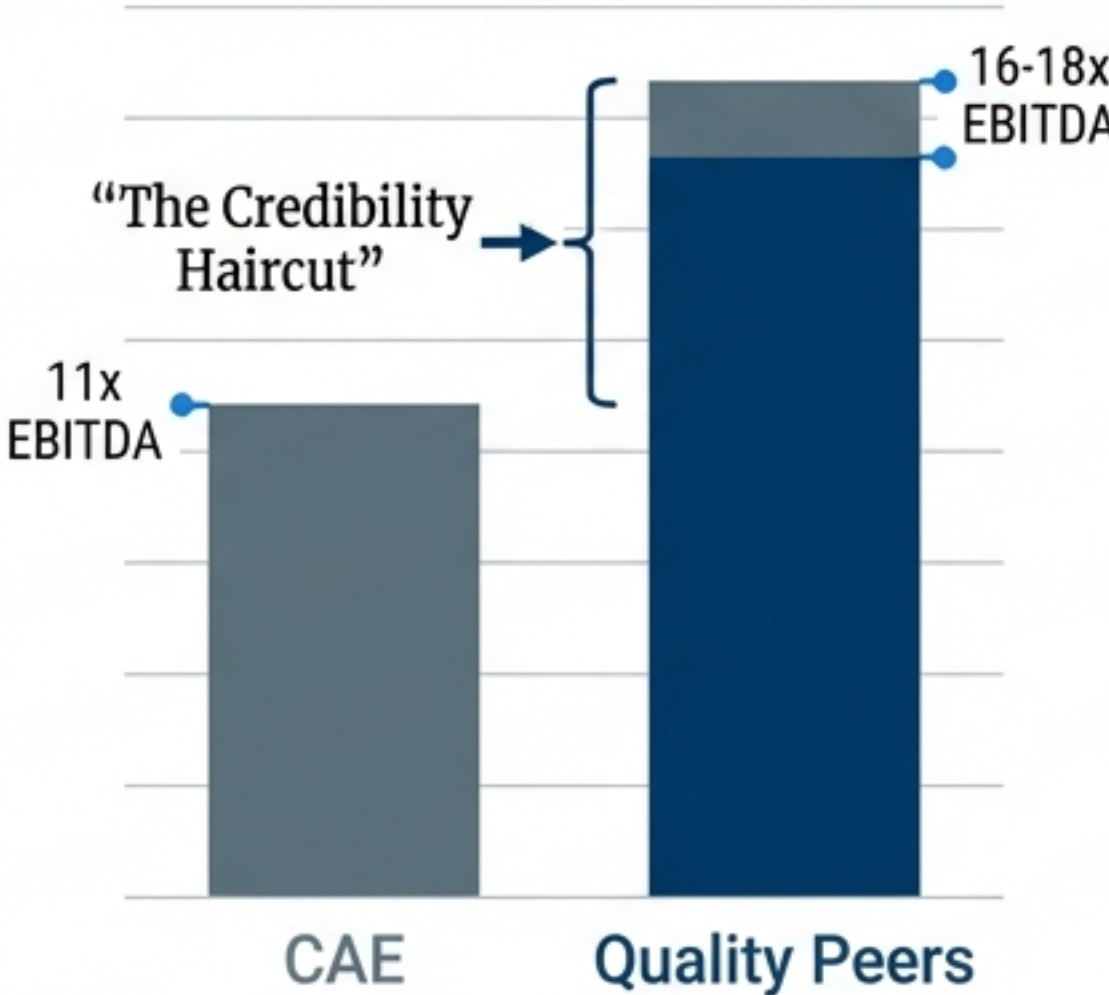




CAE Inc. (CAE): Structural Alpha in Aviation Training

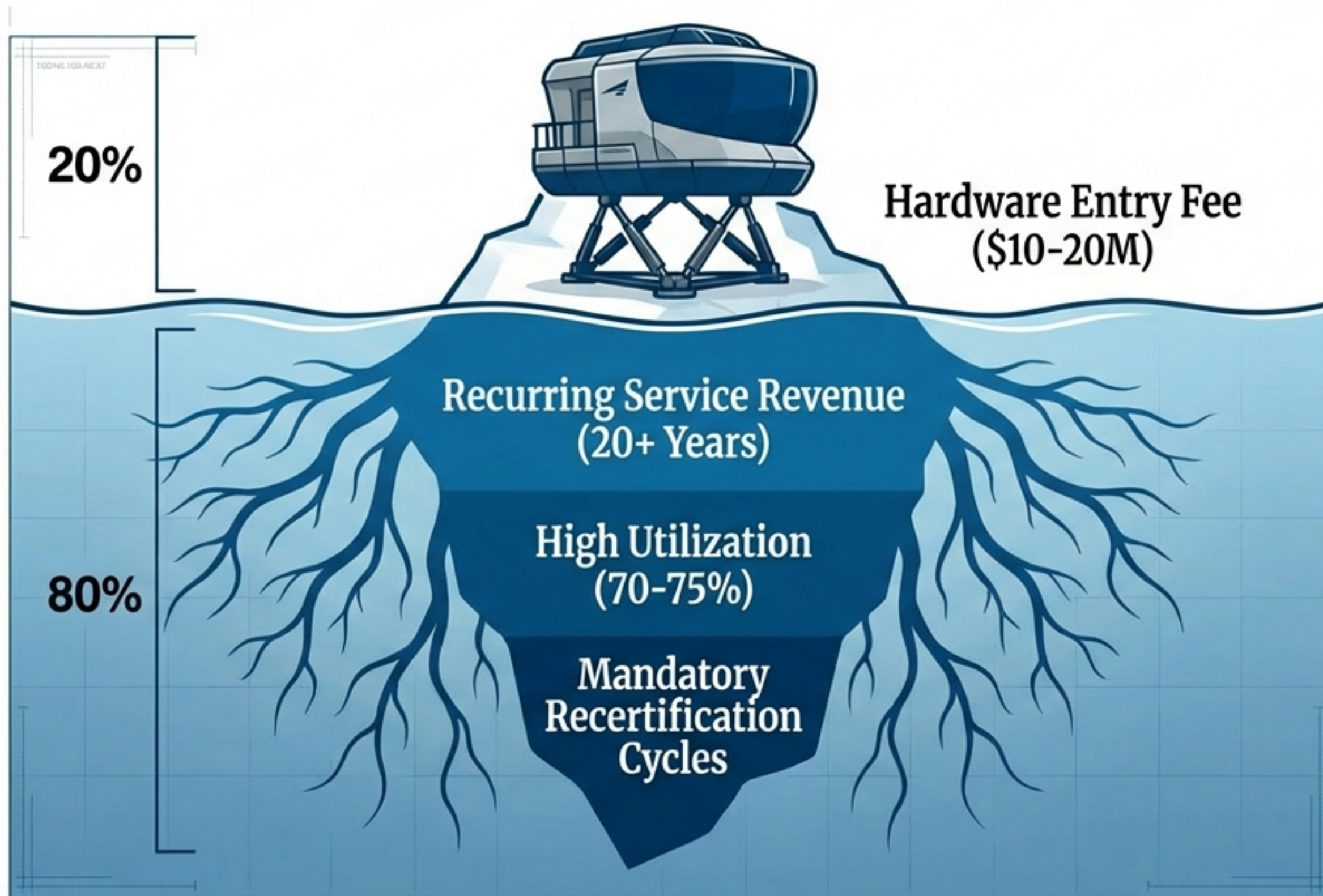
The Arbitrage Opportunity in a Global Utility.

The Harvest & Optimize Play

The Core Thesis	The Disconnect	The Catalysts
CAE is a bifurcated asset: A “SaaS-like” global utility for pilot training (Civil) attached to a recovering defense contractor. The market incorrectly prices the combined entity as a troubled industrial manufacturer.	 The chart shows a significant valuation gap between CAE and its quality peers. CAE is valued at 11x EBITDA, while quality peers are valued at 16-18x EBITDA. This discrepancy is labeled as 'The Credibility Haircut'.	 Civil Dominance: 40-50% market share, 60% recurring revenue  Defense Cleanup: “Legacy 8” toxic contracts fully impaired (\$568M)  New Leadership: CEO Matthew Bromberg pivot to ROIC

