CORPORATE PARTICIPANTS

Marc Parent
President & Chief Executive Officer

Sonya Branco
Chief Financial Officer

Andrew Arnovitz
Senior Vice President, Strategy & Investor Relations

CONFERENCE CALL PARTICIPANTS

Satish Athavale
Sabina Asset Managment

Thomas Banks
Federated Hermes

Frank Bisk
Neuberger Berman

Fadi Chamoun
BMO Capital Markets

Kevin Chiang
CIBC

Cameron Doerksen
National Bank Financial

Chingiz Gadimov
Baron Capital

Konark Gupta
Scotiabank

Derrick Gut
Jarislowsky Fraser

Alex Hutton
National Bank

Todd Jacobson
Lord Abbett

Peter James
Alpha Street

Tim James
TD Securities

Alex Joshi
North Growth Mgmt

Shah Khan
MacKenzie

Jean-François Lavoie
Desjardins Capital Markets

Fai Lee
Odlum Brown

Shawn Levine
TD Securities

Matt McConnell
Lord Abbett

Jake Metzger
Candelo capital Management

John Novak
Connor, Clark & Lunn

Gavin Parsons
Goldman Sachs

Benoit Poirier
Desjardins Capital Markets

Noah Poponak
Goldman Sachs

Robert Reynolds
Fidelity

Ammar Riaz
S&P Global Market Intelligence

David Rysdale
Private Investor

Chandubru Selvan
Bloomberg

Rachel Smith
Aiera

Doug Taylor
Canaccord Genuity

Anthony Valentini
Goldman Sachs

Alanna Yontef
BMO World Markets

Jessica Zhang
CIBC World Markets

QUESTION AND ANSWER SESSION

Operator

Our first question comes from the line of Konark Gupta from Scotiabank. Please proceed.

Konark Gupta, Scotiabank

Thanks and good afternoon, everyone. So, maybe the first question on the order activity. The book to sales ratio was a bit low in the first quarter for both Civil and Defense segments. Did you see any delays and/or any cancellation that may have impacted the orders?

Marc Parent, President & Chief Executive Officer

No. Specifically, no real cancellations for sure, Konark. Continued headwinds on timing of international orders in Defense, I mentioned that on the call. There are still some COVID impacts there. Things are not back to normal, not only in Civil but in Defense overall because, again, of travel restrictions and basically just things not being back to normal. So, we're seeing that internationally. That's affecting things.

But if you look at Defense in particular, I've never been a fan, I've said this many times before, to not look at orders on the Defense side on a quarterly basis. I will look at the 12-month run rate and even on that base, you'd come to the conclusion it's below one. But I would point to the recent orders that we've had and, really, the very encouraging awards not only on orders but on IDIQs that we've gotten since the quarter, and specifically since we've done the--completed the acquisition of L3Harris Military Training. That is--of course, that doesn't materialize into order intake. It's kind of a license to play. But the fact is, your selected prime on those IDIQs is a very strong indication because that gives you access to literally billions of dollars over the next few years.

So, I'm very encouraged by that. So, I'm not overly concerned on a sustained basis. On the Civil side, I think what I'd point--there's a couple of things. If you look at--we've made no secret that simulator orders are going to be slow in the quarter. So, we didn't expect to have a book to bill anywhere near one-fourth on the product standpoint at this time. And on--still if I look at training itself--if you were to take training itself, book to bill is higher than one. I think that an important thing to note there as well is if you look at our business jet and business jets, the book to bill--business jets is a largely transactional business, so the book to bill is always around one just because of the way we book that business. So, if we're above one substantially, it means that we're quite a bit above one in the commercial aviation training business. So, that's the way I would look at things, if that gives you a bit more color.

Konark Gupta, Scotiabank

That's very helpful, Marc. Thank you. And, you mentioned the three IDIQ contracts, so congrats on that, and the two prime contracts as well. Just to clarify, do these five contracts belong to the acquired L3Harris business or is it for the existing business in Defense?

