FINAL TRANSCRIPT

# MDA Ltd.

## Q3 2021 Earnings Conference Call

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## PRESENTATION

**Operator**

Good morning, ladies and gentlemen. My name is Michelle, and I will be your conference Operator today.

At this time, I would like to welcome everyone to the MDA Q3 2021 Earnings Conference Call. All lines have been placed on mute to prevent any background noise.

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

I would now like to turn the call over to Amy MacLeod, Vice President of Corporate Communications. Please go ahead.

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

Thank you, Michelle. Good morning and welcome to MDA's Q3 2021 investor call. Mike Greenley, our Chief Executive Officer, and Vito Culmone, our Chief Financial Officer, will lead today's call and share some prepared remarks before taking your questions.

The Q3 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 Q3, filed today on SEDAR.

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 that of others. Please see the Company's quarterly report and our other public filings for more information about these measures, including reconciliations 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 good morning and thanks to those who are joining us today to discuss our Q3 2021 financial results.

I'm pleased to report that in the third quarter, MDA delivered another strong performance, highlighted by a 3 percent increase in backlog over Q2, double-digit revenue expansion on a year-over-year basis, and solid adjusted EBITDA. In addition, as we head towards the end of the year, we are pleased with the ongoing progress of next-phase contract negotiations, program definition and development, and risk-reduction activities on all three of our flagship programs.

Since the end of Q3, we have seen some shifts on the timing of flagship contract awards, including the Lightspeed program delay announced by Telesat last week, driven by global supply chain issues. I want to be very transparent about that.

As you know, MDA is not a 13-week, quarterly cadence type of business. It is not at all uncommon for complex, multiyear technology development programs like ours to move around in time. We see these shifts as measurable in months or quarters, definitely not in years. They do not affect the total value of the contracts, and investors can be assured that nothing has gone away. Timing shifts do have an impact on our near-term revenue profile, and Vito will fill us in on that math in a moment.

Having said that, with solid financials, operational momentum in Q3, and growing backlog heading into 2022, we remain bullish about our ability to deliver long-term growth.

As always, before we get into our more detailed quarterly update, I'd like to start with a bit 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.

Q3 was a historic quarter for human space flight and record space infrastructure investment. With all of us watching in July, Virgin Galactic and Blue Origin both took passengers to the edge of space for several minutes, including their respective founders, Richard Branson and Jeff Bezos, breaking four world records in the process.

In September, SpaceX took the next big step by sending four tourists to an orbit higher than the International Space Station, where they stayed for three days. During that period, there were a record 14 people in orbit, between the ISS, the Chinese station, and SpaceX Inspiration4 mission. Since then, legendary Canadian and intergalactic space icon, Captain James T. Kirk, became the oldest person to fly in space at the age of 90.

Achievements in human space flight are more than entertainment. They also showcase the pace of commercial innovation and investment that are driving the rapidly growing space economy.

Looking at it by the numbers, investment in space continues to rise, and infrastructure companies have already hit a new annual record, driven in part by investments in all types of firms, with $10 billion invested year to date, more than 6 percent more than the full year of 2020.

As a world-leading mission maker for commercial space ventures, MDA benefits from broad-based industry expansion and record levels of investment in space infrastructure. Those investments fund our customers' programs and drive demand, growth, and downstream opportunity for MDA. With all of these as concrete indicators of market growth and opportunity, both on the commercial and in the government and space agency sectors, we are extremely positive about our ability to create long-term value for MDA shareholders.

Turning to the execution of our flagship programs. As I mentioned, we continue to make significant progress on next-phase contract negotiations, program definition and development, and risk-reduction activities on all three of these multiyear, multiphase programs.

On Canadarm3, as we discussed on our Q2 call, MDA was awarded a $35 million contract in Q3 for the design of the robotic interfaces, a key foundational component of the Canadarm3, which we installed on the international Lunar Gateway. In August, we also completed our planning for the next phase of the Canadarm3 main robotic system with the Canadian Space Agency.

On Lightspeed, MDA continued to advance development activities under our existing Telesat Lightspeed contract. Notwithstanding the supply chain delay announced last week that I mentioned, in the third quarter, Telesat announced a series of significant funding announcements, including a $1.4 billion investment from the Government of Canada, substantially advancing the program. Telesat has now confirmed that they expect to complete their own IPO in the coming week and close their export credit financing in the near term.

