MDA Ltd.

Q1 2022 Earnings Conference Call

Event Date/Time: May 11, 2022 — 8:30 a.m. E.T.

Length: 47 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommage ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Shereen Zahawi
MDA Ltd. — Senior Director of Investor Relations

Michael Greenley
MDA Ltd. — Chief Executive Officer

Vito Culmone
MDA Ltd. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Doug Taylor
Canaccord Genuity — Analyst

Thanos Moschopoulos
BMO Capital Markets — Analyst

Ken Herbert
RBC Capital Markets — Analyst

Kristine Liwag
Morgan Stanley — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to MDA’s conference call and webcast.

This call is being recorded on May 11, 2022, at 8:30 a.m. Eastern Time. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions, and if anyone experiences difficulties hearing the conference, please press star, followed by zero for operator assistance.

I would like to turn the call over to Shereen Zahawi, Senior Director of Investor Relations at MDA. Please go ahead.

Shereen Zahawi — Senior Director of Investor Relations, MDA Ltd.

Thank you, Operator.

Good morning and welcome to MDA’s Q1 2022 Earnings Call. Mike Greenley, our CEO, and Vito Culmone, our CFO, will lead today’s call and share some prepared remarks before taking your questions.

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 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 that of other issuers, and therefore may not be directly comparable. Please see the Company's quarterly report and other public filings for more information about these measures, including reconciliations to the nearest IFRS measures.

With that, it's my pleasure to turn the call over to Mike.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Good morning. Thank you, Shereen.

Good morning and thank you to those joining us today to discuss our first quarter 2022 financial results.

We are pleased with our performance this quarte. We remain focused on converting opportunities in our sizeable funnel, and the team did a great job executing on commitments to customers, amid a challenging macro environment. From a strategy perspective, we are executing on the priorities we've outlined for our three business areas to capitalize on the growth prospects we see in our end markets.

In Satellite Systems we are investing in new technologies and capabilities to accelerate our transition from analog to digital payloads, and building up our high volume satellite manufacturing capacity to strengthen our position as more Low Earth Orbit, or LEO, constellations opportunities come to market.

In Robotics and Space Operations we are leveraging our global leadership in space robotics innovation and long history of success with Canadarm to win follow-on space agency work and engage with a full slate of new and exciting commercial opportunities as they emerge to provide both proven technology solutions and on-orbit operational services.

In our Geointelligence business, we continue to see strong demand for our earth observation data and analytics and are advancing work on MDA's next generation earth observation constellation – CHORUS – which will provide even greater imaging capabilities and actionable insights for our customers.

During the quarter, we saw clear signs of accelerating momentum in our business. We were awarded two sizeable and strategic contracts which demonstrate the strength of our pipeline. In February, we announced a new contract with Globalstar valued at approximately $415 million in which MDA will serve as prime contractor for the design, manufacture, assembly and test of 17 satellites, with an option for nine more. These satellites will enhance the customer's LEO constellation.

In March, we announced Phase B of the Canadarm3 program, valued at approximately $270 million.

With these two awards on our books, we have hit the ground running in 2022. Our backlog is building in line with our plans, we have good revenue visibility and a strong business foundation for this year and beyond.

I'll now step quickly through the financial highlights for the quarter, and then give you a view on the industry, an update on MDA's three business areas, and then pass it to Vito for a deep dive on the financials.

For the first quarter, backlog at quarter-end stood at $1.5 billion, representing an impressive 122 percent increase versus Q1 2021 levels. MDA delivered revenues of $128 million, up 4 percent year over year and our Adjusted EBITDA, excluding non-recurring items was $28 million, representing a solid EBITDA margin of 21.6 percent. We also generated healthy operating cash flow and ended the quarter with a strong balance sheet which offers us ample financial flexibility to run the business and invest in our growth initiatives.

With triple-digit year over year growth in backlog, strong margins, and healthy operating cash flow in the first quarter, MDA is building momentum with our full focus on delivering for customers and capitalizing on new opportunities. Vito will provide more context for MDA's underlying performance in his remarks.

Next, I'd like to update you on developments within the broader space market, and the opportunity we see for MDA as we look ahead.

Following a strong 2021, which marked a record year for investment in the space industry both for government and commercial spending, we saw the momentum continue into Q1.