Marc Parent, President & Chief Executive Officer

Well, they now belong to us because we own the L3Harris Military Training business and it was bid by L3Harris Link and Link is now owned by us, so they're our contracts. They're our IDIQs.

Konark Gupta, Scotiabank

No, I'm sorry. Just to be clear, I wanted to understand, is it related to the L3Harris asset that you acquired or is it outside of that asset?

Marc Parent, President & Chief Executive Officer

Okay, well, yes. Part of it is, like the IDIQs for example. On those IDIQs, there's various pools. One of them is training, okay? So, there's five pools. I won't go through the details of all the pools, but L3Harris Link bid on five of those pools--or actually, I'm not sure it was five. But they were selected as prime on five out of the ten pools, that we were selected on one of those, CAE legacy--if I could call those legacy for a moment. We were selected on one of the pools, which was Training, as prime contractors. So, as a result of this and what we get from the acquisition is obviously a prime position on those other pools which directly come about as a result of the acquisition. The other order that I would point to is the $90 million order for the training system for the U.S. Air Force JTAC. That comes from the Link acquisition as well.

Konark Gupta, Scotiabank

That's great color, thanks. And, last one from me before I turn it over, maybe for Sonya. So, you raised the capex guidance slightly and you are still expecting 100% free cashflow conversion. Should we interpret that as you're expecting higher net income versus your prior expectations this year, or is it the better working capital performance that you're expecting? Thanks.

Sonya Branco, Chief Financial Officer

So, free cashflow was negative in the quarter and really driven by non-cash working capital here, and really what we see there is the usual seasonality. There is usually a larger amount of kind of annual payments in the first quarter, in the first half, and also maybe a bit of volume shift from Q4 to Q1 now. So, really the variation here is that we expect this to reverse in part in the second half, as we've done before because we keep a continued laser focus on working capital metrics and optimizing that, and really still guiding to the 100% net income to free cashflow conversion.

Now, I just kind of highlight that the free cashflow as we've defined it does not include the growth capex, right? So, the capex increased to over $250 million is not included in that free cashflow. And, if I may, on the capex, one of the reasons that we have raised our view on that is really, I think, a positive development and to tag on to what Marc was saying, we are seeing some good orders on the training side, on the commercial side. Our lines need and request more capacity, so they're not only asking for more capacity but some of these airlines that we're working with are--we're seeing some changed behaviors, whereas they would have purchased their simulators in prior to COVID, we're entering into long-term training agreements. And, that's one of the reasons that we've increased our view on the capex, and I'll remind you that the organic capex is really the more accretive capital and growth investment that we have, delivering 20 to 30% incremental returns in the first two to three years, and the best example of growth compounding that we have.

Konark Gupta, Scotiabank

If I can clarify, Sonya, why would you need to invest into incremental capacity when your utilization levels are still below 60%, let's say? I mean, should you not have excess capacity in your training centers already, and where is the demand coming from?

Marc Parent, President & Chief Executive Officer

Well, it goes--I'll answer that one, Konark. It goes directly to the question of different behaviors being exhibited by airlines, which was pointed to, that airlines are basically looking to change from the traditionally insourced kind of model to a looking more at an outsourced model. We keep on commenting on that, that we have more conversations today just to that result. So, we announced two outsourcings this quarter, where we've got two ten-year contracts from two separate airlines on those type of deals. So, what you see is airlines investing in this--in new capacity, mainly for new aircraft, and rather than going through the model of basically investing in the simulators, they're turning over and signing long-term contracts with us.

So, that's what you're seeing here. So, a lot of that incremental capex is exactly for that kind of behavior, and as we were saying--as we said many times and we demonstrated, investing in that type of capex is the best example of growth compounding that we have. So, we won't invest in it unless we see the type of return accretion that basically we presented the streak, which is very quite nice, thank you.

