

Investor Presentation

March 2021



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Pending the Acquisition closing, L3Harris Military Training is a fully integrated business unit of L3Harris, and separate financial statements historically have not been prepared for the L3Harris Military Training business. Consequently, the financial information of the L3Harris Military Training business included in this document has been derived from the consolidated financial statements and historical accounting records of L3Harris and reflects certain significant assumptions, judgments and allocations made by L3Harris. The financial position, net income and cash flows of the L3Harris Military Training business may not be representative of the financial performance if the L3Harris Military Training business had been a stand-alone entity or operated independently of L3Harris. As a result, the historical financial information of the L3Harris Military Training business may not be a reliable indicator of future results.

Market Data

This presentation may contain or reference certain market, industry and peer group data which is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Although the Company believes these sources to be generally reliable, such information is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other inherent limitations and uncertainties. The Company has not independently verified any of the data from third party sources referred to in this presentation and accordingly, the accuracy and completeness of such data is not guaranteed. In addition, certain of the data contained in this presentation come from the Company's own internal research and estimates based on the knowledge and experience of the Company's management in the market in which the Company operates. While the Company believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the contained estimates or research in this presentation.

Currency

All amounts in this presentation are expressed in Canadian dollars unless otherwise indicated.

Disclaimer

Caution Regarding Forward-Looking Statements

This presentation includes forward-looking statements, which include, without limitation, statements relating to the acquisition of L3Harris Technologies' Military training business ("Acquisition") and the related private placements, available liquidities, the use of proceeds of the private placements, the expected timing of, and conditions precedent to, completion of the Acquisition and related private placements; the attractiveness of the Acquisition from a financial perspective and expected accretion in various financial metrics; expectations regarding anticipated cost savings and synergies; the strength, complementarity and compatibility of L3Harris Military Training's business with CAE's existing business and teams; other anticipated benefits of the Acquisition and their impact on the Corporation's future growth, results of operations, performance, business, prospects and opportunities, CAE's business outlook, objectives, development, plans, growth strategies and other strategic priorities, and CAE's leadership position in its markets; general economic outlook; prospects and trends of an industry; and other statements that are not historical facts. Although CAE believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that they will prove to be correct. Forward-looking statements can generally be identified by the use of forward-looking terminology such as "believe", "expect", "anticipate", "plan", "intend", "continue", "estimate", "may", "will", "should", "strategy", "future" and similar expressions. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties associated with our business which may cause actual results in future periods to differ materially from results indicated in forward-looking statements. The completion of the Acquisition is subject to customary closing conditions, termination rights and other risks and uncertainties, including, without limitation, regulatory approvals, and there can be no assurance that the Acquisition will be completed. There can also be no assurance that if the Acquisition is completed, the strategic and financial benefits expected to result from the Acquisition will be realized. These statements are not guarantees of future performance or events, and we caution you against relying on any of these forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate.

You will find more information about risk factors in CAE's MD&A for the year ended March 31, 2020 and in our filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, all of which are available under our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. Any one or more of the risk factors may be exacerbated by the growing COVID-19 outbreak and may have a significantly more severe impact on CAE's business, results of operations and financial condition than in the absence of such outbreak. Accordingly, readers are cautioned that any of the disclosed risks could have a material adverse effect on our forward-looking statements. We caution that the disclosed list of risk factors is not exhaustive and other factors could also adversely affect our results.

The forward-looking statements contained in this presentation describe our expectations as of March 21, 2021 and, accordingly, are subject to change after such date. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. The forward-looking information and statements contained in this presentation are expressly qualified by this cautionary statement. Forward-looking statements are presented in this presentation for the purpose of assisting readers in understanding certain key elements of the Acquisition and the related private placements. Readers are cautioned that such information may not be appropriate for other purposes.

Non-GAAP Measures

Except as otherwise indicated, all financial information has been reported in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This presentation includes non-GAAP and other financial measures. Non-GAAP measures are useful supplemental information but do not have a standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other issuers. These measures should not be confused with, or used as an alternative for, performance measures calculated according to GAAP. They should also not be used to compare with similar measures from other companies. Management believes that providing certain non-GAAP measures provides users with a better understanding of our results and trends and provides additional information on our financial and operating performance.

For non-GAAP and other financial measures monitored by CAE, and a reconciliation of such measures to the most directly comparable measure under GAAP, please refer to Section 5 of CAE's MD&A for the quarter ended December 31, 2020 filed with the Canadian Securities Administrators available on our website (www.cae.com) and on SEDAR (www.sedar.com). Non-GAAP and other financial measure definitions and reconciliations to the most directly comparable measures under GAAP can also be found in the Appendix of this presentation.

We are a **high-tech** company with a noble purpose focused on **safety**



Our mission

To lead at the frontier of digital immersion with high-tech training and operational support solutions to make the world a safer place.

Our vision

To be the worldwide partner of choice in civil aviation, defence and security, and healthcare by revolutionizing our customers' training and critical operations with digitally immersive solutions to elevate safety, efficiency and readiness.

CAE is a world leader in training and operational support solutions with three core business units