And on the Canadian Surface Combatant program, work on the requirements analysis phase continued to advance, and the team is now putting final touches on a number of Electronic Warfare Suite sensor contracts.

We look forward to updating the market further as the next phases of all three of the flagship program contracts are finalized.

Turning to our three business areas. In Q3, our Satellite Systems team completed a major production milestone with the build of Serial Number 500 of the OneWeb gateway LEO constellation program and Serial Number 1,000 of the Ku cluster antennas. This is a significant production achievement for MDA, surpassing our internal previous records of 486 Iridium NEXT Ka-band antennas, set in 2017. We are on track to complete production on OneWeb in March 2022, with total deliveries of around 650 gateway antennas and 1,300 Ku clusters. Congrats and thanks to the entire Satellite Systems team.

With OneWeb, MDA entered Industry 4.0, expanding our high-volume production capacity with extensive usage of collaborative robots and automation on the production line. Our ability to scale and execute these high-volume production runs is giving us real credibility for future participation on LEO constellation programs. All that experience will also benefit the Lightspeed program, which will move the needle on our production record even further.

With the market for LEO broadband mega-constellations continuing to expand, our timing couldn't be better. As a leading provider of satellite subsystems, with a proven track record on constellations, MDA is ideally placed to capitalize on near-term opportunity in the rapidly growing satellite systems market.

We are equally well positioned in our GeoIntelligence business, where we are seeing significant new capital investments across the value chain, which is enabling deployment of new types of sensors, the buildout of constellations, infrastructure updates for ground stations-as-a-service operators, and the development of new analytics and exploitation tools.

In the third quarter, we released the first details of our next industry-leading Earth observation mission. Leveraging legendary RADARSAT heritage, the new system will include a large C-band synthetic-aperture radar satellite, operating in a mid-inclination orbit. Capable of covering a 700-kilometre swath in a single pass, the new system will provide the broadest area coverage on the market, changing how, when, and what can be seen.

In September, we also hosted our inaugural MDA Earth Insight customer conference. During two live global broadcasts held over two days, more than 100 customers across the globe heard firsthand about our latest Earth observation investments, innovations, programs, and product developments. The growth and maturation of this sector continues to help unlock new use cases and speed the adoption of Earth observation-based Insight into new verticals.

In our Robotics and Space Operations business, in the third quarter, we announced a series of new contracts, reflecting rapid global market growth, driven by near-term space exploration missions. MDA has been awarded the full contract from MELCO, which is Mitsubishi Electronics Corporation in Japan, to provide a laser rangefinder altimeter for the Japanese mission to the moons of Mars.

MDA has signed an agreement with Intuitive Machines to provide lunar landing sensors to support its upcoming lunar missions. As a result, MDA landing sensors will support the soft-landing US mission to the Moon, scheduled for early 2022. MDA landing sensors will also support the mining mission to the south pole of the Moon in late 2022.

MDA continues to benefit from a heightened level of global activity in space exploration and increased activity on various lunar programs. These programs are often kicked off with a Phase A or study contracts that are awarded to one or two suppliers as a precursor to a full request for proposal.

Since midyear, MDA has been selected to participate in three such contracts: a study contract with the European Space Agency named Moonlight, announced in April, that is investigating the infrastructure required for communication and navigation services for future exploration missions to the lunar surface; the second study, announced by the UK Space Agency in October, involving an active debrisremoval mission to capture and deorbit two client satellites. Our partner, Astroscale, is leading that study program, which they call COSMIC, an acronym for Cleaning Outer Space Mission through Innovative Capture.

And as we announced this week, MDA has been awarded a contract by the Canadian Space Agency to undertake a Phase A initial design study for a lunar rover mission to the Moon. The rover will conduct its mission at the south pole of the Moon, providing the opportunity to explore resources in the permanently shadowed regions, including lunar volatiles and water ice, as well as thermal and radiation safety analysis for future human lunar landings. MDA is leading a superb, largely Canadian team of subject matter experts, scientists, and academic experts. These types of Phase A contracts are the front edge of the wedge that drives our next-generation opportunity pipeline and help keep us at the forefront of the new commercial space race.

