FINAL TRANSCRIPT

MDA Ltd.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to MDA's conference call and webcast.

Note that this call is being recorded on March 17, 2022, at 8:30 a.m. Eastern Time.

I'd now like to turn the conference over to Shereen Zahawi, Senior Director of Investor Relations at MDA.

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

Thank you, Operator.

Good morning and welcome to MDA's Q4 2021 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 everyone for joining us today to discuss our fourth quarter results and our full year 2021 financial results.

We're very pleased with the results and the progress we made over the last year, including visible execution of our strategy across all of our businesses. In Satellite Systems, we are investing in new technologies and capabilities to accelerate our transition from analogue to digital payloads, and building up our high-volume satellite manufacturing capacity to strengthen our position as more low-earth orbit, or LEO, constellation opportunities come to the market.

In Robotics & Space Operations, we're 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.

Turning to recent developments, let me begin by highlighting two awards post quarter that demonstrate the strength of our pipeline. One was Phase B of the Canadarm3 program, and the other, a new contract with Globalstar, in which MDA will serve as prime contractor for the design, manufacture, assembly and test of 17 satellites, with an option for nine more, to enhance Globalstar's LEO constellation. These awards build on our robust backlog and order bookings in 2021, with both metrics up over 50 percent versus 2020 levels, providing us with good revenue visibility and a strong business foundation for 2022.

To support the anticipated growth, MDA successfully hired 670 people last year and deployed $95 million in capital expenditures, which included research and development spending on technologies related to CHORUS and other initiatives. Just last week, we 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. With the market for robotics rapidly maturing, our timing could not be better to bring a new suite of commercial robotic products to market, combined with new control centres to provide on-orbit operational services.

For this morning's call, I'll quickly step through the financial highlights for the year and 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 quarter and the year.

Starting with our full year results, backlog at year-end stood at $864 million, representing an impressive 54 percent increase versus 2020 levels. MDA delivered revenues of $477 million, up 16 percent year over year, and our Adjusted EBITDA increased to $137 million, and we generated an Adjusted EBITDA margin of 29 percent.

For the fourth quarter, revenues were up 15 percent to $116 million, Adjusted EBITDA was $27 million, and Adjusted EBITDA margin was 23 percent. Vito will provide more context for MDA's underlying performance in his remarks.

We also ended the year with a healthy financial position and a strong balance sheet, which offers us ample financial flexibility to run the business and invest in our growth initiatives. In short, 2021 was a year of strong growth for MDA, and I'm proud of how the team executed against a challenging macro backdrop. We continued to fulfill our commitments to customers while taking care of our employees, MDA's most critical resource.

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. Twenty Twenty-one marked a record year for investment in the space industry. Government spending on space reached $92 billion, up 8 percent year over year, with an increased share of budget allocated to civilian space programs. Integration of space-based capability as a routine component of (inaudible)—military budgets also continued to increase, driven by geopolitical tensions and demand for space-based surveillance and detection systems. The unique and valuable role space-based technologies and capabilities provide for military surveillance and detection is clearly evident in Ukraine, where MDA's Earth observation and Synthetic Aperture Radar assets are providing important intelligence. I will speak to that in greater detail in a moment.

We also saw $14.5 billion invested in space infrastructure companies last year, a 50 percent increase compared to 2020 and another clear indicator that we are in the early days of a strong and growing commercial space sector. This is the fourth year in a row that investment in commercial space has doubled. These are positive and encouraging developments that bode well for MDA and our future opportunity set.

Looking at the big picture, market research firm Euroconsult estimates the size of the global space economy today at approximately US$370 billion (phon). This is projected to grow to over $1 trillion by 2020, according to the U.S. Chamber of Commerce.

We also saw a record number of global launches last year, with the full figure of 146 setting an all-time new annual record, and the number of satellites launched into space up an impressive 45 percent year over year. Additionally, as the global space market matures, we've seen an increasing number of new national government programs designed to gain a strong foothold in the space economy, with countries such as Canada, the U.S., France, the U.K., Australia, New Zealand and others across the European Union investing in space start-ups and creating early-stage contracting opportunities.

