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QUESTION AND ANSWER SESSION

Operator

Our first question comes from the line of Kevin Chiang from CIBC. Please proceed.

Kevin Chiang, CIBC

Good afternoon everybody. Thanks for taking my question here. Maybe if I can ask about what you're seeing from your customers as they prepare--the airlines prepare for an eventual recovery in air traffic.

Are you having accelerated discussions about getting the workforce ready for that eventual recovery and I know, I guess, early in the pandemic, there was this thesis out there of a pilot training bubble that could potentially emerge as airlines rush to retrain their pilots here that have been furloughed. Just wondering how what you're seeing sitting in your position today?

Marc Parent, President & Chief Executive Officer

Well I can tell you, Kevin, that we're having a lot of discussion with airlines as they prepare themselves for the recovery that will certainly come as people get more and more vaccinated. Forward bookings, what we're hearing forward bookings at the airlines are very high, especially on leisure travel. And so we're working with them basically hand to hand so that they have the proper training--their pilot crews trained to be able to handle that upswing.

Now of course there is hypothesis of when everybody will be trained. So they're keeping their pilot powder dry from that point of view. From our standpoint, look, we're--it's reflecting the utilization that we have now. We're seeing--we're ramping up on, for example, 737 Max training. We will deploy more assets in support of that airplane coming back online.

Look, the pilot training bubble, I think, not in material numbers. I would say right now it really is going to depend at the rate at which the recovery happens. And the rate at which, for example, wide-body aircraft that we put back online relative to the assumption is that are out there today, which is what I think basically work is beginning to fall which is the IATA's predictions as to when air traffic recovers to 2019 levels, to late 23, 24. I think that's the way I would characterize it.

Kevin Chiang, CIBC

That's helpful. Maybe just a second question here. You know you've made a couple of acquisitions or three acquisitions, as you noted. Maybe the one that I thought was the most interesting was the acquisition of Merlot, which expands your capabilities into crew management and some of this optimization software. You know--as you kind of come through the pandemic could you--can you speak to what you see in terms of maybe other ancillary services you think you can bolt-on to your core business and other digital solutions you think you can add to kind of grow your overall, like maybe to--total market size relative to maybe the way you saw the market pre-pandemic?

Marc Parent, President & Chief Executive Officer

Well, no, absolutely. We had identified this market before that. In fact we were already serving it perhaps not in an overly material way. But example I would point to is, for example, SAS Ireland. I've talked to that before. Where we basically in the case of that particular airline CAE personnel not--we don't only train the pilots. They would--our employees were the pilots. They were the cabin crew and basically became airline employees when they basically operated the aircraft itself.

So it's a kind of a complete career resource offering. That was just one example of what we do. Of course we do a lot of that through our CAE Parc. But so what we're seeing is--and now what we'll do is move--even more aggressively into what I consider is a very large and aggressive and sizable market there. It's attractive because it appeals to everything we know too about the whole pilot ecosystem.

Remember, we're in every part of the pilot ecosystem from training people to become airline pilots, training them initially on top of aircraft, doing their recurrent training throughout their career. And finally, providing, as I mentioned, through Parc and opportunities like the airlines a complete solution. So that gives us unique skills and insights to offer a much broader set of services than purely providing training.

That's what you see us doing here and it's a natural. It's the same customers. And they have--there's very real pain points in their operations that they will in many, many cases be very, very happy to look to someone like ourselves who can basically take that over for them and provide them synergies and actually through our digital offerings to be able to give them insights into their operation, because of just the sheer scale that we can provide that they can't do by themselves.

That's the thesis though going into it. Very happy about the acquisition of Merlot great team that we have. Their headquarters in New Zealand. Great set of customers and I felt very good about that. More to be said, but I think it's going to be to me a very attractive market. For me what it does in terms of dollars and cents, it increases our addressable market in civil from notionally about 4.6 billion to about 6.1 billion. And I'm talking pre-COVID kind of normalized figures here. But that's what I would tell you.

