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QUESTION AND ANSWER SESSION

Andrew Arnovitz, SVP, IR & ERM

Sorry. Operator, before we open the lines to questions, I want to highlight that Marc last month was honored with one of the world's most prestigious aviation awards, having been named Industry Leader of the Year by the Living Legends of Aviation. We're very proud of him and how this reflects positively on all of us at CAE. So please do join me in congratulating Marc.

We'd now be pleased to take questions from analysts and institutional investors.

Operator

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

Kevin Chiang, CIBC

Hi. Thanks for taking my question, and I echo Andrew's congratulations there, Marc. Maybe if I could start with the Civil margin performance, as you noted, first time during the pandemic north of 20% despite utilization still tracking below pre-pandemic levels. If I look at it quarter-over-quarter, it looks like incremental margins were about 65%. Just trying to get a sense of where you think the margin trajectory goes here as utilizations get back to a kind of pre-pandemic levels of 70%, 75%. Could this be a mid-20s SOI margin business given all that you've done with business and the mix of revenue there?

Marc Parent, President & Chief Executive Officer

I had trouble catching the last part of your question, Kevin, but I think I get the gist, and maybe I'll try, and let me know if I've answered it. Look, I think I'm very pleased, obviously, with the margin performance that we had in the quarter in Civil, 21.4% margin, driven off essentially similar revenue that we had last year.

And maybe I'll just pause on that. When you look at the revenue, it looks like it's slightly down relative to last year, for good reasons, so the mix, the environment, and the fact that we had lower deliveries in our products. But remember that we don't consolidate JV revenue, and that's not an insignificant number, and that's because of accounting. If you were to add back the JV revenue, what you'd be seeing is training revenues is up about 10% year-over-year. But coming back to the margin, look, as I said, I'm pretty happy about that. You're going like 18%, I think, to 21% – 21.4%.

I think what you're seeing there is, first of all, the mix of business. You have business aircraft, which I've always said is – that's an attractive margin profile. We have a very good – very nice position in marketing business aircraft. Business aircraft is doing great. You're seeing that transpire. You're seeing commercial aviation training in the US doing pretty well. And really in a big way, what you're seeing is our cost savings, which are structural coming through the numbers. So that's what you're seeing.

And, of course, we've always said that we fully expect that because of all those reasons that margins going forward to track higher than we've achieved in the past. I think our peak civil margin was just about 22% historically. I would certainly expect to blow through that on a sustained basis. I mean, obviously, the one quarter doesn't make a year a variable, but that would – to me, be the trend as we get more utilization.

I think the last thing I'll add, of course, as I've said in the remarks, is all of that is achieved on a pretty narrowly led recovery. That's really the United States. So I think that's why you sensed my confidence and excitement as the broader recovery across the globe comes to bear.

Kevin Chiang, CIBC

No. That makes sense. Just turning to defense, I just want to clarify something. So if I look at the time that you acquired the L3Harris Military Training business, if memory serves me correct, that – I think at that time you had called out EBITDA margins of roughly 15%, I think.

And if I look at what those margins look like since you've acquired it, it looks like it held on pretty well.

Would you like to see margins tract about half, if not a little bit below pre-pandemic levels? It sounds like you're talking about up to primarily a lot of the international restrictions. Is that primarily the reason for the underperformance in margins? And you need to see these travel restrictions get eliminated before they can get back to 10% or is there anything else kind of holding those margins back?

Marc Parent, President & Chief Executive Officer

Well, I think there's a few things in there, I mean, you're absolutely correct as we say the defense business is not immune to COVID, both in the L3 Harris business, particularly in the international side of business. The international portion of L3 Harris business, the one we've inherited through our acquisition is lower than our organic business but it's still affected nonetheless. And so it seen its share of impact there as you couldn't travel to a lot of those locations. We've also seen some effects of, as I mentioned, the continuous resolution in United States that that prevents us from having new programs starts or expansion of our existing programs.

