going to do -- complete on time at the schedule at cost that we assume. And that's really what we're talking about. And with regards to the assumptions we've made with -- that -- for us to be able to do that, portends the outlook of a deal.

James McGarragle

Okay. And are you able to provide some color on those dates, when those are going to be coming off the books?

Marc Parent, President & Chief Executive Officer

Look, I think that, to me, it's again, in aggregate, the trend lines are what -- are what we've said. Look, I think, if I look at overall, the programs that we have, I think it's safe to say that we'll be substantially complete with those, in totality, by the end of next year. That's part of it. Obviously, they will close on -- not all at the same time, but again, substantially complete by the end of next fiscal year.

James McGarragle

Okay. And then, just turning to the other -- civil side of the business, and I'm not asking for a fiscal 2025 guide, but more so thinking about how much room there is to recover to pre-pandemic levels of activity? And just looking at the most recent IATA data, still have passenger kilometers down 10% in Asia, down 4% in Europe. International travel is still down 7% versus pre-

pandemic. So, on a high-level basis, is the right way to think about growth in fiscal 2025, whatever we assume that the base business can do in civil, in a normal environment, plus, then, a continued recovery to pre-pandemic levels in Asia, Europe, and international travel?

Marc Parent, President & Chief Executive Officer

I think -- well, it's for sure that we're going to write it above pre-pandemic levels, no doubt about that. And again, as I was saying a while ago, when you think about the cost savings that we've taken out of the business, just by itself, even at pre-pandemic levels, would mean a higher margin, which you're already seeing in the results. Coupled onto that, there's -- business aviation is very, very strong. And that's a very good part of our business, from a profitability standpoint. You saw the outsourcings that we're making. There's more coming down that path. So, I'm quite comfortable with it, as well as a very strong demand environment that we're seeing across the whole business. So, we don't have a target, today for margins, except they're going to go higher.

James McGarragle

Thank you, very much. I'll turn it over.

Operator

Our next question comes from Benoit Poirier, with Desjardins Capital Markets. Please proceed.

Benoit Poirier

Good afternoon. Just to come back on the transformational program that you were awarded, Marc, you mentioned that there was only a 3% contribution in the quarter, and this will go up to about 15% next year. Could you maybe provide some color about the profitability, early days, for those transformational programs? Just wondering about the accretion, early days, whether they still contribute at a good profitability level or it takes two or three years before ramping up at a good profitability level.

Marc Parent, President & Chief Executive Officer

It depends on the program, okay, Benoit? Because it's a service contract, typically, they will -- it will take longer to -- because obviously, you're delivering service over time, rather than products, which tends to do it -- tends to turn into revenue faster. In both cases, they're going to be accretive to the double-digit goals that we have. So -- and that will happen right -- right from the get-go, right from the start. So, you won't have to wait long for that to start being accretive to the numbers that we see.

Benoit Poirier

Okay. And just based on the comments made earlier, about the pace for the legacy programs to ramp down -- you mentioned mostly completed at the end of fiscal year '25 -- consensus is currently expecting defense margin to high-single-digit next year, almost pretty close to double digit. Is that fair to say that it might be difficult to achieve, based on the comments made earlier?

Marc Parent, President & Chief Executive Officer

Well, as I said, we're not giving guidance of fiscal '25 today. So, I'll keep it -- what we say throughout the presentation here -- not any new guidance from what I've said.

Benoit Poirier

Okay. Okay. And last one for me -- capital deployment, Sonya, you made great color about reinstating returns to shareholders. In the opening remarks, you mentioned the focus on growth, debt repayment, investment-grade, and then return to shareholders. Are there any optimal ratio you would like to operate, going forward?

Sonya Branco, Executive Vice President, Finance and CFO

I think, like we mentioned in the past, the three times was not necessarily the goal, but a waypoint. So really, what we're seeing is that, we continue on the balanced capital deployment with deploying accretive capital, especially in the civil network, whether it's the training centers and the simulators to address demand. And these are highly accretive within 24 to 36 months, as we've seen in the past. And we'll continue to de-lever to kind of remain very comfortably, investment-grade. So ultimately, it's a balance of those and an ongoing conversation with the

board on potential capital returns -- shareholder returns, yes.

Benoit Poirier

Okay. Thanks very much for the time.

Operator

Our next question comes from Ronald Epstein with Bank of America. Please proceed.

