FINAL TRANSCRIPT

MDA Ltd.

Q2 2021 Earnings Conference Call

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PRESENTATION

Operator

Good afternoon. My name's Colin, and I'll be your conference Operator today. At this time, I would like to welcome everyone to the MDA Q2 2021 Earnings Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there'll be a question-and-answer session. If you'd like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, please press *, followed by 2. Thank you.

Amy MacLeod, Vice President of Corporate Communications, you may begin your conference.

Amy MacLeod — Vice President of Corporate Communications, MDA Ltd.

Thank you, Colin. Welcome to MDA's Q2 2021 analyst call. Mike Greenley, our Chief Executive Officer, and Vito Culmone, our Chief Financial Officer, will lead this evening's call and share some prepared remarks before taking questions.

The Q2 earnings release and financial information referenced on this call are accessible on the Investor Page of our website, as well as in the interim financial statements and the MD&A for Q2 filed today on SEDAR. These should aid in your understanding of MDA's financial results.

Before we begin, I would like to remind you that today's call will include estimates and other forward-looking information, which may differ from actual results. Please review the cautionary language in today's press release and our other public filings regarding various factors, assumptions, and risks that could cause actual results to differ.

In addition, during this call we will refer to certain non-IFRS financial measures. Although we believe these measures provide useful supplemental information about our financial performance, these measures do not have any standardized meaning under IFRS, and our approach in calculating these measures may differ from others and therefore may not be directly comparable.

Please see the Company's quarterly report and our other public filings for more information, including reconciliation to the nearest IFRS measures.

I will now turn the call over to Mike.

Mike Greenley — Chief Executive Officer, MDA Ltd.

Thank you, Amy, and thank you to those joining us this evening to discuss our Q2 2021 financial results.

I will start by simply saying that Q2 was a solid quarter for MDA, with steady progress and momentum across the business in all of our three—in all of our flagship programs.

With our IPO successfully completed very early in the quarter, we were able to hit the ground running in Q2 and turn our full focus to program and operational execution.

With double-digit revenue growth, gross margin improvements, and robust adjusted EBITDA performance of 31 percent, I'm happy to report that, in Q2, we hit our stride.

Before we get into more detailed quarterly updates, I want to spend a minute talking about what we saw happening in the broader space market in the quarter and what it means to our ability to create long-term value for MDA shareholders.

In Q2, according to Space Capital, investment in space continued to increase with US$4.5 billion of new capital, a record level, flowing into space infrastructure companies focused on satellites, ground infrastructure, and launch, among other things.

With a number of pending SPAC transactions expected to add billions in additional investment in the second half of the year, 2021 is shaping up to be another record year for investment in space for the fourth year in a row. This level of investment is effectively opening the funding tap for new missions and is a direct indicator of downstream market opportunity for MDA.

Our customers’ programs are capital-intensive by nature and the level of investment we are seeing means they can move forward with key projects. As a company that provides advanced technologies that enables those programs, it is also building MDA’s opportunity pipeline.

While we are fully focused on program and operational execution, we are clearly also keeping an eye on the market and on the future. As we discussed during the IPO, we will make disciplined investments in strategic and affordable opportunities we feel bring value to MDA and to our shareholders. As an example, in the second quarter, we made a $6 million investment in Seraphim Space Investment Trust, a UK-based venture capital firm with investments in a portfolio of space companies.

Our small but strategic position enables MDA to more closely identify and track the global pipeline of space start-ups which can potentially be leveraged into our own ecosystem and supply chain. It also provides early insight of potential future investment opportunities. I’m looking forward to joining their advisory board as we move forward.

With all that as context, we entered the second half of the year extremely positive about our ability to create long-term value for MDA shareholders.

Turning to our focus, the execution of our flagship programs—our three big rocks, as we call them—I’m pleased to report that in the second quarter we saw steady progress on all three of our priority programs, with Telesat Lightspeed, Canadarm3 and the Canadian Surface Combatant, or CSC, programs all under initial contracts with us. In Q2, our team has made significant progress on next-phase contract definition and negotiations.

