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PRESENTATION

Operator

Great. So, we'll begin the analyst question and answer session. As a reminder, you can press star-one on your telephone keypad, and you will hear a tone acknowledging your request. To withdraw your question, please press star then two.

The first question is from Kevin Chiang from CIBC. Please go ahead.

Kevin Chiang

Thanks for taking my question and good morning, everyone. We'd like to just start with a Civil question. Just the slippage of some of the full-flight simulators, it sounds like the client wasn't a position to take those products. But I'm wondering if you're starting to see any impact on pilot training demand just with some of the aircraft delivery issues at the large OEMs.

Is that impacting what you're seeing from the airlines in terms of the demand for training maybe relative to what you would have been forecasting or expecting let's say, six to nine months ago? Just wondering if you see anything material there.

Marc Parent

Okay. Let me take it, Kevin. Look, first and foremost, you're right. I mean, the changes that we saw just relative to our outlook on delivery simulators and, therefore, the adjusted operating income growth, was purely because of those training centers that weren't ready, our customer training centers weren't ready. And basically, those simulators will deliver this year. So that's really what happened there. It's not a reflection of any type of demand change in the market. I mean if I could ask maybe Nick for more color, if you require it.

But look, I mean we've been living in the kind of environment lower than when I say lower than potentially anticipate deliveries of 737MAX aircraft, as well as less activity because of the engine issue that's affecting mainly Airbus airplanes that, as you know, have literally hundreds of airplanes grounded, around the world. So, we've been living in that environment for quite a while. So really, that isn't really changing.

So, I would say there's pockets. And I think there's pockets that you see that airlines are affected by their slowdowns. They're not able to get the airplanes that they want to secure the demand. The demand, itself, is very strong. And what you see is pulling airplanes out of mothballs, basically taking airplanes that are coming off lease and maintaining a long lease.

But we're not really seeing a change in the demand environment, at this time. We're watching it. And the guidance that we put for Civil for this coming year reflects our cautious outlook in that regard.

Kevin Chiang

That's helpful. And maybe just my second question. I appreciate all the color you provided in terms of the rebasing of Defense. It also seems like a segment that feels like it's been in some perpetual restructuring for quite some time now or, at least, some strategic repositioning with the acquisition of L3Harris' military training division.

Maybe if I were to ask, when you look out two years from now or whatever the time frame is, what should the fence look like? Does revenue need to be bigger in order to get the margins you want and maybe derisk a backlog in terms of--there's always risks around execution. Is it being more focused on the addressable markets you're trying to go after?
I'm just trying to get a sense of if all goes well to your in Defense, you pass forward two years. What exactly does Defense look like? Is it a bigger business with better margins? Is it a smaller business with better margins? Just any color there would be helpful.

Marc Parent

Well, look, I think I would start by all of those, Kevin. Clearly, as I said, look, the numbers that we're printing now certainly don't meet my expectation and neither are the investors clearly. But I think what we've done here is re-baseline the business.

We've been talking about the issues that are affecting us in Defense for or at least a couple of quarters here, at least in the detail. Last quarter, we gave you precision on, as we said, really, there were eight contracts we call the Legacy Contracts that were really undermining the profitability of our business.

I mean, those contracts all have the same kind of MO, signed prior to COVID, fixed firm price contracts and they were very much adversely affected by supply chain issues, manpower issues, runaway inflation, of which we're not immune. A lot of our Defense clients and sister companies across the Defense environment, particularly in--well, actually, I would, shouldn't say only United States, across the world, actually. Those affected us.

We've re-incensed those. And this quarter, what we've done here is basically work extremely hard to renegotiate with our customers in this regard to figure out exactly what the remaining scope on those programs is, the time it's going to take us to execute those contracts. The cost it's going take us through to service those contracts. And the difference between that and the cost that we anticipate in the past is $90 million.

And that's, to a certain extent, maybe shouldn't be much of a surprise because, if you remember in the third quarter, what we had said is that those eight contracts, we're really going to drive for next, by 200, 300 basis points for the next six quarters, while we execute those contracts.

What we've done here is, through the actions that we've taken, through the agreements we've made for our customers, we're able basically to take that risk, say off the table or be predictable because we're taking it now. So that gives us a clear view of the future and the programmatic risk now going forward, not only in those eight programs but, overall, across all the programs and the best is balanced. So that's one major component.

