CAE Initiates Layoffs, Sells European Facilities Amid Demand Drop

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An employee works on a helicopter flight simulator at the CAE facility in Montreal in January, 2025. CAE announced it will lay off approximately 2 per cent of its employees on Wednesday.Ryan Remiorz/The Canadian Press

CAE Inc., a prominent aviation and defense technology firm, is implementing significant restructuring measures, including the elimination of 280 positions and the divestiture of three European facilities. This strategic move, which impacts approximately 2% of its global workforce, comes as the company adapts to a decline in spending by civilian airline clients, as reported by The Globe and Mail.

The Montreal-based company, traded as CAE-T, confirmed on Wednesday that the layoffs encompass engineers and software programmers. This decision is part of a broader strategy led by CAE's new executive team to realign its workforce with reduced demand for flight simulators and aircrew training services.

In addition to workforce reductions, CAE has listed training centers in Barcelona, Brussels, and Stockholm for sale. The company maintains around 20 training facilities across Europe and is committed to expanding its sales efforts to European civilian and military customers.

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These European divestitures follow earlier announcements regarding the closure of facilities in Orlando, Florida, and Broken Arrow, Oklahoma. The company articulated its rationale in an internal email to employees, stating, "These actions are intended to better position CAE for the future, while ensuring we remain focused on the areas where we are strongest and most differentiated."

Canadian employees are being offered early retirement packages as part of the layoff initiative. Furthermore, CAE is introducing a work-sharing program within its manufacturing operations to manage capacity while endeavoring to retain essential skills and jobs. The employee memo emphasized that "These measures reflect our intent to balance today's realities with our responsibility to our people and our future."

Matthew Bromberg, a veteran of the aviation and defense sectors, took the helm as CAE's new chief executive officer last August. Mr. Bromberg has since initiated a comprehensive transformation strategy, which notably involves divesting non-core assets that previously accounted for roughly 8% of the company's revenue.

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A former submarine commander in the U.S. Navy, Mr. Bromberg is focused on enhancing CAE's business focus and boosting profitability and cash flow after a decade of expansion. Browning West, a significant CAE shareholder, indicated last year that the CEO is expected to double the company's earnings per share over the next three to four years through these strategic changes.

This transformation plan is actively in progress, encompassing a revamp of its civil training center network, stringent spending controls, and the sale of assets not central to its long-term objectives. Management has already identified several potential transactions and engaged advisers to facilitate the divestiture of these non-core business segments.

During a February conference call with analysts, Mr. Bromberg explained the rationale behind these adjustments: "What we're really doing is sizing the network for today's demand." He further elaborated, "We overbuilt the network. It's too large for the demand that we see today. And so we're going to reduce the size of the network to accommodate today's demand and the expected growth we see."

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Further details regarding financial targets are anticipated from Mr. Bromberg in May. Executive chairman Calin Rovinescu acknowledged the short-term impact of these changes during the February earnings call, stating, "Some of the actions required to strengthen the business will have some near-term revenue impact." He affirmed, "We're comfortable with that trade-off as we position the company to become more resilient and to deliver stronger returns with more disciplined capital allocation."

CAE operates two distinct business segments. Its civil aviation unit is a leading developer and seller of flight simulators, managing the world's largest independent training network. The company also maintains a growing defense business, which provides instruction for pilots and crews on military equipment for Canada and its allies.

Despite positive long-term fundamentals driven by increasing travel demand, the civil aviation industry is currently navigating a series of complex challenges. Geopolitical conflicts, such as the war in the Middle East, are forcing airlines to reroute flights and contend with higher jet fuel costs, among other issues.

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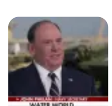

The sector also faces persistent supply chain disruptions and regulatory hurdles, which are causing delays in the delivery of new aircraft. This, in turn, complicates operational planning for airlines, who are the primary purchasers of these planes.

Both Airbus EADSY and Boeing BA-N report order backlogs representing approximately 10 years of production at their current rates. Brazil's Embraer EMBJ-N is also experiencing a record number of undelivered aircraft orders.

Ernest Arvai, from U.S. aerospace consultancy AirInsight, commented on the situation: "The support services are there but if the airplanes aren't delivered, what are you training the pilots for?" He added, "If you plan on higher capacity and that capacity doesn't show, you've got excess capacity. And I think that's what's happening right now."

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These difficulties were reflected in CAE's most recent quarterly performance for its civil aviation unit, which saw revenue decrease by 5% year-over-year to $717 million. Adjusted operating income for this segment also fell by 6% to $142 million. The company reported fewer simulator sales and a drop in training center utilization to 71% capacity, down from 76% a year prior.

Conversely, the defense segment demonstrated stronger performance, with a 14% increase in revenue to $535 million. Its adjusted operating income rose by 38% to $54 million, marking the first time in over six years that the unit's profit margin exceeded 10%.

CAE | job cuts | aviation training | defense | aerospace

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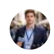

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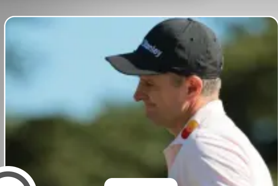

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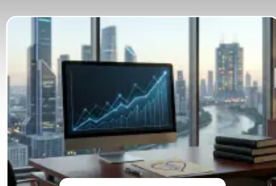

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