With this front-end work well underway, we are ready to take the elevator up to the next level with additional contract awards expected in the second half and leading into the new year.

Speaking to specific program status. On Canadarm3 in July, post-quarter-end, we finalized a $35 million contract with the Canadian Space Agency for the design of the Gateway External Robotic Interfaces, also called GERI, a key component of the multiyear, multiphase Canadarm3 program, which will be installed on the international Lunar Gateway.

Earlier this year, MDA completed Phase A, the system definition phase of the GERI project. The new contract covers Phases B and C, which includes preliminary and detailed design of the robotic interfaces. Further options on this contract will include the development and manufacturing phase of this program.

On Telesat Lightspeed, we continue to see steady progress with program funding activity heating up over the summer. Last week, Telesat in the Province of Ontario announced a $109 million partnership agreement that will result in a dedicated Telesat Lightspeed capacity pool to expand high-speed internet and LTE 5G networks to Ontario’s unserved and underserved communities. Telesat Lightspeed is the only LEO network capable of delivering multiple gigabytes per second of broadband capacity into Ontario’s remote communities, enabling a wide range of affordable high-speed broadband and data services, as well as next-generation 5G wireless services.

On Canadian Service Combatant, work on the requirements analysis phase of the program is well advanced, and the team is driving hard to finalizing a number of the electronic warfare sweep sensor production contracts over the coming weeks and months. We look forward to updating the market further as these next phases of the flagship program contracts are finalized.

In addition to our key programs, in the second quarter, our business development teams continued to leverage our world-class portfolio of products and services to meet the needs of a broad range of new and existing government and commercial customers.

In our Satellite Systems business, in Q2 we secured a series of important new contracts, including significant contracts with Airbus to provide antenna subsystems on Airbus's OneSat digital software defined satellite product line; signing a contract for the provision of LEO antenna products for Space Development Agency's Wide Field of View Tracking Tranche 0 with L3Harris Technologies and Lockheed Martin.

We were also awarded a contract to design and build the X-Band Antenna for the Space Weather Follow On – Lagrange 1, also known as the SWFO-L1 program. This spacecraft by NASA's Goddard Space Flight Center is an operational mission for the National Oceanic and Atmospheric Administration's Space Weather Prediction Centre that will collect solar wind data and coronal imagery to monitor and forecast solar storm activity.

MDA's satellite systems continue to leverage our antenna's systems expertise and heritage to not only meet the demands of our traditional commercial customers like Airbus and others, but also to penetrate the growing US government market for both Department of Defense space security, as well as NASA on the civilian side.

In our Robotics and Space Operations business, MDA is benefitting from a heightened level of global activity in space exploration and business resulting from increased activity on the various lunar programs.

Related to this lunar program activity, in the second quarter, we received a contract for an early-stage study from the European Space Agency, which is developing a comprehensive satellite communications system to provide coverage for the entire lunar ecosystem as part of their Moonlight programme. Once completed, the Moonlight system will provide communication connectivity between the Artemis Lunar Space Station, Earth, and the Lunar surface. It will also connect a data relay satellite orbiting the moon with Artemis, the Lunar surface, and potentially extend to Earth.

In conjunction with the Moonlight system, MDA also received a separate satellite subsystems contract for the Lunar Pathfinder mission, a supporting mission to launch the first commercial Lunar data relay satellite that will orbit around the moon beginning in 2024.

In our GeoIntelligence business, the team secured additional contracts for Earth observation imagery and analytic services, geospatial solutions, and defence information solutions from several existing customers, including the Canadian Space Agency and the National Oceanic and Atmospheric Administration, among others. These customer contract extensions highlight the attractive recurring revenue opportunity associated with our geointelligence services.

We are looking forward to hosting our MDA Earth Insights customer conference at the end of September, where we will be discussing our plans for SAR next, among our other Earth observation solutions and services with a wide range of our customers.

