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Kevin Chiang, CIBC

Good morning. Thanks for taking my questions. Let me just -- two for me. The first one on your -- I guess your recovered SOI margin target, you stuck to the 17%, which gives us a North Star as your revenues recovered here. But that number hasn't changed, I think, over the past few quarters here. Obviously, the inflationary environment has. And I'm just wondering, you know, how do you see those margins progressing here, given the current inflation environment?

Did the composition of that 17%, has that changed, or do you feel like maybe structuring efforts more than offset the inflationary pressures, or maybe pricing power helps with another lever? Just wondering how that 17% comes above in a higher inflationary environment here.

Marc Parent, President & Chief Executive Officer

It hasn't changed much, Kevin, yet although we're certainly not unaffected like anyone else with the inflationary environment. But, you know, we've taken steps to protect ourselves from that through various factors, and some of those you mentioned with is being able to pass on some of the costs on to price increases to offset. We relentlessly reduce our costs. That helps as well. We have built in, you know, measures in our contracts to be able to cater for that as well and in a kind of normalized fashion.

And I think in terms of the composition, it hasn't really changed. We were expecting higher peak margins in Civil. And, you know, we expect certainly to get within our planning horizon to low double digits margin in Defense. I think that composition hasn't really changed. That's still our North Star.

QUESTION AND ANSWER SESSION

Andrew Arnovitz, SVP, IR & ERM

Thank you, Marc. Operator, we'll now be ready to take questions from analysts and institutional investors.

Operator

Our first question is from Kevin Chiang of CIBC. Please go ahead.

Kevin Chiang, CIBC

That's super helpful. And maybe just a second one for me. You know, a lot of headlines around the pilot shortage, especially in the U.S. and one of your partners, JetBlue, recently noted that one way they are combating this is leveraging, I guess, a Gateway program, which I believe you have a partnership with them. And believe they felt that focusing on onboarding cadets early was helping them get in front of the labor bottleneck.

And so, I'm wondering, you know, as other airlines facing pilot shortage issue, are you seeing increasing conversations around setting up Gateway programs with other U.S. airlines or global airlines, with the idea if you can kind of get the cadet in early that might help alleviate

the pilot shortage, you know, as you kind of look down -- look down the supply chain?

Marc Parent, President & Chief Executive Officer

Well, I think first off, we're very proud of the relationship we have with JetBlue as well as other airlines in the United States and around the world with programs like the Gateway program that we have with JetBlue. And yeah, we're seeing strong demand. As I mentioned in my notes. The enrollment in our flight schools, particularly the one we have in Phoenix that caters for JetBlue, amongst others -- American, for example -- seeing record order intake in terms of cadets.

So, look, we are basically seeing airlines being impacted by pilots certainly in the United States strongly right now. And we're doing everything that we can to be able to support them with, you know, providing pilots through our Parc Aviation business, for example, which we do. We supply pilots, and that's seeing some strong demand.

We're also seeing, as I mentioned, the enrollment in our schools. And look, I think this is something that will continue to be a factor. And the fact that airlines are in great need of pilots, to me it means long-term business for CAE as the largest provider of pilot training in the world. Some we're going to continue to help our airline customers and expand those programs.

And, you know, our own focus, our own actually forecast on this is -- I think we've said before -- is that we estimate that over 264,000 new pilots are going to have to be created over the next 7 to 8 years to accommodate, you know, the retirement that we've seen, the attrition that we've seen, as well as the new growth that's going to come across, just assuming kind of the growth that IATA is anticipating. So, look, I think we're going to have a lot of business going forward on this.

Kevin Chiang, CIBC

Excellent, thank you for taking my questions.

Operator

Thank you. The next question comes Konark Gupta of Scotiabank. Please go ahead.

Konark Gupta, Scotiabank

Good morning and thanks, everyone. Just wanted to kind of follow up on Kevin's question on the pilot shortage. Is there a way, Marc, to quantify the population of -- the current population of pilots going through training at this time versus what it was prior to the pandemic?

