FINAL TRANSCRIPT

MDA Ltd

Q4 2023 Earnings Conference Call

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PRESENTATION

Operator

Good morning, my name is Sylvie and I will be your conference operator today.

At this time, I would like to welcome everyone to the MDA Q4 2023 Earnings Conference Call.

Note that all lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session.

(Operator Instructions)

Thank you.

I would now like to turn the call over to Shereen Zahawi. Please go ahead.

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

Thank you, Operator.

Good morning and welcome to MDA's fourth quarter 2023 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.

Thank you, Shereen.

Good morning, everyone, and thank you to those joining us today to discuss our fourth quarter and our full year 2023 financial results.

We delivered a strong quarter in Q4 with double-digit revenue growth, solid profitability, and record backlog. Q4 revenues totaled $205 million, up 10 percent year-over-year, as we continue to execute on our backlog, which stood at $3.1 billion at year-end.

Our Adjusted EBITDA in the quarter was $42 million, and Adjusted EBITDA margin was a solid 20.5 percent.

This was a busy quarter for MDA, with a number of milestones worth highlighting. In October, we announced the selection of SpaceX as our launch partner for CHORUS, our next-generation Earth observation constellation, and confirmed our launched window for Q4 2025.

We also completed the acquisition of the digital payload division of SatixFy Communications in late October, as we continue to invest in our digital satellite technology and our talent.

In November, we announced that we've secured a $180 million authorization to proceed contract to initiate work on a new Non-Geostationary Orbit satellite constellation with the full contract expected to be awarded this year. We have now secured three constellation contracts in the past two years, highlighting the strong momentum we are seeing in our satellite systems business driven by customer demand for communication satellite constellations.

Late last year, we also announced plans to double our workforce and operational footprint in the United Kingdom, as we continue to grow and scale our business globally.

The fourth quarter's financial results and operational progress showcase the team's continued strong execution and the momentum we are seeing in our business and in our end markets. As we wrap up the year, I would like to thank our employees for their dedication and commitment to delivering for our customers. Our 3,000 talented people are key to our success, and we are fortunate to work in a field that energizes and attracts talent and pushes the boundaries of innovation every day.

In 2023, the MDA team delivered another year of strong growth and execution, with double-digit growth in revenue and Adjusted EBITDA, further solidifying our position as a trusted mission partner and leader in the expanding space industry. We secured a number of strategic contracts, including the Telesat Lightspeed Low Earth Orbit constellation award, valued at $2.1 billion, and the previously noted $180 million authorization to proceed contract to initiate work on a new Non-Geostationary Orbit satellite constellation.

We also continue to advance work on the Canadarm3 program, with the first elements of the external robotic interfaces going into production in 2023, a major milestone for the program.

On CHORUS, the team made significant development progress and has started subsystem unit assembly as we prepare for the mission launch in late 2025. These accomplishments reflect tangible progress against our strategic growth plan and position us well for the coming years.

Our backlog at year-end stood at $3.1 billion, a record level for the Company, and we continue to see a significant growth pipeline across our businesses.

In 2023, we secured $2.5 billion in awards, which included the Telesat Lightspeed constellation award in addition to other strategic awards across our three business areas. We grew our revenue to $808 million for the year, an increase of 26 percent year-over-year, and expanded our Adjusted EBITDA to $174 million, up 24 percent versus last year's levels when excluding non-recurring items. This translates to a robust 21.6 percent Adjusted EBITDA margin for the full year.

To support current and future growth, we continue to focus on talent and recruitment. In 2023, we added 890 new staff. We also deployed $193 million in capital expenditures, which included research and development spending on technologies related to CHORUS, commercial robotics products, digital satellite technologies, and other growth initiatives.

Our research and development efforts are a critical differentiator for MDA. Market research firm, Research InfoSource, which is focused on the Canadian R&D ecosystem, ranked MDA as 33rd in its ranking of Canada's top 100 corporate R&D spenders based on 2022 data.

In line with our long-term strategic plan, we continue to invest in the business to meet current and future growth across our business areas. 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 the growth.

With that growth market as our backdrop, today we are introducing our 2024 financial outlook. We expect 2024 to be another year of strong growth for the Company. For the full year, we expect revenues to be in the $950 million to $1.05 billion, representing robust year-over-year growth of approximately 25 percent at the midpoint of guidance.

We expect full-year Adjusted EBITDA to be $190 to $210 million, representing approximately 19 percent to 20 percent Adjusted EBITDA margin.

We expect capital expenditures to be in the $210 million to $230 million range as we continue to invest in our growth initiatives.

In summary, 2023 was a year of strong growth for MDA, and I am extremely proud of how the team executed. As we look to 2024, 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 spend a few minutes now to give you a view of the industry, an update on MDA's three business areas, and then I'll pass it over to Vito for a deep dive on the financials.

Starting with the global space market, 2023 was another strong year for space. With research firm Euroconsult estimating the space market grew to US $462 billion last year, up approximately 9 percent from 2022 levels, while the space economy, which also includes non-contracted government activity, reached $509 billion US.

Governments around the globe continue to invest in space, with 90 nations spending a total of $117 billion in 2023, up 15 percent year-over-year, and marking a historic high for government space spending. Governments are allocating a higher share of their space budgets to defense programs as the gap between civil and defense spending continues to narrow.

2023 marked the first year where defense spending at US $59 billion exceeded civil space investments. 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 as well as space-based communications for defense purposes.

Looking at the big picture, Euroconsult estimates the size of the global space economy will grow to over $822 billion within a decade, representing a compound 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.

Closer to home, notable developments last year included approximately $3 billion of incremental funding for space programs announced by the Government of Canada, including $1 billion of funding over 15 years for the RADARSAT+ portfolio, an initiative aimed at ensuring continuous, efficient and sustainable access to critical and high-quality Earth observation data for Canada.

That October funding announcement builds on the momentum we saw earlier in 2023 when Canada announced $2.3 billion of investments for two space initiatives, continuing Canada's participation in the International Space Station, and developing and contributing a Lunar Utility Vehicle, or rover, to assist astronauts on the Moon. These commitments signal not only the speed of the market opportunity before us, but the growing importance of the space economy on a national level.

In the U.S., both NASA and the U.S. Department of Defense Space Development Agency, or SDA, continue to advance civil and defense space programs including Artemis, NASA's lunar exploration program to send humans back to the Moon, and SDA's multiple LEO constellations, which will create a new ecosystem of satellites designed to enhance space infrastructure and help protect national interests, which is resulting in repeat orders for core technology suppliers like MDA.