I also want to take this opportunity to give a shoutout to our geointelligence team, who along with our customer, Asia Pulp & Paper, received a Project of the Year Award and Judges Choice Award from the Environment + Energy Leader magazine for their innovative use of satellite imagery to monitor APP's protected forest areas and reduce deforestation.

Since 2016, APP has counted on MDA's RADARSAT-2 Forest Alert Service to track and detect subtle changes narrowed down to just a few trees in their conservation forests. MDA alerts enable APP to quickly identify forested areas where changes occurring from either natural causes, illegal logging, or encroachment, and to stop or mitigate the activity. I'm very proud of our ability to apply MDA's space-based technology to tackle some of the serious challenges facing the planet.

Turning to business operations. In the second quarter, we continue to take strategic steps to structure the business to scale. During the quarter, we used proceeds from the IPO to pay down debt and significantly deleverage. We also put in place a healthy and attractive revolver, giving us future funding flexibility to invest and grow. Vito will walk us through those transactions in greater detail shortly.

Also key to our growth is our ability to attract and retain the right talent. As we look to further entrench MDA, not only as Canada's leading space technology company, but as a growing global leader, we are on a constant hunt to find the best and brightest to join our mission.

In June, with our partners from the Canadian Space Agency, we hosted our largest recruiting event ever with more than 800 enthusiastic and ambitious attendees. During a series of virtual briefings, one-on-one chats, and live presentations by Canadian astronaut Jeremy Hansen, MDA's very own astronaut, Tim Kopra, myself, and many others, we told the story of our mission and purpose to a new generation.

Since the beginning of the year, we have hired more than 435 new employees. This compares to 350 in all of 2020, and we're clearly not done yet in 2021. I want to thank all of our hiring managers and talent acquisition teams who have been working nonstop this year to recruit, hire, and onboard new talent.

With COVID finally starting to release its grip, we are also slowly and safely hitting the road to reconnect face to face. I was happy to get back into our operations in Montreal and Vancouver this summer to meet with the teams and talk about how they're doing and what they're doing on our major programs.

Beginning this month and through the fall, I will also be heading out to reengage with the broader international industry at key events, including the National Space Symposium in Colorado, Satellite ‘21 in Maryland, and the International Astrological Conference in Dubai, and the World Satellite Business Conference in Paris.

In summary, we are pleased with our second quarter performance. The Company is fully focused on executing at the operational level, and we are seeing the results of that focus. We continue to make good progress converting our backlog to contracts, and we enter the second half of the year confident in our 2022 revenue forecast.

With that, I’ll hand it over to Vito to walk us through the detailed financials.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Thank you, Mike, and good evening everyone. As you all know, this is our second quarterly results call since we went public in April of this year, and I’m excited to be here and share our Q2 results with you. Before I dive into the results, a couple of quick housekeeping items.

As you’re all aware, on April 7th of this year, MDA completed its initial public offering where MDA issued 28,571,500 common shares at a price of $14 per common share, for total gross proceeds of $400 million. Following the closing of the initial offering on April 14th, the overallotment option granted to the underwriters for an additional 4,285,725 common shares at $14 per share was fully exercised, generating additional gross proceeds of $60 million.

In Q2, we leveraged a substantial portion of the net proceeds to repay $419 million of debt under our term loan facility, significantly strengthening our balance sheet. More on that in a few minutes.

The second item is a quick reminder that since the Company commenced operations through the sale from Maxar to Northern Private Capital on April 8, 2020, the interim condensed consolidated financial statements, other than the balance sheet, include comparative information for the period from April 8, 2020, to June 30, 2020.

In an effort, of course, to continue to provide as much context as possible to our financial results, we have continued to provide constructed Q2 in year-to-date 2020 carve-out results, and all of our commentary is for the full comparative quarter. Of course, as we move out into Q3 and Q4, the financial statements themselves will provide clean prior-year comparatives.