I'm just trying to get a sense of, you know, like if the pilot shortage is there, is it hurting the airlines from growing above and beyond the pandemic? Or is it a hurdle for them to get back to the fold, pre-pandemic

Marc Parent, President & Chief Executive Officer

I think it's definitely a headwind right now, and I think they're better positioned to be able to answer that question than I am. But it really depends on the airline, and you're really seeing that materialize itself mainly at feeders, feeders to the main lines. Because largely, the main lines have been able to cater it, although they're seeing some of that hit as well, you know, some of our major partners in the United States.

And definitely, I think we're seeing extraordinary level of demand right now, in the United States specifically -- we've talked about before -- which is benefiting our market quite substantially. That's why you're seeing very high levels of utilization in the United States specifically. It's a fact that we've been talking about it. And there's a lot of, you know, Delta training being caused by the fact that you're bringing on more pilots.

So, look, I think it's something that I don't think structurally, it's going to affect the recovery overall of the market in any sustained fashion. But there's no doubt -- there's no doubt that it's having an effect right now. As I think I've said many times before, I think it's a great time to start a pilot career. I think we would have growth for years to come, and I think that's going to be a strong driver for our business at CAE. We're the largest trainer of pilots in the world.

Konark Gupta, Scotiabank

Right. No, makes sense, thanks for that.

Marc Parent, President & Chief Executive Officer

I mean, you see that by the way -- you see that by the way just in the -- as I was mentioning in my notes, the strong demand that we've seen for full-flight simulators. I mean, all of last year we had 11 full-flight simulators sales. And in the past year that we just closed, we had

45. That is for the year. I mean, that is a huge ramp-up. So -- actually, 48 for the full year. That's a huge ramp-up, something that we've never seen in terms of going from a downturn.

Usually, there's a two or three-year lag. We've had no lag. This has been a huge V-shaped recovery. And again, that is testimony to the airlines stocking up on simulators so they could train and provide type ratings to new pilots.

Konark Gupta, Scotiabank

Thank you. And the second is to Defense, actually. So like you did last quarter and the quarter before, like you've seen a pretty significant acceleration, I think, in defense order intake. And obviously, now you have L3Harris as well, so that's kind of placed into the mix, too. But the bid pipeline here, what you're kind of suggesting, it's not of \$8 billion.

I don't think we have seen those kind of numbers before. Historically, it's probably more than twice what we used to see prior to the pandemic. I'm just trying to figure out if there's any momentum in defense order intake on bid pipeline because of the recent announcements by global defense forces to increase defense spending, or that has still to play out? Like where are we in terms of that cycle for global defense spending ramping up?

Marc Parent, President & Chief Executive Officer

I mean, to your question, that has still to play out. What you're seeing in the much larger backlog of bids is us bidding more and bidding larger with our combined capabilities of what is called -- we call it CAE legacy, and our business combined with L3Harris Military Training. That's what you're seeing here. We're seeing much more opportunities to bid.

And as I said in my notes, there is almost -- there is no contract that's too large or too complex in our addressable market for us to bid. So I think that's very positive. And again, as I said, you're seeing a much larger level of bidding activity and you're seeing fruits of that through -- I mean, if you look at every quarter last year, we started the year with less than book-to-bill.

Then you had, I think, Q2 you had pretty much 1-to-1. Then you have over 1 into Q3, and much higher than Q1 in Q4. I think that's a nice trend. And as I said, it doesn't turn into revenue immediately, but it definitely shows you that we're on the right path. And over the next few quarters, definitely that will start to make an impact to our results as it translates into revenue.

Konark Gupta, Scotiabank

That's it for me. Thank you so much.

Andrew Arnovitz, SVP, IR & ERM

Operator, just to make sure that everybody has a chance to ask a question, maybe we ask participants to stick with a single-part question, and we're happy to take more if time permits and just re-enter the queue. Thanks.

Operator

Thank you, noted. The next question comes from Cameron Doerksen of National Bank. Please go ahead.

Cameron Doerksen, National Bank of Canada

Yeah, thanks, good morning. I had a question on, I guess, the Air Center acquisition. I mean, you closed that during the fourth quarter. Just wonder if you can comment on kind of your early thoughts on the business and how it's integrating into the existing CAE business.

