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QUESTION AND ANSWER SESSION

Andrew Arnovitz

Thank you, Marc. Operator, we'll now take questions from financial analysts.

Operator

Certainly. We'll now begin the question-and-answer session. To join the question queue, you may press "*" then "1" on your telephone keypad. You'll hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press "*" then "2." Our first question is from Fadi Chamoun with BMO Capital Markets. Please go ahead.

Fadi Chamoun

Yes, good morning. Thank you. Sonya, congratulations and all the best. And a couple of questions. One, if I look at the Civil guidance of 10%, and I assume this quarter that we're in right now is kind of your seasonally most weakest quarter, it feels like you need almost 65% of the EBIT growth to happen in the second half of this year, which is highest that we've seen in 10 years, I think, outside of COVID year. How much visibility do you have into this growth in the back half of the year? And maybe a little bit on this commercial aviation issues, it feels like a lot of it may be deferred revenues at this stage. Is it kind of coming back quickly or is it kind of more protracted in how it comes back?

Marc Parent

Well, thanks, Fadi. Let me take that. I think we said last quarter that the factors that are affecting the Civil business, mainly commercial, I mean, we factored some of this when we gave our guidance last year. We anticipated some OEM-related challenge in the overall guidance. And you've seen hiring has slowed, we talked about more significantly, specifically in this fourth quarter. It was slightly more than we anticipated in the Americas. But really pertaining to the rest of the year, I mean, this is how we see it breaking down.

Number one, we first in the second half, as you well know, we always have a stronger second half, and that's been proven out year after year for quite a long time. And that's really -- we expect that this year. That's going to come from an expected stronger performance in business aviation. And that's going to be throughout the year, bigger in the second half, and we always have a strong fourth quarter and that's expected this year as well.

In terms of simulator deliveries, we expect more full-flight simulator deliveries in the back half. That's usual as well. We have obviously very high visibility on that because it's a production line and we have committed delivery days to customers. Another factor here is not insignificant is the cost optimization efforts that are going to begin to flow through more significantly, obviously, in the second half. As well, we got a hit, as I said, by about $10 million year-over-year from our software business.

Now we anticipate a stronger profit contribution from the software business. Especially in Q4, we'll have a more on-premise work at that time as we continue at the same time to move towards fast conversion in this business.

And lastly, and I think that's probably going back to our assumptions about the market here that you mentioned, our guidance is predicated on seeing some recovery in initial training in the Americas specifically. As I mentioned on the call, we saw many carriers in the United States really halting in some cases pilot hiring in June. Now, we're seeing some of that recovery and that's driven by some improvements that are anticipated in narrow-body deliveries and availability of aircraft. Now, we're seeing that materialize in our bookings already. I mean, that could change. And if it does, we'll keep you updated. But I think those are all the factors that underpin our confidence in the full year.

Fadi Chamoun

Okay, that's great, Marc. Maybe quick one for Nick. I mean you've been in the seat now for a little while, Nick. Maybe if you can provide a little bit more kind of insight into the opportunities that you see to improve efficiency as you try to kind of streamline the operations and streamline kind of the shared operation across the CAE all five segments?

Nick Leontidis, Chief Operating Officer

Well, I think, as I think Marc made comments in his remarks. So now the way you need to think about us is, there's five segments that we manage. By doing it that way, in particular in defense, we have taken out a couple of layers of alcohol overhead, which were related to the fact that we had a combined segment in the Defense world. Right now, there are support functions, there are some corporate costs. There's some things that have been addressed. Now, as Marc said, this is kind of coming through, it's starting to come through the results. Some of it is going to be directly impacting improvements in Defense, some of it's going to help the whole company because these costs are spread. And so from a cost perspective, I think we just need to let the cost savings flow through.

Now the focus is more around us doing things one way between Civil and Defense, supporting each other in programs where we have commonality. I think you may have heard a program called HADES, that is essentially a Bombardier 6500 Training Program for the Air Force that the civil guys and the defense guys are cooperating in. So things like that, that allow us to leverage the investments we make in these programs and these simulators across the two businesses.

So there's a number of these on the list, and we're tackling all of them one at a time, and we should start to see more improvements in the results. That's part of the reason we think there's better improvements in the results, because some of this was -- when the plans were built, the assumptions that were made were that these were going to be separate investments, and we were going to -- we're going to have to essentially spend money on certain things twice, which at the time, I guess, made sense, but obviously with our austerity, we wanted to be (inaudible).