Taking our customary tour around the world, we continue to see strong activity levels across the globe.

South of the border, NASA submitted a $26 billion budget request for Fiscal Year 2023, 8 percent more than enacted federal spending levels for Fiscal Year 2022, signaling the importance of civil space to the current administration and to the strategic future of the United States. According to senior NASA officials this represents the largest overall request in current dollars for NASA and the largest request for science funding in agency history.

Also in the US, the Space Development Agency known as SDA, awarded three contracts valued at approximately US$1.8 billion to build 126 satellite slated to launch in late 2024. These satellites are part of a large Department of Defense constellation for missile warning, communications, data coverage and sharing, and other capabilities. This is another example of the integration of space-based capability as a routine component of defence and military budgets which is being driven by geopolitical tensions and demand for space-based surveillance and detection systems.

Closer to home, Canada's military is looking to establish a new space division later this year as it further develops its capabilities and skills for space operations, and looks for effective ways to leverage commercial capabilities.

On the expanding role of the commercial sector in space, NASA recently awarded more than US$270 million to six companies, including both traditional satellite operators and constellation developers to demonstrate services that could ultimately replace the agency’s existing fleet of communications satellites.

Industry research firm BRYCE Technology recently released their Q1 Launch market update indicating that 624 spacecraft were launched in the quarter. For perspective, this is almost double the number of satellites launched in Q4 and a third of the satellites launched in all of 2021, which itself was a record year. It is also noteworthy that 88 percent of the satellites launched were commercial.

Our strategy to invest and expand MDA’s Satellite Systems capabilities, capacity and facilities are well timed to capitalize on this market expansion.

On the space exploration front we saw three more countries sign on to the Artemis Accords, which align nations on a common set of principles for space exploration. Romania, Bahrain, and Singapore are the newest partners of the 18 member group, which has doubled in size since it was unveiled in October 2020. All of this activity is indicative of near and long term opportunity for MDA and our ability to create value for our stakeholders.

Now I’ll turn to our three business areas.

In Satellite Systems, we continue to see good activity levels with our teams responding to multiple requests for communication satellite solutions and for a growing number of constellation projects, particularly in the low earth orbit segment of the market.

As I noted earlier, this quarter we announced a $415 million award from Globalstar, which selected MDA as the prime contractor to enhance its LEO constellation. This is an important award for MDA, reflecting our strategy to expand our offerings and move up the value chain. It is also a testament to our team's ability to compete and win against established satellite prime contractors, to innovate and provide advanced payload capabilities and system engineering, and to provide high volume manufacturing to meet increasingly sophisticated customer needs.

I also want to provide an update on Telesat Lightspeed. As Telesat disclosed on its earnings call last week, the company is looking to resize its constellation to 198 satellites from 298 earlier, while maintaining the original budget for the program. We are engaged in active discussions with Telesat's management team, and based on current negotiations still expect a contract award in the first half of the year. MDA is in a position to quickly ramp up work on the program once we receive the green light from Telesat.

In our Geointelligence business, we continue to see good demand signals for our Earth observation offerings. The tragic developments in Ukraine have shone a spot light on the role that commercial EO satellites can play in providing near real-time data and analytics to governments and commercial players. During the quarter, we secured a special authorization from the Canadian government to collect radar satellite imagery over restricted areas in Ukraine. Images captured by MDA's Synthetic Aperture Radar, or SAR technology, which is unique for its ability to see through all weather and cloud conditions, are being merged and analyzed with other sources of imagery from commercial Earth observation companies to develop comprehensive near real time intelligence reports for Ukrainian government officials.

We are also advancing work on our next generation Earth observation constellation CHORUS which will include C-band and X-band SAR satellites. This approach significantly enhances existing services and enables new applications not feasible with existing SAR satellites. We are encouraged by the volume of inbound inquiries from customers interested in acquiring CHORUS data and analytics.

The Geointelligence business also houses our surveillance and detections systems, including those on the Canadian Surface Combatant program, or CSC. The CSC program is progressing in line with our expectations. Work on the requirements analysis phase of the program is advancing and MDA continues to finalize a number of additional Electronic Warfare suite sensor contracts.