Kevin Chiang, CIBC

That's great color. Thank you very much.

Operator

Thank you. Our next question comes from the line of Elizabeth Grenfell with Bank of America. Please go ahead.

Elizabeth Grenfell, Bank of America

Hi. Good afternoon, guys.

Marc Parent, President & Chief Executive Officer

Hi, Elizabeth.

Elizabeth Grenfell, Bank of America

Hi. I'm calling on Ron's behalf today. Do you see air travel back to 2019 levels in 2023? How do you expect that recovery to play out for you?

Marc Parent, President & Chief Executive Officer

Well I think, we're pretty happy. What you're going to look for also--two things first of all. I mean, when I'm going to talk about that I'm talking about commercial aviation travel, not business aviation. Business aviation has already recovered quite nicely, and we continue to be it's already about right now as we said about 15% of pre-pandemic levels based on businesses cycles in the United States and in Europe.

In terms of commercial aviation the way it pans out for us is just watch the airplanes that are flying, because our business is regulated. So as long as there's two pilots flying those airplanes at the front, they have to go back to training, literally on an average basis throughout the world every six months.

So for us it's look at the utilization of the aircraft themselves. So--but at the moment utilization of the airplane--so it's about 50% from--based on maybe 80% before pandemic. So for us as airlines add more flights and more utilization, our business in terms of the utilization in our training center is very highly correlated to that. So the utilization of the active fleet of aircraft and how they're being used in the fleet. So what--expect it to follow that trend.

And the additional color I would give you is that we expect of that recovery to the narrow body sector to recover faster. That's I think pretty much consensus and that's the consensus that we get based on talking to our customers which of course because of our market position represents the majority of the world's airlines.

So the fact that the narrow body recovers faster is a good thing for us, because 75% of our network is full-flight simulators in our training centers are not narrow-body aircraft. And when it comes back to just additional cover on the business aircraft, about a third of our revenue in civil also comes from business aircraft, which that's important, because it's also a more profitable segment. So that factors into as well.

Elizabeth Grenfell, Bank of America

Alright. Thank you very much.

Operator

Thank you. And our next question comes from the line of Fadi Chamoun with BMO Capital Markets. Please go ahead.

Fadi Chamoun, BMO Capital Markets

Okay. Thank you. A couple of questions. First on the acquisitions. I guess you addressed some of the strategic kind of positive for Merlot, but the other two acquisitions now that you've kind of had a chance to take a look under the hood can you kind of share with us a little bit about the opportunities you see there, the integration process. How do you feel about these two acquisitions now that you've had a chance to kind of take a look at them a little bit more closely?

The other quick question is to Sonya. Maybe if you can help us frame the restructuring benefits that you expect in 2022. I think you mentioned up to a run rate of $65 million to $70 million ramping up. But is that going to be by end of 2022, like, how much of that restructuring benefit should we expect to be realized next year?

Marc Parent, President & Chief Executive Officer

Okay. Maybe I'll just kick it off there. Fadi, look, I will tell with the acquisition of the other two acquisitions, which is the FSC and TRU. Look, no surprises, except maybe to say, look, we're very happy with what we see. It's always great that obviously we know our business. I think we knew them well, in terms of if you think about FSC, they bought essentially all of their new simulators from us over the years. I sold them their first sim back in 2006 I believe it was. But--so we know them well and very, very happy with the team coming aboard. No surprises on the integration. And so it's I would say it's exactly on track if not ahead of where we expect it to be.

In terms of TRU, very similar questions. You know--they're right down the street from us here in Montreal. Great facilities and great bunch of people. I think that good book of business which we knew. You know I like what I see. I think that it reinforces our relationship as well with Boeing. I think that's an important one because Boeing was their supplier, what--for the 777X and the 737 Max from original equipment simulators. So that's very attractive for us. We knew about that. But again so very happy about what we see it. In both cases the iteration I would say is right on track if not ahead. Sonya?