Verdict: A Strong Buy opportunity to capture arbitrage as Defense margins normalize

Civil Aviation: The 'Training-as-a-Service' (TaaS) Engine



The Unit Economics (FY2025)

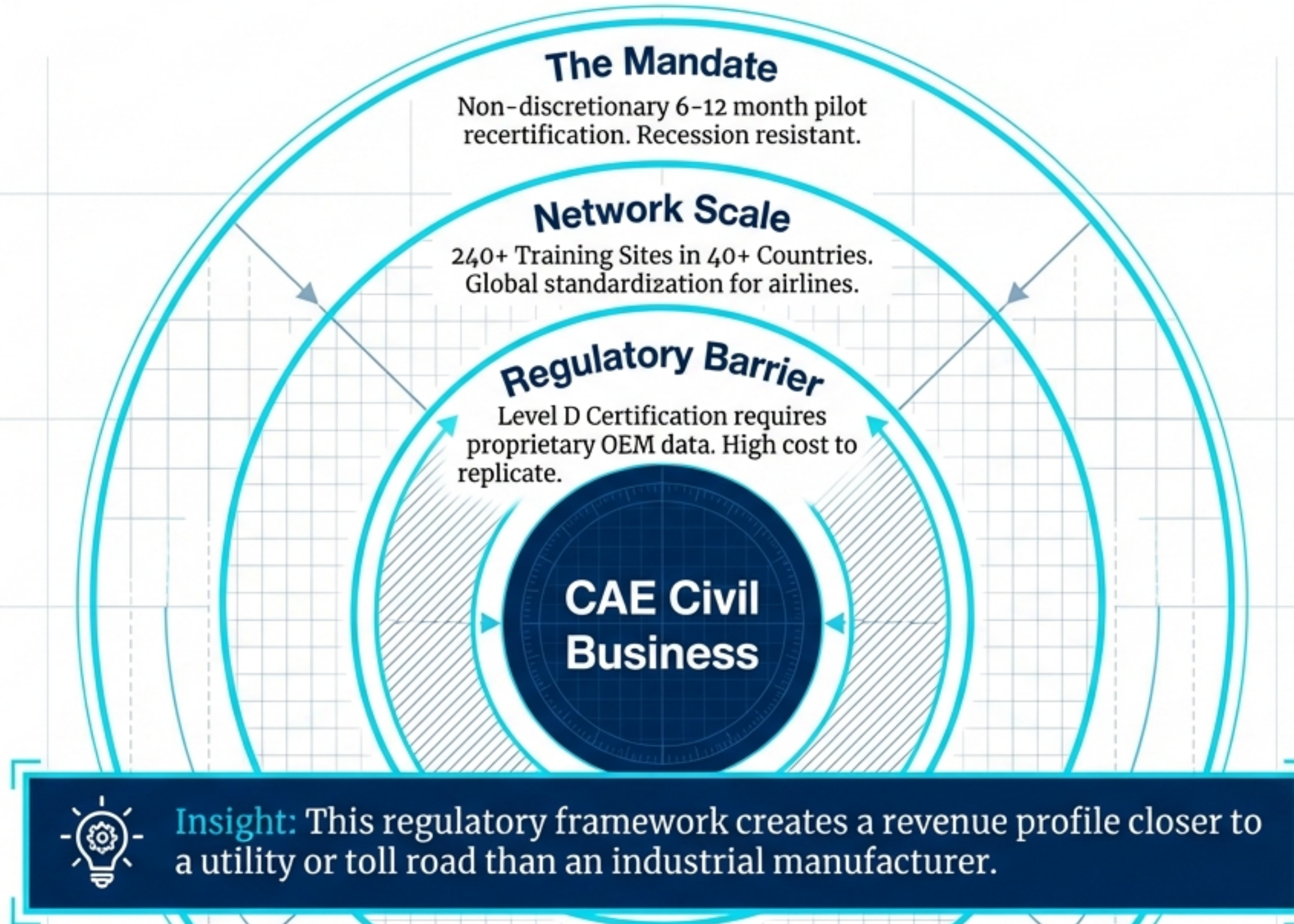
Revenue per SEU:
~\$9.47 Million

Total Simulator
Equivalent Units:
286

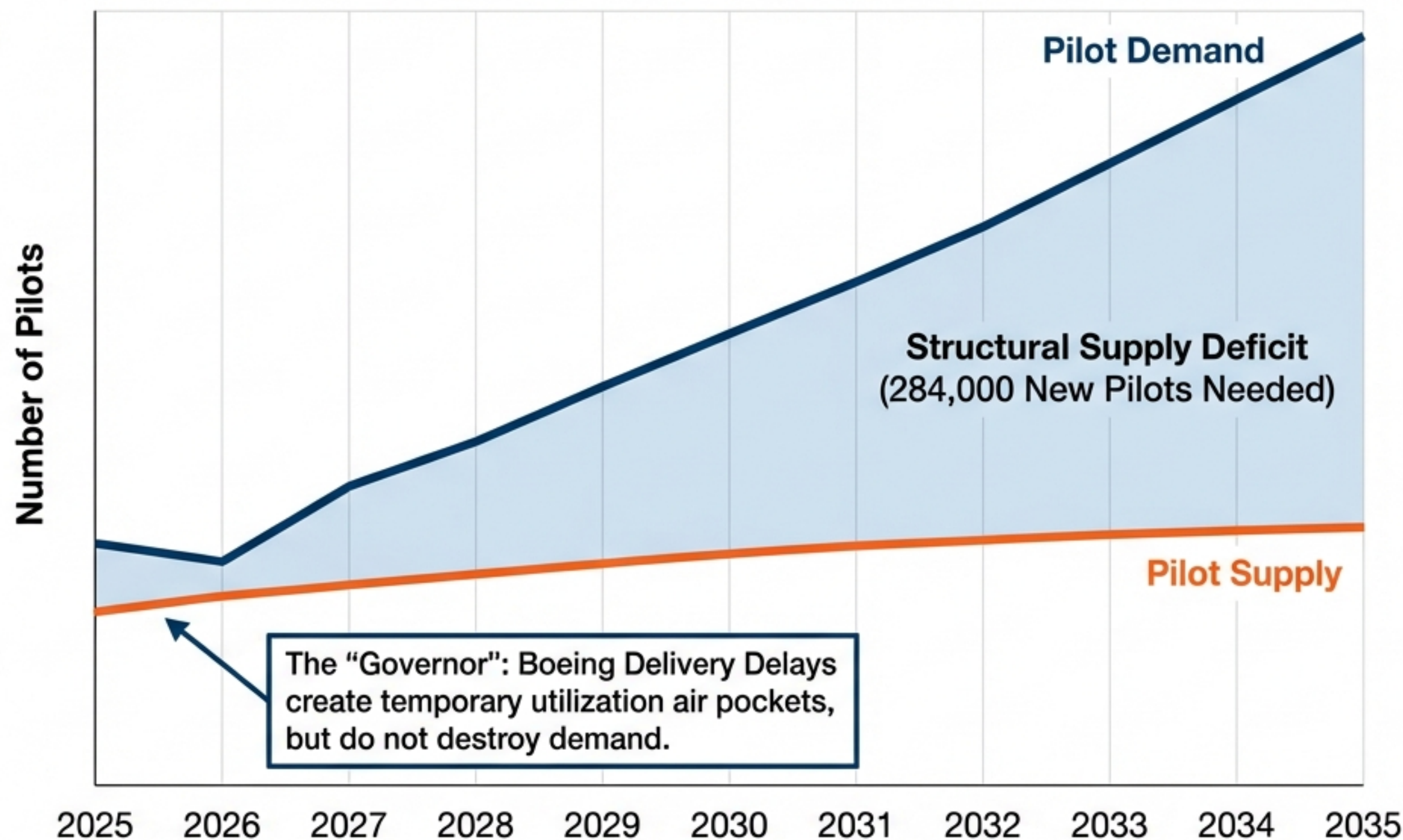
Operating Margins:
21.5% (Expanding to 30%)