Civil Aviation Training



We play a key role in making air travel safer

We deliver over 1 million hours of training annually*

Defence and Security



We train and support allied forces around the world for critical missions

We help to ensure their readiness

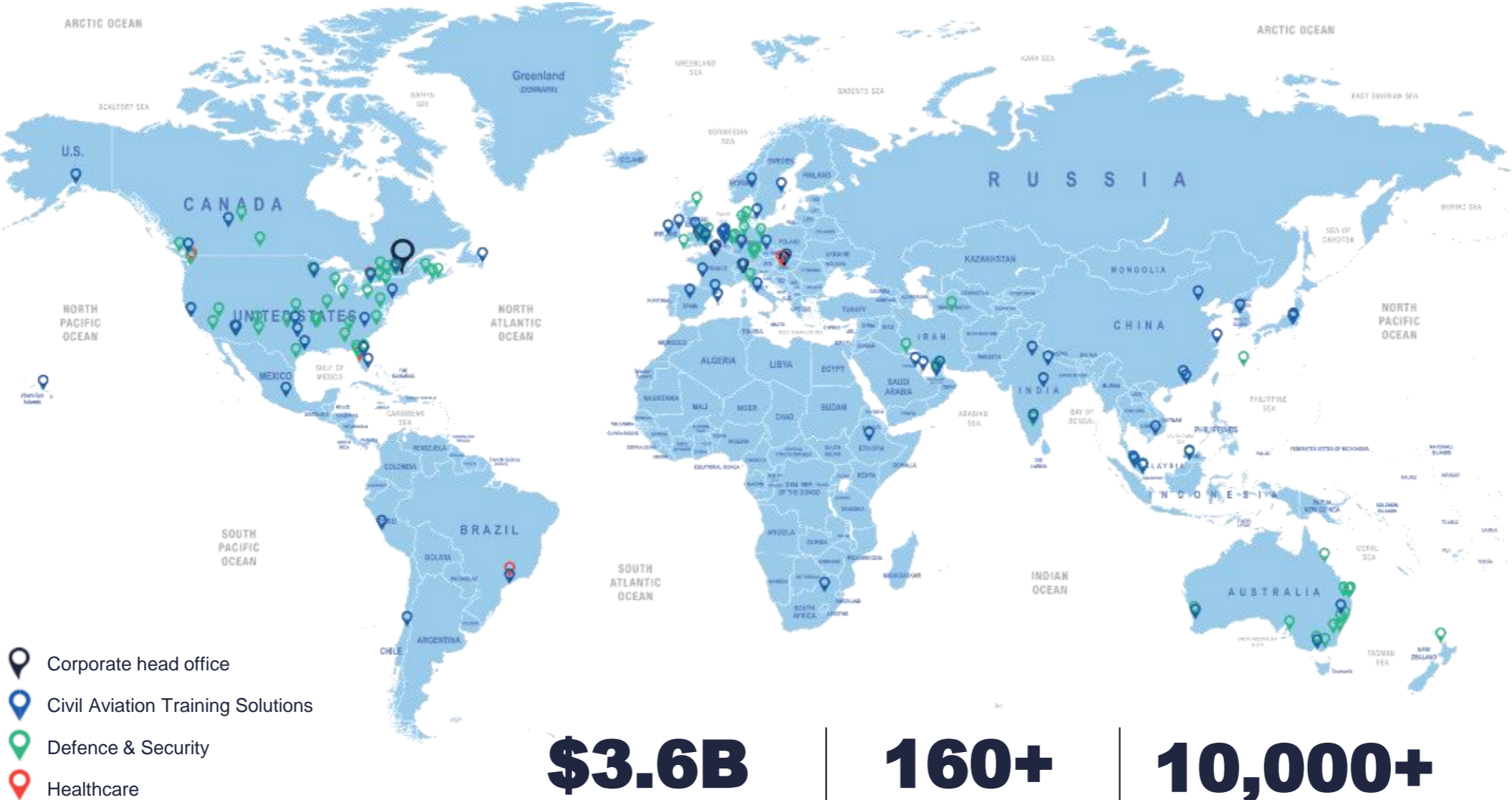
Healthcare



We help make healthcare safer and improve patient outcomes

Diversified global business

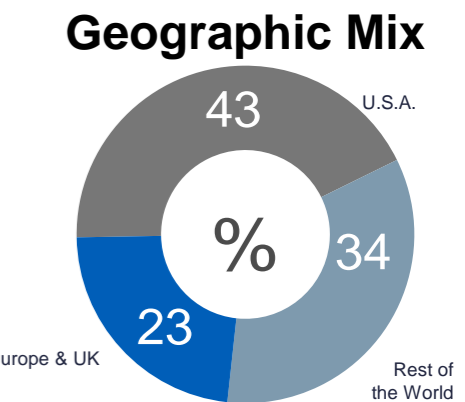
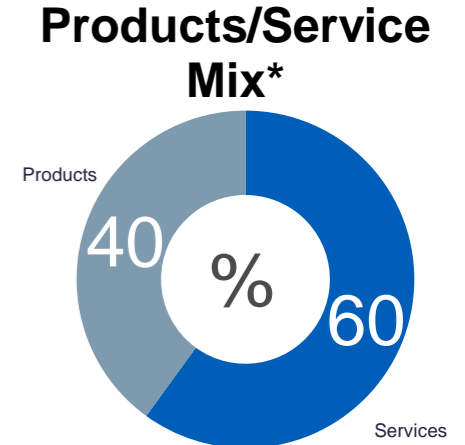
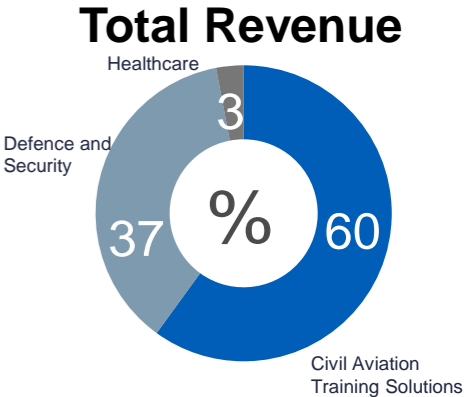
For the year ended, March 31, 2020. Metrics not reflective of recently announced Military Training and Simulation acquisition.



\$3.6B
FY20 Revenue

160+
locations

10,000+
employees



* Approximate value including JV sales



We are a global leader in immersive synthetic training environments

Knowledge Leadership

- 2,000+ engineers
 - Electronics
 - Systems
 - Mechanical & electrical
 - Software
- Talented manufacturing workforce

Industrial Champion

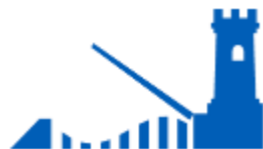
- Best-in-class global supply chain
- Broad global Footprint
- World-class operational and functional processes
- Short prototype-to-production cycle time
- Highly agile organization

Advanced Technologies

- Deep technology expertise
 - Virtual and Augmented Reality
 - Remote (real-time) networking
 - Synthetic Environment
 - Cloud- and AI-based solutions
 - Complex man-to-machine interface

CAE's 8 pillars of strength

'8 Pillars of Strength'
underlie CAE's
compelling investment
thesis, culminating in a
technology-focused,
secular growth
company with market-
leading positions and a
high degree of
recurring business



Industry leader with a strong competitive moat



Potential for compound growth and superior returns over the long term



High degree of recurring business



Solid financial position and highly cash generative business model



Headroom in large markets



Excellent and diverse team with a unique social impact on safety



Culture of innovation, empowerment, excellence and integrity



Technology and industry thought leader

Recently announced highly strategic acquisition with significant financial benefits

1

Accelerates CAE's Defence & Security growth strategy

2

Enhances alignment with key US National Defence Strategy priorities and next gen platforms

3

Creates end-to-end suite of capabilities in military air training and simulation

4

Broadens position in other large and growing military training and simulation domains

5

Common culture focused on innovation, at the frontier of digital immersion

6


Low-teens % EPS accretion expected in first full year post-close, including cost synergies





Civil Aviation Training Solutions




The world's largest civil aviation training network

**170+**
Aircraft

**300+***
Full Flight
Simulators (FFS)

**60+**
Training
Locations

**1M+ hours**
Annual Training Delivery (FY19, FY20)

135,000+ pilots
Trained Every Year (FY19, FY20)



* Non-GAAP and other financial measures (see Appendix)



Market drivers

Demand Drivers

- Rigorous **industry regulations** and secular growth in air travel
- **Safety and efficiency imperatives**, including maintenance of time-bound flight crew, new training requirements and enhanced safety management systems
- **Pilot churn** and **new pilot demand**
- Expected LT growth from new **aircraft deliveries** and **renewal of fleet**
- Need for innovative solutions to drive **greater operational efficiency**
- Enhanced **safety management systems** for aircraft operators



Profitability Drivers

- **Favourable business mix** drivers, including large market headroom in training services
- Potential to increase ratio of **wet vs dry training** in commercial training
- **Expansion of operational support offering** by leveraging advanced analytics, software solutions and other digital technologies
- Operational excellence programs expected to realize significant **annual recurring cost savings across whole organization**, commencing in fiscal year 2022 and ramping up to a run rate of ~\$65 to \$70M company-wide
- Training **outsourcing and partnerships**

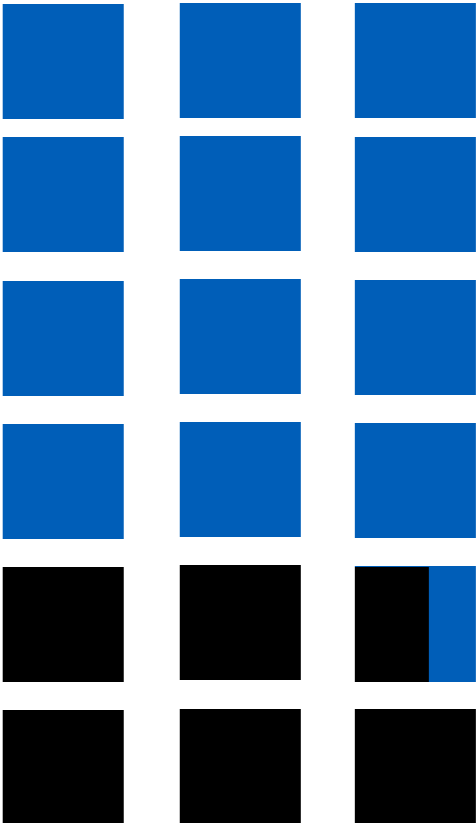
CAE's Civil Aviation Training Solutions segment is positioned as a gateway in a highly regulated, secular growth market, and it has significant headroom for growth

Headroom in a large market



Civil Addressable Market
~\$6.2B*

~30%*
CAE



CAE has potential to increase share in a large and growing market

Source: CAE internal analysis
* Market share metrics based on FY20 revenue

We have been opportunistic with M&A



Amsterdam-based provider of total civil training solutions as well as instructor provisioning

Highlights

- ✓ Expands CAE's addressable market of customers including commercial cargo operators
- ✓ Low integration complexity within CAE's existing European footprint

A leading manufacturer of flight simulators and training devices for civil markets

Highlights

- ✓ Acquisition strengthens CAE's global civil training capabilities
- ✓ Expands addressable market for simulator lifecycle support
- ✓ Adds order backlog* and access to new customers

A leading civil aviation crew management and optimization software company

Highlights

- ✓ Accelerates expansion into software-enabled civil aviation services
- ✓ Strengthens CAE's digital flight operations portfolio
- ✓ Expands addressable market in airline crew operations and optimization software

CAE is capitalizing on market disruption by successfully executing acquisitions that align with its strategic priorities

* Non-GAAP and other financial measures (see Appendix)

