SES

Q1 2024 Results & Acquisition of Intelsat

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Operator: Hello and welcome to the SES 2024 Q1 Results. My name is Jess and I'll be your coordinator for today's event. Please note this call is being recorded and for the duration of the call your lines will be on listen-only. However there will be the opportunity to ask questions. This can be done by pressing star one on your telephone keypad to register your question at any time. If at any point you require assistance please press star zero and you'll be connected to an operator. I will now hand over to your host Richard Whiting, Head of Investor Relations, to begin today's call. Thank you.

Richard Whiting: Good morning everyone. Thanks for joining this analyst and investor call. The presentation was uploaded along with the press release to the Investor section and the general Press Release section of the website if you don't already have it. The agenda is outlined on page two. In a moment Adel Al-Saleh, CEO, will present the main Q1 business highlights and an overview of the transaction that we announced this morning. Followed by Sandeep Jalan, CFO, to cover the financial aspects in more detail. As always, please note the disclaimer on page three. After some closing remarks from Adel we will take your questions. With that let me hand over to Adel.

Adel Al-Saleh: Thank you Richard. Good morning, good afternoon, good evening everybody. First of all I will start with apologies of rushing this announcement and getting you all on such short notice. And I appreciate everybody dialling in. As Richard said, we have a couple of topics today. The first one is our Q1 results and the second of course is the exciting news we're going to share with you and go deeper on the transaction that we announced earlier this morning.

So if we can go to slide number five which is our first quarter results we will make this quick. Our first quarter results was very solid. It was a good start to the year. We delivered 2.5% growth year-on-year on the revenue. Revenue was at €498 million and adjusted EBITDA grew 4.7% year-on-year which was €275 million. That is a solid start for us which underpins our full year forecast and outlook that we shared with you before. The growth was driven by our Networks business which grew almost 10%, 9.6% year-on-year including some periodic revenues. Media delivered as expected, minus 5.2% year-on-year. As you know, that's the business that we understand where it's heading and we know exactly what we need to be doing in order to manage it with a very high cash generative profile. We had good renewals, more than €125 million renewals which kept a very strong protected contract backlog at €4 billion which is a good position to be in. And our adjusted free cash flow was +€38 million which is a very good swing from compared to last year first quarter as well. Our net leverage was at 1.5x including €2.4 billion of cash and cash equivalents which are earning interest income. And of course, one of the big important news besides our big transact that we announced earlier today is our mPOWER began serving customers in April 2024 which is a couple of – just one week ago. And it's delivering on the multi-orbit capabilities and the customer offerings that we have committed. We're very excited about that. It's a highly sought-after capability. Our biggest challenge colleagues is actually managing the allocation of supply that's available in mPOWER. So that is where we are in the first quarter, as I said, which is a very strong start to the year, and we are happy where we landed, underpinning our financial outlook for you guys.

If we can go then into the next section – unless Richard you want me to pause here and get any questions on first quarter?

Richard Whiting: No, let's keep going.

Adel Al-Saleh: Okay. So let's go to slide number seven. So it's exciting news for us. We've announced that we have gone after the acquisition of Intelsat. As I said in my previous investor relations call we were evaluating different options of how to deploy the cash that we had, focusing on the mid-term and long-term of the company and the success; making sure that we deliver what our investors are looking for which is investment grade and continues our dividend policies. And we have achieved that in this transaction. So there are four pillars of value that drive this transaction and why it was compelling to us to pursue.

Pillar number one, it's a highly accretive acquisition. It combines two trusted operators. Both have strong fundamentals and financials. It's underpinned by €2.4 billion of net present value of highly visible synergies. We'll walk you through them in a couple of minutes. That basically represents 85% of the equity value. This is a deal that makes a lot of sense to bring these two companies complementary together in order to create a bigger player in the marketplace. 70% of the annual run rate synergies will be delivered by Year 3 through disciplined execution. We've diligenced that. We've looked at it. We have plans now. We're going to start rolling our integration. Activities will focus on how we get to these synergies as quick as possible. And we'll show you the financial profile in a couple of minutes.

The second pillar of value is creating a stronger multi-orbit operator. Not only do we have a robust network of satellites, ground equipment, ground terrestrial networks that connect our teleport gateways to our satellites but also complementary spectrum capability that spans Ka-, Ku-, military bands, UHF, X-bands, C-band, etc., that gives us a unique position in the marketplace to be able to deliver to our clients. It makes the company almost a €4-billion company. We prioritised and reoriented towards growth markets, right, which is the markets that we are experienced in and we've shown it to you over the last several quarters, the growth that we have, particularly in our Networks business. That enables us to continue to invest in the areas to continue to be strong and a leader in the market. So that's pillar number two of value.

Pillar number three is the ability with the combined company to deliver compelling solutions to our customers. Vertically-focused, specific around our applications, easy to integrate, easy to make sure that they're usable for our clients. It gives us a reliable and efficient solution for Fixed Data & Media client needs that require scale and requires efficiency. And it positions us very well to drive value with segment-relevant solutions. As I said, vertical-specific solutions to the markets that really need them. That is the third pillar of value.

And the fourth pillar of value it really does deliver our shareholder returns. It accelerates our EBITDA and free cash flow generation of the company. We'll show you that in a couple of minutes. It maintains our investment grade and a strong balance sheet metrics. And it keeps our commitment to stable to progress dividend to our shareholders. So this is an accretive deal to our shareholders from year one.