Sonya Branco, Chief Financial Officer

And I guess, I'll jump in there on your question for restructuring. So we started the program in Q2 and it's progressing well. Now a good part of the program is about asset and footprint optimization. So these are long lead items, like relocating simulators and sort of moving people and closing down these facilities.

So--and that's underway. We've had a good amount under our belts. But it will continue on over the next couple of quarters as well as kind of a lot of the process digitally driven process improvements underway.

So we're going to see those savings basically come through next year in FY22, at least $50 million of recurrent payment for the full year of 20--FY22 as we had talked to. And now with the additional measures that we've identified as we continue on this quest for optimization and streamlining, we've identified additional measures. So different types of locations and opportunities that we'll be starting this quarter and through the new fiscal year.

So those will take a little longer to ramp up and so probably, that incremental savings will come through towards the latter end of the year and ramp up to a run rate of $65 million to $70 million recurring annual savings.

Fadi Chamoun, BMO Capital Markets

Okay. Great. Thank you.

Operator

Thank you. And our next question comes from the line of Noah Poponak with Goldman Sachs. Please proceed.

Noah Poponak, Goldman Sachs

Hi. Good afternoon everybody.

Marc Parent, President & Chief Executive Officer

Good afternoon.

Andrew Arnovitz, Senior Vice President, Strategy & Investor Relations

Hello.

Sonya Branco, Chief Financial Officer

Good afternoon.

Noah Poponak, Goldman Sachs

Hey, Marc, just staying on the topic of the recovery in civil training and sort of, I guess, the lead lag for you and then how you're tethered to that. You know, on the one hand, it is clearly not visible exactly when the recovery starts and the pace of recovery. But on the other hand I've been pretty surprised at just how many airlines are out there talking about especially domestic-oriented airlines talking about flying this summer. You know 80, 90% of their 2019 capacity.

And you just mentioned being more tethered to narrow body than wide body. So, I guess, I'm a little surprised you're not seeing that already. Maybe you could just speak to that. And I guess, specifically what is the lead time for training pilots tethered to specific capacity that is coming back? And can it be done in pretty short order? Is that why you're not seeing it yet?

Marc Parent, President & Chief Executive Officer

Well I think that the level of activity that we're seeing is certainly not representing 90% flying right now. And I think that hopefully we will see that this summer and I fully expect that. You know when people--there's a lot of pent-up demand. All of us want to get back on airplanes, all of us want to go, they say, Sydney and Montreal. We--minus 18, I want to go south.

So I think it's, look, for us, it's going to be when are boarders going to open. You know when are these quarantine rules going to be lifted. And again in Montreal we have an 8 o'clock curfew. So that basically it's, for us it's just, as I mentioned before, we're highly correlated to the level of airplanes flying, the level of flying activity.

So you got a lot of airplanes flying, you've got to question, how many flights per day, right? When that frequency starts increasing, because there's more volume, you're going to see obviously, more pilots will be needed. So you're going to see more training activity, more utilization of our training centers. So about 50% utilization of aircraft right now. You see about 50% average utilization in our commercial aviation training activity. So I think that's what we're going to see. Watch that metric, we're highly correlated to it.

Noah Poponak, Goldman Sachs

That makes a ton of sense. And again, I recognize that we're nowhere near 90% of 2019 on much of anything right now. But, again, if there are a bunch of U.S. domestic airlines or there's just a decent amount of airlines talking about flying--a surprising--at a capacity level surprisingly close to 2019 this summer.

Wouldn't you know how far in advance of doing that do they have to do the training? Are they able to do the training pretty close to doing that? I would have thought it would have been a few months in advance?

Marc Parent, President & Chief Executive Officer

It depends if you're talking about pilots that are on staff that are maintaining their certifications. Then as long as they keep doing their every six months going back into a simulator, maintaining stuff--like they have to do a certain number of landings every 90 days, those kind of things, then they're easy to bring back online.