Okay. Let's turn to our Q2 results. And as Mike has already commented, a really solid set of results to build on a solid set of results also in Q1. The total revenue for the three-month period ended June 30, 2021 was $126.7 million. Now this is an increase of 15.5 percent over Q2 2020 and further represents our third consecutive quarter-over-quarter increase in revenue. On a year-to-date basis, total revenue is $250.1 million compared to $212.9 million for the same period in 2020, growing at 17.5 percent.

In Q2, we've seen revenue growth in all three of our businesses, both on a quarter-over-quarter basis and on a year-to-date basis as compared to 2020. In GeoIntelligence, our revenue was $48.2 million for the quarter, up 2.3 percent over Q2 of 2020. For the year-to-date period, our GeoIntelligence revenue was $97.2 million, which is a 6.5 percent increase over Q2 of year-to-date 2020. This growth is due to a higher volume of satellite imagery and analytic services.

In Robotics and Space Operations, revenue was $35.6 million, which is a 10.6 percent increase over prior year Q2. On a year-to-date basis, our Robotics and Space Operations group revenue is $69.9 million, resulting in growth of 19.9 percent compared to the same quarter in the prior year. A large portion of this growth is revenue generated from start-up activity on the Canadarm3 program.

Turning to Satellite Systems. Satellite Systems revenue continues to see strong growth on both the quarter and year to date. In Q2, Satellite Systems generated revenue of $42.9 million, which is an impressive 41.1 percent increase over Q2 of 2020. And the same is true on a year-to-date basis where Satellite Systems is seeing growth over the first six months of 2020 of 31.1 percent, with revenue year to date of $83 million. This growth is attributable to higher volumes stemming from new program awards in the back half of 2020 and the restart of OneWeb program in first half of 2021.

Our backlog at the end of Q2 2021 was $640.1 million, up $77.6 million since the end of 2020. We expect to see backlog continue to build as we solidify orders against the awarded flagship programs, and accordingly, as Mike has already alluded to, our current 2022 revenue guidance remains intact at $800 million to $900 million.

Moving on to gross margin results. Gross margin represents our revenue less cost of revenue, which include materials, labour, overhead, SR&ED credits, and depreciation. For Q2, our gross margin was $44.6 million versus $35 million in Q2 of 2020, and for the quarter, this translated into a gross margin percentage of 35.2 percent versus 31.9 percent in Q2 of 2020. The year-to-date results for gross margin are $83 million with a 33.2 percent gross margin percentage, versus $58.2 million in the prior year and a corresponding 27.3 percent gross margin.

Both the quarter and year-to-date improvements over prior year are due to increased volume and improved program performance over 2020. We do expect continued robust gross margin performance in the back half of ‘21, although the 35 percent gross margin achievement in Q2 likely represents a high watermark for us in 2021.

Q2 operating expenses were $33.5 million compared to $31.3 million in Q2 of 2020, and on a year-to-date basis, our operating expenses are $67.1 million compared to $48.6 million for the six-month period in 2020. This increase on a year-to-date basis is primarily due to an additional quarter of amortization of intangible assets resulting from the April 2020 acquisition of MDA by Northern Private Capital and increased share-based compensation expenses following the introduction of a new stock option plan with commencement of a grant awarded in Q4 of 2020.

Adjusted EBITDA in Q2 was $39.4 million. This is $5.2 million lower than our Q2 2020 levels, and this reduction is entirely reflective of lower Canada Wage Subsidy (sic) [Canada Emergency Wage Subsidy] program income on a year-over-year basis, offset substantially by stronger operating income. In the current quarter, we recorded $4.8 million in CEWS as compared to $22 million in the same quarter previous year. This reduction in CEWS reflects the ongoing changes in the program and our improved financial performance. On a year-to-date basis, adjusted EBITDA was $78.5 million, up from the 2020 levels of $61.8 million.