So let me walk you through a couple of more details. Let's go to the next slide which is transaction overview on page number eight. The way the transaction is structured is we take $3.1 billion, €2.8 billion, to acquire 100% of Intelsat's equity in an all-cash transaction and certain contingent value rights, CVR. The acquisition is funded using existing cash resources and new debt including hybrids, supported by a committed bridge facility that we have secured. It values Intelsat overall enterprise value at $5 billion, €4.6 billion, before synergies of €2.4 billion NPV. The acquisition is very much in line with our disciplined financial policy. We did not deviate from that in order to do this transaction. We'll show you more details in a couple of slides. The transaction was unanimously approved by both boards, SES and Intelsat, and supported by the Luxembourg government shareholders. In SES and Intelsat management teams our focus on execution to deliver our financial commitments this year while we start our integration activities and planning to do that integration. Of course the transaction is subject to relevant regulatory clearances. We expect to clear these regulatory requirements by the close of 2025 or some time in the second half of 2025. The company will remain headquartered in Luxembourg with continued presence in greater Washington D.C. area. So we're committed on both sides of the Atlantic when you think about this transaction.

Now let me unpeel the onion a little bit. Let me go a little bit deeper on each of these value pillars that I described to you. So let's go to slide number ten. So skip number nine and go straight to ten. So the first value pillar, as I described, was the highly accretive nature of this acquisition. Let me just walk through a few datapoints to explain what we're talking about. So first of all, both companies have established track records of delivering customer value. Both companies have very strong backlogs. And you can see Intelsat especially over the last couple of years has made very strong progress in strengthening their business. And if you look at our backlogs together they have €4 billion backlog – secure backlog, we have €5 billion. It gives us a diversified customer base. It's not highly concentrated around one or two or ten clients. It's highly diversified between the two companies.

If you look at our capabilities in terms of infrastructure and networks, the combination will give us an integrated global space and of course terrestrial infrastructure to deliver our solutions. The combined company will have more than 100 GEO satellites, 57 coming from Intelsat and 43 GEO satellites coming from us, plus 26 MEO satellites in orbit which gives us an expanded network in the – covering the globe. We cover 99% of the globe with our networks. Both companies investing in the future driving productivity and customer experiences. We have almost 13 satellites that are already in order if you just look at 2026. There's more satellites coming beyond 2026. Intelsat has four future GEO software-defined satellites that are on order that will be coming in. We have two that will be launched in 2026. And of course we have continuation of the rollout of the MEO satellites, the mPOWER that's already in service. So the combination will give us a faster, more agile ability to invest in some latest technologies to give us an advantage in the marketplace. We're both driving growth. We both have seen an expansion of our especially government and mobility segments. Intelsat has delivered 5% growth, in the Network business in 2023, we delivered 6%. The combination gives even further acceleration from an outlook and growth perspective.

If you look at profitability of both companies, we both have strong financials. I would argue these are the two companies that have probably best balance sheets in our industry today. Intelsat has 41% EBITDA margin in 2023, we have 50%, and we both have a profitable growth outlook going forward. Both companies have strong balance sheets when it comes to net leverage, 2.2x with Intelsat and 1.4x at the end of 2023 at SES. So it gives us a stronger investment capability while being disciplined and investment grade. We deliver positive cash flow generation. We have machines that are driving. We have – Intelsat with €350 million and improving going forward and we of course deliver €530 million adjusted AEBITDA less capex in 2023 and improving going forward. So this transaction from day – from Year 1 I have to say is accretive and cash flow positive.

If we go to the next slide, as I said, the highly accretive nature of the transaction is underpinned by €2.4 billion worth of net present value of synergies. These are not depending on growth. These are things we define, we know what they are, we know how to get there and they're split between operating expenses and capital expenditures. In operating expenses it's around general opex and procurement efficiencies. It's about aligning of our ground infrastructure, network management, IT capabilities, cybersecurity, etc., and delivers about €210 million run rate synergies per year. And if you look at the right-hand side of the slide this is the capex synergies where we have non-satellite capex in the ground where we can clearly leverage the latest technologies and remove the duplications that we will have across the two companies in the networks and infrastructures. The terrestrial network is a good example. We both have very large terrestrial networks supporting our teleports and gateways using almost overlapping capabilities that there is a clear synergy there. But also it's about optimising the future multi-orbit satellite investments and fleets. We just don't need to spend as much money as we were spending separately. The combination will give us an opportunity to reduce that. And that is about €160 million run rate synergies per year going forward. So that is €370 million combined run rate synergies per year. There are other upsides we didn't count in the – in the equation. We left them as an upside for us going forward, especially as we explore the pre- and post-closing situation of the companies. So this €2.4 billion net present value of synergies is 85% of Intelsat's equity value. That's why ladies and gentlemen this is highly accretive transaction from day one or Year 1 let's say.

If you go to the next slide, slide number 12, this is how we envision execution and delivery of these synergies over the next five years. You can see that in the first three years we deliver the obvious top-three areas which is general operating expenses, third-party capacity, procurement efficiencies. For the ground infrastructure and future fleet optimisation we're a little bit more balanced, a little bit more conservative because we want to do it right in order to make sure that we are not impacting our competitiveness or our capabilities in the marketplace. And that typically requires a couple of years of planning and a couple of years of execution. However if you just look at the top-three that represents 70% of the run rate of the – represents €260 million overall from the synergies that we've described that we will be achieving per year, which is at €370 million. And that's 70% of it. And we can execute that by end of Year 3. And the remaining which is €110 million we'll be executing that between Year 4 and Year 5. And I have to just emphasise again we have diligenced this with the – with the Intelsat team and very comfortable to be able to execute that.