Where you really have the issue--where it takes months is if a pilot falls out of certification. That would typically fall if you really haven't gone back to training after a year. Then you're out; then you have to go back essentially to square one. That could take months. It's because once you have any individual pilot, let's say, flying a narrow-body 737 or A320 you'll get to go back to school, go back to a type rating course. You may be a month out. But over the course of the year that's one month for one pilot, but then you have to have the available infrastructure and training, number of simulators, number training slots, to be able to train any volume of personnel back online.

I think maybe the other thing that if you're talking about only U.S. to say, for example, what we call the main carriers, they have their own simulators.

Noah Poponak, Goldman Sachs

Right.

Marc Parent, President & Chief Executive Officer

So that may be where you don't see a translation in our training activity. But we will see that.

Noah Poponak, Goldman Sachs

Right.

Marc Parent, President & Chief Executive Officer

In other ways in terms of the update activity that happens. And for us, talking to them and actually doing stuff about supporting them with regards to overflow training when they will need that delta training those are the kind of discussions we have.

Noah Poponak, Goldman Sachs

When I roll it all up, given what you saw in the quarter and then you discussing next quarter being pretty stable, it doesn't sound like I should be counting on much of a jump in your revenue that leads the global system wide capacity. And instead I should really just tether you to that. Is that the conclusion?

Marc Parent, President & Chief Executive Officer

Well what I said I think is when I look at the utilization in our training centers I expect a very similar level in the quarter that we're in based on what I've seen in the third quarter. So that's what we're seeing and we have pretty good visibility on it because obviously of where we sit in terms of date. We've got a month and some behind us, and we have a pretty good view of bookings in our network of training centers. So that's where I'm coming from.

Noah Poponak, Goldman Sachs

I see. That's helpful.

Marc Parent, President & Chief Executive Officer

And to me that's--but again, to me is like we are talking about weeks now, we are talking about—

Noah Poponak, Goldman Sachs

Yeah. Yeah

Marc Parent, President & Chief Executive Officer

(INAUDIBLE change at all the fundamental thesis of CAE, even going into the end of the year.

Noah Poponak, Goldman Sachs

Yeah. No. I don't think it, I hear you there. I probably just had the lead time confused. But that's all helpful. In the healthcare business it's a very significant at least percentage change in the quarterly revenue and we've seen the new product announcements. Can you help us out with what from this increase is long-term sustainable versus only short-term related to COVID versus was literally just this quarter?

Marc Parent, President & Chief Executive Officer

Well the big--I mean I would tell you it's not just this quarter, but it is related to the Canadian ventilator contract. Which we said from the outset this is a stepping up as part of the wartime effort to help our fellow citizens with being developing from scratch ventilator of which we got the contract with Canadian Government.

So what you're seeing there is the contribution in earnest of the ventilators and that's about--I would tell you about half of the order. The good news is that the fact is that with the pandemic where it's at and with less severity overall in terms of the use of ventilator, there's not going to be as many needed. So I think we got a contract for about 10,000. We'll deliver about 8,200. So about a little over double--well we delivered like 4,200 and 57 this past quarter. We'll deliver a total of 8,200. So it's just a little bit more less than 4,000.

So the contribution over the next quarters, couple quarters will probably be similar to, in terms of, from that contract, to what you see. And you're talking about teams' kind of margins on that contribution. Beyond that--so I think, going back to your question, the big increase is due to that one contract. And that contract is coming to an end. Now having said that, what I will tell you is that just demonstrates the capability that we have at CAE when you think about that we're able to literally from scratch design and engineer and deliver a highly technical device like a ventilator tells you what we're able to do.

We've transitioned, we announced last week we transitioned our workforce here in Montreal into fabrication of 50,000 air purifier units that are revolutionary in what they do. So that'll help us not only to basically be able to like maintain 100 jobs for production line which is good because it absorbs overhead and it has, I wouldn't say a material contribution to earnings but certainly not diluted by any measure.