So that has definitely been a headwind and we hope to see that being resolved pretty quickly. Yeah, I could point to contracts that we're on. Like I mentioned, the SCARS contract in the United States and the GBSD, the ground based strategic deterrent contract that we're on a United States for L3Harris business, our ex L3Harris business.

Those are big contracts. And, because you have the CR, just resolution, you're not. I mean, the contractors themselves if I think about the prime contractor on GBSD are not able to make progress in enlarging their contracts. So that affects us. And I don't know. I think maybe add that, you want to add anything further?

Sonya Branco, EVP, Finance and CFO

Yeah, it's probably kind of talk to the organic base business and what we talked to, and this is still the case. The base business, first of all, it did sequentially increase both top and bottom line for us since last quarter. But as you know, our organic business has a higher proportion of international business. And as Marc just talked, that's the one that's been the most disrupted by COVID, especially international product programs. So a couple, which are usually higher margins for us.

So, first, interrupting execution of existing backlogs in certain regions where contract execution is slowed or even stopped, and as restrictions lift and programs can restart, that will help advance on both revenue and contribution but also the impact of delays in order intake, especially on the international side. We've gone several years, at least definitely since pandemic, with book-to-sales less than 1 as contracts are selected, et cetera, but not necessarily move to award it.

Now we've seen some good advancement in the quarter with the book-to-sales in the international side going above 1. And so, as those take traction, whether that's the restrictions lifted and we secure those delayed orders on the product and international side, and then, of course, and layer on the continued synergies that were starting to ramp up with the acquisition. These will contribute to growing both on the top line and the profitability.

Kevin Chiang, CIBC

That's helpful. And then, just last one for me. I appreciate the pipeline of opportunities you see in health care, and I think there are a lot of synergies with your core competency in terms of what you're trying to do there. But can you explain to me like when you have an incremental dollar of capital, why health care would be an appropriate place to put that versus what you're seeing in Civil and Defence. It just feels like you've got better scale in those businesses. You can generate, I would imagine better incremental returns. I guess, just explain to me why dollar to health care would make sense versus the other two?

Marc Parent, President & Chief Executive Officer

Well, I think the first thing I'd point to other than the fact that because you're just trying to believe in that health care will become a more material part of CAE in the not too distant future that I'm quite confident of that. But I think the thing I would point you just specifically the question of capital deployment is that business is largely self-funding. I think essentially all are self-funding. And so it's – the question that you asked there isn't is really no decision to be made with regards to that.

Kevin Chiang, CIBC

Okay. That's it for me. Thank you very much.

Operator

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

Konark Gupta, Scotiabank

Thanks and good afternoon, everyone, and congrats Marc on your accomplishments.

Marc Parent, President & Chief Executive Officer

Thanks.

Konark Gupta, Scotiabank

So maybe my first question just coming on the back of Kevin's question on civil margin, obviously, I mean you saw a pretty strong performance here. I understand this business jet training, which is high yielding and then cost savings as well is going through. But anything non sort of nonrecurring in nature you think are not going to recur again and in Q4 or the future quarters we saw in Q3, perhaps that you can speak?

Marc Parent, President & Chief Executive Officer

No.

Sonya Branco, EVP, Finance and CFO

This is just I think a step up in operations really a 35% increase in SOI on still 60% utilization and lower deliveries. It's really the mix. You see the operating leverage that's coming from that increase in utilization and the cost savings. So I think there's no nonrecurring items, just a strong performance on the civil side.

Marc Parent, President & Chief Executive Officer

It's all good stuff, Konark.

Konark Gupta, Scotiabank

Okay. No, I'm just kind of like more curious about seasonality in the business, right, all the time that you have probably business jet training. It's the stronger in the fourth quarter. And then it kind of drops off in the first half like sequentially. So like, does business jet make seasonality actually more pronounced in margins because of that these dynamics?

Marc Parent, President & Chief Executive Officer

I think we still have the normal seasonality, although it's not as pronounced this year, just because there's so much disruption across areas. Look, I – it's too early to say, but I wouldn't expect, so I wouldn't – based on the mix that we have, I don't expect that we'll see a profound change. At least I don't see any so far. Would you add anything there?