Defence & Security

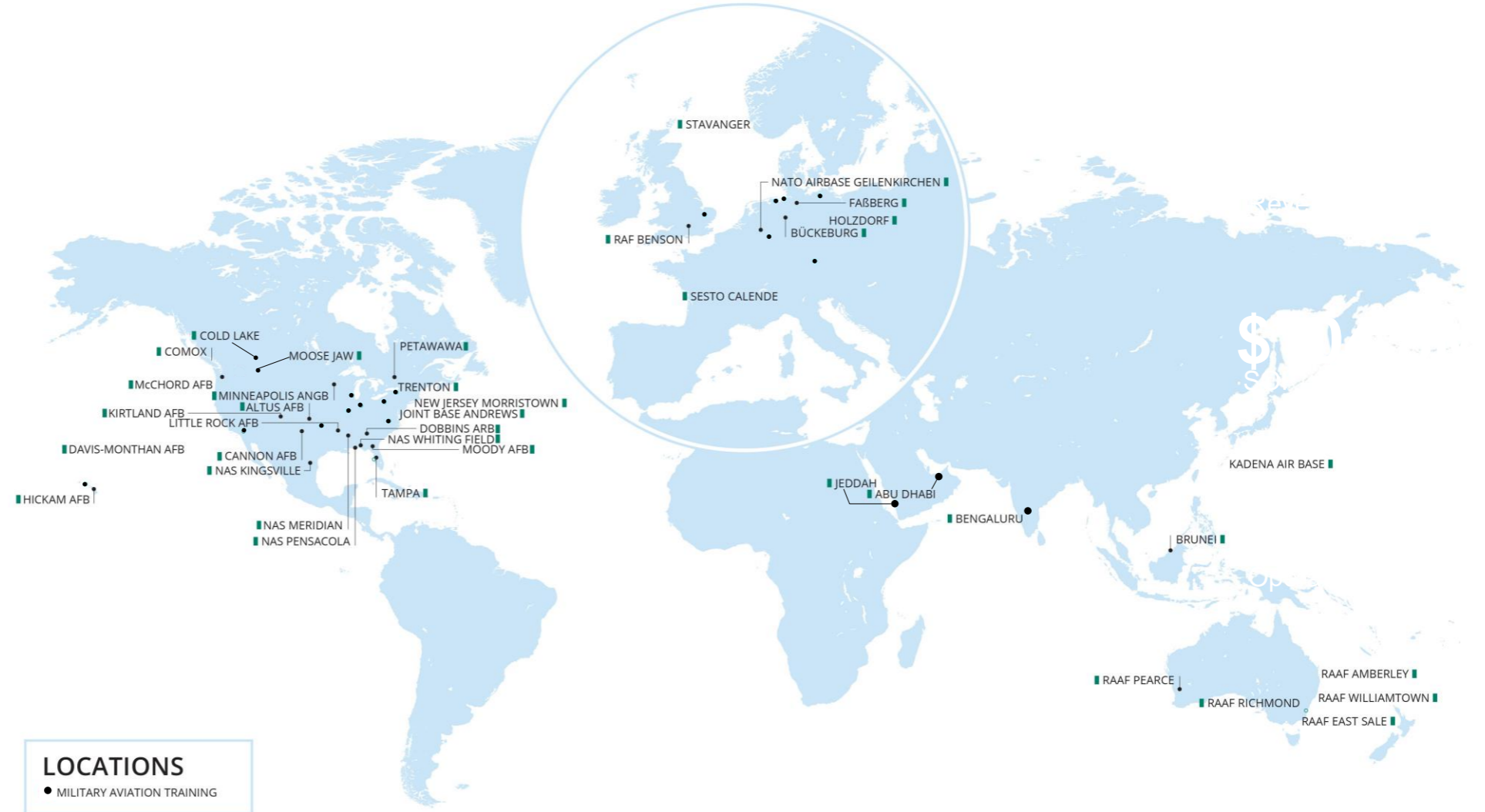


The global defence business

✈️ **40+**
Countries

🛩️ **70+**
Platforms

🏢 **100+**
Sites



Not pro forma for the L3Harris Military Training acquisition

Operations strategically located in key growth markets with training support services at 100+ sites

Market drivers

Demand Drivers

- **Premium on mission readiness** driven by global geopolitical tension and instability
- Higher mix of **simulated vs live training** due to budget priorities
- **Complex, multi-domain**, joint and coalition forces exercises require training in synthetic environments
- **Need for analytics and AI** to process large data sets and complex threats
- Increasing adoption of **new and innovative mediums** of training



Profitability Drivers

- Increasing **mix of international**, including foreign military sales (FMS)
- Operational focus on improving **contracting, sub-contracting and quality**
- Expansion of mission support offering by using **advanced analytics and software solutions**
- Operational excellence programs expected to realize significant **annual recurring cost savings across whole organization**, commencing in fiscal year 2022 and ramping up to a run rate of ~\$65 to \$70 million company-wide

CAE's Defence & Security segment is positioned as the partner of choice in live, virtual and constructive training, and is focused on becoming a global leader in digital immersion

Defence addressable market

Training Systems Integration (TSI)

Live Training



Virtual Training



Constructive Training



Learn



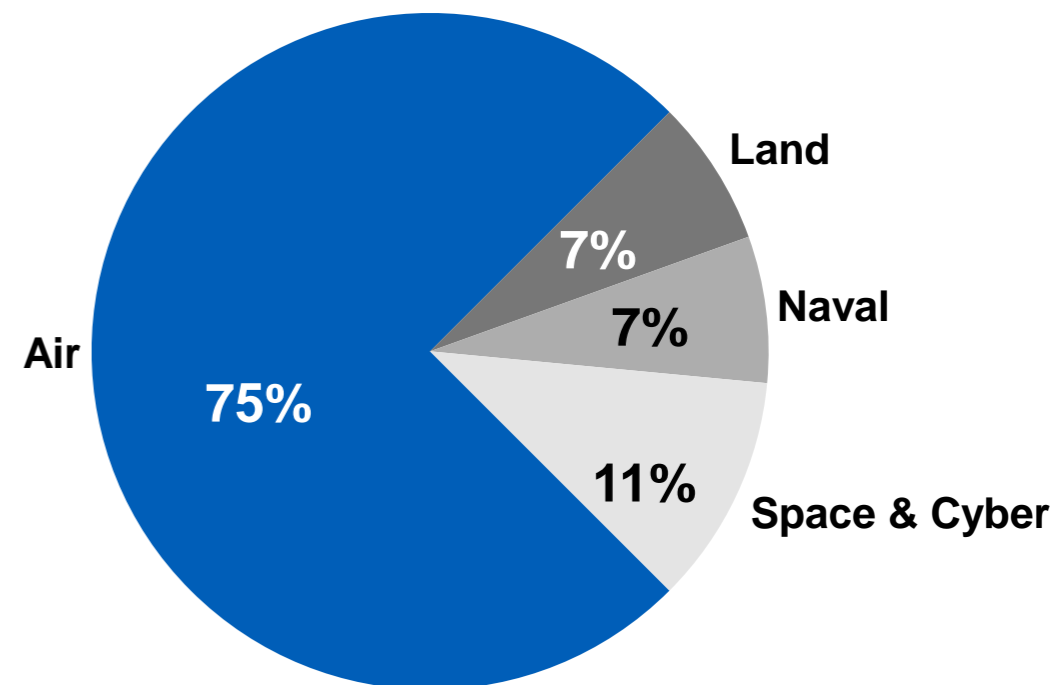
Practice



Perform



~\$14B* Military Training & Simulation Market



CAE is a world leading Training Systems Integrator with significant headroom in its addressable markets

Source: CAE internal analysis

* Metrics in CAD. Market size represents FY20

L3Harris technologies' military training: a leading, full-service training provider with comprehensive solutions across multiple domains



HEADQUARTERS
Arlington, TX



9 COUNTRIES
23 LOCATIONS



EMPLOYEES
1,600+
80% secret / high clearance



150+ Programs
Vertically integrated total training solutions provider



15 Year F-16 Training Provider
Legacy of electronic warfare systems on F-16s

Core Business Areas



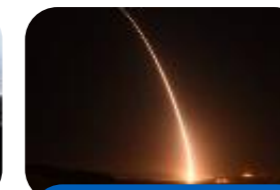
Fast Jet



Bombers



Rotary



Ground



Submarines

...Provide Complete Solutions for Critical US Defense Priorities



US Army



US Navy



US Air Force



US Dept.
of Defense



US Marine Corps



US Air National Guard

Acquisition strongly aligned with D&S strategic imperatives

CAE DEFENCE & SECURITY STRATEGIC IMPERATIVES

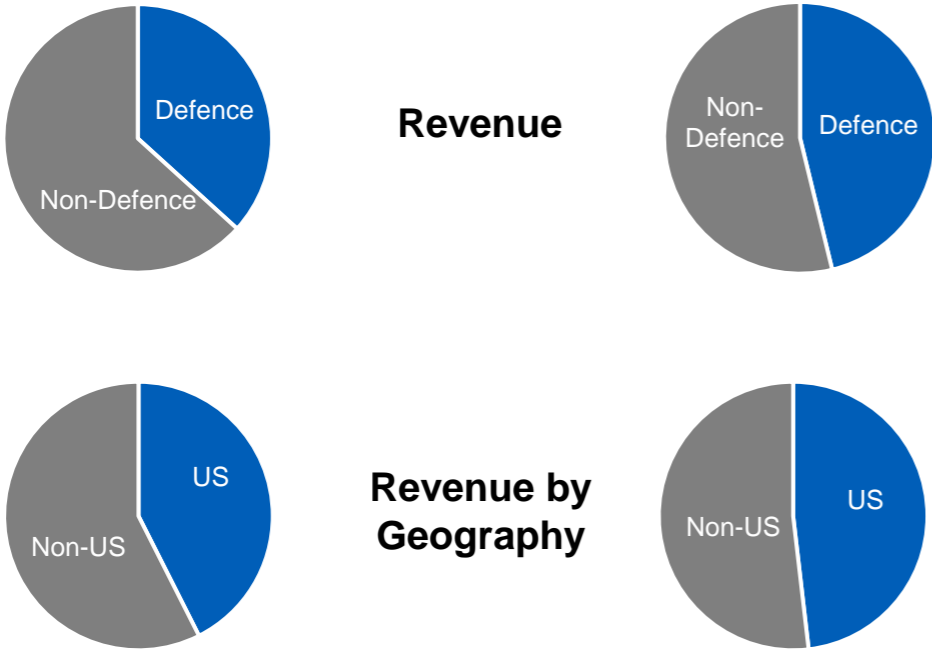


Adds balance to CAE, with complementary offerings in D&S

L3Harris Military Training provides greater balance to CAE overall, and is complementary to CAE D&S