So now if you go to the next pillar of value which is creating a stronger multi-orbit operator, I want to reflect first, I go on to slide number 14, of the dynamics in the market that we're operating in. I think we all know this, especially everyone that covers that market, that this is a highly dynamic market. There's new competition. This market is moving very fast. New LEO entrants that are launching, you know, their constellations. There's rapid innovation both in space as well as on the ground. New technologies coming into effect. So having a scale and a multi-orbit capability is critical to success. Being isolated or cornered into one part of the market without having a breadth and capability to compete is a difficult way to compete in this market. The second is there's no question that satellite, especially satellite communications, is continuing to be very strategic for governments across the world. The geopolitical environment, the realisation of what you can do with this technology is accelerating the investments across the world. Not just the United States government but also across the European governments and many governments around the world. So having sovereign capabilities is very critical for the success of any company that wants to operate because it is one of the largest segments of opportunities for satellite operators across the world.

The demand is expanding, like it's moving very fast to high-performance mobility networks. There are new applications that we're beginning to see. Satellite-based networks are being implemented beyond simple communications. In the commercial uses, in the government spaces, in cybersecurity, etc. So being able to deliver end-to-end solutions, being able to have the right market coverage is very important for the success of the future of any player in this space. And of course the last point around the market environment is the role of the satellite in broadcast TV and media consumption is evolving. There is no question there is pressure. However, it remains the most compelling [inaudible] means to distribute content to many, many citizens across the world. And things like sports and events continue to lean heavily on satellite capability to deliver the most efficient cost-optimised way of delivering content around the world. So those are the dynamics that we're facing in the marketplace every day that we're competing.

If you go to the next slide, slide 15, how do we then position ourselves with the backdrop of that market dynamics? I already alluded to this, right. We will create a stronger, expanded network capabilities that are multi-orbit. We're not just a GEO player. We are an all-orbit player. But we have a very strong GEO capability with more than 100 GEO satellites plus eight more to come between 2026 and 2027. And these eight are all software-defined satellites. Latest technology leveraging the best architectures that are available including state-of-the-art silicon that's now required for the software-defined satellites that are flexible in their missions and be able to move around different locations. With that it gives us quite strong capability around multiple bands and multiple spectrums. So we have C-, we have Ku-, we have Ka-, we have military Ka-, we have X-bands and we have UHF across 70 orbit slots. That's 99% coverage of Earth delivering five-9s reliability services. If you look at our MEO capability we have 26 that are in orbit operational. We have seven to come by 2026 and of course there are more beyond 2026. There's two more early 2027, so that combination between GEO and MEO with MEO delivering latency at about 120 milliseconds opens up the type of applications that we're able to deliver of our clients. And that interaction between GEO and MEO and complementary nature between the two is very, very important to deliver different applications for our clients today. And of course, we both have strong LEO partnerships. We have not ourselves delved into building LEO constellations, but we have leveraged very strong partnerships capabilities in order to be able to deliver a compelling solution to our clients. And when you look at our ground capability, the global network, the global teleports that we have, the operation centres, the data centres and the fibre lines with 24/7 capability, it really gives us a unique network coverage that clients really need.

Now with that if you go to slide number 16, the stronger positioning in a multi-orbit capability really gives us also ways to delivering to clients that we would struggle to deliver independently.

And here I tried to lay out the whole value chain of how we deal with our clients, right. So when you think about people on the ground working with customers in defining what the customer needs are and then translating that into the solutions, it's something we will have very good coverage of. And being able to use our engineering expertise to plan the solutions using strong analytical skills and understanding what the network can do and then defining additional things that we will be able to add to it in the future is also important in terms of skill and capability. Then being able to implement that and do that securely across the world is something every operator needs to do it. And with the expanded capabilities we have, we can be the trusted provider to our customers. And of course, then delivering the operations with the support required with the type of mission-critical solutions that we deliver is something our customers look for. So this gives us the ability to deliver this end-to-end to our clients. And that expanded engineering capability and knowledge of the technology gives us a differentiating positioning in the market.

If you think about the markets we serve, so if you go to slide number 17, it really puts us very well-positioned in the high-growth markets. 60% of the revenue of the combined company will be in growth markets. We will have about €800 million in the government – high-growth government market that's growing at about 7% CAGR going forward, a €13-billion market. If you look at the mobility space which his aero and cruise of course and maritime, we will have €800 million business there. That is also a high-growth market with double-digit. If you think about fixed data and cloud, we will have a €600-million business at that point and that business is also growing at 8%. And of course, we will have a €1.6-billion, so 40% of our business, will be in our Media business which is under pressure of declining top line but has and will remain to have very strong cash fundamentals going forward. So that capability underpins our strength and our financial and our balance sheet but as well as ability to grow our – grow our growth businesses as we go forward.

If you go to the next slide, slide number 18, this just shows you a picture of what the total company will look like. And we just picked a couple of metrics, right. So the financial profile is quite compelling. We go from a €5-billion backlog in SES alone to €9 billion with the combined company. If you look at our revenue, the combined company will be a €3.8-billion company and these are 2024. If you look at our Networks business as a percentage of total today, we have 52% of our business sitting in the Network. In the future it will be 60% of our business based on 2023 actuals. And if you look at adjusted EBITDA less capex as a proxy for cash generation, we go from €500 million to about €800 million in 2024 forecast that we have. We will get to a net leverage of less than 3.0x 12-18 months post-closure. This is definitely underpinning our discipline and making sure that we remain investment grade and deliver our shareholder returns.