So, that's the kind of--that's what we're seeing, and to your question of, we're still operating at, say, 56% capacity. Well, once the market is back to normal and we fully expect a return, let's say apples to apples, on the same level. Let's say the same level of capacity. Well, what we're talking about, this capex in investing is incremental to that.

Sonya Branco, Chief Financial Officer

Yes, and I'd just add that the demand is linked to either new platforms or platforms where we don't have excess capacity. Of course, if we have simulators that are underutilized and that's part of the restructuring program, we move that around to match up with demand. And so, these contracts are for platform leaders that are under--that are already all utilized or new.

Konark Gupta, Scotiabank

I appreciate the time, thank you.

Operator

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

Kevin Chiang, CIBC

Thanks, thanks for taking my question. Maybe just two from me. It does seem like during this pandemic, you've invested in some of these adjacent services. You talked about the maintenance training acquisition, that you've been growing the crew management. Just wondering how you think about the adjacent service opportunities you can bolt on to Civil, I guess sort of the medium to longer term. Are there areas that you still want to focus on that you don't offer now?

And then, are you seeing benefits from cross selling? I presume that's the end goal, as you're aware, when someone comes to you for pilot training, they do maintenance training and to manage their crews as well. Is that kind of a best-case scenario as you bring this all together?

Marc Parent, President & Chief Executive Officer

Well, absolutely. I mean, that's definitely a big part of it, Kevin. Traditional basic-- enlarging the, it's like traditional share of wallet. We like to in all of our transactions with our customers, and that's been our model all along, is always to try to make ourselves more relevant and more important to our partners and being the training partner choice but moving into more of what we call mission operations in Defense. In Civil, it's capturing more of their needs around the pilots, around the technicians, around their operations. So, maintenance training is the natural one. We've done it. We have a very nice franchise of doing that in business aircraft. In commercial aircraft, we basically embarked on that in a relatively good way with Pelesis, for example, when we acquired that, and we're expanding upon it here with this acquisition that we're doing in this bolt-on in the United States.

I feel very good about the growth of that market. The technician market is one that is poised to grow for the same reason that the need for pilots is going to grow. It's a tenured--on an average basis, on a role, it's a very tenured workforce. It's a regulated market in terms of, especially in Europe, where you need technicians with certifications. So, it's a natural market for us. Beyond that, again we're moving into more software-enabled solutions. That was what we did with Merlot, with Roster Buster, at RB Group. Again, we're making ourselves more essential to our customers, and they already outsource these solutions or they're open to outsourcing solutions because we're able to address hot buttons that are basically in our court to them.

Kevin Chiang, CIBC

And, maybe just to clarify, have you seen--have you been able to cross sell some of these newly-acquired services within your core customer base, and when you think about the addressable market now--I think earlier this year, you talked about Civil being a $6.1 billion addressable market and now with the maintenance training capabilities, do you have a sense of how big that pie is today?

Marc Parent, President & Chief Executive Officer

Well, at the moment when I talked about $6 billion about the market that we see, it included those adjacencies.

Kevin Chiang, CIBC

Okay, okay. Then a second one from me, just turning to Healthcare. In your outlook, in your press release, you highlighted the growing nurse shortage in your outlook as a long-term tailwind for Healthcare and the services you provide. I'm just wondering, when you talk to Healthcare customers, are you seeing a similar realization like you see in Civil and Defense whereby they recognize that simulated training could help free up labor? Or is this something you have to educate these customers on, and so that might extend out into this labor shortage issue in terms of a revenue recognition opportunity for you over at CAE?

Marc Parent, President & Chief Executive Officer

Well, for sure. I look at a macro level, and I was saying in my comments, we definitely see the nursing shortage that exists and is poised to increase as a catalyst for our business. It's a catalyst for business because if you are talking about you need more nurses, you need more courses for nurses, you need more slots in nursing schools, who do we sell our products and solutions to? To nursing schools, to training hospitals and those kinds of things. So, just that's the first order response to that. Beyond that, it's the fact that you can--by using simulation-based training, you can make them more effective, you can provide value to those schools whereby using their product, they can then make themselves more relevant in a lot of cases in, for example, the United States. They're more core profit operations.