In our Robotics and Space Operations business, we are seeing good activity levels on both the government and commercial fronts. On the former, we announced in Q1 the award of Phase B of Canadarm3 contract, which carried a value of approximately $270 million. The new contract will see MDA completing the preliminary design of Canadarm3's robotics system. It will be used aboard the NASA-led Lunar Gateway, a major, multi-year international collaboration, to establish a sustainable space station in lunar orbit to support human and robotic missions to the surface of the Moon.

The recent contract builds on MDA's completed Phase 0 and subsequent Phase A of the program, with work on Phase B now underway and expected to last approximately a year and a half. Our work on the Canadarm3 program is also instrumental to allowing us to leverage innovative technologies for new commercial markets.

Post the quarter, we announced our first commercial sale of Canadarm3 technology to Axiom Space. MDA is delivering 32 external robotic interfaces for the Axiom Station which is now under construction and on schedule to be the world's first commercial space station in orbit. The technology includes commercial variants of Canadarm interfaces destined for the Artemis Gateway as well as those that allow the existing Canadarm on the International Space Station to build and assemble the new Axiom Station. This is an exciting development for MDA that signifies a major shift in the commercial landscape for robotics as more non-government entities look to establish a foothold and hub in the Low Earth Orbit for a variety of activities, including in-space manufacturing, human spaceflight missions to LEO, and deep space exploration.

Shifting to operations, to support the anticipated revenue ramp up, we added more than 250 new hires in Q1 of this year. This is in addition to the 670 people we hired in 2021.

In Q1, we also announced our new global headquarters and Space Robotics Centre of Excellence, which will include a new mission control centre capability for government and commercial customers. The facility is another important foundational marker that supports the Company's ongoing growth and lays the groundwork for long-term success in the evolving space robotics market. The modern 200,000 square-foot facility currently under construction will be home to our growing team, and will help us bring to market a full suite of innovative space robotics products that leverage Canadarm technology.

We are also closely monitoring our supply chain for potential business disruptions. Earlier in the pandemic, we implemented several proactive measures that have served us well; these include designing around known shortages, finding alternates that are more readily available, ordering materials as early as possible, and building up inventory for some components. For new programs, we are ensuring that our supply chain organization has full visibility early in the process to ensure orders are placed promptly and monitored constantly to mitigate delay risks.

To recap, this was a good quarter for MDA and a great way to start fiscal 2022. I'd like to thank our team for making this possible, and for their dedication and get-it-done attitude. With every quarter, we are building momentum in our business as we execute on our playbook, meaningfully growing our backlog, and expanding our leadership in core markets while maintaining strong profitably and a healthy balance sheet to help us fund our growth initiatives.

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 morning everyone. I'm happy to be with you here this morning to talk about our Q1 2022 financial results.

Overall we are pleased with our results this quarter. As Mike noted in his remarks, MDA had a strong quarter for orders led by the Globalstar award valued at $415 million, and Phase B of Canadarm3 which is approximately a $270 million award. These awards coupled with a number of smaller wins across the business helped grow our backlog to $1.5 billion at the end of Q1 2022. That's up 122 percent from Q1 2021 levels, and up 43 percent quarter over quarter.

Total revenues for the first quarter of 2022 were $128.4 million. This represents a $5 million or 4 percent increase over the same period last year, and is driven by increased work volume, primarily in our Robotics & Space Operations business.

By business area, revenues in our Geointelligence business of $48.9 million were in line with Q1 2021 levels, while in Q1 we continued to see growth in sales of satellite imagery and analytic services as well as growth from increased work volume on the Canadian Surface Combatant program. This was offset by the wind-down and completion of other programs.

In Robotics and Space Operations, revenues once again continued to show growth in the quarter. Revenues were $42.4 million in Q1 2022, representing $8.1 million or 24 percent increase versus Q1 of 2021 revenues of $34.3 million. The growth is largely driven by increased activity on the Canadarm3 program.

Satellite Systems declined from Q1 2021 revenues of $40.1 million to $37.1 million in Q1 2022. The slight decline is reflective of the timing of new programs ramp-up in the quarter, like Globalstar, being offset by the ramp-down or completion of other programs like Jupiter3 in the back half 2021 and early 2022.

Moving to gross profit—and as a reminder, gross profit represents our revenues less costs of revenue which includes materials, labour, overhead, SRED credits and depreciation.