Adjusted EBITDA as a percentage of revenue year to date was 31.4 percent compared to 29 percent year to date 2020. And if we exclude the impact of CEWS altogether, our year-to-date 2021 EBITDA margin is 25.4 percent, a meaningful increase over the 18.7 percent year to date 2020 and reflective, again, of the strong improvement in our operating income.

Let's turn to some important cash flow metrics for us. We are pleased in Q2 with our cash from operating activities of $33.4 million. This again is largely driven by our strong operating performance and strong collections of accounts receivable and overall working capital management, a key area of focus for us.

In terms of capital spend, our Q2 capital spend aggregated to $17.2 million and reflect the early and expected ramp up of our growth CapEx investments supporting our key strategic growth initiatives, including our SARnext program, which is our next-generation commercial EO satellite, and Telesat Lightspeed, the Telesat LEO constellation program.

As we move into the back half of 2021, we will continue to lean heavily into the advancement of these growth capital expenditure investments, and our rate of spend will accelerate.

That provides a perfect segue into our refinancing and strength of our balance sheet. As I alluded to in my opening comments, we used the net proceeds from the IPO to repay $419 million of outstanding principal under our term loan facility. And further, we also successfully converted our $80 million revolving credit facility and our $435 million term loan facility to a $450 million undrawn reduce in revolver.

With all of this, we ended the quarter with minimal net debt of $31 million comprised of $119 million in cash and $150 million in second-lien notes, and further, $432 million of available liquidity as at the end of the quarter.

Coupled with a business that generates operating cash flow, the undrawn revolving credit facility preserves sufficient liquidity to fund our future growth CapEx. It provides maximum borrowing flexibility and offers more favourable pricing. We were quite pleased to receive the significant support of our lending syndicate in this refinancing, which demonstrates the confidence and the strength of MDA’s strategic growth plan.

Please also note that our finance expenses in Q2 include a charge of $5.4 million, representing the accelerated amortization of deferred financing costs in respect to the refinancing.

In closing, we are quite pleased with how the first half of the year has unfolded for us. We saw strong results across all key financial metrics, and we remain laser focused on the successful execution of our key growth planks.

With that, I’ll hand it back to Mike for any closing comments, and we’ll open it up to Q&A.

Mike Greenley

Thank you, Vito. It certainly is an exciting and dynamic time to be in the space business. With record levels of investment opening the taps for new opportunity and unprecedented levels of commercial and government collaboration globally, we are at the very beginning of a new and emerging growth market.

With one foot firmly planted in the government space market and the other well rooted in the rapidly growing commercial space market, MDA is uniquely positioned among our peers to capitalize on this shift. We think we offer a compelling opportunity for investors looking for a solid, safe entry point into the space market with a company that has a well-defined growth strategy and offers a long-term value creation opportunity.

With that, we will open up to questions. Back to you, Operator.

Q&A

Operator

Thank you. Ladies and gentlemen, we'll now begin the question-and-answer session. Should you have a question, please press *, followed by 1 on your touch-tone phone. You'll hear a three-toned prompt acknowledging your request, and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press *, followed by 2. If you're using a speakerphone, please lift the handset before pressing any keys. One moment for your first question.

Okay. And your first question comes from Doug Taylor from Canaccord Genuity. Doug, please go ahead.

Doug Taylor — Canaccord Genuity

Yeah. Thank you. Good evening, and congrats on another solid quarter. Last quarter you spoke to a relatively consistent performance this year in terms of the cadence of revenue over the course of the year. The results so far have been a little stronger than we've been expecting. I wonder if I could get you to revisit that comment and if we should still expect, at least from a revenue side, relatively consistent results through the balance of the year?

Mike Greenley

Yeah. We would—it's Mike speaking—we would definitely continue to see steady continued performance with probably a little bit of an uptick as we go through the end of the year as some additional activity on some of the larger programs starts to ramp up a little bit.

Doug Taylor

Would you characterize any of that uptick as some of the work—I mean, you talk about the progress you're making on these key flagship programs—any of the work being pulled forward into this year that you might not have anticipated when you, I guess, set your initial budgets this year?