So, if they can have a nursing program that is steep in modern technology, using medical mannequins and digital solutions, that is more appealing, for example, students that are looking to get a degree in that critical market. so, all of this contributes to how we see the market in Healthcare. But that's just one of the components. It's a good one. It's an important one. But if I look at all of the catalysts in--basically for our business, they're just coming out of the pandemic. I mean, Healthcare, there's never been a time where healthcare is more on everybody's mind. We're reinvigorating the whole organization. We're basically concentrating on the core business, which as you commented, in nursing for example. But we see opportunities, big opportunities, for example, in the military, on government or para-government organizations like, for example, the FEMA in the United States, for example. Federal Emergency Management Agency, where we can bring simulation-based training solutions to the whole.

So, we are ramping up in Healthcare and I'm very confident of a nice growth profile that will be good for our business.

Kevin Chiang, CIBC

That's great color. Thank you very much for taking my questions.

Operator

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

Tim James, TD Securities

Thanks very much. Marc, I was just wondering if you could talk for a minute about type certification versus ab-initio versus recurrent training activity that you're seeing throughout the network. Maybe just commenting on how each is faring relative to if we use, say Fiscal Year 2020 as kind of a baseline. I'm just trying to understand how the relative strength of their rebounds have been.

Marc Parent, President & Chief Executive Officer

I would say that--well, first of all, type rating. Basically, our business in commercial aviation training, it's pretty much operating in lockstep with the flying activity and that's the comment around that. That's a first-order catalyst. So, when you think about the utilization in our overall training centers, I would say that business thereabout is doing pretty darn well because of the level of activity there.

In the U.S., we're doing very well, the training centers in high level of operation. The rest of the world in commercial aviation, not so much because of, still, border restrictions and very uneven levels of vaccinations. So, Europe, if you take average 56%, we'd be significantly lower than that. Asia, I will tell you is still quite a bit behind because of again, that level of--very low level of vaccination. So, just in the past few weeks, we've had closures of centers in Vietnam, in Kuala Lumpur and Australia even. So, still--so, the fact is I see that as, perversely you might say, very positive. We're able to make the amount of return that we're making on 56% utilization with those dynamics. I feel pretty darn good as the rest of the world recovers like the United States does, which will happen. That's not a question. Having travelled internationally myself recently, I don't know if you have, but the level of hoops you have to go through to fly internationally, you really don't want to. So, when that starts getting reduced, I think we're going to start seeing a lot of pent-up demand.

In terms of ab-initio activity, it's actually very strong. We haven't reduced the level of flying activity. The only areas where we've had to reduce is, for example, in Australia because very strict lockdowns forced us to close our schools back up now. But that's the kind of activity--in fact, what you see is airlines that are anticipating a renewed pilot shortage have been increasing. So, we're seeing orders from major airlines increasing their numbers of cadets in their flight schools in a significant manner. So, that's a positive for sure.

I don't know if that gives you a--and products side. It's what I said. This is historical, whenever there is a crisis, even though the products--so simulator deliveries, are tied highly to deliveries, there's always a lag when you have a shock, and of course, this is the mother of all shocks. There's always a lag before airlines start to buy simulators in earnest. So, we're seeing that. That's why we anticipated that we're not going to get back to the level of orders that we had pre-pandemic for some time. But we're starting to see a recovery, you know? We had five in our quarter, which I wouldn't call it a run rate, but I'm encouraged by that and I'm encouraged by the level of activity. I think airlines are seeing it come back. Airbus is increasing deliveries next year. We see the big four U.S. airlines recall 3,500 pilots, 6,000 flight attendants. We saw United Airlines ordered 200 MAXs and 70 A-321s. And of course, again TSA passer throughput in the U.S.A. has continued to reach very high levels. We were back at 80% pre-COVID.

