



CAE TO ACQUIRE BOMBARDIER BUSINESS AIRCRAFT TRAINING FOR US\$645 MILLION TO EXPAND ITS POSITION IN BUSINESS AVIATION TRAINING

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CAE has agreed to acquire Bombardier's Business Aircraft Training (BAT) business for an enterprise value of US\$645 million, expanding its ability to address the training market for customers operating Bombardier business jets, which at more than 4,800 aircraft, is one of the largest and most valuable in-service fleets of business aircraft in the world. The

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acquisition will also serve to expand CAE's position in the largest and fastest growing segment of the business aviation training market, involving medium- and large-cabin business jets. The acquisition provides CAE with talented people, a portfolio of customers, and an established recurring training business which is highly complementary to CAE's network. The Bombardier BAT business includes a modern fleet of full-flight simulators (FFSs) and training devices covering the Learjet, Challenger and Global product lines, including the latest large cabin Global 5500, 6500 and 7500 business jets.

In its first full year following the closing of the transaction, the acquisition will provide CAE high single-digit percentage earnings accretion and will be accretive to free cash flow⁽²⁾. It is also expected to be accretive to CAE's Civil segment operating income (SOI)⁽³⁾ margin by approximately 100-150bps. The acquisition enterprise value of Bombardier's BAT business represents a multiple of approximately 9x one-year Forward EBITDA⁽¹⁾. The EBITDA⁽¹⁾ is expected to grow at a double-digit pace; driven by demand from the existing large installed base of Bombardier business jet operators; and the ramp up of recent and already planned FFS deployments. The acquisition of Bombardier's BAT business is subject to regulatory approvals and is expected to close by the second half of calendar year 2019.

In addition to the agreement to acquire Bombardier's BAT business, CAE has agreed to pay US\$155 million to monetize its existing future royalty obligations under the current Authorized Training Provider (ATP) agreement with the business jet manufacturer. This also involves the extension of CAE's ATP agreement to 2038. The monetization represents the discounted sum of royalties payable by CAE over the next 20 years, and the transaction is expected to close by the end of CAE's current fiscal year.

In view of the expected timing of the transactions, CAE's outlook for its current fiscal year 2019 remains unchanged.

The transactions are aligned with CAE's capital allocation strategy, to balance growth investments with cash returns to shareholders, while maintaining CAE's investment grade profile and a target return on capital employed⁽⁴⁾ of 13 percent by fiscal year 2022.

"CAE is the largest independent Civil aviation training company in the world, and we are proud to support the many business aircraft operators, airlines, and aircraft manufacturers who rely on CAE as their partner of choice for the most comprehensive and innovative training solutions," said Marc Parent, CAE's President and CEO. "This transaction represents a win-win for both companies, resulting in enhanced core focus. We look forward to having increased addressability in the large market of Bombardier business jet operators, and to providing customers with a world-class training experience. Market fundamentals in business aviation are strong and the business we are acquiring is well-supported by a large installed base. We are expanding our position in the largest and fastest growing segment of business aviation training at an opportune time."

Marc Parent added: "We welcome the highly-talented employees of Bombardier Business Aircraft Training. We value your expertise and customer focus; as part of the CAE team, you will continue to provide best-in-class training to pilots and technicians for Bombardier business aircraft."

The Bombardier BAT business will be integrated smoothly with CAE since its operations are already co-located within CAE's Dallas and Montreal training centres. Once integrated, Bombardier business jet operators will have even broader access to training, with a total of seven CAE business aviation training locations worldwide.

With this agreement, CAE will be adding 12 Bombardier business aviation full-flight simulators to its training network (including one deployment already planned for CAE's fiscal year 2021), for a total of 29 business aviation FFSs available for training worldwide, with further growth planned in the near- to mid-term. CAE operates more than 80 business aviation full-flight simulators in its training network.

The acquisition increases CAE's ability to address the long-term and growing market demand for business aviation professionals. CAE estimates that there will be a need for 50,000 new business aviation pilots over the next 10 years (Source: CAE's *2018 CAE Airline and Business Jet Pilot Demand Outlook*, available for download at www.cae.com/civil-aviation).

CAE is financing the acquisition with a combination of cash on hand, drawing on its existing bank facility and new committed term loans.

TD Securities acted as exclusive financial advisor to CAE.

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