And can you also maybe talk a little bit about sort of the recovery pace for that Air Center business; how does that compare, I guess, with kind of the airline pilot training demand, to just sort of, you know, compare and contrast those two?

Marc Parent, President & Chief Executive Officer

Well, what I'd say, Cameron, is the integration is progressing very well since we closed the acquisition on March 1. We've seen no surprises. I'm very excited about the potential as we move, as I was saying in my notes, from really being a training partner to the world's airlines to a technology partner; have been very, very happy about the reception of our customers.

You know, as we said when we talked about the acquisition, it's almost 100% overlap between those customers that we serve on a training -- from a training or simulator standpoint to those that use any one of Sabre AirCenters -- what we used to call Sabre AirCenter and now is CAE Flight Services, you know, as software tools.

So very, very pleased with how that's going. I've got one of my top CAE executives running that business, Pascal Grenier, and we're very excited about what we see. In terms of its growth, I think no surprises there. Look, the business this year was very highly correlated to the

amount of planes flying, the amount of crews flying. And it's basically our performance being lockstep with those numbers, and we're very happy with what we're seeing before us. I think more to come. I think the fact, to me, is like what's extremely positive about that is we're adding, you know, \$2 billion of total accessible market now in Civil. And, you know, a market where really we're talking about just growing the level of business that we do with our existing customers. So more to come, but so far, great start.

Cameron Doerksen, National Bank of Canada

Okay, great to hear. Thanks very much.

Operator

Thank you. The next question comes from Fadi Chamoun with BMO. Please go ahead.

Fadi Chamoun, BMO Capital Markets

Good morning. Thanks for taking the question, and congrats on strong orders. The civil aviation, Sonya, can you quantify for us like how much these remeasurement of royalty and reversal of few of the earn outs contributed to the aviation in the fourth quarter?

Sonya Branco, EVP, Finance and CFO

Sure, Fadi. So, you're right, there was a higher level of gains this quarter. and this came from the remeasurement of royalties and contingent considerations. And the royalties themselves are pretty much a recurring item every year. If you go back to Q4, we had some last year as well. And it's really kind of based on a 20-year-plus horizon estimate. So it flowed through all three segments, but the larger proportion was in Civil.

Now, the accounting presents that on the other gains and losses line. What it doesn't consider is that we did have a host of other higher than usual costs that are not necessarily kind of singled out in that separate line, but are in cost of goods sold and SG&A. So, for example, with the omicron and the BA.2 waves, there was a significant ramp-up in our COVID protocol and security costs, including like higher costs and productivity from impact from absenteeism, and also some unusual supply chain logistic costs that we see as temporary, but that increased in the quarter.

So on a whole, it was not overly material to see, and it's just Civil as a whole, right? So really not a major impact on dollar or margin. And while we're speaking about that, I'd just highlight that these gains are relatively non-cash. So despite that, we delivered pretty strong cash conversion of 131%. So it kind of speaks to the operational performance and the quality of earnings, in the quarter and the year.

Marc Parent, President & Chief Executive Officer

And maybe I could add to that -- I could add as well, Fadi, that another confidence you might gain is the number that we have is the baseline for the growth forecast that we have of 30%. So that's the number we start with. We don't try to normalize it.

Sonya Branco, EVP, Finance and CFO

Yeah, the growth outlook that we give for next year in the mid-30% range is off the adjusted SOI of \$445 million, and that includes all of these items.

Fadi Chamoun, BMO Capital Markets

Okay. And that growth number for next year is applied the same, kind of onto Defense and Aviation.

Sonya Branco, EVP, Finance and CFO

Yeah.

Fadi Chamoun, BMO Capital Markets

Mid-30% growth, okay. Okay, is there an organic growth number within the aviation that you are assuming, because I know [Inaudible] will have the full contribution next year, and you've had some cost restructuring initiatives and all of that. Like what would be the organic growth you're assuming?

Sonya Branco, EVP, Finance and CFO

We factor all of those elements, whether it's the -- as we integrate, really, you'll be driving organic and revenue and cost synergies, as well as the impact of the structural cost savings and the ramp-up with our own recovery and expansion of our market position with customers.