Operationally, we continue to take strategic steps to structure the business to scale and maximize our growth opportunities. Investing to attract and recruit top talent to drive our future growth continues to be a strategic priority. Since the beginning of the year, we have hired more than 600 new employees.

With respect to COVID-19, in September, we started to return to the office in volume in a hybrid model. Throughout the pandemic, MDA has kept pace with public health policy and guidance, adjusting and aligning our work-related health and safety policies when needed.

Federal regulations in Canada now require government suppliers and contractors to confirm vaccination status for their employees working in government facilities. To stay ahead of the curve and ensure a responsible and safe work environment for all our employees wherever they work, in October, we introduced a mandatory vaccination policy that requires all MDA employees to be fully vaccinated against COVID-19 by November 30th. I am incredibly proud of the team's response.

Time and time again, MDA employees have risen to the challenge to keep themselves healthy and to contribute to the health and safety of others in our company and our communities.

Bringing things to a close, last winter, as we talked about our financial thesis for the IPO, we identified a few key strategies that we believe would drive our long-term growth, including executing on our flagships, expanding our market leadership in geointelligence, maximizing our robotics and space mission participation, and deepening our constellation market share, developing digital solutions for the satellite communications industry. In less than a year, we have made significant strides in all of these strategic pillars. We are executing on all of our flagship programs, and our backlog is building. We are steadily advancing SARnext while investing in new geointelligence products.

We are bidding, as we just discussed, and winning as we—sorry—and as we just discussed, winning new programs for lunar and other space exploration missions. And we have modernized our satellite production processes, introduced state-of-the-art digital capability, and are investing in new facilities to further increase capacity, which has helped to open the door to a meaningful new growth market opportunity.

The Company is fully focused on these priorities, and we are seeing the results. We feel better than ever about our timing and our opportunity to capitalize on the rapidly emerging new space economy.

Finally, I want to take a moment to acknowledge a major milestone. Forty years ago today, on November 12, 1981, Canadarm was launched into space aboard Space Shuttle Columbia. As the first robotic arm to go to space ever, it became an immense source of pride for the country and for those in our predecessor company that built it.

Designed to function flawlessly in space with the dexterity of a human arm, Canadarm wrapped up three decades of successful operations in 2011. Canadarm is inexplorably (phon) linked to MDA's success, past, present, and future. And I just wanted to take a moment on this special anniversary to salute all those who worked on or with Canadarm and who set the bar so high for the world of space robotics.

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. Wow, that's pretty cool. Good morning, everyone. We're delighted to be with you this morning to talk about our third quarter results and the future outlook for MDA.

Just a quick reminder that Q3 is the first quarter where we have clean quarter comparatives to the prior year. And that's, of course, because the Company commenced operations through the sale from Maxar to Northern Private Capital on April 8, 2020. On a year-to-date basis, however, the interim condensed consolidated financial statements, other than the balance sheet, continue to include comparative information for the period from April 8, 2020 to September 30, 2020. We have continued to provide constructed year-to-date, carve-out results, and all our commentary is for the full comparative period.

Let's now delve into our Q3 results. Overall, as Mike has indicated, we're pleased with our Q3 financial results. First off, the backlog as of September 30, 2021 was $829 million, an increase of $266 million compared to year-end 2020 levels, reflected incremental awards across our business. Our 2022 revenue outlook, that I will talk to you about in a few minutes, reflects continued robust build of the backlog through the remainder of calendar year 2021 and into 2022.

Total revenue for the three-month period ended September 30, 2021 was $111.3 million. This represents a 13 percent increase over prior-year levels. And on a year-to-date basis, total revenue is $361.4 million, an increase of 16 percent for the same period in 2020.

Revenues in our GeoIntelligence business decreased from $45.6 million for the three months ended September 30, 2020, to $40.7 million for the three months ended September 30, 2021, and increased slightly from $136.9 million for the nine months ended September 30, 2020 to $137.9 million for the nine months ended September 30, 2021.

