

**MDA Space Ltd.**

**MDA Space Limited Conference Call and Webcast**

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## PRESENTATION

### Operator

Welcome to MDA Space Limited Conference Call and Webcast.

This call is being recorded on November 15, 2024, at 8:30 AM Eastern time. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at the time for you to queue up for questions. If anyone has difficulties hearing the conference, please press star, followed by zero for operator assistance at any time.

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

Your line is now open.

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

Thank you, Operator. Good morning, and welcome to MDA Space Third Quarter 2024 Earnings Call.

Mike Greenley, our CEO, and Guillaume Lavoie, our newly appointed CFO, will lead today's call and share some prepared remarks before taking your questions.

Before we begin, I would like to remind you that today's call will include estimates and other forward-looking information which may differ from actual results. Please review the cautionary language in today's press release and public filings regarding various factors, assumptions, and risks that could cause actual results to differ.

In addition, during this call we will refer to certain non-IFRS financial measures. Although we believe these measures provide useful supplemental information about our financial performance, these measures do not have any standardized meaning under IFRS and our approach in calculating these measures may differ from that of other issuers and therefore may not be directly comparable. Please see the Company's quarterly report and other public filings for more information about these measures, including reconciliations to the nearest IFRS measures.

With that, it's my pleasure to turn the call over to Mike.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Thank you, Shereen. Good morning everyone and thank you to those joining us today to discuss our third quarter 2024 financial results.

The MDA Space team delivered another strong quarter in Q3, driven by solid execution as we continue to convert our backlog and meet our customer commitments.

Our Q3 revenues totalled \$282 million, up 38 percent year-over-year. Adjusted EBITDA was \$55.5 million, up 30 percent versus last year, and Adjusted EBITDA margin was a solid 19.7 percent. Operating cash flow was strong at \$259 million, and we ended the quarter with a healthy balance sheet as our leverage ratio continued to decline. Our backlog of \$4.6 billion at quarter end provides us with good revenue visibility for 2025 and beyond.

Given the solid year-to-date performance, we are updating our full year 2024 financial outlook. We are raising our revenue guidance, narrowing our Adjusted EBITDA guidance and reaffirming our CapEx

guidance. Consistent with our comments last quarter, we expect free cash flow to be positive this year, given favourable operating cash flow dynamics.

Q3 and the subsequent period was a busy one for MDA Space. We broke ground on our Satellite Systems facility expansion in Quebec, which will add 185,000 square feet of advanced manufacturing capacity capable of delivering two MDA Aurora digital satellites per day.

On our major programs, the MDA Space team successfully conducted the preliminary design review for the Canadarm3 program, a key milestone for the program. We also continue to advance the manufacturing of MDA CHORUS, our next-generation Earth Observation constellation. And in our Satellite Systems business, the team made solid progress advancing the engineering work for the Telesat Lightspeed program.

None of this, of course, would be possible without the hard work and dedication of the entire MDA Space team, who I'd like to thank and acknowledge.

I'd also like to welcome Guillaume Lavoie to the MDA Space team. Last week, we announced that Guillaume had been appointed to the role of Chief Financial Officer at MDA Space. Guillaume is a seasoned financial executive with over 20 years of experience covering the full range of financial and business functions at both public and private companies. I look forward to working with him to support our long-term growth plans and help us deliver successfully for our customers and shareholders. As he's come in, Guillaume has dug right in and is truly understanding our business and is an excellent fit amongst our executive leadership team.

I also want to extend my sincere thanks to Janet McEachern for stepping in as our interim CFO during this transitional period. Janet has done an exceptional job leading our finance function during this time. On behalf of the entire executive leadership team, I want to recognize Janet for her commitment and dedication. We will continue to draw on Janet's deep financial expertise in her ongoing role as Vice President of Finance.

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

As we have seen in previous quarters, the broader space market continues to expand, mature and gain momentum. There are a few items worth highlighting.

Starting in Canada, in September, MDA Space hosted multiple federal and provincial senior government officials, including the Prime Minister of Canada and the Premier of Quebec, at our satellite manufacturing facility in Montreal to mark the finalization of government funding for the Telesat Lightspeed Low Earth Orbit Satellite Constellation and MDA Space's expansion in the province. The Telesat Lightspeed constellation will utilize our innovative MDA Aurora digital satellites to provide high-speed Internet access across Canada and globally, and help bridge the digital divide.

South of the border, notable commercial activities include Globalstar's recent announcement that it has secured additional funding from its customer, Apple, to deliver expanded direct-to-device services over a new mobile satellite services network, which will include a new satellite constellation. This development further reinforces the expanded role that space infrastructure is expected to play in the

communications market as we see closer integration of terrestrial and satellite assets helping drive continued growth in the satellite constellation market.

Additionally, in early October, SpaceX conducted the fifth test flight of its Starship rocket, successfully flying the rocket booster back to its launch site and securely catching it in the air with two mechanical arms as it descended. This marks another important milestone for the development of Starship, a fully reusable, super heavy lift launch vehicle which, once operational, will help further reduce launch costs, making space more accessible and driving increased commercialization in our industry.

Globally, we continue to see increased interest in space exploration with the Dominican Republic, Estonia, Cyprus and Chile being the latest countries to sign on to NASA's Artemis Accords, signaling their commitment to safe, long-term and ethical space exploration. The latest entries bring the group size to 47 nations now as we continue to see steady interest from nontraditional space-bearing nations, which are now building their own national space programs, a development that bodes well for the broader space market into the future.

Now I'll turn to our three business areas.

In Satellite Systems, we continue to see 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 also seeing good activity levels from customers and our opportunity funnel remains strong.