Fadi Chamoun, BMO Capital Markets

Okay, great, thanks. We'll see you next week, I guess. Thank you.

Operator:

Thank you. The next question comes from Benoit Poirier of Desjardins. Please go ahead.

Michael Kypreos, Desjardins

Yes, hi. This is Michael of behalf of Benoit. Congratulations on the good quarter. I just – can I have a little more color on the cloud computing and transition adjustment for EBIT? Was it just a matter of fact of moving legacy systems and software to the cloud from the previous system? Thank you.

Sonya Branco, EVP, Finance and CFO

No, not an operational item at all. Frankly, it's just new guidance coming out of IFRS on how to account criteria for cloud computing in SaaS. You know, companies have growing ERPs that are either kind of housed in-house or on SaaS applications.

So new or revised guidance on that front, and so that we are just applying the updated guidance as an accounting change. And so it's really nonrecurring in nature, but nothing operational.

Michael Kypreos, Desjardins

Thank you, I appreciate it.

Operator

Thank you. And the next question comes from Benoit Poirier of Desjardins. Please go ahead.

Benoit Poirier, Desjardins

Yeah, okay. I was finally able to join, so good morning, everyone, and congrats for the good quarter. Marc, looking at the global defense budgets, obviously trending upward. Could you provide some color about the timing of when we might see the potential implications and whether you see greatest opportunity, either on the service or product side? Thank you.

Marc Parent, President & Chief Executive Officer

Well, I think I'll always start that question to say that the day that CAEs revenues are a proxy for the growth of the U.S. defense budget or any budget, I'll be very happy. So that's not the case. We're still, although we are very big in our space, I think the size of that budget dwarfs any aspiration. So the fact that they're going up is a good sign, but I think, you know, we can do very well, thank you, and grow beyond the levels of growth of those inherent budgets. And that's certainly our growth outlook.

I think we'll do well. We're very well in line with the priorities that are inherent in the defense budgets which, as I said, is make sure that -- the readiness for the near-peer fight. That's what we do and that's been made even much stronger now with our combined business with L3Harris Military Training business. So, look, I think it's going to be a combination of both products and services.

And I --when I look at the backlogs that we see, it's basically a mix of the two. So I wouldn't go too much beyond that except that, again, we're forecasting strong growth in defense, and we're well on the path to be able to do that. And, you know, I think don't look at -- continue to look at Defense on a 12-month basis. That's what I would always look. The orders that we've won in the past year, which is very, very encouraging, I expect will continue.

Again, look at this on a 12-month period basis. It will translate to revenue in the upcoming periods. And we're well on the way to the target that we have for strong growth and low double-digit margin in Defense.

Benoit Poirier, Desjardins

Thank you very much

Marc Parent, President & Chief Executive Officer

And I think that's – that's the way I'll see it, Benoit.

Benoit Poirier, Desjardins

Okay, that's great color. Thank you very much.

Operator

Thank you. The next question comes from Noah Poponak of Goldman Sachs. Please go ahead.

Noah Poponak, Goldman Sachs

A lot of questions in the marketplace about the assumptions behind the '23 framework of segment EBITDA mid-30%. Appreciate that, you know, different companies are providing different versions of guidance, and that you've given us some framework. But perhaps you could just put a little more detail behind that, in terms of what you're seeing in the segments. You know, what kind of utilization rates you're assuming, what kind of growth you're assuming in the segments maybe.

And I guess particularly on the margins, you know, the margins changed through the year a lot last year. So, you know, how to maybe the margins compare to the exit rates of 2022. You know, anything that stands out, I guess, would be helpful.

Marc Parent, President & Chief Executive Officer

Well, I don't think -- you know, when I look at the basis of your question, I'm not sure too much will stand out, except maybe perceived lumpiness through quarters. You know, I've said many times and I've said it again in the -- in our notes -- to expect more of a back-ended 2022, and there's a reason for that.

The reason for it, if I look at Civil specifically. First of all, I'll tell you that the higher utilization rates, you know, are a factor. We're seeing sequentially a higher utilization rate and we're going to see that with very high level of airline-based activity in the U.S. We're seeing much stronger in Europe. We're starting to see, although it's much slower, we're starting to see Asia open up. It's very, very good that now we see Shanghai -- not Shanghai, but we see Singapore opening up. We see Malaysia opening up. That's very good, although you can well imagine that there's a lot of travel that's, you know, China dependent.

