

CAE to acquire Bombardier Business Aircraft Training for US\$645 million to expand its position in business aviation training

- **Expands CAE's addressable market of customers operating one of the largest and most valuable in-service fleets of business aircraft in the world**
- **Enhances CAE's position in the largest and fastest growing segment of business aviation training, involving medium- and large-cabin business jets**
- **Increases Civil segment recurring and instructor-led (wet) training revenue**
- **Earnings and Free Cash Flow accretive in first full-year with attractive growth profile**
- **Additional US\$155 million to monetize existing future royalty obligations to Bombardier and extend CAE's Authorized Training Provider status to 2038**
- **Acquisition value represents approximately 9x one-year Forward EBITDA⁽¹⁾**
- **Fully financed transaction with proforma leverage remaining in target range**

Montreal, Canada, November 8, 2018 – (NYSE: CAE; TSX: CAE) – CAE has agreed to acquire Bombardier's Business Aircraft Training (BAT) business for an enterprise value of US\$645 million, expanding its ability to address the training market for customers operating Bombardier business jets, which at more than 4,800 aircraft, is one of the largest and most valuable in-service fleets of business aircraft in the world. The acquisition will also serve to expand CAE's position in the largest and fastest growing segment of the business aviation training market, involving medium- and large-cabin business jets. The acquisition provides CAE with talented people, a portfolio of customers, and an established recurring training business which is highly complementary to CAE's network. The Bombardier BAT business includes a modern fleet of full-flight simulators (FFSs) and training devices covering the Learjet, Challenger and Global product lines, including the latest large cabin Global 5500, 6500 and 7500 business jets.

In its first full year following the closing of the transaction, the acquisition will provide CAE high single-digit percentage earnings accretion and will be accretive to free cash flow⁽²⁾. It is also expected to be accretive to CAE's Civil segment operating income (SOI)⁽³⁾ margin by approximately 100-150bps. The acquisition enterprise value of Bombardier's BAT business represents a multiple of approximately 9x one-year Forward EBITDA⁽¹⁾. The EBITDA⁽¹⁾ is expected to grow at a double-digit pace; driven by demand from the existing large installed base of Bombardier business jet operators; and the ramp up of recent and already planned FFS deployments. The acquisition of Bombardier's BAT business is subject to regulatory approvals and is expected to close by the second half of calendar year 2019.

In addition to the agreement to acquire Bombardier's BAT business, CAE has agreed to pay US\$155 million to monetize its existing future royalty obligations under the current Authorized Training Provider (ATP) agreement with the business jet manufacturer. This also involves the extension of CAE's ATP agreement to 2038. The monetization represents the discounted sum of royalties payable by CAE over the next 20 years, and the transaction is expected to close by the end of CAE's current fiscal year.

In view of the expected timing of the transactions, CAE's outlook for its current fiscal year 2019 remains unchanged.

The transactions are aligned with CAE's capital allocation strategy, to balance growth investments with cash returns to shareholders, while maintaining CAE's investment grade profile and a target return on capital employed⁽⁴⁾ of 13 percent by fiscal year 2022.

"CAE is the largest independent Civil aviation training company in the world, and we are proud to support the many business aircraft operators, airlines, and aircraft manufacturers who rely on CAE as their partner of choice for the

most comprehensive and innovative training solutions,” said Marc Parent, CAE’s President and CEO. “This transaction represents a win-win for both companies, resulting in enhanced core focus. We look forward to having increased addressability in the large market of Bombardier business jet operators, and to providing customers with a world-class training experience. Market fundamentals in business aviation are strong and the business we are acquiring is well-supported by a large installed base. We are expanding our position in the largest and fastest growing segment of business aviation training at an opportune time.”

Marc Parent added: “We welcome the highly-talented employees of Bombardier Business Aircraft Training. We value your expertise and customer focus; as part of the CAE team, you will continue to provide best-in-class training to pilots and technicians for Bombardier business aircraft.”

The Bombardier BAT business will be integrated smoothly with CAE since its operations are already co-located within CAE’s Dallas and Montreal training centres. Once integrated, Bombardier business jet operators will have even broader access to training, with a total of seven CAE business aviation training locations worldwide.

With this agreement, CAE will be adding 12 Bombardier business aviation full-flight simulators to its training network (including one deployment already planned for CAE’s fiscal year 2021), for a total of 29 business aviation FFSS available for training worldwide, with further growth planned in the near- to mid-term. CAE operates more than 80 business aviation full-flight simulators in its training network.

The acquisition increases CAE’s ability to address the long-term and growing market demand for business aviation professionals. CAE estimates that there will be a need for 50,000 new business aviation pilots over the next 10 years (Source: *CAE’s 2018 CAE Airline and Business Jet Pilot Demand Outlook*, available for download at www.cae.com/civil-aviation).