If you go to the next slide, I said it earlier, the business that we're in requires continuous innovation. It requires continued investment. And being able to be in a position that you have a strong cash generation that allows you to invest without having to stress your balance sheet, without having to overleverage yourself is very, very important to be a healthy player in the marketplace. It allows you to invest in your network infrastructure using the latest technologies like we're doing with additional software-defined satellites that are coming. There'll be more. It allows you to build vertical solutions for the clients. That gives you an ability to integrate things, to create software, that makes it easier for our customers to use our solutions. And it allows us to diversify. It allows us to look into new areas of things like quantum key distribution, internet of things, device-to-device, Earth observation. Those are all areas we're interested in to continue to expand our portfolio of capabilities, not drifting too far away from our core which is connectivity and satellite connectivity for our clients. So being able to do those things positions you very well into the mid-term and the long-term growth of the company. Of course everything, we'll continue to emphasise it, has underpinned our commitment to be financially disciplined and laser-focused on execution.

The next pillar is about customer value, right, and how do we deliver that. And we divided it into two buckets. So if you go to slide number 21, first we have the high-growth, high-demand markets that are around government, aviation and maritime cruise. The combined company will be a very large provider for very important customers around the world, whether it's European governments, the US, UK, NATO and UN requirements. There is much bigger demand growing around sovereign solutions, sovereign capabilities, sovereign networks, anywhere on Earth. On land, at sea, in the air, that requirement is definitely there for us to capture. And of course being able to deliver that with protected, multi-frequency, multi-orbit solutions for interoperability resilience is something the governments look for, that you are not exposed to one particular area of the network that you deliver in.

In aviation, Intelsat has been a leader in that space. They have more than 3,000 aircraft. This is a high-growth market. You've seen a lot of the announcements that Intelsat has made recently. We have our own play in this marketplace and we all believe strongly that having connectivity on planes especially global/international routes is a must-have now. It's not just a differentiator, it's kind of a minimum you have to have available for your passengers. And we'll be able to integrate the suite of integrated IFE/IFC services based on multi-frequency, based on multi-orbit solutions to give the resilience and the quality that the aero customers want.

And if you think about maritime and cruise, you know, we already have a very good footstep in – footprint in the cruise market. We're serving five major cruise lines with over 100 ships with fibre-like connectivity on the ships. And that demand is also growing. It's not only growing in terms of connectivity but it's growing in terms of managed services, flexibility and really delivering quality of experience to the customers that our customers have. And this integrated network of solutions offers that seamless connectivity for the client. So being able to provide this high-demand, high-growth market with this, you know, highly flexible and robust network is something that we're going to be very well-positioned to do.

If you go to the next slide, you also need to be very efficient and reliable to some of the other markets like Fixed Data where we're supporting major telecom companies and mobile network operators to provide services where they struggle to build their terrestrial networks. And that demand continues to be very robust for us. The demand for fibre-like connectivity for mobile backhaul and private 5G connectivity, cloud carrier redundancy, backup solutions in case terrestrial networks fail – continues to be quite active in the marketplace. And we'll be able to offer our customers this extended network reach with a combination of GEO, MEO and LEO partnerships for our customers.

And of course our Media business which continues to be really important to us. It will be 40% of our business serving major broadcasters around the world, delivering more than 10,000 channels to 100s of millions of TV homes and two billion customers across the world. It's very important to manage very well and very efficiently as there is pressure on the top line. And the persistence of the demand will continue especially around free-to-air capabilities, experiences especially in emerging markets and sports and events capabilities as we are very, very strong in. Both companies are strong in that. But those solutions require very strong networks and they require a quality and the reliability that our customers look for. So the ability to deliver those solutions is really, really important both from a growth market perspective and the efficiency that's required in markets that are under pressure, if you will.

So if we go to the next slide, 23, so what is this mean, right? This comes altogether with customer being at the middle of everything we do and being able to deliver to them what they need today and mid-term and long-term as their requirements evolve. We do that through a much better improved network that gives you a reach and service capability and resilience anywhere in the world. It gives us an ability to deliver enhanced connectivity with fibre-like performance, with quality metrics and value for money for our clients. It gives our clients assured capacity, supply for secure data and media networks well into the future. Not just today. And it gives them greater choice of how they want to deploy the space capability with a multi-orbit, multi-band network that we have. We will give them seamless integration across the different broader networks with our technologies, with our software capabilities. It gives us the ability to deliver flexible solutions, end-to-end capabilities with managed services, delivering what the clients want and not just capacity alone. And it gives us the ability to continue to innovate for our clients to deliver them. So those are the values that we believe we will be delivering as a combined company.

Now, the last pillar of value is all about shareholders and what we're able to deliver there. And I will ask Sandeep to jump in and help me deliver those messages. Sandeep, please go ahead.