Recurring Revenue Mix:
~60%

The Moat: Regulatory Lock-in & Network Effects



Secular Tailwind: The Immutable Pilot Shortage

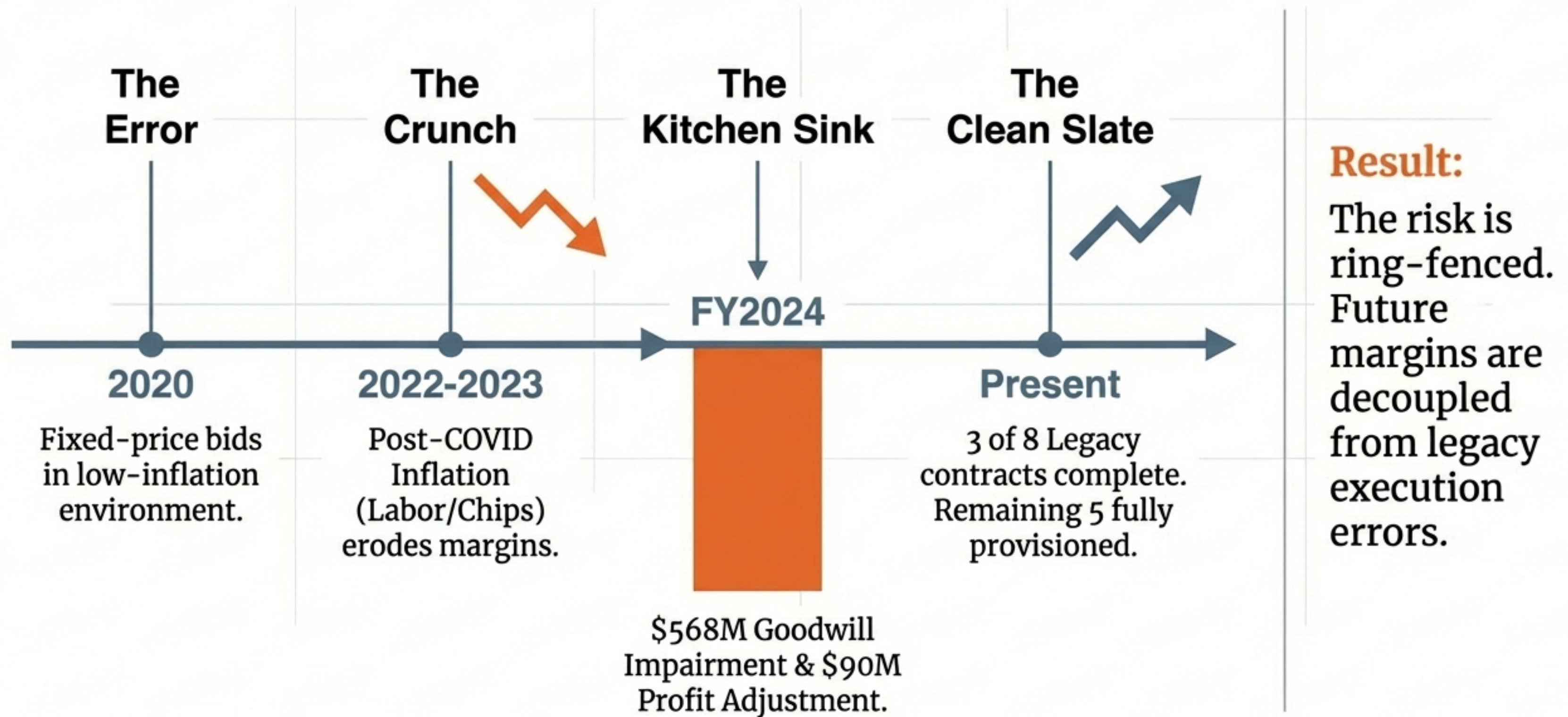


Forecast: 300k total new pilots needed (2025 Talent Forecast)

Driver: Mandatory retirements + Global travel growth

Insight: Demand for people is independent of metal delivery timing

Defense & Security: Anatomy of a Cleanup



The Strategic Pivot: From Hardware to Integration

Commodity Hardware



One-off sales,
volatile margins.



Training Systems Integration (TSI)



Delivering readiness
(people), not just boxes.