We also saw the recent launch of SPACE Canada last year, a new industry association created to raise awareness of space as a strategic market opportunity and meaningful economic driver. We view this as a positive sign that Canada's space industry is banding together to ensure that we are ready to seize the opportunity that the growing space sector presents. MDA is proud to be a founding member of SPACE Canada, this new association.

Taking a tour around the rest of the world, we see public and commercial activities picking up momentum. Israel has signed on to the Artemis Accords, which aligns nations on a common set of principles for space exploration. The U.K., where MDA has a small but rapidly growing presence, has published both a national space strategy and a defense space strategy within the past six months and announced new funding initiatives for space. India and Australia have prioritized human space flight in their space development strategies. We saw the EU initiate a billion-euro fund to support start-ups in the space sector and attract private investors into this key sector. All of this activity is indicative of near- and long-term opportunity for MDA and our ability to create value for our stakeholders.

I'll take a few minutes now and turn to our three business areas.

In Satellite Systems, we are seeing good activity, with our teams responding to multiple requests for communication satellite solutions and for a growing number of commercial constellation projects, particularly in the low-earth orbit, or LEO, segment of the market. As I mentioned off the top, in February, we announced an 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 systems engineering, and to provide high-volume manufacturing to meet increasingly sophisticated customer needs.

Regarding the Telesat Lightspeed program, we are in active discussions with Telesat's management team, and our 2022 outlook assumes a contract award in the first half of the year, as we said previously. MDA is in a position (inaudible) receive the green light from the customer.

In our Geointelligence business, we are seeing good demand for our Earth observation offerings, as customers are looking for value-added solutions from data providers. Recall that in addition to providing data from our own commercial satellite, Radarsat-2, as well as third-party satellites, we offer a rich suite of data analytics that provide actionable insights for our customers. During the quarter, we made progress on our next-generation Earth observation mission, CHORUS. CHORUS will include C-band and X-band Synthetic Aperture Radar, or SAR, satellites. This approach will provide the most extensive radar imaging capacity available on the market. It significantly enhances existing services and enables new applications not feasible with existing SAR satellites. We have entered into an agreement with ICEYE to provide an X-band SAR spacecraft for CHORUS. 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 detection systems, including those on the Canadian Surface Combatant program, or CSC. The CSC program is progressing in line with our expectations, and a number of awards were added to backlog in 2021. Work on the requirements analysis phase of the program is advancing, and MDA continues to finalize a number of additional electronic warfare suite-centred contracts.

In our Robotics & Space Operations business, as previously indicated, we continue to see strong signs of maturity in the commercial market. We recently shared two exciting announcements related to our Robotics & Space Operations business. As mentioned, the first is the Canadarm3 Phase B contract, which carried a value of approximately $270 million. The new contract will see MDA completing the preliminary design of Canadarm3's robotic system. It will be used to board the NASA-led Lunar Gateway, a major, multiyear, international collaboration to establish a sustainable space station in lunar orbit to support human and robotic missions to the surface of the moon. This builds on MDA's completed Phase 0 and subsequent Phase A of the program, with work on this phase expected to start immediately and 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.

The second announcement relates to our new facility in Brampton that will have advanced robotics manufacturing capabilities and a mission control centre. The facility is another important foundational marker that supports the Company's ongoing growth and lays the groundwork for long-term success in the involving space robotics market. The modern, 200,000 square foot facility, currently under construction, will be home to our growing team and further unlock the potential of our world-class engineering and space mission expertise while allowing us to bring to market a full suite of innovative space robotics products that leverage Canadarm3 technology.

We are also engaged with multiple parties to provide advanced sensors to their spacecraft and lunar landing systems, as well as to provide robotics to space stations and space tourism and on-orbit servicing spacecraft. In Q4, we saw new activity for our Rover teams, with the award of a contract by the Canadian Space Agency to undertake the initial design study for a Canadian Lunar Rover mission to the moon.

Turning to operations, we continue to take strategic steps to scale the business. We successfully hired and on-boarded 670 people last year and expect to add a few hundred more this year as programs ramp up. The new Brampton HQ is also another compelling recruiting tool for us as we compete for the best and the brightest.