In Q3, we received a contract from SWISSto12 to provide antenna systems for three of the Company's HummingSat satellites for geostationary orbit. The satellites will be deployed as part of the Inmarsat-8 program to provide crucial safety services and support advances in emergency tracking. MDA Space will design and build high-performance L-band navigation antennas and will also design and configure the innovative packaging concepts that are required on the GEO SmallSat platform. This is MDA's second contract in the GEO SmallSat market with SWISSto12.

On the operational front, our teams were busy advancing work on a number of programs. On the Telesat Lightspeed program, as I mentioned earlier, we are progressing the design work and our teams are preparing for the program's engineering and manufacturing phases of development. We also continue to onboard suppliers for the program with all critical subsystem suppliers now under contract as of the end of October, setting the stage for work volumes to accelerate in 2025, consistent with our program plans.

We are also making good progress on the engineering and program procurement activities for the Non-Geostationary Orbit Satellite constellation we announced in Q4 2023, our unnamed customer, originally awarded under a \$180 million authorization-to-proceed contract and subsequently increased to \$300 million to accommodate additional work scope. The full constellation valued at a minimum of \$750 million is expected to include a minimum of 36 MDA Aurora digital satellites. The definitive contract for the full constellation for which MDA would be the prime contractor is expected this year, as previously mentioned.



We also continue to advance work on the Globalstar program. In Q3, the team progressed flight hardware production and FlatSat testing of the bus and payload systems and successfully conducted the spacecraft integration readiness review. The team has started the integration of the first satellite. As you know, MDA Space is a satellite prime contractor to enhance Globalstar's LEO constellation through the addition of 17 satellites, which support SOS features and direct-to-device communication on certain Apple products.

This quarter, we announced that construction is underway on a 185,000 square foot expansion to our satellite production facility in Sainte-Anne-de-Bellevue, Québec. The building foundation has been laid and the steel structure is currently being assembled. Once complete, it will be the world's largest high-volume manufacturing facility in its satellite class with capacity to deliver two MDA Aurora digital satellites a day. The production line is expected to be operational in the second half of 2025.

Moving to our GeoIntelligence business, customer demand for Earth observation offering remains robust, and we are seeing increased recognition of the role that commercial Earth observation satellites can play to provide near-term or near real-time data and analytics to governments and private enterprise.

In Q3, MDA Space was selected by NASA as one of eight companies for a new award to help acquire Earth observation data and provide related services for the agency. This award represents our first direct contract with NASA for earth observation services. The commercial SmallSat data acquisition program has a maximum value of \$476 million cumulative among all selected contractors and the performance period that runs through 2028. We will be providing Synthetic Aperture Radar, or SAR data to aid NASA's efforts to better understand climate change impacts and to support other earth science applications.

During the quarter, we also continued to advance work on MDA CHORUS. The MDA space team completed the assembly of the main structure of the spacecraft, completed the flight software. We also commenced integration and testing of the spacecraft. In response to evolving market dynamics, the team is incorporating additional spacecraft security enhancements for MDA CHORUS. As a result of these enhancements and to provide some additional time for testing, we are now targeting a mid-2026 launch for MDA CHORUS.

Overall, we are very pleased with the progress-to-date on MDA CHORUS. Over the last year, we achieved a number of key milestones, including successfully completing the critical design review for the payload and all unit levels, completing the deployment testing of the engineering model SAR antenna deployment structure and conducting multiple ground segment operations demonstrations.

We are seeing strong interest in MDA CHORUS from both existing and new prospective end users and business development with potential CHORUS customers continues to accelerate with approximately three dozen customers having signed letters of interest for future CHORUS data and services. This is excellent. We are confident that MDA CHORUS will deliver enhanced functionality to all of our current and future customers.

In terms of other Geointelligence programs, work on the Canadian Surface Combatant program, one of our long-term government programs is progressing. The team continues to meet our technical milestones, including a recent successful critical design review of the laser warning and countermeasures capability. MDA is responsible for the design and integration of the electronic warfare system for the ships to help protect the men and women of the Royal Canadian Navy.

Moving to our Robotics and Space Operations business, we continue to see good traction and activity levels on both the government and commercial fronts. In Q3, we successfully conducted the preliminary design review for the Canadarm3 program, which we were awarded in early 2022 from the Canadian Space Agency. This marks the final milestone for Phase B of the Canadarm3 program. In parallel, we are ramping up work volumes on Phase C, which we were awarded together with Phase D in June of 2024. Phase C will see us completing the final design, whereas Phase D covers the construction, system assembly, integration and test of the full robotic system as well as the ground segment for command and control.

MDA Space will support commissioning of the Canadarm3 robotic system once in orbit from our new mission control facility at our global headquarters and Space Robotics Centre of Excellence in Brampton, Ontario. The contract also includes planning and personnel training in preparation for on-orbit mission operations.

On the commercial side, we continue to explore opportunities to incorporate our robotic technology on applications to support space exploration and lunar mobility. During the quarter, we received a contract from Lunar Outpost to integrate our MDA SKYMAKER robotic technology into its lunar terrain vehicle concept as part of a year-long feasibility study for NASA. The agency is partnering with industry to develop a system that meets NASA's requirements for a lunar terrain vehicle that Artemis astronauts will use to travel around the lunar surface, a Rover for the moon.

Shifting to operations, we continued our hiring efforts to support the growth we see in our business, adding approximately 900 new hires over the last year. With more than 3,000 highly skilled MDA

Space 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.

To recap, we are pleased with our performance this quarter and the momentum we are seeing in our markets. The 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 fund our growth initiatives.

With that, I'll hand it over to Guillaume to walk us through the detailed financials.

