

Supplemental Q4 FY2018 Presentation

For the fourth quarter ended March 31, 2018

May 25, 2018



Your worldwide
training partner
of choice



Caution regarding forward-looking statements

This presentation contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to CAE's strategies, plans, revenues, segment operating income, earnings per share, free cash flow, market trends and outlook, future revenues, capital spending, expansions and new initiatives, financial obligations, and expected sales. Forward-looking statements normally contain words like assumption, goal, guidance, outlook, expect, anticipate, plan, intend, continue, estimate, may, will, should, strategy, future and similar expressions and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will. A statement is forward-looking when it uses what we know and expect today to make a statement about the future. 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. While these statements are based on management's expectations and assumptions regarding historical trends, current conditions, expected future developments, and other factors that we believe are reasonable and appropriate in the circumstances, readers are cautioned not to place undue reliance on these forward-looking statements as there is a risk that they may not be accurate. All such forward-looking statements are made pursuant to the safe harbour provisions of applicable Canadian securities laws and of the United States (U.S.) Private Securities Litigation Reform Act of 1995.

You will find more information in the Business risk and uncertainties section of the fourth quarter and year ended March 31, 2018 MD&A. This document has been filed with the Canadian securities commission and is available on our website (www.cae.com) and on SEDAR (www.sedar.com). It has also been filed with the U.S. Securities and Exchange Commission under Form 6-K and is available on EDGAR (www.sec.gov). Forward-looking statements in this document represent our expectations as of May 25, 2018, and, accordingly, are subject to change after this date. We caution readers that the risks described are not necessarily the only ones we face; additional risks and uncertainties that are presently unknown to us or that we may currently deem immaterial may adversely affect our business. Additionally, differences could arise because of events that are announced or completed after the date of this document, including mergers, acquisitions, other business combinations and divestitures. 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 report are expressly qualified by this cautionary statement.

The terms "segment operating income", "order intake", "backlog", "book-to-sales", "free cash flow", "utilization rate", "earnings per share before specific items", "return on capital employed", "net-debt-to-capital ratio", "capital expenditures", and "operating profit" are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Non-GAAP and other financial measures" in our fourth quarter and year ended March 31, 2018 MD&A for more details.

Consolidated financial highlights

Q4 FY18 Results

\$780.7 M

quarterly revenue
(up 6% year over year)

\$141.1 M

quarterly SOI
(up 17% year over year)

\$0.37

earnings per share
(vs. \$0.31 in Q4 FY17*)

\$1,014.1 M

quarterly
order intake

1.30

quarterly
book-to-sales ratio

FY18 Results

\$2.8 B

record annual revenue
(up 5% year over year)

\$442.7 M

annual SOI**
(up 11% year over year)

\$1.11

earnings per share**
(vs. \$1.03 in FY17*)

\$3,855.0 M

record annual
order intake

1.36

record annual
book-to-sales ratio

\$7.8 B

record backlog
(up 4% year over year)

\$288.9 M

free cash flow
(97% cash conversion**)

12.3%

return on capital employed**
(vs. 11.2% in FY17)

76%

civil training centre
utilization rate

21.5 : 78.5

net debt-to-capital ratio
(vs. 26.5 : 73.5 in Q4 FY17)

* Before specific items

** Excluding impacts of the U.S. tax reform and net gains on strategic transactions relating to our Asian joint ventures

Segment financial highlights

Revenue and SOI

Q4 FY18 <i>(amounts in millions, unless otherwise noted)</i>					
	Revenue	Revenue Growth	SOI	SOI Growth	
Civil Aviation Training Solutions	\$ 455.2	9%	\$ 95.7	14%	
Defence and Security	\$ 290.4	3%	\$ 38.7	17%	
Healthcare	\$ 35.1	3%	\$ 6.7	63%	

Fiscal 2018 <i>(amounts in millions, unless otherwise noted)</i>					
	Revenue	Revenue Growth	SOI	SOI Growth	
Civil Aviation Training Solutions*	\$ 1,629.7	5%	\$ 306.2	12%	
Defence and Security	\$ 1,085.1	5%	\$ 127.7	6%	
Healthcare	\$ 115.2	4%	\$ 8.8	33%	