Sonya Branco, EVP, Finance and CFO

Well, I would just caution that there is always volatility on quarter to quarter margins, right, because of the mix and so on. So we always you can give it a view on an annual basis. But I think there's no significant ups or downs there.

Konark Gupta, Scotiabank

Okay. That's helpful. Thanks and a couple of things on the Defence side of things, so it's rebounded sequentially, so only with both margins and revenue. And I think last quarter, Sonya, I think you probably would have mentioned that you expect something in the 30s shortly and then eventually in the 40s then consult SOI. What's your visibility now with that kind of recent order intake at Defence? Does it give you more confidence in that 40-plus SOI number shortly or you still think that it will be about?

Sonya Branco, EVP, Finance and CFO

Well. So I think a great performance on the order intake, and of course, that gives you confidence to have – to build on future growth. And what we like is that – it's both on the US and international side, both over one time since there are likely, we spoke about it last quarter, we expect to be in the 30s in Q3. And then, based on a few factors securing delayed orders, especially on the product international side, as restrictions lifts, enough and consistently to be able to advance programs that we have in backlog and then learning around the synergies that gives us kind of line of sight at around 40.

Now, great order intake, but it does take a while to ramp up these orders. So at the end, and the average life of these orders are over several years. So, yes, it's great it refills the backlog, gives us better confidence for the quarter, but we'll see a lot of that ramp up – maybe just the start of that ramp up in Q4 and the rest for the upcoming years.

Marc Parent, President & Chief Executive Officer

And Konark, one thing I want to just point out, if we go back to your previous question there, or at least in the first part of this question is that, a business training is usually the strongest for us in our Q4. I don't expect that to change. The one thing, as I mentioned, we were impacted like most everybody else in January, with a lot of instructors off with COVID related sickness. But we're having a strong order and we're back on trend.

Konark Gupta, Scotiabank

Yeah. That's something helpful Marc, and actually on the Defense, I wanted to ask you another question on L3Harris, if it’s short some of the sequential improvement in margins. So I'm just kind of wondering is there some seasonality to that margin or was there any synergies that we cannot realized early on?

Marc Parent, President & Chief Executive Officer

Yes, on the synergies. We’re starting to see the synergies come through. And I guess what I would say is, I've always said in Defense, it is no different. One quarter does not make a year, it's always been lumpy. I will expect it to remain lumpy, but you are seeing some synergies come through.

Sonya Branco, EVP, Finance and CFO

Yeah. If I could just – I'll just add, Marc. We're ramping up the integration efforts. There were some redundancies of actions, consolidation efforts, etcetera. So you're starting to see some of those synergies flow through. And depending on where those synergies lie, because they could lie in the organic or the inorganic basis it will drive some volatility, in this case it fell more on the inorganic side. But to Marc's point, that can drive some volatility in the quarters and so and between. But essentially, that's − the synergy starting comes through.

Konark Gupta, Scotiabank

Great appreciate the color. Thank you.

Operator

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

Fadi Chamoun, BMO Capital Markets

Good afternoon, and thanks for taking my question. Again around the margin Sonya, you’re talking about 65% incremental margin this quarter. Is there a reason why you can't sustain this level of incremental margin going forward? I'm just kind of triangulating a little bit. You still have low utilization travel, recovery still in the early stage and that training network typically have very high incremental margin. Is that the right framework to think about the aviation business in the next two years as you kind of move up that utilization curve?

Sonya Branco, EVP, Finance and CFO

We're also saying we see the − obviously the mix from business jet which helps them on the margins and that mix will vary, especially as we hopefully see CAT appreciating on the margins as well. But you're right, we're starting to see the operating leverage on the utilization kind of flow through and also big chunk − a significant part of cost savings.

Now the slope on those cost savings will start to slow but it'll just kind of continue to help on the operating margin so − on the operating leverage rather. So, I think it's a very good performance. And like Marc said, we see this with volume contributing to exceeding prior pre-pandemic peaks.