**Guillaume Lavoie** — Chief Financial Officer, MDA Space Ltd.

Thank you, Mike, for the introduction. I'm excited to be here and look forward to working with you and the rest of the MDA Space team. Joining MDA at such a pivotal moment for the company and for the space sector is an exciting personal and professional opportunity.

Good morning everyone. For my update, I will walk you through our financial results for Q3 and provide more colour on our 2024 outlook.

Overall, Q3 was another good quarter for MDA Space. We are pleased with business performance and execution. In the quarter, we saw solid revenue growth and profitability, strong free cash flow generation, and we ended the quarter with a significant backlog, giving us good visibility for revenues into 2025.

Total revenue for the third quarter was \$282 million. This represents a \$78 million or 38 percent increase over the same period last year. The year-over-year increase is driven by higher work volumes across our business with strong contributions from our Satellite Systems and Robotics and Space Operations businesses.

By business area, revenues in Satellite Systems of \$168 million in the third quarter were \$73 million or 77.5 percent higher compared to the same quarter in 2023. The strong showing was driven by higher contributions from new programs, including Telesat Lightspeed and the authorization-to-proceed contract for the NGSO Satellite Constellation announced in Q4 2023.

In Robotics and Space Operations, we saw healthy year-over-year growth with revenues of \$66.5 million in the latest quarter, representing a \$4.6 million or 7.4 percent increase versus Q3 of last year. The growth is largely attributable to a higher volume of work performed on the Canadarm3 program.

Revenues in our GeoIntelligence business of \$48 million in the latest quarter were relatively flat year-over-year, reflecting steady work volumes as we expected.

Moving to gross profit, for Q3 2024, gross profit was \$76 million, representing an \$18 million or 31 percent increase over the same period last year, driven again by higher work volumes in the current quarter.

Gross margin this quarter was 26.8 percent, which is in line with our expectations and compares to 28.2 percent for the same period in 2023. The year-over-year change in gross margin is driven by evolving program mix and higher depreciation expense as new assets come into service.

Q3 operating expenses of \$40 million were slightly below last year's metric of \$42 million, primarily reflecting slightly lower R&D spend, offset by somewhat higher SG&A expenses as we scale up the business.

Adjusted EBITDA in the latest quarter was \$55.5 million compared to \$43 million in Q3 2023, representing an increase of \$12.7 million or 30 percent year-over-year. The increase was driven by higher volume of work and steady operating expenses.

Adjusted EBITDA margin of 19.7 percent in Q3 is consistent with our full year margin guidance of 19 percent to 20 percent and compares to Adjusted EBITDA margin of 20.9 percent reported in the third quarter of 2023.

Adjusted net income for Q3 was \$35 million compared to \$22 million reported in the same period last year. The year-over-year increase of \$13 million was driven by higher operating income.

Moving to backlog, we ended the quarter with \$4.6 billion in backlog, representing an increase of close to 50 percent year-over-year. The growth in backlog is driven by new order bookings, including the \$1 billion award for Phases C and D of the Canadarm3 program announced in Q2 of 2024.

Turning to CapEx and cash flow, we remain focused on making the right investments in the business to support our strategic growth initiatives. In Q3, we spent \$53 million on capital expenditures compared to \$49 million last year as we continue to invest in CHORUS and other growth initiatives, including the expansion of our Montreal satellite production facility to support growth in our Satellite Systems business.

Operating cash flow during the quarter was \$259 million compared to a usage of cash of \$30 million in Q3 of 2023. The year-over-year increase was primarily driven by positive capital contributions related to the ramp-up of the Telesat Lightspeed program.

We generated free cash flow of \$205 million in the latest quarter compared to a usage of \$79 million in Q3 2023. We expect continued positive working capital contributions for the balance of the year as we ramp up activity on the Telesat Lightspeed program.

Turning to our balance sheet, we ended the quarter with a strong financial position. Our net debt sits at \$155 million. We have ample available liquidity of \$535 million, and our leverage ratio ended at 0.8X. During the quarter, we made \$105 million repayment to our revolving credit facility, which is consistent with our plan to deleverage our balance sheet, providing operational and strategic flexibility for the future.

In summary, this was a solid quarter. We are executing well and our business continues to perform in line with our expectations. We are encouraged and energized by the positive momentum we are seeing across our businesses.

Now, let me turn to our outlook.

As Mike noted, we are updating our financial outlook, given the strong performance to date. For fiscal '24, we are raising our full year revenue guidance to \$1.045 billion to \$1.065 billion, up from \$1.020 billion to \$1.060 billion previously, representing a robust year-over-year growth of approximately 30 percent at the midpoint of the range. We are also narrowing our 2024 Adjusted EBITDA guidance to \$205

million to \$210 million from \$200 million to \$210 million previously, representing approximately 19 percent to 20 percent Adjusted EBITDA margin.

We are reaffirming our '24 CapEx guidance of \$200 million to \$220 million, comprising primarily of growth investments to support CHORUS and the previously outlined growth initiatives across our businesses.

We reaffirm our expectation that free cash flow will be positive in 2024 as a result of favourable working capital contributions, primarily related to the Telesat Lightspeed program, allowing us to further deleverage the balance sheet in Q4.

With a solid backlog, strong operational performance and a healthy balance sheet, we are well positioned for the balance of 2024 and look forward to delivering another successful year.

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

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Thank you, Guillaume.

With that, Operator, we will open it up to questions.

## Q & A

### Operator



Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, you may press star, followed by the one on your touch-tone phone. You will hear a three-tone prompt acknowledging your request and your questions will be polled in the order they are received. If you wish to decline from the polling process, you may press star, followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question.

Your first question comes from Doug Taylor with Canaccord Genuity. Your line is now open.

**Doug Taylor** — Analyst, Canaccord Genuity

Thank you. Good morning. Congratulations on another good quarter, and welcome to Guillaume as well.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Thanks, Doug.