And, but more importantly, yeah, I think there's more links potentially to that. You know, early days. But and from a larger standpoint I am very bullish on future growth in healthcare. Very good. If there's anything that this pandemic has demonstrated it is not only what we can do in healthcare, but the receptivity of customers to the kind of products and services in healthcare that CAE's brand can bring to bear. And early days and under the leadership of Heidi Wood leveraging that division in earnest and adding our digital capabilities I'm--I've never been more bullish that the healthcare will become a meaningful part of CAE and not in 10 years.

Noah Poponak, Goldman Sachs

Yeah. Okay. Thanks so much.

Marc Parent, President & Chief Executive Officer

Thank you.

Sonya Branco, Chief Financial Officer

Thank you.

Operator

Thank you. Continuing on, our next question comes from the line of Konark Gupta with Scotiabank. Please go ahead.

Konark Gupta, Scotiabank

Thanks, and good afternoon everyone. So perhaps the first one on defense the order activity seems to be good. Like it's kind of holding up despite obviously all the pandemic related issues you spoke about. But what's--I'm wondering what's kind of putting pressure on revenue and margin compared to where this thing is in your backlog. I think it's at 10%, 12% kind of margin backlog. But we are not seeing those margins yet and revenue is kind of maybe capped because of those pandemic issues. But any additional color you can provide on what's causing defense program execution here?

Marc Parent, President & Chief Executive Officer

Well, look I think, first of all, I would maybe say that my thesis hasn't changed at all that defense is a going business. And we're in a transition year right now for a number of reasons. Although we have had some good order activity the fact is that I'm very happy, but as I mentioned on the call, during my conference call remarks here the kind of awards that we are winning to me are marquee contracts that really demonstrate CAE's credentials in training across the world. You just think about the KC135 contract, very major contracts for the U.S. Air Force. And a contract that we have with special forces on synthetic environment contract to demonstrate the expertise and the technology that we can bring to bear that is really going to be critical going forward.

So I think short term what we're seeing here is there's some of it and I think that's going to persist for a little while is the dearth of order activity. Because like it or not the military's supporting areas like procurement engineering are just like everything else hit by COVID related absenteeism and disruption. So that is affecting near-term order activity.

Not that orders go away, but in fact that they get protracted in terms of when they're actually going to be awarded because of the work required to be able to do that. Nearer term right now we are being affected by COVID. I can give you specific examples. We have for example in our Tampa training facility we have a major training facility where we do C138 training and the larger part of training we do that were for militaries. And that tends to be good business. Unfortunately, because of border restrictions and travel restrictions the customers can't get to the training center. That's just one example.

Again, near-term issues, but that's the major color I would give you that's affecting our results in defense at the moment. I mean that's where I'll end it right now unless you want to expand the question.

Konark Gupta, Scotiabank

No. Absolutely not. That makes sense. Clearly I think, that's what I thought the travel restrictions, but I was just curious as to if there's anything overly materially incremental that that kind of explains. But no that's good. On the full flight simulators on the civil side, so you've talked about in the MD&A and disclosures that the backlog is pretty strong and should support production for the next couple of years at least? Just curious as to the 35 deliveries you are planning for this fiscal year? Is that sustainable with the current backlog for the next two years or do you need to win more orders on the FFS side to produce 35 each year?

Marc Parent, President & Chief Executive Officer

Well I don't think we've given a lot of guidance to that, you're going beyond our level of guidance right now. But I would say, look, I'll remain to what I said is that we'll deliver that backlog over next couple of years.

Look, if we were to--let's say we were gonna get--we were to get no orders--well--which is not going to happen. We're already getting orders and we still--and we have a lot of interest with customers as they ramp up taking on airplanes, because deliveries are being restarted. I think we will get orders. So this situation that you talked about really doesn't occur.

