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Fadi Chamoun  
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Kevin Chiang  
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Cameron Doerksen  
National Bank Financial

Benoit Poirier  
Desjardins Capital Markets

Doug Taylor  
Canaccord Genuity

Ross Marowits  
The Canadian Press

Allison Lampert  
Reuters

Our first question comes from the line of Steve Arthur with RBC Capital Markets. Please go ahead.

Steve Arthur, RBC Capital Markets

Great. Thank you very much. Just a couple of questions. First, on the training centre utilization, the 49% I realize is an aggregate of many different training centres, different simulator types, but just wondered if you can expand a little bit more on the dynamics within there. For example, the utilization at business jet training versus commercial or, you know, in addition to the recurrent training, any signs of more transition training as pilots move around for different aircraft types.

Marc Parent, President & Chief Executive Officer

Okay, Steve. I think that maybe a little slightly higher in business aircraft. It’s been doing somewhat better based on the fact that there’s been, you know, business aircraft has been less affected overall in terms of the flight activity, which is the driver for us. Commercial, I think it’s kind of plateaued and, as we said last quarter, it’s pretty much in line with the activity on the aircraft, the commercial aircraft that are being utilized right now. If you look at the market right now, it’s been, overall commercial aviation there’s been an approximate 50% recovery in daily flight activity, which is obviously well off the lows back in April, which explains, you know, part the explanation for our sequential performance here. But it’s more or less plateaued in recent months, as we went into the fall with the second wave and everything.

Business aviation, as I mentioned, has been recovering faster than commercial. And I continue to be bullish on that and it does represent about a third of our civil business. And if you just put some numbers around this, business jet cycles in the United States and Europe are within about 10% or 15% of pre-pandemic levels, which is pretty impressive when you think about it. And anecdotally, and I provided a little colour last quarter on this, is our charter operator customers are seeing significant volume in business aircraft from customers who are new to private jet travel. And in my experience, again, from nearly 35 years in this industry, once people experienced private jet travel there tends to be a high retention rate. So that’s the kind of colour I would give you right now with regard to utilization.
Steve Arthur, RBC Capital Markets

Okay. And is still the same dynamic within two, more and more wet training with business jet training and a lower but growing amount in commercial?

Marc Parent, President & Chief Executive Officer

Yeah. That's about right. Yes.

Steve Arthur, RBC Capital Markets

I guess just related to that, just any updates at all on the nature of the potential outsourcing agreements with airlines? Of course, you can't get in any customer specifics, but are those kind of conversations still advancing and what's the reception with the airline customers?

Marc Parent, President & Chief Executive Officer

No, absolutely. There are several discussions underway. That hasn't changed. The dynamic continues that airlines are more amenable to partnering with us to become more resilient and have flexibility in their training operations by turning a fixed cost into a variable cost. You can well imagine that airlines are pretty busy these days in terms of managing their operations, but I do believe that some of these deals will come to fruition and it's just a natural for us. But we'll keep you informed, as we don't control the timeline, certainly, and we're patient.

Steve Arthur, RBC Capital Markets

Okay. And I guess just the final one for me, just on the healthcare segment. Any colour you can provide on the contribution from the ventilators in the revenue in the past quarter or a sense of the scale of that 10,000 unit order?

Marc Parent, President & Chief Executive Officer

Well, in the quarter we had approximately $7 million of revenue from the healthcare sector that came from the ventilators. It's modestly profitable. That's what we expect. We've been deliberate not to create expectations on the profitability of those ventilators, because although I do expect them to be profitable, cash generative, I mean you can well imagine that what we're doing here is reacting primarily to what really is a biological wartime effort here to do our fight against COVID-19 and I'm extremely proud of what we've been able to do. But our top priorities on the contract are really making sure on the quality of those devices and the speed to market, because obviously we want to put them in the hands of the public health authorities as quick as we possibly can. Does that answer your question, Steve?