So that's still pretty low with the lockdowns in Shanghai that are just now opening up. So that's going to have some lag effect for quite a while, I think, for that. And we continue to look at the IATA forecast as the basis for our forecast, which is RPK growth and how that translates into utilization. So if I come out that stronger utilization as a whole, that would -- we're definitely seeing a leverage effect. I mean, if you look at the fact of the margin that we're making is Civil overall, that's still a much lower than peak utilization.

I think you're seeing there both the benefits of the leverage effects on our -- that it is translating to the bottom line there at Civil. And you're also seeing the benefits of our cost savings that we put through a restructuring program that are definitely panning fruit.

That's very clear. That will continue. So I think you'll expect to see higher margins there.

But we've just got to look -- what we'll have to look at is that similar deliveries from the factory also are a big factor in that, and I see those being more biased to the second half. And that's just a consequence of where they are in the production line. And typically in the summer period we have, for example, we have -- you know, we tend to shut the factory for maintenance. I'm thinking that's not going to be any different this year.

The other thing is you have to look at that airlines in the second quarter, very much in the second quarter, they're flying and therefore they're not training. That's definitely going to be a factor this year. We haven't seen that seasonality as much during COVID, you know, for obvious reasons, but we're going to see it this year. So I think that's the color I would give.

In terms of Defense, what I would see is those orders that we've seen, okay, they're going to take time. We have this -- you know, we have like this big animal that's making its way through the snake right now -- that was big orders -- and that's going to translate. That's inevitably going to drop to the bottom line. I expect that. It's not going to happen overnight, okay, but it definitely is going to start affecting the year; I think that against the back half. And that -- combining all that, that translates into the outlook that we've given in terms of, you know, ~30% growth.

Noah Poponak, Goldman Sachs

Okay. Appreciate that detail, Marc. Thank you.

Operator

Thank you. The next question comes from Kristine Liwag of Morgan Stanley. Please go ahead.

Kristine Liwag, Morgan Stanley

Marc, you know, aviation is the safest form of mass transportation today. But when we kind of look at the pilot shortage issue, some were advocating for the reduction of a number of pilots in either some of the long haul flights or for freight, especially as we're seeing more automation in the cockpit.

As we balance out like the safety requirement of the industry and the shortage issue, can you comment on how credible you think the reduction of pilots would be in either the cockpit or the requirement in a flight? And if we

do see this reduction, where you think that could come out first?

Marc Parent, President & Chief Executive Officer

Well, look, I don't— well, first of all, you know, I've been around in the industry for over 35 years. I used to -- before CAE, I used to design airplanes, airplanes that are transport category airplanes. So I'm pretty well versed as, you know, call it an expert in this domain of what's required to certify airplanes, to be able to safely transport passengers. And it's not --I would say it's not the technology that doesn't exist. The technology exists, and the world's defense forces do it every day. In fact, we have high expertise in doing it. You know, for years we have been conducting the training, for example, I was on the U.S. Air Force flying Predators, flying Reapers, for example. We have strong capabilities in that where we deplore and we bid around the world in defense.

First of all, civil aviation you nailed on the head. The overriding primary consideration is the safety of the traveling public. And this is, as you said again, the safest mode of transportation in the world. And that -- and the reason for that is because the regulatory framework for the design of aircraft continues to relentlessly advance, based on the lessons learned of, you know, incidents that happened, reports that come out of National Transportation Safety Board recommendation, which translates into changes to your TAT by FAA, by EASA, for example.

Then there's -- so, therefore, the airplanes get safer and safer all the time. Almost inherent in that is the safety of the aircrews themselves. That's where we come in. That's where we come in and, obviously, the leader in the world. We are working with the world's regulators to ensure that the training of those pilots is at the utmost standard. Airlines are not getting -- airplanes are not getting less complex. Automation is not getting less complex. So the pilots have to be trained effectively.