**Guillaume Lavoie** — Chief Financial Officer, MDA Space Ltd.

Thanks.

**Doug Taylor** — Analyst, Canaccord Genuity

I'll start by speaking about the ATP customer you're confirming you expect that to be formalized by year-end. I just wanted to start by clarifying a question we've been getting regularly in recent

weeks. Can you confirm whether or not that ATP you've been working on has anything to do with Globalstar or Apple, or is that a completely separate situation?.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

We're just not in a position to be able to comment on our unnamed customer. I realize that probably causes some people some grief, but we're just not allowed to, and so we're not allowed to comment on our unnamed customer or the nature of it. I think that for me, from everybody's perspective, we should just remember the key points of the business these days. We got a strong business that's doing well. We continue to grow 25 percent to 30 percent a year. We continue to hold 20 percent Adjusted EBITDA margins. We continue to convert margins to cash, 75 percent to 80 percent of EBITDA as operating cash. All of these things continue.

We have a healthy backlog that continues to drive growth 25 percent to 30 percent year-over-year. All of these things continue to work. We have a very strong pipeline, especially in Satellite Systems for low earth orbit constellations. I've characterized that as at least a \$13 billion pipeline. It's probably more like a \$15 billion-plus pipeline right now based on new conversations that have started in the last quarter. So everything is very healthy there.

There's two things I can't comment on, which is what is the identity of my unnamed customer. That's unfortunate, but it will get resolved. And as you know, we don't comment on other opportunities in the pipeline.

So things are going great. Things are going well. I think we all agree on the solid story.

And I will make sure that I can talk to that and identify it as soon as I'm legally allowed to do so.

**Doug Taylor** — Analyst, Canaccord Genuity

Yes, okay. I just wanted to make sure everyone is on the same page, so that's fair enough..

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

I took too much of your time because I'm just trying to prevent Doug, the other six people asking me the same question. I apologize for that. I realize it's a source of interest and excitement. There's certainly no worries here. There shouldn't be any worries here. We're just getting our work done and for sure, we'll put the markers down when we're allowed to.

**Doug Taylor** — Analyst, Canaccord Genuity

Fair enough. Maybe then just changing gears there because I mean, with regards to Apple's next investment in Globalstar and I guess, can you first remind us the timetable of the completion of the current work that you are contracted on with Globalstar, whether they've exercised any of their options that were detailed when that contract was first announced? Then maybe talk about some of the commonalities, at least from your perspective and the capabilities that are being talked about with the next phase versus what you're providing with the initial satellites that you're building for them. Any help you can give us there?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Sure. On our current contract that we're in the process of executing, that was for 17 satellites with an option for 9 more. In our current state, we are executing on the original 17. They need to be delivered through 2025. That will be the third year of that three-year program, 2025 those satellites will be delivered. As I probably mentioned in my remarks, they're certainly under assembly right now. We are starting to assemble those satellites. That's all in hand and on track, which is very good.

To answer your next question, thus far, no, we have not been turned on for our optional nine more. That remains as an option in the contract. It is there and available and ready to be used, but has not yet been activated.

I think you're talking about similarities or differences between whatever we are currently delivering in the Globalstar's network and whatever they're going to do in their next generation of network that they're now discussing about, they have not disclosed that. They have not talked about what the features of that next generation of network would be, so we'll just all have to wait and see where they're going to go with that now that they're clearly set up and financed and funded to be on their way.

**Doug Taylor** — Analyst, Canaccord Genuity

That's very helpful.

One last question for me, and I'll pass the line. This one, I'll shift to Lightspeed and the ramp there. Obviously, it's got significant implications on '25 and '26 and beyond. You said you're working through the design and planning phases into engineering and manufacturing. I guess my question is, can

you speak a bit about the level of visibility you have or believe you will have at the time of your next quarter and presumably next annual guidance provided as it relates to Lightspeed specifically at this point?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes. We have a very strong contract there that we're executing on. Project management is well in hand. Things are on track. That means we have a strong baseline program. I mentioned that the very large majority, which is over 95 percent I believe, of all suppliers are now under contract, so they have their schedules and their cost and price profiles to us, so it is fully known here at the moment.

As we head into 2025 with a well-baselined program, and we include Telesat Lightspeed, obviously as an element of our portfolio in guidance we'll provide for '25, we will have extremely good insight in terms of what that year looks like.

I believe, our plans are around the first week of March to have our next Board meeting, and that's when our earnings call would include some commentary on 2025 expectations.

**Doug Taylor** — Analyst, Canaccord Genuity

All right, thank you very much. I'll pass the line.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Thank you, Doug.

**Operator**

Your next question comes from Konark Gupta with Scotiabank. Your line is now open.

**Konark Gupta**— Analyst, Scotiabank

Thanks for taking my question and welcome, Guillaume, from my side as well.

I wanted to ask you about just on the CHORUS, Mike. It seems like the launch is pushed out by, call it six months or so. Can you talk about some of the drivers behind that push out? Like, is it driven by SpaceX and some of their high-priority launches, or is it because of the development progress you're making on CHORUS?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

I'd say at this point, this is our choice so this is not a SpaceX item at this time. That can always happen on launches for sure. It's a two-way relationship between the person that needs to launch and then your launch provider, and you've both got things going on in your life. But at this point, the shift from Q4 '25 to mid-'26—that's six months, as you mentioned—is our decision. It's related to technical work that we would like to do on the satellite. I mentioned in my remarks that one of the key areas there is looking at security features that we want to ensure are in the satellite. When you launch something with a 15-year design life, which means it's probably doing business for you for over 20 years, you want to make sure you've got it right. Looking at the full operational and security environment, we looked at putting a few more features into the satellite and it's worth it to us to take the time to do that.