Marc Parent, President & Chief Executive Officer

Don't forget Fadi, of course, that the future revenue will include a greater proportion of full flight simulator deliveries, and ab initio kind of work or a Parc Aviation kind of work. So that a different margin profile. So you can't obviously consider it all a trading revenue. So yes, to your incremental margin, but certainly not straight line, right?

Fadi Chamoun, BMO Capital Markets

Okay. Okay, that's helpful. The follow-up question is on the air mobility market, the eVTOL market, I guess, you're dabbling in it. You have some partnerships kind of coming through right now. I'm just trying to understand, like what exactly you're helping these partners like, I guess we've got Jaunt and a couple of others.

What exactly is CAE involved with these partners in terms of helping them head up the training, I guess going into these big launches? And two, what does this market look like three to five years down the road? Does it look like more business aviation where you're providing its full turnkey solutions? And if you have any color around what kind of size market are you potentially looking at over the medium and longer-term?

Marc Parent, President & Chief Executive Officer

Yeah, thanks for the question. I think Fadi, the first thing I would object to is the word dabbling, dabbling in this market. We definitely intend to be a major player in this market. I think it's a very exciting market. I've said that before. I think it's a market that will materialize before anybody thinks it does because it's so compelling. In the history of aviation, I'm a bit of history – as I think you know, a bit of a history buff and especially in aviation specifically.

And what has always stimulated the growth of the aviation is newer power plant technology. And what you have here is new power plant technology, specifically distributed electric power plant, and the immense software systems that permit you to have these very complex vehicles that are inherently unstable to be able to be economically produced. So that's why you see a plethora, a large number of these companies coming through to produce vehicles of all types to service air mobility market.

So for CAE, we're not picking winners and losers here in this market. What we're doing is we're getting involved. And by the way, it's not yesterday, we became involved. I went to a major conference with – and I say major invitation only conference of about four years ago in this market, it was held in Texas where all of the players at that time were getting together, and really saw the potential for this market.

So short answer to go back to your question is, I strongly believe that this market is going to be needing about over 60,000 pilots over the next 10 years. And there is no way that these pilots that are going to fly these vehicles are not going to have to train to a high level in order to operate in the airspace that we have today – the congested airspace because by definition these vehicles will fly in and around cities. So they're going to have to be trained.

So what you see is us positioning ourselves as the company we are. We can help, first of all, define the kind of training infrastructure, the kind of training standards that will be required by training these pilots of these vehicles working with the companies, working with the regulators, and offering the service. And as you say, it may be a business aircraft-type construct, or it may be involving selling devices. It will be a combination of both. It is being defined today just as this market is being defined today. But make no mistake, I fully expect this – CAE to be a major part of that market.

Fadi Chamoun, BMO Capital Markets

Okay. That's great. Maybe the last question, you mentioned about kind of how the aviation demand has been led by North America, US, I guess, in particular. Wouldn't kind of a pickup in the travel in Asia and some of these markets that still are behind in the recovery be more attractive to you because you tend to do a little bit more wet training or a little bit more turnkey solution in those markets?

Marc Parent, President & Chief Executive Officer

Well, I think if you happen to look at the overall market for us in training, we've seen business aviation itself training doing very, very well. Of course you know that's all wet. That's very good. The rest of the world, I think when the recovery comes back in Asia Pacific, we tend to do, on average, a bit more wet in that region. But I think I would point to training in commercial aircraft as a whole.

Today, Asia Pacific is operating at about 50% where it was in – pre-pandemic. So there's a lot of recovery left to have in that market. So, definitely, I think that any expansion going back to normal 2019 levels, whether it be wet or being dry, is going to be good for CAE.

And whether it be Europe, whether it be Asia Pacific, again, look back at what's happening in the US. In the US today, it is – it's a narrow-led recovery. People are scrambling to train their pilots, to buy more simulators. If you look at the recovery in the simulators that we've had just this year relative to last year, it's quite impressive, largely driven range by the United States and from Europe. So imagine that rolling over into Europe and Asia-Pacific, and I think there's a large potential for that. And that – I think that leads us to where our asset base is.