So, it's all pretty positive signs. I don't know if that gives you a good answer, Tim.

Tim James, TD Securities

No, that's very helpful, Marc. Thank you, very helpful. Just on the 737 MAX, I know when the issues were kind of working their way through--I guess we've got to go back more than a year ago now, CAE was building some MAX simulators in anticipation of demand and maybe not based on contracts in hand. How do those simulators and your--if you're carrying any of those? Have all of those MAX simulators more or less been spoken for, and are we kind of back to a normal trend in terms of MAX simulators that would be being produced in CAE's facilities?

Marc Parent, President & Chief Executive Officer

Yes, so we have nothing. We have no backlog with 737 MAX. They're all delivered, and I anticipate good demand for 737 MAX.

Tim James, TD Securities

Okay, great, and then my last question--and there's great color on sort of where Defense orders are coming from. I'm just wondering specifically, there was a very nice increase, as you've talked to, in the bid pipeline, just over $1 billion relative to the end of Fiscal Year 2021. This is on the Defense side, of course. Are there any platforms or trends you're seeing, or areas where--that account for that big step up in the bid pipelines? Any warfare types, any kind of markets you could point to or is it really across the board?

Marc Parent, President & Chief Executive Officer

Well, it's across the board but obviously, the U.S. is the largest defense market in the world, so you expect that's a high level. But having said that, the contracts that we go after internationally are large contracts that basically establish turnkey training centers for fighters, that kind of thing. We have a number of countries that we are looking to do that. Specifically, some of those talks are going slow because of the pandemic, but that's where we're seeing some of that order activity is a bit protracted. But if your question is, I mean, is that order pipeline--is it sensitive to one or two major bids? I would tell you no, that's across the board.

Tim James, TD Securities

Okay, thank you very much.

Operator

Our next question comes from Fadi Chamoun with BMO. Please proceed.

Fadi Chamoun, BMO Capital Markets

Hi, I was on mute, apologies. Good afternoon. So, I was wondering on the SAS and WestJet, was there asset commitment on your part toward these outsourcing deals or is it purely kind of service side?

Marc Parent, President & Chief Executive Officer

It's asset commitments but asset that--we put in the asset and it's part of the increased capex that we're talking about on both airlines. So, it's basically, they don't invest into simulator, but we get in these two cases ten-year exclusive contracts to--for training on those platforms for those airlines. That's essentially it.

Fadi Chamoun, BMO Capital Markets

Okay. My second question is, kind of as you look at this year, can you give us kind of an idea about--kind of what is the contribution that you're expecting in terms of maybe revenues or operating income from the acquisitions that you've made and also if you can give us an idea about how much contribution you expect to realize on a full-year basis from that $65 to 70 million restructuring program?

Marc Parent, President & Chief Executive Officer

Well, I'll give--I'll let Sonya talk to this question specifically. The biggest one, obviously, is L3Harris. We're very, very happy to have made the closes, after giving us really, I guess pretty much three full quarters. So, what we said in the past, that's probably a $500 billion business, so we get nine months of it. So, a quick math tells me, well, we should be able to get. But having said that, you can well imagine that having closed it early brings its own share of complexities and we're going through putting this, two sets of numbers together, the teams together. So, we're solely focused on the integration right now. So, the heavy lifting before we can be very definitive. But I think that's where we--just on that is the big one, which is of course the big dog in this, we would get. And, Sonya maybe will comment on the others.

Sonya Branco, Chief Financial Officer

Yes, so Marc--as Marc mentioned, completely focused on the integrations. We had said it would be immediately EBITDA accretive, double-digit EPS accretive in the first full year of operation. So, that's FY '23 and working up to a run rate of synergies, so $35 to 45 million also in that EPS accretion in the first full year after closing. So, I'd go with those metrics.