Sandeep Jalan: Thanks Adel. Good day everyone. Starting from slide 25, let me explain you how this transaction is building shareholder returns. This transaction first of all creates a competitive and very well-positioned player to address the challenges and opportunities in our sector. It's good for all stakeholders, our customers, our employees and our investors. This transaction is highly synergistic and value accretive with €2.4 billion NPV of synergies. And it is fully in line with our financial policy. The timing is also good as both the companies have successfully realised significant C-band proceeds which are and will continue to have over €3.5 billion in cash as a combined company. And with that we have the two strongest balance sheets in our sector. SES our net leverage at December 2023 was 1.5x and remains similar at about 1.4x when we factor a pro forma for the ongoing share buyback and the C-band reimbursement of close to €410 million. Intelsat net leverage is expected to be 2.2x with the pro forma for a dividend of €130 million and C-band reimbursement which are totalling to €435 million. C-band receivables from both the companies add up to about €0.85 billion. The combined company is expected to be about 3.5x at closing and expected to de-lever pretty quickly to our threshold of below 3.0x within a period of 12-18 months from closing. The combined revenue for 2024 is expected to be at €3.8 billion, at very similar size revenues outlook from both the companies after the intercompany eliminations. These revenues are supported by industry-leading combined order backlog of €9 billion as of December 2023 from both the companies. EBITDA outlook for 2024 for Intelsat stands at €0.8 billion to €0.83 billion and when combined with SES outlook for 2024 it leads to a solid €1.8 billion EBITDA for the combined group. Capex outlook for Intelsat is once again very similar to that of SES and the combined company capex should be in the order of €1+ billion.

Moving on to slide 26, the combined company is well positioned with a good solid base of €3.8 billion revenue, €1.8 billion EBITDA and about €1 billion of capex; but as you go past closing, which is expected to be in the second half of 2025, we would expect EBITDA growth at the mid-single digit percentage. And this will be helped by two components. Firstly a low-single digit growth in revenue which is driven by 60% of the revenue being positioned in highly growth-oriented network business including fast-growing and valuable government and mobility business. Second component is highly realisable and visible opex synergies that will quickly ramp up towards €210 million per year. On the other hand, both companies' capex which is running at a combined €1+ billion level due to some ongoing major investments should normalise as well as reduce due to synergies of €160 million per year. The combined company expects average annual capex of €600 million to €650 million for the next four years which is from 2025 to 2028. This provides really a solid foundation for growth in our free cash flow generation as a combined company.

Moving to slide 27, this transaction is fully in line with the three pillars of our disciplined financial policy. Firstly as I explained, both companies have the strongest balance sheet in the sector with sizeable cash of €3.5 billion. At closing we expect to be at 3.5x net debt leverage. However, we expect very quick de-levering back to below 3.0x net debt leverage within 12-18 months post-close. As a combined company, we expect to maintain strong investment grade metrics. We have conducted also a rating evaluation process at both agencies and are confirming this outlook. We continue to maintain our stable-to-progressive dividend policy. We will maintain the current dividend of €0.50 per share and also believe that the expanding cash flows of the combined company is very well-positioned for acceleration in shareholder returns. We have evaluated this transaction from a lens[?] of high financial discipline and on top of the obvious strategic and business metrics, it ticks all the boxes for a financially disciplined investment. An IRR which is over 10%, a higher free cash flow per share than a standalone company which is leading to a free cash flow accretion for our shareholders from the first year itself. And the combined company will be highly cash generative and should allow flexibility for disciplined uses in growth of total shareholder returns. Once again, we are very pleased and excited with this transaction and the solid prospects of the combined company and we look forward to the part of closing. In meanwhile we and our teams will remain laser-focused on execution of our business targets for the year 2025 and ahead. With that, I will hand over back to Adel.

Adel Al-Saleh: Very good, thank you Sandeep. Very good. I'm just going to try to conclude here and open up the Q&A. I'm sure you guys have a lot of questions. So let me just summarise the things that we just went through. So this is a value accretive acquisition. It is clear how we get to that value accretion very quickly and we're confident we can execute on it. It creates a stronger multi-orbit operator. We think that is required in order to compete, in order to be successful mid-term and long-term. And it expands and reorients our revenue towards the high-demand, high-growth segments in the marketplace where the combined company will have good footprint. It combines complementary assets, capabilities, innovations and world-class talents from both companies to deliver unique things to our clients. And it makes sure that we deliver the customer value that they're looking for in the key segments that we're focused on. Accelerates profit growth, as Sandeep just showed you, both from a cash generation as well as an EBITDA growth over medium-term starting in Year 1 of the transaction. And it's fully aligned with SES's financial policy, disciplined financial policy to ensure we continue to deliver shareholder returns. With that, I will stop here Richard and I will open it up for questions.

Questions and Answers

Operator: If you would like to ask a question, please press star one on your telephone keypad. Please ensure your line is unmuted locally as you will be advised when to ask your question. So once again, that's star one if you would like to ask a question. And our first question comes from the line of Sami Kassab from BNP Paribas. Please go ahead.

Sami Kassab (BNP Paribas): Thank you and good morning everyone. I have three questions please Adel to start with. Historically, Intelsat had quite significant tax assets with perhaps more than €3 billion of notes sitting in Luxembourg. Are the tax assets part of the €2.4 billion NPV or are the tax assets potentially coming on top of what you disclosed this morning?

Secondly, you have structured the transaction with contingent value rights based on expectations of potential C-band proceeds on top of what has been cleared so far. Do you have any indicative timeframe as to when you think you may be able to monetise the additional 100MHz?

And lastly, can you please comment on the latest development on IRIS^2? Does today's acquisition mean you are unlikely to take part in IRIS^2 if and when that project finally materialises? Thank you.

Adel Al-Saleh: Thank you. Thank you very much for the questions. Sandeep, why don't you take the first part which is how we valued the tax notes?

Sandeep Jalan: Yeah, so Sami on the – on the tax assets, clearly this entity has had a lot of tax losses, so clearly there are some beneficial tax attributes that we should be able to benefit as a combined company. But clearly for the purpose of valuation, for the purpose of the synergies of €2.4 billion that we are referencing, these do not take into account the tax attributes. So these are really the recurrent synergies that we are highly confident from our opex and capex parameters.