The other component is I'll go back to the success of the strategy on the front end. Our reach rate, the fact that when we look at the book of business, we are winning business, we are winning larger business in the areas where we have core capabilities, training centers, training products, meaning full-flight simulators, where this is core to us.

We know how to do that. We know how to do it, well. We've signed them at margins that are accretive to the outlook that we have in Defense, which is 10% or more in terms of profitability. Those programs are going to materialize in our backlog. I expect about 15% of those to materialize in our revenue, this year. That's all going to contribute.

So the answer to your question is stable revenue growth, higher margins on the way to the low teens or north of 10% margins. I want this--and generating stable cash flows, you should expect out of the Defense business because we're basically selling the customers with sovereign guarantees. So, that's what I expect out of the Defense business.

Kevin Chiang

That's very helpful color. Thank you for taking my questions.

Operator

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

James McGarragle

Hey, good morning. Thanks for having me on. Just on the Defense margin guidance, the pickup in the back half. So, can you just talk to the visibility that you have into that higher margin in the back half? And is there any seasonality in the Defense side, going forward, or should we expect that back half margins to be the exit rate for margin into the upcoming fiscal year?

Marc Parent

Look, I think that if you look at our performance in the past few years, you always see that it's back half loaded. And there is reasons for that, the budgets in specific countries. There's programs are ramping up.

This year, I mean, we have high visibility of this year. The majority of the revenue and ergo the profit that we need to execute this year plan and meet the guidance of 6% to 7% that we put out there, we've already won those contracts. They're in the backlog; it's for us to execute. We obviously have very high visibility on the Legacy Contracts that we talked about having a re-baseline the programmatic risk there. So, what I'd say is basically, again, in terms of variability in the year, it's basically just the same way we've seen in the previous years.

I think maybe to provide a little bit more color on it, I'd say that when we look at the year, the average margin we talked about would be 6% to 7%. I would expect that it will start the year where we ended it in terms of profitability. So, call it in the north of 5% range, with stronger than the second half. That's what I would say.

James McGarragle

Okay, thank you. And then as a follow-up on the Civil side, you picked like that a lot of that organic investment you're making this year is going to be in the Civil business. You previously flagged really solid returns, 20% to 30% in that business, 2-to 3-year ramp up. Does that mean we should be thinking about growth at current levels or even higher, over the next two or three years? Can you talk to the visibility and the conversations you're having with your customers a little longer term on the Civil side?

Marc Parent

Well, look, I think I fully expect that the demand environment in Civil business is strong for years to come. I think maybe just provide a little bit more color on Civil.

I think--if you think about the how Civil business, you saw the changes we've made under Nick now as COO, where we're giving more visibility on the leaders of that business, the three leaders that we have, Alex Prevost running the Business Aircraft Training, Michel Azar-Hmouda running Commercial Aviation Training and Simulators, while Pascal Grenier running the software business.

We'll be able to provide you, I think, a broader view of those specific individual businesses with Civil. But let me just have a shot at that maybe goes to your answer here. And to break down the revenue in our Civil business, about a third of it comes from selling simulators to world's airlines. About a third of it comes training for the world's airlines, so our training centers for airlines around the world, and a third of it comes from Business Aviation Trading. And the final really 10% comes from our software business.

Each of these businesses has its own dynamics that drives margin. We talk a lot about utilization, which is a strong metric, but it's not the only metric, and it is affected by seasonality, especially when you get into the second half, where you have lower utilization in our training centers because the airlines, certainly in the Western Hemisphere, they're flying, so they're not training in a large part. Within our Product segment, which is selling simulators, the margins and actually the revenue can be affected quite significantly by who's the customer, the product mix of that simulator, whether the equipment is supplied by the buyer in terms of the cost for that equipment, for example.

There's an impact from joint ventures as well because we do a lot of joint ventures. And in those cases, you don't see the revenue, but you'll see the income pick up. And finally, the software, that's really affected by the timing of the contracts, whether or not they're SaaS contracts, which we are prioritizing and that has a lower margin, at least while we're going through that SaaS conversion. And that--the reason I'm explaining all that, that's why we tend to drive--we guide on an annual basis in Civil.

So, look, I mean, going forward, the trend is going to be higher in Civil in all of those segments. With the provider, as I talked about, the SaaS conversion, which is probably a two to three year basically ramp up, as we go through the SaaS conversion.

James McGarragle

I appreciate the color, and I'll turn the line over. Thank you.