For Q1 gross profit was $61.7 million versus $38.4 million in Q1 of last year. For the quarter this translated to a gross margin of 48 percent compared to 31 percent in the prior year. A large improvement in margin is primarily attributable to higher Investment tax credits being recognized in the latest quarter. The majority of this increase in ITCs of $16.8 million relates to a resolution of historical claims that were not previously recognized due to the uncertainty surrounding the eligibility of the related costs.

In addition to ITCs, the improved margins this quarter were also driven by stronger program execution and cost management across all business areas. As mentioned in previous quarters, we do anticipate the mix of programs throughout 2022 to cause a slight drop in gross margins as we make our way throughout the year.

Q1 operating expenses were $38.4 million compared to $33.6 million in Q1 2021. This increase is primarily due to an increase in our development work on CHORUS and other proprietary technology programs. This increase in R&D expense was partially offset by a year over year decrease in the share-based compensation expense due to vesting periods of certain tranches of awards ended in Q4 2021.

Adjusted EBITDA in Q1 2022 was $44.5 million representing a $5.5 million or 14 percent increase over Q1 2021. The higher Adjusted EBITDA this quarter is again reflective of the previously noted increase in ITCs recognized in the quarter, offset partially by the increase in R&D spend. Excluding the impact of the ITCs claims resolution in Q1 2022, and the Canada Emergency Wage subsidy income recognized in Q1 2021 ($10.1 million), our Adjusted EBITDA this quarter was $27.7 million, representing a very solid 21.6 percent margin compared to $23.5 percent in Q1 2021.

Moving to CAPEX, we remain focused on making the right investments in the business to support our strategic growth initiatives. In Q1 2022, we spent $37.1 million on capital expenditures, and that’s up from $10.1 million last year as we ramp up our R&D efforts on CHORUS, our next generation commercial Earth observation constellation, and other key programs. We expect this level of spend to continue to ramp up throughout 2022 as we advance these and other important growth initiatives, like Globalstar and our recently announced global headquarters and Space Robotics Centre of Excellence.

Moving on to our balance sheet, we ended the quarter with a strong financial position with minimal net debt of $85.4 million, available liquidity of $578 million, and net debt to Adjusted EBITDA ratio of 0.6x.

We also announced post quarter-end the redemption of our $150 million second lien notes bearing interest of 10 percent per annum, and refinancing of our revolving credit facility to $600 million from $428 million prior. In light of these developments, we expect to see a meaningful reduction in our annual interest costs in the range of $8-$9 million per annum based on current rates. The refinancing of our debt facilities also offers us more favourable pricing, increases our borrowing flexibility while representing sufficient liquidity to fund future growth.

In summary, we are pleased with our Q1 2022 financial performance and continue to see strong results across our key metrics.

Let me now turn to our Outlook.

We are executing on specific growth strategies and leveraging our competitive strengths to capitalize on the fastest growing areas of the space economy, and too maximize our growth opportunities we are investing in research and development, manufacturing, product development, and of course in the scaling the business. We see 2022 as a strong growth year for MDA as we build our backlog and begin heightened execution.

Consistent with the outlook we provided in Q4 of 2021, we expect our full year revenues to be in the $750 million to $800 million range, representing robust year-over-year growth of approximately 55 percent to 65 percent, and we expect our full year Adjusted EBITDA to be $140 million to $160 million – and note that this outlook for Adjusted EBITDA excludes the $16.8 million ITCs claims resolution recognized this quarter. Our forecasts are predicated on continued backlog growth in the first half of 2022 followed by a ramp in revenues in the second half.

We expect Q2 2022 revenues to grow by approximately 20 percent to 25 percent over Q1 2021 driven by higher work volume from recent program wins. We continue to expect capital expenditures in 2022 to be in the $180 million to $220 million range, comprised primarily of growth investments to support CHORUS and the previously outlined growth initiatives across our three business areas.

We believe our backlog provides us with good revenue visibility, a solid foundation for 2022 and beyond. We continually monitor backlog and contract award timing and assess their impact on financial projections.

Twenty twenty-two is shaping up to be an exciting year for all of us at MDA and we embark on the execution phase of a number of key programs. Our teams remain focused on delivering on our commitments to customers as we actively scale our business and leverage our proven technology to grow in core markets.