In our business, RADARSAT-2 continues to be extremely healthy and so we're very comfortable that we can continue to operate RADARSAT-2 while we do a little bit of extra enhancement of CHORUS.

**Konark Gupta**— Analyst, Scotiabank

Okay. That makes sense. Thanks.

Then on the working cap side, the Q3 cash flow was extremely high, close to, I think, \$260 million all in. If I look at the year-to-date cash flow, EBITDA conversion, it's like probably close to 300 percent. I know we talked about this year might be an anomaly just in terms of the Telesat program ramping up and all that. Historically, you've said 60 percent, 70 percent, 80 percent is probably a good proxy.

Heading into next year, 2025, what's your sort of pin on the cash conversion? Are we looking at another outsized conversion, or are we going back to that 60 percent to 80 percent?

**Guillaume Lavoie** — Chief Financial Officer, MDA Space Ltd.

Good morning. Guillaume here. I'll take care of this question.

Mike stated today, again, our sort of long-term cash flow conversion from EBITDA target to be around 75 percent to 85 percent. That's when we look at the execution over a number of years. Now because of the nature of our business, we're going to see a lot of fluctuation into the working capital and we will try to guide everyone as best as we can. But obviously, the working capital is tied to a lot of milestones and inflows that are subject to a lot of changes.

So yes, Q3 was very strong, primarily driven by the Telesat Lightspeed program, as I mentioned. We had set a soft guidance of about \$200 million operating cash flow for Q3, and we did \$260 million, so we were a bit stronger than what we expected.

Now for Q4, we continue to expect positive working capital. At this stage, I think it's fair to say that we'll have likely an operating cash flow between \$150 million to \$250 million. That's up from what we had said previously back in Q2.

With regards to next year, obviously, we're not ready to guide at this stage. We're going through our planning cycle just right now, and we'll release the guidance as usual at our Q4 earnings call. But what we said previously remains true, where we think the cash flow for next year, the free cash flow for next year will be positive, slightly positive. From our perspective, this can only improve if we get additional orders.

**Konark Gupta**— Analyst, Scotiabank

That makes sense, Guillaume. Thank you so much for that additional colour on Q4.

Last one before I turn over. Mike, you mentioned about the Globalstar Apple transaction recently. I don't want to kind of get into that ATP disclosures and all that, but I just want to understand high level, when these announcements are made by your customers and their vendors who are your customers as well, Globalstar, how much time does it take for these things to come to fruition in terms of a potential opportunity for you? Like, they just announced the deal. Does it mean that if they decide to award a contract to MDA or somebody else, would that be next year or a year after?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes. Your question there was sort of generic. Each customer is working at their pace. Every customer has to work through their business plan and business model. Then each customer needs to work



through their financing and what their financing framework is going to look like. Then there is some commercial activity there where they need to set up a contract in this discussion with their satellite provider. So there's a number of factors, as you can imagine, that any customer or contract would have to work through.

In the case of Globalstar's announcement, based on my observation of it, they seem to have a concept for what they want to do for next-generation constellation. They'd have to probably continue to finalize that. It appears in their relationship with their largest customer, in Apple, that they've got their financing arranged. So that's a very strong position for them and then they would have to just move forward into a commercial situation to be able to finalize any contractors with their vendors. I think that those three steps are going to vary.

I would say typically what we've seen for people, especially once you get financing figured out, it's anywhere from straight away to six months would be normal, I think, depending on how much time you spend on the technical aspects of finalizing the technical aspects of the satellite.

I'm trying to imagine two or three customers in my head when I'm answering that question there.

**Konark Gupta**— Analyst, Scotiabank

That's great then. Thanks for that. All the best for the future. Thanks so much, Mike.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

All right. Thank you.

**Guillaume Lavoie** — Chief Financial Officer, MDA Space Ltd.

Thank you.

**Operator**

Your next question comes from David McFadgen with Cormark. Your line is now open.

**David McFadgen** — Analyst, Cormark Securities

Great. A couple of questions. I'll just start on the backlog. I think previously, you indicated that you expected to finish 2024 with a \$5 billion backlog. Is that true?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes, that's still the expectation because I continue to say out loud that we expect our unnamed customer commercial situation to be resolved in the year, which would add some additional backlog, obviously, as we transition from an authorization-to-proceed to a full definitized contract, so I'm expecting that, that would provide that lift up to around the \$5 billion level. That's correct.

**David McFadgen** — Analyst, Cormark Securities

Okay. Because I think right now, that contract is \$300 million, right, so you would expect another \$450 million would be finalized sometime between now and the end of the year?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes. Based on all the words that I'm using, which is that we've got an authorization-to-proceed at \$300 million, which is in backlog, and that we're going to have a contract for at least \$750 million, Absolutely. That's correct.

**David McFadgen** — Analyst, Cormark Securities

Okay. So if you add another, say \$450 million, there's still a bit of a gap to fill because if you have \$4.6 billion at the end of Q3, you're going to take \$300 million plus out in the fourth quarter, so now you've got a \$700 million gap. So \$450 million would be filled with the expectation each of these finalize, so then there's still \$250 million to fill. Does that mean that we should expect some other announcement coming in the next six weeks?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

There's lots of little things that happen in the business all over the place, right? You end up with your RADARSAT-2 sales all over the place. You end up with small satellite merchant supplier activity happening here and there. There's always a series of activities. I could never break all that down right now, but I think across all of our pipeline I'm comfortable saying the \$5 billion number. That's the number that we use in our internal planning, and I'm sharing that with you.