Year-to-date sales of satellite imagery and analytics services remained relatively constant year over year. And the Q3 revenue decrease is driven by a temporary decrease in activity on certain service contracts, a one-time event that was halted for maintenance in Q3 2021.

In Robotics and Space Operations, revenue was $33.1 million, which is a 6 percent increase over prior-year Q3. And on a year-to-date basis, Robotics and Space Operations revenue is $103 million, showing growth of 15 percent compared to the same quarter prior year. A large proportion of this growth in revenue continues to be the increase in activity of the Canadarm3 program.

Satellite Systems revenue continues to see strong growth once again on both the quarter and the year-to-date. In Q3, Satellite Systems generated revenue of $37.5 million, which is an impressive 74 percent increase over Q3 2020. We see similarly impressive results on a year-to-date basis, where Satellite Systems grew, year to date over 2020, 42 percent, with revenue of $120.5 million. This growth in Satellite Systems is attributable to higher volumes stemming from new program awards, the restart of the OneWeb program in first half of 2021, and improved program performance over the same period in 2020.

Although the revenue growth over prior year is strong across the business, I wanted to take a minute to talk about the slight dip in revenue we experienced in Q3 versus Q2 of this year. Our Q3 revenue of $111.3 million was down from $126.7 million in Q2. And the decline in quarter-over-quarter revenue is substantially timing-related and not unusual in our business.

This lumpiness in revenue can be expected, given the nature of our contracts and the timing of spend on programs using percentage of completion revenue recognition. While our labour profile on programs remains relatively constant, big-ticket spend on material and subcontractors can drive higher revenue in one period comparative to another. This is what we saw in Q3 versus Q2 of this year.

Moving on to gross margin results. As a reminder, gross profit represents our revenue less cost of revenue, which include materials, labour, overhead, SRED credits, and depreciation.

For Q3, our gross profit was $39.4 million versus $30.5 million in Q3 of 2020. For the quarter, this translated into a gross profit percentage of 35 percent versus 31 percent in prior year. The year-to-date results for gross profit are $122.4 million, with a 34 percent gross profit, versus $88.7 million in Q2 2020 and a 28 percent gross profit.

Both the quarter and year-to-date improvements over prior year are due to increased volume and improved program performance over 2020. That makes for three strong quarters thus far in 2021 in terms of GP percentage. And although Q4 is likely to show a slight drop due to the impact of seasonality in our business over the holiday shutdown, we're very pleased with our operational performance.

Operating expenses. Q3 operating expenses were $38.8 million compared to $32.5 in Q3 of 2020. And on a year-to-date basis, our operating expenses are $105.9 million, compared to $81.1 million for the three-month comparative period. This increase is primarily due to the additional quarter of amortization of intangible assets resulting from the April 20th acquisition of MDA by NPC, and increased share-based compensation expenses following the introduction of a new stock option plan with commencement of grants awarded in Q4 of 2020. Another contributor to the growth in Q3 and year to date is an increase in our R&D expense due to heightened activity on our SARnext program.

Adjusted EBITDA in the quarter was $31.8 million. This is $3.3 million lower than Q3 2020. And this reduction is reflective of increase in R&D spend due to SARnext and lower Canada Wage Subsidy program income on a year-over-year basis, offset substantially by stronger gross profit. In the current year, we recorded—in the current quarter, excuse me, we recorded $9.1 million in CEWS, as compared to $11.1 million in the same quarter previous year.

On a year-to-date basis, our adjusted EBITDA was $110.3 million, up from 2020 levels of $96.7 million. And adjusted EBITDA as a percentage of revenue year to date was 31 percent, which is flat compared to year-to-date 2020. Excluding the impact of CEWS altogether, on a year-to-date basis, we continue to see a meaningful increase in our EBITDA margin. Year-to-date 2021 EBITDA margin is 24 percent, over the 20 percent year-to-date 2020, which is reflective of the strong improvement in our operating results.

In terms of capital spend, Q3 capital spend aggregated to $28.3 million and reflects the continued expected ramp-up of our 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. We expect our level of capital spend to increase as we continue to advance these important growth initiatives.

We ended the quarter with minimal net debt of $62 million and $424 million of available liquidity.