Pro Forma Mix (FY20)

Standalone CAE Pro Forma*



Complementary Exposure in Critical Domains

Domains	CAE	L3HARRIS TM Military Training
AIR		
▪ Fast Jets	✓	✓ ✓ ✓
▪ Transport / Tanker	✓ ✓ ✓	✓
▪ Rotary	✓ ✓ ✓	✓ ✓
▪ Bombers		✓ ✓
GROUND	✓ ✓	✓ ✓
SEA	✓	✓ ✓
SPACE & CYBER	✓	✓ ✓

* Non-GAAP and other financial measures (see Appendix)



Addressing new realities in the defence environment

The global threat environment and budget priorities are accelerating demand for digital immersion solutions

- Focus has shifted from **asymmetric** to **near-peer** threats
- **Budget priorities** driving shift from live training into cost-effective, virtual trainers
- Defence forces need to train in multi-domain operations using **immersive synthetic environments**



The US National Defense Strategy (NDS) lays out priorities that address the capabilities necessary to operate in this changing, multi-domain environment

These priorities are shared by our customers around the world

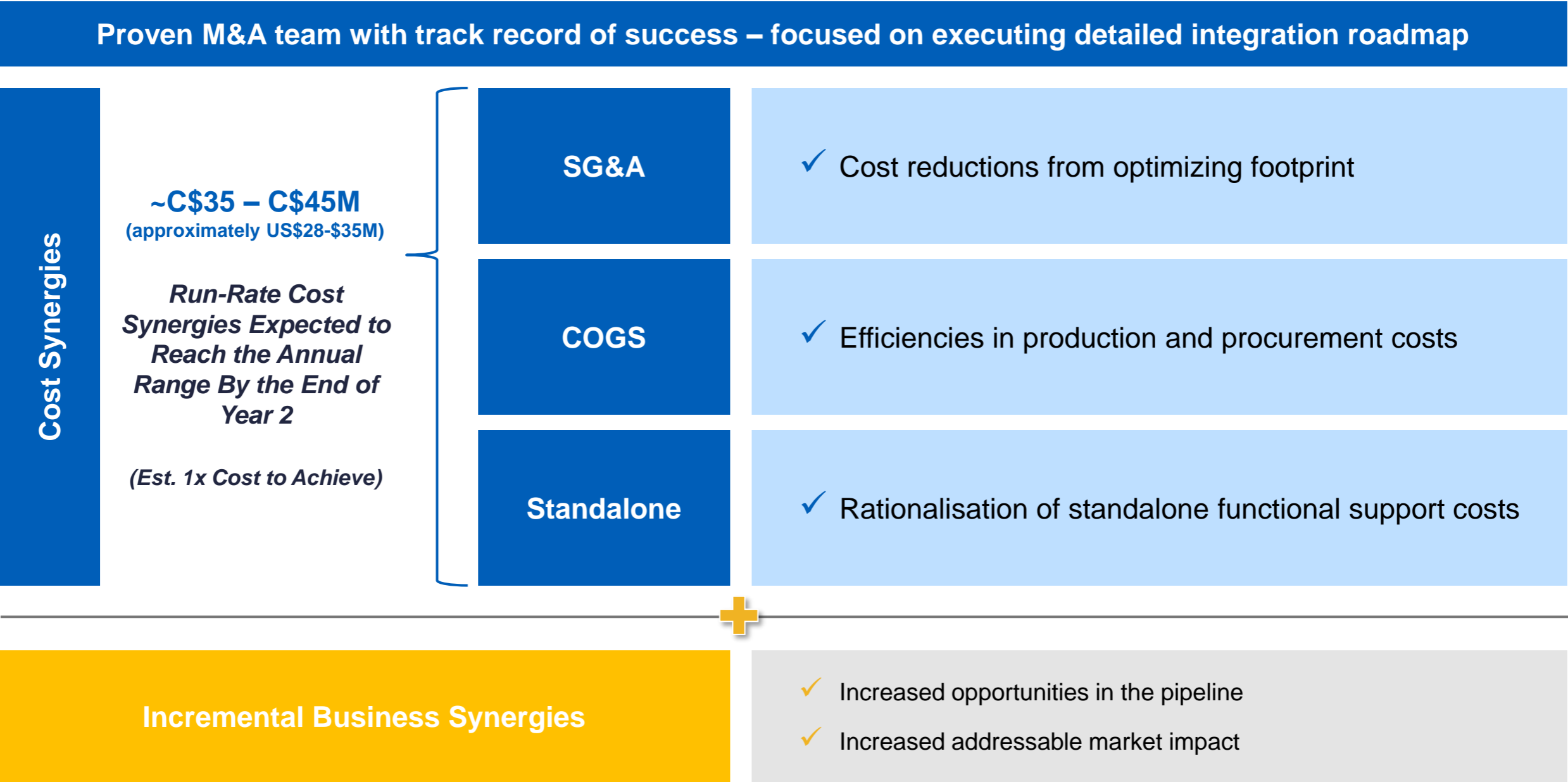
The acquisition enhances our ability to address these evolving needs

Transaction summary: L3Harris technologies' military training

Transaction Consideration	<ul style="list-style-type: none"> ▪ All-cash purchase price of US\$1.05 billion (C\$1.35B) ▪ ~13.5x 2020 Adjusted EBITDA of L3Harris Military Training*, or ~10.0x including expected run-rate cost synergies (~C\$35-\$45M or approximately US\$28-\$35M)
Financial Highlights	<ul style="list-style-type: none"> ▪ L3Harris Military Training estimated revenue of approximately US\$500M in 2020 ▪ Expected to be immediately accretive to D&S' operating profit and EBITDA margin* on operational efficiencies ▪ ~C\$35-45M (approximately US\$28-\$35M) of run-rate cost synergies, expected to be mostly realized by the end of Year 2 post-closing – quantified and reasonably achievable ▪ Low-teens % EPS accretion expected in first full year post-close, including cost synergies ▪ Expect incremental growth from new business opportunities due to broadened scope and capabilities
Anticipated Timing	<ul style="list-style-type: none"> ▪ Anticipated closing in the second half of calendar year 2021, subject to regulatory approvals

* Non-GAAP and other financial measures (see Appendix)

Identified and reasonably achievable synergies



Healthcare



The global healthcare business



500+

Simulated clinical experience courseware packages¹

50+

Adjunct faculties, incl. nurses, physicians, paramedics and sonographers²



80+

Countries with CAE-provided training solutions²

~US\$1.7B

CAE Est. Total Healthcare Simulation Market¹



Operations strategically located in key growth markets

¹ Source: CAE FY20 annual report. ² Source: CAE Q3 FY21 quarterly report.