Mike Greenley

Nope. I don't think we would characterize it as pulling it forward. I think it would just be just as the activity increases, there's just a natural uptick that starts to progress. I'd characterize the sort of overall business profile shifting as more of a big step-up. As we go through the finish of '21 and into '22 it'll still be like that, but there will be a slight uptick that we start to see as we finish the—as we go through Q4.

Doug Taylor

Okay. And last question for me. You spoke to your large recruiting event and all the hiring that you've done. We certainly haven't seen that show up in the numbers yet. And I'm assuming some of those are gross new hires—or net new hires as well. Are you expecting that to be—the impact of that to be the gross margin contraction that you're kind of talking to for the second half of the year OpEx? Can you kind of help us think about how we should be modelling that through the balance of the year?

Vito Culmone

Yeah. Doug, it's Vito here. No, in respect to gross margin you heard me reference, obviously, that Q2 perhaps is a high watermark. There is, of course, a little bit of seasonality with the utilization of our facilities and the overhead cost allocations to our revenue projects. That's probably what I'm referring to the most when I sort of say maybe a bit of—that Q2 being at a high watermark. But we still obviously expect gross profit percentages to be relatively fulsome.

When you think about the hiring that we're making and all those—the ramp-up, we protect ourselves from a program perspective as much as possible, obviously, working with whether it's the governments, or whether it's our key customers in respect to those programs and ensuring that we've got revenue to match it. It's not always a perfect match, but I wouldn't call that out as a potential for it to create any leakage going forward.

Doug Taylor

All right. Thanks again. I'll pass the line.

Vito Culmone

Thanks, Doug.

Operator

Your next question comes from Kristine Liwag from Morgan Stanley. Kristine, please go ahead.

Kristine Liwag — Morgan Stanley

Hey, guys. Maybe a detail on the margin. You mentioned earlier that 35 percent margin in 2Q is a high watermark. Can you discuss the moving pieces in margins for the rest of the year that are providing some headwinds?

Vito Culmone

Yeah. No, I wouldn't necessarily reference it as headwinds, Kristine. It's good to hear your voice, by the way. I think when we look at our historical gross profit margin perspective and you look at Q2, we look at utilization, we do have some timing differences at times related to SR&ED credits that we book against the revenue profile. So the percentages can get away on you a little bit with a $1 million or $2 million variance and whatnot. But I would—we expect gross profit percentage to start with a 3, in the 30-plus percent range in the back half of the year, which is very, very fulsome.

Kristine Liwag

Great. Thanks, Vito. And then also on MDA's Satellite Systems, you guys won a few subcontracts in there, including the Airbus contract and the L3 and Lockheed contracts. Can you size some of these programs? And also when you think about your pipeline of growth for Satellite Systems over the next few years, how meaningful of a growth driver are these wins for you to track to high growth rate in that segment?

Mike Greenley

Yeah. I would say that those wins are more the normal wins as part of the base business in Satellite Systems. In terms of like disclosing the actual dollar values and size, we're not doing that. We don't have permission to do that right now. We can talk about the programs, but not their dollars. But I would call them as just part of the actual base business. The larger, more significant ones will be the

Telesat Lightspeeds and a couple others to come potentially that would be bigger gross drivers on top of that base business.

Kristine Liwag

Thanks. And, Mike, following up on that, are there any expected milestone announcements of sizeable contracts in Satellite Systems that we could follow for this year?

Mike Greenley

Well, certainly, Telesat Lightspeed is the big thing to follow in terms of that flagship program. As that program continues to move forward, we should all continue to watch that. And then as the entire project transitions from some early funding, early low levels of funding that we're all working on right now into like a fully funded more accelerated program, that's the key milestone to watch for.

Kristine Liwag

Thanks, Mike. And if I could squeeze in one more and pass it on to the next person. Mike, Vito, can you add more colour on your investment in Seraphim? What's your role for the Company within the VC? And to what degree will you be providing strategic support to accelerate growth? And lastly on that, what does an exit investment look like?