On the space exploration front, India became the first country to land a spacecraft near the moon's south pole, an uncharted territory that scientists believe could hold vital reserves of frozen water. With this landing, India also becomes the fourth country to ever achieve a soft landing on the moon after the United States, Russia and China.

Earlier this month, MDA joined space enthusiasts around the world in congratulating Intuitive Machines on completing the first U.S. moon landing in 50 years. These are just two of a number of countries with lunar and space exploration ambitions. The number of space exploration missions are projected to exceed 750 in the next decade, more than tripling the 230 missions we saw in the previous 10 years, as governments around the world support ambitious space exploration plans.

In addition, we are seeing growing global interest in space exploration. In 2023, NASA added nine new signatories to its Artemis Accords, signaling these countries' commitments to safe, long-term, and ethical space exploration. As of February, 36 nations have signed up to the Artemis Accords.

The Accords, which was unveiled in October 2020 to align nations on a common set of principles for space exploration, has steadily grown in size over the last three years, with interest from many non-traditional spacefaring nations, which are now building their own national space programs.

In terms of space infrastructure, the spacecraft launch activity continued to unfold at a record pace. In 2023, there were a total of 223 orbital launch attempts, up 20 percent versus 2022.

A total of 2,911 payloads launched globally, representing an increase of 17 percent versus 2022 levels. The higher activity levels are driven primarily by growth in commercial Low Earth Orbit, or LEO, constellations. All of this activity bodes well for MDA and our future opportunity set, which we estimate today at approximately $17 billion in cumulative pipeline over the next five years. A level that we would characterize as very robust for the Company.

Now I'll turn to our three business areas. In satellite systems, we are seeing good momentum in this market with our teams working to advance multiple requests for communication satellite solutions and a growing number of constellation projects. We are seeing good activity levels from customers and our opportunity funnel remains strong.

On the operational front, the team commenced engineering and program procurement activities on a new Non-Geostationary Orbit satellite constellation in Q4 under the $180 million authorization to proceed contract which we mentioned.

The full constellation, valued at a minimum of $750 million, is expected to include a minimum of 36 MDA software-defined digital satellites. The definitive contract for the full constellation, for which MDA would be the prime contractor, is expected this year.

This latest award includes the selection of our newly introduced software-defined satellite product which offers significant benefits to satellite operators looking to improve performance while at the same time driving time, cost and complexity out of their LEO constellations.

This is also our second customer for the fully integrated portfolio of modular digital satellite products and components we are rolling out following the Telesat Lightspeed constellation award last August, where MDA was selected as the prime satellite contractor for the 198-satellite constellation.

On the Lightspeed program, we made good progress on ramp-up activities in Q4. Our teams have been busy engaging with our supplier base and progressing early design work, systems requirements analysis, and subcontractor tender planning and preparation. We are currently focused on finalizing supplier selection for the program. We also continued to advance work on a number of programs, including the Globalstar program.

In Q4, the team initiated the flight hardware production and began FlatSat testing of the bus and payload systems. Additionally, following the completion of the satellite critical design review in Q3 of 2023, the team is currently progressing towards a Spacecraft Integration Readiness Review to take place this quarter.

For the Globalstar program, MDA was selected as the satellite prime contractor to enhance Globalstar's LEO constellation through the addition of 17 satellites, which support SOS feature and direct-to-device communication on certain Apple products.

In late October, we completed the acquisition of SatixFy Space Systems in the United Kingdom, the digital payload division of SatixFy Communications. The UK-based team has been integrated into MDA-UK, and brings with it strong capabilities and expertise in digital payload technology. This team, which is collaborating closely with our satellite systems business in Montreal, helps expand our footprint in the U.K. market and add strategic in-country capability to produce satellite payloads.

Moving to our Geointelligence business unit, customer demand for our Earth observation offerings remains robust, and we are seeing increased recognition of the role that commercial EO satellites can play to provide near real-time data and analytics to government and private enterprise.

During the year, we made significant progress on the CHORUS constellation program, which includes a fourth generation MDA-built C-band Synthetic Aperture Radar satellite, in addition to an X-band satellite, which will be supplied by ICEYE.

Our team completed the payload critical design review, and is currently advancing unit and subsystem level work for the platform, payload, and bus avionics, as well as building the ground segment subsystems and detailing constellation operations plans and processes.

In the fourth quarter, we also announced the selection of SpaceX as our launch partner for CHORUS, with a launch window for Q4 2025. We continue to engage in active discussions with both new and existing customers on how CHORUS can help address their Earth observation data and analytics needs, and are pleased with the response from customers thus far.

In terms of other notable programs, work on the Canadian Surface Combatant Program or CSE, one of our long-term government programs, is progressing in line with our expectations as the team continues to meet our technical milestones and complete capability testing as required. MDA is responsible for the design and integration of the electronic warfare system for this ship, 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 businesses, we continue to see good traction and activity levels on both the government and commercial fronts. On the government side, we continue to progress the design work on Phase B of the Canadarm3 contract, which MDA was awarded in early 2022.

That will see us completing the preliminary design of Canadarm3 's robotic systems to be used aboard the NASA-led Lunar Gateway.

In 2023, we successfully closed out the systems definition review and made good progress towards the preliminary design review milestone expected to take place in 2024. We also secured follow-on contracts for the Canadarm3 external robotics interfaces, including the final construction and delivery of the interfaces. With these awards, the external robotics become the first Canadarm3 hardware components to go into production, a major milestone for the Canadarm3 program.

In Q4, the team continued to engage with the Canadian Space Agency regarding contract awards for the next phases of work on Canadarm3, including advancing detailed design and assembly manufacturing integration and test phases.

We are also working with the Canadian Space Agency on follow-on services contracts to provide engineering support to the International Space Station robotics, including Canadarm2, as part of Canada's continued commitment to support the International Space Station until its retirement in the 2030 timeframe.

On the commercial side, we are exploring a number of opportunities to incorporate our robotic technology on applications to support space exploration and mobility and are encouraged by the level of customer activity in this area of the market.

Shifting to operations, we continued our hiring efforts to support the anticipated revenue ramp-up. In 2023, we added 890 new hires. With more than 3,000 highly skilled MDA staff today, we have the people and the talent to help propel our growth and give us the scale to execute on the market opportunities we see emerging.

In Q4, the team was busy planning and preparing for the move to our new global headquarters in Space Robotics Center of Excellence here in Brampton, Ontario, which is currently underway. The purpose-built facility features state-of-the-art labs, manufacturing, R&D, and assembly integration and test facilities.

The Center of Excellence will also house a unique space robotics mission control center, enabling MDA to provide critical on-orbit operations capabilities to commercial and government customers worldwide.

