



CAE'S 2023 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Mr. Marc Parent, President and Chief Executive Officer

Constantino Malatesta, Chief Accounting Officer and Vice-president,
Corporate Controller,
standing in for

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

Wednesday, August 9, 2023

Montreal

ENGLISH VERSION

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Marc Parent, President and Chief Executive Officer

Good morning, everyone, and welcome to CAE's Annual and Special Meeting of Shareholders.

As you just saw in the video, fiscal 2023 was another impactful year for CAE, as we leveraged our technology, unparalleled thought leadership and partnerships to equip people in critical roles with the expertise and solutions to create a safer world. As we closed on a year of 75th-anniversary celebrations, we continued to build on our rich history and took a number of actions to transform our industry and our businesses.

In Civil Aviation, we eclipsed prior peak performance even before global passenger traffic had fully recovered to pre-pandemic levels, while Defense & Security continued to make solid progress in its multi-year transformation. In Healthcare, we delivered double-digit revenue growth through our dynamic team and highly innovative solutions. Around the globe, we worked as One CAE to expand our technology and market positioning, and to revolutionize training and critical operations for our customers.

CAE's digital transformation and expansion into new markets and business verticals have propelled us forward in our journey to becoming an even more resilient and profitable company, better positioned to capitalize on the increasing demand for our products and services. As we look toward the future, we see highly favourable secular trends in all of our end-markets that bode well for our growth.

For one -- as we shared at the Paris Airshow in June -- we estimate that 1.3 million new aviation professionals will be needed around the world over the next 10 years. They will have to be trained, which is -- as you know -- core to CAE's mission. We expect increased spending and specific prioritization on defence readiness as geopolitical events have galvanized national defence priorities in the U.S. and among Allies.

We also continue to see a high demand for nurses and increased opportunities for medical simulation -- two dynamics that CAE's solutions are well positioned to respond to.

Over fiscal 2023, we continued to revolutionize our customers' training and critical operations with digitally immersive solutions. As they prepare every day for the moments

that matter, CAE's next-generation technology offerings continue to elevate safety standards and enhance human performance.

In Civil Aviation, this means providing comprehensive training solutions for flight, cabin, maintenance and ground personnel in commercial, business and helicopter aviation. Today, we are the world's largest provider of training services with a global network of training centres, where we are on track to deliver 1.2 million hours of training every year. No matter where you fly, chances are that your pilot or your first officer has been trained in one of our training centres around the world or in a flight simulator designed and built by CAE here in Montreal.

If you travelled over the last few months, you may have noticed how busy airports are – testament to the strong rebound in air travel. For the first quarter of this calendar year alone, worldwide passenger traffic increased by 58% compared to the same period in 2022. At the end of May, global passenger traffic was at 96% of pre-pandemic levels. And in the United States, the Transportation Safety Authority reported a new daily record for passenger screening on June 30 – making it the busiest day in U.S. aviation history. Still, not all of our airline customers are back to their 2019 levels – specifically in Asia, where international traffic is lagging at about 75% of pre-pandemic activity.

Our strong competitive moat in the aviation market -- comprising an extensive global training network, best-in-class instructors, comprehensive training programs, unique technology, and strength in training partnerships -- positions us very well as the recovery in air travel continues.

During FY2023 and in the months since then, we launched, broke ground on, or expanded 8 training centres, secured more long-term training agreements, delivered 46 full-flight simulators, and sold 62 more. We booked a record \$2.8 billion in annual Civil orders, demonstrating the sustained high demand for pilot training solutions and our next-generation digital flight services. Civil concluded the year with a record adjusted backlog of \$5.7 billion.

Testament to our success and resilience, our long-term training service agreements now include nearly every major U.S. airline and that compares to zero, prior to the pandemic. Our teams also made excellent progress expanding our reach in digital flight operations solutions with the ongoing integration of AirCentre. This has granted CAE a unique capability to offer our customers scalable solutions that support end-to-end flight operations management, operational performance, profitability, and an enhanced passenger experience. To me, it's very impressive to think that today, every 5 seconds, a flight takes off using our software solutions.

In fiscal 2023, we also deepened partnerships with the announcement of a joint venture with AEGEAN, Greece's largest airline, and a 15-year exclusive agreement with the Qantas Group in Australia to develop and operate a new state-of-the-art pilot training centre in Sydney.

To be closer to where our customers need us to be, we strategically expanded our business aviation network in key locations when we broke ground on a new training facility in Savannah, Georgia, and launched another training centre in Las Vegas, Nevada. We also announced an upcoming business aviation training location in Vienna, Austria -- the first of its kind in Central Europe.