Mike Greenley

For us in terms of our involvement, we'd be there on the advisory board to be able to give support. We would provide support to help screen investment opportunities and/or identify them within the Seraphim Investment Trust. We wouldn't be involved in any of the specific companies themselves in any way. We would just be contributing to the fund and then being advisors to that fund.

As I mentioned, strategically it gives us great insight in terms of like the global pipeline of space-related start-ups and allows us to help develop relationships that can be of value in our ecosystem, in addition to future investments downstream.

Kristine Liwag

Okay. Great. Well, thank you very much, guys.

Mike Greenley

Thank you.

Vito Culmone

Thanks, Kristine.

Operator

Your next question comes from Paul Steep from Scotia Capital. Paul, please go ahead.

Paul Steep — Scotia Capital

Thanks. Mike, could you maybe talk a little bit about the overall ground station market and what's going on there? It seems like there's competitors moving more towards some of the things you're obviously proposing with SARnext. Maybe help us think a little bit about that opportunity?

Mike Greenley

Yeah. I think in terms of us, our current ground station business, we've been selling ground stations, multisource ground stations around the world to large defence and intelligence customer, other government customers, and some commercial customers around the world that allow them—those customers that have strong analytics centres to do their own—operate their own ground stations in their geointelligence work streams to be able to pull down data from our RADARSAT-2 satellite and then up to 20 other different satellites.

As we move forward into the future, we continue to manage and maintain our relationships with that ground station network looking for partnership opportunities where we can offer upgrades to those fixed infrastructure ground station or on-premise ground stations to customers around the world so that they can get access to more and different missions as more and different missions are put up for operations.

Moving forward for us, we will definitely look to—and in addition to that existing on-premise ground station offering—we'll be looking for our next generation of that on-premise ground station offering in addition to looking, as many others are, to making sure that we have a ground station offering in the cloud so that we can offer infrastructure as a service in the future to folks that don't want to have their own on-premises fixed facilities moving forward.

So we see that as an upcoming opportunity and that we'll be using that as an offering for customers if they want to transition to a cloud-based, or for countries and corporations that wouldn't naturally have an on-premise intelligence analysis infrastructure to be able to access ground station functionality in the cloud.

So those are all trends that are going on that we look to participate in moving forward in the future.

Paul Steep

Great. And then just struggle with it's great to see the new wins in the quarter. You called out a number. How should we think about these incremental bookings or wins? Are there any of them that meaningfully sort of pick up either next year or beyond? How should we sort of think our way through those?

Mike Greenley

Yeah. I think in Q2, it's like I say, it's just good, steady, ongoing, solid base business performance quarter over quarter right now. And that as we continue to work on the flagship programs and look to get the next round of orders on those that we've been working hard on that we would expect to see growth in our backlog in the second half of the year. So we've been sort of just doing the normal blocking and tackling in the base business of orders through Q2. And then we'd expect to see some bigger upticks in the building of that backlog as we go through the second half of the year.

Paul Steep

Okay. Great. And then I guess the last one is just understanding the pace of hiring, I guess. I'm sort of guessing or estimating sort of at the start of the year I think it was over 2,000 is the public statement. It sounds like we're somewhere in the 2,400 range. How should we think about that cadence of adding staff if staff sort of equate to normally the mid-50s, somewhere in there, of total COGS and OpEx? Just trying to sort of think our way through the ramp of those costs.

Mike Greenley

Yeah. So the ramp of the costs are in line with the activity on the programs. Like we're certainly, obviously, we're only hiring the people that we need to be able to execute. Like our focus is very much, as we said, on execution and getting ready to make sure that we're staffing into the larger programs and that we're ready to ramp up or step up as we go through the end of '21 into '22. So most of these hires are coming in into like a revenue-generating activity on these programs. So that's what that case is.