With a number of side-level programs currently under contract, we remain vigilant when it comes to our supply chain and continue to deploy 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 delay risks.

To recap, I'm very proud of what the team has accomplished in 2023 and optimistic about 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 our financials.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Thanks, Mike. I echo your comments around it's such an exciting time in the industry for MDA, an incredible year.

Thank you, everybody, and good morning to you. I hope you're all doing well.

For my update, I'll walk you through our Q4 and full year 2023 financial results and provide a little more color on our 2024 outlook.

Overall, Q4 was another strong quarter for MDA, and we're pleased with how the team has executed. In the quarter, we saw strong revenue growth, solid profitability, and record backlog at quarter-end, which all bode well for our performance in 2024.

Our total revenues for the quarter were $205 million. This represents an increase of $18.9 million, or 10 percent, over the same period last year, driven by higher revenues primarily from our Robotics and Space Operations and Satellite Systems businesses.

On a full-year basis, total revenues of $807.6 million were up $166 million, or 26 percent, over 2022 levels. The increase in revenues were primarily driven by strong contributions from our Satellite Systems & Robotics and Space Operations businesses.

By business area, revenues in Sat Systems of $90.2 million in Q4 2023 were $5.9 million, or 7 percent higher, compared to the same quarter in 2022. This was driven by slightly higher work volume on the Globalstar program and the initial ramp-up of the Lightspeed program, which was awarded in Q3 of 2023.

On a full-year basis, revenues from Satellite Systems increased to $362 million for the latest year, representing a $110 million, increase of 43 percent growth over full year 2022, again, driven by higher volumes related to satellite constellation work, including the Globalstar program, which, as you recall, commenced in Q1 of 2022, and several additional rewards to support U.S. Department of Defense constellations.

In Robotics and Space Operations, we saw healthy year-over-year growth, with revenues of $65 million in the quarter, representing $17 million, or a 35 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 2023, Robotics and Space Operations revenue were $248 million, representing $54 million, or 28 percent year-over-year growth, largely driven by increased activity on the aforementioned Canadarm3 program.

Revenues in our Geointelligence business of $49.9 million in the quarter represents a decrease of $4 million, or 7.4 percent, year-over-year due to the timing of programs. For the full year 2023, revenues for Geointelligence were just under $198 million, and that represented a $2 million, or 1 percent increase compared to 2022 levels, reflecting a relatively steady volume of work.

The gross profit. Moving on to gross profit, and just as a reminder, gross profit represents our revenue less cost of revenue, which includes material, labor, allocated overhead, and SR&ED credits and depreciation. For Q4, gross profit was just under $58 million, representing a $1 million, or 1.9 percent decrease, over the same period last year. This decrease was driven by program mix and higher depreciation expense as new assets come into service, offset by higher work volumes year-over-year.

Gross margin in the latest quarter was 28.2 percent, which is very healthy and in line with our expectations, and that compares to 31.6 percent margin for the same period in 2022.

On a full-year basis, gross profit was $244 million, and this represented a $15.6 million, or a 7 percent increase over 2022. The year-over-year increase was driven by higher work volume performed, partially offset by $17 million of higher investment tax credits or ITCs. You'll recall that were recorded in Q1 of 2022 related to the resolution of historical claims.

Gross margin for the full year 2023 was 30.2 percent, which again is in line with our expectations and driven by an evolving program mix and higher depreciation expense. Comparatively, gross margin in 2022 was 33 percent, excluding the impact of the aforementioned ITC claim.

Operating expenses. Q4 operating expenses of just under $42 million, slightly above last year's metric of $40 million, again, reflecting slightly higher SG&A and R&D expenses, somewhat offset by lower and tangible amortization.

On a full-year basis, our operating expenses were $166 million in 2023 compared to $154 million for the 12-month comparative period. The year-over-year increase is primarily due to higher SG&A expenses to support growing work volumes and higher R&D costs driven by the development activities on

CHORUS and other proprietary technology programs. Overall, we're very pleased with the cost control on our SG&A programs.

Adjusted EBITDA. Adjusted EBITDA in the latest quarter was $42 million compared to $39.9 million in Q4 2022. This was driven by higher work volume as we continue to execute on our backlog. Adjusted EBITDA margin in the quarter was 20.5 percent compared to 21.4 percent in the same period last year.

On a full year base, $174.2 million, and this is up from 22 levels of $158 million. This represents a 16 percent increase--$16 million increase, or just over 10 percent on a year-over-year basis.

Excluding the impact of historical ITCs, settlement recognized in 2022 of $17 million, Adjusted EBITDA was $141 million in 2022 compared to $174 million in 2023, representing a year-over-year increase of approximately 23 percent.

Adjusted EBITDA margin for the full year 2023 was 21.6 percent compared to 22 percent for 2022, excluding the previously noted historical ITC resolution.

Throughout 2023, we demonstrated strong operating performance, focusing on program execution and cost control, while simultaneously investing in growth initiatives, which contributed to higher levels of R&D expenses.

Adjusted net income in the latest quarter was $27.8 million, compared to $22.3 million in Q4 of 2022. The increase over the previous year of $5.5 million or 24.7 percent is driven by lower income tax expense and finance costs in Q4 of 2023.

For the full year of 2023, adjusted net income was $97.9 million, up $19 million, or 24 percent year-over-year, driven by higher operating income and lower finance costs. Adjusted diluted earnings per share up $0.23 in Q4 of 2023, and $0.81 for the full year 2023 were up 27.7 percent and 26.6 percent respectively versus the same period last year.

Backlog. Moving on to backlog. We ended the quarter with $3.1 billion in backlog, and that represented an increase of 125 percent compared to 2022 year-end levels. The growth in backlog was driven by new order bookings, including, of course, Telesat Lightspeed LEO constellation, which was awarded in Q3 of 2023, partially offset by a continued conversion of our backlog into revenue, of course.

Moving on to CapEx. We remain focused, as Mike has alluded to, on making the right investments in the business to support our strategic growth initiatives. That's all going very, very well. In Q4 2023, we spent $57.6 million on capital expenditures. This was up from $47 million last year as we ramped up the development on CHORUS and other growth initiatives.

Growth CapEx was $48 million in the latest quarter, up from $38 million in Q4 of 2022. On a full-year basis, our capital spend was $193.2 million, and that compares to $180 million in 2022. We expect this level of spend to continue in 2024 as we advance CHORUS and invest in initiatives to support our growing business, including expanding and modernizing our physical infrastructure.

