FINAL TRANSCRIPT

MDA Limited

Fourth Quarter 2022 Earnings Call

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CORPORATE PARTICIPANTS

Mike Greenley
MDA Limited — Chief Executive Officer

Vito Culmone
MDA Limited — Chief Financial Officer

Shereen Zahawi
MDA Limited — Senior Director, Investor Relations

CONFERENCE CALL PARTICIPANTS

Thanos Moschopoulous
BMO Capital Markets — Analyst

Steve Strackhouse
RBC Capital Markets — Analyst

Kristine Lewig
Morgan Stanley — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to MDA's Conference Call and Webcast. This call is being recorded on March 23, 2023 at 8:30 AM 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.

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

Shereen Zahawi — Senior Director Investor Relations, MDA Limited

Thank you, Michelle. Good morning and welcome to MDA's Q4 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.

Mike Greenley — Chief Executive Officer, MDA Limited

Thank you, Shereen. Good morning and thank you to those joining us today to discuss our fourth quarter and full year 2022 financial results.

As we wrap up another strong year for MDA, I would like to thank our employees for their dedication and commitment to delivering for our customers. Our secret sauce and key to success are our talented employees, and we are fortunate to work in an exciting field that really energizes and attracts talent and pushes the boundaries of innovation every day.

As we rounded out the year, our team remained laser focused on executing our growth strategy across our end markets, and we are pleased with the progress made in the fourth quarter, including a contract award to support ARSAT, Argentina's national telecommunications company, by providing KA band antennas, and the completion of the preliminary design review on Globalstar's LEO constellation program. We are also pleased with the development progress made on CHORUS, our next generation earth observation constellation. In Q4, the team conducted the mission critical design review, or CDR, a major milestone in the development of the program that will now allow us to advance to unit-level build activities.

Overall, we are seeing strong business momentum and we have made tangible progress in executing against the plan we laid out just under two years ago at the time of our IPO. Our backlog at year-end stood at $1.4 billion, up 59 percent year-over-year and a very healthy level for the Company, and we continue to see a significant growth pipeline across our business.

In 2022, we secured $1.2 billion in awards, which included two sizeable wins: Phase B of Canadarm3 and Globalstars' LEO constellation, complemented by numerous other strategic awards across our three business areas.

We grew our revenue to $641 million, an increase of 34 percent year-over-year, and expanded our Adjusted EBITDA to $141 million, up 26 percent versus last year levels. This translates to a robust 22 percent margin for the full year.

To support current and future growth, we continue to focus on talent recruitment. In 2022, we added 880 new staff. This is in addition to the 670 new hires we added in 2021. We also deployed $180 million in capital expenditures, which included research and development spending on technologies related to CHORUS and other growth initiatives. Persistent innovation and technology advancement is a critical market differentiator for MDA. Our Company was recently ranked by market research firm, Research Infosource as one of the top 45 companies in Canada for R&D and technology investment based on 2021 data.

From a strategy perspective, we remain focused on executing on the priorities we've outlined for our three business areas to capitalize on the growth opportunities we see in our end markets. Inside light 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 lower orbit or LEO constellation opportunities come to market.

Our Globalstar award, where MDA was selected as a prime contractor for 17 LEO satellites, with an option for nine additional systems to support direct-to-handset functionality, and work to support the U.S. Space Development Agency's LEO constellations, each showcase our strategy in action.

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. Our initial award from Axiom Space, which is one of a number of commercial players constructing commercial space stations, is an important win, an indicator of the market opportunities as we start to commercialize derivatives of the Canadarm3 robotic technology.

In our geointelligence business, we continue to see robust 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. We are in the early innings of a multi-decade growth cycle playing out in our end markets and MDA is uniquely qualified to take advantage of this growth.

With that growth market as our backdrop, today we are also introducing our full year 2023 financial outlook. MDA is well positioned to capitalize on strong customer demand and robust market activity given our diverse and proven technology offerings. We see activities ramping up in line with our expectations on a majority of our programs and are encouraged by the team's solid execution.

In 2023, we expect revenues to be in the $750 million to $800 million range, representing robust year-over-year growth of approximately 20 percent at the midpoint of guidance. We expect full year Adjusted EBITDA to be $145 million to $155 million, representing approximately 19 to 20 percent Adjusted EBITDA margin. We expect capital expenditures to be $220 million to $240 million as we continue to invest in our growth initiatives.