On the restructuring program study, for full year what we've given as guidance of $65 to 70 million of recurring structural savings, and we're building up to that run rate over this year. So, this quarter alone we've kind of flowed through about 15% of that annual target and that's already kind of, I think, good progress and we continue to advance on that progress as we optimize locations and continue relocation of simulators. So, we'll see that ramping up throughout the year and a little bit more in the second half as well.

Fadi Chamoun, BMO Capital Markets

Okay, and maybe follow-up on this question, specifically on the aviation side. Now that you've kind of overlapped the hardest quarter last year, your run rate EBIT in the business is about $250 million for the last four quarters. Based on what you're seeing in both delivery of full-flight simulators and opportunities on the services side, would you kind of maybe give us an overall range of what you think organic growth will look like as we go into the next nine months and year?

Sonya Branco, Chief Financial Officer

So, what--we didn't give specific financial guidance really because the visibility is still quite opaque on, I think, the level of border restrictions, the volatility on travel restrictions, and that's the main driver to drive a lot of the recovery there now. So, but what we've said is that we expect very strong year over year growth, so on recovery, on the flowthrough of those cost savings, we have got about--we delivered about $20 million at the lightest quarter and have 15% margin, and that's at 56% utilization and 11 deliveries in the quarter. And, Marc went into some detail on kind of the volatility that we see across regions, so as that recovery ramps up and the rest of the cost savings wrap up, we'll see the SLI follow and then the margins move up.

Marc Parent, President & Chief Executive Officer

Yes. If we try to break it down, Fadi, a little bit, so just think about, as you said, you look in Civil alone. To break it down, to take revenue and earnings from simulators, well, I mean we said we expect to deliver about 30 from backlog. So, you can make your mind up what that looks like. Then you look at, we talked about our level of training activity in our flight training RSCOs and I talked about that. That's pretty even because you don't see big swings about that, because that's kind of a--you basically book your revenue as you're flying, so you don't see huge swings. But I would tell you, it's on the increase.

And, when you look at the rest, business aviation training is doing very well because business aircraft training is on a high. We're in our Q2. That's seasonably the low quarter, so you would expect it to grow in Q3, Q4. Then you have commercial. Commercial is the one that is the wildcard because that's the one, as Sonya was saying, that is really exposed to the variability in vaccination rates and border restrictions. So, that's the one that caused the most headaches in predictability. U.S., doing great, really good. So, Europe is still low but we're seeing signs of promise there and Asia, well, I think it's tied to the vaccination rates. So, I guess that's the best crystal ball I can give you.

Fadi Chamoun, BMO Capital Markets

Great. The SAS and WestJet go into effect now, basically?

Marc Parent, President & Chief Executive Officer

Well, no.

Sonya Branco, Chief Financial Officer

Both the agreements are signed and we're going to build the simulators to deploy.

Fadi Chamoun, BMO Capital Markets

Okay, thank you.

Operator

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

Cameron Doerksen, National Bank Financial

Yes, thanks very much. Good afternoon. Just one question from me, just wondering if you can expand a little bit more on the latest R&D program that you've announced. I know you've kind of highlighted the advanced air mobility, the AI and some other things in there, but just wondering if you can provide any more specifics and just wondering what kind of new capabilities are you looking to develop at CAE that maybe you didn't have before or maybe that you were underrepresented in before?

Marc Parent, President & Chief Executive Officer

Well, a lot of it has to do with furthering core competencies that we have. I mean, some of the new areas, specifically like development of capabilities among urban air vehicles--we talked about electric hybrid aircraft or green technologies, that's another one. Others are continuing the path we were on, on everything digital in our business, basically using the data that we get from our business to basically develop technologies to allow us to be more important to our customer, give us--and get data-enabled revenue streams from that. A lot of it has to do with furthering our expertise around being experts in the world in creating these synthetic environments that are so important to warfare specifically. I talked about specifically, one of the great outcomes coming out of the acquisition of L3Harris is we now have strong capabilities in all five domains. And, because the military is not focused on basically preparing for a near-peer fight, as again, what does a military do when they're not in operations? Well, they train for operation, train for war. So, what they train for, they train for what they call the near-peer fight and the near-peer fight is one that you can really only do virtually, and in order to be able to do that, you have to create an environment which is a synthetic environment in which the military can exercise in. We're world class at that.