In Q4 of 2023, we closed the acquisition of SatixFy Space Systems UK Limited. This is the digital payload division of SatixFy Communications Limited. You'll recall that the total value of that transaction was for US $40 million, and during the quarter, $18 million US, approximately CAD 25 million, of that $40 million US was paid to the seller. A further $20 million is payable in 2024 through the issuance of notes payable on demand over seven months, and the remaining $2 million hold-back will be released to the seller in 2025.

Cash from operations during the quarter was the hews of $41.2 million compared to cash generation of $40 million in Q4 of 2022. Not unusual to see some swings quarter-over-quarter there.

Operating cash flow in Q4 of 2023 was impacted by higher working capital requirements, including $29 million related to vendor deposits for the CHORUS constellation launch expected in Q4 of 2025.

For the full year 2023, cash from operations generated $13.5 million. This was compared to a cash generation of just under $57 million in 2022. Again, our operating cash flow in 2023 included a total of close to $60 million in working capital outlays related to prepayments made in 2023 for future inventory and vendor deposits for the CHORUS constellations I noted in Q4.

Balance sheet. Moving on to our balance sheet, we ended the quarter with net debt of $416 million, available liquidity of close to $150 million, and net debt to trailing 12-month Adjusted EBITDA ratio of 2.4 times. All of this is in accordance with our plan and expectations and clearly the increase in debt levels reflect our investment in strategic growth initiatives to support our future growth.

In summary, this was a very strong quarter to wrap up fiscal 2023 and we are encouraged, very encouraged, by the positive momentum we are seeing across our business.

Turning to outlook. As Mike noted, we're introducing our 2024 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 2024, we expect full-year revenues to be between $950 million and $1,050 million, representing robust year-over-year growth of approximately 25 percent at the midpoint of guidance. We expect full-year Adjusted EBITDA to be $190 million to $210 million. This represents approximately 19 percent to 20 percent Adjusted EBITDA margins.

We expect capital expenditures to be $210 million to $230 million in 2024, primarily comprised of growth investments to support CHORUS and the previously outlined growth initiatives across our three business.

Interesting to note that through 2024, then we'll be approximately 90 percent done with our CHORUS CapEx.

Turning to Q1 2024, we expect revenues to be between $205 million and $215 million, as we continue to execute on our backlog and you'll see continued growth in quarter-over-quarter revenues here through 2024.

With a number of large programs now in 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.

Michael Greenley — Chief Executive Officer, MDA Ltd.

All right. With that, we are opening up to questions. That's really what's next.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Absolutely.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Operator, you are in charge.

Q & A

Operator

Thank you, sir.

(Operator Instructions)

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

Doug Taylor — Analyst, Canaccord Genuity

Yes, thank you. Good morning. Congratulations on a strong year of growth. A lot of focus here on the 2024 guidance given some of the substantial programs ramping up this year. Are you able to break down for us the degree to which you factored in contributions from programs like Telesat, so we can better understand how to think about the growth profile this year and as that program really hits stride in the years ahead?

Michael Greenley — Chief Executive Officer, MDA Ltd.

I won't use exact numbers or whatever. We continue to talk about Telesat being in a ramp up year. I think you can see that on a number of these programs as we come out of Q4 and into Q1, and we're just ramping up as we go through the year. It'll be a ramp-up year, is the phrase that we would use to be able to do that. We've appropriately characterized those ramps in the guidance that we've given. Obviously, these are large programs that have schedules and therefore they will get done on time. So '25, '26, '27, these are going to be very chunky years with much larger revenues in those out years as these projects get completed but there will be a gradual ramp up through '24. Vito, do you have anything else on that?

Vito Culmone — Chief Financial Officer, MDA Ltd.

No. The only other thing I'd add, Mike, is—Doug, it's great to hear your voice here. Clearly, as you think about the quarterly revenue profile here in 2024, the exit velocity coming out—the projected exit velocity coming out of 2024 bodes for, obviously, a robust 2025. We're not here giving 2025 guidance, but that consistent 20 percent to 25 percent plus growth projected for this organization is very visible to us.

Doug Taylor — Analyst, Canaccord Genuity

Okay. I appreciate it. Maybe I'll come at that in a different direction then. To what degree is the schedule for the design and early-stage work for Telesat and the other award for which you've been working under authorization to proceed known now, and would those be large considerations in the range of guidance, the $100 million from top to bottom?

Michael Greenley — Chief Executive Officer, MDA Ltd.

I would say there is a level of which is certainly known, which we have included in guidance. I think if you listen to our words like—and we have engineering activities on the authorization to proceed with the unnamed customer, which will then convert into the full execution contract at some time during the year, the pace at which that switch is thrown could bring more enthusiasm. Similarly, with Lightspeed, you've heard us say that we are finalizing all of our supplier procurement decisions and getting ready to move out on that. The pace at which we move out on that can affect revenues. We're giving guidance on things that we're very comfortable and confident in, but there is opportunities for giddy-up levels that you could do a bit better, but it's important for us to make sure we're always doing what we say.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Another data point there, Mike, to add is approximately 75 percent of our—of that revenue guidance that we've provided is in backlog as we come into 2024, so that is 75 percent to 80 percent, as Shereen is showing me, here is in backlog as we stand here today.

Doug Taylor — Analyst, Canaccord Genuity

Maybe one more line of questioning before I pass the line. You reiterated a number of large Canadian government programs. You've mentioned some of these in the past that have received indicative funding over the past year. Can you speak to perhaps your updated view on the translation from funding announcement to procurement process timing and potential award on some of these other Canadian missions for which you've been a material supplier in the past?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes. Obviously, that will be at the pace of the government agencies that are doing the procurement. We have not seen procurement documents being circulated for those as of yet. I think if I was reading body language, the activities around RADARSAT+ activities, where the government would want to get on with picking up another synthetic aperture radar satellite to provide enhanced reliability to the RADARSAT+ constellation mission, I would expect that to get moving probably before a Lunar Utility Vehicle, for example, in terms of a large program there. All of this remains to be seen. I'm just expressing my own personal view based on body language and enthusiasm. But no one has expressed specific schedules yet. The things to watch out for, in terms of triggers, would be draft requests for proposals that come out to industry that we would be asked to comment on, that our industry would be asked to comment on, followed by final requests for proposals for actual bids. Certainly, we will keep you posted as those things occur, which would give us some solid indications that we're—once we start seeing draft proposals, we’re probably within a year, and we haven't seen that yet.

Doug Taylor — Analyst, Canaccord Genuity

All right. Thank you, Mike. Your personal view is appreciated. I'll pass the line.

Operator

Thank you. Next question will be from Konark Gupta at Scotiabank. Please go ahead.