Today, about 33% of our simulators are about 54 for simulator equivalent units in the Americas. In Europe, there are about 44%, about 72; in Asia-Pacific, 36. What's interesting though is, as we talked about during the pandemic, we moved simulators – a lot of simulators that we launched a lot of simulators to go where we thought using your Gretzky analogy, where the puck was going. Where the puck was going? We're training demand will be. And no surprise is being led by the United States.

So if you look at going into next year, where our simulators are, we're going to have about the same number in absolute number of simulator equivalent units in the Americas as in Europe. So we're seeing – we're shifting our asset base to where that demand it. I think that's going to be pretty attractive and that's impressive, especially considering that we acquired FSC in Amsterdam. So inherently, we've added a lot of simulators in Europe itself. So the fact that we would be on par, I think is a very good move that we've made guaranteeing the future for us.

Fadi Chamoun, BMO Capital Markets

Okay. Thank you. Appreciate the color, Marc.

Andrew Arnovitz, SVP, IR & ERM

Just to interject for a second here, we still have quite a few people on the line which needs to ask questions and we'd like to get to all of them if we can. Maybe at this point we would restrict to one or two part questions just so that everybody gets a chance.

Operator

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

Cameron Doerksen, National Bank Financial

Yeah, thanks. Good afternoon. I'll stick to one question. Obviously, we've got maybe a little more visibility today on how the airlines are going to recover. Maybe there's certainly some markets that are a little more uncertain. But I guess maybe given that greater visibility by many airlines, can you talk a little bit about what you're seeing on, I guess, the potential for outsourcing?

I think one of the issues the last couple of years that airlines just didn't know what their fleets were going to look like and when the market was going to recover. But as I said, there's probably a little more visibility today. So I'm wondering if any of those kind of talks around outsourcing deals have picked up at all.

Marc Parent, President & Chief Executive Officer

Well, there's definitely, again, a high volume of conversations occurring and there's some contracts occurring and you're seeing that a testimony to the amount of simulators that we've deployed in the United States specifically. I was pointing – answer Fadi's question. The fact that we've been increasing the number of simulators quite substantially in the United States and some of that is for business aviation, which is growing.

But another large part of that is for the commercial aviation training network. And all of those simulators are going essentially to either new airlines that are starting, which are going straight to an outsourcing model or to airlines including legacy carriers that are trusting CAE with long-term contracts for training. So that's not a de facto, a complete outsourcing, but it is definitely a different trend that you see where airlines have -- in order to be able to secure the training need that they have on a queued basis, you're they're willing to and they're seeing the attractiveness of going into long term contracts with us.

So that is a difference. But there is continuing conversation. And I would say that we're certainly not in a steady state. I mean with yeah there were maybe better than we were last year but Omicron is turned a bit of a monkey wrench into any kind of steady state in the airline business right now.

Cameron Doerksen, National Bank Financial

Okay, no, that's, that's helpful. Thanks very much.

Operator

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

Kristine Liwag, Morgan Stanley

Hey, thanks. Marc, our domestic US air traffic had a very steep recovery, so if global air traffic follows a similarly steep recovery, let's say second half of the year and we don't know but should it happen? Can you discuss any labor or supply chain constraints that could slow down your ability to meet a potentially growing demand? Because with a footprint that you have there, it sounds like it should be a pretty good year or should we see that air traffic come in?

Marc Parent, President & Chief Executive Officer

I don't see it, I don't see it. Certainly, I don't see any kind of parts for related issues that way. Labor, I don't see it. I think that we're well positioned. We spend a lot of time during pandemic, especially the first year we, if you go back to some of the things I was saying at the beginning, I said we will take advantage of the period that we have of lower demand as lower demand environment to optimize our training network and that's where you see a lot of recurrent and permanent cost reduction coming through.

But we also said that we keep our powder dry and powder dry meaning that -- I said it right at the beginning, people aren't going to give up the freedom they have to travel and we see that. We see that in certainly the domestic flying in United States. So we're going to see that and I see no structural reason that we will not benefit from that recovery. And when that timeline is, certainly, I think the Omicron has likely extended that recovery timeline, maybe, but that will be measured in months, certainly not in years. So call us very confident in the long-term.