With respect to COVID-19, we started our return to the office in September using a hybrid workplace model, and in Q4 we introduced a mandatory vaccination policy, which was well-received by employees and has been helpful in keeping COVID-19 rates low at MDA.

We're also keeping a close eye on our supply chain for potential business disruptions. We have taken several proactive measures, such as designing around known shortages, or finding alternatives that are more readily available, ordering materials as early as possible, and building up inventory for some components, where necessary. For new programs, we are ensuring that our supply chain organization has full visibility early in the process to ensure that orders are placed promptly and monitored constantly to mitigate delay risks.

I want to spend a few minutes to come back to the tragic situation that we all see in Ukraine. As a global provider of satellite imagery, MDA has secured a special authorization from the Canadian Government to collect radar satellite imagery over restricted areas of the Ukraine. Images captured by MDA's 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’re honoured that we’ve been able to use our radar satellite capabilities to contribute to these international efforts, and appreciate the fact that the opportunities for space-based technologies to contribute to geopolitical conflict resolution will increase in importance in the future as a result. The outpouring of support from MDA employees, customers, and our global community has been very encouraging. Our thoughts are with the people of Ukraine during this very difficult time.

To recap, I’m very proud of what the team has accomplished in 2021 and the opportunities that lie ahead this year and beyond to build tremendous value. We are executing well on our strategy, meaningfully growing our backlog, and expanding our leadership in core markets. We are doing all of this while maintaining strong profitability and a healthy financial position 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 delighted to be with you this morning to talk about our Q4 and our Full Year 2021 financial results.

Just a quick reminder. The Company commenced operations through the sale of Northern Private Capital on April 8 of 2020, and as such, on a full year basis, the consolidated financial statements, other than the balance sheet, continue to include comparative information for the period from April 8, 2020 to December 31, 2020. We continue to provide constructed 2020 carve-out results, and all of our commentary is for the full, comparative period.

Let’s now dig into our Q4 results and our full year results. Overall, we’re pleased with our Q4 financial results. First off, the backlog as at December 31, 2021, was $864.3 million, a solid 54 percent increase compared to the year end 2020 levels, reflecting incremental awards across our business. Our 2022 revenue outlook that I’ll talk about in a few minutes reflects continued robust build of this backlog throughout 2022.

Total revenues for the fourth quarter of 2021 were $115.5 million. This represents a 15 percent increase over prior year levels, and on a full year basis, total revenues are $476.9 million, an increase of 16 percent over the Full Year 2020.

Revenues in our Geointelligence business increased $5.2 million, or 11 percent, to $52.8 million in Q4 compared to $47.6 million in the fourth quarter of 2020. For the full year, Geointelligence increased revenues from $184.5 million in 2020 to $190.7 million, representing a $6.2 million, or 3 percent, increase. While in Q4 we continued to see growth in sales of satellite imagery and analytic services, and growth from increased volume on CSC, on a full year basis it was partially offset by the completion of various programs.

In Robotics & Space Operations, revenue continued to show positive growth in Q4. Revenues were at $29.9 million in Q4 of 2021, representing $4.2 million, or a 16.3 percent, increase versus Q4 of 2020. On a full year basis, Robotics & Space Operations revenue are $132.9 million, showing growth of 15 percent when compared to the Full Year 2020. A large proportion of this growth is driven by increased activity on the Canadarm3 program.

Satellite Systems continued once again to deliver strong revenue growth on both a quarter and a full year basis. In Q4, Satellite Systems generated revenue of $32.8 million, which is a $5.9 million, or 22 percent, increase over Q4 of 2020. On a full year basis, Satellite Systems delivered growth of $41.6 million, or 37 percent, over Full Year 2020, with revenues of $153.3 million. This growth is attributable to higher volume stemming from new program awards, the restart of the OneWeb program in the first half of 2021, and improved program performance over the same period in 2020.