In short, 2022 was a year of strong growth for MDA and I'm proud of how the team executed. As we look to '23, the team is energized by the strong momentum and positive trends we are seeing in our end markets, and MDA has the right technology portfolio to capitalize on the opportunities ahead of us.

I'll now give you a view of the industry and update on MDA's three business areas, and then pass it to Vito for a deep dive on the financials.

Starting with the global space market, 2022 was another strong year for space with research firm, Euroconsult estimating the space market grew by 8 percent to reach $424 billion last year, while the space economy, which also includes non-contracted government activity reached $464 billion. Governments around the globe continue to invest in space with 86 nations spending a total of $103 billion in 2022, up 9 percent year-over-year. Governments are allocating a higher share of their space budgets to defense programs as the gap between civil and defense spending continues to decrease and is projected to reach parity by 2031. We are seeing increased integration of space-based capability as a routine component of defense and military budgets driven by geopolitical tensions and demand for space-based surveillance and detection systems.

Looking at the big picture, Euroconsult estimates the size of the global space market will grow to over $737 billion within a decade, representing a compounded annual growth rate of 6 percent over the forecast period. The U.S. Chamber of Commerce projects that the space economy will exceed $1.5 trillion by 2040.

In terms of space infrastructure, spacecraft launch activity continued to unfold at a record pace I 2022 with a total of 2,500 spacecraft launched globally, an increase of 36 percent versus last year with 89 percent of those spacecraft operated by commercial players and the majority of launches comprised of communications satellites. The higher activity levels are driven primarily by growth in commercial lower orbit, or LEO constellations. Notable industry developments last year included the increased adoption of satellite constellations in mobile communications. We saw a number of mobile network operators and cell phone manufacturers announce partnerships with satellite operators in a push to enable messaging and emergency SOS functionality in geographic areas not typically reachable by traditional cell signals. In September, Globalstar disclosed that it will be utilizing its network, including the recently announced enhancement via the 17 additional LEO satellites that MDA is delivering, to support new satellite-enabled services for certain of Apple's products.

We saw similar announcements from T-Mobile and Starlink which are working to add text coverage for T-Mobile customers across the U.S. In October, AT&T announced that it's working with AST

Space Mobile to utilize the latter's satellite network to provide coverage in hard-to-reach areas of the U.S., and in January of this year Qualcomm announced a partnership with Iridium to enable satellite messaging for Android phones. The increased interest in satellite-to-cell offerings is an exciting development for the industry and has the potential to enhance connectivity and bridge the divide for customers in remote areas around the globe.

On the space exploration front, we saw the successful launch of Artemis 1, a key milestone in NASA's human space flight program to enable humans' return to the lunar surface and the long-term exploration on and around the moon. The Artemis program is comprised of multiple missions. Artemis 2, which will be a crewed mission, is expected to launch in late 2024 and carry a Canadian astronaut. MDA and the entire industry is excited and eagerly awaiting an announcement from NASA on who will be on that Artemis crew in a little over a week, on April 3.

In addition, we are seeing growing global interest in space exploration. In 2022, NASA added nine new signatories to its Artemis accords, signaling these countries' commitment to safe, long term and ethical space exploration. The latest entries bring the group size to 23 nations. The accord, which was unveiled in October of 2020 to align nations on a common set of principles for space exploration, has tripled in size over the last two years with interest from many non-traditional space-faring nations which are now building their own national space programs. All of this activity bodes well for MDA and our future opportunity funnel, which we would characterize as very healthy.

Now I'll turn to our three business areas. In satellite systems, our opportunity funnel remains strong and we continue to see good activity levels. Our teams are advancing multiple requests for communication satellite solutions and for a growing number of constellation projects, particularly in the lower orbit segment of the market. This quarter we announced a new contract with ARSAT, Argentina's national telecommunications company, which is aligned with our strategy of expanding our geographic footprint internationally. The contract will see MDA design and build KA-band multi-beam antennas for ARSAT's geosynchronous satellite, which will provide high speed internet as well as digital video and voice services across Argentina and to neighbouring countries. The ARSAT antennas will be built in MDA's state of the art high volume production facility in Montreal.