Steve Arthur, RBC Capital Markets

Yeah, no, I think it does. I understand that and appreciate it. Thank you.

Konark Gupta, Scotiabank

Thank you and good afternoon. Maybe just wanted to follow up on the utilization trends. You spoke about commercial versus business aviation. Within commercial, obviously there are multiple silos there as well, like narrow body, wide body, as well as cargo. I wanted to understand, given obviously wide body fleet still remains pretty much grounded by 50% or so, narrow body might be doing better, so any sense you can provide on utilization rates for you guys on narrow body side, as well as cargo, given a lot of airlines and operators are accelerating passenger to freighter conversions these days. So how are you leveraging those opportunities? Thanks.

Marc Parent, President & Chief Executive Officer

Well, I wouldn't break it down to that level, but I can tell you, as we said before, about two-thirds of our training footprint is narrow body, actually, it's about 75% actually, of our fleet is narrow body, so we're willing to expose to that. And actually a lot of aircraft, those that we do have on wide body, some of them are being used for cargo and we are actually seeing actually a lot of narrow-body airplanes being used for cargo and being converted to that end.

Konark Gupta, Scotiabank

Right, but are you seeing any significant increase in cargo training, Marc?
Marc Parent, President & Chief Executive Officer

Well, definitely there’s more. I’m not saying that you don’t know. There’s a lot more cargo activity. And to the extent that we train cargo, yes, we have seen improvement in the training that’s related to training of cargo aircraft crews, for sure. I just wouldn’t break out the number for you.

Konark Gupta, Scotiabank

Okay. No problem. That’s good colour. Then moving on, on the commercial side on MAX, obviously MAX is getting quite close to its recertification. I guess, a couple of airlines in the North American market has spoken about un-grounding them pretty shortly. And Boeing has disclosed the backlog is sitting around about 3,300 aircraft. So my question is really on, you know, if you can help us understand the size of the potential opportunity for CAE from MAX in terms of what is the incremental demand potential for simulators as well as training as MAX comes back? Or do you do see maybe a pent-up demand after they have delivered maybe a couple hundred or so aircraft?

Marc Parent, President & Chief Executive Officer

Well, I don’t think—obviously, there’s a short-term dynamic that’s occurring here, but I think, in aggregate, when you look at all of the, ah, that whole order book that you mentioned that’s Boeing, I mean it’s got a very solid order book, as we know, very large. And when you look at basically, excluding lessors, there’s about 73 operators at the moment who account for about 1,300 of those orders on MAX that we know they don’t currently have a MAX training solution. So that gives you an idea of the opportunity for us over time. And I think that the dynamic will be similar at a steady state to other narrow body deliveries that we’ve had.

So in the past year we’ve given you the market drivers statistics that we use at every about 30 narrow body deliveries necessitates simulator in the market. And now that it’s clear that the MAX will require simulation-based training, you’d expect that airlines that previously were going to be able to, let’s say they had a MAX, an NG fleet, and we’re going to transition to a MAX. Well, maybe then they’re going to be, well, most likely they’re going to be less using their NG simulators because we’re more advantageous to them to move to a permanent solution using MAX simulators or outsourcing their training to providers like ourselves, which offer MAX training. So that gives you some of the, I guess, on a steady state I expect this to be just like another narrow body type.

Konark Gupta, Scotiabank

Right. And I think Boeing was recently mentioning about some updated pilot training requirements that the regulators from the US, Canada, and Europe have mapped out. Have you been involved in those discussions at all or do you expect a discussion going forward?

Marc Parent, President & Chief Executive Officer

Well, I wouldn’t break it down. I’ll leave it to Boeing to answer the overall questions that are asked, but I could tell you though that we have high-level meetings. I personally am on a call every month with senior leadership of return to service at Boeing. We’re a partner to them to get the fleet back in the air and to support the authorities and our customers, because we have, you know, the great majority of sales of simulators for a 737 MAX we have. So you can well imagine that we’re involved, but in terms of the decision making, it’s coming out of the authorities.

