

Briefing on Key Non-GAAP Measures

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KEY NON-GAAP MEASURES

- **Non-GAAP measures are supplemental performance measurements that CAE uses to assess performance and forward looking growth expectations**
 - Management uses these measures as key metrics as part of the internal management of the business and believes they are relevant to external users in the assessment of performance in combination with financial data
 - All non-GAAP measures disclosed by CAE are key measures used by business units and management
 - The decisions regarding public disclosure of these measures are addressed by CAE's Disclosure Committee and are revisited as the business and its performance measures evolve
- **We consider key operating non-GAAP measures to include:**
 - Backlog and order intake;
 - Simulator Equivalent Unit (SEU);
 - Utilization rate.

KEY NON-GAAP MEASURES

BACKLOG AND ORDER INTAKE

- **Backlog is a forward looking indicator of anticipated revenue to be recognized by CAE and an indicator of future growth:**
 - CAE's total backlog is comprised of the following components:
 - Obligated backlog: expected value of orders received but not yet executed
 - Obligated backlog is the sum of:
 - + Order intake
 - Revenues
 - +/- adjustments
 - Joint venture (JV) backlog: Expected value of CAE's share of orders that the JVs received but have not yet executed
 - Presented separately from "obligated backlog" given that revenues generated from JVs are not consolidated into CAE's revenues but accounted for as part of CAE's net earnings (equity pick-up)
 - Unfunded backlog: Applies to D&S segment only and represents D&S orders received but not yet executed and for which funding authorization has not yet been obtained
- **Order Intake reflects the value of legally binding contracts signed with clients during the relevant period**

KEY NON-GAAP MEASURES

RELEVANCE AS A KEY PERFORMANCE INDICATOR (KPI)

■ Relevance as a KPI (Backlog)

- Backlog provides visibility and assurance on the level of revenues expected for future periods
- A rising backlog indicates increasing future sales while a declining backlog indicates fewer future sales
- Is commonly provided by CAE's peers as complementary information used by management and the investment community to evaluate projected future activity

■ Relevance as a KPI (Order Intake)

- Supports CAE's revenue growth and provides visibility on the level of revenue growth to be generated in the near future
- Key variable of the book-to-bill ratio which demonstrates capacity to build backlog for the future, if orders exceed current-period revenue (>1.0x)
- Indicator of market share

KEY NON-GAAP MEASURES

SIMULATOR EQUIVALENT UNIT (SEU)

- **Represents the total average number of Full Flight Simulators (FFSs) available to generate revenue and earnings to CAE during the period**
 - In the case of a 50/50% flight training joint venture, only 50% of the FFSs deployed is considered a SEU
 - If an FFS is non-operational because of an update or relocation, it will be excluded as a SEU until it is available to generate earnings

- **Relevance as a KPI :**
 - SEU is an indicator of the level of revenue generating capacity in CAE's Civil network
 - Essentially represents the revenue generating units CAE has available
 - The majority of CAE's yearly capital investment is spent in the Civil network and contributes to the increase in the year-over-year SEU count, therefore also representing the efficiency of capital spent

KEY NON-GAAP MEASURES

UTILIZATION RATE

- Used to assess the capacity usage of CAE's Civil simulator training network and calculated by taking the number of training hours sold and divided by the training capacity available

Relevance as a KPI:

- Utilization is an indicator of the usage of CAE's asset capacity and therefore provides an indicator of operational performance as well as potential additional revenue generating capacity of its existing asset base
 - The SEU represents the number of units and utilization represents the % sold
- Generally, higher utilization rates results in higher Civil revenue; however there are other variables affecting revenue such as % of WET vs. DRY training

KEY NON-GAAP MEASURES

GOVERNANCE

- The determination of the Non-GAAP measures is part of CAE's control environment processes
 - They are an integral part of the internal and external reporting processes
 - They are included as part of the management review processes and are considered key management operational metrics, with high operational and management visibility
- Relevance is addressed by management and Disclosure Committee as required

Integrated into financial and reporting process and control environment to ensure accuracy and completeness

Thank you!



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