Case Study: SkyAlyne (FAcT Program)

- Contract Value: \$11.2 Billion
- Duration: 25 Years
- Economics: Inflation-indexed, service-based utility model.
- Target Margins: Low double-digits (12-15%)

Leadership & Culture: The 'Bromberg' Era



Incentive Alignment: 33% of Executive Comp weighted on Adjusted ROCE.

Goal: Clear the value destruction gap (Current ROIC 5.3% vs WACC ~9%).

Capital Allocation: Stopping the Leak

Cash Flow Waterfall

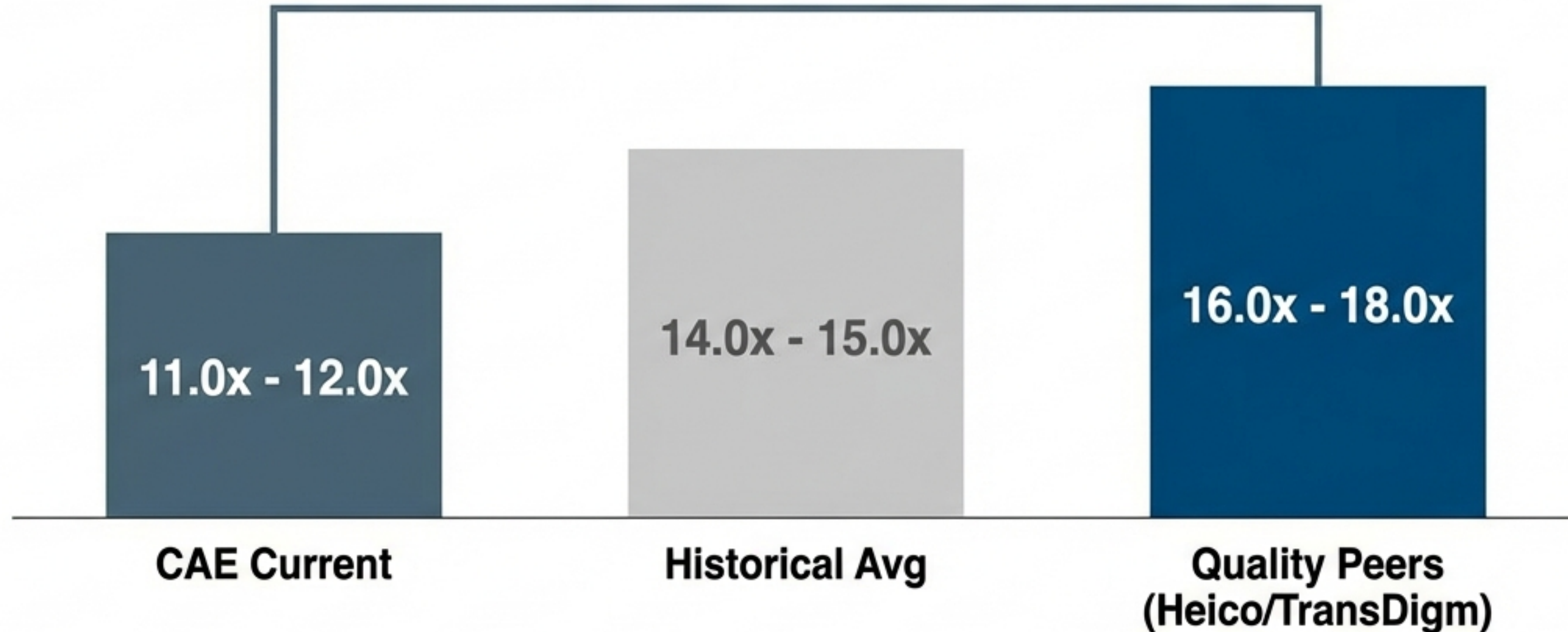


Post-L3Harris M&A strategy is restricted to small bolt-on tech only.