Adel Al-Saleh: Very good. Thank you Sandeep. On the second question in terms of CVR and the future potential of the C-band distribution again and the timeframe. Look, that is – we believe that is a few years out, right. It's not something that will happen quite recently. There is a lot of demand that continues to build for C-band including, by the way, device-to-device. And the mobile operators also are expanding their 5G coverage and using C-band spectrum, as you know. So we expect that that discussion and dialogue will start in a couple of years and it will be probably 2-3 years until we see the potential realisation of that additional distribution. But that's something of course for FCC and us to work with them to figure out if that makes sense.

Regarding IRIS^2, you know, as I emphasised multiple times, you know, we're all about providing government sovereignty abilities. I believe this transaction positions us even stronger for IRIS^2

because as we – as the European Commission decides to go forward and build the constellation, they will also need to ensure that there is high usage of that constellation. And having a large player like us and others to be able to leverage the network and drive traffic into the network is very important, in addition to of course building, upweighting and delivering it to the governments as well. So I see that's very much a complementary situation. Thank you for the questions.

Sami Kassab: Thank you gentlemen.

Operator: The next question comes from the line of Carl Murdoch-Smith from Berenberg. Please go ahead.

Carl Murdoch-Smith (Berenberg): Good morning. Thanks very much. Three questions from me as well please. Firstly just what is different now to when talks took place a year ago?

And then secondly, there's a footnote regarding Intelsat talking about €175 million of non-cash items or non-cash revenue. I was wondering if you could kind of expand on that and explain what that non-cash revenue and EBITDA relates to.

And then thirdly Adel I suppose looking both at Eutelsat and at SES, at both we've seen new CEOs come in and very quickly announce transformational M&A incredibly soon after joining. So I guess my question to you is, what made you reach this conclusion regarding this deal so quickly or was it more a board-led process? Thank you.

Adel Al-Saleh: Thank you Carl. Why don't we take the second question first? Sandeep, can you just answer the €175 million non-cash items and what does it mean?

Sandeep Jalah: Yeah. So thanks Carl for your question. So we have disclosed that in the Intelsat revenues there is about €165 million of non-cash revenues for 2023. For 2024 this number is €175 million. This primarily pertains to some of their large revenue contracts which are monetised during the bankruptcy process. This value is roughly in the order of about €600 million, the balance sheet, but it's currently getting flushed over the next few years. It goes as far as 2030 but it continues to go down. It will go down very rapidly to below €100 million as we look forward to 2026 and 2027.

Adel Al-Saleh: Very good, thank you Sandeep. Well let me – Carl, let me start with the last question and then come back to the first question which is what's different today versus the last attempt[?]. Look, I don't know if there is a connection between new CEOs coming in and going to transformational deals. For us as a company, you know, we were going through a lot of work already strategically, what's the best way to deploy the C-band proceeds that really impaired some of our networks in North America, as you know, and what is the right thing for, you know, mid-term, long-term for the company in order to make sure we stay competitive in the marketplace. So – and when I joined, that strategic discussions and thinking was well underway, right. It wasn't something I kicked off. But, you know, it didn't take me long to understand what are the options and we had to look at many different options. We had to look at multiple M&A opportunities, not just Intelsat. We had to look at, you know, just giving returns to our shareholders and then thinking about investments later. We thought about, you know, other areas of organic investment and we tried to figure out whether we need for example IRIS[2] and others. And it was clear to us that this particular transaction if we're able to successfully close it with the right type of value is the most compelling proposition we had on the table. For the company, for our shareholders, for our employees, etc. So that's why we went very fast. It didn't take me long to understand the options, but it wasn't clear whether or not if we're able to reach to an agreement with Intelsat at the right time. So things moved fast very quickly; and of course on the Intelsat side, they've seen the value of this transaction as well; not just the return to their shareholders but also about how did they take their company forward, you know, for the next, you know, several years.

What's different from the past? Carl, you know, there's a lot of things are different. So this is – first of all timing is different from what it was a year-and-a-half ago where Intelsat was emerging from bankruptcy. They had a lot of things to do. They had a lot of focus and a lot of priorities. You know, we were also in a different space. Both companies have gone through quite significant evolution in a very short period of time in terms of where they want to focus, where the priorities of the markets needs to be. Personnel we're different, and Dave and I, you know, we saw a real value here and worked very hard together to figure out how do we, you know, make this thing happen. And, you know, the structure of the transaction is much simpler, you know. It's a lot easier when you have an acquisition versus a merger and you have to deal with different, you know, governance questions and how the setup looks like. So there's a lot of things that made it different, Carl, but the biggest thing was the desire of both companies to build something unique here. We both saw that opportunity to create something valuable to our clients and to the market and solidify the company for the – for the mid-term at least and the long-term. That's what's different in my mind Carl.

Carl Murdoch-Smith: That's fantastic. Thank you very much.

Operator: The next question comes from the line of Akhil Dattani from JP Morgan. Please go ahead.

Akhil Dattani (JP Morgan): Hi morning, thanks for taking the questions. I've got a few as well please if I can. First can we start maybe with a very basic question maybe around the acquisition multiple at start? I mean, obviously I appreciate there are substantial synergies here, but I guess I just wondered if you could help us piece together what the right starting acquisition EBITDA multiple is. I think from the answer to Carl's question around the €175 million that's non-cash I guess we would exclude that. So is it right to assume that this is sort of a 7x EBITDA multiple at start? And if it is, can you give us some colour as to the thought process around that multiple given obviously it does look a little bit on the high side? So that's the first question.