Marc Parent

Welcome.

Operator

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

Benoit Poirier

Yeah, thanks. Good morning, Marc. Good morning, Sonya. Yeah, just to come back on the assumption behind the 6%, 7% EBIT margin target for Defense in fiscal year '25. I think I heard that about 15% of the total revenue is expected to come from those transformative deals that are already in the backlog. So, could you maybe provide some color about what was the contribution in Q4? And what makes you confident or the visibility you have with respect to the ramp up in the second part of the year?

Marc Parent

I may not be as clear or maybe when I answered that question. It's not 50%. It's 1-5, 15% of the revenue that we're going to get this year comes from those transformational programs, Benoit. And that's relative to 3%, last year. So last year, we had like 20% of our backlog in Defense was these new transformational programs, and that translated in 3% of revenue. Again, this year, that will be 15% this year and obviously growing in the years to come, as they ramp up.

Benoit Poirier

Okay. And obviously, you provide some color about fiscal year '25. Previously, you mentioned that it would take six to eight quarters to achieve the completion of those Legacy Contracts. How should we be thinking beyond fiscal year '25? And is the 10% target still achievable?

Marc Parent

Well, the 10% margin is absolutely still achievable and that, all the actions we've put in place is going to make that happen. Now we haven't guided next year that we haven't been precise, but it'll happen within the planned period, so within the next few years, but we haven't gotten ahead of ourselves, beyond this year.

Benoit Poirier

Okay. And with respect to the appointment of Nick as the COO, obviously, has been at CAE for over 35 years. Could you talk maybe, Marc, about the strategy here, the action that Nick is going to undertake? And maybe more color about the expected synergies that you would like to extract between Civil and Defense.

Marc Parent

You're going to have to ask me to put Nick on the spot. But before I do, let me talk about how I do think. Nick, as you said, Nick is a veteran of this company. And interestingly, you may or may not know, actually, Nick started his career in Defense.

So having led, starting as an engineer, but have--like I was, but having led some major Defense contracts, including the most complicated the more extensive that we have ever had probably before FAcT, which was putting together the first PFI contract in the U.K. in Defense, which was standing up our Benson Training Center, where we train all medium helicopters for our Air Force. I think you may have visited at one point that training center that we have in the Royal Air Force, which is still one of the most prestigious and technology advanced in the world.

So, Nick put that together. So just suffice to say, having known Nick and Nick has worked for me directly, ever since I've been at CAE in various roles. Nick understands the business. Nick has a very strong operational mindset and focus on execution, as well as strategy.

And that's basically the reason I put him in charge of Defense, over 10 years ago. And I think he's done a pretty good job as tripling the operating income in Civil in that period and building us the franchise that we have in Defense. He's going to put those strengths to focus in Defense.

Beyond that, I mean, specifics, look, I see there's a lot of simplification here that we had through greater focus. It's very clear to me that one of the reasons--certainly not the only one, but key reason that we've been successful in Civil is the focus. I talked about the three P&L leaders that are fully accountable and have all the tools to be able to execute in their business.

We're providing, through the changes we're making here, we're enhancing the focus here to very specific P&L leaders in the United States, the largest business, our largest military market in the world by far, very specific focus with Jason Goodfriend as present interim president there, working through the DC, U.S. Board for Nick and with Marc-Olivier Sabourin, running all our international programs, including Canada, where we have some very large contracts that I announced, today.

So number one is greater focus. That's very important. And beyond that, a synergy capture. It's clear to me that there's a lot of synergy left to be had by leveraging our scale and technologies, across the entire enterprise. And that's going to be key to Nick's responsibility. But beyond that, Nick, maybe a couple of words from your side.

Nick Leontidis, Chief Operating Officer

Yeah, I was just going to reinforce, I mean, the simplification and accountability, I think we went a little bit astray trying to do all of that under the guise of the two business units. I think we have go-to-market business units in business aircraft, in commercial, in D&S U.S., D&S International, and then we'll drive synergies across that.

Of course, there's going to be some restructuring. I will use the word restructuring, of course, because we have some duplications, which were necessary at the time, but I think it's one of those things when you look at it and you say, okay, well, we need to make change.

And by the way, right now, I'm just asking questions. And I'll ask questions about everything. Why is this like this? Why is it like that? And it's amazing the answers that you get. So, I think a lot of times, we get people working on this. The people know what to do. I'm just going to enable them to do it. And as I told others, we play it as a team and we're going to have to do this together as a team. And people know where the inefficiencies are and they know what they need to stop doing.

