



REMARKS FOR ACQUISITION OF OXFORD AVIATION ACADEMY

May 16, 2012

Time: 1:00p.m.

Speakers:

Mr. Marc Parent, President and Chief Executive Officer

Mr. Stephane Lefebvre, Vice President, Finance, and Chief Financial Officer

Mr. Andrew Arnovitz, Vice President, Investor Relations and Strategy



Andrew Arnovitz, Vice President, Investor Relations and Strategy

Good morning, everyone, and thank you for joining us. Before we begin I need to read the following:

“Certain statements made during this conference, including, but not limited to, statements that are not historical facts, are forward-looking and are subject to important risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events. These statements do not reflect the potential impact of any non-recurring or other special items or events that are announced or completed after the date of this conference, including mergers, acquisitions, or other business combinations and divestitures.

You will find more information about the risks and uncertainties associated with our business in the MD&A section of our annual report and annual information form for the year ended March 31, 2011. These documents have been filed with the Canadian securities commissions and are available on our website (www.cae.com) and on SEDAR (www.sedar.com). They have also been filed with the U.S. Securities and Exchange Commission under Form 40-F and are available on EDGAR (www.sec.gov). Forward-looking statements in this conference represent our expectations as of today, May 16, 2012, and, accordingly, are subject to change after this date.

We do not update or revise forward-looking information even if new information becomes available unless legislation requires us to do so. You should not place undue reliance on forward-looking statements.”

On the call with me this morning are Marc Parent, CAE’s President and Chief Executive Officer, and Stephane Lefebvre, our Chief Financial Officer.

After comments from Marc and Stephane, we will take questions from financial analysts and institutional investors.

Let me now turn the call over to Marc...



Marc Parent, President and Chief Executive Officer

Thank you, Andrew, and thanks to everyone joining us on short notice.

We're very excited to share the news with you this afternoon that CAE has acquired Oxford Aviation Academy for \$314 million dollars.

This is a pivotal move for CAE that substantially bolsters our position as the global leader in civil aviation training. I'll first take a few moments to describe some of Oxford's key attributes and the strategic rationale behind our decision to buy the company, and then Stephane will touch on some of the deal highlights.

[PAUSE]

We have today greatly enhanced CAE's industry-leading position and capabilities with the addition of Oxford Aviation Academy and Parc Aviation, two of the strongest brands in aviation Ab-Initio training and crew sourcing. Oxford Aviation Academy and Parc Aviation are comprised of 12 facilities in nine countries with well-established operating platforms in the UK, Northern Europe, Australia, and Asia. The company itself consists of three main parts:

- First, Oxford Aviation Training provides initial and recurrent simulation-based training to airlines using a network of training centres with simulators, similar to our training centre network;
- Next, Oxford Aviation Academy provides Ab-Initio (or undergraduate) pilot training using aircraft. The flight academy is one of the industry's most renowned, having graduated more than 26,000 pilots over the last 50 years—several of whom have gone on to become the foremost figures in the aviation industry;
- Finally, Parc Aviation is the largest and world-leading provider of pilot and maintenance crew sourcing solutions with customers centred mainly in the rapidly growing Asian region. This is a new business for CAE.

Taken together, this acquisition gives us the addition of a well-diversified and complementary customer base and a strong stream of recurring revenue to add to our own.



In terms of scale, Oxford Aviation Academy generated approximately \$280 million of revenue during CAE's fiscal 2012. As well, we gain a deep talent pool of more than 600 industry professionals to help us address the increased demands of a growing global market.

Now I'd like to detail more specifically how this acquisition adds scale to CAE's existing business. CAE is already the world leader in civil aviation training with 35 locations globally and 171 full-flight simulators devoted to training airline, business jet and civil helicopter crews. In Ab-Initio training, the CAE Global Academy offers training in 8 CAE-operated flight schools and is the largest network of flight schools. The civil aerospace market fundamentals are strong and this acquisition gives us even greater scale and a broader range of solutions to address our customers' needs. The fact is, no other company offers as extensive a range of training solutions in as many places around the world as we do.

This acquisition further differentiates CAE from our competitors by giving us:

- 7 more training locations for a total of 42 worldwide to better reach our customers;
- 40 more full-flight simulators for a total of 211 distributed on four continents;
- 4 flight schools with capacity to train 600 cadets annually, making the total CAE Oxford Aviation Academy, as it will now be branded, a network of 12 flight schools with the capacity to train 1,500 cadets annually; and
- A new capability in crew sourcing with 1,200 aviation personnel on assignment with 50 airlines and leasing companies, again, primarily in Asia.