Mike, with that I'll turn it back to you.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Thank you.

Those are our prepared remarks, Operator. With that, we will open it up to questions.

Q & A

Operator

Thank you, sir.

Your first question will be from Doug Taylor at Canaccord Genuity. Please go ahead.

Doug Taylor — Analyst, Canaccord Genuity

Thank you. Good morning. I'll ask the first Lightspeed question, which I'm sure you've anticipated. As you said now contemplating a smaller initial constellation in terms of the number of satellites, a similar price tag, I recognize that you're still actively engaged there. But is there anything you can provide us that will help us assess how that might impact the economics for MDA? Can you provide us some update on the degree to which you have Lightspeed factored into the guidance for this year?

Michael Greenley — Chief Executive Officer, MDA Ltd.

We can chat about that a bit. I think the things that have been said are all consistent around the project. The project continues to get itself organized and set up. Telesat continues to work with both its contracting community and its financing community to be able to keep things progressing.

Telesat has shifted the composition of the constellation as noted while maintaining the same economics, as you've just noted. So, all those things are true.

We continue, for our work scope, which remains the same, to be able to set up our contracts and work with Telesat on that. We continue to do so and head towards a first half—picking up the pace as we finish the first half, like we've been saying.

We do have some Lightspeed in our plan for the year, and with the assumption that we get going in the first half of the year then that will all meet our expectations, to be able to execute the year as we've said.

Doug Taylor — Analyst, Canaccord Genuity

Okay. The Canadarm3 Tech sale for the Axiom station was an interesting development with respect to, as you say, commercial adoption of space robotics. Can I get you to perhaps talk about the addressable market for that type of solution and how you expect that to evolve? I mean there is only so many space stations out there, but perhaps other applications of that same technology.

Michael Greenley — Chief Executive Officer, MDA Ltd.

For sure. You're right. There will be a few commercial space stations or the expectation in the market right now, there's around at least four that are in different types of development. That's good to see at this early phase of the evolution of the commercial market.

In addition to space stations, robotic solutions for us, the folks that we would talk to, would include the in-orbit service assembly and manufacturing, or ISAM. You'll have seen recently perhaps that the White House in the United States recently released some papers kind of recognizing the ISAM market as a solid legitimate market that needs to be paid attention to. That's good for us to see and that's robotics on different types of spacecraft that would do servicing, assembly and manufacturing, as the title said.

The debris removal market is also another area for robotics. We're in discussions with various commercial players, looking at the active debris removal market.

Then the final areas these days would be the lunar activity. As we go through the 2020s and we return humans to the moon and start to have habitats and vehicles of different types and activities on the lunar surface, a number of those would include the assumptions for robotics.

You'll have seen announcement that we would have made at the recent Space Symposium in Colorado where we announced we'd be working with Lockheed Martin and General Motors looking at lunar mobility systems and putting robotic solutions on lunar mobility vehicles. That's another recent example from us in terms of areas where we're looking to apply robotics technologies as the lunar market emerges.

Doug Taylor — Analyst, Canaccord Genuity

Okay. One last question from me. I mean, obviously the events in Eastern Europe have led to a bit more activity with respect to defence spending and budgets in the Western world. A lot of what you do relates to space, but you also touch defence in a number of ways and earth observation comes to mind. Can you maybe refresh us or speak to us about any activity levels related to that overall trend, unfortunate as it is, and how you expect that to impact MDA over the coming years?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, sure. Definitely, just to confirm your premise there, for sure the dialogue around defence is increasing. That definitely is an increasing theme around the world, as people are paying attention to that area. Certainly the use of space-based observation has realized its benefits as a result of recent activities in the past quarter. More that peaks peoples' interest, more people want to talk about that.

In terms of near-term shifts, then we do see increasing conversations with folks around earth observation imaging from Radar Sat 2 in addition to what kind of services CHORUS can bring to people in the future. That's kind of an immediate impact.

I think that more medium to longer term impact would be on those broader sort of defence activities and budgets that you're talking about. These things take time. You're seeing in the media, certainly, pressure on western countries to have solid defence budgets and increase your defence budgets, so we're definitely seeing that pressure that exists in the market. That causes dialogue around surveillance and protective systems that include ground-based surveillance in addition to space-based surveillance working together.