Konark Gupta, Scotiabank

Okay. Thank you for that. That’s all my questions.

Operator

Thank you. Our next question comes from the line of Fadi Chamoun with BMO. Please proceed with your question.

Fadi Chamoun, BMO Capital Markets

Yes, good afternoon. Thank you. Sonya, we’re getting a lot of question about this Canada wage program, I guess, and I think you’ve collected year to date somewhere around $80 million and I think in this quarter around $35 million. Should we consider these as income that would otherwise subsidizing or offsetting what could have been wage reduction or headcount reduction or things like that? Or is there a bottom line impact from these wage subsidy programs on the first half results? And if you have visibility, if can give us an idea what do you expect from those kind of programs in the second half of the year.

Sonya Branco, Chief Financial Officer

So you should absolutely look at it as an alternate, an offset, as you mentioned. So, as far the mitigation
measures, we sought out different government programs globally and we got about, I think, 20 different countries. The lion’s share is really in the Canadian program. So the other countries, sometimes it’s literally just a flow through that the government’s use to subsidize the employees. The Canadian program is slightly different. So in total, as you mentioned, $35 million in the quarter.

But, as you’ll remember, some of the measures that we took quite early on was highly impactful. 2,400 people furloughed or reduced work weeks and so on and so what this program essentially allowed us to do is to call back those furloughs and employees and work weeks, so essentially neutralizing the impact. So it’s relatively neutral.

As for the future, the program is continually being changed. It’s still there until June and a lot of moving parts to really kind of be able to answer that question.

Fadi Chamoun, BMO Capital Markets

Okay. Okay, that’s great. The other question I had is on the cadet training program. I think you have a number of cadet training programs with various airlines. Have these programs been kind of scaled back? I’m just trying to understand how kind of airlines are looking at some of their ab initio training requirements going forward, if they’re scaling back or are you seeing that kind of remain as their original plan despite the pandemic?

Marc Parent, President & Chief Executive Officer

Well, that’s exactly the case, Fadi. People have maintained their original plans. Don’t forget, it takes at least, you know, in the neighbourhood of two years to create a pilot. And actually we came out with our CAE pilot forecast just yesterday. If you have a look at it, I still think it’s a good career to become a pilot. And because we were in a pilot shortage situation, as you will recall, in the not so distant past and although, obviously, the pilot profession business affected significantly in the shorter term because of COVID, the wave of retirements as well as basically movements in the workforce will recover and we will need quite a number of pilots going forward.

So, going back to your question, all of our programs have been maintained. In fact, we won more business. We won, for example, with Boeing, we announced that last quarter, a contract to deliver pilots for them. So I haven’t seen any impact. In fact, our flight hours are basically the same. The only effect that we’ve had is where we’ve had to close centres temporarily like, for example, in Australia, in Melbourne, because of COVID, and that’s affected our flight operators. But at the end of the day, going back to our pilot demand forecast, what we forecast is demand for 27,000 new pilots by the end of 2021. And if you think about it, it takes two years to make a pilot, you want to make sure that you maintain it and that’s what our airline partners are doing.

Fadi Chamoun, BMO Capital Markets

Okay. That’s great colour. Thank you. And maybe one last question. You said 35 to 40 deliveries of full flight simulators this year. If you have enough visibility, can you give us an idea what kind of orders run rate do we expect this year?

Marc Parent, President & Chief Executive Officer

What kind of runway, sorry…?

Sonya Branco, Chief Financial Officer

A run rate on new order sales?

Marc Parent, President & Chief Executive Officer

Go ahead, Sonya, answer the question.

Sonya Branco, Chief Financial Officer

I think what we’ve said is that we expect order intake or order sales, the number of them, to be lower this year reflecting the environment but—

Marc Parent, President & Chief Executive Officer

Okay. He meant the orders.

Sonya Branco, Chief Financial Officer

—we’ll keep and expect to keep a market leading share of that.