Fadi Chamoun

Great. Thank you.

Operator

The next question is from Sheila Kahyaoglu with Jefferies. Please go ahead.

Sheila Kahyaoglu

Thank you, Marc, and congratulations, Sonya, and Andrew, for all the help with initiations. In terms of the Civil guidance, I just wanted to follow up on the first question. Just as we think about the second half margins, is there one factor that really helped drive that margins? Marc, you mentioned a slew of things, whether it's a factor of just full-flight simulators, the exposure in terms of the market, or is it cost optimization, is there any way you could quantify that? And as we think about the full-year guidance, the exit rate implies about above 25%, 26% and in the press release, you noted ample room for improvement. So is that sort of the new run rate we should think about?

Marc Parent

Well, I won't get ahead myself on future runway, except to say that I expect it to trend higher, based on higher basic overall flow through of revenue in our business as it grows and that's what we fully expect as we ramp up more assets across the network. But that'll be going to next year. But look, it goes back to your question, Sheila. I think for this year, it's a little bit of everything that I talked about. I don't think there's any one factor that really swings it.

Obviously, pilot training has got to come back. We have visibility on that. The other factor I think that's very important is the cost savings that are coming through, some of which Nick just talked about, which is streamlined, that we do the simplification of the business, which echoed that Nick is doing a fantastic job eliminating complete management layers, which not only improves the cost structure, but simplifies the business and gives better velocity on the improvement of everything across the board. But we're also doing quite a strong effort at reducing costs across the whole organization, and we're seeing some strong benefits of that, and that's reflected in the higher restructuring expense that we talked about. So it's going to be all of those factors. But again, what we're seeing now gives us the confidence to reiterate that outlook.

Sheila Kahyaoglu

Great. And if I could ask a follow-up on the A320 comments you made, the AOGs at an industry level have held steady for the past few months. Can you just provide color on how you're seeing the impact to your business and perhaps regionally?

Marc Parent

Yeah, I'll start it off and maybe, Nick, you can expand on our individual customers that are affected here. Look, our expectations on this from our read of the market and talking to our customers is that we expect that we're at peak right now. We're at peak of the impact of the geared turbofan issues that are affecting the customers, Neo specifically, and as a result our customers maybe, Nick, I'll let you expand.

Nick Leontidis

Well, we have obviously a number of customers that are being affected by the grounding of these aircraft, waiting for their slot to come for their engine checks. So for a while, the airlines just continue to hire, but you can't hire pilots forever because they need the minimum number of hours, they need to be trained. So at some point you have to kind of say, okay, I'm going to need to slow down my hiring. And that's what's happened to us. A lot of this information is public. You can figure out who the customers are, but we have a lot of customers that have some pretty significant impact on these aircraft.

Now the good news is, from what we see is the number is not getting any bigger. The industry is making headway in this area, and so this will be something that we'll see improvement over time now. I don't think -- I think we've hit the peak now in terms of numbers of grounded aircraft and opportunity to improve.

Sheila Kahyaoglu

Thank you.

Operator

The next question is from Konark Gupta with Scotiabank. Please go ahead.

Konark Gupta

Thanks, and good morning. And thanks, Sonya, for all the help over the past decade and all the best to you. First question for me maybe is on Defense. The margins started to rebound, I guess like last quarter on normalized basis and we saw that kind of continue in Q1. And it seems like it's heading in the right direction here. Obviously, it's very gradual this year. I really want to understand, like, Marc, what do you think, and maybe, Nick, in terms of the legacy contracts and the timing for rolling off those contracts over the next two, three years. How much more visibility do you have today? And do you think within the next couple of years or three years, is there a possibility that as mix changes, can you hit 10% at a margin defense or that would be more sort of a longer-term story?

Marc Parent

Look, I'll start with the first part of your question. I mean, we haven't really specified the timing with regards to when we get to the 10%, it's certainly within going to be around that timeframe. That's our anticipation without being overly specific on it. But what I would say going back to legacy contracts, specifically the ones that we called out, the eight contracts we called out, we have very high visibility, as you would expect on those contracts and with the effort that we have, not only on those, but obviously very specifically on the ones that we highlighted.