**David McFadgen** — Analyst, Cormark Securities

Okay. Assuming you finalize it, you expect that the customer will be announced, like who it is?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes. When we sign a contract, it is. I do expect so. There are very few conditions when we would sign a contract and not tell you who we're doing the work for. This is not that. We would explain who our customer is and the nature of that contract, like we always do. Yes.

**David McFadgen** — Analyst, Cormark Securities

Okay. Given you're making changes to CHORUS, enhancing it, what's the updated CapEx then for that program?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes, there's no material change to the CapEx. This is a lot of labour and testing activity and so there's no material change in the CapEx.

The program would just get launched mid-'26. Mid-2026 was a year of commissioning and putting CHORUS to work. It will continue to be a year of commissioning and putting CHORUS to work. We all expected—so, as a result of that there's no material change to our current thinking about our 2026 business plans.

We had expected CHORUS to get an uptick in 2027 in the GeoIntelligence line of business. We continue to expect CHORUS to cause a bit of an uptick in the 2027 GeoIntelligence line of business, so all these things continue to stay in place. It's just taking a little more—we're just going to use a little bit more time, that's all.

**David McFadgen** — Analyst, Cormark Securities

Okay. If I can just ask another question just on the ATP, can you confirm that this constellation is going to enable direct-to-device connectivity?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

I just continue to confirm that it's an NGSO constellation. Those are my speaking points, Mr. David.

**David McFadgen** — Analyst, Cormark Securities

Okay. Can you give us an update on when you think the Canadian government would announce a contract award for the replacement for the RADARSAT constellation mission?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes. So you're referring to the RADARSAT+ item. They announced in November of 2023 that they were going to put aside a billion dollars to do a couple of things with it. One would be to buy one more satellite to put into the RCM constellation, and then also to start the work, the early design work on the future—replacement, obviously—of the RCM constellation. So yes, we're waiting for that. We would expect a request for information or request for proposals to come out. The government hasn't announced a hard date on that. At this time of a calendar year, I would naturally say that, that would likely come in 2025. We could always be surprised, I guess, if something came out before Christmas. Governments always love releasing RFIs or RFPs right before Christmas, so they can take a break and industry has to write a proposal, but that's just me joking around.

I would say we haven't seen any hard signals, so I would expect it to be a 2025 activity.

**David McFadgen** — Analyst, Cormark Securities

Okay. All right, thank you.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Okay. Thanks.

**Operator**

The next question comes from Thanos Moschopoulos with BMO Capital Markets. Your line is now open.

**Thanos Moschopoulos** — Analyst, BMO Capital Markets

Hi. Good morning. Mike, for the minimum 36 satellites under the ATP, what would you expect the delivery timeframe for that to be? Would that be through 2027? What would you expect?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

I'm not permitted to comment on that. I just had the remarks that I have.

It was important for us a year ago to disclose the existence of this unnamed customer. It's been a bit awkward for us all over the last year. We felt it was inappropriate to be in the market buying additional components for satellites—that tends to get around instantly. Everyone would be saying, why is MDA doing this? It was important for us to make sure that you knew that we were definitely working on another constellation. We had definitely been turned on to proceed, and there's at least 36 satellites in play here,

so that you knew we weren't just doing something else; it was really towards a customer. Hopefully, that's helped us all over the last year, just to understand that there's a real thing happening here.

It's been a bit of frustration just obviously, for us all waiting for this full contract to get definitized, but when that happens, at the customer's discretion, we will obviously announce what it is, what it's for and what's going on. Hopefully, I continue to do my best at holding to my speaking points on this topic. I realize that causes a little bit of frustration, but it will all come out soon enough.

**Thanos Moschopoulos** — Analyst, BMO Capital Markets

I look forward to that disclosure.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Okay.

**Thanos Moschopoulos** — Analyst, BMO Capital Markets

Maybe in terms of the other opportunities in the pipeline, so the \$15 billion you cited for Satellite Systems, can you comment on how some of those opportunities have been progressing? Are some of them inching forward? Are some of them getting installed? What's your expectation on when some of these might reach a decision?.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Sure. Any of these constellations, they can be worked for—if you look at past constellations, from a year to three years, you could be working these things, and then they go through different levels of kind of maturity. You'll start off with high-level technical concepts. You'll be asked to comment on those, contribute a rough order of magnitude quotation to say it kind of looks like this, kind of cost this much. Then that causes iteration cycles, and that can happen multiple times.

As they mature, you can feel them mature, the technical characteristics of the constellation will settle down and the pricing will get more firm, more definitive.

With the MDA Aurora product, it actually accelerates that cycle. It's very interesting. It accelerates the cycle because there's less need to invent what's this satellite going to look like or how is this going to work? Once we describe a solid product that's going into high production that's available on good schedules at a reasonable price, that can settle down that churn quickly and is actually potentially shortening our time to order and also the customer's time to revenue, which is very attractive for the customer. That's been an excellent dynamic to see emerge over the past year.

There are, I would say, at least a couple of items in the pipeline that are in the more mature phases where things have settled down technically. We kind of are settling down on price, which would mean it's at the customer's discretion when they want to pull the trigger in initiating work on those constellations, should they choose us, of course. The pipeline is a competitive place. So I would expect—to get to the nub of it, I would expect in 2025 to hear about at least one constellation. I would think that that's a possible thing. We've got a strong business, a really good backlog. We maintain our conviction on growing at 25 percent to 30 percent a year for the next several years. All of that remains in place. Certainly, with the size



of backlog we have, we can do that rolling into '25, so that's kind of in hand, and we'll get more specific on that as we give guidance the first week of March. But as we go through the year next year, I would not be surprised if one of these things comes to fruition.