So going straight to your question, I don't see anything within the pilot planning horizon which tells me that we will have single-pilot airplanes or certainly no-pilot aircraft in the conceivable future. So it is a very long time. Don't forget that I think even if you -- let's say if you were to assume that one pilot, if you have a plane flying with one pilot, then you'll have to certify the airplane assuming there is no pilot. Because -- well, just to use an easy example, you know, one bad hamburger and that pilot can be incapacitated. Therefore, you have no pilot.

So in the fundamental -- fundamental concept of design of airplanes for flying passengers around, around the world, is that no single failure can result in the loss of the

aircraft. So obviously, if you have one pilot flying the aircraft and he or she is incapacitated, then you have violated that rule.

So if we do see it one day, and I think it's a long way off, I would anticipate that it will happen on long haul flights involving cargo. That's where I could see it, but again, I don't see that for a long time.

Kristine Liwag, Morgan Stanley

Thanks, Marc.

Operator:

Thank you. The next question comes from Tim James, TD Securities. Please go ahead. Mr. James, if you're on mute, we are unable to hear you at this time.

Tim James, TD Securities

Oh, sorry, it's Tim James here. Sonya, I'm just wondering if you could provide some additional color on the Capex plans for fiscal '23, and maybe just talk about a bit of a breakdown or give us a sense for Capex in Defense versus Civil. And maybe any specifics on sort of markets or product lines or service lines with each -- within each segment. And as part of that, is it possible to get a bit of an idea of what expected growth in SEUs is, and how Capex drives that in this fiscal year?

Sonya Branco, EVP, Finance and CFO

Okay. Well, I think the split of our projected Capex, not that it'd be overly different than what you've seen historically. The lion's share really goes to Civil and expanding our civil aviation network. And, you know, I said it in my remarks, I'll say it again. This is growth Capex that is linked to direct market demand, customer order intake, new orders that we see or long-term contracts that we've signed that have accretive returns and cash flow.

So, you know, wherever we can secure long-term, recurring, regulated revenues that are -- can be 20% to 30% incremental return accretive within a couple of years, you know, this is some of the highest growth accretive investments that we can make.

In terms of color, you know, once again, it will be really focused on deploying Civil or expanding that civil network. You know, a lot of opportunities on the business

jet side with kind of significant activity and structural expansion. So we do see a large portion on that Capex going in business jet, including three new training centers that we're opening up. Savannah and Las Vegas, our West Coast one, specifically a larger one.

And also, a lot of opportunities on the commercial side. You know, Marc was speaking to the recovery in that market, which is really a blueprint for what we hope the broader recovery will look like as the other regions kind of catch up. But those are some commercial deployments, especially on the U.S. side.

So where we can, as part of the restructuring program, we are redeploying underutilized assets or assets with lower recovery profiles and moving them over to the U.S. But also deploying new opportunities as we are signing contracts with customers.

So, you know, a focus on that and definitely a high proportion of all of that investment being in the Americas that we see for next year.

Tim James, TD Securities

Great, thank you, Sonya. That's very helpful.

Operator

Thank you. That was our final question from financial analysts.

Andrew Arnovitz, SVP, IR & ERM

Thank you, operator. We'll now open the lines to members of the media.

Operator

Thank you. As a reminder, you may press the 1 followed by the 4 if you would like to register a question or comment. Once again, that is the 1 followed by the 4. And our first question comes from Julien Arsenault of La Presse. Please go ahead.

Julien Arsenault, La Presse

Je voulais juste vous demander M. Parent, concernant ce qui est arrivé avec le délai de la présentation des résultats. Visiblement il n'y avait pas de mauvaises surprises pour les investisseurs mais est-ce que vous

pouvez nous donner un peu de détails à ce qui est arrivé. Pourquoi c'est arrivé à la veille de la date qui était initialement prévue. Puis est-ce que c'est parce que CAE a été très active dans la dernière année avec des acquisitions et il y avait un gros volume de chiffres à traiter. On aurait aimé ça en savoir un peu plus sur finalement ce qui est arrivé.