As a partner of choice, we further solidified our long-standing collaboration with Boeing, spanning commercial and defence portfolios across the globe. First, we announced a teaming agreement with Boeing in defence, to expand multi-mission platform collaboration in Canada, Germany and Norway as part of the P-8A Poseidon program. Two months later, we announced an agreement through which CAE will become a Boeing Authorized Training Provider and the first to offer its Competency-Based Training and Assessment curriculum. With this arrangement, Boeing and CAE will expand accessibility to high-quality, innovative flight training to commercial aviation customers worldwide. Our ability to offer partners such as Boeing a wide range of different cross-industry training solutions is one of the unique qualities that we are able to offer by operating as One CAE.

We expect the pace of change in aviation to be substantial over the next few years. The demand for trained aviation professionals continues to be driven by air traffic growth, retirements and by the number of aircraft deliveries. Over half the commercial and business aviation pilots who will be active a decade from now have yet to even begin their training.

In Defense & Security, we are the world's leading pure-play, platform-independent training and simulation business, providing solutions across all five domains and addressing the critical needs of our customers related to a rapidly changing environment and challenges to global security. We are uniquely positioned to draw on CAE's innovations and industry-leading training solutions in commercial aviation to transform defence training with the application of advanced analytics and leading-edge technologies. At the end of FY2023, our adjusted backlog stood at \$5.1 billion, and we expect to continue growing it with attractive opportunities in our bid pipeline.

Let me tell you about some recent successes that I am really excited about.

In the U.S., we won a US\$455-million contract for Flight School Training Support Services at Fort Novosel, Alabama, where we will train all of the U.S. Army's rotary wing pilots. CAE is also a key partner in Team Valor, providing training and simulation solutions for the U.S. Army's Future Long Range Assault Aircraft.

And it doesn't stop there! We were recently awarded a \$111 million dollar contract for the U.S. Air Force's Rotary Wing Introductory Flight Training.

With these wins, CAE now trains all 43,000 pilots across all branches of the U.S. military at some point in their career.

In the last month, we announced two new important contracts. One in the Land domain that is critical to the U.S. Army's rapid prototyping effort supporting the Soldier Virtual Trainer program. This is expected to replace more than 800 legacy training systems.

Also, we just announced that we are leveraging industry-leading business aviation training expertise to provide mission-critical solutions for the U.S. Army with a contract for

simulation-based training for the Army's key airborne intelligence, surveillance and reconnaissance system. The High Accuracy Detection and Exploitation System – also known as HADES -- is based on the Bombardier Global 6500 business jet, a platform for which we are the Global Authorized Training Provider.

Outside of the United States, we provide both basic and advanced flight training at NATO Flight Training Centres across multiple sites in Canada.

Additionally, leveraging our expertise and strategic partnerships, CAE has expanded training in Europe with the International Flight Training School in Italy, a joint venture with Leonardo Helicopters.

CAE also provides ab initio training for the German Air Force at CAE's Bremen Training Centre in Germany, and in Montpellier, France.

When it comes to training defence forces, our goal is to bring our men and women in service back home safely after their mission. And so, I could not be happier to share the fantastic news that SkyAlyne, the joint venture between CAE and KF Aerospace – both great Canadian success stories -- has recently been selected by the Government of Canada as the preferred bidder for the Future Aircrew Training – or FAcT – program, supporting next-generation pilot and aircrew training for the Royal Canadian Air Force. We will now move to the negotiation phase, with the eventual contract award expected in 2024.

This is a transformational capture for our Defense & Security business – truly a once-in-a-generation contract, representing a multi-billion-dollar training opportunity that -- once awarded -- will secure work for the next quarter century.

These recent wins are significant. They come at a time when governments worldwide are looking to private industry to help train more pilots. And it is clear that they are turning to CAE as a long-trusted partner.

In Healthcare, simulation-based training is one of the most effective ways to prepare practitioners for the moments that matter: treating patients, handling critical situations, and enhancing patient safety.

In addition, the aging global population will necessitate more care, at a time where there are limited talent and resources available to meet this increasing demand. This dynamic requires innovative solutions, and we believe that medical simulation-based training will be a key contributor to solving many of the challenges that society continues to face. We are proud to be gaining market share in this area. As an industry thought leader, CAE was selected to present an immersive learning lab at the industry's largest simulation event, the International Meeting of Simulation in Healthcare, in a session focused on the parallels between aviation and healthcare training to elevate quality and safety.

Healthcare continues to deliver year-over-year revenue growth with an organization focused on operational excellence and achieving greater scale.

CAE's markets are expanding. Our offerings in Civil Aviation and Defense share multiple layers of commonality, and as One CAE, we are finding ways to leverage existing technologies to gain new customers across many industries.