Kristine Liwag, Morgan Stanley

Thanks, Marc, And if I could squeeze a second question on the MAX here. I mean, in December, we finally saw the airworthiness directive from the CAC paving the return to service on the MAX. Are you seeing any acceleration in training activity on the MAX from China?

Marc Parent, President & Chief Executive Officer

Well, we're definitely seeing training for the MAX. Training for the MAXs is at high levels. It has been for a while on the return to service, even before the return to service has, people could see the airplane is going to go back into the sky. So, I would just say it's a high level of activity and I foresee that continuing as more and more MAXs are being delivered.

Kristine Liwag, Morgan Stanley

Thanks, Marc.

Marc Parent, President & Chief Executive Officer

And in China, I think what you'll see is that'll manifest itself in largely in full flight simulator sales.

Operator

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

Benoit Poirier, Desjardins Capital Markets

Good afternoon and congratulations, Marc, for your prestigious award. And Marc, we've seen some M&A among the airlines with Spirit and Frontier. Any thoughts on whether M&A could slow down or accelerate outsourcing? And…

Marc Parent, President & Chief Executive Officer

Well, look…

Benoit Poirier, Desjardins Capital Markets

Do you foresee more M&A activity if among the airlines, Marc?

Marc Parent, President & Chief Executive Officer

Well, I'm not going to predict it. I'll let inevitably, whatever that kind of event happens, it's usually catalyst for us to have a discussion with them because the airline itself is looking for new ways of doing things. So I think to me, that's where I would leave it. I can't be a predictor of how much M&A they would have. But certainly there's a lot of opportunity in the airline business today.

Perversely, it continues to be a number, quite a number of new airlines starts. And that's a good opportunity for us as well because we offer a ready-made international, or actually a global network, a training solution. So offering them a solution that was never there before, so I think that's good for us.

Benoit Poirier, Desjardins Capital Markets

Okay. That's great. And my follow up is for Sonya. You provided great color about the booking for Defence the fact that it's been spread out on the global scale. Anything particular to highlight on what drove the big change in momentum during the quarter? And for the free cash flow generation, was there anything unusual in the quarter or should we expect another strong fourth quarter?

Sonya Branco, EVP, Finance and CFO

I'll start on a free cash flow. I think this very, very strong performance in the quarter of CAD 280 million, that's on strong operational performance. And as you know, it's a very cash generative business. It's also driven with a solid non-cash working cap reversal in the quarter with over CAD 200 million of reversals. And that's really continued persistent focus on working capital, improved collections, conversion of work in progress into AR and cash and the reflection of higher orders.

So, higher orders come in with milestone payments and deposits on contracts. So that contributed to a really good performance of free cash flow. And that's despite continued cash payments on the restructuring program, which was about CAD 38 million in the quarter. So, nothing unusual, just a strong performance and good reversal of market cap. And we've guided to continued 100% free cash flow conversion of net income to free cash flow. Now, on your first question, I didn't quite hear on the Defence side.

Benoit Poirier, Desjardins Capital Markets

Oh, just in the sense there's been a big change in the booking for Defence. I was curious to get more color about what drove the big change, positive tone, in terms of booking with respect to Defence, Sonya.

Marc Parent, President & Chief Executive Officer

Well, maybe I can answer that, Benoit. Look, it's the big pipeline of orders that we've talked about, the bids that we have that are waiting for customers to pull the trigger. Really, you see a lot of that. We took advantage, especially internationally, where, right before Omicron, we had a period of time we could finally start traveling and people were willing to meet us.

So I can tell you, we took our international teams, took the opportunity to really go after it and fill the pipeline. And they did. I talked about a Defence book-to-bill above 1. I can tell you it's well above 1, and I think they did a very, very nice job, and that reverses a trend that we've had that's largely caused by COVID of the orders gap in that segment, particularly internationally.