In closing, we continue to be pleased with our first nine months of financial results. And we continue to see strong results across our key metrics and are continuing to be focused on successful execution of base and growth programs.

Let me now turn to our financial outlook and growth strategies. We're executing, as Mike has said, on specific growth strategies and leveraging our competitive strengths to capitalize on the fastest-growing areas of the space economy. To maximize our growth opportunities, we're investing in R&D, manufacturing, product development, and in scale in our business.

Our strategic initiatives include investing to develop our next industry-leading EO mission that will provide the broadest synthetic aperture radar area coverage on the market, with cloud-enabled ground infrastructure to provide best-in-class download times. We're expanding our high-volume capacity by investing in new satellite manufacturing facilities and modernizing existing facilities with state-of-the-art digital capability. We're investing to maintain our global leadership in robotics design and development by leveraging next-generation advanced technologies, including artificial intelligence and augmented reality. And lastly, investing to attract and recruit top talent to drive our future growth, including hiring more than 600 new employees since the beginning of the year.

A significant portion of this expected growth is underpinned by the existing contract awards of our flagship programs, with Telesat Lightspeed, Canadarm3, and the Canadian Surface Combatant programs already under initial contracts. In Q3, we made and are continuing to make significant progress on next-phase contract negotiations, product definition, and risk-reduction activities.

While initial contract awards for our flagship programs provide high visibility into MDA's long-term future growth pipeline, shifts in the timing of contract awards on complex multiyear, task-based technology development programs are not uncommon, as Mike has said. We continually monitor backlog and contract award timing, and we assess their impact on our financial projections.

Timing shifts, including the Lightspeed program delay announced on November 5, 2021, in conjunction with Telesat's most recent financial results, citing, of course, global supply chain disruptions, do not affect the lifetime value of our flagship programs, estimated cumulatively to be $3.5 billion.

However, they can impact MDA's near-term 2022 calendar year flagship revenue profile. That impact is mitigated by the diverse nature of MDA revenue, which is well balanced between flagship and non-flagship programs. In addition, we are well positioned to capitalize on near-term new opportunity in the rapidly growing satellite systems market.

With all of this, we have narrowed our 2022 revenue target, and we now expect it to be in the $750 million to $800 million range, representing robust year-over-year growth of approximately 50 percent to 60 percent. And correspondingly, our 2022 adjusted EBITDA target is now in the $140 million to $160 million range.

It's an exciting time for all of us at MDA, all 2,200 of us, as we embark on this steep growth trajectory and longer-term value creation journey for us, our employees, and our shareholders.

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

**Mike Greenley**

Okay. Thank you. Well, we've provided a lot of information, so I think with that, we'll open it up to questions. Operator?

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## Q&A

**Operator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you would like to ask a question, please press the *, followed by the 1 on your telephone keypad. And if you would like to withdraw your question, please press the *, followed by the 2. One moment, please, for your first question.

Your first question comes from Doug Taylor of Canaccord. Please go ahead.

**Doug Taylor** — Canaccord

Yeah. Thank you. Good morning, Mike and Vito.

**Mike Greenley**

Hi, Doug.

**Doug Taylor**

You mentioned in your preamble there that you believe the Lightspeed delays will be measured in months and quarters and not years, which I thought was interesting. I'm curious, has Thales communicated anything about the remedies related to the chip shortage to be able to alleviate that issue, that gives you some visibility on what the delays will be limited to?

**Mike Greenley**

Right now, like the teams are all engaged in the planning process for that. So everyone's doing their reassessment based on the concerns that Thales had identified. Our expectations of sort of the pace and length of any delays are based on the project schedules for re-baselining the plan and moving forward. So that's what we're basing that information on.

**Doug Taylor**

Okay. I'm just curious if they've gone out and started purchasing anything? Or they've found some work-around with respect to the actual components that are in shortage? Or if you're kind of subject to the semi market as a whole right now, as many people seem to be.

**Mike Greenley**

They're in the thick of reworking that all at the moment.

**Doug Taylor**

Okay. Obviously, any company that deals with hardware, this chip shortage is becoming a source of—or a subject for conversation. Has that impacted anything outside of the Lightspeed ramp for MDA and any of the other programs or parts of your business?