Market drivers

Demand Drivers

- **Increasing investments in training** to prevent medical errors
- Refocus on **disaster preparedness**
- **Chronic shortage of medical professionals** / rising enrollments in medical and nursing schools
- **Rising use of simulation** in clinical training
- Greater **acceptance of remote and virtual training** delivery methods
- New training models and solutions to drive **value-based care**

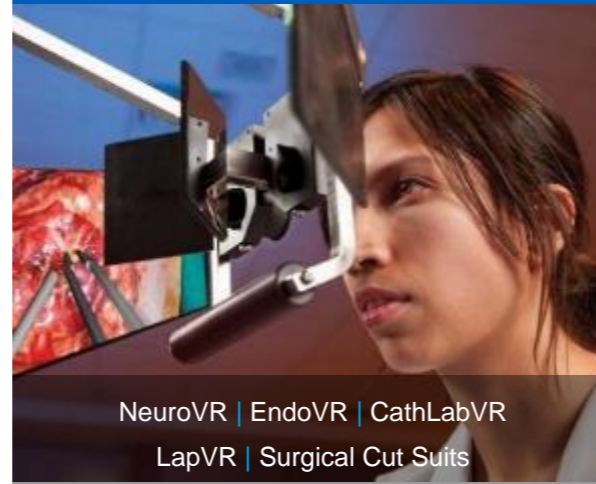
CAE's Healthcare segment is positioned as a leader in developing healthcare professionals through technology, educational content and training