Let’s move over to gross profit results. As a reminder, gross profit represents our revenue less cost of revenue, which includes materials, labour, overhead, SRED credits, and depreciation. For Q4, our gross profit was $45.4 million versus $28.6 million in Q4 of 2020. For the quarter, this translated into a gross margin of 39 percent compared to 29 percent of Q4 2020. The full year results for gross profit are $167.8 million with a 35 percent gross margin versus $117.3 million in Q4 of 2020 and a 29 percent gross margin.

Both the quarter and the full year improvements over prior year are due to increased volume, improved program performance over 2020, and increased investment tax credits earned both in the quarter and full year. While we’re pleased with this margin performance on both the quarter and the full year, we do anticipate the mix of programs in 2022 to cause a slight drop in gross margins as we make our way throughout the year.

Operating expenses. Q4 operating expenses were $43.3 million compared to $41 million in Q4 of 2020. On a full year basis, our operating expenses were $149.2 million compared to $122.1 million for the 12-month comparative period. This increase is primarily driven to an additional quarter of amortization of intangible assets resulting from the April 20 acquisition of MDA by Northern Private Capital, and increased share-based compensation expenses following the introduction of the new stock option plan, with commencement of grants awarded in Q4 of 2020. Another contributor to the growth in Q4 and the full year results and operating expenses is an increase in our R&D expense due to the heightened activity on CHORUS and other proprietary technology programs.

Adjusted EBITDA in Q4 was $26.8 million. This is a drop of $3.3 million from Q4 2020 levels. This reduction is reflective of an increase in R&D spend due to CHORUS and lower Canada Wage Subsidy Program income on a year-over-year basis, offset substantially by stronger gross profit. In Q4 of 2021, we recorded $800,000 in CEWS income, as compared to $9.2 million in the same quarter of 2020.

On a full year basis, Adjusted EBITDA was $137.1 million, up from 2020 levels of $126.8 million. Adjusted EBITDA as a percentage of revenue for the full year was 28.7 percent, which is down slightly when compared to Full Year 2020 performance of 30.8 percent. However, and importantly, excluding the impact of CEWS, we continued to see a meaningful increase in our EBITDA margin with Full Year 2021 EBITDA margin of 23.5 percent, an increase from the 20.7 percent level we achieved in 2020, again, driven by strong improvement in our operating results through 2021.

In terms of capital spend, Q4 capital spend continued to show a steady ramp of investment from the previous quarter, aggregating to $37 million. On a full year basis, our capital spend was $94.6 million, and this reflects the continued planned ramp-up of our capital expenditure investments supporting our key strategic growth initiatives, including our CHORUS program, which is our next-generation commercial EO constellation, and Telesat Lightspeed, the Telesat LEO constellation program.

We expect this level of spend to continue as we advance these and other important growth initiatives. We ended the year with a strong balance sheet and minimal net debt of $61.1 million, $418 million of available liquidity, and a net debt to Adjusted EBITDA ratio of 0.4 times.

In closing, we're pleased with our financial performance. We continue to see strong results across our key metrics, steady improvement quarter over quarter, and are continuing to be focused on successful execution of both our base and our growth programs.

Let me turn now to our financial outlook and our growth strategies. We're executing 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 scaling the business.

Our strategic initiatives include investing in and developing our next-generation EO Earth observation mission, CHORUS, that will provide the broadest Synthetic Aperture Radar area of coverage on the market with cloud-enabled ground infrastructure to provide best-in-class download times; expanding our high-volume production capacity by investing in new satellite manufacturing facilities and modernizing existing facilities with state-of-the-art digital capability; further developing our digital satellite technologies to support the transition from analogue to digital payloads for both LEO and GEO satellites by providing customized digital payload solutions for specific applications, including IoT, 5G backhaul, and rural broadband - this will enable us to offer critical solutions to satellite manufacturers that lack digital payload capabilities; investing to maintain our global leadership in space robotics and exploration mission solutions, and leveraging our technologies and capabilities for emerging commercial on-orbit servicing applications; evaluating acquisition opportunities that can complement our organic growth strategy and enhance our offering; and lastly but certainly not least, continuing to invest to attract and recruit top talent to drive our future growth, including hiring more than 670 new employees in 2021.