And in the US, look, I think it's just good work by our teams, great work by our teams. I love the orders, as I said it in my remarks, that are coming across on all five domains, the first prime contracts in the space domain, the first prime contract in cyber, on top of the great wins, like, for example, the ab initio win that we had to for doing all the training for the Luftwaffe in Germany, beating a 60-year incumbent.

I think it's great work by the teams in Defence and working in collaboration, I would say, for example, in that last contract with their colleagues in the civil, they're leveraging the full power of what we like to call as OneCAE.

Operator

The next question comes from Tim James, TD Securities. Please go ahead.

Tim James, TD Securities

Thanks very much, good afternoon, everyone. Marc, congratulations on that fantastic award and accomplishment. Having said that, I'm going to save some time here, actually all my questions have been answered, so thank you.

Marc Parent, President & Chief Executive Officer

Well, thank you, Tim. Appreciate it.

Operator

Thank you. The next question is from Anthony Valentini of Goldman Sachs. Please go ahead.

Anthony Valentini, Goldman Sachs

Thanks for the time. My first question is on the 10% training growth that you guys put out because of the JVs, I think it's super helpful, the investment community is going to welcome that metric going forward. I'm curious what that looks like over the last few quarters, if you can provide it and even like sequentially, I think it would be really helpful.

And then my second part for Marc, I'm just curious what you think the next catalyst is going to be here for the global recovery, specifically in Asia? I know that you mentioned the new variant but I know we've been having kind of this conversation on these calls for the last few quarters now. Is it a matter of us just learning or just in Asia like us learning to live with the pandemic or is it an event like the end of the Olympics? Your color there would be great. Thanks.

Marc Parent, President & Chief Executive Officer

Look, I think it's just basically lifting of COVID restrictions. I mean, the real impediment into travel and air goal revenue for us in training is not largely because people are afraid of getting on airplanes is because people can't go anywhere or they have to wait.

It's because the people can't go anywhere or they have to wait. Like, for example, in Asia Pacific, in some cases is still up to 21 days of having to quarantine after you come back. That means you got to be – you're going to want to travel when you have something like that. So to me, it's all tied to the lifting of those restrictions.

The great news is, I think, that we're seeing, for example, I don't know where you are. I think you're in New York, but I mean, here in Québec, I mean, we're seeing lifting of all, essentially all restrictions here in Québec by the end of March. I think that's a very positive news. It doesn't do much for air travel, but I mean, it's an indication. We're seeing European countries literally one by one basically calling an end to restrictions. That's going to be the catalyst.

So ultimately, I think that's what we got to see in Asia Pacific. And I'm not a government employee. I can't tell you when it is going to happen, but inherently I know it will happen. So barring any new variants, hopefully not, but I mean, I'm optimistic that we're on a good trend here.

Anthony Valentini, Goldman Sachs

Yeah. Yeah. The first part of my question.

Marc Parent, President & Chief Executive Officer

You have another question, yeah, on the JV revenue. I think Sonya can get it, yes.

Sonya Branco, EVP, Finance and CFO

Yeah. So 10% including – so training growth including the contributions for JV. I don't necessarily have the last quarter on hand because a couple of different elements. But what I would say is the higher because obviously you see the utilization and we saw a really nice ramp-up on certain regions where we have joint ventures, but we can get back to you with the numbers.

Anthony Valentini

Okay. Great. Thank you.

Andrew Arnovitz, SVP, IR & ERM

Great. Operator, it looks like we've run it looks like we've run out the hour. I do want to still use a couple of minutes, if we can, for members of the media, if there are any questions from members of the media?

Operator

The first question comes from Stephan Rolland of La Presse Canadienne. Please go ahead.

Stephan Rolland, La Presse Canadienne

Oui bonjour M. Parent. Merci de prendre ma question. Je me demandais, vous avez parlé justement du « Air Mobility », j'imagine c'est le taxi aérien et que vous croyez que ça allait débloquer plus rapidement que les gens pensent. Est-ce que vous pouvez nous donner un peu plus de commentaires par rapport à votre impression. Qu'est-ce qui vous fait dire que ça va débloquer plus rapidement et dans quel horizon on pourrait voir ça arriver.