Broad portfolio of high-tech training solutions

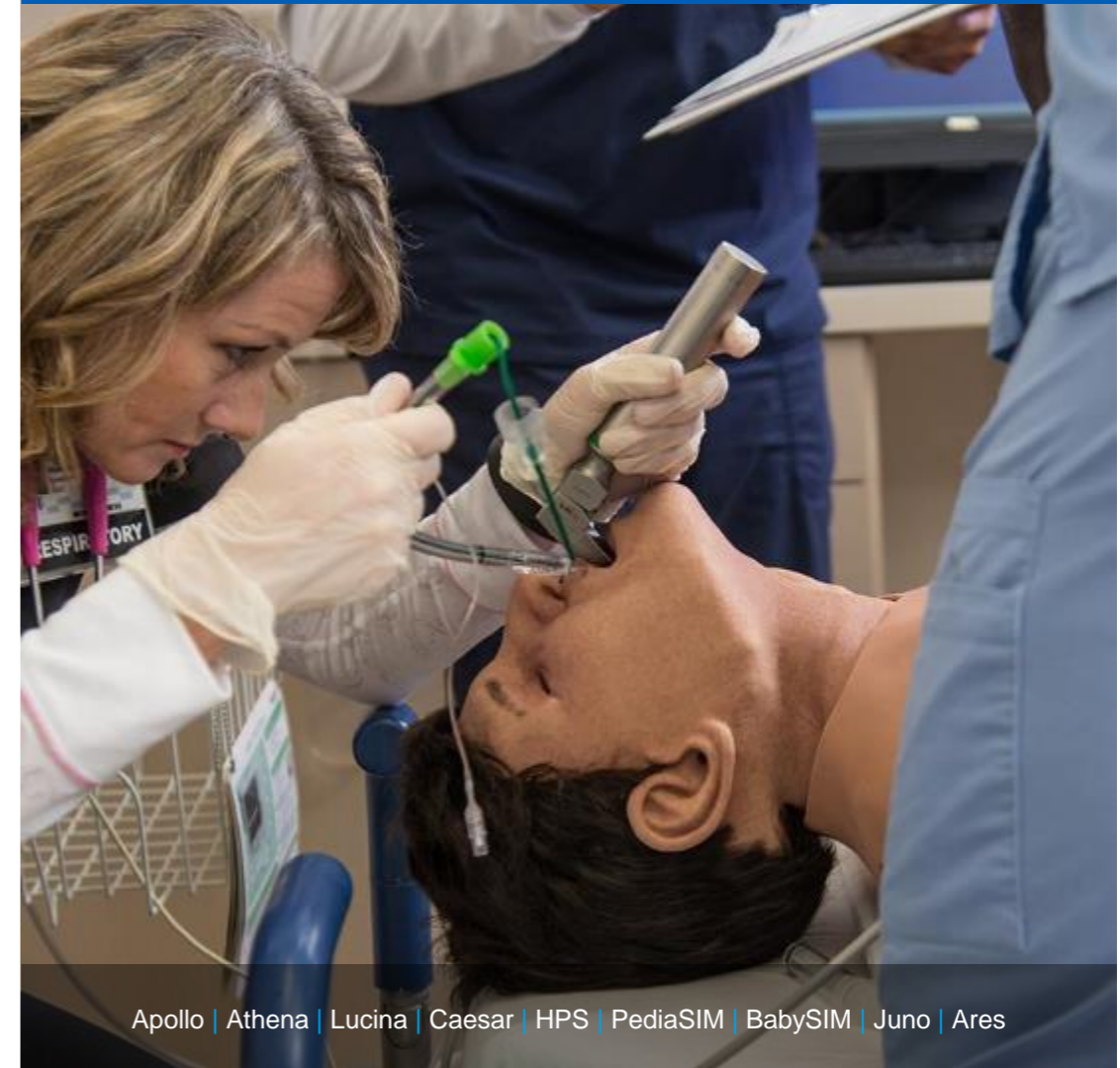
Imaging Simulation



Interventional Simulation



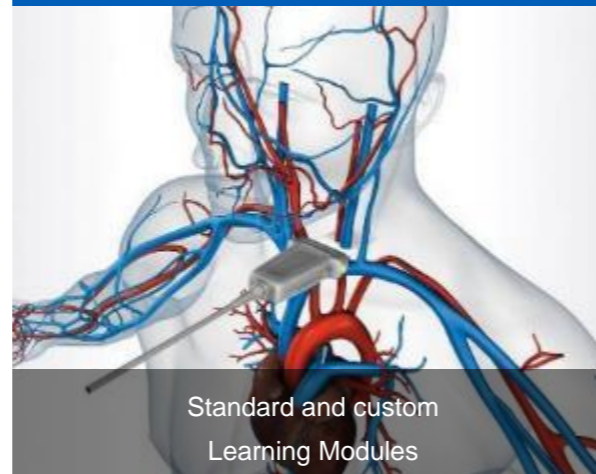
Patient Simulation



Center Management



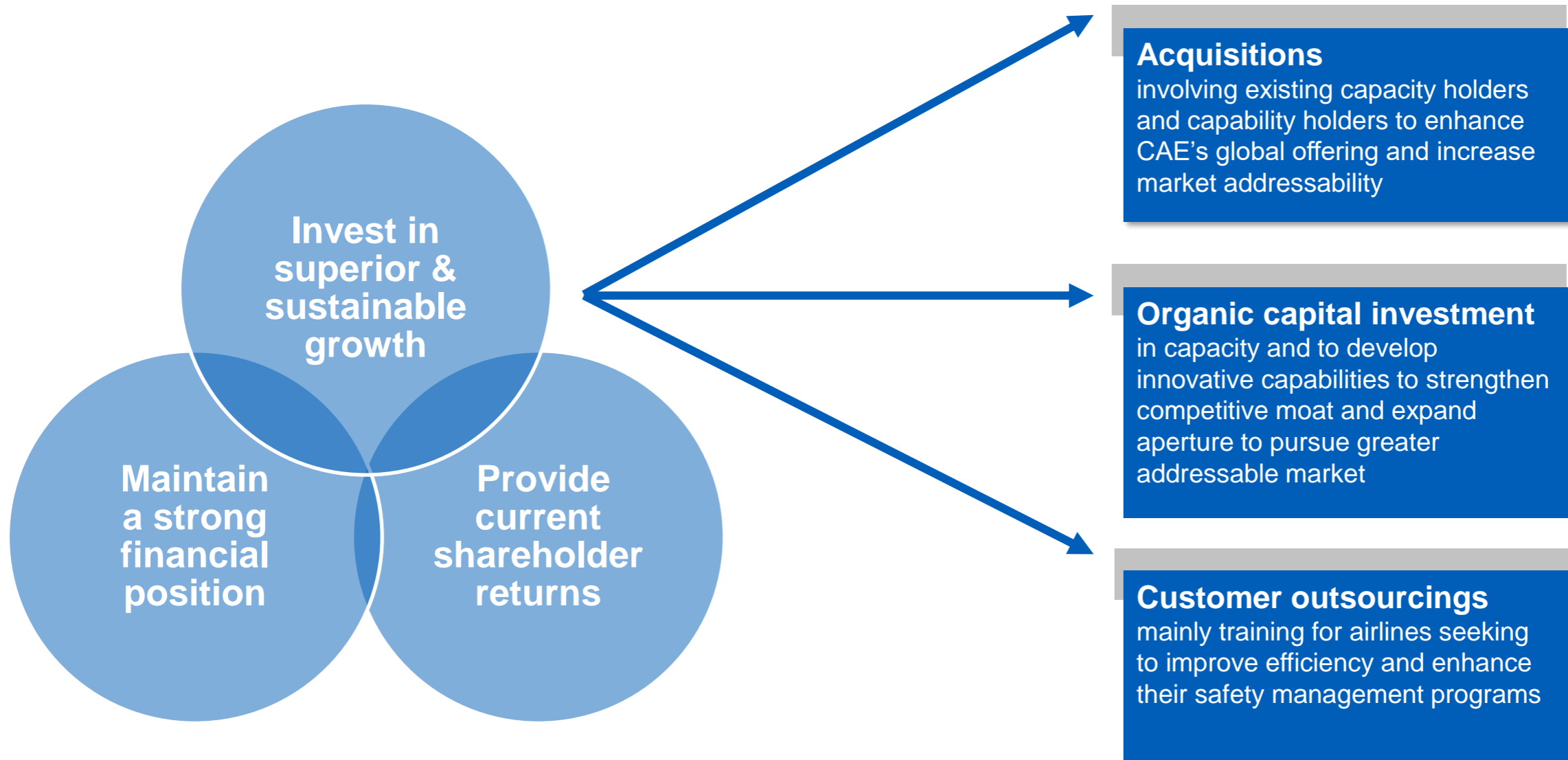
Curriculum



Capital Allocation Strategy

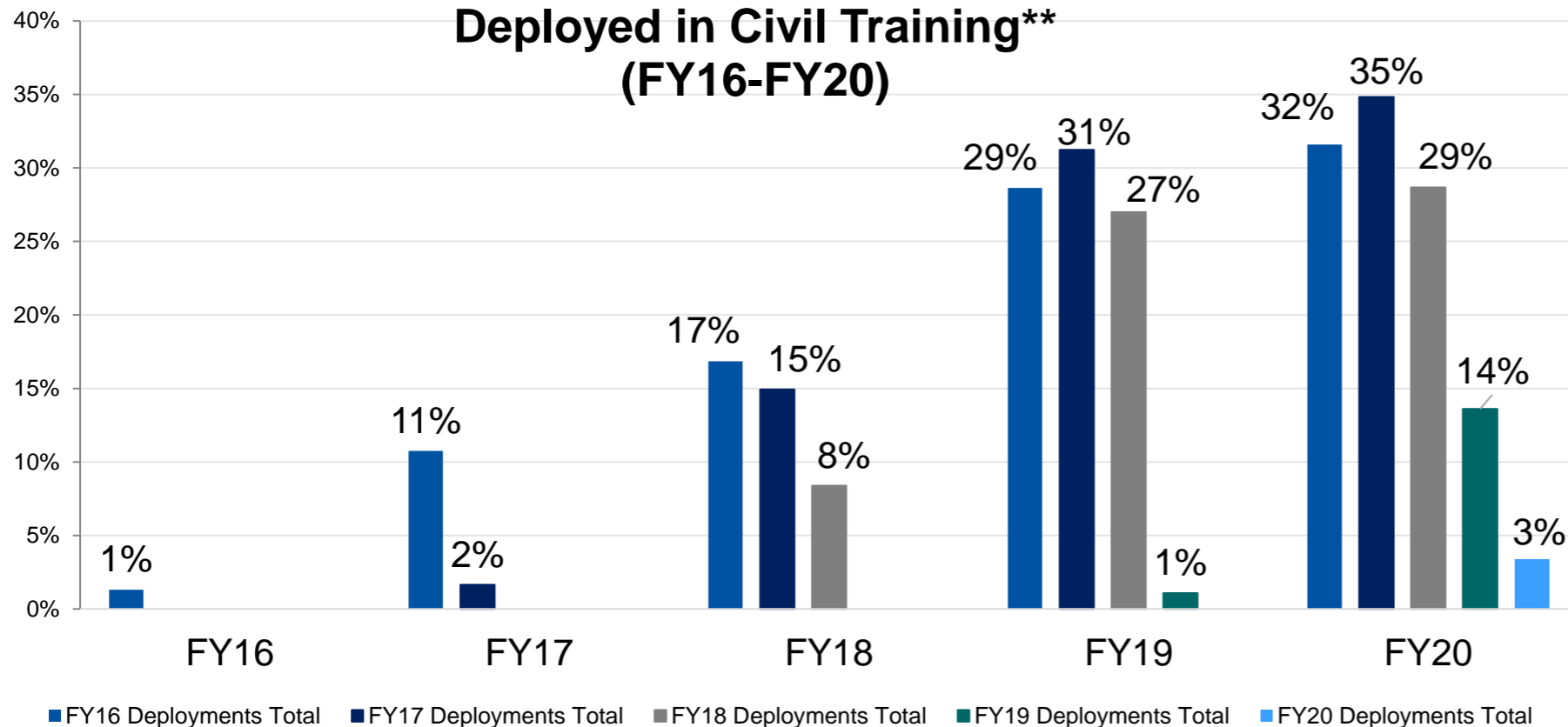


CAE's three capital allocation priorities



Attractive compound growth

Incremental Pre-tax Return % on Organic Capital Deployed in Civil Training** (FY16-FY20)



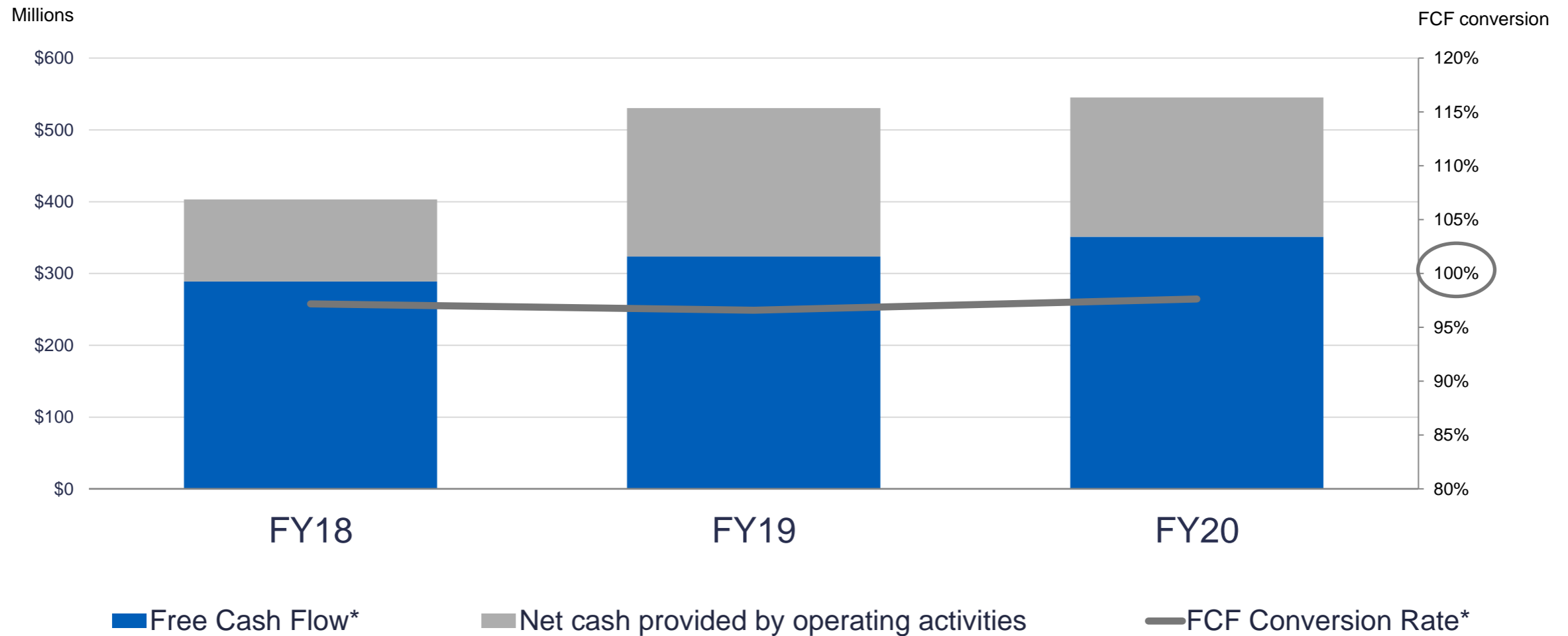
\$510M+ organic capital investment from FY16-FY20 to deploy 60+ FFSs* within CAE's Civil commercial and business aviation training network

Organic growth capital deployed in Civil over the last five years has increased the base of recurring revenues and has been highly accretive

*Non-GAAP and other financial measures (see slide 3 and Appendix)

