



This is a translation of the [original article](#) by François Normand

How Marc Parent transformed CAE



CAE and its leader, Marc Parent, are often under the radar. However, with Mr. Parent at the helm, the Quebec aerospace giant has undergone a major transformation over the last ten years that is propelling it to new heights.

President and Chief Executive Officer since 2009, Mr. Parent is a quiet but effective leader who gives few media interviews. This no doubt explains why the multinational company's metamorphosis is not widely recognized. But it is quite a transformation that this 9,000-

employee corporation – active in the three sectors of Civil Aviation Training Solutions, Defence and Security, and Healthcare – has undergone.

In just one decade, CAE went from being a manufacturer of flight simulators to a provider of services for pilot training. It even acts as a recruiter for airline companies. “We have a database of 40,000 pilot CVs. We’re essentially the LinkedIn for pilots,” says Mr. Parent during an exclusive interview with *Les Affaires*.

And the transformation is yielding results. The company currently generates annual revenues of \$2.8 billion (as of the end of the fiscal year on March 31, 2018), an increase of 30% over five years. Operating profit (before financial charges and taxes) went from \$260 million to \$461 million during that period.

The order backlogs in the civil and defence divisions are today at record levels. Over five years, the share price on the Toronto Stock Exchange has almost doubled.

It is for all of these reasons that *Les Affaires*' jury chose Marc Parent as CEO for 2018 in the “Large Company” category.

A perfect storm

Things weren't always going so well for the company. At the end of 2004 and the beginning of 2005, CAE went through a very difficult period, a situation that is in fact the source of the company's transformation, Mr. Parent reveals. "At the time, it was clear that the company would either recover, be sold or cease to exist," he states. Arriving at the heart of the crisis in February of 2005 as president of the flight simulator group, his mandate was precisely to "correct" the situation.

The company faced a powerful headwind. Flight simulators had become mere "commodities" – standardized products that rivals could also make easily enough. What's more, the new competition sold its products much cheaper than CAE. As if that wasn't enough, the Montreal-based company was heavily in debt following a series of acquisitions.

It was the perfect storm: a drop in profits combined with a rise in interest rate costs. "We were no longer profitable," Mr. Parent said.

It would take more than that to bring down the mechanical engineer from *Polytechnique Montréal* who started his career with Canadair in 1984 and continued it at Bombardier in 1986, when Ottawa sold Canadair to the Crown corporation.

Once at the helm of CAE in 2009, he speeded up deliberations on how to diversify revenues. He consulted with employees and his airline company customers. A new strategic vision slowly took shape, with a mantra that has guided the company's moves ever since: be a partner of choice for CAE customers.

"Our customers were buying our flight simulators; we had to convince them to let us do their pilot training," Marc Parent explains. The CEO had understood a basic trend: the growth of the middle class, combined with the emergence of low-cost airlines, would propel air traffic, particularly in the Asia Pacific region. There are about 100,000 flights per day. Demand for pilot training is now greater than the demand for flight simulators. Prior to the 2000s, three-quarters of CAE's revenues came from simulator sales. Today, it's around 20 per cent.

Despite it all, the Quebec multinational company still holds about 70% of the global market in the manufacture of simulators. Every year, it trains 120,000 pilots in the civil and military sectors in more than 65 training centres and schools that it runs all over the world. It developed this market notably through acquisitions, including Oxford Aviation Academy in the United Kingdom in 2012. Recently, CAE acquired Bombardier's division that trains business-jet pilots. It's a deal that bolsters its standing in the market. "One in two pilots in the world has been trained by CAE, according to our studies," notes Ebrahimi Mehran, Professor in the Department of Management and Technology at the School of Management of the *Université du Québec à Montréal* (ESG UQÀM) and Director of the GEME Aéro research group at UQÀM. The specialist applauds CAE's strategic transition towards training and services since it allows it to profit from the boom in demand for pilot training in Asia.

There is one event that makes Mr. Parent particularly proud: last summer's creation of a partnership with Singapore Airlines to train the Asian carrier's pilots. "It's hard to beat, when the CEO of Singapore Airlines, a company recognized for its brand and customer satisfaction, says 'thank you Mr. Parent, for connecting your brand to ours and making our brand shine.'"

High hopes in healthcare

Despite the success, Marc Parent shies away from putting forward numbers, but, in his eyes, CAE is destined to continue growing in the coming years.

For 2020, the financial analysts' consensus estimate is for revenues to rise from \$2.8 billion to more than \$3.5 billion. There is still lots of growth potential, they say, in its two main divisions: Civil Aviation Training Solutions (56% of revenues) and Defence and Security (38%).

CAE is also counting on its new digital strategy – based on Big Data – and its new pilot-training innovation CAE Rise™, which allows for real-time analysis of pilot performance.

Mr. Parent, as well, sees a lot of long-term potential in the Healthcare group, founded in 2009 via acquisitions, even though it currently only produces revenues of \$115 million. CAE has designed a simulator that reproduces birth with complications.

The goal of this division is to import the culture of civil aviation safety into the Healthcare sector. In the United States, medical errors are the third cause of death after heart disease and cancer.

According to Mr. Parent, one particular factor could cause an explosion in demand: a law that would oblige health professionals to be trained on simulators during their studies and throughout their careers.

Right now, there is no requirement for a surgeon whose studies go back 20 years to undergo a test to determine if he still has the competency to safely operate on patients, Mr. Parent rues. "For me, that makes no sense at all," he says.

CAE leaves nothing to chance. In the US, it works closely with medical groups, such as the American Heart Association, to convince government authorities to bolster the regulations.

In the interim, the company continues to invest in research & development (R&D) to be at the cutting edge of technology in healthcare, as well as in its two other divisions. CAE devotes about 7% of its revenues to innovation every year.

Just last summer, the company announced it will invest \$1 billion over five years in R&D, about one-fifth of which will be covered by Quebec and Ottawa.

CAE is not the only company to have sniffed out the opportunities that pilot flight training offers. US giant Boeing doesn't only make planes; it also trains pilots. To distinguish itself, CAE banks on its long-term

relationships with its customers. It's a little-known fact that the company holds a trump card that can sometimes make all the difference in winning new contracts: CAE's leader is an airplane pilot himself.

Marc Parent got his license at the age of 17, when he was in the air cadets, before he was issued his driver's license. Today, he will sometimes pilot the plane on trips within North America. It's the kind of detail that always stands out in the business. "It adds credibility."

Mr. Parent says he's proud of the strides made by the company, but he's especially proud of CAE employees, whom he views by far as its main asset. "Remove the employees from head office and there's nothing left but concrete!"