Full Year 2021 was definitely a pivotal and exciting year for MDA. In addition to the Q4 successes that Mike has covered, we successfully completed our IPO in April and saw strong growth across all three of our business areas. In Geointelligence, some of the awards to highlight include a three-year contract under the Dark Vessel Detection program; the initial $60 million CSC contract, which was followed by a series of additional orders; and a contract by the Canadian Space Agency to provide satellite flight operations and data management services for the CSA's Earth observation of Space Situational Awareness satellite missions, valued at more than $35 million over a three-year period with an option of renewing for two additional years.

In Robotics & Space Operations, we continue to receive awards for sensors to support flights to the lunar surface, with MDA's sensor solutions now selected for multiple lunar missions. We were awarded a $35 million contract on Canadarm3 from the Canadian Space Agency for the design of the robotic interfaces, and post quarter, we announced MDA has been awarded Phase B of Canadarm3, which is valued at $269 million.

In Satellite Systems, we were selected by Telesat to provide the Direct Radiating Array technology on the Telesat Lightspeed program, and subsequent to year end in February of 2022, we were selected as the prime contract for Globalstar's new LEO satellites, an award valued at more than

$400 million. The satellites built by MDA will integrate with Globalstar's existing constellation, ensuring service continuity for Globalstar customers.

Turning to our 2022 financial outlook, consistent with the outlook that we provided in Q3, 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. We expect full year Adjusted EBITDA to be $140 million to $160 million. Our forecasts are predicated on continued backlog growth in the first half of 2022, followed by a ramp-up in revenues in the second half. We expect 2022 Q1 revenues to be in line with first quarter 2021 levels, with revenues starting to inflect positively in quarter two and accelerate over the balance of the year. We expect our capital expenditures in 2022 to be $180 million to $220 million, driven primarily of growth investments to support CHORUS in the previously outlined growth initiatives across the three business areas.

We believe our backlog and recent awards announced in the first quarter of 2022, including Globalstar's LEO satellite constellation and Canadarm3 Phase B, provide us with good revenue visibility and solid business foundation for 2022 and beyond. We continually monitor backlog and contract award timing and assess their impact on financial projections.

It continues to be an incredibly exciting time for all of us at MDA as we embark on this transformational year that is a building block to increased long-term value creation.

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

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay, thank you, Vito.

I think with that, we'll open it up to questions.

Q & A

Operator

Thank you, sir. Your first question will be from Paul Steep at Scotia Capital.

Paul Steep — Analyst, Scotia Capital Inc.

Great, good morning.

Vito, could you maybe just walk us through how you're thinking about the CAPEX build through '22 and then maybe beyond for some of the major growth initiatives? Thanks.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Yes, Paul, thank for the question.

As I've alluded to in my prepared remarks, obviously it's an exciting time when our growth CAPEX is really in support of—our CAPEX expenditures is largely in support of growth initiatives. It's obviously a privilege to be in that situation with a focus on value creation and an appropriate hurdle rate from a return on investment perspective. Those are very, very important initiatives for us.

First off, I'll say, in regards to the three- to four-year envelope, back to the IPO and the prospectus that we issued, we still expect our growth CAPEX to be in that $600 million to $700 million area, so no changes there, Paul, from the projections that we've provided. We expect that all to be substantially funded through cash from operations, so again, a unique situation where we've got strong cash generations, particularly with a growing revenue profile that allows us to essentially fund to growth CAPEX from cash from operations.

In terms of closer in here, 2022, obviously it's the first time we're providing annual guidance, and that was $180 million to $220 million. You see the last couple quarters in 2021 just under the $40 million, and we'll continue to see that ramp up. I was giving the first half, second half sort of projections on 2022 and maybe put it at 40 percent first half, 60 percent the second half as we make our way through 2022, on a quarterly basis.

Paul Steep — Analyst, Scotia Capital Inc.

Great, thanks.

Then just on any supply chain impacts, Mike, you commented briefly about Lightspeed, that you were still working with them in the MDA. Any updates overall, I think, for the business in terms of how we should be thinking about supply chain impacting the business? Then I've got one last quick follow-up. Thanks.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, sure. I think on supply chain issues, they continue to be managed well across the business. Obviously there are supply chain issues globally, and that affects everybody. For us, we are managing that well, I believe, at the team level.