Marc Parent, President & Chief Executive Officer

Yeah. That’s exactly right, Fadi.
Kevin Chiang, CIBC World Markets

Thank you. Next we have a question from the line as Kevin Chiang with CIBC. Please go ahead.

Operator

Thank you. Next we have a question from the line as Kevin Chiang with CIBC. Please go ahead.

Kevin Chiang, CIBC World Markets

Hi. Good afternoon. Thanks for taking my question here and thanks for the colour on the Qs and how you think about it, Sonya. So if I look at, you know, in the quarter you did a mid-teen margin with utilization at 49%. The last time we saw your margins around these levels, you had utilization of somewhere in the 60s. And I know mix plays a role and you’ve obviously taken a lot of cost cutting measures here, but do you think you can get back to pre-pandemic civil margins at a significantly lower utilization rate than you were seeing, I guess, pre-crisis, just given where your revenue mix sits today?

Sonya Branco, Chief Financial Officer

I think I’ll maybe comment on the quarter first and, you know, you were comparing a highly kind of impacted Q1 versus kind of maybe a little bit, I guess, more stabilized dynamics in Q2. And what it highlights is that the model has really good operating leverage, right? So we saw more volume through the utilization. And also, like you said, mix matters and it has an impact. So there’s a higher proportion, a faster recovery on (inaudible), which is generally higher yield. But also there was a higher volume on the product side. So you’ll remember that there was only two deliveries last quarter, so revenues driven on the delivery side, and so 10 in this quarter helped also on the volume and drive the leverage there.

Going forward I think, listen, it’s a bit early to kind of give outlooks for upcoming years, but that’s the reason we’ve been engaged in this restructuring program and really kind of focusing on internal processes, the optimization of our asset base, footprint, really focusing on digitally enhancing processes, and kind of taking the lessons learned with the pandemic and more and becoming even more efficient, right, and so driving $50 million of recurring structural savings for FY 2022 and on. And so that’ll be part of that conversation, because the volume doesn’t necessarily have to come up at the same level or at the same speed to drive a higher level of profitability.

Kevin Chiang, CIBC World Markets

I appreciate the colour there. Maybe just turning to healthcare, it looks like a little bit of a leadership change there with Heidi Wood just taking over as President or being appointed as President, and I think, Marc, you mentioned some of the opportunities that you see within healthcare that may have materialized here during the pandemic. Just wondering, as you look at those opportunities, do you see those as being complementary to the previous strategy you had within healthcare? Or should we think about this segment now kind of pivoting towards another direction? And it feels like this division has been in a bit of an incubation phase for quite a while now, just wondering when you think it hits an S-curve within the slow trajectory and it kind of breaks out of this kind of $30-some odd million of quarterly revenue it seems to generate pretty consistently right now.

Marc Parent, President & Chief Executive Officer

Well, look, I tell you I am very bullish on Heidi Wood leading our medical division. I’m absolutely sure about that. I think if anything is going to be propelled going forward, post-pandemic, one of them is going to be the propensity for simulation-based training in healthcare. And I think that we’re quite happy, and I know I just had a review with Heidi with regards to the healthcare division, and she’s very, very complimentary of the people in the organization and the products and service suite that we have.

As I’ve mentioned before, the products that we have in the healthcare division are very profitable, in a lot of cases more profitable than in our more core divisions, and it’s a question of volume. It’s a question of volume. We expect that the volume is there. She’s been meeting with a lot of customers and came away from it very encouraged. So I would basically say that we’re putting an executive in charge here. An executive with a lot of bandwidth, a lot of experience, and a lot of business experience, and that is singularly going to propel our products and services and lead the workforce to what I know is the growth that’s out there in this business, which is only going to get better in this post-pandemic world.