Marc Parent, President & Chief Executive Officer

Ce que je peux vous dire c'est évidemment inhabituel. Ils [PWC] ont demandé et on leur a donné plus de temps pour publier les résultats dans les délais requis. C'est vraiment ça la seule chose que je pourrais dire à ce moment-là. C'est vrai qu'il y avait plus d'activités définitivement à cause des acquisitions que nous avons faites par contre ce n'était pas le premier quart ou on avait ces acquisitions, ça faisait déjà trois quarts qu'on avait fait l'acquisition de L3-Harris qui est la plus grosse donc ils avaient besoin de plus de temps. Une réponse plus approfondie viendrait d'eux je crois.

Julien Arsenault, La Presse

Avez-vous été étonné qu'il manque de comptables et vérificateurs et que ce genre de situation là arrive.

Marc Parent, President & Chief Executive Officer

Écoutez, ça je dirais et je répèterais c'est très inhabituel.

Julien Arsenault, La Presse

Sur le secteur de la défense M. Parent vous disiez dans vos notes d'ouverture que faut voir ça comme une aventure de plusieurs années je présume que quand vous avez décidé de faire disons un virage ou de faire de grosses acquisitions pour vous exposer davantage dans le secteur vous n'aviez surement pas prévu un conflit armé comme il se produit actuellement entre la Russie et l'Ukraine mais est-ce que c'est juste de dire que ça risque de jouer un rôle d'accélérateur pour votre stratégie. Pas dire que vous profitez de la guerre ou du malheur des autres mais est-ce que ce genre de situation ou timing tombe mal ou bien quand même.

Marc Parent, President & Chief Executive Officer

Comme vous dites ça comme ça, ça ne tombe jamais bien pour personne, ça c'est sûr. On était, la stratégie des forces armées, certainement des États-Unis et ses

alliés, qui inclut le Canada, était déjà pour se préparer pour éventuellement un conflit qui serait contre des adversaires de taille égal. On appel ça en anglais des « Near Peer ». C'était déjà la stratégie, donc nous quand on a fait l'acquisition de L3-Harris Montreal training, qui était l'acquisition la plus grosse dans notre histoire, c'était vraiment pour s'aligner sur ce qu'on fait nous chez CAE avec cette stratégie-là. Parce que si on prend un peu de recul, qu'est-ce que les forces armées font quand elles ne sont pas en situation de conflit, elles s'entraînent. C'est ce qu'elles font de façon constante. Elles s'entraînent pour le faire. On a vu un changement dans les dernières 3 – 4 années dans la stratégie le virement des forces armées contre ce qui était s'entraîner pour un conflit qui était un conflit asymétrique. Ce qu'on veut dire par asymétrique c'était comme celui qu'on a vu au Canada contre l'Afghanistan. Qu'on n'avait pas des adversaires qui contrôlait l'espace aérien, l'espace dans l'espace, l'environnement cybernétique. Nous maintenant, nous CAE on est totalement aligné avec leur stratégie. Malheureusement ce qu'on voit avec la guerre en Ukraine c'est qu'on voit maintenant que cette sorte de conflit là, malheureusement peut se réaliser. On espère que non mais ça fait juste monter le niveau de crédibilité qu'il faut être prêt puis on aide nos forces alliées et c'est ce qu'on fait chez CAE.

Julien Arsenault, La Presse

Mais quand même les budgets de défense on regard l'Allemagne, des pays comme ça qui ont décidé d'ouvrir les vans du côté des dépenses militaires un moment donné si c'est le genre d'entreprise à qui ça va profiter à travers le monde si les budgets militaires augmentent ça va vous aider là.

Marc Parent, President & Chief Executive Officer

Ben c'est claire que si les budgets augmentent ça va inévitablement être favorable pour CAE et les compagnies dans le secteur de la défense inévitablement oui. Ça va se traduire sur plusieurs années.

Julien Arsenault, La Presse

Parfait merci.

Operator

And that was our final question. I'll turn the call back over to our speakers for any closing remarks.

Andrew Arnovitz, SVP, IR & ERM

Thank you very much, operator. And I want to thank all our participants for joining us today and remind you that there will be a transcript of today's call on CAE's website at CAE.com. Thanks very much. Have a good day.

Operator

Thank you. This does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines. Thank you and have a good day.