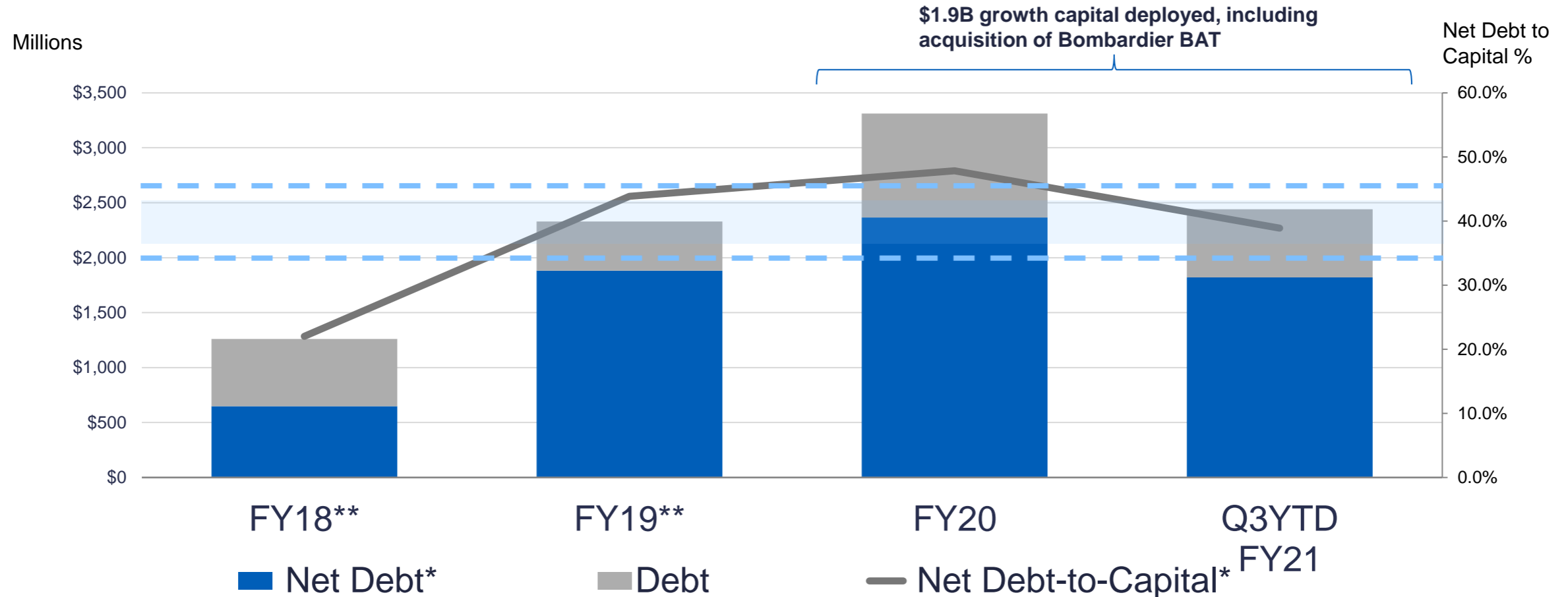
**Defined as the operating profit of the FFSs divided by the investment in FFSs* by year of deployment

Strong free cash flow generation



* Non-GAAP and other financial measures (see Appendix)

Maintain solid balance sheet while investing in accretive growth



Track record of maintaining a solid financial position while deploying accretive growth capital

* Non-GAAP and other financial measures (see Appendix)

** Figures have not been restated to reflect the adoption of IFRS 16.

Summary



Compelling secular growth story with exposure to the anticipated Aero recovery ✓

Comprehensive solutions provider to industry-critical partners ✓

Accelerated Defence strategy growth ✓

Poised to capitalize on significant benefits from recent M&A ✓

Proven track record of balanced, opportunistic capital deployment ✓

Deep industry expertise and commitment to innovation ✓

Appendix



FY21 YTD select financial highlights

Summary of Financial Highlights (amounts in millions, except per share amounts, ROCE and book-to-sales)	Q1 FY21	Q2 FY21	Q3 FY21	YTD FY21
Revenue	\$550.5	\$704.7	\$832.4	\$2,087.6
Operating (loss) profit	(110.3)	28.2	82.9	0.8
Segment operating (loss) income (SOI)*	(110.3)	79.3	97.2	66.2
Segment operating (loss) income before specific items*	(2.1)	79.3	97.2	174.4
Net (loss) income attributable to equity holders	(110.6)	(5.2)	48.8	(67.0)
Basic and diluted (loss) earnings per share (EPS)	(0.42)	(0.02)	0.18	(0.25)
Net income (loss) before specific items*	(30.3)	34.2	60.0	63.9
EPS before specific items*	(0.11)	0.13	0.22	0.24
Free cash flow*	\$(92.7)	\$44.9	\$224.0	\$176.2
Net cash (used in) provided by operating activities	(88.4)	45.6	234.8	192.0
Capital employed*	\$4,746.8	\$4,707.8	\$4,680.8	
Non-cash working capital*	169.6	193.2	129.9	
Net debt*	2,407.5	2,358.9	1,819.9	
Total debt	2,770.8	2,616.9	2,439.8	
Return on capital employed (ROCE)*	5.3%	3.7%	2.7%	
ROCE* before specific items	8.0%	7.2%	6.4%	
Total backlog*	\$8,550.9	\$8,296.2	\$7,820.1	
Order intake*	417.1	667.8	710.7	
Book-to-sales ratio*	0.76x	0.95x	0.85x	
Book-to-sales ratio* for the last 12 months	0.99x	0.94x	0.84x	

* Non-GAAP and other financial measures (see Appendix)

Reconciliation of non-GAAP measures

Reconciliation of segment operating income and segment operating income before specific items (amounts in millions)	Q1 FY21	Q2 FY21	Q3 FY21	YTD FY21
Operating (loss) profit	\$(110.3)	\$28.2	\$82.9	\$0.8
Restructuring costs	-	51.1	14.3	65.4
Segment operating (loss) income (SOI)	\$(110.3)	\$79.3	\$97.2	\$66.2
Net costs incurred in relation to the COVID-19 pandemic ⁽¹⁾	108.2	-	-	108.2
SOI before specific items	\$(2.1)	\$79.3	\$97.2	\$174.4

Reconciliation of net income before specific items and earnings per share before specific items (amounts in millions, except per share amounts)	Q1 FY21	Q2 FY21	Q3 FY21	YTD FY21
Net (loss) income attributable to equity holders of the Company	\$(110.6)	\$(5.2)	\$48.8	\$(67.0)
Restructuring costs, after tax	-	39.4	11.2	50.6
Net costs incurred in relation to the COVID-19 pandemic ⁽¹⁾ , after tax	80.3	-	-	80.3
Net (loss) income before specific items	\$(30.3)	\$34.2	\$60.0	\$63.9
Average number of shares outstanding (diluted)	265.7	265.8	273.0	268.1
(Loss) earnings per share before specific items	\$(0.11)	\$0.13	\$0.22	\$0.24

Other

CAE also received certain amounts under COVID-19 government support programs, mostly the Canada Emergency Wage Subsidy (CEWS) program, throughout fiscal 2021. If the amount of COVID-19 government support programs credited to income, for the three- and nine-month periods ended December 31, 2020, was taken into account, segment operating income (loss) before specific items would have been \$86.6 million and \$84.2 million, net income (loss) before specific items would have been \$52.2 million and \$(2.3 million) and EPS before specific items would have been \$0.19 and \$(0.01), in each case, respectively. If the amount of COVID-19 government support programs credited to income, for the three-month period ended September 30, 2020, was taken into account, segment operating income before specific items would have been \$44.1 million, net income before specific items would have been \$8.4 million and EPS before specific items would have been \$0.03. If the amount of COVID-19 government support programs credited to income, for the three-month period ended June 30, 2020, was taken into account, segment operating loss before specific items would have been \$(46.5) million, net loss before specific items would have been \$(62.9 million) and EPS before specific items would have been \$(0.24).

⁽¹⁾ Mainly from impairment charges on non-financial assets and amounts owed from customers.

Non-GAAP measure definitions

Capital employed

Capital employed

Capital employed is a non-GAAP measure we use to evaluate and monitor how much we are investing in our business. We measure it from two perspectives:

Capital used:

For the Company as a whole, we take total assets (not including cash and cash equivalents), and subtract total liabilities (not including long-term debt and the current portion of long-term debt);

For each segment, we take the total assets (not including cash and cash equivalents, tax accounts and other non-operating assets), and subtract total liabilities (not including tax accounts, long-term debt and the current portion of long-term debt, royalty obligations, employee benefit obligations and other non-operating liabilities).

Source of capital:

In order to understand our source of capital, we add net debt to total equity.

For a reconciliation of this non-GAAP measure to the most directly comparable measure under GAAP, refer to section 9.1 “Consolidated capital employed” of the interim MD&A for the periods ending June 30, 2020, September 30, 2020 and December 31, 2020 (as filed on SEDAR (www.sedar.com) on August 12, 2020, November 10, 2020 and February 11, 2021, respectively), as well as section 7.1 “Consolidated capital employed” of the financial report for the years ended March 31, 2018, March 31, 2019 and March 31, 2020 (as filed on SEDAR (www.sedar.com) on May 25, 2018, May 17, 2019 and May 22, 2020, respectively), which sections are specifically incorporated by reference into this presentation.

Return on capital employed (ROCE)

ROCE is used to evaluate the profitability of our invested capital. We calculate this ratio over a rolling four-quarter period by taking net income attributable to equity holders of the Company excluding net finance expense, after tax, divided by the average capital employed.