Konark Gupta — Analyst, Scotia Capital

Thanks, Operator. Morning, everyone.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Hi there.

Konark Gupta — Analyst, Scotia Capital

Morning. If I can ask about CHORUS first perhaps, how soon do you or would you expect, Mike, to see some customers signing commitments or contracts before the Q4 2025 launch?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes. That can happen any time over the next couple of years. The big announcement that was necessary was the October announcement where we actually said Q4 2025 as the launch window, and announcing that we had signed SpaceX as the customer, and as Vito mentioned, we start to make launch down payments and things like that. Everything becomes very real as a result of those Q4 activities, which then absolutely turns the conversation to orders and signing people up. That activity is absolutely ongoing.

We see really strong conversations with existing customers on RADARSAT-2 that would have the opportunities to roll and expand their services with CHORUS, in addition to new customers that would potentially want to secure priority positions on CHORUS. There's a bit of a thing there whereby, with a fully taskable satellite, where people give us their requests and we can look left and look right and use different imaging modes and give them the imaging that they want, the data that they want, being at a certain level of priority in the request line for that tasking of the satellite, matters to some customers. Coming in early and securing their place for that is important to them. These conversations all get going, or all are ongoing at the moment. They have expanded a number of new customers. I can think of three immediately that would be new potential customers in our line have engaged in conversations since those October's announcements. The pace at which those will turn into orders, a lot of those are government, defense and intelligence customers. Those are the nice, solid, stable, recurring customers that you want to have on a data driven satellite like this. Some of that procurement needs to occur at the pace of government. It will be a continual process throughout '24 and '25, as we head to launch, and then we'll make announcements as we go, as we sign people up.

Konark Gupta — Analyst, Scotia Capital

I appreciate that. Thanks. In terms of financial outlook for that CHORUS program then, I think to Vito's point, if the CapEx is done for the vast majority this year—by the end of this year, it seems like if you get more contracts or new contracts on CHORUS next year or this year, you might see cash flow profitability on this program in 2025. Is that fair to believe?

Vito Culmone — Chief Financial Officer, MDA Ltd.

The cash flow could—yes, there is opportunity for people to put some cash up front. We always look for that opportunity and that helps sometimes people secure their priority access. That can occur. I think you used the word profitability. You wouldn't be generating revenue yet because you wouldn't be delivering a service. You might get some up-front cash, but you're not going to start picking up revenue and profit until you're actually flying in 2026.

Konark Gupta — Analyst, Scotia Capital

Okay, Vito, and thanks. If I can follow up on CapEx and working cap quick, it sounds like in 2023 there was like a $60 million one-time outlays for future inventory and the CHORUS launch deposit, etc. Is there anything this year, in '24, where you guys expect some sort of one-time payments or advances for future projects and activities like CHORUS or Telesat or something else, or even SatixFy?

Vito Culmone — Chief Financial Officer, MDA Ltd.

Now, thanks for the question. You're absolutely correct, 2023 included roughly $60 million of, I'll call them one-time prepayments, that clearly will unwind here in 2024 and 2025. We'll get the benefit of those with a high degree of certainty when you look at the ultimate suppliers in both those cases and whatnot. There is no risk associated with that in our mind. In regards to 2024, Konark, I expect us to be converting operating cash flow pre-interest costs against our EBITDA in the range of 65 percent to 70 percent, so no expected one-timers.

Konark Gupta — Analyst, Scotia Capital

Okay, appreciate that color. Thank you.

Operator

Thank you. Next question will be from Thanos Moschopoulos at BMO. Please go ahead.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Hi, good morning. Vito, if we can do the math based on the answer you just gave, but remind us where your current thinking is on where the leverage ratio will peak before it starts to come down.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Yes. I think we're at 2.4 to end the calendar year. I think we definitely don't expect to be too much above 3-ish. I'd say call it the 3-ish range, plus or minus 0.1 or 0.2 there, and then we expect a very accelerated deceleration from there as we move into not only the back half of 2024, but into 2025. Very comfortable with those levels of leverage in our existing arrangements.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes. Right on the plan.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Great. Mike, can you—you alluded to the strength of the satellite systems backlog with other constellation programs. Any color that you can provide in terms of the nature of those programs? Is it a mix of government as well as commercial, or the latter? Just any color you can provide. I realize there might be a limit on what you can say. Thanks.

Michael Greenley — Chief Executive Officer, MDA Ltd.

You're talking about pipeline, right?

Thanos Moschopoulos — Analyst, BMO Capital Markets

The pipeline, yes.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes. There's a lot of commercial activity for sure, and you see that in our order book with the Globalstars and the Telesat type things coming through. There's a significant amount of commercial activity that we're seeing in the satellite systems pipeline. The application areas would include folks that want to build space-based networks for broadband communication. There are folks that want to build networks for direct-to-device communications, such as we're seeing with the Globalstar example, where people want to talk directly from satellites to smartphones and smart devices, so direct-to-device communications.

Then there's a world out there of customers looking at the, we use the word, Internet of Things. That Internet of Things market, where people want to connect all their things up through space-based networks. That could be connecting all their agriculture vehicles or connecting all their cars, for smart cars or connecting all their anything else's. There's a very large future potential market in the Internet of Things in terms of space-based networks. Those are the three categories, largely commercial.

Commercial customers would include folks that are traditional space network operators like Globalstars or Telesats that you've seen us get orders from, in addition to new market entry potentials, so people that are raising money to be able to do that, and/or corporations that are putting money aside to be able to do that. That's how I would best characterize the situation.

I think, in general, with the space market, it's kind of cool because when you see things that start—space markets typically have started with government activity, and you get a certain stability from that, and then your explosive potential comes from strong sudden growth in commercial activity. We're seeing that now in satellite communications, whereby 50 years ago when we all started working on satellite communications and over the decades, it was all about a lot of government activity, military and weather and all that kind of stuff. Now as we're seeing these commercial markets go, we're seeing the rapid expansion.

In Robotics and Space Operations, historically, it's always been about NASA missions and government space stations. Now we're seeing the emergence of commercial space stations and commercial missions, and we're seeing a pickup there. In Earth observation right now, the big stable customers are governments, defense and intelligence agencies that just want really good data for surveillance, and then we all watch and wait and see and work on what's that explosive moment going to be where the commercial market finally kicks in.

That's the pattern that we always watch for and that we're starting to experience. Certainly, in satellite systems, to go back to your question, we're seeing the commercial side of it really hit now in the pipeline.

Thanos Moschopoulos — Analyst, BMO Capital Markets

Great. Thanks for that color, Mike. I'll pass it along.

Operator

Thank you. Next question will be from Ken Herbert at RBC Capital Markets. Please go ahead.

Ken Herbert — Analyst, RBC Capital Markets

Yes. Hi. Thanks. Good morning, Mike and Vito. Hey, I wanted to first start out with a question on margins. You ended '23 with better EBITDA margins, I think, than you started the year guiding to. Can you talk about the key factors as we think about the upper and lower end of the EBITDA expectations for '24? I can appreciate mix is a big factor in this, but how should we think about the range of the EBITDA guidance and the potential to maybe outperform the 19 percent to 20 percent?

Vito Culmone — Chief Financial Officer, MDA Ltd.

Yes. Thank you, Ken. Good to hear your voice. When you think about—very pleased, the biggest driver of EBITDA performance is strong program execution, disciplined pricing mechanics, strong market demand for our services, and obviously good cost control on the SG&A as you heard me reference. I'd say checkmark to all those as we progress through 2023, as the teams have put forth their 2024 in strategic programs. I'm relatively bullish on our margin profile. You've seen us move from that 18 to 20 marker that we've noted to a 19 to 20, so perhaps we're taking a bit of a measured step here.

We've got a lot of big things happening in our business here over the next three years when you talk about automation, large volume productization, that are going to have meaningful implications to our margins. From where we stand today, that's clearly neutral to what we're describing to potential upside associated with that. But we'll take one step at a time when it comes to that and move forward.

We're pleased with our guidance here in 19 to 20. We have over-delivered against what we've described there, but we'll take it one step at a time and give you a little bit more color as we make our way through the calendar year as we proceed through 2024. Anything else, Mike, you have there?

Michael Greenley — Chief Executive Officer, MDA Ltd.

No, that's good.

Ken Herbert — Analyst, RBC Capital Markets

Thanks, Vito. Appreciate that. Maybe just as a follow-up, you've obviously signed a lot of large contracts here in 2023. The cost environment seems to be much improved relative to prior years, but you just went through some of the offsets, but how can you, or what comments can you make to really increase confidence that some of these large contracts won't face maybe incremental margin pressure down the road? How have you, as you go through the bidding and the contracting process, maybe de-risked some of the cost assumptions in the out years?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes. No real change from our normal tricks that we always talk about, which is that typically these types of firm fixed price contracts are two to four years in duration and these all fall into that bucket. We have therefore ensured that we have very up-to-date quotes going into that period of time. We ensure that quotes from our suppliers are firm fixed price to us and then we are firm fixed price to our customers. That ensures that the large, what we call non-labor or subcontracted base is firm fixed to us. With our own labor and controls, we include escalation factors in that that are consistent with our business practices, so we don't expect surprises there. We will include—we do include risk in our pricing, that is natural, and that is commensurate with the actual risk on the program. We have a 50-year history of firm fixed price programs, so with these types of advanced technologies in space, our teams are used to assessing what is the risk on this and including risk factors in their firm fixed price contracting with the customer. Those tools bode well for us when mapped up against the strong project management process to be able to monitor and control the execution of those firm fixed price contracts.

Ken Herbert — Analyst, RBC Capital Markets

Great. Thanks, Mike. I'll pass it back there.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay.

Operator

Thank you. Next question will be from Kristine Liwag at Morgan Stanley. Please go ahead.

Kristine Liwag — Analyst, Morgan Stanley

Hi. Good morning, guys.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Hi.

Kristine Liwag — Analyst, Morgan Stanley

Mike, Vito, Shereen, it's great to see you executing your growth strategy, especially with all these new program wins. I wanted to ask on operating cash flow. In 2023, you had some pressure with—on working capital for future inventory and vendor deposits for CHORUS. You've noted that that could start reversing in '24 and '25. But for these other big programs that you've won, can you talk about the timing of cash flow? Do you also have to pre-fund customer on vendor payments and things like that before you get customer cash? Ultimately, how do we think about operating cash flow in 2024?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Before Vito goes, I just say it always is our practice to be cash neutral to cash positive on our projects. Our default position regardless of project size is to be able to make sure that we are bidding, negotiating and signing cash neutral to cash flow positive projects. Our natural state is not to have some unique profile where we're spending money up front. Occasionally, for competitive reasons or to be a trusted mission partner, we will help somebody if we are confident in the return and that it's going to really make something work. That can happen, but our natural state is always going to be cash flow neutral or positive. But I just wanted to say that up front and then pass it over to Vito.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Yes. Kristine, there's nothing in those large programs at all that has us pre-funding and/or outside normal cadence of what Mike just described. Those are all very, very positive and they will be cash flow positive, if you will, as we make our way through 2024. If you're looking for guidance on operating cash flow, maybe just before cash interest, cash taxes are negligible for our organization given our tread profile that we have, our SR&ED, so they're de minimis and continue to go down, which is positive. The pre-cash interest, as I said earlier in a call, I expect to convert roughly 70 percent to 80 percent off of our projected 2024 EBITDA to cash. Very, very healthy. Obviously, that's a—we generate—although 2023, but for those one-timers that I described, we generate strong cash from operations, and I expect that to continue here in 2024 and 2025 without any material anomalies to that.

Kristine Liwag — Analyst, Morgan Stanley

Great. I wanted to follow up on a few of that. Mike, you mentioned that the target and the norm for the Company is the neutral free cash flow. Is that factoring in both operating cash flow headwinds and also CapEx, or is that just on a working capital basis? The second follow-up to that, Vito, you talked about 70 percent Adjusted EBITDA in 2024 is 190 to 210, and you have cash taxes negligible, but then you also have CapEx of 210 to 230. Absent of big tailwind to working capital, it looks like 2024 could be another negative free cash flow year. How do you think about funding that? Am I missing anything on cash reversals that would be a tailwind in 2024 to make the full year be a positive free cash flow year?

Michael Greenley — Chief Executive Officer, MDA Ltd.

No, you're absolutely right. 2024, and this is again all in line with what we've been communicating to the market and our internal strategic financial plan, 2024 will be a negative free cash flow year. However, we need to account that obviously we're largely funding growth strategic initiatives, and as I described in our commentary, through 2024 will be essentially 90 percent through CHORUS which has been the lion's share of that CapEx expenditures. So, 2024 will be negative cash flow. We expect our leverage, incorporating all of that to get to the 3-ish levels all within our existing capabilities and capacity. As we move into 2025, obviously, you'll start to see a growing EBITDA profile, growing operating cash flow profile, and perhaps that's the year where we're at a crossroads there where, an inflection period, where free cash flow is plus or minus break even going forward.

The long-term prospects for this business, I wouldn't even call them long-term anymore, call it 2025, 2026, is significant free cash flow generation, but we're making our way through 2024, and it's an important strategic year for us. We've essentially largely de-risked that with the EBITDA and the backlog profile through the activity in 2023, so feeling incredibly confident and secure in the position this organization is in.

Kristine Liwag — Analyst, Morgan Stanley

Great. Thank you for the color, guys. I appreciate it.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, thank you.

Operator

Next question will be from David McFadgen at Cormark Securities. Please go ahead.

David McFadgen — Analyst, Cormark Securities

Yes. Hi everyone. A couple of questions. I'll just first of all start with some of them in guidance. Could you confirm that embedded in your guidance is about $100 million, $150 million in revenue from Telesat (inaudible)?

Vito Culmone — Chief Financial Officer, MDA Ltd.

Yes. We shied away from the program-related guidance, but that guesstimate on your part, David, is not unreasonable.

David McFadgen — Analyst, Cormark Securities

Okay. Just on the ATP contract, obviously it hasn't gone to 750 yet, so therefore the amount from that, I guess, would be pretty modest in guidance right now. Is that the case?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, I guess you could say it's modest, for sure.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Yes.

Michael Greenley — Chief Executive Officer, MDA Ltd.

When you're in ATP mode, for sure it's modest, yes. When you're in ATP mode, we announced that dollar value there, which was the approved ATP back in the fall. When you're in an authorization to proceed on a program, it can flex a bit. If we burned it all and we needed a bit more, if we needed to spend a bit more because the full contract wasn't signed yet or something, then we would just be authorized to do so. You're in the contract and you're moving and you have an authorization to proceed. We can always, even if we're not out there talking about a full contract yet, we can be getting top-ups on the ATP. But it's still, whatever your word was, modest or moderate. It's not super enthusiastic yet because we haven't signed the full thing.

David McFadgen — Analyst, Cormark Securities

Okay. You can correct me if I'm wrong, but I believe you were hoping to have that contract move up to be 750 on it before you issued your T4 results today. I was just wondering what's the reason for the delay? Can you share anything with us on that?

Michael Greenley — Chief Executive Officer, MDA Ltd.

No, we're just continuing to do work on it. Like we've said, I don't remember all the words that we've said, but for sure it's just a '24 thing. The teams are working at a good pace. All the teams are working together very well, making good progress on the activity, so that's that. In terms of just work at the customer level is necessary to be able to do the definitization. I will say, it is not a financial issue. It is more of a just commercial activity issue. That has to be completed to be able to get it in place. We're not worried about it. The team continues to work at solid pace, strong customer engagement and collaboration, and yes, it will come out in its natural pace as the customer gets their work done.

David McFadgen — Analyst, Cormark Securities

Okay. If we hypothetically assume that sometime in this year that 180 goes to 750, then there's obviously a reasonable expectation that the guidance could be bumped, right?

Michael Greenley — Chief Executive Officer, MDA Ltd.

It will depend on the burn profile of the contract. It depends on where we have gotten to. One of the big swingers will just be similar to the light speed conversation is when you turn on your subcontractors and suppliers and at what pace you turn them on. You will notice on the authorization to proceed on the unnamed customer, we have not talked about schedule. Some of that—but we're obviously doing the authorization to proceed, we're moving out on this thing because there is some schedule pressure. The final shotgun start, here's the contract sign, go, will be dependent on what work we've accomplished on the ATP phase of it, and then what is the schedule that we've all agreed we're going to strive towards. Those two variables will be needed to be able to talk about the burn rate. In those combination of options, yes, there's a possibility that you could say, hey, we've accomplished some stuff and we're going to go super-fast and therefore, we're going to burn a bit hotter than we forecast and get a bit more work done in '24. That is possible as one of the options, but obviously that's not in our guidance.

David McFadgen — Analyst, Cormark Securities

Okay. Because I was under the impression that that unnamed client is in a rush to get this constellation up in space. No?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Often customers are in a rush and certainly the existence of an authorization to proceed encourages—supports the notion that they're in a rush, but you’ve still got to get it all definitized. It needs to get definitized to get everybody aligned that this is the schedule we're all going to work towards. The engineering questions that we're answering during authorization to proceed work, people need to have confidence in those answers to really step on the gas. We just need to work this through a little bit.

Vito Culmone — Chief Financial Officer, MDA Ltd.

David, obviously 2024 revenue is important, and I feel where—I hear where you're going on, can it be higher? But Mike, really the more important thing here is just the overall market demand that we're seeing, our services, our capabilities in the space, people are knocking on the door, the conversations we're having. That's the bigger picture for, I think...

Michael Greenley — Chief Executive Officer, MDA Ltd.

That is the bigger picture which could also, of course, cause other activities to occur.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Yes.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Like we talked, we characterized our pipeline, we've talked about the number of opportunities, information that's in our investor decks would say we have a $17 billion pipeline, the $10 billion of that is over in satellite systems side of the house on these constellations, which means we're talking to a number of different constellations, giving them quotes, going back and forth. We don't control their pacing; we just answer questions as fast as we can and give them confidence in our answers. If and when people pull the triggers, then off we go. Those can come into the house at any time in the journey based on customer behavior in their organization. That's the other really, really interesting thing to keep our eye on as well, for sure.

Vito Culmone — Chief Financial Officer, MDA Ltd.

Yes.

David McFadgen — Analyst, Cormark Securities

Just following up on those remarks, given you were able to lower the cost of the Lightspeed constellation from $5.5 billion US down to $3.5 billion US, can you comment about activity in terms of potentially getting another prime contractor role for another constellation? What do you think the probability is of that in '24?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Oh, like I say, that's the hard thing is to give you the probability in '24, because it's customer centric in terms of when they want to pull the trigger on something. I will say, and I continue to say, we are actively engaged in that $10 billion pipeline we're talking about. We're not just sitting there watching it. Those are all people that we're talking to, we're giving quotes to, we're answering questions to. Some of those quotes are in early phases, rough order of magnitude quotes. Some of those quotes are in the firm fixed price phases where you're getting very close to being definitive about estimates. It's up to the customers in terms of are you the path they want to go, and how fast do they want to move out.

I will say that I have characterized our pipeline as robust or very robust. The people that we are quoting and talking to have the money that they need in the, I would say, 90 percent of the cases, and a couple people just finishing up securing some funds. But yes, it's a very robust, solid pipeline, and then it's based on when customers are comfortable and ready to move out. It is absolutely possible that other things could happen in '24. It's also possible that they could slip into '25, but there's lots of activity there.

David McFadgen — Analyst, Cormark Securities

Okay. I'll just ask one more question. You've partnered with Lockheed Martin and GM chasing a NASA contract for (inaudible), I think it's like $4 billion US.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes.

David McFadgen — Analyst, Cormark Securities

Are the initial contract awards for that still expected in March, next month?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, that's correct. They were originally supposed to be last November, November 2023, and it was announced in the fall that they were going to slide that date out to March. As far as we know, that is the date that continues to be held. Yes, next month. We would expect them to announce a couple of teams that would be down selected and get going on some work there. We remain hopeful and watching and waiting to see what happens.

David McFadgen — Analyst, Cormark Securities

Okay. All right. Thanks, guys.

Michael Greenley — Chief Executive Officer, MDA Ltd.

No problem.

Operator

Next question will be from Jason Gursky at Citigroup. Please go ahead.

Jason Gursky — Analyst, Citigroup

Yes. Good morning, everybody.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Hi, Jason.

Jason Gursky — Analyst, Citigroup

Mike, I was wondering if you could provide a little bit of an update on the merchant component business in the hardware side of the house and talk about some of the trends that you've got going on there. I know you guys have had some nice success in getting some prime positions, but you do have a history of providing subsystems and components to others. Can you just provide some color on what that market's looking like these days?

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes, sure. That primarily exists in the satellite systems business. As you say, our 60-year history there has been being a very strong merchant supplier of satellite subsystems and components to satellite manufacturers around the world. That work continues, and it's an important part of the base load on the satellite systems business. As you say, all the expansion is in this NGSO constellation prime mode, but there's a very solid merchant supplier base there. There is growth in that base. It's very steady and or with a very small, more of a single digit kegger to it. We continue to provide subsystems to the occasional geosynchronous orbit satellite awards that occur in the market. We're one of those. We're often involved in providing some technologies to that. There are a number of those that are for the LEO and MEO type satellite levels.

In the LEO constellation market, we continue to support some constellations that ask for orders, and that goes well. One of the strongest areas of that is in the U.S. Department of Defense SDA market, where we're providing antennas and then some other electronic boxes to all of the U.S. primes on the U.S. DoD constellations. You'll hear us regularly be making announcements there. I try to keep score. I think we're coming into our 10th and 11th, 12th and there, in that range, repeat order across the primes on the U.S. DoD LEO constellations. That's really nice to see. It's becoming the standard product that everybody wants to have on their satellites. It's a solid product. It's a good price. It's highly reliable. People just come and take repeat orders. It's nice recurring business to be able to feed these constellations at the merchant supplier level. That's becoming very efficient business as well because it is highly repetitive. That's very cool to see. They're good.

Jason Gursky — Analyst, Citigroup

Okay, great. You also mentioned commercial adoption of space-based services and communications seems to be the place that everybody is today. Maybe we get to space infrastructure at some point, and then you mentioned the geospatial world as well as a market that's potentially on the come.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Yes.

Jason Gursky — Analyst, Citigroup

Can you just talk a little bit more about the geospatial side of things? Because obviously you guys are building out a constellation there to provide services. Your expectation on customer mix for that constellation going forward, is it your view that this is going to be just largely government at this point and that commercial adoption of this kind of technology is still a way out?

Michael Greenley — Chief Executive Officer, MDA Ltd.

There will be a bit of both, but it will be largely government. What we see on RADARSAT-2 and the conversations that we have on CHORUS, I would say the majority of those conversations are government. The majority of those are defense and intelligence type customers. They want to have really strong surveillance with a synthetic aperture radar satellite. You can see during the day, you can see during the night, you can see through clouds, you can see through weather because you have an active sensor that's pinging the earth and measuring return, so you can see through things. That really helps those types of customers to be able to pick up a broad area detection of what's going on regardless of time of day or weather. That's like super important to them. With the configuration of our constellation with a broad area surveillance C-band satellite with a trailing, more zoomed in X-band satellite, the ability to detect something in a broad scan and then have a trailing satellite zoom in and see what's going on, it's just all set up for that government type of a mission, a defense and intelligence mission. We see strong demand there.

The world is no less secure, if not—it is less secure than every day these days. More countries want to be able to monitor the activities in their nations and their coastlines. We're very good with our satellite configurations and maritime domain awareness. Especially maritime countries, of which of course there are many care about that. The C-band, X-band combination will improve our ability to provide a range of services over land, not just maritime. It's a robust conversation with these folks.

A lot of them are more sophisticated, so they want data. They want the data from the satellite to their ground stations. That's nice, strong, high-margin business. You don't have to do anything; you don't have to process or you don't have a manual labor element to that. You are collecting the data and delivering it through to their ground stations and then they're processing it and doing their work. It's nice, steady, high volume, high margin, defense and intelligence customer work. Absolutely no complaints about that, and if you look at the market, anybody who's stable and growing in earth observation likely has those types of customers.

Everybody is dabbling in commercial. For sure everyone is dabbling in commercial. When you dabble in commercial, you typically are not delivering the raw data. You're doing the analytics, you're creating information products, and you're answering someone's question. Someone might want an ice report in the ocean or a deforestation report to a non-government organization or an oil or mining report to their corporation. You're processing the data and delivering those reports. Analytics will come as a result, typically at slightly lower margins, but still good, but because you've got the labor component that's in there. Everyone's got a bit of that. Everyone's got a bit of that. People can get into the single digit, tens of millions of dollars of doing that. But you've never seen anybody cross and say, I've got $100 million of commercial Earth observation. That has not happened in the global market yet.

The product management and packaging of information products and services, and corporations realizing that the speed and accuracy that they can get from space-based Earth observation data could change their lives, that all hasn't kicked in in a way that you see now with space-based communications. As I mentioned, it's fully non-commercial now. We'll keep pushing that, we will keep participating in that, and we will have part of CHORUS that will be commercial for sure. But it's a nice stable base of defense and intelligence, and keep working that future opportunity where the commercial market suddenly discovers, and we help them discover, what you can really do with all this stuff.

Jason Gursky — Analyst, Citigroup

Okay, that's great. Thanks, Mike.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay.

Operator

Thank you.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Are we getting near time?

Operator

Yes, please proceed.

Michael Greenley — Chief Executive Officer, MDA Ltd.

Okay. We're good. All right. I just want to thank everybody for their time this morning. It's great to celebrate a good 2023. It's great to keep the growth going through '24 and just being able to talk about that now, that's excellent. I think you can tell that we are going to have some good conversations as we go through the year and we look forward to updating everybody at our next earnings call in May. Thanks very much and have a great day.

Operator

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