**Mike Greenley**

Certainly, there's global supply chain stuff all over the place, as everyone talks about these days. We haven't had a negative impact on any of our other programs thus far. The program planning for other programs are taking into consideration sort of the new normal in terms of delays. And so we're finding ourselves buying, like long-lead items with a bit longer leads, for example, and including the planning for these delays into the programs themselves. So we have not experienced significant hiccups in other programs because it's been planned in.

**Doug Taylor**

Brings me to another question about the working capital investment in the quarter. Is some of that investment related to, as you just said, buying some longer lead-time items and building your inventory to help with this issue? And should we expect a reversal in terms of working capital in the coming quarters?

**Vito Culmone**

Yeah. Doug, it's Vito here. Thank you for the question. Working capital is something, clearly, we keep a close eye on. And you're absolutely right; it did fall off in Q3. A large component of the C3 factor actually was our CEWS. So there was a receivable at the end of the quarter, substantially which we've received post Q3. But you're absolutely right. We're working, obviously, with our clients and our customers in all aspects of that, and we do expect a comprehensive bounce back in Q4 with respect to working capital and don't see it as a major issue at this point in time, for sure.

**Doug Taylor**

Okay. And this is last question for me. I mean, you had—I think it said at some point you expected, I think, $350 million in revenue in 2022 from the flagship programs next year. Is it fair to say that your updated revenue now includes about $275 million, and so the entire difference in the guidance is related to the Lightspeed or the flagship programs, as opposed to any other machinations with respect to other programs and projects?

**Mike Greenley**

For folks like us with the kind of portfolio we have, we can have shifts across a number of programs. Certainly, at the moment, we see a number of short-term slips in the flagships, amongst others, but primarily driven by the Lightspeed announcement of last Friday. That's the overall picture.

**Doug Taylor**

All right. Thank you. I'll pass the line.

**Vito Culmone**

Thanks, Doug.

**Mike Greenley**

Thank you, Doug.

**Operator**

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

**Thanos Moschopoulos** — BMO Capital Markets

Hi. Good morning. You alluded to a one-time event in the GEOINT segment, which affected revenue in the quarter. Could you provide some more colour on that?

**Mike Greenley**

Do you want—

**Vito Culmone**

Yeah. Go ahead, Doug. Thank you.

**Mike Greenley**

Sorry. Can you just repeat the question?

**Vito Culmone**

The one-time event in—

**Thanos Moschopoulos**

Yeah. Sorry. You alluded to a one-time event in GEOINTs, which impacted revenue in the quarter. And I appreciate it was one-time in nature, but if you could provide some more colour on that?

**Vito Culmone**

Yeah. Thanos, we don't give specifics on a program, but it's back up and running in Q4, and it's part of our GEO business, and so nothing more specific on that. We just wanted to highlight that, really, it was a one-time shortfall event in quarter related to a maintenance of a particular service we provide for a very important customer.

**Thanos Moschopoulos**

Okay. On Telesat Lightspeed, I appreciate there's some moving parts here. But just given that, maybe, there's some ongoing uncertainty in the timing, how would you characterize your approach to building that forecast for 2022? Just trying to gauge whether there could be risk of further slippage? And how conservative a view have you taken of that program at this point?

**Mike Greenley**

Right now, like our forecasts are based on, obviously, being very tightly engaged in the program. We have good lines of insight into all the major players' engagements with Telesat, with Thales as the prime engagement, with funding agencies that Telesat will be speaking with. So we use our own information, pulled from all those people in terms of everyone's expectations for schedule, and then take a bit of a conservative approach in terms of giving ourselves a bit of buffer around expectations in our planning.

**Vito Culmone**

Thanos, we'll shy away from giving specifics as to, obviously, on the three flagships of what our timing reflects or what our forecast reflects from a timing perspective. We're confident, obviously, in the numbers that we've put forward here. There is sensitivity to those, both to the plus and to the minus with respect to the timing of it. But as Mike alluded to, a high degree of confidence in the number as we put it forth at this point in time, based on—

**Mike Greenley**

Based on everybody's plans—based on everybody's plans and expectations.

**Vito Culmone**

Yeah.

**Mike Greenley**

Yeah.