Relative Valuation: The 'Trust Deficit' Discount

EV/EBITDA Multiples

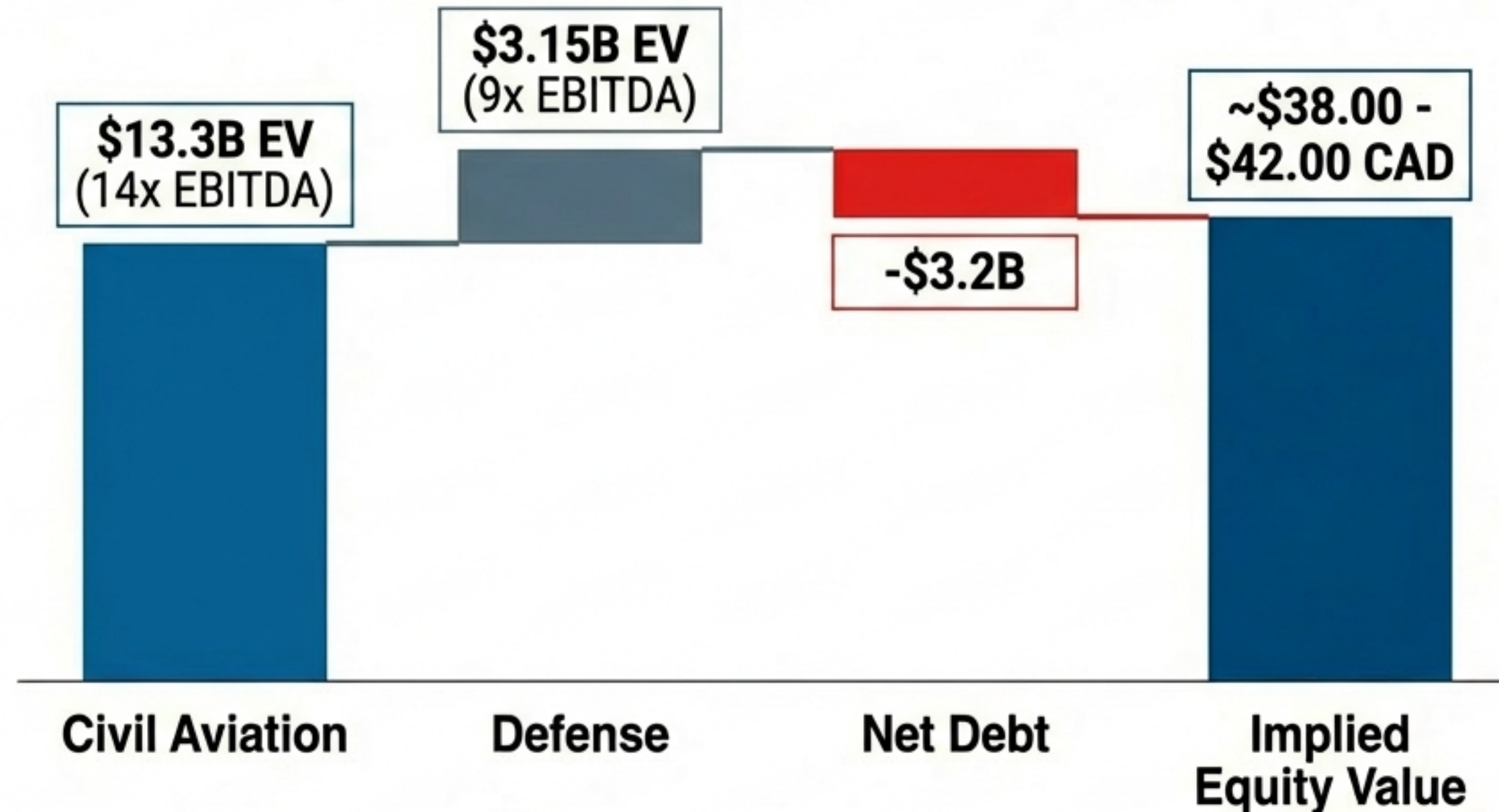
The Credibility Haircut / Arbitrage Opportunity.



As Defense margins normalize >8% and trust is restored, a re-rating to 13.5x+ drives significant upside.

Sum-of-the-Parts: The Defense 'Free Option'

Value Creation per Share (CAD)



The Civil business alone justifies a valuation near the current market cap.
Buying today effectively gets the Defense turnaround for free.