As I mentioned in my remarks, we look at the technical design of projects in terms of design alternatives to make sure that we have multiple options for critical technologies. In addition, the programs are making sure that they get out ahead of any potential delays in supply chain activity to be able to increase the volume of long-lead items that are ordered early in programs, to make sure that they are accommodated for in the execution phase.

I think we're also fortunate that across our portfolio we have opportunities to make sure that we're quoting on stuff in sort of two- or three-year chunks. We're able to accommodate fluctuations as they occur in our constantly-updated quote and bidding processes. All of those tools are being used to manage those fluctuations.

Paul Steep — Analyst, Scotia Capital Inc.

Great. Last one for me is just on hiring timing, Vito, can you just remind us. You added the 670. Over 2,400 staff at the end of Q4. Is the Q4 number indicative of the run rate for all those staff? Then you talked about a few hundred more this year. Should we think that those are front-end loaded, or is there any other timing thoughts around that? Thanks.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, this is Mike.

I think from a headcount perspective, we certainly did have a higher pace of hiring in 2021 in response to the flow of the actual programs themselves. As you indicated, the hiring will continue, and as we indicated, through 2022 it'll be pretty steady; there has been a really good performance, very much in line with our plan and expectations in terms of the hiring pace so far in the first part of the year. It's a little bit front-end loaded, but it certainly will continue through the year.

Paul Steep — Analyst, Scotia Capital Inc.

Thank you.

Operator

Thank you. The next question will be from Ken Herbert at RBC Capital Markets.

Stephen Strackhouse — Analyst, RBC Capital Markets

Good morning, Mike. Good morning, Vito. This is actually Steve Strackhouse on for Ken Herbert.

Do you mind walking us through your expectations for contract wins in the first half of 2022?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Contract wins in the first half of '22. Well, certainly we were very excited about the contracts that we have won and announced so far. It's been a very robust start to the year with the award of the Globalstar LEO constellation, that's been very critical to us in terms of execution on our strategy and the Satellite Systems business area and our move to a prime contractor for full satellite design and manufacturing. That's occurred, and then of course Canadarm3, which is the large order in the Robotics & Space Operations business, to ensure that we have the next large phase of funding for the next year and a half for the Canadarm3 program. That allows us to continue to advance the design of those projects, further engage the supply chain, while at the same time conducting the detailed planning that's necessary for the follow-on phase to actually develop and launch those technologies over the next several years.

Those are ongoing. There are several others that will occur in each of those two business areas that I would expect in the first half of the year. We won't, of course, name them or anything, but we would expect some additional capability. Then as previously mentioned, we expect on Telesat Lightspeed in the first half of the year, that program to kick into a higher gear. We're certainly ready to perform on that the minute that that green flag is lifted.

Stephen Strackhouse — Analyst, RBC Capital Markets

Perfect. Then one more question if I may. Can you discuss the margin profile of those contract wins, of Globalstar and Canadarm3, and how much of the 2022 EBITDA is expected to come from both of those?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, I wouldn't have a number in terms of the percentage. But in terms of their actual EBITDA margins, it's all in line with the expectations that we've set in terms of us continuing to operate through the next several years in that sort of 18 percent to 20 percent EBITDA range. They all fit into the portfolio and ensure that we maintain that expectation.

Stephen Strackhouse — Analyst, RBC Capital Markets

Perfect. Thank you.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Thank you.

Operator

Your next question will be from Thanos Moschopoulos at RBC Capital Markets (phon). Please go ahead.

Thanos Moschopoulos — Analyst, BMO Capital Markets

That's actually BMO Capital Markets.

Hi, Mike.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Hi.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Just expanding on the supply chain discussion, any implications related to the Ukraine conflict? I mean, any perspective of, obviously, Russia is a supplier of rocket engines and for launch capacity. I mean, OneWeb was slated to launch, obviously, in Russia, so any implications from that perspective?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, on our projects, no, nothing yet. Obviously the things you're talking about, from a global market perspective there's all kinds of rumblings. You're correct that some people had planned launches on Russian launch vehicles. Some of those have changed, such as the OneWeb example that you're using. Some of the Russian vehicles coming out of French Guiana, that's been shut down, so there's been some of those shifts in activity.