The team also continues to make good progress ramping up on the Globalstar program and advancing the design work. We successfully completed the mission preliminary design review for the LEO constellation and the program has now advanced to the satellite detailed design phase. We announced the award from Globalstar in early 2022, where MDA was selected as the prime contractor to enhance Globalstar's LEO constellation. We view this as an important market validation of MDA, reflecting our strategy to expand our offerings, move up the value chain, and to position our Company as a prime integrator for LEO constellations providing advanced payload capabilities and systems engineering, as well as high volume manufacturing.

Moving to the geointelligence business, we continue to see robust customer demand for our earth observation offerings coupled with increased recognition of the role that commercial earth observation satellites can play to provide near real-time data and analytics to governments and private enterprise. During the year, we made significant progress on the CHORUS constellation program which includes a fourth generation MDA-built C-band SAR satellite in addition to the X-band satellite, which will be supplied by ICEYE. In Q4, the team conducted the mission critical design review, or CDR, and started unit-level build activities. In 2023, the team is focused on continuing flight unit development and deliveries, building the ground segment sub-systems and detailing constellation operation plans and processes.

Work on the Canadian surface combatant program, or CSC, one of our long term government programs, continues to progress in line with the cadence we saw in the previous quarters. The preliminary design review for the vessels was completed late last year and our teams are now working on maturing the system-level design. MDA is responsible for the design and integration of the electronic warfare system for the ships, which comprises a suite of sensors including laser warning and electronic system technologies used to detect aerial threats to help protect the men and women of the Royal Canadian Navy.

Moving to our robotics and space operations business, we are seeing good traction and activity levels on both the government and commercial fronts. On the government side, we continue to ramp up work on Phase B of the Canadarm3 contract which MDA was awarded in early 2022, and that will see us completing the preliminary design of Canadarm3's robotics system to be used aboard the NASA-led lunar gateway. Program activity is ramping up in line with our expectations and the team is making good progress, closing out the preliminary design and safety review for the robotic interfaces and multiple additional sub-system reviews in the lead-up to a system design review milestone expected in the first half of 2023.

In 2022, we also announced two commercial sales of space robotic products derived from Canadarm3 to Axiom Space. MDA is delivering 32 external robotic interfaces and 62 payload interface pairs for Axiom's space station. The interfaces will allow connectivity to Canadarm2 and, once operational, Canadarm3 technologies as well as provide mechanical, electrical and data connections for payloads that are externally mounted on the Axiom station. The Axiom station, which is now under construction, will initially be attached to the International Space Station and subsequently separate from the ISS when the ISS partners decommission it at the end of the decade.

While still in its early days, we are seeing an emerging shift in the commercial landscape for space robotics as more non-government entities look to establish a foothold and hub in the lower orbit for a variety of activities, including space manufacturing, human space flight missions to LEO, and deep space exploration missions to the moon and beyond.

Shifting to operations, to support the current and anticipated revenue ramp-up, we added 880 new hires in 2022. This is in addition to the 670 people hired in 2021. We continue to keep a close eye on our supply chain for potential business disruptions and so far those have all been manageable. Over the last two years, we've rolled out a number of proactive measures that have served us well. These include designing around known shortages, finding alternatives 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 delays.

To recap, I'm very proud of what the team accomplished in 2022 and the opportunities that lie ahead. Our team is energized and we remain laser focused on our priorities: a strong focus on execution, converting opportunities in our funnel, and expanding our leadership in core markets while maintaining strong profitability 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 Limited

Thank you, Mike, and good morning, everyone. For my update here this morning, I'll walk you through our Q4, our full year 2022 financial results, and also provide a little colour on our 2023 outlook.

Overall, Q4 was a strong quarter for MDA and we're pleased with how the team is executing. In the quarter, we saw strong revenue growth, solid profitability, and healthy backlog at quarter end which will bode well for our performance in 2023.

Total revenues for the fourth quarter were $186.1 million. This represents a $71 million or 61 percent increase over the same period last year. The year-over-year increase is driven by higher revenues from our satellite systems and robotics and space operations businesses. On a full year basis, total revenues were $641.2 million, an increase of 34 percent over 2021. The increase in revenues was primarily driven by execution on our opening backlog as well as orders added to backlog in 2022, primarily in our sat systems and robotics and space operations businesses.