I mentioned some comments in my remarks about SDA in the United States, for example, putting up new space-based constellations to detect missiles and the like, and to enhance communications for militaries. Those types of activities start to get discussed more in various countries. But those will take time to convert into programs.

Right now, we're at the pressure and promises phase of increased defence activity, and then over time that could convert into programs, but that will take a little bit of time.

Doug Taylor — Analyst, Canaccord Genuity

Thank you. I'll pass the line.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Thanks, Doug.

Operator

The next question will be from Thanos Moschopoulos at BMO Capital Markets. Please go ahead.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Hi, good morning.

Mike, maybe you could expand on the last point. You mentioned you're having more conversations around Radar Sat 2. What are the barriers in terms of just translating that to an actual sharp revenue uptick? Is it just going through a sales cycle? Is it basically just getting new customers familiar with how to access and leverage a data set? What would you say are the impediments to more of an uptick in the near term?

Michael Greenley — Chief Executive Officer, MDA Ltd.

There's really no—in terms of impediments, there's certainly very few things in the way. There are things we have to work through always. The sort of business development and sale of earth observation imagery requires all the relevant export licences and the like for sales, so you have to go through and make sure that you've got permission to be able to do the various types of sales that customers are interested in. You saw an example of that when we announced that the Canadian government gave us permission to start selling imagery of the Ukraine in the last quarter. That type of activity, you got to go through that hoop, I guess, which is not a problem. It's just work to be able to get through that.

And then be able to work with people in terms of what their level of use is going to be. Some folks have ground stations. MDA has a strong ground station network around the world and folks want telemetry and data delivered to their ground stations for them to be able to process. Other customers that are starting to realize the benefits of earth observation more, they may not have that capacity. They just want the analytics. They just want the intelligence report or the information report about what's going on in their neighbourhood or their area of interest, in which case we have to organize what types of intelligence and reports they'd like us to process and deliver to them, or us and our partners to process and deliver to them. That gets worked through and then we can start selling those on a recurring basis into those customers.

Those are the normal steps that we would go through in this market. It's the same in this example.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Great. I think you've said before that capacity is not an issue, right? There is still a lot of (inaudible) to capture some of these opportunities?

Michael Greenley — Chief Executive Officer, MDA Ltd.

That's correct. We don't have any capacity limitations right now that we're bumping up against, no.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Great. Maybe just going back to Telesat, you said the scope of work that you're discussing remains the same. I don't know if you can comment. Previously you'd provided some expectation in terms of what Telesat might look like in 2023, and so based on the discussions you're having, would it be tracking to that, or is it kind of challenging to say until things are locked down?

Michael Greenley — Chief Executive Officer, MDA Ltd.

In general the economics remain the same. I think that in the final set-up that will affect the profiling of the projects. Certainly in '22, like I mentioned, as we get going here in the first half of the year then that will meet our expectations for '22.

In terms of the profile for '23/24/25, that's based on the overall program profile and the pace that people need things, and so that may get tweaked a little bit as we go through the final contract set-up.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Okay, great. Then finally, you mentioned that you're still seeing a strong pipeline in the commercial segment. Just to clarify, we've had rising interest rates and a lot of commercial projects are funded through debt. I mean, so it sounds like at this point no signs of a macro slowdown impacting commercial opportunities. From your perspective, it seems like it's full-steam ahead on the commercial opportunities that you're in discussions with?

Michael Greenley — Chief Executive Officer, MDA Ltd.

That's correct. We haven't seen anybody flinch. Everybody is continuing with their projects as we've seen.

Occasionally we'll bump into new customers and for those that are looking for (inaudible), we have a great position here in Canada working with EDC, which is a very supportive government agency here in the Export Development Bank of Canada that will provide financing to international customers for their space-based activities. That's a very helpful thing for us too in our situation, being able to leverage that on international deals.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Great, thanks, Mike. I'll pass the line.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay.

Operator

Your next question will be from Ken Herbert at RBC.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Hi Ken.