But those contracts that we have, the backlog that we have, the real driving factor here is the dates that we've committed to the airlines and those are firm. And pretty much every one, not pretty, but every one of those contracts has been looked at in terms of, in some cases, the customers wanted to basically defer delivery because of the situation, deferment of the aircraft. And everyone now has a new date which is firm and that's what we're executing to and that--and so the long answer short--long answer, but the delivery of that backlog is pretty firm over next couple of years.

Konark Gupta, Scotiabank

No. Okay. That's good. And just kind of expanding on that a little bit because you talked about Max earlier on the call with the TRU's acquisition and clearly they were kind of align with Boeing on that Max sim orders. I am wondering if your backlog for Max sims here, where it's at right now and what are your plans for production on the Max side, please?

Marc Parent, President & Chief Executive Officer

Well, I can tell you--and then yeah, TRU fits in very, very well with that. As CAE, if I look at the situation on Max today, at CAE we've delivered 41 Max simulators to date and that includes five in our network. We have sold 53. Now, I would say, we have sold 57 total. But we had, we defer two in our network and we had two in deferrals from another airline. So I would say net 53 sold to-date.

TRU have 11 simulators delivered to-date and they have 14 sold and that's the entirety of all the 737 Max simulators. And we are continuing to support Boeing through a Max overflow training agreement. And that's what's exciting because it's our first training cooperation with Boeing. I am quite excited about that and that's specifically on the Max.

Konark Gupta, Scotiabank

That's great. That's a really good color, Marc, there. And last one for me—

Marc Parent, President & Chief Executive Officer

Last thing I would tell you is that maybe just a little bit more color. Just based on the number of aircraft that are out there I certainly expect northward of 50 to 60 737 Max simulators over the next five years minimum.

Konark Gupta, Scotiabank

Okay. That's great. Thanks. And lastly for Sonya, free cash flow wise obviously Q3 was so good in terms of cash flow and working capital generally tends to contribute a lot in the third quarter. But just wondering, Sonya looking at the historical numbers, usually working capitals seasonality wise comes off in Q4. Anything this time you think it's different than last few years in terms of seasonality? And then obviously CapEx kind of picks up as well right in Q4 this year? So any color on the free cash flow and heading into Q4?

Sonya Branco, Chief Financial Officer

Yeah. Absolutely. So I agree with you, a solid Q3 performance with $224 million. And really that's a reflection of improving operating performance flowing through in the cash from ops that you see quarter over quarter, continued improvement there. And obviously if the operating performance and continued costs and cash preservation measures and so on that we put into place. And just absolutely continued focus on each of these. And it really kind of demonstrates the cash generative nature of the business. So we add to that the non-cash working capital performance. But to your question on seasonality, we are seeing a similar pattern investment in the first half and a reversal in, partial reversal in the second half.

We do expect it to stay in an investment position for the year. So it should follow in the trend. So Q3 being one of the strongest performers in a non-cash working capital. Where we saw that was really a nice step up on collections and our DSO and if you can imagine with a pandemic and all that was going on, there was I guess an increase in the day sales outstanding and with all of the focus that's starting to come back down and also really good view and visibility and management on inventory and supply chain. So we continue to focus on generating cash and minimizing the working capital. So and it'll follow pretty much the seasonality that you've seen in the past.

In terms of CapEx we've spent almost about a little less than $60 million to date and we do expect a ramp up in the fourth quarter in pace with the plans that we have, some of the spend that we'll do to support the restructuring program as we move at some of the locations. But also investing in the opportunities that we have. We still continue to see good opportunities to deploy accretive CapEx.

So and frankly, especially in the business aviation field where those organic investments really kind of deliver significant incremental returns, as you have seen in entirely organic deployments we've done it drives 20% to 30% incremental return on capital within two years to three years. So as we see those opportunities in lockstep with the secure demand from the customers then we're deploying the capital accordingly.

Konark Gupta, Scotiabank

Thanks. I appreciate the time.