And what I would tell you, look, everything is on schedule, everything is on -- we're achieving the milestones that we have. And if anything, I'm hoping that we're going to outperform our estimates. And that's what I'm seeing now. If I look at the eight contracts that we identified, we'll exit two of those pretty quickly within a short time frame and the rest are going to roll off as we expected them to over the next few quarters. So, look, I couldn't be more pleased with the progress that our teams are making and as well with the acceleration of the benefit through cost savings and streamlining that Nick has put in place.

Konark Gupta

Okay. That's helpful, Marc. Thanks. And just switching gears to the Civil, I understand some of the weakness we are seeing lately, and it's not too much, I guess, but still coming from like the US and the Europe kind of traditional markets you have. But that Asia and Middle East are doing good. Is there any opportunity to redeploy some of the training assets back to Asia and Middle East, which I think you got back over the pandemic I guess? So any thoughts on how can you tap on this demand in Asia, Middle East, while US and Europe are weak?

Marc Parent

Sorry, going to your question you're talking about, you referred to moving assets, is that what you start referring to?

Konark Gupta

So, yeah, moving assets to Asia and Middle East.

Marc Parent

Sure. I mean, that's always things that we look at and we may move some, and whatever we plan in that is factored into the outlook that we have. Look, I think what we're going through is some short-term effects here like very specifically, if I was to look at our business -- and let's go back to when we think about our Civil business, there's four components to it, as I said before. If you look at it by revenue, about a third of the business comes from delivering simulators. So a third revenue comes from delivering simulators, a third comes from commercial aviation training, a third comes from business aviation training, and 10% comes from our software business.

And if you were to look at it from a profit standpoint, without getting overly very specific, about half of the profit comes from business, et cetera. So as I look at what's happening now in Q1, which explains kind of the margin, let's say difference year-over-year. One part, okay, as I talked about is, lower profit coming from our software business. That's one. And that's what we expected, and that's what you should expect as we go through this SaaS conversion, going -- moving from on-premise work. But very specifically, when we look at the utilization, we're only like 1% down.

But what that really masks the effect is what we're seeing in the United States specifically with airlines pausing hiring. In the short term, what that results in is less initials pretty much almost immediately, because as the regionals themselves stop pausing hiring, and you see more recurring training. But the initial training, which occupies a lot of similar simulator time in North America, specifically on aircraft, for example, such as CRJs, that activity has dropped disproportionately, 3 or 4 percentage points. But again, as soon as we see pilot training coming back and we see signs of bookings in that regard, that comes back. So it's important, but it's not all of our business commercial. And to your point, we're seeing very strong activity in other regions, for example in Asia specifically.

Konark Gupta

Okay, that's very helpful. Thank you.

Operator

The next question is from Kevin Chiang with CIBC. Please go ahead.

Kevin Chiang

Hi, thanks for taking my questions. I'm just wondering, you have some longer-term margin aspirations. And if memory serves me correct, I think within Civil, you saw line of sight coming out of the pandemic into the kind of mid-20% SOI margin. And obviously, you continue to target kind of 10% or low double-digit in Defense. Just with the restructuring you're doing now and some of the synergies and cost savings associated with that, does that change the long-term margin profile in either segment or any of these segments, just given the incremental cost savings?

Marc Parent

Well, look, I think we don't want to get into giving longer-term guidance today. But clearly, all things being equal, the cost savings that we're putting through are only going to help our bottom line performance. Then it becomes a question of volume. And I think, as I said, you look at what's happening in terms of aircraft deliveries over the next 20 years, and I think with the position that we have in the market, I think that portends very well for margin improvements, still.

Kevin Chiang

Okay, that's helpful. And then, I apologize if I missed this, but did you disclose what percentage of your Defense revenue were from the legacy contracts? And then just with the significant increase in your backlog quarter-over-quarter reflecting the addition of your proportion of the new Canadian defense win, does that specific contract have a different margin profile than what you'd be targeting for overall Defense? Is that something we need to be thinking about?

Marc Parent

Well, let me, maybe I'll just turn over to Sonya. I think the first part of your question is we don't disclose that the revenue, it is relatively small.

Sonya Branco

Yeah. So we don't necessarily disclose, but as Marc said, on cost, on schedule. What we have disclosed is, that it continues to have -- although it's on target, a dilutive impact, because essentially these are costs at relatively breakeven, and that was 0.2% this quarter. So which gets us to a margin of close to 6% for the quarter and ultimately on facts, would you want to add that, Marc?