Backlog

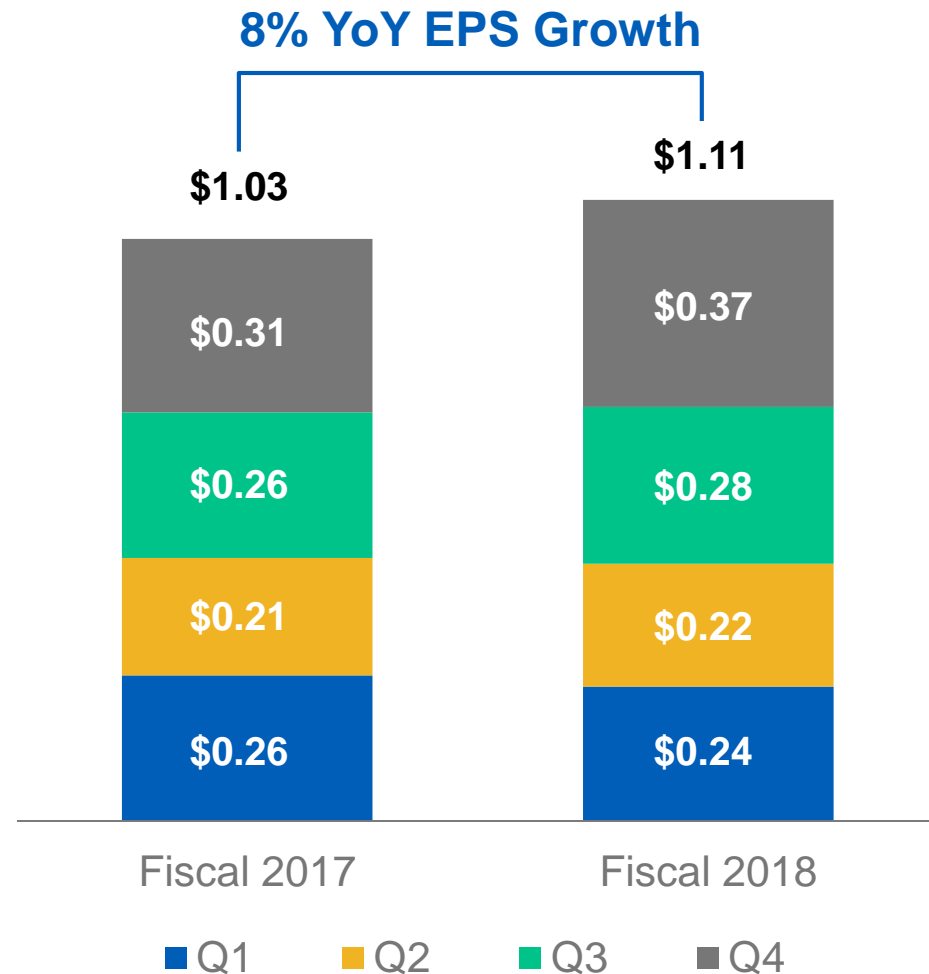
<i>(amounts in billions, unless otherwise noted)</i>					
	Q4 FY18 Order Intake	Fiscal 2018 Order Intake	Q4 FY18 Book-to-Sales	Fiscal 2018 Book-to-Sales	Total Backlog
Civil Aviation Training Solutions	\$0.5	\$2.3	1.20x	1.44x	\$4.0
Defence and Security	\$0.4	\$1.4	1.50x	1.29x	\$3.9
Healthcare	—	\$0.1	1.00x	1.00x	—

* Excluding impacts of the net gains on strategic transactions relating to our Asian joint ventures

Earnings Per Share

Fiscal 2018 results exclude the impacts of the U.S. tax reform and net gains on strategic transactions relating to our Asian joint ventures

Fiscal 2017 results are presented before specific items of restructuring, integration and acquisition costs resulting mainly from the LMCFT acquisition



Management's outlook for fiscal 2018

Low double-digit percentage operating income growth in Civil Aviation Training Solutions

12% SOI growth*



Mid to high single-digit percentage operating income growth in Defence and Security

6% SOI growth



Resumption of growth in Healthcare

33% SOI growth



Total capital expenditures expected to be in the range of \$150 million

\$173.9 million capital expenditures in Fiscal 2018**



* Excluding impacts of the net gains on strategic transactions relating to our Asian joint ventures