By business areas, revenues in satellite systems of $84.3 million in the fourth quarter 2022 were $51.5 million or 157 percent higher compared to the same quarter in 2021. The strong showing was driven by higher work volume as new programs ramp up, including the Globalstar program which was awarded in early 2022. On a full year basis, revenues for sat systems increased to $252.2 million for the latest year, representing a $98.9 million or 65 percent growth over full year 2021. This growth is also attributable to higher volumes on new programs, including the Globalstar program.

In robotics and space operations, we saw healthy year-over-year growth with revenues of $47.9 million in the latest quarter, representing $18 million or 60 percent increase versus Q4 of last year. The growth is largely attributable to higher volume of work performed on the Canadarm3 program. For the full year 2022, robotics and space operations revenue were $193.7 million, translating to a $60.8 million or 46 percent year-over-year growth, largely driven by increased activity on the Canadarm3 program.

Revenues in our geointelligence business of $53.9 million in the latest quarter represent an increase of $1.1 million or 2 percent year-over-year, reflecting steady work volume. For the full year 2022, revenues for geointelligence were $195.3 million, representing a $4.6 million or 2 percent increase compared to 2021 levels.

Let’s move on to gross profit, and as a reminder, gross profit represents our revenue less cost of revenue, which includes material, labour, allocated overhead, SR&ED credits, and depreciation. For Q4 2022, gross profit was $58.9 million, representing a $13.5 million or 30 percent increase over the same period last year. Gross margin in the latest quarter was 31.6 percent, which is in line with our expectations as our program mix evolves. This compares to 39.3 percent for the same period in 2021, which as a reminder included a higher percentage of investment tax credits recognized against cost of revenues.

For the full year 2022, gross profit was $228.4 million, representing a $60 million increase or 36 percent increase over 2021. The year-over-year increase was driven by higher work volume performed coupled with higher ITC income recognized this year, with the latter contributing $29 million of the $60.6 million increase.

Gross margin for full year 2022 was 35.6 percent, which compares to gross margin of 35.2 percent in 2021. When excluding the impact of the $16.8 million resolution of historical ITC claims recognized in 2022, full year gross margin was 33 percent, and this is in line with our expectations and reflective of strong operating performance throughout 2022.

Turning to operating expenses, Q4 operating expenses of $40 million were slightly below last year's metric of $43.3 million, reflecting good cost control and lower intangibles amortization and share-based compensation. On a full year basis, our operating expenses were $153.8 million in 2022 compared to $149.2 million for the 12-month comparative period. The year-over-year increase is primarily due to higher R&D costs as we ramp up development activity on CHORUS and other proprietary technology programs. The increase in R&D was somewhat offset by lower amortization of intangibles and share-based compensation expenses in 2022.

Adjusted EBITDA in the latest quarter was $39.9 million compared to $26.8 million in Q4 2021, reflecting higher work volumes across the business. Adjusted EBITDA margin was 21.4 percent in Q4 2022 compared to 23.2 percent in the same period last year. The slight year-over-year decline is consistent with our expectations and largely driven by lower gross margin in the latest quarter, somewhat offset by stronger SG&A cost control. On a full year basis, Adjusted EBITDA was $157.9 million, up from 2021 levels of $137.1 million, representing a $20.8 million or 15 percent year-over-year increase. Full year 2022 Adjusted EBITDA included $16.8 million of ITC income from the resolution of historical ITC claims already mentioned, while full year Adjusted EBITDA in 2021 included $24.8 million of CEWS income. Excluding these items, Adjusted EBITDA was $141.1 million in 2022 compared to $112.3 million in 2021. Adjusted EBITDA margin for the full year 2022 was 24.6 percent compared to 28.7 percent for 2021. When excluding the aforementioned historical ITC settlement and CEWS income, our EBITDA margin was 22 percent in 2022 compared to 23.5 percent in 2021.

Throughout 2022, we've demonstrated strong operating performance focusing on program execution and cost control, while simultaneously investing in the growth initiatives which contributed to higher levels of R&D expense.

Moving onto backlog, we ended the quarter with $1.4 billion in backlog, representing an increase of 59 percent year-over-year. The growth in backlog was driven by the addition of a number of sizeable awards in the first half of this year, including Canadarm3 and Globalstar, as well as numerous other smaller awards across our three business areas.