Our current number is somewhere in the 2,200 to 2,300 area. I think we finished the year at 1,900 last year was our public number. And we're now in that sort of 2,200 to 2,300 range at the moment. There would be some continued hiring as we go through the second half of the year, especially as that next round of orders comes through on the larger flagship programs, so we continue to keep pace as those program expectations continue to increase.

Paul Steep

Great. And then I guess the last one just for Vito. How should we think about, obviously, you're not drawing on the new facility at the moment. Is there any thought or info you can share with us just in terms of what that overall rate might look like going forward as you would start to maybe use that new facility?

Vito Culmone

Yeah. Paul, in regard to the rates, a lot more favourable than where we've been. We don't expect to have any draws into it through the back half of the year, quite frankly. We're sitting on $113 million, or close to $119 million of cash. Our back half of the year, you can obviously count on continued steady operating performance, a significant increase in our capital expenditures. So we will be, when you consider the growth CapEx, be dipping into the cash, but we don't expect to be drawing on the revolver in any meaningful way through the back half of this year.

And I'll stop just short of giving you the terms on that. But they would be what you would expect with just almost an investment-grade-type characterization of our debt at this point.

Paul Steep

Great. Thank you.

Vito Culmone

Thanks, Paul.

Operator

Your next question comes from Thanos Moschopoulos from BMO Capital Markets. Please go ahead.

Thanos Moschopoulos — BMO Capital Markets

Sorry, it’s Thanos Moschopoulos from BMO. Hey, guys. Mike, in terms of the Canadarm3 contract, how long does that carry you through for? And what would be the next contracting milestone we would be looking for on that?

Mike Greenley

Yeah. So the large space programs they go through phases, Phase A, B, C, and D. So Phase A was the contract that we announced back in 2020 that we’re currently working on now, which it goes through 2021. As we go through the second half of the year, we would be looking to get under contract for Phase B. Phase B is called the preliminary design phase. And it’s another significant—it’s a much larger phase, obviously; each of the phases builds. So that’s what we expect to see happen in the second half of the year.

Thanos Moschopoulos

Okay. On SARnext, is there anything of note? I mean, obviously, early days for the program. You talked about ramping up CapEx in the second half. But is there much to see on that front, other than the fact the investment’s starting to ramp?

Mike Greenley

Yeah. Like the program continues at pace and meeting our expectations. We announced that we passed a preliminary design earlier in the year, and we’re working now forward through heading towards critical design. And yeah, like we said, the program activity will pick up as we go through the second half of the year and the associated spend will do the same. So yeah, I’d say it continues on track.

Thanos Moschopoulos

Yes. In Satellite Systems, I mean, obviously, you have a great backlog; you announced some wins. There's obviously the Telesat in the pipeline. But as you look at the broader kind of commercial GEO market this year, order activity pacing is a little bit light. What are your thoughts in terms of how things might shape up in the second half, I guess, for the broader industry? And then as it relates your subcontracted opportunity on GEO comsats?

Mike Greenley

Yeah. We would agree that like it's definitely a lighter year certainly compared to last year, which was very active with those 21 orders around the world last year in 2020. It'll be a bit lighter this year. For us, we have some—we continue to get our fair share of the work. We have some solid opportunities to come as we go through the next six to nine months, for sure.

In addition to working on Telesat Lightspeed, we also continue to work on a number of other LEO constellation-related opportunities. We talked about, during the IPO process that we had a very strong pipeline with a solid handful of LEO constellation opportunities we were being asked to quote into. And that whole bidding process and associated discussions continues very strongly.

And so for us, in combination of continuing to get our fair share of GEO and a very active LEO constellation pipeline, we're feeling very comfortable about continued growth in that business area.

Thanos Moschopoulos

Great. All right. Thanks, guys. I'll pass the line.

Operator

There are no further questions at this time. I'll turn it back to Mike.

Mike Greenley

Okay. Thanks very much, everyone, for participating. We look forward to updating you again in the fall following Q3.

Have a great evening, and thanks very much.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.