Benoit Poirier

That's great color, gentlemen. And maybe a very quick one for Sonya. Just looking at your CapEx that is expected to be up $50 million to $100 million, how should we be thinking about the sustainable CapEx? It seems a bit elevated versus the history. So, I'm just wondering, I understand the growth opportunity, but just want to try to look beyond fiscal year '25 about what could be the sustainable level of CapEx. Thank you.

Sonya Branco

Yes, Benoit, thanks for the question. So, the CapEx is really the spend really a direct reflection of the success that we've had with all of the orders we secured to outsource more training. So, three quarters of this CapEx is simulators to our network.

So, whether it's Quantas, AGN, we've got plenty of Las Vegas, Savannah, and plenty of examples through that record order intake that we've got in the year.

So, we don't deploy simulators to our network on a speculative basis. Every single one of them are backstopped by signed long-term recurring revenue customer contracts. So, what we see, this year's CapEx is really a reflection of the secured order intake that we have, and this is to deliver to growth and our customers. And frankly, we have a proven track record of delivering really accretive returns on this organic CapEx, the 20% to 30% range of incremental return on capital on our organic growth.

So, while we're not necessarily going to guide beyond that year, but it will be a function of the level of orders and market capture that will succeed.

Benoit Poirier

Thank you very much for the time.

Operator

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

Konark Gupta

Thanks for taking my question. Just on the Defense, I'm wondering, Marc, how does the re-baselining of Legacy Contracts affect your market position and your ability to structure future bids, appropriately?

Marc Parent

I think it reinforces them because I think what's important here is that, to me, this is a very successful renegotiation we've done. The teams have been on this for quite a while. Obviously, we have hired teams on every one of those programs for obvious reasons about focus on execution of those contracts. But what I talked about in the previous quarter, when I said that we're going to take every effort to be able to accelerate the recognition of risks on those programs. So really scope out the remaining work here.

And I had talked about the time that, look, we're going to have to have tough negotiations here. And it could lead to, in some cases, basically having to accept penalties, for example, because we're late on contracts, as just one example. But the reality is we have to do that, we haven't had to do that in any one of these cases. So, we are going to do what CAE always does. We are going to execute on those contracts.

And the customers, every one of them on these eight contracts are very happy with the outlook that we now have on those programs, as we will deliver what we committed on those contracts. And the timeline and the scope of what we'll do is in line with the expectations clients have with us.

So, our reputation that CAE has of always delivering is intact. And in some cases, actually, in some of those programs, that's really why I talk about it as particularly successful. In some cases, we have negotiated additional scope on those contracts, so follow-on contracts as a result of negotiations. So long answer, but this to a, if anything, just enhances our reputation.

Konark Gupta

Perfect. No, that's great. Thanks. And if I can follow up quickly with Nick. Nick, you talked about, obviously, some of the low-hanging fruit there from a synergy standpoint, from technology, etc., duplication, all that. Any specifics you can share? I know it's early, but anything you can tell about what best practices can you bring to the Defense segment to drive or support some of the synergies?

Nick Leontidis

Well, I think I can give you a lot of examples, but I would prefer not to, right now. But I can say that in the L3 acquisition, for example, and the legacy CAE business, there's a lot of overlapping technologies.

Best example I can give you is the contract, one called RPAS. Both teams have products. So, these things have to be rationalized. They don't have to be done--I mean, we're supporting customers we're supporting, but we need to build up the synergies and develop a strategy where the whole company has one product in some of these areas.

Same on the Civil side, there are opportunities for the Defense guys to offer solutions like Gulfstreams and Globals because, as you know, these aircraft are used for mission--from missionized missions, if I can use this word. So right now, it's very much not--they don't know what the Civil guys do, and we don't know what those Defense requirements are.

But for sure, the customer is interested in having these solutions. And as we know, especially on some of these programs like the Globals and the Gulfstream, these are very good programs for us. And I mean, basically, we lift and shift the training program, we lift and shift a simulator and instructor training and you can have a Gulfstream program anywhere you want.

So, I think that's the kind of stuff that I think we're going to pursue more of because, obviously, we will always have these programs that are a little bit more complicated. And yes, we'll protect for all the obvious stuff. But we need a base of business, which is a little bit less volatile. And I think these are a couple of examples of things that I think we can do to make ourselves more successful.