**Thanos Moschopoulos**

Okay. And then finally, just in terms of your CapEx outlook, is that still kind of—are you holding with the same plan for 2022 as previously discussed? Or has there been any change in timing with respect to how you're thinking about CapEx next year?

**Vito Culmone**

Yeah. At this point, Thanos, we'll probably come back in Q4 and give you guys some—give the market some guidance as to our capital. We're going to lean in, continue to lean in for all the reasons we've described. We'll be very, very methodical and measured, obviously, as we look at our capacity and our debt availability and whatnot. But no material change from what we described and put forth in the discussions to date, as reflected in the IPO material.

**Thanos Moschopoulos**

Okay. Great. I'll pass the line. Thank you.

**Vito Culmone**

Thank you.

**Operator**

Your next question comes from David Strauss of Barclays. Please go ahead.

**David Strauss** — Barclays

Thanks. Good morning. Vito, CEWS, how much longer is that going to run? How much more do you expect there?

**Vito Culmone**

We're pretty well done. The program ended in October.

**David Strauss**

Okay. And then, I guess, following up on the Lightspeed question. It looked like, based on the IPO materials, you had been assuming like $80 million, $90 million in revenue from that in ‘22. So is it fair to assume that you’re expecting very little in the way of revenue associated with Lightspeed next year?

**Mike Greenley**

We have revenue for Lightspeed in there. There’s a bunch of puts and takes that occur in the program. I don’t want to disclose the actual number for competitive reasons but, yeah, we’re still assuming activity on Lightspeed next year.

**David Strauss**

Okay. And I guess a follow-up on the CapEx question, in terms of SARnext. Are you—Vito, you think you’re holding pretty close to the profile in terms of CapEx for that, that you’ve previously outlined?

**Vito Culmone**

Yeah. We are. Yeah. David, I mean it’s early days. Obviously, it’s an incredibly important initiative for us. And we’ll look at a lot of alternatives as we move forward. Obviously, as I said, when it comes to balance sheet, we’re very, very blessed. We’ve got a business that generates a significant amount of cash from operations. We expect that number to increase over the years to come. But no material change to report in our SARnext outlook at this point.

**David Strauss**

Okay. And last one for me. In terms of cash balance, what do you think you need to have on hand in terms of cash, Vito, to run the business quarter to quarter?

**Vito Culmone**

Well, we ended the quarter with $88 million, and we have a revolver. So it's less about, perhaps, the cash on hand and just the availability and the liquidity available to us. And as you heard me report, we have just over $400 million of liquidity at this point in time.

So I think the broader question you might be asking there is, how do we think about leverage and those sorts of things? And we've talked about that in the past. Two to three is sort of—we're well below that at this point. We'll be really, really measured as we move forward and not a short-term consideration for us at all at this point in time.

**David Strauss**

All right. Thanks very much, guys.

**Vito Culmone**

Thanks, David.

**Mike Greenley**

Thank you.

**Operator**

Your next question comes from Paul Steep of Scotia Capital. Please go ahead.

**Mike Greenley**

Good morning, Paul, maybe.

**Vito Culmone**

Mm-hmm.

**Operator**

Mr. Steep, your line has been opened. Please present your question.

**Paul Steep** — Scotia Capital

Sorry about that, guys. On flagships, just can you talk to timing, on where we should think about in terms of the next steps for the major programs? And recognizing not all the announcements will be out there for us to watch, but what we should be watching for, maybe over the next 12 months, in terms of heading to the next steps in majors?

**Mike Greenley**

Yeah. The biggest thing for us to track is just the backlog building as we go through the next period of time. So the biggest activities on the flagships is they're all—we work on the current phase of work, but we're very busy processing the next round of orders for the next larger phases of those. So the biggest thing to track is just overall backlog build as we go through the next period of time. Some of those will have announcements, some of them won't, depending on what we're allowed to say when. But watching that backlog number's a key indicator.

**Paul Steep**

And then maybe within Satellite Systems, Mike, can you talk to what the split is right now between LEO and GEO, just broadly? And then maybe your outlook for—we've seen lots of news around the LEO constellations continuing to happen, but how we'd think about awards in that area that might help continue to build into backlog?