Ken Herbert — Analyst, RBC Capital Markets

Mike, I wondered if you could dig into the Globalstar contract a bit. How does that ramp, and maybe in terms of the revenue contribution this year and over the next few years, that would be helpful. Thank you.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay. It's like we got going on that straight away in the first quarter. We're delivering those satellites in 2025, so it's a three-year journey. It's pretty steady across the three-year journey. It's just start, go hard for three years and get those satellites delivered. It's pretty steady and even across the three years.

Ken Herbert — Analyst, RBC Capital Markets

Okay, that's helpful. I just wanted to follow-up on your prior comment. I mean, you said in your prepared remarks that it sounds like you're seeing a step up in activity specifically around, within the LEO market on the satellite side. Is there any way to think about maybe you could—any quantification around how that opportunity set has expanded for you here in the last quarter or two? How much of a larger opportunity, perhaps, is this emerging for you now that you've won a few contracts and you're building it out more?

Michael Greenley — Chief Executive Officer, MDA Ltd.

I'd say that our pipeline remains solid; nothing has fallen out of it. A couple of new things have been added into it, but it's generally been just a really solid, steady large pipeline for us over the last 24 months, that we continue to prosecute and execute on.

The thing I'd talk about in terms of like the future growth would be the opportunities that are emerging, especially with large corporations that are looking at having—I always call them private industrial networks, but like space networks for their corporation's business in the market.

One of the more interesting announcements for me in the last quarter was Porsche and Volkswagen announcing that they'd squirreled away about 2 billion euros to be able to put up a network, a space-based network for them for their future smart car market. That's going in a number of different sectors, whereby large industrial organizations are seeing the opportunity for space-based networks to make their business work. This is a very interesting thing because historically we've seen space-based communication networks being from the operators that would need to pull together some equity and some debt and put up a network and make sure they've got paying customers around the world to then turn that into a successful business case. Of course, that still exists and we see that in the Telesats of the world, for example, and that's all solid.

But now we're starting to see all these large multinational corporations having conversations about how a space-based network could enable their business for the next generation of their offering. That's a very different model whereby it's just these are, like, large multibillion dollar corporations that are putting aside some small billions to put up a space-based network.

To me, those are the more interesting things that are starting to emerge in the pipelines and something to watch for in the medium term. Something to watch for in the future.

Ken Herbert — Analyst, RBC Capital Markets

That's great. If I could, just my final question, I think you called out you were on plan, if I understood properly, with your hiring in the first quarter. Can you just confirm that and how you're looking through the remainder of the year in terms of your ability to support the growth, just from a labour standpoint.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes. We are on plan. Maybe even a little titch in some corners a little titch ahead actually, but we've done really well with the hiring. The talent acquisition teams and the hiring managers across the business are getting into a bit of a well-oiled machine situation here with the 670 folks hired last year and then over 250 so far this year. It's doing well.

With the level of backlog that you saw coming in in the first quarter there, and the backlog rising up to $1.5 billion, that definitely caused a focus on hiring in the end of last year and the start of this year. We will continue to hire at pace, but we're meeting all our needs so far and we've forecast that we will continue to meet our needs as we go through the year.

As we get things established, we will continue to hire but the pace will drop off a little bit as we finish the year because we'll have broken the back of the big surge that we needed to be able to convert this backlog into revenue.

We're working at pace and we're on plan and we expect to continue to do so.

Ken Herbert — Analyst, RBC Capital Markets

Great. Thank you very much.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay.

Operator

The next question will be from Kristine Liwag at Morgan Stanley. Please go ahead.

Kristine Liwag — Analyst, Morgan Stanley

Hi, good morning, Mike and Vito.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Hey, Kristine.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Good morning.

Kristine Liwag — Analyst, Morgan Stanley

Following up on your 2022 outlook, you guys mentioned that you need to see continued backlog expansion through the first half of the year. Can you provide on what that pipeline looks like, and how much of your 2022 revenue outlook is already in the backlog?

Michael Greenley — Chief Executive Officer, MDA Ltd.

I don't know the number in terms of the percentage of revenue in backlog this year so far, but it's decent. It's just not in my head at the moment.

In terms of the pipeline, the pipeline continues to be solid. The obvious—the big swinger would be Lightspeed as we go through this first half of the year. As we talk about finishing the job of building up our backlog even further, Lightspeed would be the big swinger, with a number of other smaller opportunities that are still coming in.