Capital expenditures - we remain focused on making the right investments in the business to support our strategic growth initiatives. In Q4 2022, we spent $47.1 million on gross capital expenditures, up from $37 million last year as we ramp up our development on CHORUS and other growth initiatives. Growth CAPEX was $38.5 million in the latest quarter, up from $30.9 million in Q4 of 2021. On a full year basis, our capital spend was $180.1 million in 2022 compared to approximately $95 million in 2021. We expect this level of spend to continue in 2023 as we advance CHORUS and invest in initiatives to support our growing business, including expanding and modernizing our physical infrastructure.

Cash from operations during the quarter generated $40.3 million compared to cash generation of $34.5 million in Q4 of 2021. The year-over-year increase was driven by higher net income in Q4 2022 versus the prior quarter. Free cash flow was negative $6.8 million in the latest quarter, and free cash after adjusting out growth CAPEX investments was positive $31.7 million in Q4 of 2022. For the full year 2022, the cash from operations generated $57 million compared to cash generation of $72.1 million in 2021. A significant contributor to the $15.1 million year-over-year decrease in cash provided by operating activities is $12.7 million in pre-payments that we made in 2022 for inventory to be received in 2023 and beyond to support our strategic initiatives. Free cash flow was negative $123 million in 2022 compared to negative $22.5 million in the prior year, and the year-over-year decrease in free cash flow was driven by the elevated growth CAPEX investments. Free cash flow after adjusting out our growth CAPEX was $38.5 million in 2022 compared to $57 million in 2021.

Moving onto our balance sheet quickly, we ended the quarter with a strong financial position and net debt of $204.3 million, availability liquidity of $331 million, and net debt to trailing 12-months Adjusted EBITDA rate of 1.3 times. In summary, this was a strong quarter to wrap up Fiscal 2022, and we are encouraged by the positive momentum we're seeing across our business.

Turning to outlook, as Mike noted, we are introducing our 2023 financial outlook and are well positioned to capitalize on strong customer demand and robust market activity, given our diverse and proven technology and product offerings. For Fiscal '23, we expect full year revenues to be between $750 million and $800 million, representing robust year-over-year growth of approximately 20 percent at the midpoint of guidance. We expect full year Adjusted EBITDA to be $145 million to $155 million, representing approximately 19 to 20 percent Adjusted EBITDA margin. We expect capital expenditures to be $220 million to $240 million in 2023 primarily comprised of growth investments to support CHORUS and the previously outlined growth initiatives across our three business areas. Turning to Q1 2023, we expect revenues to grow by approximately 50 percent compared to Q1 2022 levels.

With a number of large programs now in our backlog, our book of business is strong. We remain focused on disciplined execution on our customer commitments and leveraging our capabilities and technology to grow profitably in core and emerging markets in line with our long term plan.

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

Mike Greenley — Chief Executive Officer, MDA Limited

Thank you, Vito. I think with that, we will open it up for questions. Operator?

Q & A

Operator

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

Thanos Moschopoulos – Analyst, BMO Capital Markets

Hi, good morning. Mike, just given all the geopolitical things that are going on, can you maybe spend a moment drilling on the opportunities in the defense pipeline? Obviously, I should (inaudible) long term CHORUS demand, has this prompted any acceleration in the time frame for it? (Inaudible) obviously looking to upgrade its NORAD infrastructure, which may (inaudible) opportunities. In the U.S., you're obviously building some antennas for (inaudible), so just speak to maybe some of the opportunities that you see over the next year or two stemming from defense. Thanks.

Mike Greenley — Chief Executive Officer, MDA Limited

Yes, sure. I can talk about it a bit. I think you just provided a good summary.

But yes, there definitely are things that are occurring there. You mentioned the activity that we're seeing in SDA in the U.S. for LEO constellations. Those constellations that follow the different tranches of those continues to expand as the military community is using LEO constellations to have a more robust communications network around the world. That is solid and continues to feed into the pipeline as we continue to supply satellite technologies to most, if not all of the prime contractors in the U.S. on that U.S. defense LEO constellation activity, so that would continue.

Sticking with communications, military communication continues to be important globally, both in terms of militaries looking to acquire communication networks such as the U.S. SDA that we just talked about. Within the NORAD modernization program in Canada that you mentioned, there is a program for northern communications that's in that, that we would continue to track as well. Earth observation, you mentioned, so we saw some uptick in the global market as a result of the Ukraine activity - that caused the need for earth observation products to go into Ukraine, but it also caused various countries to realize what they could obtain from commercial sources, and so that caused an increased dialogue globally with various nations in terms of what types of earth observation or information can they have access to, so good dialogue there globally.