CAE is financing the acquisition with a combination of cash on hand, drawing on its existing bank facility and new committed term loans.

TD Securities acted as exclusive financial advisor to CAE.

Presentation slides

This press release is accompanied by presentation slides which are accessible via CAE’s Investors page at www.cae.com/investors/

Conference call for financial analysts and media

CAE will host a conference call and live webcast to discuss the acquisition today at 7:15 a.m. ET. The webcast will be accompanied by presentation slides which are already available at <http://www.cae.com/investors/>. The call is intended for financial analysts and institutional investors and will be followed by a media Q&A. Participants can listen to the conference call by dialing 1-877-586-3392 or + 1-416-981-9024. The webcast will be accessible on CAE’s Investors page on www.cae.com/investors/ or at <http://www.gowebcasting.com/9793>.

About CAE

CAE is a global leader in training for the civil aviation, defence and security, and healthcare markets. Backed by a record of more than 70 years of industry firsts, we continue to help define global training standards with our innovative virtual-to-live training solutions to make flying safer, maintain defence force readiness and enhance patient safety. We have the broadest global presence in the industry, with over 9,000 employees, 160 sites and training locations in over 35 countries. Each year, we train more than 120,000 civil and defence crewmembers and thousands of healthcare professionals worldwide. www.cae.com

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Cautionary note regarding forward-looking statements

This news release contains forward-looking statements and information within the meaning of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995, including, without limitation, as it relates to our proposed acquisition of Bombardier's BAT business as referenced herein, as well as certain expectations with respect to the same. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of words such as "may," "will," "intend," "believe," "expect," "anticipate," and similar references which are intended to identify forward-looking statements. Statements in this news release, other than statements of historical fact, are forward-looking and are subject to important risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events. These statements do not reflect the potential impact of any non-recurring or other special items or events that are announced or completed after the date of this news release, including mergers, acquisitions, or other business combinations and divestitures.

Specific risks and uncertainties relating to the transaction described in this news release include, but are not limited to: the completion of the proposed acquisition may not occur on the anticipated terms and timing or at all; the required regulatory approvals may not be obtained; potential adverse reactions or changes to business relationships resulting from the announcement or completion of the proposed acquisition; the potential impact of unforeseen liabilities on the future prospects, business and management strategies for the management, expansion and growth of our operations after the consummation of the proposed acquisition; the risks and costs associated with, and our ability to, integrate Bombardier's BAT business successfully and to achieve anticipated synergies; and management's response to any of the aforementioned factors.

You will find more information about the risks and uncertainties associated with our business in the MD&A section of our annual report and annual information form for the year ended March 31, 2018. These documents have been filed with the Canadian securities regulatory authorities and are available on our website (www.cae.com), on SEDAR (www.sedar.com) and a free copy is available upon request to CAE. They have also been filed with the U.S. Securities and Exchange Commission under Form 40-F and are available on EDGAR (www.sec.gov). The forward-looking statements contained in this news release represent our expectations as of the date of this news release and, accordingly, are subject to change after this date. We do not update or revise forward-looking information even if new information becomes available unless legislation requires us to do so. You should not place undue reliance on forward-looking statements.

Non-GAAP and other financial measures

This news release references certain non-GAAP and other financial measures. Management believes these non-GAAP financial measures will provide investors with useful supplemental information about the financial performance of our and the proposed acquisition's business. Non-GAAP measures are useful supplemental information but may not have a standardized meaning according to GAAP. These measures should not be confused with, or used as an alternative for, performance measures calculated according to GAAP. They should also not be used to compare with similar measures from other companies. Management believes that providing certain non-GAAP measures provides users with a better understanding of our results and trends and provides additional information on our financial and operating performance.

⁽¹⁾ EBITDA: earnings before net finance expense, income tax expense, amortization and depreciation.

⁽²⁾ Free cash flow: net cash generated by continuing operating activities, less maintenance capital expenditures, investment in other assets not related to growth and dividends paid, plus proceeds from the disposal of property, plant and equipment, dividends received from equity accounted investees and proceeds, net of payments, from equity accounted investees.

⁽³⁾ Segment operating income (SOI): operating profit excluding the impact of restructuring, integration and acquisition costs.

⁽⁴⁾ Return on capital employed: rolling four-quarter period net income attributable to equity holders of the Company excluding net finance expense, after tax, divided by the average capital employed.

Refer to the definitions in this news release and to “Section 5 - Non-GAAP and other financial measures” in our first quarter ended June 30, 2018 MD&A for more details, available on our website (www.cae.com) and under our profile on SEDAR (www.sedar.com) and EDGAR (www.sec.gov).

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