Kristine Liwag — Analyst, Morgan Stanley

I see. That's really helpful.

Then maybe a follow-on on Canadarm3. That's great that you've now got Axiom for that program too. So, now you've got Axiom and Gateway for Canadarm3, how much commonality is there? You guys mentioned that there are some technology overlap and it’s the commercial version. What does that mean? How much potential upside is there on the economies of scale now that you’ve got two customers? How should we think about the opportunity if we see others? I mean at some point the ISS would need to be replaced.

Michael Greenley — Chief Executive Officer, MDA Ltd.

We were talking about that in some of the earlier questions and how we’re now starting to see these commercial space stations coming into the market in addition to those other applications such as in-orbit service assembly and manufacturing, and the activities on the moon.

As a result of that expanding commercial market, we’re moving forward in the robotics and space operations business area with a line of commercial robotics. We’re looking at having a range of commercial robotics based on Canadarm3 technology that would have sort of the different sizes and shapes and the product lines that will be needed for these different application areas.

We are, on purpose, in the Canadarm3 program, one of the core tenets of that program in our relationship with the Canadian Space Agency is commercialization. We want to do two things on that program: we want to meet the needs of the program and make sure that Gateway gets a really great robotic system that we can operate for decades from here in Canada. That would be objective one. Then objective two would be to be able to develop that technology in a manner that ensures that we have a commercial product line that results. So, it’s very much an on-purpose thing.

The amount of overlap is high. Obviously each customer based on their system may have the odd tweak, the odd tweak to the system design for their particular application, but our core offering will have very strong commonality across the different product lines. Obviously physically different robotic solutions in terms of their sizes and shapes, would have different elements, but then things like the control systems can be very common across an integrated line of robotics.

For us, we've got this amazing legacy. We've had a robotics system on the space shuttle that we delivered multiple units to. I think it was five in total over the life of the space shuttle, and flew over 90 missions there. Then we transitioned to the next generation of on-orbit robotics on the International Space Station with Canadarm2 and Dexter, where that robotic system now has operated for over 20 years with at least 10 years to go it seems like in that market. And now we've got Canadarm3 as this third generation for the moon with artificial intelligence-based robotics, our next generation evolution of our control systems that we are on purpose now configuring to be able to have commercial variants spinning out.

Kristine Liwag — Analyst, Morgan Stanley

Mike, maybe following up on that, right, when you guys first gave out your Canadarm3 opportunity, it sounds like compared to your first initial outlook on that program you now have this commercial opportunity as kind of cherry on top. I guess my question is, compared to your initial Canadarm3 outlook, should we see this program as a much larger and a much more profitable program with all these potential other offshoots?

Michael Greenley — Chief Executive Officer, MDA Ltd.

No. I think the Canadarm3 program remains the Canadarm3 program. I wouldn't expect that particular program to deviate much from previously described.

In addition, during the IPO process we would have talked about our commercial pipeline and our commercial pipeline would have included opportunities for centers in addition for robotic systems, and so that continues for us. I think what we're seeing now though is the solidification of that, that this commercial pipeline is becoming demonstrably real and we're starting to get the orders coming in now.

As you see commercial space stations and commercial spacecraft for the ISAM market, and the lunar activity, get their financing and continue to get organized, you should see those as leading indicators that our pipeline is getting more and more solid in that space for our on-orbit robotic systems in addition to on-orbit robotic services. So, we're setting ourselves up in that new facility I described in my remarks to be able to deliver on-orbit operational services. So we can now work with these commercial partners in different ways. We can sell them a robotic system, but we could also partner with them or the operations of their space-based activity and be there for them on a recurring basis to operate the robotics on their craft—whether that's a space station or other spacecraft—on a recurring basis moving forward into the future.

The business models that we're able to work with are more. We have a greater variety now, to be able to make these deals work.

Kristine Liwag — Analyst, Morgan Stanley

That's very helpful colour. Thank you very much.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Thanks Kristine.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Thanks.

Operator

At this time we have no further questions. Please proceed with closing remarks.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay. I think I'd just like to thank everybody for being with us today. It's been a great start to the year. It's been nice to be able to talk about it and we'll see everyone next quarter.

Thanks very much.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Bye now.

Operator

Thank you. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. At this time we do ask that you please disconnect your lines.