Konark Gupta

That's really great color. Thanks so much and congrats on the new role, Nick. Thanks.

Nick Leontidis

Thanks.

Operator

The next question is from Cameron Doerksen from National Bank Financial. Please go ahead.

Cameron Doerksen

Yeah, thanks, good morning. Maybe just a couple of balance sheet cash flow questions from me for Sonya. Can you just talk about what your expectation is for debt reduction this fiscal year? And maybe you can just update on what the target leverage for the company is, over the next few years?

Sonya Branco

Yes. So, thanks, Cameron. So as part of our continued balanced capital allocation, we're going to continue to focus on deleveraging. We had always said that the 3x was really just a way point on the way to a lower leverage. So that's a continued focus. We haven't necessarily set a target. It's going to be a balance, but something in line in with our investment grade. So, I'd say 2 to 2.5x is a usual for an investment grade. It gives us flexibility and it gives us flexibility to bring back current returns and support our organic investments in CapEx.

So longer term, that's what I'd be targeting. But ultimately, over the next year, it's really continuing on the deleveraging profile while we continue to invest in accretive organic investments and bringing back some shareholder returns.

Cameron Doerksen

Okay. And on the working capital, I mean, you had a pretty big, I guess, cash tailwind in fiscal '24, and that followed a significant investment in fiscal '23. I'm just wondering if you could maybe talk about what your expectation is for fiscal '25 as far, as the working capital investment and maybe talk about how it changes through the year, quarter-to-quarter.

Sonya Branco

Sure. I'm really pleased with the progress on the noncash working cap for the year. So, it's really the result of continued focus on efficiency of our key metrics, whether it's DSO, inventory management, deposits and unbilled sales. So, it resulted in a strong reversal and an overall reduction in noncash working capital on the balance sheet.

So, the focus is continuing. For the year, I'd expect the historical trends to continue, both on a seasonality, H1, H2, that trend continues, although more abated. And for the year, training is still the bulk of our business, and that's generally billed, after execution. So, as it grows, it's slightly noncash working capital investment, but we continue to focus on the metrics on the efficiency of those metrics. And overall, we target 100% conversion of net income to free cash flow.

Cameron Doerksen

Okay, that's helpful. Thanks very much.

Sonya Branco

Thanks.

Operator

The next question is from Tim James from TD Securities. Please go ahead.

Tim James

Thanks very much. Just one question here. So, you mentioned that expansion of the training network will be in lockstep with customer demand. And then you mentioned you signed long-term contracts for recurring revenue at customers.

Is it possible to outline hurdle rates that accompany that approach? And what I'm trying to get at is just a sense or a comfort level for an outcome where customers maybe their own demands change from what they contract with CAE? And how do you manage that, and how are you insured against changes in their own activity levels that they want to put through a specific full-flight simulator in the future?

Sonya Branco

I'll hand it off to Nick to give a bit of color, but the hurdle rates are high. The capital investment, ultimately, as I said, we never deploy, speculative. And so, these are all backed by at least one, if not several customer contracts. And ultimately, the proof is in our results, right? So, driving 20% plus margin on the Civil network and the ramp-up of these incremental return on capital of 20% to 30% within two to three years. So, you can see not only what we expect but what we deliver on the CapEx. And on the outsourcing profile, Nick.

Nick Leontidis

I was just going to say a lot of our contracts, in particular, our big clients, people like LatAm, I mean these are secured capacity. So the exchange there is, okay, you secure me x number of simulators of capacity because I need that just to be able to keep all the pilots current in their aircraft or training on another aircraft or whatever. And then in exchange for that, I will pay you a certain amount of money to keep that capacity. Now of course, like COVID's a good example, right? We had COVID, customers came back and said, hey, we need some relief, whatever. Okay, but contractually, we have the hammer. I hate to use that word, but we have the hammer and then the question becomes, okay, if an airline wants to change their capacity.

Now you got to remember, these are--a lot of ways they're like, I don't want to use the word mathematical, but you have so many pilots, you need so many hours of training. You're going to have so much churn, you're going to have so much with that. I mean it's not--the airlines are very good at predicting their demand. So, we contract on that basis. So, then your fluctuations tend to be a little bit less pronounced, especially on the commercial side.