Andrew Arnovitz, Senior Vice President, Strategy & Investor Relations

Operator

Operator

Thank you

Andrew Arnovitz, Senior Vice President, Strategy & Investor Relations

We're running a little thin on time here. I think we'll take two more last questions before we open up to members of the media.

Operator

Absolutely sir. Our next question comes from a line of Cameron Doerksen with National Bank Financial. Please go ahead.

Cameron Doerksen, National Bank Financial

Yeah, thanks. Good afternoon. Just really kind of wanted to follow up on an earlier question just with regards to the healthcare segment. I mean obviously CAE is known as a training and simulation company. And I get that you've won this ventilator contract and that you've stepped up there and it's obviously a pretty nice win there. But I'm just sort of wondering about this air purifier contract and that sounds more like a contract manufacturing type of deal.

I'm just wondering if there's like a shift in strategy here in healthcare where it's kind of no longer solely focused on training and simulation and now you're just kind of looking for other opportunities. So maybe you can just describe what sort of the go forward strategy is in the healthcare segment?

Marc Parent, President & Chief Executive Officer

No. You're correct, Cameron. Our strategy hasn't changed. We're staying, we're very much focused on the opportunities that we have and there's quite a market there and it's a growing market with regards to what we can do in simulation and training. So if there is a change in strategy we'll let you know but there is not now. We have been, I'd say this, both contracts are part of the humanitarian effort that we've done to support, again, our fellow global citizens on the fight against COVID-19.

But it just demonstrates what we're able to do at CAE and I think that that speaks of itself. But that speaks for itself in all of our business: the systems engineering expertise, the manufacturing expertise, we have the global sourcing opportunities, software and the integration of it all with the subject matter expertise that we have in areas such as healthcare. That's where it all comes together and I think that's applicable. But, again, no change in strategy in terms of healthcare.

Cameron Doerksen, National Bank Financial

Okay. That's great. Just wanted to clarify that. Thanks very much.

Operator

Thank you. And our next question comes from the line of Benoit Poirier with Desjardins Capital Markets. Please go ahead.

Benoit Poirier, Desjardins Capital Markets

Yeah. Good afternoon, everyone. Just to come back on defense, obviously you talk about the pandemic that contributed to delays in the execution. But as we go beyond this pandemic and this transition year especially with the new President in the U.S., how should we be thinking about CAE's ability to rebound in terms of revenue growth and margin in fiscal 22 and beyond?

Marc Parent, President & Chief Executive Officer

Yeah. Well look, I you should feel good about it. As I said, I certainly do. I am, as I mentioned, I repeat as you said, we're managing through a transition year and we're working through challenges which are short-term and they're real. They're brought about by the pandemic. And, but we have a growth strategy that has been reinvigorated through the input that we have not only from Heidi Wood would ran it in the interim that we're in the beginning for about six months and Dan Gelston, who runs the business now with a wealth of experience in the defense sector and the security sector. So I'm very, very bullish on what we can do here.

And what we're focusing more is on the technological capability at CAE and leveraging into specific high value areas like this, what we've been talking about the single synthetic environment. This is the ability, as you know, Benoit, very well than we do very well is to be able to mimic the world and create a digital twin of the world in which people can exercise and that becomes very, very important.

And you've heard me talk about before, as the world--as the nature of training changes, because the defense priorities are changing. We`ve gone from--if you look at the defense priorities of the United States, for example, the priorities, they've switched from what used to be we've talked for years about supporting that kind of threats that are those that we saw on what we would call the war on terror.

Now what people are focused on is training for a near peer opponent which is an opponent that you cannot be assured that you have control of the air, control of the airwaves, control of space assets. So you have to train, you can, you obviously heaven forbid never have to deal for real if that happens. But what does the military do when they're not in conflict? Well they train for conflict.

So you obviously can't train for fighting a near peer threat. But so what we do is provide an artificial world, a synthetic world, a digital sim-digital twin of the world in which you can exercise where all the domains come together: the air assets, the ground assets, the naval assets, the space assets, the cyber environment. Those are the things that are going to be, are actually becoming what is required to be able to support training. And we have leading edge capabilities, and we are winning contracts in that area.