Marc Parent

Yes, go ahead.

Sonya Branco

In fact, very much aligned with the accretive target that we have for the FAcT. So this is a highly accretive, generational program that will be contributors right out of gate that CAE could (inaudible).

Marc Parent

Yes, just a bit adding a little about that to what Sonya is saying. And by the way, I might have misspoke when I talked about the backlog there. I mean, it's a very sizable increase in the backlog that you saw. It's up for $5.4 billion last quarter. So it's quite dramatic in its impact, demonstrating what I talked about, the appetite for governments to outsource their military flight training. And we see quite a few of those kind of opportunities as we look at the outlook in the next few years. But for us, I mean, the first part of that backlog was going to play out over next two to actually now to about the next three or four years is the recapitalizing of the whole training infrastructure.

And what that means is we're going to be building quite a number of simulators and other trained devices here in Montreal to service that need. It's going to go in (inaudible), it's going to go in Winnipeg, and other bases where the Canadian military is going to be doing pilot training. So I mean, that's -- and that the margin profile on that product, as Sonya said, is very accretive to the margin expectations that we have in the mix.

Kevin Chiang

That is very helpful. Thank you very much. And Sonya, best of luck as you move on to your new endeavors there. Thank you.

Sonya Branco

Thanks, Kevin.

Operator

The next question is from James McGarragle with RBC Capital Markets. Please go ahead.

James McGarragle

Hey, good morning and thank you for having me on.

Marc Parent

Hi James.

James McGarragle

So under the defense margin guide, it implies a pickup in margin in the back half of the year. So can you just provide some additional color on what's driving that seasonality or that operating improvement? Just trying to better understand what the margin exit rate is into fiscal 2026? Then, as a quick follow-up to that, is that $20 million in savings highlighted in the press release, is that incremental to that margin guide into fiscal 2026?

Nick Leontidis

Hi, this is Nick. So, to answer the first part of your question, the margin improvement in defense in the second half just comes from both cost savings and from just the backlog that we're going to be executing in the second half. It's a much improved -- it's a more improved backlog. So it's just normal backlog business that gets executed and we will see some benefit from cost savings. As far as the cost savings are concerned, I wouldn't call them incremental, but they are going to give us more confidence around what we need to deliver in the second half.

James McGarragle

Thanks for the color. And then I had a question on some of the additional restructuring expenses that you guided to in Q2. We've seen these restructuring expenses here the past few quarters. So when we're looking at free cash flow, trying to model out for the rest of fiscal 2025, can you just provide some color on potentially the magnitude of these expenses, kind of after Q2 into the remainder of the year, and after that I can turn the line over. Thank you.

Sonya Branco

So it's -- on the restructuring expenses, so last year a large portion of those were non-cash, so about half. For this upcoming quarter, most of them will be cash costs, and that's reflected in our free cash flow -- continued free cash flow guidance. And in terms of the savings, as Nick spoke to, some of that will flow through this year and part of the H2 pickup. And in terms of a whole, it's a payback period of about a year and a half for that investment.

Operator

The next question is from Benoit Poirier with Desjardins Capital Markets. Please go ahead.

Benoit Poirier

Yeah. Good morning, everyone. Just to come back on the software business, it's been almost 2.5 years since the closing of the transaction. You incur, obviously, some restructuring costs. You made some investment to turn into a SaaS business. So could you talk about what remains to be done? What kind of growth we should expect from that business in terms of operating income? And maybe if you could share some color on the return on capital employee target in light of those additional investments, that would be great.

Marc Parent

Okay. Let me start it off, Benoit. Look, there's still some heavy lifting to do on this SaaS conversion perspective, and that's in line with what we talked about. We talked about -- we see that playing out over this starting last year, two, three years, as we execute this move from on-premise to SaaS. So the good news is that we have a growing pipeline. We're seeing the results take hold. The premise that we have that airlines would readily see CAE as a trusted partner in this business has really come to fruition. I would say above my expectations, which were already pretty high actually. But -- and that's testimony to indicators like I can tell you order intake.

We've won roughly $700 million in contracts over the last couple of years, which really points to great top and bottom-line growth, post the implementation. Again, 18, 24 months timeline is what really anticipated and what we have converted. And we were talking with some pretty big carriers here, that in this $700 million, I'll point that Air India, which is consolidated very large airlines in the past year, Wizz Air last year. I don't know, Nick, if you want to add anything more, that's my view on that.