In terms of new systems, you mentioned (inaudible) which is an announced Canadian program for the future, which is also now part of the NORAD modernization program - that's there. I think we see the opportunities for both new system delivery in the defense realm for radar-based earth observation and other sensors in addition to increased products and services commercially, so CHORUS for example, would have a strong opportunity to deliver into increasing defense and intelligence community demand as well as commercial customers. There's a number of things there that are keeping us busy as the defense need increases.

Thanos Moschopoulos – Analyst, BMO Capital Markets

Great, thanks for that colour. Just a couple of financial questions for Vito. How should we think about working capital over the next year? Obviously investment this year. Just given the program ramps, would you expect negative working capital or should that be a contributor to cash over the next year?

Vito Culmone — Chief Financial Officer, MDA Limited

Yes, thanks, Thanos. No, we've been really, really pleased with our working capital progress throughout 2022. When you look back with the significant growth, and I think our working capital draw in 2022 was close to $16 million. As we work our way into 2023, don't see a significant cash requirement for working capital. We do a really focused job in ensuring that our milestone payments are matched up against our outflows, and on a program by program basis look to always be in a cash neutral to positive position. The short answer is don't expect a meaningful working capital draw here into 2023 at all.

Thanos Moschopoulos – Analyst, BMO Capital Markets

Okay, and then finally, how should we think about linearity throughout the year? You obviously gave us full year guidance, but should we see steady ramp given the various programs as they're ramping up, or anything to call out as far as the cadence of the quarters?

Vito Culmone — Chief Financial Officer, MDA Limited

No, I think it is a real nice steady year. We gave guidance for Q1, we give our full year guidance. If you map Q1 to our full year guidance divided by four, you're in that range. We'll obviously see what the back half of the year brings in relation to additional programs, perhaps, and whatnot, but as the plan stands and the guidance stands, it's a real, nice steady quarter-over-quarter type year.

Thanos Moschopoulos – Analyst, BMO Capital Markets

Great, I'll pass the line. Thanks.

Vito Culmone — Chief Financial Officer, MDA Limited

You're welcome.

Operator

Thank you. The next question comes from Ken Herbert of RBC Capital Markets. Please go ahead.

Steve Strackhouse – Analyst, RBC Capital Markets

Hi, good morning Mike, Vito and Shereen. This is actually Steve Strackhouse on for Ken Herbert. Congrats on the nice quarter this morning.

I was hoping you could just dive a little bit further into the free cash flow expectations for this year. I know you just touched on working capital, but you also guided to growth CAPEX of about $200 million, so was hoping we could get a little bit more detail on what that use of the growth CAPEX is for this year.

Vito Culmone — Chief Financial Officer, MDA Limited

Yes, Steve, good morning. The largest contributor to our growth CAPEX plans, of course, is the continued development of CHORUS, in addition to obviously supporting our infrastructure and strategic programs in satellite and robotics, so that's very, very consistent. We expect our total CAPEX to be in the range that I provided, 220 to 240, with the majority of that essentially being what we term as growth CAPEX.

When you map that against our EBITDA guidance and other aspects of our cash flow, it will be a negative cash flow year, as expected and consistent with our plan, our longer term plan. The balance sheet is in great shape - 1.3 times here at the end of the year, so no concern at all as we lean into these very long term focused and important strategic growth CAPEX on our end.

Steve Strackhouse – Analyst, RBC Capital Markets

Great, and then just a follow-up there on CHORUS. Can you provide us any update on CHORUS? I know you noted the CDR, but I wanted to ask how the unit level builds are going and if there's anything in the supply chain that you're seeing as far as delays, or if you're learning anything significant in that process that's maybe even changed some prior thoughts on the program.

Mike Greenley — Chief Executive Officer, MDA Limited

Yes, no changes to prior thoughts, continued optimism and enthusiasm with getting CHORUS done. I think we mentioned as we finished the year in ’22, we finished that mission level CDR which has caused Q1 to start unit level builds. Definitely exciting to be able to drop into the satellite production facilities in Montreal and see CHORUS pieces coming together — that’s exciting to see for everybody. I think there’s always—in any satellite program, you’ve got puts and takes in your schedule and supply chains, but to answer your question, there’s nothing new or marked that changes our views on the program or our expectations. The teams continue to work very hard on it and we continue to get it done, so.