Critical Risks & Mitigants



OEM Dependency (Boeing)

Risk: Delivery delays create utilization air pockets.

Mitigant: Short-term pain only. Backlog grows; training demand is deferred, not destroyed.



Tech Disruption (VR/Vision Pro)

Risk: Can headsets replace \$15M simulators?

Mitigant: Regulatory barrier: No Level D licensure for VR. CAE is hedging by building building its own app.



Execution Failure

Risk: Defense integration stalls.

Mitigant: Legacy 8 contracts ring-fenced. FAcT is a 25-year government utility contract.

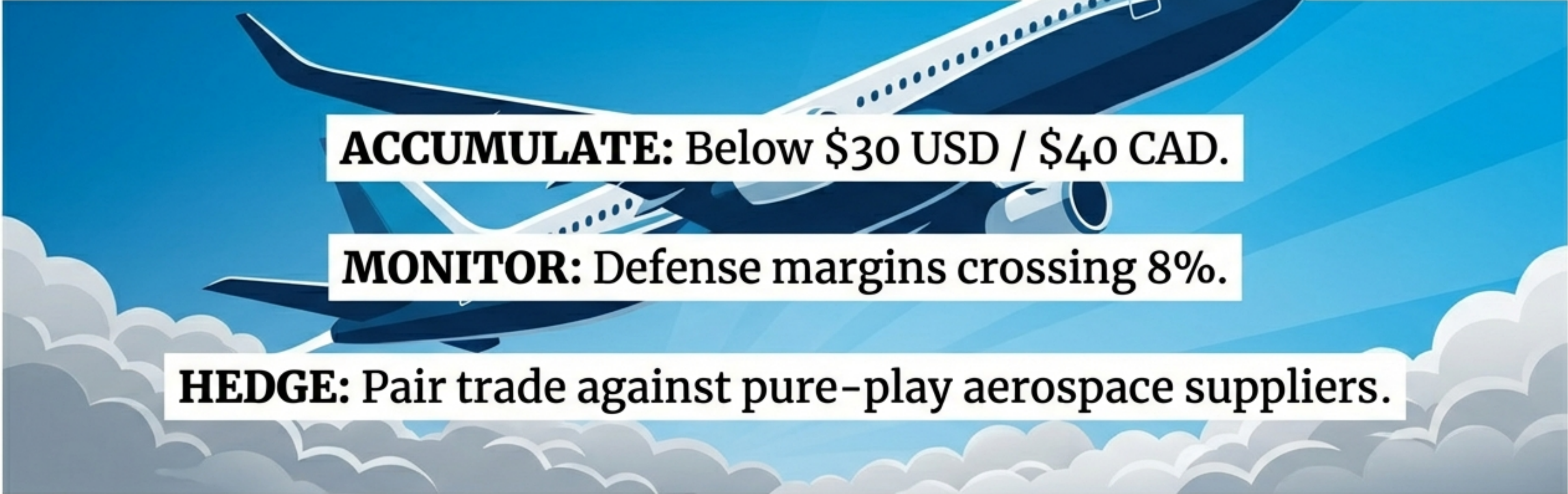
Financial Snapshot (FY2025 Actuals)

Revenue	\$4.708 Billion
Operating Income	\$729.2 Million (15.5% Margin)
Free Cash Flow	\$813.9 Million
Net Debt / Adj. EBITDA	2.77x

Segment Specifics

Civil	Defense
\$8.8B Backlog	\$11.3B Backlog
21.5% Op Margin	1.99x Book-to-Sales Ratio

Conclusion: A Good House in a Renovating Neighborhood



ACCUMULATE: Below \$30 USD / \$40 CAD.

MONITOR: Defense margins crossing 8%.

HEDGE: Pair trade against pure-play aerospace suppliers.

CAD \$42.00 - \$45.00

Disclaimers & Sources

This presentation is for informational purposes only and does not constitute financial advice. Forward-looking statements involve risks and uncertainties. Past performance is not indicative of future results.

- CAE FY2025 Financial Reports
- 2025 Aviation Talent Forecast
- SEC Filings & Management Proxy Circular (June 2025)