**Mike Greenley**

Yeah. Usually these days, we think we have a solid mix of those LEO and GEO at the moment with, certainly, the pipeline, as we would have talked about during the IPO process, in terms of dollar volume, highly biased towards LEO constellations moving forward into the future. We've always maintained that there's a GEO base there that we're successfully a part of. And we ebb and flow with the GEO market in terms of maintaining our sort of market share for GEO satellite subsystems.

Our pipeline that we talked about during the IPO process for LEO constellations continues to remain strong. It's maturing very well. So a number of the opportunities are getting more and more mature. So as we go through the next period of time, we would expect to see increased success in the LEO constellation market. So you'll hear us talking about that more as we go through the future, for sure.

**Paul Steep**

And then just maybe, finally, not that it's, I think, top of mind, but I noticed that it was removed, and maybe it's just the lawyers getting excited or wanting to cut down your page count in your MD&A this morning. But there was a removal of commentary relating to M&A. Is there any change in your thoughts around M&A, maybe more tempered on that front, just near term, as you work on what's in hand?

**Mike Greenley**

No. There was nothing I'm aware of in terms of some big conscious decision to mess around with M&A language. Like any business, we'll consider M&A where it makes sense, moving forward, in terms of where it can be advantageous to us. And so that's just our normal posture. There's been no change to that posture.

**Vito Culmone**

Yeah. No read-through there, Paul.

**Paul Steep**

Great. I think that's it for me. Thanks, guys.

**Vito Culmone**

Thanks, Paul.

**Mike Greenley**

Okay. Thank you.

**Operator**

Your next question comes from Kristine Liwag of Morgan Stanley. Please go ahead.

**Justin M Lang** — Morgan Stanley

Hi. This is Justin (phon) on for Kristine this morning.

**Mike Greenley**

Hey, there.

**Justin M Lang**

I was wondering if you could provide a little more colour on hiring efforts? Do you plan to maintain the same cadence through the end of the year and into 2022? Are you seeing any recent issues related to either labour supply or wage inflation that might lead you to think differently about hiring plans?

**Mike Greenley**

We don't think that differently about hiring plans. We need to hire, for sure. So we have a very good talent recruitment team. They are doing an excellent job working with our hiring managers across the business. We hired about 350 last year. We've hired over 600 this year. So we continue to do so at pace. That's certainly a pan-Canadian activity, but also a global activity, as we look for talent that are interested in joining MDA as we go through this next period of growth.

It's competitive, for sure. Lots of people are going through hiring challenges in the markets these days. And we're hiring for top end of talent in the engineering and technical sectors, primarily. We're hiring for all functions but, certainly, the large majority is the technical stuff for the program growth that we're seeing and the business activity that we're seeing. That's going well. It's attractive to people to work at MDA. It is an exciting time for the Company. With a lot of growth, people want to be a part of it. And so we're pleased with that.

We do have to maintain ourselves as a desirable place to work, and we have to maintain ourselves as a competitive compensator in the market. So in terms of being able to maintain fair compensation and very exciting work activities with a very solid purpose within the space sector, these things combine well in terms of our ability to attract top talent. And that will continue.

In terms of the pace, it's based on the pace of programs and initiatives. We will be, definitely, hiring and continue to be hiring throughout 2022. We've done a lot in '21, as I've said, which sets us up for the next phase of growth. There will be some, but it'll be in pockets, based on specific program needs as we round out specific talent areas inside the larger programs as they progress through their next phases.

**Justin M Lang**

Great. And on the existing workforce, you mentioned you have the vaccine deadline coming up. Do you anticipate any potential disruptions there? And if so, what are the mitigation plans, if any?

**Mike Greenley**

Yeah. We don't expect any major disruptions there at all. Everything's moving ahead really well in that regard.

**Justin M Lang**

Great. Thanks.

**Operator**

Ladies and gentlemen, as a reminder, if you would like to ask a question, please press *, 1 now.

Mr. Greenley, there are no further questions from the phone line, sir. I'll turn the conference back to you.

**Mike Greenley**

Okay. Thanks very much, everyone, for a great conversation. It's nice to finish the quarter. And we'll talk to you again the next time. Thanks a lot.

**Operator**

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