** Includes strategic purchase of existing full flight simulators in the market

Management's outlook for fiscal 2019

Continued low double-digit percentage operating income growth in Civil

Continued mid to high single-digit percentage operating income growth in Defence and Security

Resumption of double-digit growth in Healthcare

Continued measured and profitable growth investment mainly in support of and driven by customer training outsourcing opportunities

Total capital expenditures of approximately \$200 M commensurate with larger scale of CAE and high level of opportunity for market-led investments offering accretive returns and free cash flows

Expect to exceed underlying growth of CAE's core markets

IFRS 15 Impacts

IFRS 15 effective April 1, 2018 for CAE with retrospective application for comparative year

- Main impacts to CAE
 - Timing of revenue recognition for the majority of Civil simulator products
 - Timing of revenue recognition for certain Defence and Security contracts
 - Change from 'Percentage-of-completion' to 'Recognition upon completion'
- No impact on cash flows of the contract or timing of milestone payments
- Management's outlook for fiscal 2019 has been prepared considering the implementation of IFRS 15

IFRS 15 - Balance Sheet Impact

	Actual			IFRS 15			Restated		
<i>(amounts in millions)</i>	April 1, 2017	Adjustments	April 1, 2017	March 31, 2018	Adjustments	March 31, 2018	Adjustments	March 31, 2018	
Assets									
Total current assets	\$ 1,919.7	\$ 45.4	\$ 1,965.1	\$ 2,060.8	\$ 62.5	\$ 2,123.3			
Total long-term assets	3,435.1	(2.5)	3,432.6	3,658.4	(1.5)	3,656.9			
	\$ 5,354.8	\$ 42.9	\$ 5,397.7	\$ 5,719.2	\$ 61.0	\$ 5,780.2			
Liabilities									
Total current liabilities	\$ 1,273.9	\$ 137.2	\$ 1,411.1	\$ 1,320.6	\$ 153.5	\$ 1,474.1			
Total long-term liabilities	1,999.9	(25.6)	1,974.3	2,032.0	(23.4)	2,008.6			
	\$ 3,273.8	\$ 111.6	\$ 3,385.4	\$ 3,352.6	\$ 130.1	\$ 3,482.7			
Shareholders' Equity									
Equity attributable to equity holders of the Company	\$ 2,020.8	\$ (68.7)	\$ 1,952.1	\$ 2,298.2	\$ (69.1)	\$ 2,229.1			
Non-controlling interests	60.2	—	60.2	68.4	—	68.4			
	\$ 2,081.0	\$ (68.7)	\$ 2,012.3	\$ 2,366.6	\$ (69.1)	\$ 2,297.5			

IFRS 15 - Income Statement Impact

CAE Inc. consolidated results

Year ended March 31 (amounts in millions)	2018 Actual	IFRS 15 Adjustment	2018 Restated
Revenue	\$ 2,830.0	(6.5) \$	2,823.5
Segment operating income	\$ 461.0	1.8 \$	462.8
Finance expense - net	76.2	1.0	77.2
Earnings before income tax	\$ 384.8	0.8 \$	385.6
Income tax expense	29.1	1.8	30.9
Net Income	\$ 355.7	(1.0) \$	354.7
Net income from continuing operations attributable to equity holders of the Company	\$ 347.0	(1.0) \$	346.0
Earnings per share	\$ 1.29	(0.01) \$	1.28

Segment results

Year ended March 31 (amounts in millions)	2018 Actual	IFRS 15 Adjustment	2018 Restated
Civil Aviation Training Solutions			
Revenue	1,629.7	(4.4)	1,625.3
Segment Operating Income	324.5	5.6	330.1
Operating Margin %	19.9%		20.3%
Segment Operating Income*	306.2	5.6	311.8
Operating Margin %	18.8%		19.2%
Defence and Security			
Revenue	1,085.1	(2.1)	1,083.0
Segment Operating Income	127.7	(3.8)	123.9
Operating Margin %	11.8%		11.4%
Healthcare			
Revenue	115.2	—	115.2
Segment Operating Income	8.8	—	8.8
Operating Margin %	7.6%		7.6%

* Excluding impacts of the net gains on strategic transactions relating to our Asian joint ventures



Our vision is to be the recognized global

training partner of choice

to enhance safety, efficiency and readiness.