Like, for example, the one we're winning with SOCOM Global Situational Awareness. So and again, as we always do at CAE, we're an innovation powerhouse. We continue to invest in differentiating technology. So you've heard us talk about CAE Cracks, the e-Series, a visual system all of which support the thesis I just mentioned.

Again, near peer challenges that affect our ability to raise margins now. Near-term basically issues with regards to be it order activity because COVID related, but it's a transition. Doesn't change anything about my bullish stance with regards to the future in defense.

Benoit Poirier, Desjardins Capital Markets

Okay. And on healthcare market you've been quite successful with the ventilator and air sanitizer opportunities. I would like to hear more about what type of revenues are sustainable or what would you see as a permanent result and also what kind of opportunities you have aside this air sanitizer and ventilator because it might open the door for more opportunities for CAE down the road for healthcare.

Marc Parent, President & Chief Executive Officer

Well I think the ventilator contract is coming to an end. I said over next couple of quarters I think that'll be done. But we'll produce the rest of the 4,000 odd units that we have remaining to go. The purifying contracts, I think we'll get it done. It's not huge numbers, because these things are maybe $5,000 a piece if they look on average. So it's not big numbers, but it is important. It is important.

The technology beyond those, I think, is very exciting and think it has potential even beyond COVID-19 in terms of its capability to literally eliminate bacteria right up to black mold, for example. But again, yeah, we'll see if we can build, get more of those. Beyond that I would say, as I was saying to Cameron, our strategy hasn't changed. We see growth in healthcare--significant growth in healthcare through staying to our knitting, which is simulation-based training and services in the healthcare sector. And that's going to be fueled by our digital capabilities which, as you know, as we all live digital is being incredibly accelerated during this pandemic and that will continue. And we have very, very specific skills and capabilities there that I think will propel not only healthcare, but the rest of our business.

Sonya Branco, Chief Financial Officer

And maybe I'll just add, Marc that—

Benoit Poirier, Desjardins Capital Markets

Okay. That's—

Sonya Branco, Chief Financial Officer

Sorry, Benoit, I'll just add that this is a manufacturing contract. So we're not actually selling it directly to the client. And ultimately from a CAE perspective, although it's really important it's not that significant from a financial perspective.

Benoit Poirier, Desjardins Capital Markets

Yeah. Okay. That's great color. And maybe a very quick one for you, Sonya. When we look in terms of financial perspective what would you like to see before reconsidering or revisiting your dividend and buyback program?

Sonya Branco, Chief Financial Officer

Yeah. I think it's like we've said the capital allocation priorities have not changed. The first priority remains to invest in accretive growth and as we've seen with the three acquisitions, actions in the quarter, and we continue to see opportunities on the organic growth capital front. And we balance that with maintaining a solid financial position.

So, on the current returns, dividends, and buybacks it's always been a function of the level of excess free cash flow and the level of accretive investments we see ahead of us. So it remains an ongoing dialogue with the CAE board.

Benoit Poirier, Desjardins Capital Markets

Okay. Thank you very much for the time.

Sonya Branco, Chief Financial Officer

Thank you.

Operator

Thank you

Andrew Arnovitz, Senior Vice President, Strategy & Investor Relations

Operator, that's all the time we have for members of the investment community. We do want to take the last few moments that we can to open up the lines to members of the media.

Operator

Most certainly. We'll now begin the question and answer session for the media. If you would like to register a question press the one followed by the four.

Sir, it appears that currently there are no questions from the media sector. I will return the presentation to you once again.

Marc Parent, President & Chief Executive Officer

Okay. Thank you Operator. We'll then conclude this call for CAE's third quarter fiscal year 2021. I want to thank all participants and remind them that a transcript of today's call can be found on CAE's websites. Thank you and good afternoon.