**Thanos Moschopoulos** — Analyst, BMO Capital Markets

Great. Finally, with the leverage ratio having come down, are you spending more time thinking about tuck-in M&A? What are your thoughts on that?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes. We do spend more time. I indicated going through the summer that I expected in Q4 and Q1 that we would start to spend more time on that as an executive team, management team and as a Board, and that is the case. We do talk about it more. I've characterized the two categories of M&A that we pay attention to would be securing our supply chain, looking at elements of our supply chain to make sure that in our technical roadmaps that we have the access we need to the technologies that we need for that supply chain.

With these transitions, especially on the satellite side into higher volume production, you're looking at always technical capability and price, but increasingly now, after we solve those two things, we look about scalability. Can the firms that are supplying us scale up with us through these larger volumes? It's become a key thing in our life in terms of who our Plan A supplier is, who our Plan B supplier might be. But then also talking to firms about the long-term relationship. Here's our bigger pipeline under nondisclosure agreements. Here's where we're thinking we're going. Can you keep up with us? And if that

feels great, really good. If not, maybe that's something we might consider tuck-in M&A as we get a little bit more vertically integrated here and there if we thought that was important to ensure success in the future. That will be one key category for us.

The other key category would be, I bucket it as sort of capacity/geographic locations. As we continue to scale up and get more volume, are there established businesses that could give us more capacity? Where are they located? Could they be in Europe, or could they be in the United States? Would they open up, as a result, additional pipeline to us because we could be a domestic provider in other parts of the world?

We'll keep an eye on those two categories, securing the supply chain, and capacity and geographic position as we go through the next period of time, as you say, now that there's a bit more dry powder.

**Thanos Moschopoulos** — Analyst, BMO Capital Markets

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

**Operator**

Your next question comes from Ken Herbert with RBC Capital Markets. Your line is now open.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Good morning, Ken.

**Ken Herbert** — Analyst, RBC Capital Markets

Good morning, Mike, and welcome, Guillaume.

Maybe just to start off, Mike, your comments on adding capacity imply that you have a relatively high degree of confidence in continuing to sort of build the backlog. Can you just talk about where we are today in terms of satellite manufacturing capacity and the path from here to the two a day you talked about exiting '25? What are the risks around that in terms of hiring? Capital? How we just think about that, the new capacity coming online and the trajectory into '25?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Sure. In terms of needing capacity, I mentioned it as a topic for M&A, but I also incorporated in my words to open up new markets as well, right? I think that's important, is that if we looked at other places to exist or function, that would give more capacity, yes, but hopefully, we'd be using that capacity because we would also be opening up more markets. If you look at our current pipeline and the things that we talk about, the transition to two satellites a day with 200 workdays a year approximately, that's obviously 400 satellites a year. I'm just demonstrating my advanced math skills here.

If you've got 400 satellites a year, over like a five-year block—let's say that's 2,000 satellites in the next five years, from '26 to '30—you've got 2,000 satellite capacity. You've only seen orders from us for basically 240, right? Like a couple of hundred Lightspeed and then maybe 36 from somewhere else. So there's 1,800 satellites out there to still be ordered to fully use the capacity that we're establishing in Montreal. We don't have a capacity problem. We have lots of capacity, and we continue to execute well on our pipeline.

We spend a lot of time with customers. One of their first questions is what are the characteristics of MDA Aurora? They get pretty excited about that, and their next question is, can I fit into your production capacity and availability, and we take them all through that and they're impressed by that, and then we keep talking. That's all working out well.

In terms of the ramp, 2025 is a year of facilities expansion. The addition to Montreal, the 185,000 square foot addition will be constructed and it will be then fit up with all of its equipment to cause these assembly lines to be created for these two satellites a day. The intent is, as we enter 2026, then that would be in place.

Twenty twenty-six is by no means a 400-satellite year. We have a few satellites that we have to produce for Lightspeed. We have a few satellites we have to produce for our unnamed customer, and that can be a ramp-up year as we work all the kinks out of this higher volume production capability in 2026.

Twenty twenty-seven, then it starts to hit. You're starting to produce. You're getting into the hundreds now and you're doing it for real with this fully now fine-tuned high production capacity environment. That's kind of how it's going to flow.

In our business planning, we do have some contingency planning whereby if we ever hit a spike, whereby maybe due to customer overlap, and we had a pinch point in two satellites a day, could we ever get another set of kit and use existing spaces? No more additions but just use existing spaces and maybe have another shift or some weekend work or something and maybe do three satellites a day, would that be physically possible? Yes, that's physically possible.

We do have production teams that look at sort of contingency plans whereby if we had to create a little higher peak just to be able to allow customers to overlap better, could we do that? Those are all the things that are going on around satellite capacity. Does that make sense?

**Ken Herbert** – Analyst, RBC Capital Markets

Yes, that's very helpful. Thanks, Mike. I'll actually stop there and pass it back. Thank you.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Okay, thanks a lot.

**Operator**

Thank you. Ladies and gentlemen, as a reminder, should you have a question, please press star followed by the one.

Your next question is from Benoit Poirier with Desjardins Capital Markets. Your line is now open.

**Benoit Poirier** – Analyst, Desjardins Securities

Thank you very much. Good morning everyone and congrats on the results and the latest development, and welcome to the team, Guillaume.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Thank you, sir. Thanks for picking up coverage. Welcome to the party. What can we do for you?

**Benoit Poirier** – Analyst, Desjardins Securities

Just a couple of questions, Mike.

You mentioned a lot of great details around CHORUS, the fact that it's pushed out a little bit mid-2026. It looks like that there's no big potential implication from a revenue standpoint in 2026. Could you maybe comment whether there's some implication on the working capital front, given the little delay?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

No, there's nothing material there. If there is anything, it will be like a low single-digit million type number, just based on some extra labour and things like that, but there's no material shift in CapEx, no.

**Benoit Poirier** – Analyst, Desjardins Securities

Okay. That's great. sorry to come back on the ATP, but when Guillaume mentioned the operating cash flow target of \$150 million to \$250 million in Q4, I was just wondering, it seems that the bulk is related to a positive advance from Telesat, but I was just wondering whether it was assuming some advance from the ATP or would it be incremental to that if you sign? Just trying to gauge a sense with respect to the equipment.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

I think the ATP allows us to just work at a nice steady pace leaning into that program. If we sign— sorry, when we sign in Q4, there's no sudden immediate change in revenue pace and/or cash pace. We just continue on with the year as we've characterized in our forecasting. Getting the contracts signed, full

contract signed in Q4 is really all about what is the profile of 2025 as we continue to get this done. That will all be reflected properly in the guidance we give that first week of March.

**Benoit Poirier** – Analyst, Desjardins Securities

Okay. That's great. We also saw an interesting development with the Australian government that cancelled a multibillion dollar with Lockheed. I know you were not involved. It was a sizable program for about five GEO satellites, and what is interesting, they will instead be looking at multi-orbit solution. Just wondering if it's a trend that you see overall moving from GEO to LEO, and also if you believe that it could be a potential opportunity for you?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

I think there's a couple of trends that could be in play there. I don't have a lot of detail on the exact insider thinking on Australia. But yes, there are trends from GEO to LEO. There are trends to mixed orbit constellations. Yes, those two trends exist. I think we've seen a worldwide geosynchronous satellite market this year in the, I don't know, five or six satellite market size, so not at all what it used to be back in 2017. That might have been 22 a year. We know and we all float that global market in the five to seven a year range these days. People are doing more in the mid-earth orbit, in the low earth orbit. And then like you mentioned, mixed constellations. So yes, that's a trend.

There's also a trend increasingly in defence departments to move from building and owning the assets themselves to buying their earth observation and their Communications-as-a-Service. The United States has largely in their Department of Defense transitioned to commercial services. NATO, I was at the

NATO Summit in Washington in July and the big topic of conversation there in our defence working groups between governments and industry was on NATO's intent to, in 2025, publish a commercialization strategy for NATO. So we're seeing that trend as well in terms of the shift to more commercial services.

That's potentially where opportunities could be. When you have assets emerging in the market like MDA CHORUS that can provide excellent broad area surveillance with synthetic aperture radar as a service to defence and intelligence customers around the world, that trend to more commercial buying bodes well for us. When you see folks interested in Communications-as-a-Service and you're delivering into customers like Lightspeed, for example, then that bodes well for those customers. The more action they get on their networks then the more expansion satellites they're going to need someday. You'll recall on something like Lightspeed we are contracted for 198 satellites with an option for 100 more. We would love to see everybody load up and switch to commercial services for communications that can turn on 100 more. That would be great to see someday.

We see these things as encouraging, as people rethink their approach and not just be stuck in doing it one way just because they progressed a project that way, and creating opportunities for higher levels of commercial service in the future.

**Benoit Poirier** – Analyst, Desjardins Securities

Okay. Very interesting colour, Mike.



Viasat, we saw that they are in discussion to acquire additional capacity. Just wondering whether there would be any positive implication with respect to the Telesat Lightspeed, given those advanced discussions?

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes, I'm not close enough to that to know if there would be an immediate impact. I don't have any relevant comment on that..

**Benoit Poirier** – Analyst, Desjardins Securities

Okay, great.

Last one for me. Obviously, with your strong balance sheet you opened the door for M&A, mentioned great colour earlier on the call. Could you maybe provide some comments about the valuation multiple range that you would be looking at, given the momentum in satellites these days?.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

There's nothing specific to talk about there. I think when we look at M&A targets, the first thing is strategy. Does it meet the strategy of the business? Then you look at industrial logic. Would integration and the combined industrial capability make really good sense? I think we're only at that phase at the moment.

When you move forward, you're looking for financial characteristics that would make something accretive in the early innings of bringing in a new capability. Obviously, what accretive means to us is in

flux at the moment. As we continue to appreciate in our valuation, that gives us a bit more room to consider what would be accretive to us, which gives us a little bit more buying power in the market at the same time. But there's no specific targets that have been set at this time. We're more focused on early thinkings of strategy and industrial logic.

**Benoit Poirier** – Analyst, Desjardins Securities

Great answer. Thank you very much for the time.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Okay.

**Operator**

Your next question comes from Justin Lang with Morgan Stanley. Your line is now open.

**Justin Lang** – Analyst, Morgan Stanley

Hi. Good morning. Thanks for taking the question.

Maybe just one quick one. It looks like SDA is gearing up for Tranche 3 here. Just curious how you're thinking about an MDA role, just especially given all the production capacity you're bringing online.

Thanks.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Yes. We continue to view SDA and the SDA constellations as a great opportunity. Certainly, on the earlier tranches, all of the primes to the U.S. Department of Defense have become excellent customers of ours. We've been in the fortunate position to have the opportunity to supply satellite technology in our Merchant Supplier side of the business to all of the primes on SDA, and that's been excellent. We will seek to continue to do so, for sure.

Our business development teams are in strong communications with all of those players and so we'll be looking for whatever we can do to be helpful on those next generation of satellites.

**Justin Lang** – Analyst, Morgan Stanley

Great. I'll stick to one. Thanks.

**Operator**

There are no further questions at this time. I will now turn the call over to Management for closing remarks.

**Mike Greenley** — Chief Executive Officer, MDA Space Ltd.

Okay. Thanks everyone for your time this morning. We look forward to updating you on our progress during our next earnings call in March, which will also include a few thoughts on what we expect 2025 to look like. Until then, thanks very much.

**Operator**

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