Kevin Chiang, CIBC World Markets

That makes sense. Maybe just last one for me. I think you’re in the midst of kind of repositioning some of your assets just given all that’s happening in the world today and you did put out your pilot outlook yesterday. I’m just wondering, when you think of repositioning your assets, do you think of positioning them based on a kind of decade outlook of where you see pilot demand and
Marc Parent, President & Chief Executive Officer

Well, look, first and foremost, I always say there’s nothing wrong with the defence business that a few hundred million dollars of orders wouldn’t fix. I say that and I say that to the team all the time. So clearly it’s about growth. And you throw more growth. And of course when we bid on projects, we certainly bid to be able to go into the contract with a market that will be accretive to CAE. I mean obviously it depends if it’s a service or a products contract.

So first and foremost, get more volume, and more volume, of course, that affects your profitability, because you lower your overhead rates, in which case that helps (inaudible), even better makes you more profitable and more marketable going forward in terms of winning bids. At the same time, we can absorb more SG&A, and that’s, you know, when we get multi-year service contracts, that helps, because you don’t have to eat what you kill every year.

And we have a project underway, it’s part of our overall restructuring and the improvement programs that we’ve launched and learnings to do things differently with some of the insights that we’ve gained during a pandemic and before, and we call those internally Project Phoenix, Project Crossroads, and those, to me, a couple of more growth will be the result in better execution, coupled with growth, ah, will result in what I certainly expect to be double-digit margins in defence.

Cameron Doerksen, National Bank Financial

Okay. That’s good. Thanks. And just secondly on, I guess maybe a capital allocation question. I think the free cash flow is probably trending a little better than what you might have expected earlier in the fiscal year, so I’m just wondering if you can comment on when the decision will be made to reinstate the dividend, if that’s something that we should potentially expect in the next couple of quarters.
pretty interesting growth opportunities in front of us right now.

Cameron Doerksen, National Bank Financial

Okay. Fair enough. That’s all for me. Thanks very much.

Operator

Thank you. And we now have a question from the line of Benoit Poirier with Desjardins Capital Markets. Please go ahead, sir.

Benoit Poirier, Desjardins Capital Markets

Good afternoon and thank you. Just on defence, could you provide maybe an update on the large project contracts that were impacted early independent and maybe that mix between equipment and services you’re seeing these days?

Marc Parent, President & Chief Executive Officer

Well, I think, Benoit, as we said, this year is in defence is a transition year because of some of those issues that we have on large contracts, contracts (inaudible) which we were literally tools down and, in some cases, still tools is down, and the level of less traffic in some of our training centres because of pandemic-related restrictions. Certainly, beyond this current year, we see a growth business. And I’m quite encouraged with our new defence leader, Dan Gelston, and the amount of insight he’s driving into the business, the amount of leadership and energy he’s driving here, so I’m quite confident in that.

In terms of product service mix, it’s pretty similar to what has been in the past. Sonya, do you want to add to this?

Sonya Branco, Chief Financial Officer

Yeah, it’s still, I think, a higher proportion on the services side than the product side. And that’s being reflected in the margin as well.

Marc Parent, President & Chief Executive Officer

And the moment it’s about two-thirds I think?

Sonya Branco, Chief Financial Officer

Yeah.

Marc Parent, President & Chief Executive Officer

Yeah, two-thirds.

Benoit Poirier, Desjardins Capital Markets

Okay. That’s great. And maybe could you share any thoughts about your expectation for the new leadership under Daniel Gelston? And maybe if you could give an update related to your active bidding proposal, the amount that you tend to disclose every quarter? Thank you.

Marc Parent, President & Chief Executive Officer

Well, I think, like I said in previous question, I’m very pleased to have someone as Dan’s caliber on board at CAE. Dan has a very positive energy that he brings to the team in defence and I’m very, very confident that he’s going to do great things to bring out the full potential of our business, which, going back to your question that was previously said, admittedly it was not the case for last couple of years.