Tim James

Okay. That's helpful, Nick. Thank you. Sonya, if I could just return. So, you mentioned the 20% to 30% return on capital target within--correct me if I'm wrong, I think you said two to three years. Can you just remind us, is that return on capital calculation mimic what you, I think, published as a consolidated target? Is that how we should think about the numerator and the denominator in that metric when we're thinking about an individual dollar invested in a full flight simulator?

Sonya Branco

So, that incorporates all of that calculation. So ultimately, we look at it, simulator by simulator, and this is the aggregate of all the simulators we've deployed and, ultimately, track the contribution of that similar over its capital cost. And so, that we're measuring the incremental accretive benefit of that growth investment.

Tim James

Super. Thank you.

Operator

The next question is from Jordan Lyonnais from Bank of America. Please go ahead.

Jordan Lyonnais

Hey, good morning. Could you just give some color on what you're seeing for utilization rates going into the summer and then bizjet activity at the Vegas facility?

Marc Parent

Did you say the Vegas facility?

Jordan Lyonnais

Yes.

Marc Parent

Well, maybe I'll turn it over to you, then. Go ahead.

Nick Leontidis

Well, the biggest facility is ramping up, this year. We'll have pretty close to a steady-state year. We've been working on--this training center has been opened now for a couple of years. In fact, I just did a review with the team and they've got a good plan to bring it up to what we would call a steady state.

And more generally, of course, Q2 will always be a little bit quieter, especially in places like Europe because we have some big customers like EasyJet, who are basically forbidding anybody to train. They just want everybody flying for the summer season. So, we'll see some slowdown there. In the U.S., maybe less because there's still a lot of hiring going on, so that's not as affected by seasonality. But in Europe, definitely, we see a lot of seasonality.

Jordan Lyonnais

Got it. Thank you.

Operator

As a reminder, any analyst who wishes to ask a question may press star then one.

The next question is from Noah Poponak from Goldman Sachs. Please go ahead.

Noah Poponak

Hi. Good morning.

Marc Parent

Good morning.

Noah Poponak

In the use of the term re-baselining, I'm trying to better understand how much you have actually reset schedule, scope and if you've had any price reset in these eight Legacy Contracts versus the charges just reflect the mark-to-market of the reality of the current margins on those eight contracts?

Marc Parent

It's really back, as I was mentioning, Noah, in each one of these eight contracts, there have been substantial and extensive renegotiation on every part of those contracts, okay? And that's really to define the remaining work that we have to do on those contracts, the time it's going to take us and the very specific cost is going to take us.

I would tell you, I'm still on top of that, as you would expect, on every one of those contracts, on top of those in-houses. We put the usual contingencies that are associated with any remaining what I would call, normal risk on those programs because you can never fully eliminate risk. There's always some risk, but we have contingencies against those.

And we have on, top of that, management reserve on top of those individual programs and through our whole Defense backlog as a whole. So, if anything, when I look at those contracts, I would feel good that we should be in a position that we're in a situation that we haven't been in quite a while, certainly on those programs where basically we don't have to use any size and part of those and finish these. And we want to outperform all those programs, very clearly. That's really what we mean by re-baselining here is put this overhang behind us.

We're not going to--we still have to execute on those contracts. We're not walk away--walking away from anything here. We're still largely going to be executing on those contracts to bring them to a close, over the next six to eight quarters. A couple of them probably will go into the next year just because of the time line. But again, we predicted what the cost is going to be on those programs. So feel very good about the execution and the visibility that I have on those programs.

Noah Poponak

Okay. Have you actually been given higher prices by your customer on some of them? Or is it sort of the same price and just resetting all of the other inputs?

Marc Parent

I was mentioning on some of those contracts that we've actually been successful in getting follow-on work. What I mean by that is ECPs, or engineering change proposals, on a couple of them. And on one in particular in Europe, we actually got a follow-on contract, which is definitely better pricing in terms.

Noah Poponak

Okay. And how many of the eight are unprofitable?

Marc Parent

I mean, going forward, all of them are being--well, not all of--I think most of them are executed at zero margin because we're sitting in there because we've taken the charges on them. There's three of them that are operating at a very slight profit, going forward. So that's the situation.

Noah Poponak

Okay, thank you.

Marc Parent

Welcome.

Andrew Arnovitz

Operator, I see we've used the full hour and then some, so I think we'll close the call here. I want to thank participants for joining us this morning and remind you that a transcript will be available shortly of the call on CAE's website. Thank you and have a good day.