Second one is just a very simple one just around the delivery of synergies. Just wondered if you could comment on whether there are meaningful integration costs that will need to be taken on board to help facilitate and drive that synergy realisation?

And then the third one if you could just maybe help us around the debt stack. I guess just interested as to the funding structure here and how we should think about cost of debt. I don't know if there's any sort of important items around the takeover of Intelsat debt and obviously the new fundraising you're doing. Any sort of early indication you can give us on cost of debt for the structure would be helpful. Thanks a lot.

Adel Al-Saleh: Thank you very much. Why don't you Sandeep go ahead? I think you can answer all the questions. I'll jump in and help.

Sandeep Jalah: Yeah. Yeah, absolutely. So hi Akhil. Thanks for your questions. So on your first question on the non-cash revenue, as I explained, that this is monetisation that was done during the bankruptcy process. Post-bankruptcy process no monetisation has been done, so basically this – these are still solid long-term revenues and they will continue to go down as we go into future years. Now in the valuation as you can understand, they looked at it from different perspectives, right. Several perspectives, of course multiples, DCF and on all those approaches if you – if you value the transaction just on a gross basis because some of these values should continue to be there, right, not all lost and these cash revenues, this is a multiple of 5.5x. If you add €175 million of non-cash revenues and you deduct that, there is also synergy complement that you have to keep in mind. There is a €2.5 billion, €210 million recurring[?] opex but also topped up by €160 million of capex synergies which once again flow to the cash flows. So on the overall, when you take a balance of all those valuation approaches we see that this transaction is highly accretive for our shareholders whether we look at it from a multiple base, whether we take a look from a DCF approach and based on all those approaches there's still a high level of value generation for our shareholders. In valuing the NPV of €2.4 billion of synergies that we are giving, yes, this includes the cost of integration, the cost of synergies, etc. So that is net of that. There is almost about €300 million of transaction cost. That is not part of the NPV of synergies but that is factored once again in our valuation metrics when we value the value creation for our shareholders.

On the debt structure, the good news is that the combined entity is very well positioned. There's significant cash sitting on our balance sheet as well as Intelsat's balance sheet. As I spoke earlier, we have close to €3.5 billion, so we are able to fund the equity purchase price. There is a debt as well, and we have taken a bridge of €3 billion and clearly as we go along, we will be organising for the market [inaudible] financing at appropriate intervals until closing and after closing.

And on the cost of debt, as you can see, our cost of debt remains highly competitive at about 3%. Clearly the market has changed in the last couple of years; so when we go on the market we will still expect a competitive set of financing conditions and interest rates which should still be quite attractive. Of course higher than 3% but we believe that we should be able to secure very competitive rates with a combination of senior notes as well as some hybrids that we would like to tap as part of this transaction. I hope that answers your question.

Akhil Dattani: Yes, it does. Thanks a lot.

Operator: The next question comes from the line of Nick Dempsey from Barclays. Please go ahead.

Nick Dempsey (Barclays): Yeah, good morning guys. I've got two questions left. So first one, can you give us a rough idea of the share of the US government spend on commercial satellite capacity and services that SES and Intelsat combined would represent? And won't there be antitrust issues in this particular area as a result of that?

Second one, how much has Intelsat's return to revenue growth been driven by their acquisition of Gogo which I believe is a revenue stream that comes at a much lower margin? So is there a negative margin mix effect built into the Intelsat revenue growth model from here?

Adel Al-Saleh: Let me start with that and then Sandeep you can jump in. Look, I can't disclose the exact share of US government but, you know, for us, we have – both companies have similar positions with the government. And you know our business in the US around the government is north of let's say €350-400 million per year. Not dissimilar to Intelsat, right, which is why we create a quite interesting player going forward. If you think about the share, right, I mean, the US government space defence budget is several billion. I don't remember the exact number of what they spend. And the US space defence just issued a very important strategic paper which talks about the importance of commercial integration of satellite capabilities into their specific military applications and dedicated satellite constellations that the government owns. They clearly state in that strategy that they see the architecture of delivering services is highly, highly dependent on a breadth of commercial capabilities that the market can offer. So I think many of the satellite players are seeing the benefit of that. So not just us. I mean, you can look at our competitors and you can look at Starlink, you can look at others; we're all seeing an uptick in demand. And one thing the US government is very clear about is they are going to be diversified. So they will look at multiple orbits, they will look at multiple capabilities and therefore when you put that all together, we wouldn't be a significant, you know, overarching share – having a share of the US government spend. It will be – it will be spread across several, many players, if you will, including smaller players in the marketplace. So for us from a regulatory perspective that's something we need to go through with antitrust and work through it. But Nick I – we got comfortable ourselves that we can have a good outcome in that area. But there's some work we need to do, right. It's not – we don't take it just lightly that it's just a slam-dunk. We have to do some work there, but we don't – we don't foresee an issue in that area.