As you may know, CAE leads in the competed sales of civil full-flight simulators and the provision of civil helicopter training, and we're also a leader in business aviation training. Taken together with our increased position in the commercial segment, we now have a Civil business that in total is expected to generate more than \$1 billion of revenue annually — with an even greater proportion now coming from recurring services.



To summarize, these are what we believe to be the key advantages of this deal for CAE:

- First, it reaffirms our industry leadership with a complete solution ranging from Ab-Initio flight training, pilot type training and recurrent training, all the way through to pilot and maintenance crew sourcing. CAE is uniquely capable of offering the world's airlines, aircraft operators, and leasing companies highly customized, end-to-end solutions involving the broadest array of products and services;
- Second, CAE Parc Aviation Personnel, as it is now called, is a great addition to our portfolio of solutions. It extends our broad offering along the value chain into pilot and maintenance crew sourcing, and positions CAE to meet the long-term market demand for aviation professionals at every stage. With the expected long term growth in air travel, especially in the faster growing emerging markets, the global pilot and maintainer shortages will become more acute.
- Third, we benefit from the addition of a well-diversified and complementary customer base of airlines and aircraft leasing companies; and finally,
- We gain additional scale with complementary locations and additional capacity to better serve the growing needs of our customer base. In civil aviation training services, our network of 211 simulators includes the world's largest footprint for commercial training by far, involving hourly leasing of simulators to full training outsourcings and joint ventures.

[PAUSE]

In terms of the way forward, the acquisition of Oxford marks an important milestone in the progression of our long term strategy and CAE is now even better positioned with customers in both the established and emerging markets. This acquisition enhances an already developed global leading franchise by giving us even more leverage to a civil aviation market that is underpinned by very strong fundamentals. Namely:

- Commercial aircraft OEM backlogs are currently in excess of 9,500 aircraft, a record number, with manufacturers continuing to increase delivery rates;
- The average annual global growth rate in air travel is expected to continue in the 4 to 6 percent range over the long term, which will lead to the doubling of the global aircraft fleet over the next 15-20 years. This means that on average, more than 20,000 new pilots per year will be needed to support that growth; and



- The growth in air travel in emerging markets is outpacing the global average and CAE is especially well positioned in these markets.

Overall, we have a strong global position involving all of our civil market activities including simulation products, commercial and business aviation training as well as helicopter training. We continue to expect our civil business to grow faster than the global average rate of air travel and to deliver superior returns.

[PAUSE]

With that, I will now ask Stephane to take you through some of the highlights of the transaction.

Stéphane?



Mr. Stephane Lefebvre, Vice President, Finance, and Chief Financial Officer

Thank you, Marc, and good afternoon everyone.

The acquisition of Oxford closed this morning having met all of the necessary conditions.

We are paying \$300 million in cash for 100 percent of OAA's equity and we are assuming net debt of \$14 million for a total enterprise value of \$314 million.

The purchase price represents approximately 9 times Oxford's EBITDA over the period of CAE's last fiscal year 2012. For the same period, the company had revenues of approximately C\$280 million, with about half of this amount generated from simulation-based training and Ab-Initio pilot training. CAE is extensively involved in both of these kinds of training services today. The balance of the revenue was generated from crew sourcing services through Parc Aviation, which represents a new and complementary activity for CAE and further differentiates our total solutions.

The business model for crew sourcing services is different than aviation training in that it does not involve large capital investments and it typically generates 2 to 4 percent operating margins. Income is generated from management fees that we receive on the assignment of our flight and maintenance crew personnel with airlines and aircraft leasing companies.

The combined CAE and Oxford business increases the proportion of our business that is derived from recurring services and is expected to continue generating strong operating cash flow. Since this acquisition fits within CAE's core, we expect to realize significant synergies that will ramp up over the next 12 to 15 months as we complete the integration. With that in mind, we expect the acquisition to be accretive to CAE's earnings beginning in our fiscal year 2014. Integration has just begun and the associated expenses together with transaction costs will be incurred mainly over the next couple of quarters.

I'm pleased to add, the transaction has been financed by a new senior unsecured credit facility with a term of two years and [at a current rate of approximately 2.75]. With this additional borrowing, we maintain a strong balance sheet and continue to have good financial flexibility.

Finally, this is a great move for CAE that is right in our core market. It is indeed a great accomplishment for our company to have in the past decade become one of the world's largest



aviation training services companies. With this acquisition, we are now even better positioned strategically and operationally and have the financial capacity to support our future growth within an appropriate financial structure.

Thank you for your attention. We're now ready to take your questions.

Andrew?



Andrew Arnovitz, Vice President, Investor Relations and Strategy

Operator, we would now be pleased to take questions from analysts and institutional investors.

Before we open the lines, let me first ask in the interest of fairness that you please limit yourselves to a single, one-part question. If you have additional questions after that, and if time permits, please feel free to re-enter the queue.