Nick Leontidis

Yes. I think the way this works is, these contracts are in the backlog now, and we have to convert them to revenue. And the way you convert them to revenue is you implement the contracts that you've signed and that gives you a revenue stream going forward. So this -- all this has to be processed. And as Marc said, we've got good line of sight and order intake. So obviously we know what contracts we've won, we know what they're going to deliver every year. And as we look forward, we'll start to see the growth in revenue.

Benoit Poirier

Okay. And with respect to defense, we saw some program delays impacting the liberal government's budget cuts. I was wondering if there's any cuts that was impacted at CAE? And also in terms of ramp-up of those transformative contracts, Marc, you've been talking about the big improvement towards the 15% revenue contribution. If you could provide an update on this opportunity, that would be great. Thanks.

Marc Parent

I'm not -- as it relates to the Canadian defense contracts related to us, I don't see any delay. I see acceleration. I personally met our Minister of Defense Blair just about a month ago. And I can tell you that he is very focused on -- after approving the money that they've earmarked for places like for example, support Ukraine as one specific one, the programs that affect us are only going up. And a testimony by, obviously the FAcT contract is one. But I can point to others like we've been selected to do all the training for the fleet of remotely pilot aircraft that the Canadian government has bought from General Atomics, and we are General Atomics partner for all the training on the whole international deliveries of that platform, so everywhere outside the United States. And that's a very prolific platform, so high expectations there and obviously big contracts here in Canada.

Other contracts that are out there in Canada in recent years, you saw Canada buy the P-8 aircraft, and we are Boeing's partner on that aircraft. In fact, we've done every P-8 simulator that exists out there, also selected during the same contract for Canada. That's not in our backlog, by the way, yet, because although the Canadian government bought P-8, our contract with Boeing is with not only in Canada, but Norway and Germany, where they also sold the aircraft. We'll be seeing that contract come through.

So just going back to your question, I'm quite pleased with the amount of resources, effort, and dollars that the Canadian government is putting towards defense. And I think we're getting our good share of it as the largest Canadian-owned defense contractor in the country and obviously with a strong number two presence in the world in virtual space training for aircraft.

Benoit Poirier

That's great color, Marc. And maybe just the last one. Congrats for the FAcT on track with over 25 years. Sonya, could you maybe provide some color about the timing in terms of ramp-up and whether the CapEx associated to this contract will be -- how sizable will it be?

Sonya Branco

So first question, there is no CapEx. So this is a capital alike. No CapEx to deploy here. We are finalizing the subcontract and other contracts with the joint venture, and we don't have any contribution yet from FAcT, but it's part of the ramp-up in the second half that we expect.

Benoit Poirier

Okay. Thank you very much for the time, and all the best, Sonya.

Sonya Branco

Thanks, Benoit.

Operator

With less than 10 minutes remaining, callers are asked to limit themselves to a single question. The next question is from Cameron Doerksen with National Bank Financial. Please go ahead.

Cameron Doerksen

Yeah, thanks. Good morning. You talked a little bit about this off the start as far as the visibility and outlook into the second half of the year, but I'm wondering if you can go into a little more detail on what you're seeing in the business aviation training market. It sounds like things are still pretty strong there, but anything that's notably changed from the last quarter? and I know you've got a few newer training centers there in business aviation that maybe still be ramping up. Could you just update us on the progress that you're seeing there in ramping up those centers?

Marc Parent

Well, you're right. I mean, a big piece is coming up from the ramp-up of those centers, and I can tell you we're very pleased. Las Vegas doing extremely well, as we expected it to be. It's a great location for trade center. Ramping up Orlando, which is a joint venture that we have and SIMCOM with Directional Capital. We are -- we just opened up. We had a really great opening ceremony of our Savannah Training Center just a few months -- that's actually three months ago. All those simulators are ramping up quite nicely and the level of activity is still very high.

It's higher than pre-pandemic. It has come down, and that's -- we expected that. So I think -- I mean, I'm seeing the parking lots are pretty full. Look, there will be -- and there has been an effect when I talk about reduced pilot hiring, that has enough on effect, because if the airlines are hiring less, that has an impact on business aircraft overall. We expect that. So we're watching it. But the level of activity is still very high and the bookings are very high. Maybe, Nick, you're very close to it. Want to add something to that?