I think that as a result, people will be rescheduling and looking for alternative plans. You would expect that the North American launch community would pick up some additional orders and requests and the like, so there'll be some shifting around in the market to keep everything humming. For us individually though, on our projects, we have not seen any specific impacts of those changes.

Thanos Moschopoulos –– Analyst, BMO Capital Markets

Okay, great. Then in terms of the Geointelligence segment, I mean, I imagine the conflict is driving increased demand for imagery, so how do we think about the potential implications, I guess, both short term and long term? At the moment, are you running at full capacity on Radarsat-2, or is there room for incremental revenue? Then from a longer-term perspective, how might the conflict maybe accelerate some opportunities in Geointelligence?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, we are seeing, obviously, increased interest in imagery, as I mentioned, from the Ukraine conflict. Radarsat-2 has lots of capacity, so we're not at any kind of limits or anything like that. That does represent an evolving opportunity as we go through the year. It's very new, obviously; it's only a couple weeks old, so it's all emerging as our existing EO channels, both government and commercial, are requesting an increased pace of requests in that region.

I think long term a couple of things are starting to emerge in the conversation that we see in the media. Certainly the value of space-based Earth observation is being really appreciated. The value of radar-based Earth observation is certainly picking up in conversation that you will see in the media and the like. Radar-based satellites, in terms of their ability to see through clouds, see through day, see through night, see through all weather conditions; because it's an active sensor, it's not taking a picture, it's actually pinging the Earth and receiving a response, it can see through that weather and day and night. The importance of that, I think, as a contribution to information products is just kind of generally increasing as a result of this situation. We would expect increased dialogues hopefully in the future as people are realizing those benefits.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Great. Then finally, I thought the Globalstar win was interesting, given that you were selected as a prime rather than as a sub. Could you maybe speak to what drove your selection? Was that your strength on the antenna side, was it just overall prior experience in LEO; what kind of drove that win?

Michael Greenley — Chief Executive Officer, MDA Ltd.

It is exciting, we agree. It's a great success for the team and the Company to be recognized by a proven satellite operator like Globalstar, and be selected as prime for the next generation of satellites for their constellation. For us it's a reflection of our strategy continuing to work and execute in the marketplace.

In terms of our capability and us really doing well in global competition to be able to receive this award, it's based on a number of things. One is our engineering and design capability has always been expanding and growing, but is very proven and is very collaborative. Customers regularly comment on being able to work well with our teams to be able to design next-generation technology solutions. Our ability to then deliver on those designs has also been continually expanding over time.

We've been involved in four LEO constellations so far as subsystem manufacturers, and continue to increase with support of local governments our advanced manufacturing capabilities. We're set up well to be able to convert our design ingenuity that we're able to demonstrate in this particular project into advanced manufacturing capabilities.

The other exciting thing for me about this is the opportunity for us to work as a very proven space company, over decades, with some of the new entrants in the space market over the next several years. Each of our business areas, we're seeing the opportunity to mix our proven expertise with a new, emerging provider in the market to create novel and exciting capabilities in the market. In this case with Globalstar, our collaboration with Rocket Lab is an excellent opportunity for us to be able to demonstrate our ability to be that bridge to bring customers that want the latest and greatest and our ability to engage the new space economy mixed with our experience to deliver novel solutions in a timely fashion to the market.

Thanos Moschopoulos — Analyst, BMO Capital Markets

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

Vito Culmone — Chief Financial Officer, MDA Ltd.

Thanks, Thanos.

Operator

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

Kristine Liwag — Analyst, Morgan Stanley

Hi, good morning, Mike and Vito.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Hi, Kristine.

Kristine Liwag — Analyst, Morgan Stanley

Hi.

Vito, following up on your $600 million to $700 million in CAPEX for the business. You expect to fund the growth and you expect to fund all of this with operating cash. I guess, in 2022, you're expecting CAPEX to exceed Adjusted EBITDA, and you've gotten that set at about $61 million. When do you expect EBITDA to start exceeding CAPEX? How much buffer do you have built into your expectations to fund all this growth through operating cash?