CAE has a rich and long history of innovation and delivering state-of-the-art technology solutions that define the forefront of the industries we operate in. For example, we conducted a field study with Japan's Air Self-Defense Force on our latest virtual reality and artificial intelligence-enabled digital solutions. It included biometric feedback technology to adjust complexity on data points like student stress or cognitive workload.

Moving forward, our approach is based on common solutions applicable to all of our segments. This means that more and more, we're integrating our "best of breed" technologies, benefiting from the scale of acquisitions that we've done over the past three years, and finding new ways to leverage those technologies within new markets.

With CAE Rise, for instance, we are taking a data-driven training system originally conceived for civil aviation that leverages analytics to make pilot training more effective, and applying it to defence-training scenarios.

Similarly, with CAE Prodigy, we are taking a defence-driven technology that offers immersive training through a one-stop-shop visual solution and applying it in our civil training portfolio.

During the fiscal year, we introduced several new mixed-reality training solutions that both utilize next-generation technologies and deliver ultra-realistic simulations. For example, we have launched a new mixed-reality simulator for the Advanced Air Mobility – or air taxi – market. With this sector, we are entering a new era of aviation, driven by electric propulsion technology. CAE has already established a number of partnerships with electric air taxi developers and looks forward to bringing advanced training solutions to market in lockstep with customer demand as this segment develops.

All of these are highly innovative concepts with real-life applications and are important building blocks that will drive greater levels of training efficacy and safety. With these CAE innovations, we expect to further widen our competitive edge and unlock new revenue streams.

Looking ahead, we are truly excited about this potential and by our R&D advantage, which we believe will define the technological forefront of our core markets in the years to come.

CAE continues to make strides in integrating environmental, social and governance matters into all aspects of our operations. We see sustainability as a critical component of our competitive advantage.

We were proud to become Canada's first carbon-neutral aerospace company back in fiscal year 2020. Embarking on the next leg of our sustainability journey, CAE has built a five-year sustainability strategic roadmap that includes enhanced disclosures for more than 15 new material topics and performance metrics.

Earlier this year, we were admitted to the Climate Group's Renewable Energy 100 initiative, a group of influential businesses, which are cross-sector and worldwide, united in their commitment to accelerating renewable energy use.

We are also making advancements in green technology aviation. In partnership with Piper Aircraft, we launched our electric aircraft modification program, in an effort to bring an electric variant option to market.

As the Advanced Air Mobility sector continues to develop, CAE has also been a leader in governance to help define training standards that achieve the highest levels of safety.

We take pride in CAE's talented workforce and actively nurture our unique workplace culture. I am honoured to share that CAE was recognized as one of Canada's Top 100 Employers earlier this year -- something I am extremely proud of. Ultimately, our goal is to build a workplace where everyone feels valued, included and a sense of belonging.

Toward this end, we continue to foster a culture of diversity, equity and inclusion across the organization and in our communities. Once again in FY2023, we have achieved our target of increasing the diversity of our leadership team by 10% year over year. And for the fifth consecutive year, we have been named to the Bloomberg Gender-Equality Index.

We have expanded our Women in Flight ambassador program intended to encourage young women to pursue a career in aviation. We are also continuing our journey to building positive and meaningful relationships with Indigenous businesses and communities.

These are only a few highlights of the many meaningful actions we have taken in our sustainability journey this year. To learn more, I invite you to read our FY2023 Annual Activity and Sustainability Report.

Now, I'm turning it over to Constantino Malatesta, Chief Accounting Officer and Vice-president, Corporate Controller to provide us with an overview of our financial results.

Constantino Malatesta, Chief Accounting Officer and Vice-president,
Corporate Controller

Thank you, Marc.

We delivered strong results in FY2023, with consolidated revenue for the year up 25 percent to \$4.2 billion. **Adjusted segment operating income** was up 23% to \$548.1 million, and annual **adjusted net income** was \$279.2 million, or \$0.88 per share compared to \$0.84 last year.

We had strong **free cash flow** of \$335.7 million for the year, for an annual cash conversion rate of 120%. We continue to target an average of 100% conversion rate going forward.

Uses of cash involved funding **capital expenditures** for \$268.8 million for the year, driven mainly by the expansion of our civil aviation training network in lockstep with secured customer demand. One example is the new business aviation training centre that we launched in Las Vegas in April. These opportunities translate to strong returns as our simulator assets ramp up within the first few years of their deployment.

Our **leverage ratio** has been improving rapidly since the middle of fiscal 2023, and we continue to expect net debt-to-adjusted EBITDA to decrease to a ratio of below three times by the middle of the fiscal year, taking into consideration our expanding EBITDA and ongoing funding of the aforementioned accretive organic growth investments.

Now to briefly recap our segmented performance...

In Civil, revenue was up 34% to \$2.2 billion and adjusted segment operating income was up 54% to \$485.3 million for a record annual margin of 22.4%. The higher revenue was driven by higher training volumes and a higher number of full-flight simulator deliveries compared to the prior year. We achieved a record margin for the year, despite, as Marc referenced, air travel not having fully recovered to 2019 levels in all regions. That's because of the excellent work that was done at CAE over the last couple of years to lower our recurring cost base. We are also benefiting from some mix improvements from the

structural expansion of business aviation and a greater proportion of revenue coming from training services overall.

For the year, **Defense revenue** was up 15% to \$1.8 billion, and adjusted segment operating income was down 55% to \$53.1 million, representing a margin of 2.9%. Over the course of the year, we had sequentially stronger quarterly results as a function of execution on legacy contracts, cost mitigations and some gradual improvements in the economic headwinds we have been facing.

And in **Healthcare**, revenue was \$192.7 million for the year, up 27%, and adjusted segment operating income was \$9.7 million for a margin of 5%. As a result of its operational improvements and its market share gains, Healthcare continues to deliver both top- and bottom-line growth at rates that are above market.

(Q1 FY2024)

As you may have seen in the financial results we published this morning, we are off to a strong start to fiscal year 2024. We reported **consolidated revenue** of \$1.05 billion -- 13% higher than the first quarter last year -- and **adjusted segment operating income** of \$145.1 million, compared to \$60.9 million in the first quarter last year. And adjusted EPS in the first quarter was \$0.24 compared to \$0.06 last year.

We also further bolstered our financial position and are on track to meet our leverage target by mid fiscal year.

Thank you for your attention and I will now turn the microphone back to our CEO, Marc Parent.

Marc Parent, President and Chief Executive Officer

Thank you, Constantino.

A year ago, we were just seeing the light of day after the disruption that the pandemic had caused. At that time, we set ourselves some ambitious goals for the way forward in terms of building partnerships, expanding our network and leveraging our technologies across new markets.

As I look back on everything that we have achieved over the last 12 months, I could not be prouder of this company. We are well on our way to achieving our goal of building a bigger, stronger and more profitable CAE, and we believe we have a bright future ahead of us.

For fiscal 2024 and beyond, we have a highly positive outlook, with clearly defined trends that are favourable across all of CAE's segments.

As always, we are working to capture more than our fair share in all of our segments, extend our competitive advantages, and continue to capitalize on emerging opportunities. We are delivering tangible success and driving strong order flow, with our significant backlog growing across our markets. CAE remains strategically positioned to meet our customers' needs and drive substantial top and bottom-line growth in the years ahead.

As air travel nears pre-pandemic levels, most airlines are relying on CAE for their critical training, digital operations support and crew management needs. As a result, we expect our Civil Aviation business to continue growing at an above market rate.

Secular tailwinds in Defense that favour our business include the increased focus on near-peer threats and a greater need for digital immersion-based synthetic solutions. With governments focusing on defence modernization and improved readiness, we see this sector as being in the early stages of an extended up-cycle.

And of course, we continue to seize the ever-growing opportunities within the healthcare sector. We are proactively addressing the increasing demand for healthcare workers with a new suite of training solutions, and we're leveraging advanced technologies to build sophisticated digital capabilities to continue to win in the marketplace.

In summary, I feel privileged to lead this unique company, whose cutting-edge training and critical operations solutions empower pilots, crew members, defence forces, and healthcare practitioners to perform at their best every day and when the stakes are the highest.

CAE's more than 13,000 employees worldwide are united by the values underpinning our mantra as 'partner of choice,' and are unwavering in their commitment to preparing our customers for the moments that matter.

On behalf of CAE's management, I want to thank our employees for their ingenuity and dedication, and recognize their essential contribution in making our vision a reality.

I am extremely pleased with the progress we made last year and in the first few months of fiscal 2024, which expands further the opportunities we see before us. We expect to continue making excellent progress in the year ahead and beyond.

In closing, I would like to thank Alan MacGibbon, our Board Chair.

Alan, your leadership and commitment to our shared vision for this company are truly valued.

I would also like to take a moment to acknowledge that the Honourable Sue Payton is retiring from the CAE USA Board this year. Sue has provided CAE with invaluable guidance and direction that is sure to have a lasting impact, notably as head of the Government Security Committee over the last few years.

The Honourable Michael Fortier, who served on CAE's Board for 13 years, will also be retiring. Few have excelled in both business and politics. We have been fortunate to benefit from his strong business acumen and his wealth of experience as a former cabinet minister.

In particular, he led the Human Resources Committee brilliantly, and Michael has definitely been pivotal in CAE's growth and success.

Please join me in thanking these two Board members for their contributions and their friendship over the years.

Finally, I would 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.