Mariana Perez Mora for Ronald Epstein

Good afternoon, everyone. This is Mariana Perez Mora, on for Ronald today. So, my first question is about utilization rates. You have been growing a lot and penetrating in the civil training market and with all these training centers, and utilization rate is up to 71%. But you keep opening, like new sites. What is the sweet utilization rate, kind of like spot, when you think about both profitability but also being able to capture these opportunities? And when do you think you could achieve those type of like peak utilization, sweet spot rates?

Marc Parent, President & Chief Executive Officer

Well, look, I think basically -- it's tough to answer your question specifically, because you could -- I mean, we can theoretic can go up to 100% utilization, and higher on any of the training centers. And you know what? We actually do that today on a number of training centers. But you can't maintain it there for the cold fleet, as a whole because, obviously, you've got to spend time for maintenance, things like that. And I would say that 100% is not, like every hour of a year. I mean, in terms of our commercial aviation training, it's about 6,000 hours a year or business aviation training centers, it's a 4,500 hours a year, which is more reflective of the kind of schedules we can do with business aircraft.

But look, our utilization here is going higher, on average. We saw seasonality in Q2, because airlines have been flying a lot. If I looked at Europe this summer, it was -- they were -- it was very, very busy, and our utilization was substantially low in Europe this summer, but that's actually normal. We're back to seasonal rates, and that's bled a little bit onto Q3. But as we look forward, that's

recovering at a quite substantial way. So, our focus is on maximizing utilization, and with the demand that's there for us to be able to do that. So, I think watch for increased utilization.

And the last thing I would say is while we're opening up these new training centers and deploying a number of simulators, obviously, they're taking time to ramp up. So that's affecting the utilization that you see, because they may be half empty or quarter empty or not full at all yet. So that will affect the overall utilization that you see.

Mariana Perez Mora for Ronald Epstein

And is it fair to think about 80% kind of level, whenever you get to this like normalized ramp up?

Marc Parent, President & Chief Executive Officer

Well, we can achieve 80%. We've done it in the past. So, we don't have a target to stop. We'll maximize the utilization. There really is no sweet spot. And we're continuing -- all training centers are different, different whether it's business aircraft or commercial aircraft. Again, for us, it's about meeting the unmet demand that's out there and ramping up to satisfy it. And, we are deploying a lot of efforts and a lot of resources, both financial and human resources, to -- as part of our digital transformation, to improve the efficiency and the return that we get, and maximize the schedules of -- on the simulators and those training centers so we can increase the amount of training we do and increase the returns on those assets. That's part of what we're doing here.

Maria Perez Mora for Ronald Epstein

Okay. Thank you. And then I'll dig a little bit deeper on capital deployment and shareholder-friendly capital deployment. Getting to this like net leverage targets, how are you thinking about this? Like are you thinking about a regular dividend again, or more opportunistic kind of like special dividends or share buybacks?

Sonya Branco, Executive Vice President, Finance and CFO

So, we haven't come out with that view yet. We're on ongoing discussions, and so I won't necessarily get

ahead of our board today, but I can assure you that we're focused on, first of all, closing the transaction, the sale transaction, continuing to generate cash. And as a result, we'll continue that discussion and come back with quantum and vehicle in the future.

Maria Perez Mora for Ronald Epstein

All right. Thank you, very much.

Operator

Our next question comes from Konark Gupta with Scotiabank. Please proceed.

Konark Gupta

Thanks, operator. Good afternoon, everyone. I'll just stick to one question. In -- a lot of U.S. airlines are talking about their domestic demand as kind of plateauing or coming down, but they are kind of reallocating some capacity to wide-body aircraft for international travel. I'm curious if you are seeing any significant changes in reassignment training with pilots, especially with respect to your North American customers?

Marc Parent, President & Chief Executive Officer

No. All of those factors are just adding to what I talked about, Konark, in terms of the -- what we call the churn. Churn pilots moving, either narrow bodies to widebodies or copilot to pilot, or, on one plane to another from a regional. Anything like that triggers demand for training. And I could tell you, there's a lot of unmet demand out there, both in commercial aviation and business aviation. And as I said before, we're ramping up to satisfy it. And that is part what really gives me the optimism for the future, and basically the reality of what I see that leads me to raise the outlook that we have for civil in the back half of the year.

Konark Gupta

Thank you.

Operator

Mr. Arnovitz, there are no further questions at this time.

Andrew Arnovitz, Senior Vice President, Investor Relations & Enterprise Risk Management

Thank you, operator. I want to thank all participants on the call today, and remind you that a transcript of the call can be found later, on CAE's website. Thank you, and good afternoon.

Operator

That does conclude the conference call for today. We thank you for your participation, and ask that you please disconnect your lines. Thank you.