So he brings a wealth of knowledge and experience, specifically in a kind of business that we have in running in (inaudible) company and a special security agreement. We’re a Canadian company needing that to be able to sell, for example, to all branches of the US military, which we do. He understands the landscape within the current requirements in defence for multi-domain warfare and the real, you know, going forward what he’s going to be training to deal with near-peer threats that are out there, which is different. He understands the technological capabilities of CAE and really how to leverage them into high-value areas, like the contracts that I mentioned during my remarks around the single synthetic environment for Special Operations Command, just as using that example.

So look, we’ve made some structural improvements in defence and so, look, I think stay tuned. We’re confident that defence is a solid growth business longer term. And the latter end of your question, I think the number that we have right now is $4.8 billion.
Benoit Poirier, Desjardins Capital Markets

Okay. Okay. That’s right. And last one for me. You talk about the growth opportunities. How should we be thinking about CapEx post fiscal 2021 as there might be some catch up given the growth opportunities you foresee?

Sonya Branco, Chief Financial Officer

Benoit, I think we just came out with guidance for this year, so CapEx to date at $33 million was tracking little under the $50 million that we provided as guidance and planning for $100 million for the year. Beyond that, I think we’ll wait until March and May.

Some of that CapEx is related to the footprint optimization as we consolidate training centres and of course we’ll pace investments with the level of demand and in line with customer contracts. But essentially where we have and we continue to see some opportunities for some platforms where there’s demand, where there’s these opportunities, CapEx deployments drive nicely accretive returns and really, within the five-year horizon, are driving 20% to 30% incremental returns. And it’s a good proxy for cash. So, where we continue to see those opportunities, we’ll be acting on them.

Benoit Poirier, Desjardins Capital Markets

Okay. Thank you very much for the time.

Operator

Thank you. And now we have a question from the line of Doug Taylor with Canaccord Genuity. Please proceed.

Doug Taylor, Canaccord Genuity

Thanks. Good afternoon and thanks for taking my questions. Just a couple for me. Firstly, with respect to the restructuring benefits, the $50 million that you were targeting, and I’m sorry if I missed it, but can you update us on where you are, what was recognized within the quarter, or how you now expect the remaining benefits to ramp over the coming quarters?

Sonya Branco, Chief Financial Officer

So we incurred $50 million of costs this quarter and we’ll (inaudible), it’ll kind of go into Q1 of next year, but the bulk of those charges we expect this year. But there’s a longer lead items with asset relocations and facilities optimizations.

Now in terms of the benefits, the guidance and the info is $50 million of recurring structural savings starting fiscal 2022. So we just started the program and a good part of that program is footprint, asset optimization would require some bit of time to consolidate the facilities. And also, Marc was talking about all the digital process enhancements, et cetera, that are underway and so on and ongoing throughout the year. So we’ll really start seeing the benefits come through next year, maybe some a little bit of this year but really next year $50 million of recurring structural savings.

Doug Taylor, Canaccord Genuity

That’s helpful clarification. My second question is with respect to the types of deals that you’re looking to potentially cut with some of your airline customers for outsourcing training, and that’s a certainly an exciting growth vector during this pandemic. So when and if that happens, can you speak to whether there are incremental investments that would be required on your part? Or will you be taking on additional capacity? Or would all the potential business you would be outsourced to you’d be able to service within your existing portfolio and infrastructure? That would be helpful. Thank you.

Marc Parent, President & Chief Executive Officer

I think it depends of the deal, obviously, that we look at. But if we look at past airline outsourcing that we’ve done, there’s been quite a number of different types, but in a lot of cases we take over, for example, the partner’s existing assets. Think about what we did with Japan Airlines, Singapore Airlines. So they basically contribute their existing training assets or simulators. So that’s one way of doing it. So, either way we look at it, our view is it has to be accretive to CAE’s go-forward picture. And I would expect that sometimes we’re going to be combining assets to be able to do that.

Doug Taylor, Canaccord Genuity

Okay. So is there any—go ahead.

Marc Parent, President & Chief Executive Officer

Go ahead. Carry on.
Doug Taylor, Canaccord Genuity

I was just going to ask, I mean given the pandemic is, obviously, a new phenomenon for the airlines, if that has changed the decision making with respect to outsourcing to favour a certain type of outsourcing arrangement versus prior cycles?