Engaging with customers, we definitely see enthusiasm there. We have a strong customer base globally on radar sat 2. Folks are looking forward to CHORUS coming and having a C-band and an X-band satellite working together in the same constellation, and so the pipeline type of opportunities now start to heat up once we get into unit-level production and everyone can see we’re moving ahead well with this. We’re definitely getting increased energy in the pipeline conversations moving forward.

Steve Strackhouse – Analyst, RBC Capital Markets

Great, thanks so much. I’ll hop back in queue.

Vito Culmone — Chief Financial Officer, MDA Limited

Thanks, Steve.

Operator

The next question comes from Kristine Lewig of Morgan Stanley. Please go ahead.

Kristine Lewig – Analyst, Morgan Stanley

Hey, good morning, guys.

Mike Greenley — Chief Executive Officer, MDA Limited

Hey.

Kristine Lewig – Analyst, Morgan Stanley

Following up on Globalstar, can you guys talk about an update on financing? It looks like they've secured help from Apple, and then can you remind us regarding the revenue and cash contribution for the program in 2023 and when you expect peak cash or peak revenue is for the program?

Vito Culmone — Chief Financial Officer, MDA Limited

Hi Kristine, it's Vito. Maybe I'll take the revenue one first. The revenue is essentially pretty straight line over the three years, so I would expect 2023 revenues to be largely in line with where 2022 levels were, give or take a few million dollars. That was pretty straight line over the three years from the program that we announced, obviously, which was, what, US$350 million-ish, I believe in that range.

In respect to the financing, you're absolutely right. Obviously as you've seen, some very encouraging announcements coming out of Globalstar - we can't speak for them, but publicly obviously what they've announced. We're in very close contact with them, we're encouraged by where they stand in their last couple little steps that they've got to take to arrange for their financing, and we'll just sit by patiently as they move to execution through that process.

Kristine Lewig – Analyst, Morgan Stanley

Great, thanks, Vito. Following up on the growth CAPEX expectations for the year, considering the financing environment in general for the market became more difficult, is there an opportunity for the government to step in and support you with your CAPEX requirements?

Vito Culmone — Chief Financial Officer, MDA Limited

We always look for the government, they're a key customer of ours, so when we talk program specifics, we do get in situations where we discuss cash related to the programs. But our plan at this point in time doesn't rely at all on any government—meaningful government assistance with what I described. The balance sheet is in great shape. Again, we continue to talk to government and ensure that they pay and are represented appropriately in these arrangements, but I think it's important to note that our balance sheet stands on its own as we currently sit here.

Kristine Lewig – Analyst, Morgan Stanley

Great, and if I could sneak a third one in. On Telesat, is it still possible to get Telesat revenue in 2023? Can you give us an update in terms of what you're hearing from your customer, and also if they're able to secure financing, is this still an $800 million contract by the time you get to 2024?

Vito Culmone — Chief Financial Officer, MDA Limited

Yes, so on the Lightspeed community, as you know and we've talked about we don't have any Telesat in our plan at this time, they definitely, from the signals we see in the market, continue to work to try to progress their project and get their financing arranged. We continue to ensure that our bids and contribution to that program, like any other program in the pipeline - we have a number of them - remain current and valid so that they can act upon them, should they get their financing put in place, so we stand by at the ready. Our scope has not decreased in any of our conversations, to answer your scope of work question, so should they get the go, it would continue to be that size of a program for us. at least moving forward into the future.

It's an actively worked pipeline opportunity like many others, and we continue to wish them well in getting the project organized and moving forward.

Kristine Lewig – Analyst, Morgan Stanley

Great, thanks, Mike, thanks Vito.

Vito Culmone — Chief Financial Officer, MDA Limited

Thanks, Kristine.

Operator

Thank you. There are no further questions at this time. I will turn the call back to Mike Greenley for closing remarks.

Mike Greenley — Chief Executive Officer, MDA Limited

Okay, well, thank you, and thanks, everyone, for your time this morning. At this time, we look forward to updating you on our progress at our next earnings call in May. We can dive into the first quarter and see what new information we can share at that time.

Thanks again for the time today.

Operator

Ladies and gentlemen, this does conclude your conference call for today. We thank you for your participation and ask that you please disconnect your lines.