Marc Parent, President & Chief Executive Officer

Ben moi, comme je disais, je crois définitivement que ça va arriver plus vite que les gens pensent. Premièrement l'impression est basée sur le fait que personne s'attend vraiment à voir ça arriver et beaucoup de gens qui ne sont pas dans le domaine qui n`ont pas encore vraiment entendu parler de ces taxis aériens, effectivement c'est de ça qu'on parle. Moi, étant donné que je suis dans le domaine je suis au courant et je suis très proche du développement de tous ces différents appareils là un peu partout à travers le monde. Il y en a qui sont très proches de nous. Exemple, il y a notre partenaire Beta, qui sont juste ici juste à Burlington au sud de Montréal. Qui ont d'ailleurs un bureau ici à l'aéroport de Montréal, pas loin de nous où ils recrutent des ingénieurs entre autres ici à Montréal.

Eux volent leurs taxis aériens, si on veut les appeler ainsi et c'est un design qui pour moi va pouvoir être certifié dans un horizon qui n'est pas très loin parce que ce n'est pas, tant qu'à moi, révolutionnaire et on le voit arriver. Ils ont déjà des commandes. Ils ont des commandes avec des instances gouvernementales dans la défense et ils ont des commandes pour des compagnies qui livrent des colis comme Fedex, UPS par exemple donc c'est pour ça qu'on va le voir arriver. Par définition ce sont des véhicules à propulsion électrique donc c'est très écoénergétique et c'est très silencieux par rapport disons à un hélicoptère donc pour moi je vois une excellente et une grande opportunité pour nous dans le développement des pilotes. C'est pour ça qu'on est très excités du domaine du taxi aérien.

Aussi, on est impliqués à aider les compagnies dans la certification de ces appareils-çi. Je pense qu'entre autres, je l'ai dit à notre dernier appel, ça ouvre des excellentes perspectives pour Montréal en général parce qu'on a une grappe ici à Montréal qui est presque sans précédent à travers la planète. Donc ça offre d'excellentes perspectives pour nos ingénieurs, pour nos techniciens qui sortent de nos écoles, nos gens développement de logiciels pour participer à la croissance de cette industrie-là.

Stephan Rolland, La Presse Canadienne

Excellent merci et peut-être une dernière question si vous avez le temps. Ce serait quoi la prochaine étape pour le développement de justement cette filière-là? Est-ce qu'on doit encore développer de la technologie, est-ce qu'on n'est pas plutôt du côté règlementaire, d'accorder les corridors aériens, d'établir un cadre règlementaire. C'est quoi la prochaine étape pour l'industrie?

Marc Parent, President & Chief Executive Officer

Les deux, ça dépend des appareils. Étant donné que le marché lui-même, ce qu'on appelle encore communément le taxi aérien, est stimulé par le bénéfice que nous permet cette nouvelle propulsion électrique. On voit des dizaines et des dizaines de sphères manufacturières qui sont en train de développer des prototypes. Donc la première chose, dépendant du prototype, ça va être effectivement dépendre de la certification de ces véhicules-là. Deuxièmement, effectivement ça va prendre des nouvelles réglementations pour savoir comment vont s'intégrer ces nouveaux véhicules-là dans l'environnement aérien qu'on a maintenant. Les deux vont être des étapes à franchir dans le développement mais ça va se faire au cours des prochaines années et moi je m'attends autour des 10 prochaines années qu'on va voir, disons pour notre industrie, un potentiel de 60 000 pilotes qui vont être obligés d'être développés et formés pour pouvoir piloter ces nouveaux appareils-.

Stephan Rolland, La Presse Canadienne

Excellent, merci bonne journée.

Andrew Arnovitz, SVP, IR & ERM

OK Operator. We'll conclude the call at this time as we've overrun the hours. I want to thank all participants again for joining us today. I would remind you, the transcript of the call can be found on CAE's website at cae.com.