But again, nothing stands still in life and we basically continue to invest in R&D to make sure that we continue to hone those skills that makes us the best in the world and more relevant to our customers. Those are some of the things that I was talking about.

Cameron Doerksen, National Bank Financial

Okay, that's helpful. Thanks very much.

Operator

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

Benoit Poirier, Desjardins Capital Markets

Yes, good morning. Good afternoon, everyone. During the quarter, we've seen some big aircraft orders. Could those initial steps lead--could they lead to some sizeable training opportunities?

Marc Parent, President & Chief Executive Officer

Well, for sure, Benoit. As I said before, to the extent that they're going to translate into an incremental delivery, and you see as I was mentioning Airbus increasing air production rates, then that's going to inevitably result in more simulators needed in the market and we fully expect to maintain our market lead. Specifically, we've gotten more lead in that market with the acquisition of the TRU, so I think that will be good for us in the training market as well. They're going to need incremental capacity, whether that gets deployed in terms of simulator or basically the outsource training.

Benoit Poirier, Desjardins Capital Markets

Sonya, with respect to your increased capex guidance this year, could you maybe provide some color on how it will flow to return on capital employed matrix over time, and whether the ramp up in accretive contribution is over a few years?

Sonya Branco, Chief Financial Officer

Absolutely, and so, as we were talking--and great examples, that these are all market-led contract-secured opportunities. So, that means the ramp up is much faster. Now, there are some commercial of course, as we've talked about on the contracts that we signed, but also a good amount of investment in business jet side and deploying things to our network in line with that strong demand, and that market that's recovering nicely. So, the organic growth capex is the most accretive capital that we deploy. And generally, as we've seen historically and in what we see ahead, I have a high incremental return on capital, often within the first couple of years there in the 20 to 30% return on capital range. So, this is very much in line with those metrics and those expectations.

Benoit Poirier, Desjardins Capital Markets

Thank you, that's it.

Operator

There are no further questions at this time.

Andrew Arnovitz, Senior Vice President, Strategy & Investor Relations

Operator, if there are any further questions, what do people need to press?

Operator

As a reminder, to register a question, please press the 1-4 on your telephone. We do have a question from Noah Poponak with Goldman Sachs. Please proceed.

Noah Poponak, Goldman Sachs

Hi, thanks for that because I missed the 1-4 instruction the first time. Good afternoon, everybody.

Marc Parent, President & Chief Executive Officer

Thanks, Noah. We got your email, thank you.

Noah Poponak, Goldman Sachs

Awesome. I had understood your prior comments to suggest that with the quarter under your belt here, Civil a little firmer, business jet a lot firmer, the L3 deal closed, that you would maybe be providing more formal guidance and outlook commentary this quarter. I'm just curious, did I interpret that incorrectly or did delta variant or the end market keep you from doing that? When do you think you might have enough visibility to provide a more formal outlook?

Marc Parent, President & Chief Executive Officer

No, I think you're right, Noah. That's what we said. We were there last quarter at the same time. I fully expected to be able to provide more specifics to that, but I mean, to what level of specifics, to be honest, more than now. But I don't know how much more.

But look, the reality is that I think we're not alone in this. To me, we still don't have enough visibility recovery in vaccination, and basically resulting reduction in travel restrictions, out of that market--and even Europe is a bit challenging to predict right now. So, I know enough to be able to predict that there is going to be--we're going to see strong growth, and specifically in the back half. We're in a seasonably low quarter now for flying activity this year. In fact, for commercial aviation, that's no different than any other year, somewhat affected by COVID but the traditional patterns that we see where airlines in the summer are flying in the Western hemisphere and not training, we see some of that. But so, that's going to recover in Q3, Q4.