Earnings or loss per share (EPS) before specific items

Earnings or loss per share before specific items is a non-GAAP measure calculated by excluding restructuring costs, integration costs, acquisition costs and impairments and other gains and losses arising from significant strategic transactions or material events, after tax, as well as significant one-time tax items from the diluted earnings per share from continuing operations attributable to equity holders of the Company. The effect per share is obtained by dividing these restructuring costs, integration costs, acquisition costs, and other gains, after tax, as well as one-time tax items by the average number of diluted shares. We track it because we believe it provides a better indication of our operating performance on a per share basis and makes it easier to compare across reporting periods.

EBITDA

EBITDA comprises earnings before income taxes, finance expense – net, depreciation and amortization. EBITDA margin in D&S is defined as the EBITDA of the Defense and Security segment expressed as a percentage of the Defense and Security revenues.

EBITDA of L3Harris Military Training business comprises earnings before income taxes, finance expense – net, depreciation and amortization. Adjusted EBITDA of L3Harris Military Training business is calculated as EBITDA from L3Harris Military Training, after giving effect to the Acquisition and Acquisition related adjustments from sales type leases accounted for under US GAAP and estimated standalone costs.

Free cash flow

Free cash flow is a non-GAAP measure that shows us how much cash we have available to invest in growth opportunities, repay debt and meet ongoing financial obligations. We use it as an indicator of our financial strength and liquidity. We calculate it by taking the net cash generated by our continuing operating activities, subtracting maintenance capital expenditures, investment in other assets not related to growth and dividends paid and adding proceeds from the disposal of property, plant and equipment, dividends received from equity accounted investees and proceeds, net of payments, from equity accounted investees. For a reconciliation of this non-GAAP measure to the most directly comparable measure under GAAP, refer to section 8.1 “Consolidated cash movements” of the interim MD&A for the periods ending June 30, 2020, September 30, 2020 and December 31, 2020 (as filed on SEDAR (www.sedar.com) on August 12, 2020, November 10, 2020 and February 11, 2021, respectively), as well as section 6.1 “Consolidated cash movements” of the financial report for the years ended March 31, 2018, March 31, 2019 and March 31, 2020 (as filed on SEDAR (www.sedar.com) on May 25, 2018, May 17, 2019 and May 22, 2020, respectively), which sections are specifically incorporated by reference into this presentation.

Cash conversion rate

Cash conversion rate is a non-GAAP measure we use to assess our performance in cash flow generation and as a basis for evaluating our capitalization structure. We calculate it by dividing free cash flow by net income before specific items

Full-flight simulators (FFSs) in CAE's network

A FFS is a full-size replica of a specific make, model and series of an aircraft cockpit, including a motion system. In our count of FFSs in the network, we generally only include FFSs that are of the highest fidelity and do not include any fixed based training devices, or other lower-level devices, as these are typically used in addition to FFSs in the same approved training programs.

Net debt

Net debt is a non-GAAP measure we use to monitor how much debt we have after taking into account cash and cash equivalents. We use it as an indicator of our overall financial position, and calculate it by taking our total long-term debt, including the current portion of long-term debt, and subtracting cash and cash equivalents. Net debt-to-capital is calculated as net debt divided by the sum of total equity plus net debt. For a reconciliation of this non-GAAP measure to the most directly comparable measure under GAAP, refer to section 9.1 “Consolidated capital employed” of the interim MD&A for the periods ending June 30, 2020, September 30, 2020 and December 31, 2020 (as filed on SEDAR (www.sedar.com) on August 12, 2020, November 10, 2020 and February 11, 2021, respectively), as well as section 7.1 “Consolidated capital employed” of the financial report for the years ended March 31, 2018, March 31, 2019 and March 31, 2020 (as filed on SEDAR (www.sedar.com) on May 25, 2018, May 17, 2019 and May 22, 2020, respectively), which sections are specifically incorporated by reference into this presentation.

Non-GAAP measure definitions

Net income or loss before specific items

Net income or loss before specific items is a non-GAAP measure we use as an alternate view of our operating results. We calculate it by taking our net income attributable to equity holders of the Company from continuing operations and excluding restructuring costs, integration costs, acquisition costs and other gains and losses arising from significant strategic transactions or material events, after tax, as well as significant one-time tax items. We track it because we believe it provides a better indication of our operating performance and makes it easier to compare across reporting periods.

Non-cash working capital

Non-cash working capital is a non-GAAP measure we use to monitor how much money we have committed in the day-to-day operation of our business. We calculate it by taking current assets (not including cash and cash equivalents and assets held for sale) and subtracting current liabilities (not including the current portion of long-term debt and liabilities held for sale). For a reconciliation of this non-GAAP measure to the most directly comparable measure under GAAP, refer to section 9.1 “Consolidated capital employed” of the interim MD&A for the periods ending June 30, 2020, September 30, 2020 and December 31, 2020 (as filed on SEDAR (www.sedar.com) on August 12, 2020, November 10, 2020 and February 11, 2021, respectively), as well as section 7.1 “Consolidated capital employed” of the financial report for the years ended March 31, 2018, March 31, 2019 and March 31, 2020 (as filed on SEDAR (www.sedar.com) on May 25, 2018, May 17, 2019 and May 22, 2020, respectively), which sections are specifically incorporated by reference into this presentation.

Operating profit or loss

Operating profit or loss is an additional GAAP measure that shows us how we have performed before the effects of certain financing decisions, tax structures and discontinued operations. We track it because we believe it makes it easier to compare our performance with previous periods, and with companies and industries that do not have the same capital structure or tax laws.

Order intake and Backlog

Order intake

Order intake is a non-GAAP measure that represents the expected value of orders we have received:

For the Civil Aviation Training Solutions segment, we consider an item part of our order intake when we have a legally binding commercial agreement with a client that includes enough detail about each party's obligations to form the basis for a contract. Additionally, expected future revenues from customers under short-term and long-term training contracts are included when these customers commit to pay us training fees, or when we reasonably expect the revenue to be generated;

For the Defence and Security segment, we consider an item part of our order intake when we have a legally binding commercial agreement with a client that includes enough detail about each party's obligations to form the basis for a contract. Defence and Security contracts are usually executed over a long-term period but some of them must be renewed each year. For this segment, we only include a contract item in order intake when the customer has authorized the contract item and has received funding for it;

For the Healthcare segment, order intake is typically converted into revenue within one year, therefore we assume that order intake is equal to revenue.

The book-to-sales ratio is the total orders divided by total revenue in a given period.

Backlog

Total backlog is a non-GAAP measure that represents expected future revenues and includes obligated backlog, joint venture backlog and unfunded backlog and options:

Obligated backlog represents the value of our order intake not yet executed and is calculated by adding the order intake of the current period to the balance of the obligated backlog at the end of the previous fiscal year, subtracting the revenue recognized in the current period and adding or subtracting backlog adjustments. If the amount of an order already recognized in a previous fiscal year is modified, the backlog is revised through adjustments;

Joint venture backlog is obligated backlog that represents the expected value of our share of orders that our joint ventures have received but have not yet executed. Joint venture backlog is determined on the same basis as obligated backlog described above;

Unfunded backlog represents firm Defence and Security orders we have received but have not yet executed and for which funding authorization has not yet been obtained. Options are included in backlog when there is a high probability of being exercised, but indefinite-delivery/indefinite-quantity (ID/IQ) contracts are excluded. When an option is exercised, it is considered order intake in that period and it is removed from unfunded backlog and options.

For a reconciliation of this non-GAAP measure to the most directly comparable measure under GAAP, refer to section 6.3 “Consolidated orders and total backlog” of the interim MD&A for the periods ending June 30, 2020, September 30, 2020 and December 31, 2020 (as filed on SEDAR (www.sedar.com) on August 12, 2020, November 10, 2020 and February 11, 2021, respectively), as well as Section 4.3 “Consolidated orders and total backlog” of the financial report for the years ended March 31, 2019 and March 31, 2020 (as filed on SEDAR (www.sedar.com) on May 17, 2019 and May 22, 2020, respectively), which sections are specifically incorporated by reference into this presentation.

Segment operating income or loss (SOL)

Segment operating income or loss is a non-GAAP measure and is the sum of our key indicators of each segment's financial performance. Segment operating income or loss gives us an indication of the profitability of each segment because it does not include the impact of any items not specifically related to the segment's performance. We calculate segment operating income by taking the operating profit and excluding reorganizational costs of major programs that do not arise from significant strategic transactions.

Segment operating income or loss before specific items further excludes reorganizational costs, integration costs, acquisition costs and other gains and losses arising from significant strategic transactions or material events. We track it because we believe it provides a better indication of our operating performance and makes it easier to compare across reporting periods.

Other

The following non-IFRS measures are also used by the Company in this presentation and defined as follows:

Accretion is defined as the expected change in CAE's EPS after giving effect to the Acquisition.

Pro forma revenue is defined as revenue as if the revenues of L3Harris Military Training were included for the entire period. Pro forma revenue does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view pro forma revenue as an alternative measure to, for example, revenue, which is an IFRS measure.

Thank you!