Marc Parent, President & Chief Executive Officer

I don’t think so. No. I think, look, in the end, it’s usually the same kind of dynamic. If you’re an existing airline and you have a training operation, you still have—don’t forget our, and that’s a great thing about our business, it’s a regulated business. Every six months typically pilots have to go back for training. So if you’re an airline, you have to either have the capacity for all your pilots to be able to train on a regular basis and to take advantage or (inaudible) initial training as you basically have pilots retire or pilots furloughed, so you have movement in your pilot workforce, so you need the infrastructure. So, if you’re already in airline, most likely you had that infrastructure, so typically what you bring into the deal is those assets. And we’re very good, because that’s our business, and we do it for a very large number of airlines to the tune of a million flight hours a year, a million training hours a year, we’re very good at extracting maximum utilization by efficient scheduling, efficient delivery of the courses. So typically what we would do is has less of a need and then we’re able to offload some of that capacity and sell it for third-party training.

So I wouldn’t expect the dynamic to change very much from that standpoint, except to say that in this kind of environment we have more discussions, because people want, you know, (inaudible) understand that, because if they can make their cost structure lower, which you could certainly do, and more and perhaps even better make it variable, so you only pay for what you use and when you use it, because typically, for example, the western world, in a normal year, which of course this is not a normal year, but seasonal patterns are you don’t train in the summer because you’re flying, but if you have your training infrastructure, then you paying for it, ergo being advantaged. And the only thing of course is that these days with, obviously with the pandemic still very much out there, airlines have a lot on their plates these days and this is typically the same themes. So, hopefully that gives you a bit of a broader colour.

Doug Taylor, Canaccord Genuity

It’s very helpful. Thank you very much.
Ross Marowits, The Canadian Press

Okay. And the second thing is I’m wondering, in terms of defence spending, with the new administration in the US coming in, are your expectations of orders or business going to change?

Marc Parent, President & Chief Executive Officer

No. No. And the reason I would tell you, two reasons. Number one is that, first of all, I would tell you that the day that the orders that we can get at CAE being a proxy to the size of US Defence Department, I would be very happy. I think we have lots of opportunity to grow within the defence budgets that are out there today and then are foreseen to be out there under any reasonable scenario going forward.

The other thing is that the products and service that we provide, we, by definition, align ourselves to the defence strategy and expected defence, where the money is going to be spent over the next few years. And the great thing about, for example, governments and, specifically, if I was to use the largest defence market in the world, the US Defence Department, basically they tell you what they’re going to spend on, you know, over the next few years. So our investments in research and development, in bidding activity are very much aligned to those national defence priorities. So I feel very good about our prospects for a growth in the next few years.

And I think one thing that’s obvious in there to understand is what we do is simulation-based training. That actually saves money relative to, for example, training, which you have to do, you have to continue to do. So if we can move more of that training to simulation-based training, well obviously that reduces cost, you’re in the spirit of goodness there.

Ross Marowits, The Canadian Press

So you’re not concerned about a new government reducing spending on defence?

Marc Parent, President & Chief Executive Officer

No.

Ross Marowits, The Canadian Press

Okay. Thank you.
training activity has not stopped, it’s continued during this whole time, because of the time it takes to ramp up pilots. So it may take only a day or two to take an airplane out of mothballs, but if you haven’t prepared for it, it could take you literally months to get your pilots back up to speed to be able to fly them.

Andrew Arnovitz, Vice President, Strategy & Investor Relations

Okay, operator, that’s all the time we have for questions this afternoon. Again, I want to thank members of the investment community and the media for their time listening to us and for their questions and remind you a transcript of today’s call can be found on CAE’s website. Thank you and good afternoon.

Operator

Thank you. And that does conclude the conference call for today. We thank you all for your participation and ask that you please disconnect your line. Thank you once again. Have a great day, everyone.