But to provide any guidance that's going to be, to me, that I can really hang my hat on, that it's neither going to be over the top or underwhelming, I need more specifics. We tend to be, and I think we've always been that way, a bit conservative with regards to providing any outlook on that basis.

Noah Poponak, Goldman Sachs

Has the actual business not evolved quite how you thought it would in terms of utilization rate, order flow or customer activity, or is this really that COVID has progressed in a way that just hasn't become as incrementally visible as you thought it might?

Marc Parent, President & Chief Executive Officer

I think the latter. It's basically that. The business is going the way I would have anticipated. Business aircraft is doing--in fact, business aircraft is doing better specifically in the United States.

Noah Poponak, Goldman Sachs

Right, okay. That's a good clarification. And, Marc, you've mentioned a few times how you're in a seasonally light quarter for Civil and we can see that in the model going back over time, that's usually the case--not always the case, but that's usually the case. Are you expecting that to be the case this year because you have the normal seasonality but then you just have the working off the very low base that COVID has created--so are you expecting that to be the case?

Marc Parent, President & Chief Executive Officer

No, definitely. If that's going to be the case--I can tell you, that's the case right now in business aircraft. Even though we have a lot of training going on, it's not as much training as we could and the reason for that is because the level of flying activity is higher than it was prior to COVID. So, when pilots are flying, they're not training. You take--you've got to--look, I'm a business aircraft pilot myself, and I can tell you it takes time, you've really got to plan to be able to manage your schedule and book off a week to go do training, which is what you have to do.

So, we see those dynamics and we expect to see it again this year. It's somewhat skewed, as mentioned, by COVID, but the seasonal pattern still is there and that's part of the reason why we're basically giving more of the growth toward the back half.

We see the bus--and by the way, as well I would comment that we're going to see seasonal variability with the virtual deliveries as well because same as last year or every year, it would shut down in our factory. This year, we really shut it down for an extended period because of COVID-related issues, so that means you're not building simulators. So, when we talk about 30 simulators for the year, you're going to be more skewered to the back half even though they're coming from backlog.

Noah Poponak, Goldman Sachs

Makes sense. I'm just going to sneak in one more. I'm a little surprised by the rate of change in Civil EBIT dollars compared to revenue dollars sequentially, just given business jet is stronger and that's higher margin, and then typically with the utilization rate--or we've seen with utilization rate being kind of flattish sequentially that's the phenomenon of the JVs that you have that flow through EBIT differently than revenue dollars. Is there a way to help me square up the variance there?

Marc Parent, President & Chief Executive Officer

Sonya?

Sonya Branco, Chief Financial Officer

Well, on the margin front, it's really a question of mix. Q4 had very strong back contribution or proportion, and so that highest margin kind of creates some volatility in the margins and as we've discussed with the JVs. In terms of the top and the bottom line, so both top and bottom line growth on both sides and several variables here. You saw growth from utilization and also on the cost side, you saw growth or possibility growth coming from the cost savings. So, a lot of restructuring program, it's across the board on the company but a large proportion goes to the Civil side. You also saw where the deliveries were lower quarter over quarter, right? So, where you had some progress on those fronts, you had a bit of lower deliveries in Q1 versus Q4.

Noah Poponak, Goldman Sachs

Okay, I'll leave it there. Thanks so much.

Andrew Arnovitz, Senior Vice President, Strategy & Investor Relations

Great. Operator, I want to thank everyone in the financial community for participating and for their questions. With the time remaining, we'll open the lines to members of the media, should there be any additional questions from members of the media. We're ready to take those.
Operator: As a reminder, to register a question, please press the 1-4 on your telephone.

Andrew Arnovitz, Senior Vice President, Strategy & Investor Relations

Okay, well, if there are no questions remaining, we'll conclude the call. I again thank everyone for joining us today. A transcript of today's call can be found later this afternoon on CAE's website. Thank you.