Nick Leontidis

Yeah. I think business aircraft has had a good quarter, and we're not seeing -- I mean, there's a little bit of change in terms of the mix of the business, but the -- but overall, it continues to perform as expected.

Marc Parent

Actually, you know, what I think what we should point out is the level of order intake in Civil has been, again, very strong this quarter and disproportionately in business aircraft. It has quite the number, very much (inaudible) --

Nick Leontidis

-- Yeah, correct. Part of the driver --

Marc Parent

-- At this point --

Nick Leontidis

-- Yeah, part of the driver for the order intake this quarter being at 135 Wizz business aircraft. So we have a lot of long-term contracts that got signed that created a disproportionate back order intake for Civil.

Cameron Doerksen

Okay. That's great detail. I'll keep it to one question. Thanks very much.

Operator

The next question is from Kristine Liwag with Morgan Stanley. Please go ahead.

Kristine Liwag

Hey, good morning, everyone. And Sonya, really looking forward to your new endeavor. Best of luck. We'll miss you. Maybe, Marc, following back up on the first question from today's call on understanding the risk to the Civil outlook for the rest of the year. So the first one is -- when you look at the bookings, you said it's improving, but how much of your guide for the second half of the year is already booked, meaning that you have complete visibility and there's no risk?

And then a second follow-up to that is, it seems like the slowdown in pilot hiring is related to the rate in which new airplanes are being introduced, which means that should we see further delays on new aircraft deliveries? Could there be a continued slowdown in this new pilot hire? How should we think about that in terms of downside risks? Thank you.

Marc Parent

Okay, let me start it off, and maybe I'll ask Nick to pick it up. I'll reiterate the elements that really anchor the outlook that we have and what we control and what we don't have. Look, I think if you think about the elements that are very much in, again, our control, deliveries of simulators. Deliveries of simulators, I mean, we know our production line. We know where those simulators are at. We know which customers are taking them, if they're going to take those simulators. There's always a potential that one or two of those could be deferred. It happens. We don't see it right now because we talk to those customers and the customers that we're delivering those aircraft -- those simulators to, we know that they're getting the aircraft. They know they're getting aircraft. So that, pretty high confidence there.

Business aircraft, we just talked about. That's bookings. The dynamic in business aircraft, and I'm a business aircraft pilot myself, and I trained at air training centers. The dynamic there is still that if you can get a booking, you don't cancel it. Because, obviously, if you have to do your training or recurrent training every -- typically every six months, and if you lose your booking and you can't get another one, then chances are you can't renew your license, you can't fly. So people are quite conservative in cancel and bookings. So it can always happen, but what we see there is, again, strong demand and that portrays our outlook in business aircraft.

The other element that prevents our outlook is how much, if you like drag, it's more of a drag than anything else, is our conversion to software as a service in our software business and we have very high visibility. There is an expectation there and it's based on things that we control, which is that, if you like the drag of $10 million that we saw in Q1, will lessen by the end of the year. And the reason for that is because we have more on-premise work that's going to be done typically in the second half. Again, we have very high visibility there.

Now, if you look at downside risks to your point is the fact that we are expecting some resumption of pilot hiring, specifically in the Americas. And that is underpinned by the bookings that we have. Now, bookings can always be moved. That can happen, but we're talking to those airlines and that's what they see. That's what we see. And it's based on their expectations of when they're going to get their aircraft, whether that comes from narrow-bodied aircraft, Boeing, whether it comes from airplanes coming back from engine overhaul or those kind of factors. So I think those are the components.

And I think the last point that's important here is we're trying to manage our own destiny here, and that's with the cost savings that we put forward together. We're being realistic. We had assumed some of this last year, which is why I think we were conservative in the outlook that we gave -- that we gave for the growth of the business, for the margins of the business. We talked about that. It's also the fact, when we look at what we're seeing now, it's also the reason we gave you a range on CapEx last year, and now we're moving through our end of that

CapEx as we basically look at the conservatism that we built in, I think there was good basis to do it.

Kristine Liwag

Great. Thank you very much.

Andrew Arnovitz

Operator, we have our -- yes, operator. Sorry. We have our AGM today as well, so we will have to be a bit more of a stickler in terms of sticking to schedule. I want to thank all of the participants who joined us today and remind you that a transcript will be made available later on CAE's website of the call.

Marc Parent

Thank you.

Operator

This brings to a close today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.