Then a follow-up to that, and sorry for this multipart question, but if you do need to raise capital, how do you think about debt versus equity?

Vito Culmone — Chief Financial Officer, MDA Ltd.

Well, there's a lot there, Kristine.

Definitely at this point, there's no need for us at all to issue any equity, definitely in the short term. I go back to our starting balance sheet position here at the end of the year, obviously, essentially minimal net debt. You're absolutely right. As we move through 2022, I think back to the quarterly sort of cadence that you're looking at. As we move through into the back half of 2022, you'll start to see our EBITDA to net debt metrics, again, fall into a first class sort of range. We see no stress at all on the balance sheet as we make our way through 2022. As the EBITDA performance, and as the revenue profile and the operating cash flow picks up in the back half of the year and into 2023, then you'll see ample operating cash flow being able to fund the capital expenditures.

In terms of capital structure perhaps and whatnot, obviously, I mean, I think that'll evolve as we move forward. You'll start to see us here in Q2 look at that Term 2 debt that we have, and we'll get into a position where we can optimize some of our annual interest costs by taking advantage of our strong balance sheet and operating cash flow position.

Kristine Liwag — Analyst, Morgan Stanley

Thanks, Vito.

Then Mike, if I could follow-up, the Globalstar contract's a pretty big deal for you guys, especially as you're prime. There are some discussions on who Globalstar's ultimate customer is, but presumably it's a large tech company. If you start thinking about other companies like Globalstar's ultimate customer thinking about building their own constellations as well, I mean, how quickly could that turn around for you, and do you see yourself in a prime position for additional contracts like that?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, we've always said over the last sort of year and a half that we've got this strong pipeline in Satellite Systems around LEO constellations, and that LEO constellation pipeline consists of different types of activities. Some of them are folks that have a great business model, and they're raising capital and they're going to develop a constellation and deliver service, and they're talking to us. In cases, they come from existing operators of constellations that want to replace or expand. In other cases, there's large corporations that are starting to see that space-based networks are going to be a useful tool for them for communications, or Internet of Things, or other purposes in the market.

That is the characterization of that pipeline. It remains solid, it continues to advance and progress, and those opportunities are there.

Within that pipeline, there's a solid mix of opportunities. Certainly the work share for us inside each of those opportunities is larger than it has been in the past: full payload opportunities, which would include payloads and antennas for constellations are there; opportunities to be prime are there as well. There are a number of those. Our future is strong in this regard. We're able to continue to work a solid pipeline of LEO constellations with a very meaty work share for us within each of those.

Kristine Liwag — Analyst, Morgan Stanley

Great, thanks, Mike.

If I could follow-up one more question. I mean, you talk about supply chain a lot. But can you provide more specific details on exactly what kind of issues you're experiencing? Is it more on the raw materials side, is it subcomponents, is it more just cross-border activity? Where are you seeing some of those issues? And any specifics would be helpful as well in terms of how you're mitigating the risks.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, we don't have a particular technology or problem area in terms of a specific type of part. In general, like the rest of the economy, electronic components are a little bit more challenging in the market, which you will see and hear, I'm sure, on all your earnings calls. Most of the impacts to us tend to be around schedule: making sure that the quotes that we're getting have accurate schedules, making sure that we are paying attention to suppliers' capability to deliver on-schedule, ordering early if we need to, ordering upfront if we need to, and ensuring that our quotes and expectations we're giving our customers are accommodating those schedule shifts. That tends to be the most important thing that we're dealing with.

Kristine Liwag — Analyst, Morgan Stanley

Great, thank you, guys.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Thanks, Kristine.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Thanks, Kristine.

Operator

Thank you. At this time, Mr. Greenley, we have no further questions. Please proceed.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay, well, I think with that, we just want to thank everybody for having a great call this morning. We look forward to updating everyone on our progress at our next earnings call, talking about Q1 2022, which we'll do in May. Thank you very much, and we'll keep talking to you. Have a great day.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Bye-bye.

Operator

Thank you, sir.

Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending.