MDA LTD.

Management's Discussion and Analysis

For the Second Quarters and Six Months Ended
June 30, 2023 and 2022

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Management's Discussion and Analysis

*The following Management's Discussion and Analysis ("**MD&A**") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition of MDA Ltd. (the "Company", "we", or "MDA") as at June 30, 2023 and its consolidated operating results for the second quarters and six months ended June 30, 2023 and 2022. The MD&A should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the Company's unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2023 and 2022 (the "Q2 2023 Financial Statements") and the audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021 ("**2022 Audited Financial Statements**") filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. All dollar amounts are expressed in Canadian Dollars ("**CAD**") except where otherwise specified and all numbers are in millions, unless otherwise specified or for per share amounts or ratios. References to "Q2 2023" or "this quarter" are to the fiscal quarter ended June 30, 2023 and references to "Q2 2022" are to the fiscal quarter ended June 30, 2022. The MD&A is current to August 10, 2023, unless otherwise noted.*

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information with respect to the Company's objectives and strategies to achieve these objectives, as well as information with respect to the Company's beliefs, plans, expectations, anticipations, estimates, intentions and views of future events. Discussions containing forward-looking information may be found, among other places, under the headings "Industry Trends", "Outlook", "Growth Strategies" and "Financial Overview" in this MD&A. In some cases, forward-looking information can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking information. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts. The Company has based the forward-looking information on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs.

Statements containing forward-looking information are based on certain assumptions and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. These assumptions include, among others, our ability to maintain and expand the scope of our business; our ability to execute on our growth strategies; assumptions relating to government support and funding levels for space programs and missions; continued and accelerated growth in the global space economy; the impact of competition; our ability to retain key personnel; our ability to obtain and maintain existing financing on acceptable terms; changes and trends in our industry or the global economy; currency exchange and interest rates; and changes in laws, rules, regulations.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with the forward-looking information. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors. For additional information with respect to certain of these risks or factors, reference should be made to those described in this MD&A and to the 2022 Audited Financial Statements, together with those described and listed under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2022 (AIF) available on SEDAR at www.sedar.com which are incorporated by reference into this MD&A.

The Company cautions investors that statements containing forward-looking information are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking information contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking information contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on the forward-looking information. Any forward-looking information that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking information or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, the measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Order Bookings, and Net Debt to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures used by management and other users of our financial statements including our lenders and investors, to assess the financial performance of our business without regard to financing methods or capital structure. Adjusted EBITDA is also a key metric that management uses to assess the impact of potential strategic investing or financing opportunities. For example, management uses Adjusted EBITDA as a measure in determining the value of acquisitions, expansion opportunities, and dispositions. In addition, Adjusted EBITDA is used by financial institutions to measure borrowing capacity.

We define EBITDA as net income (loss) before: i) depreciation and amortization expenses, ii) provision for (recovery of) income taxes, and iii) finance costs. Adjusted EBITDA is calculated by adding to and deducting from EBITDA, as applicable, certain expenses, costs, charges or benefits incurred in such period which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including i) unrealized foreign exchange gain or loss ii) unrealized gain or loss on financial instruments and iii) share-based compensation expenses, and iv) other items that may arise from time to time. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis reflecting factors and trends affecting our business.

Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue. We use Adjusted EBITDA margin to facilitate a comparison of the operating performance on a consistent basis reflecting factors and trends affecting our business.

For a reconciliation of Adjusted EBITDA to the most directly comparable measure calculated in accordance with IFRS see the section entitled “Reconciliation of Non-IFRS Measures”.

Order Bookings

Order Bookings is the dollar sum of contract values of firm customer contracts. Order Bookings is indicative of firm future revenues; however, it does not provide a guarantee of future net income and provides no information about the timing of future revenue.

Net Debt

Net Debt is the total carrying amount of long-term debt including current portions, as presented in the Q2 2023 Financial Statements, less cash and excluding any lease liabilities. Net Debt is a liquidity metric used to determine how well the Company can pay its debt obligations if they were due immediately.

COMPANY OVERVIEW

We are an advanced technology, solutions and services provider to the burgeoning global space industry and play a critical role in enabling space-based connectivity, enhanced earth observation and exploration and in-space infrastructure development. With world-class engineering capabilities, space mission expertise, and a portfolio of cutting-edge, next generation space technologies, we are the partner of choice for government agencies, prime contractors, and emerging space companies worldwide.

Today we employ over 2,800 staff spread across Canada, the UK, and the USA. We are differentiated by factors including our long track record of success and innovation in space; our profitable operations; the breadth of our customer relationships; our experienced team of approximately 1,300 engineers averaging over 9 years of tenure with the Company; consistent investment in research and development and innovation; some of the most advanced equipment and resources in the industry; and MDA's world class portfolio of successful projects, technologies, and patents.

Across our three business areas, **Geointelligence**, **Robotics & Space Operations**, and **Satellite Systems,** we serve nearly every sector of the rapidly growing space economy, with mission expertise and technology tailored to new space applications.

In **Geointelligence**, we provide end-to-end solutions and services related to Earth Observation (EO) and defence intelligence systems. We use satellite-generated imagery and analytic services to deliver critical and value-added insights for a wide range of use cases, including in the areas of national security, climate change monitoring, and maritime surveillance. We own and operate worldwide commercial data distribution for MDA's own satellite (RADARSAT-2) and act as a distributor for many other third party missions. We also derive revenue from products and services related to defence intelligence systems.

In **Robotics & Space Operations**, we enable humanity's exploration and development of space infrastructure by providing autonomous robotics and vision sensors that operate in space and on the surfaces of the Moon and Mars. Our innovative technologies are used for exploration mobility, space manipulation, control and autonomy, perception, robotic interfaces, vision and landing sensor systems, and on-orbit servicing.

In **Satellite Systems**, we provide systems and subsystems (including antennas, payloads and electronics) used in LEO (low earth orbit), MEO (medium earth orbit), and GEO (geosynchronous orbit) satellites for commercial and government customers worldwide. Our robotics based manufacturing environment enables us to offer high volume production capabilities for satellite constellations. Our solutions enable space-based services, including next generation communication technologies designed to deliver broadband Internet and direct satellite-to-device connectivity from LEO satellite constellations as well as solutions that span across the full communication frequency spectrum.

Our focus on technological innovation, coupled with mission-tested solutions has contributed to many of humanity's landmark achievements in space, and we expect to continue to play a major role in leading the space industry into the future.

COMPETITIVE STRENGTHS

As a leader in the space economy with a proven track record, we are well positioned to provide innovative, mission critical solutions to a wide range of customers. Our key competitive strengths include:

Full Mission Expertise and Advanced Technologies Tailored for the New Space Economy

We provide a cutting edge, end-to-end offering of technologies and solutions in each of our business areas. This differentiated full mission expertise enables us to deliver a seamless solution to customers in the fast-paced new space economy.

- In Geointelligence, we own and operate one of the world's most technologically sophisticated, taskable wide area SAR satellites (RADARSAT-2) and have developed one of the world's largest multi-sensor ground station networks. Our integrated satellite and ground station network, combined with our value-added analytics capabilities, enables us to deliver an industry leading and fully integrated EO solution to our customers. Our ability to provide actionable information in near real-time through this integrated solution offering differentiates us from competitors who lack a fully integrated solution.
- In Robotics & Space Operations, we possess industry leading and end-to-end technological capabilities underscored by a rich patent portfolio and extensive on-orbit operational expertise. These technological capabilities enable us to provide mission critical solutions for advanced space applications including space station operations, on-orbit servicing, in-space manufacturing and assembly, space tourism, and space mining.
- In Satellite Systems, we have high volume assembly, integration, and testing facilities with differentiated technologies and expertise across the full spectrum of electromagnetic bands. These facilities, technologies, and expertise enable us to deliver customized solutions and aftermarket and replacement services at a pace that we believe is faster than our competitors. They are also critical in enabling us to address next generation space-based missions for broadband communications, IoT (Internet of Things) and direct satellite-to-device services.

Our customers, which include established and emerging space companies, seek out MDA as a development partner because our technology and solutions offerings seamlessly enable their mission from early engineering, construction, and launch to servicing and replacement.

Agility and Scale Positions Us to Serve Both Established Customers and Emerging Space Companies

Our organizational structure and entrepreneurial culture enable us to respond rapidly to customer needs and market trends across all our business areas. We have significant scale with over 500,000 square feet of design, laboratories, manufacturing, and test facilities and the support of a supply chain of over 500 proven contractors. This provides us with the engineering capabilities necessary to deliver on large and complex missions, in a way that smaller emerging space companies may be unable to manage. The combination of our agility and scale positions us to service both large commercial and government customers that require customization and high-volume capabilities as well as emerging space companies that require fast and cost-efficient solutions.

Trusted Partner with a Strong Track Record of Execution

Our reputation and track record for delivering mission critical solutions provides customers with confidence that we will enable the successful completion of their mission. The confidence we instill in our customers drives new business wins, and represents a powerful advantage that would take years for less experienced competitors to develop. Our reputational advantage is illustrated by our work for OneWeb on its 900 satellite LEO constellation. OneWeb sought out our assistance to develop the design requirements and then manufacture the components for their constellation due to our exemplary performance on the O3b communications constellation we completed for SES. Our track record of execution instilled confidence in OneWeb that we were the ideal partner that they could entrust with the success of their mission.

Entrepreneurial Go-to Market Strategy

We generate business opportunities by utilizing an entrepreneurial go-to market strategy. We empower our business development teams and encourage them to find creative ways to support the success of our customers. We build on our relationships with customers to find additional opportunities to deliver mission-enabling solutions. While working closely with customers in the development phases of missions, our engineers discuss future mission ideas, and proactively recommend potential solutions and enhancements to meet the customer's evolving needs. This forward-thinking approach regularly results in awards for follow-on solutions on subsequent missions which allow us to identify new business opportunities ahead of the competition.

Deep Team with a Winning Culture

We have a highly experienced management team and workforce of over 2,800 staff, which provides us with the critical expertise to execute complex space missions. Our position as an innovation leader allows us to recruit premium talent and retain our employees. Historically, our employees stay at MDA on average for over a decade, which deepens our institutional knowledge and domain expertise. Our entire team stands by our core values of integrity, responsibility, collaboration, fueling inspiration, and operational excellence, a culture that drives successful delivery on customer missions and continued growth.

GROWTH STRATEGIES

MDA is primed to maximize its market positon and capitalize on multiple waves of the expanding space market as they evolve and emerge over the next decade. With established industry leadership in three diverse areas of the space market, we are executing on specific strategies and leveraging our competitive strengths in Geointelligence, and Robotics and Space Operations and Satellite Systems. To maximize our growth opportunities, we are investing in research and development, manufacturing, product development, and in scaling the business. Our primary strategic initiatives include:

- **Expanding Market Leadership in Geointelligence** – we are currently developing our next industry leading EO mission named CHORUS that is expected to provide the broadest SAR area coverage on the market with cloud-enabled ground infrastructure to provide best in class download times. The mission is expected to also include a trailing high-resolution X-band SAR satellite which enhances target monitoring performance and unlocks new use cases, including tipping and cueing techniques that allow MDA's leading broad area sensor to monitor an area of interest (the "tip") and to zoom in on the objects of interest (the "cue") using the trailing high-resolution sensor;
- **Growing Constellation Market Share** – we are expanding our high volume production capacity by investing in new satellite manufacturing facilities and modernizing existing facilities with state-of-the-art digital capability to enable us to better service the expanding LEO satellite market. In addition to supporting high volume requirements, these modernized and scaled capabilities give us the capacity to capture aftermarket and replacement services revenues, driven by the short lifespan of LEO satellites;
- **Developing Digital Solutions for Satellite Communications Industry** – we are further developing our digital satellite technologies to support the transition from analog to digital payloads for LEO, MEO and GEO satellites by providing customized digital payload solutions for specific applications, including 5G backhaul and rural broadband. This will enable us to offer critical solutions to satellite operators and to other manufacturers that lack digital payload capabilities;
- **Maximizing Robotics & Space Mission Participation** – we are investing to maintain our global leadership in space robotics and exploration mission solutions and leveraging our technologies and capabilities for emerging commercial on-orbit servicing applications. We intend to develop a portfolio of pre-qualified and multipurpose space robotics components, including sensors, autonomous robotics, and space manipulators to be used in debris removal, on-orbit satellite servicing, and in-space assembly applications; and

- **Utilizing Strategic M&A to Complement Organic Growth** – we are continuously evaluating acquisition opportunities that can complement our organic growth strategy and enhance our offering. Our M&A strategy has three pillars: (i) augment existing capabilities and our domain expertise; (ii) accelerate our technology roadmap to support strategic initiatives and our expansion into market adjacencies; and (iii) expand our presence in international geographies to access new market sectors and customers.

BUSINESS AREAS

We sell our products and services into three end markets which include Geointelligence, Robotics & Space Operations and Satellite Systems. Below is a brief description of each business area.

GEOINTELLIGENCE

In Geointelligence, we provide end-to-end solutions and services related to EO and intelligence systems. We use satellite-generated imagery and data to deliver critical and value-added insights for a wide range of end uses, including in the areas of national security, climate change monitoring and maritime surveillance. The Company also provides analytic solutions that document change and enable geospatial modeling and analysis that is intended to predict where events will occur to help customers protect lives and make resource allocation decisions.

Our EO business includes the collection, processing and dissemination of Earth imagery data from space. As the operator and owner of global commercial data distribution for the RADARSAT-2 satellite, we are one of the largest radar information providers worldwide. Our extensive data archive is comprised of approximately 90 billion square kilometers of Earth imagery data and more than one million images of Earth. We also distribute high resolution optical imagery and satellite-based Automatic Identification System data from many other third party missions. Our imagery solutions provide customers with timely, accurate and mission-critical information about our changing planet and support a wide variety of uses and sectors, including defence and intelligence, energy and natural resources, industrials, agriculture and forestry, public authorities, services and weather.

The largest market for our EO data and services is maritime surveillance. Government and commercial organizations rely on us for mission critical real-time data to track maritime activity, visualize maritime crime patterns, identify and monitor illegal, unreported and unregulated fishing, track ice floes, shorelines and ocean winds, detect possible oil spills and monitor vessels. We have been a leading provider of these mission critical services for over 25 years and play an integral role in our customers' surveillance strategies.

Our end-to-end solutions include a full range of multi-satellite ground stations that receive, process, distribute, archive, and exploit imagery from RADARSAT-2 and other satellites. We have installed more than 70 receiving ground stations in more than 25 different countries, which process data from over 20 different satellites. The intelligence provided through our ground stations supports a broad range of applications, including national security, maritime transportation, urban development, land use, resource management, environmental monitoring, defence operations, law enforcement and mapping.

MDA also provides a number of defence information solutions, including command and control systems and airborne surveillance solutions. We are the original solution provider of many of these systems. The Company provides advanced aeronautical navigation information solutions that increase safety and efficiency of aircraft landings and departures, supporting the next generation of air traffic management. We also operate a long endurance unmanned aerial vehicle (UAV) surveillance service that provides real-time, multi-sensor intelligence to support critical operations.

- **Key Development Initiative – CHORUS:** We are currently developing CHORUS, a next-generation radar satellite system that will provide data continuity for RADARSAT-2 and is expected to enhance our EO solutions offering. CHORUS will fuse data from multiple sensors and will leverage artificial intelligence in order to manage larger volumes of data and provide enhanced analytics services. We also intend to launch our cloud-based ground station solution as part of our CHORUS offering. These expanded capabilities will grow our customer base and drive increased revenue from existing customers by providing additional services.

- **Key Program – Canadian Surface Combatant (CSC):** One of our key defence intelligence programs is the Canadian Surface Combatant for which we are designing and integrating the Electronic Warfare suite system for 15 Royal Canadian Navy warships. The ships are scheduled to be built over the next 20 years and are expected to serve the Royal Canadian Navy for decades. This program represents over $1.5 billion of potential revenue for MDA. We plan to leverage the Canadian Surface Combatant's sensor, laser warning, and electronic system technologies to serve international defence customers as they upgrade their naval fleets over time.

ROBOTICS & SPACE OPERATIONS

In Robotics & Space Operations, we enable humanity's exploration and development of space infrastructure by providing autonomous robotics and vision sensors that operate in space and on the surfaces of the Moon and Mars. Our industry leading, end-to-end design and operations capabilities are critical for advanced space applications including space station operations, in-space servicing, assembly and manufacturing, space tourism and space mining.

Our products include: robotic arms, robotic interfaces, tooling, robotic ground control stations and operations services, electro-optic and light detection and ranging ("LiDAR") sensors, vision and targeting systems, guidance/navigation/control subsystems, and planetary rover locomotion subsystems.

Demand for space robotics and mission-support services is primarily driven by the International Space Station (ISS) activities and lunar and deep space exploration. The increase in the number of satellites and other spacecraft is driving demand for emerging solutions in on-orbit servicing (e.g., the upgrade and repair, relocation and refueling of satellites in orbit) and manufacturing. We have a long history in space robotics, having developed the Canadarms for NASA's Space Shuttle program, and Canadarm2, which is currently in service on the ISS. We have provided robotics on over 100 space shuttle missions and sensors, which supported 49 space shuttle and ISS missions and have supported Canadarm, Canadarm2 and Dextre (a space robotic system also known as the Special Purpose Dexterous Manipulator) operations on the ISS for the past 20 years. As a result of this work, our experience spans over 3 million hours of technical support to on-orbit robotic operations. We are now working on the Canadarm3 program, our third generation Canadarm that will provide AI-based robotics for the NASA-led Gateway, the lunar-orbiting outpost of the Artemis program.

We designed and built Orbital Express, the robotics system that enabled the world's first autonomous on-orbit servicing demonstration, and have developed full interface solutions for on-orbit refueling for most western nation satellites in geosynchronous equatorial orbit (GEO). We are now engaging in future missions for on-orbit assembly where our technology and on-orbit experience provide the foundation to deliver innovative solutions for space infrastructure assembly and maintenance, including the autonomous construction of human habitats in space.

Our LiDAR sensors are critical to rendezvous, docking, inspection, and landing activities as part of on-orbit and planetary missions. These sensors are used today to dock spacecraft with the ISS, and next-generation versions will be used to land spacecraft on the Moon and Mars. We have developed technology for multiple Mars missions, including the Phoenix Lander, the Curiosity Rover and the ExoMars Rover, with our sensors first operating on Mars in 2008. We built the LiDAR instrument for the OSIRIS-Rex mission that completed the world's first 3D scan of an asteroid from an orbiting spacecraft. MDA sensors have been operational on 8 missions for NASA's Cygnus spacecraft.

We also develop commercial space robotic solutions that serve the evolving needs of the new space market. Our products and services support logistics delivery, satellite servicing, debris removal, relocation of assets, and infrastructure maintenance. We have developed integrated space robotic systems, technologies, interfaces, tools, operational techniques, and control algorithms to enable the commercial space opportunity of on-orbit servicing using strategic intellectual property developed through years of R&D activities.

- **Key Program – Canadarm3:** Canadarm3, the third generation robotic technology developed by MDA, will be designed and built over a five-year period and is expected to generate $1.4 billion of potential total revenue to the Company, including 15 years of ongoing service and support revenue. This advanced AI-enabled robotic system will be highly-autonomous, allowing the robotic elements to perform operations and make decisions during long periods when there is no contact with the Canada-based ground control operations centre. We are also working on commercializing the Canadarm3 robotic arm capabilities for applications in the growing on-orbit servicing and in-space manufacturing and assembly markets.

SATELLITE SYSTEMS

In Satellite Systems, we provide sub-systems and spacecraft to enable space-based services, including next generation communication technologies that will deliver space-based broadband Internet and direct satellite-to-device connectivity from LEO satellite constellations as well as solutions that span across the full communication frequency spectrum.

We are a prime contractor and a supplier of satellite systems and sub-systems used in LEO, MEO and GEO satellites for commercial and government customers worldwide, including antennas, electronics and payloads. Our antenna products include L-band arrays, C and Ku reflector antennas, Ka band multi-beam antennas, steerable antennas, and LEO/MEO constellation antennas. Our electronics products include command and control, onboard signal processing, single board computers, frequency generation, frequency convertors, amplifiers, and power conditioners. Our payload products and services include communication payload design, manufacturing, integration and verification solutions for customers.

Payloads are the core business functionality of a satellite. For example, in an EO satellite, the payload is its cameras or radar system that will observe the Earth. In a communications satellite, the payload is its communication solution. The payload enables the satellite to fulfill its objectives. At MDA, payloads also include the delivery of major communications subsystems for space vehicles and space stations

We have provided satellite subsystems to enable next generation communication constellations such as O3B, Iridium Next, and OneWeb. We will continue to be at the forefront of LEO systems development as a provider of technology to LEO constellations. To support these customers, MDA has continually adapted its satellite manufacturing base, which now includes fourth generation robotics-based technologies capable of manufacturing dozens of small satellites and satellite sub-systems each month. MDA technology has been integrated into more than 350 satellite missions.

Through our participation in many of the major satellite constellations to date, and with our new state-of-the art high volume satellite production facility in Montreal, we have solidified our position as a satellite prime contractor with the February 2022 selection as Globalstar's new LEO constellation provider. In this contract, MDA will be responsible for the complete satellite design, manufacture, assembly and test of 17 satellites with options for an additional nine satellites

We have high-volume production capability for large satellite constellations. Our Satellite Systems facility in Sainte-Anne-de-Bellevue, Quebec, contains one of the largest compact ranges for satellite testing in the world, one of the largest near field ranges in the world, a wide range of thermal, environmental, Platform Independent Model (PIM), and vibration test facilities, and a recently established fourth generation manufacturing environment employing robotic assembly to produce high volume LEO satellite systems.

We are also developing a range of digital payload components (e.g., channelizer/on-board processor, active antennas) to address the industry transition from analog satellites to digital satellites. MDA has a proven Software Defined Radio (SDR) capability for space-based communication solutions, with current contracts including the Power and Propulsion Element (PPE) module on the Gateway.

- **Key Program – Globalstar LEO Constellation Expansion:** In February 2022, Globalstar Inc. (Globalstar) announced that MDA has been selected as the prime contractor for Globalstar's new LEO satellites. Globalstar is a leading provider of Mobile Satellite Services including customizable satellite IoT solutions for individuals and businesses globally. Globalstar's contract with MDA, valued at $327 million USD (~$415 million CAD) includes the design, manufacture, assembly and test of 17 satellites, with options for Globalstar to purchase up to nine additional satellites. The satellites built by MDA will integrate with Globalstar's existing constellation, ensuring service continuity for Globalstar customers. In September 2022, Globalstar disclosed that Apple Inc. is the primary customer for its current and future satellite network capacity which will support new satellite-enabled services for certain of Apple's products.

- **Key Program – Telesat Lightspeed Constellation:** In August 2023, Telesat announced that MDA has been selected as the prime contractor for the Telesat Lightspeed program, Telesat's revolutionary LEO satellite constellation. Valued at approximately $2.1 billion, MDA's contract includes the design, manufacture, assembly and test of 198 satellites with options for Telesat to purchase up to 100 additional satellites. Telesat anticipates satellite launches will commence in 2026 with polar and global services beginning in 2027. The Telesat Lightspeed satellites will be built, assembled and tested at MDA's state-of-the-art high volume satellite manufacturing facilities in Montreal and will leverage MDA's strategic investments in new digital satellite product portfolio and advanced manufacturing capability to deliver significant cost and schedule benefits to the program.

INDUSTRY TRENDS

Key industry trends that directly influence our business are summarized below.

New Space Business Opportunities Are Increasing

The U.S. Chamber of Commerce estimates the global space economy will expand by over US$1.1 trillion from 2017 to 2040, to US$1.5 trillion annually. This growth is expected to be driven by continuous commercial and government investments in space, which reflects the importance of space in an increasingly global, sophisticated, and data-driven world. Commercial spending on space is being driven by heightened levels of equity investment, which have exceeded $270 billion since 2013, according to Space Capital. Global government budgets for space also reached an all-time high of US$103 billion in 2022, a 9% increase over 2021, according to Euroconsult. In 2022 alone, industry milestones exemplifying the strength and growth of the global space economy included: (i) global launch attempts reached a record 186, up 27% from 2021; (ii) a record 2,521 spacecraft were launched; (iii) the world's largest and most powerful telescope, the James Webb Space Telescope, delivered its first images; and (iv) NASA launched Artemis I, which is expected to pave the way to return humans to the Moon. Our portfolio of world-class technology is well-positioned to take advantage of the fastest growing areas of the space economy, including the deployment of LEO satellite constellations for communications and EO applications, space exploration, space-based defence spending, and on-orbit servicing of satellites and spacecraft.

Government Agencies are Seeking Increased Commercial Collaboration

The growing commercial space economy has resulted in government customers, including civilian space agencies and defence departments, seeking commercial collaboration in business activities. MDA has responded, and continues to respond, to several future government initiatives regarding co-investment by industry, and/or an industry services model to provide EO as-a-service, on-orbit robotics operations as-a-service, and space based communications as-a-service. We see this on Government of Canada engagements on projects such as the Earth Observation Service Continuity (EOSC) program, Defence Enhanced Surveillance from Space program (DESSP), the Enhanced Satellite Communication Project - Polar, and Canadarm3.

The Pace and Density of Space Missions are Increasing

The intensity of new business development is rapidly increasing across MDA. Government agencies have increased demand for space-based initiatives for EO, space exploration, and space based communication, while commercial customers are exhibiting similar needs as technology advancements and reduced launch and satellite costs has improved the economic feasibility of many space-based activities and services. MDA is focused on staffing, financing new business development efforts and increasing the scale of the overall business in order to maximize our position in this growing market with increasing product and services volumes.

QUARTER HIGHLIGHTS

- Revenues of $196.0 million in Q2 2023 were up 26.7% year over year driven by higher revenues across our three business areas with strong contributions from Satellite Systems and Robotics & Space Operations businesses.
- Adjusted EBITDA(1) of $40.4 million in Q2 2023 was up 16.4% year over year driven by higher volumes of work across our businesses. Adjusted EBITDA margin(1) was 20.6% in Q2 2023 compared with 22.4% in Q2 2022. Adjusted EBITDA margin in the latest quarter was in line with the variance in gross margin year over year.
- Backlog of $1.1 billion at quarter end was at a healthy level following a year of strong contract awards in 2022.
- Operating cash flow of $38.9 million in Q2 2023 compared with ($5.0) million in Q2 2022, the increase was primarily driven by positive working capital contributions and higher Adjusted EBITDA in Q2 2023 versus the same period last year.
- Healthy financial position with net debt(1) to adjusted EBITDA ratio of 1.2x at quarter end.
- In the second quarter, notable activity included the following:
    - Our Geointelligence business was awarded a two-year contract with up to three optional years with the Government of Canada through the Department of Fisheries and Oceans (DFO) to help counter illegal, unregulated, and unreported (IUU) fishing in the Indo-Pacific region. MDA Maritime Insights platform, which leverages MDA's world-renowned RADARSAT-2 Synthetic Aperture Radar (SAR), combines multiple satellite data sources to track and identify IUU fishing activity including dark vessel detection.
    - Our Satellite Systems business was awarded a contract from L3Harris Technologies as part of the Space Development Agency's (SDA) Tranche 1 Tracking Layer program. MDA will design and build 14 flight sets of Ka-Band steerable antennas and control electronics for L3Harris as part of SDA's low earth orbit (LEO) constellation. The antennas and control electronics will be designed, built, assembled and tested at MDA's state-of-the-art high-volume satellite production facility in Montreal.
    - Our Geointelligence business announced it is working with Thoth Technology Inc. to create a made-in-Canada deep space radar surveillance and space domain awareness (SDA) capability. As part of a strategic cooperation agreement, MDA commercial data services will be integrated with Thoth's ground-based radar technology to provide unprecedented levels of sovereign monitoring in deep space over Canada, providing both detection and characterization of space objects.

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[1] *As defined in the 'Non-IFRS Financial Measures' section*

- Subsequent to quarter end, the Company announced an approximately $2.1 billion contract award from Telesat for the design, manufacture, assembly and test of 198 satellites with options for Telesat to purchase up to 100 additional satellites. The Telesat award will leverage MDA's new digital satellite product line to deliver significant technology advancements as well as cost and schedule improvements. The contract will be added to MDA's backlog in the third quarter of fiscal 2023.

FINANCIAL OVERVIEW

KEY INDICATORS SUMMARY

	Second Quarters Ended		Six Months Ended	
(in millions of Canadian dollars)	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Revenues	$ 196.0	$ 154.7	$ 397.9	$ 283.1
Gross profit	$ 61.3	$ 51.4	$ 128.5	$ 113.1
Gross margin	31.3%	33.2%	32.3%	40.0%
EBITDA[1]	$ 34.9	$ 31.3	$ 80.7	$ 66.9
Adjusted EBITDA[1]	$ 40.4	$ 34.7	$ 89.3	$ 79.2
Adjusted EBITDA margin	20.6%	22.4%	22.4%	28.0%

		As at
(in millions of Canadian dollars, except for ratios)	**June 30, 2023**	**December 31, 2022**
Backlog	$ 1,098.3	$ 1,378.2
Net debt[1] to Adjusted TTM[1] EBITDA ratio	1.2x	1.3x

REVENUES BY BUSINESS AREA

	Second Quarters Ended		Six Months Ended	
(in millions of Canadian dollars)	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Geointelligence	$ 47.9	$ 47.0	$ 99.2	$ 95.9
Robotics & Space Operations	58.7	48.8	121.6	91.2
Satellite Systems	89.4	58.9	177.1	96.0
Consolidated revenues	$ 196.0	$ 154.7	$ 397.9	$ 283.1

Revenues

Consolidated revenues for the second quarter of 2023 were $196.0 million, representing an increase of $41.3 million (or 26.7%) from the second quarter of 2022. The year over year increase in revenues was primarily driven by strong contributions from our Satellite Systems and Robotics & Space Operations businesses.

By business area, revenues in Geointelligence for the second quarter of 2023 were $47.9 million, which represents an increase of $0.9 million (or 1.9%) from the same period in 2022 due to slightly higher volume of work. Revenues in Robotics & Space Operations for the second quarter of 2023 were $58.7 million, which represents an increase of $9.9 million (or 20.3%) from the same period in 2022. This year over year increase is primarily driven by the higher volume of work performed on the Canadarm3 program. Revenues in Satellite Systems for the second quarter of 2023 were $89.4 million, which represents an increase of $30.5 million (or 51.8%) from the same period in 2022 driven by higher volumes on new programs including the Globalstar program which was awarded in Q1 2022.

Consolidated revenues for the six months ended June 30, 2023 were $397.9 million, which were $114.8 million (or 40.6%) higher than the same period in 2022. The year over year increase in revenues was primarily driven by strong contributions from our Satellite Systems and Robotics & Space Operations businesses.

By business area, revenues in Geointelligence for the first six months of 2023 were $99.2 million, which represents an increase of $3.3 million (or 3.4%) from the same period in 2022 reflecting slightly higher volume of work. Revenues in Robotics & Space Operations for the first six months of 2023 were $121.6 million, which represents an increase of $30.4 million (or 33.3%) from the same period in 2022. The year over year revenue increase is primarily driven by the higher volume of work performed on the Canadarm3 program. Revenues in Satellite Systems for the first six months of 2023 were $177.1 million, which represents an increase of $81.1 million (or 84.5%) from the same period in 2022 primarily driven by higher volumes on new programs including the Globalstar program which was awarded in Q1 2022.

Gross Profit and Gross Margin

Gross profit reflects our revenues less cost of revenues. Q2 2023 gross profit of $61.3 million represents a $9.9 million (or 19.3%) increase over Q2 2022 driven by higher volume of work performed year over year. Gross margin in Q2 2023 was 31.3%, which is in line with our expectations as the Company's program mix evolves. Comparatively, gross margin in Q2 2022 was 33.2%.

For the six months ended June 30, 2023, gross profit of $128.5 million represents a $15.4 million (or 13.6%) increase over 2022 driven by higher volume of work performed year over year, partially offset by $16.8 million of higher ITCs recorded in Q1 2022 related to the resolution of historical claims. Gross margin for the six months ended June 30, 2023 was 32.3%, which is in line with our expectations as the Company's program mix evolves. Comparatively, gross margin in 2022 was 34.0% excluding the aforementioned impact of the historical ITC claims recognized in Q1 2022.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the second quarter of 2023 was $40.4 million compared with $34.7 million in Q2 2022, representing an increase of $5.7 million (or 16.4%) year over year driven by higher gross profit as we continue to execute on our backlog. Adjusted EBITDA margin was 20.6% in Q2 2023 compared with 22.4% in Q2 2022, which is in line with the variance in gross margin year over year.

Adjusted EBITDA for the six months ended June 30, 2023 was $89.3 million compared with $79.2 million for the same period in 2022, representing an increase of $10.1 million (or 12.8%) year over year. Adjusted EBITDA for the six months ended June 30, 2022 included $16.8 million of income from the aforementioned resolution of historical ITC claims. When excluding the impact of the $16.8 million related to historical ITC claims, Adjusted EBITDA increased $26.9 million (or 43.1%) year over year. The improvement was driven by higher volumes of work performed year over year. Adjusted EBITDA margin was 22.4% for the six months ended June 30, 2023 compared with 22.0% in 2022, excluding the previously noted historical ITC claims resolution.

Adjusted EBITDA, excluding historical ITCs claims resolution, is summarized below.

	Second Quarters Ended		Six Months Ended	
(in millions of Canadian dollars)	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Adjusted EBITDA	$ 40.4	$ 34.7	$ 89.3	$ 79.2
ITCs claims resolution	—	—	—	(16.8)
Adjusted EBITDA, excluding ITCs claims resolution	$ 40.4	$ 34.7	$ 89.3	$ 62.4
Adjusted EBITDA margin, excluding ITCs claims resolution	20.6%	22.4%	22.4%	22.0%

Backlog

Backlog as at June 30, 2023 was $1,098.3 million, a decrease of $422.5 million compared with the backlog at June 30, 2022 driven by continued conversion of backlog into revenue, partially offset by new order bookings. The following table shows the build up of backlog for Q2 and the six months ended June 30, 2023 as compared with the same periods in 2022.

	Second Quarters Ended		Six Months Ended	
(in millions of Canadian dollars)	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Opening Backlog	$ 1,232.4	$ 1,516.8	$ 1,378.2	$ 864.3
Less: Revenue recognized	(196.0)	(154.7)	(397.9)	(283.1)
Add: Order Bookings	61.9	158.7	118.0	939.6
Ending Backlog	$ 1,098.3	$ 1,520.8	$ 1,098.3	$ 1,520.8

2023 FINANCIAL OUTLOOK

As a leading global space technology provider, we are leveraging our capabilities and expertise to execute on targeted growth strategies across our end markets and business areas. Our strategic initiatives, which span across our three businesses, include expanding our share of the growing constellation market, leveraging our leading robotics technology platform to capitalize on emerging commercial opportunities, and further strengthening our positioning in Geointelligence through the development of our CHORUS Earth observation constellation. We continue to make good progress against our long term strategic plan.

MDA is well positioned to capitalize on strong customer demand and robust market activity given our diverse and proven technology offerings. Our growth pipeline is significant and underpinned by existing and new programs and our book of business is healthy. We see activities ramping up in line with our expectations, and are encouraged by the team’s solid execution. We continue to closely monitor developments related to supply chain disruptions, and are taking pro-active measures across our three business areas to mitigate the impact on our operations to the extent possible.

For fiscal 2023, we are raising our financial outlook to reflect strong execution in the first half of the year and contributions from the recently announced Telesat Lightspeed program. We now expect full year revenues to be $785 – $810 million, representing robust year over year growth of approximately 25% at the mid-point of guidance. For the full year, we now expect adjusted EBITDA to be $155 – $165 million, representing approximately 19% – 20% adjusted EBITDA margin. We now expect capital expenditures to be $200 – $220 million in 2023, primarily comprising of growth investments to support CHORUS and the previously outlined growth initiatives across our three business areas. We expect Q3 2023 revenues to grow by approximately 10-15% compared to Q3 2022 levels as we continue to execute on our backlog.

RESULTS OF OPERATIONS

(in millions of Canadian dollars, except per share data)	Second Quarters Ended June 30, 2023	Second Quarters Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenues	$ 196.0	$ 154.7	$ 397.9	$ 283.1
Materials, labour and subcontractors costs	(127.7)	(97.5)	(255.8)	(158.4)
Depreciation and amortization of assets	(7.0)	(5.8)	(13.6)	(11.6)
Gross profit	$ 61.3	$ 51.4	$ 128.5	$ 113.1
Operating expenses:				
Selling, general & administration	$ (17.8)	$ (13.8)	$ (34.4)	$ (28.1)
Research & development, net	(10.3)	(8.7)	(20.4)	(17.2)
Amortization of intangible assets	(11.0)	(12.9)	(23.8)	(26.9)
Share-based compensation	(2.9)	(1.4)	(4.1)	(3.0)
Operating income	$ 19.3	$ 14.6	$ 45.8	$ 37.9
Other expense	(2.4)	(2.0)	(2.5)	(9.5)
Finance costs	(2.1)	(24.7)	(4.3)	(29.0)
Income (loss) before income taxes	$ 14.8	$ (12.1)	$ 39.0	$ (0.6)
Income tax recovery (expense)	(4.9)	3.3	(13.0)	0.2
Net income (loss)	$ 9.9	$ (8.8)	$ 26.0	$ (0.4)
Basic earnings (loss) per share	$ 0.08	$ (0.07)	$ 0.22	$ (0.00)
Diluted earnings (loss) per share	0.08	(0.07)	0.22	(0.00)

Revenues

Consolidated revenues for the second quarter of 2023 were $196.0 million, representing an increase of $41.3 million (or 26.7%) compared with the second quarter of 2022. For the six months ended June 30, 2023, consolidated revenues were $397.9 million, which were $114.8 million (or 40.6%) higher than the same period in 2022. Please refer to 'Financial Overview' for a detailed discussion of revenue drivers for the second quarter and first six months of 2023.

Materials, labour and subcontractors costs

Materials, labour and subcontractor costs for the second quarter of 2023 were $127.7 million, representing a $30.2 million (or 30.1%) increase compared to the same quarter of 2022. The increase is due to higher volume of work performed as we execute on our backlog.

Materials, labour and subcontractor costs for the six months ended June 30, 2023 were $255.8 million, representing an increase of $97.4 million (or 61.5%) increase over 2022. The increase reflects higher volume of work performed during this period, partially offset by $16.8 million of ITC income recognized in Q1 2022 (as a result of a historical claims resolution).

Depreciation and amortization of assets

Included in this line item are the depreciation and amortization costs of those assets directly used to support our revenues. These assets are depreciated and amortized on a straight-line basis over their useful lives. Second quarter costs of $7.0 million and the year to date costs of $13.6 million are in line with the costs in the comparative periods in 2022.

Selling, general and administration (SG&A)

SG&A expenses include administrative support functions, as well as business development and bids and proposals costs. In addition, audit fees, public company expenses, recruitment and other consulting fees are included in this line item. SG&A expenses for the second quarter 2023 were $17.8 million, representing an increase of $4.0 million (or 29.0%) over the same quarter in 2022. SG&A expenses for the six months ended June 30, 2023 were $34.4 million, representing an increase of $6.3 million (or 22.4%) over 2022. The increases in SG&A expenses in 2023 reflects an expansion of our SG&A functions as our work volume grows. In the latest quarter, SG&A expenses represented 9.1% of revenues, which is comparable to the 8.9% in the same quarter in 2022. For the six months ended June 30, 2023, SG&A expenses were 8.6% of revenues compared to 9.9% in the same period in 2022, reflecting economies of scale as work volume grows.

Research and development (R&D)

MDA's net R&D expenses are comprised of costs incurred on R&D activities that are expensed to the income statement in the period, offset by funding received on certain R&D programs. The Company expenses research costs as they are incurred. Development costs are expensed when they do not meet the asset capitalization criteria (e.g. when technical feasibility and/or a market has not yet been established), or the costs are not directly attributable to developing the asset.

Net R&D expense for the second quarter of 2023 was $10.3 million, representing an increase of $1.6 million (or 18.4%) from the same quarter in 2022. On a year to date basis, net R&D expense of $20.4 million represents a $3.2 million (or $18.6%) increase over 2022. The year over year increase in R&D expense is primarily due to higher activity on the development of CHORUS and other proprietary technologies, where a portion of the costs are expensed in R&D as they do not qualify for asset capitalization.

Amortization of intangible assets

This line item includes the straight-line amortization of intangible assets recognized as part of the Acquisition on April 8, 2020, which comprise contractual backlog, customer relationships, proprietary technologies, and the MDA trademark. These intangible assets are amortized over various useful lives, ranging from 2 to 20 years. The amount expensed in the second quarter of 2023 was $11.0 million, representing a decrease of $1.9 million (or 14.7%) compared with the second quarter of 2022. For the six months ended June 30, 2023, the amortization expense of $23.8 million represents a $3.1 million (or 11.5%) decrease compared with the same period in 2022. The year over year decrease in amortization expense is attributable to a portion of contractual backlog assets being fully amortized by the end of Q1 2022.

Share-based compensation

In April 2021, the Company established an Omnibus Long-term Incentive Plan ("Omnibus Plan"). The Omnibus Plan is a share-based plan, under which the Company can issue stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs") to directors and employees. The Company also has in place an Employee Share Trust Agreement arrangement, where eligible employees are issued shares held in a company trust ("Trustee Shares") and released upon meeting prescribed conditions.

Share-based compensation expense represents the vesting of the Company's share-based awards on a graded basis over the awards' respective vesting periods.

The expense for the second quarter of 2023 was $2.9 million, which represents an increase of $1.5 million (or 107.1%) over the second quarter of 2022. For the six months ended June 30, 2023, the expense was $4.1 million, which represents an increase of $1.1 million (or 36.7%) over the same period in 2022. This increase is due to additional grants of RSUs and PSUs from Q3 2022 onwards, partially offset by $0.3 million in forfeitures of trustee shares during the six months ended June 30, 2023.

Other income and expenses

Other expenses includes amounts related to foreign exchange and unrealized loss on financial instruments.

During the second quarter of 2023, other expenses was $2.4 million, including $1.8 million of foreign exchange loss and $0.6 million in unrealized loss on financial instruments. During the second quarter of 2022, other expenses was $2.0 million, including $2.1 million in foreign exchange gain, which was more than offset by $4.1 million in unrealized loss on financial instruments. The unrealized loss on financial instruments in the prior year was mainly due to a $5.3 million unrealized loss on the redemption option derivative asset associated with the second lien notes that were redeemed in the second quarter of 2022 (as outlined in the 2022 Audited Financial Statements – note 15).

During the six months ended June 30, 2023, other expenses totalled $2.5 million, including $1.4 million of foreign exchange loss and $1.1 million of unrealized loss on financial instruments. This is compared with a $0.1 million foreign exchange loss and $9.4 million unrealized loss on financial instruments in the same period in 2022. The decrease in unrealized loss on financial instruments was due to the unrealized loss driven by the aforementioned redemption of the second lien notes in the second quarter of 2022 as well as an unrealized loss of $4.1 million recorded on the change in fair value of our investment in equity securities during the six months ended June 30, 2022.

Finance costs

The Company’s finance costs include interest expenses, net interest accrual on interest rate swaps, borrowing fees and gains or losses on modifications of debt facilities. In Q3 2022, the Company began to capitalize interest expense on certain qualifying capital assets under internal development.

Finance costs for the second quarter of 2023 were $2.1 million, net of $1.7 million of capitalized interest expense, which primarily represents interest on long-term debt and other borrowing fees. Before considering the impact of capitalized interest, finance costs for the second quarter of 2023 were $3.8 million, which is comparable to the interest expense on long-term debt and other borrowing fees in the second quarter of 2022 of $3.6 million. Total finance costs for the second quarter of 2022 were $24.7 million, which included $21.1 million of costs related to the aforementioned redemption of the second lien notes and the refinancing of our revolving credit facility during the second quarter of 2022.

Finance costs for the six months ended June 30, 2023 were $4.3 million, net of $3.1 million of capitalized interest expense, which primarily represents interest on long-term debt and other borrowing fees. Before considering the impact of capitalized interest, finance costs for the six months ended June 30, 2023 were $7.4 million, which is $0.5 million (or 6.3%) lower than the interest on long-term debt and other borrowing fees for the six months ended June 30, 2022 of $7.9 million. This is primarily due to higher interest rates prior to the debt refinancing in the second quarter of 2022, partially offset by rising interest rates in 2023. Total finance costs for the six months ended June 30, 2022 were $29.0 million, which included $21.1 million of costs related to the aforementioned redemption of the second lien notes and the refinancing of our revolving credit facility during the second quarter of 2022.

As at June 30, 2023, the Company’s weighted-average interest rate on its credit facilities, including the effect of interest rate swaps, was 5.61% (December 31, 2022 – 5.40%).

RECONCILIATION OF NON-IFRS MEASURES

The following table provides a reconciliation of net income to EBITDA and adjusted EBITDA:

	Second Quarters Ended		Six Months Ended	
(in millions of Canadian dollars)	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Net income (loss)	$ 9.9	$ (8.8)	$ 26.0	$ (0.4)
Depreciation and amortization	7.0	5.8	13.6	11.6
Amortization of intangible assets	11.0	12.9	23.8	26.9
Income tax expense (recovery)	4.9	(3.3)	13.0	(0.2)
Finance costs	2.1	24.7	4.3	29.0
EBITDA	$ 34.9	$ 31.3	$ 80.7	$ 66.9
Unrealized foreign exchange loss (gain)	2.0	(2.1)	3.4	(0.1)
Unrealized loss on financial instruments	0.6	4.1	1.1	9.4
Share based compensation	2.9	1.4	4.1	3.0
Adjusted EBITDA	$ 40.4	$ 34.7	$ 89.3	$ 79.2

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

Financial Condition

Total assets of the Company as at June 30, 2023 were $1,809.2 million, representing a $58.4 million increase from $1,750.8 million as at December 31, 2022. The increase in asset balances is consistent with the execution of our growth initiatives. Over the six months in 2023, we continued to grow our long-term assets, highlighted by the strong levels of development activities on CHORUS and other planned capital expenditures.

Total liabilities as at June 30, 2023 of $774.9 million increased by $24.7 million compared with $750.2 million as at December 31, 2022 primarily reflecting the higher current liabilities year over year, which corresponds to our increased volume of work.

The following table represents our working capital position as at June 30, 2023 and December 31, 2022:

		As at
(in millions of Canadian dollars)	**June 30, 2023**	**December 31, 2022**
Non-cash current assets	$ 313.3	$ 338.9
Current liabilities	342.9	318.6
Net Working Capital	$ (29.6)	$ 20.3

Our Net Working Capital decreased by $49.9 million from December 31, 2022 to June 30, 2023. This decrease is largely due to higher accounts payable and accrued liabilities, lower trade and other receivables, lower income taxes receivable, partially offset by higher unbilled receivables at June 30, 2023 relative to December 31, 2022.

Management monitors our net working capital levels on a continuous basis, to ensure the Company has sufficient liquidity to fund our short-term usages of cash necessary in our normal course of operations.

Cash Flows

The Company's consolidated cash flows are summarized in the table below.

	Second Quarters Ended		Six Months Ended	
(in millions of Canadian dollars)	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Cash, beginning of period	$ 67.9	$ 59.5	$ 39.3	$ 83.6
Total cash provided by (used in):				
Operating activities	$ 38.9	$ (5.0)	$ 84.7	$ 9.7
Investing activities	(45.7)	(55.0)	(86.2)	(92.1)
Financing activities	(22.0)	9.2	1.5	7.1
Net foreign exchange difference	(0.1)	0.1	(0.3)	0.5
Decrease in cash	$ (28.9)	$ (50.7)	$ (0.3)	$ (74.8)
Cash, end of period	$ 39.0	$ 8.8	$ 39.0	$ 8.8

For the three months ended June 30, 2023, the net decrease in cash was $28.9 million which compares to a net decrease in cash of $50.7 million for Q2 2022. Operating activities in the latest quarter generated $38.9 million of cash compared with an outflow of $5.0 million in Q2 2022. The year over year increase in operating cash flow was primarily driven by positive working capital contributions and higher Adjusted EBITDA in the latest quarter versus the same period last year. Cash generated from operating activities helped partially fund our growth investments in CHORUS and other growth initiatives with investing activities totalling $45.7 million in Q2 2023 compared with $55.0 million in Q2 2022. The year over year decline in spending reflects timing of payments on certain capex programs. Cash flows from financing activities in the latest quarter were an outflow of $22.0 million, which reflects the repayments made to our revolving credit facility consistent with our plan to leverage the flexibility provided by our refinanced senior credit facility. Cash flows from financing activities in the second quarter of 2022 were an inflow of $9.2 million as the Company refinanced its credit facilities, resulting in net $20.0 million of additional debt, partially offset by $8.9 million of transaction costs as a result of the refinancing.

For the six months ended June 30, 2023, the net decrease in cash was $0.3 million compared with a net decrease in cash of $74.8 million during the same period in 2022. Operating activities year to date generated $84.7 million of cash compared with $9.7 million in the same period in 2022. The year over year increase in operating cash flow was primarily driven by positive working capital contributions and higher Adjusted EBITDA in 2023 versus the same period last year. Investing activities year to date were $86.2 million compared with $92.1 million in the same period in 2022. This reflects timing of payments on certain capex programs partially offset by higher spending on CHORUS and the aforementioned capital programs. Cash flows from financing activities generated $1.5 million year to date compared to $7.1 million over the same period in 2022. The decrease is primarily due to the refinancing of our credit facilities during the second quarter of 2022.

As at June 30, 2023, the Company had funds available through its revolving credit facility of $330.3 million. The Company has ample liquidity to fund working capital requirements of its operations, capital expenditures, debt service costs, and general corporate costs.

Capital Management

The Company defines its capital as the aggregate of long-term debt and shareholder's equity. The Company's primary capital management objectives are to provide an appropriate return to shareholders, safeguard working capital over the annual operating cycle, provide financial resources to grow operations to meet long-term customer demand, and comply with financial covenants under credit facilities.

The Company’s strategy to managing its capital structure is to utilize its borrowing arrangements to obtain operating credit facilities in support of its working capital and planned capital expenditures. When needed, the Company also has access to capital markets to raise equity financing. At June 30, 2023, the Company’s outstanding debt stood at $248.7 million, compared with $243.6 million at December 31, 2022.

Net debt was $209.7 million representing a net debt to adjusted trailing twelve month (TTM) EBITDA ratio of 1.2x, compared with 1.3x as at December 31, 2022.

		As at
(in millions of Canadian dollars, except for ratios)	**June 30, 2023**	**December 31, 2022**
Long-term debt	$ 248.7	$ 243.6
Less: Cash	(39.0)	(39.3)
Net Debt	$ 209.7	$ 204.3
Adjusted TTM EBITDA	$ 168.0	$ 157.9
Net Debt to Adjusted TTM EBITDA	1.2x	1.3x

As at June 30, 2023, the Company had $330.3 million of available liquidity under its revolving credit facility. The Company continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Company’s strategy, economic conditions, and the risk characteristics of the business.

As at June 30, 2023, the Company was in compliance with the financial covenants under the Company’s credit facilities.

Equity was $1,034.3 million as at June 30, 2023 compared with $1,000.6 million as at December 31, 2022.

As at June 30, 2023, the Company had commitments of $29.1 million (December 31, 2022: $17.9 million) relating to purchase of property, plant and equipment, and intangible assets and had commitments of $125.5 million over 16 years (December 31, 2022 – $99.4 million over 15 years) relating to leases not yet commenced.

FINANCIAL INSTRUMENTS

The Company’s financial assets include cash, trade and other receivables, investments in equity securities, and derivative assets. Financial liabilities include accounts payable and accrued liabilities, long-term debt, and derivative liabilities.

The Company's activities expose its financial instruments to a variety of risks: interest rate risk, liquidity risk, foreign exchange risk, and credit risk. Risk management is carried out by the Company by identifying and evaluating the financial risks inherent within its operations. The Company's overall risk management activities seek to minimize potential adverse effects on the Company's financial performance.

Descriptions of financial instrument risks along with how they are managed are disclosed in the Company’s MD&A for the year ended in December 31, 2022 as well as in note 19 of the 2022 Audited Financial Statements. There were no significant changes to financial instrument risks in the second quarter of 2023.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has off-balance sheet arrangements in the form of standby letters of credit used mainly in connection with obligations relating to performance and payment guarantees of customer contracts. As at June 30, 2023, the aggregate gross potential liability related to the Company’s letters of credit was approximately $19.7 million (December 31, 2022: $24.0 million).

As at June 30, 2023 and December 31, 2022, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company's related parties are its key management personnel. Key management personnel have authority and responsibility for overseeing, planning, directing, and controlling its activities and consist of the members of the board and the senior members of the management team. During the second quarter of 2023, the nature and extent of related party transactions were not materially different from those disclosed in note 26 of the 2022 Audited Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

The Company's Q2 2023 Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board. The same accounting policies and methods of computation as those used in the preparation of the 2022 Audited Financial Statements were followed in the preparation of the Q2 2023 Financial Statements, except for the adoption of a new accounting standard effective January 1, 2023:

Adoption of Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB issued amendments to IAS 12, Income taxes, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability need to be recognized for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has determined the impact of this amendment to be immaterial as at January 1, 2023.

A summary of the Company's significant accounting policies is disclosed in note 3 of the 2022 Audited Financial Statements.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

A summary of critical estimates and judgments that have the most significant effects on the amounts recognized in the consolidated financial statements is disclosed in note 2 of the 2022 Audited Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Forthcoming Amendment to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1, Presentation of Financial Statements, which are intended to clarify requirements for the classification of liabilities as non-current, become effective for the Company on January 1, 2024. The Company does not expect the amendments to have material impacts to its consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS

The following table provides select unaudited quarterly financial results for the eight most recently completed quarters.

	2023		2022				2021	
(in millions of Canadian dollars, except per share data)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenues	$ 196.0	$ 201.9	$ 186.1	$ 172.0	$ 154.7	$ 128.4	$ 115.5	$ 111.3
Gross profit	61.3	67.2	58.9	56.4	51.4	61.7	45.4	39.4
EBITDA	34.9	45.8	35.4	42.3	31.3	35.6	22.9	33.8
Adjusted EBITDA	40.4	48.9	39.9	38.8	34.7	44.5	26.8	31.8
Net income (loss)	9.9	16.1	8.8	17.9	(8.8)	8.4	0.6	4.0
Earnings (loss) per share								
Basic	0.08	0.14	0.07	0.15	(0.07)	0.07	0.01	0.03
Diluted	0.08	0.13	0.07	0.15	(0.07)	0.07	0.00	0.03
Backlog	1,098.3	1,232.4	1,378.2	1,405.1	1,520.8	1,516.8	864.3	828.9

The Company's operations historically have not experienced pronounced seasonality. The Company's revenues, gross profit, EBITDA and adjusted EBITDA period over period are affected by the stages of work on its programs and timing of backlog execution. The fluctuations in net income experienced in the first half of 2022 are largely due to non-recurring items including the transaction costs of $21.1 million triggered by our Q2 2022 debt refinancing and the $16.8 million of ITC income recognized in Q1 2022 pursuant to resolution of historical claims.

CONTROLS AND PROCEDURES

The Company's CEO and CFO are responsible for establishing and maintaining Disclosure Controls and Procedures (DC&P) and have caused them to be designed under their supervision to provide reasonable assurance that information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosure.

The Company's CEO and CFO are also responsible for establishing and maintaining Internal Control over Financial Reporting (ICFR) and have caused ICFR to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our ICFR includes policies and procedures that pertain to the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS. In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 version of Internal Control – Integrated Framework.

The CEO and CFO have evaluated, or caused to be evaluated by those under their supervision, whether there were changes to the Company's ICFR during the three and six months ended June 30, 2023 that have materially affected, or reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

Due to the inherent limitations of DC&P and ICFR, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, management does not expect that DC&P and ICFR can prevent or detect all errors.

RISK FACTORS

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and special considerations. For additional information with respect to certain of these risks or factors, reference should be made to those described and listed under the heading "Risk Factors", in the Company's AIF available on SEDAR at www.sedar.com, which are incorporated by reference into this MD&A.

OUTSTANDING SHARE INFORMATION

The Company's common shares are traded on the Toronto Stock Exchange under the symbol "MDA". The Company is authorized to issue an unlimited number of common shares. At August 10, 2023, the Company had 119,293,732 common shares outstanding. At June 30, 2023, the details of the outstanding number of units of each type of instruments are as follows:

	June 30, 2023
Common shares outstanding	119,293,732
Outstanding instruments convertible into common shares:	
Trustee shares	228,238
Stock options	8,952,397
Restricted share units	1,151,544
Performance share units	460,417
Deferred share units	173,215

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

This glossary defines certain business, industry, technical and legal terms used in this MD&A for the convenience of the reader. It is not a comprehensive list of all defined terms used in this MD&A.

All references to the "Company", "MDA", "we", "us" or "our" refer to MDA Ltd. together with its subsidiaries or its predecessors, as the context requires.

"**Acquisition**" means the April 8, 2020 acquisition of the Predecessor as described in note 1 of the 2022 Audited Financial Statements

"**Backlog**" means the dollar sum of revenue that is expected to be recognized from firm customer contracts and carries the same meaning as remaining performance obligations that is disclosed in note 5 of our 2022 Audited Financial Statements

"**CHORUS**" (formerly SARnext) means the Company's initiative to build our next generation commercial EO satellite mission providing Synthetic Aperture Radar (**SAR**)-based imagery, analytics, and information services

"**CSC**" means Canadian Surface Combatant

"**DRA**" means Direct Radiating Array

"**EO**" means earth observation

"**GEO**" means geosynchronous orbit

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"**LEO**" means low Earth orbit

"**MD&A**" means Management's Discussion and Analysis

"**MDA**" means MDA Ltd., its subsidiaries or its predecessors, as the context requires.

"**MEO**" means medium Earth orbit

"**Net Debt**" means the sum of the total carrying amount of long-term debt including current portions, as presented on the consolidated statement of financial position, less cash and excluding any lease liabilities.

"**Order Bookings**" means the dollar sum of contract values of firm customer contracts.

"**R&D**" means research and development

"**SAR**" means Synthetic Aperture Radar

"**TAM**" means total addressable market