Regarding how much of the Intelsat growth is driven by Gogo, look Gogo has been around for a period of time, right. That's an acquisition that's been there for several years and the strength of Intelsat in the aero market is driven by the Gogo capability which is one of the more advanced capabilities when it comes to, you know, quality of service, the experience on the plane, the interaction with the users. You know, if you have experience flying different airlines you'll see there is a big difference on when you get on and you try to connect how – what is the experience. So that's been helping them drive that growth. In terms of share – in terms of margin of that business, you know, all of us are looking in the satellite industry of prospects of do we add managed services into our pure wholesale selling of the satellite capacity. And we're all concluding that what the customers need is that integration capability. So that managed services layer on its own is lower margin of course than our typical capacity selling, if you will, but pure capacity selling pure pipe selling just like it is for telcos is a dangerous place to be if you don't add value on top of that. So we're convinced adding value on top of that is critical for us in order to be able to continue to drive our capacity business as well as – which is a high margin business, as you know, and provide compelling solutions to our clients. So the combination of both gives you, you know, certain compelling positioning for the markets, for the customers and ability to grow. And that's how I see Gogo and how Gogo plays a part in it. And they're capabilities are quite impressive. So yeah, maybe on its own a lower margin business than pure capacity but the complement in between the two of those is critical for the growth of the business. That's how we see it.

Nick Dempsey: I just had – sorry. I'm just happy to take one more question, I'm sorry, which is the €300 million of transaction costs, are they factored into the 3.5x net debt EBITDA at closing?

Sandeep Jalah: Yes.

Adel Al-Saleh: Yes, that's – yeah.

Nick Dempsey: Great, thanks.

Adel Al-Saleh: So all our cost transactions including, Sandeep already answered it, I think it was Akhil who was asking, including the cost of getting to the synergies. We are all – they are all included in our analysis and in our at the end, you know, yielding results, financial results.

Nick Dempsey: Thank you.

Operator: Our last question comes from the line of Roshan Ranjit from Deutsche Bank. Please go ahead.

Adel Al-Saleh: Roshan, we can't hear you. You may be on mute.

Roshan Ranjit (Deutsche Bank): Sorry about that. Yep. Thanks for the questions. I've got three please. So firstly just on the capex and it's just a quick follow-up to one of the prior questions. In your €600-650 million is that fair to take as a normalised level or is there kind of some element of growth still coming near-term and there's scope for that to trend down to a more normalised level? Does that also include anything for IRIS² please? Secondly on the margin front and I guess kind of related to Nick's question on Gogo, you know, you have guided to a build-out of the channels nearer-term with terminals. And I guess Intelsat has a similar thing. I guess how penetrated is their base with these newer terminals or will that potentially have to be factored into kind of future forecasts? And lastly just to follow up on the credit rating. I think Sandeep you mentioned the, you know, discussions you've had with the agencies and you are going to be above this kind of 3.3x level which you have previously guided to for investment grade. I mean, are the rating agencies comfortable with that and there's no kind of risk to your investment grade rating? Thank you.

Adel Al-Saleh: Go ahead Sandeep.

Sandeep Jalah: Yep. Thanks Roshan. So firstly on the capex we foresee that for the next four years which is from 2025 to 2028 capex range of €600-650 million. This includes a bit higher level of capex in the first couple of years given the fact that a lot of our investments as well as Intelsat's investments they are concentrated between – in the first couple of years. Intelsat has five satellites going in space by 2026. We have three of our GEO satellites as well as seven next of MEO satellites going in space as well. So all this is leading to a bit higher capex in the initial years and then followed by lower capex as we go out. Have we included any additional growth capex? No. IRIS² is not included. If and when we move with that project that will be an upside and something that we will evaluate on its own merits. That means the profitability in respect of our financial policy in a holistic sense, right, respecting the investment grade and the dividend.

Second question on the Gogo front, on Gogo they are very well capturing a lot of their crafts. They are close to 300 aircraft in service. As of now they are even transitioning to much cheaper [inaudible] which are the Acer terminals from [inaudible] terminals. And this is as well making a rapid progress and they expect this will again accelerate the growth path of their ability to grow more and more, getting to aircraft. They have a strong backlog of over 700 aircraft as we speak now and this should further accelerate with this transition.

On the credit rating, yes, as usual, I mean, we have engaged in dialogue with both agencies and we have gone through all these metrics, as you can understand when you close any sizeable transaction. As of closing we are remaining slightly elevated, above our own thresholds with 3.0x which you consider highly disciplined. But again looking at all our plans going forward and the cash flow generation trajectory, the high synergies that will ramp up pretty quickly, we are highly confident that within a period of 12-18 months we are able to bring it back within our investment grade thresholds of 3.0x. So based on that we are highly confident this transaction is respecting our financial policy very holistically to grow total shareholder returns.

Roshan Ranjit: Great, that's helpful, thank you. On the capex front then what should we think about a normalised level beyond the kind of near-term growth period? Thanks.

Sandeep Jalah: I mean, this is – yep do on Adel.

Adel Al-Saleh: I was going to take the €600-650 million is what we're saying is going to be our normalised kind of levels, right.

Sandeep Jalah: Yes.

Adel Al-Saleh: So it will be – it will be – as Sandeep said, there will be some bumps when we have some investments up and down but our normalised level run rate we think it will be €600-650 million Roshan.

Roshan Ranjit: Yeah. Got it, perfect, thank you.

Operator: That's all the time we have for questions today and I will now hand back to your host Adel Al-Saleh for closing remarks.

Adel Al-Saleh: Well just thank you everybody. Thank you for reacting to the quick notice. We were planning to be a little bit more organised but here we go. I wish you all a very nice day and thank you for dialling in.

Richard Whiting: Thanks everyone.

Operator: Thank you for joining today's call. You may now disconnect your lines.

[END OF TRANSCRIPT]

continued uncertainty around the macroeconomy. Other factors that might cause such a difference include those discussed in the prospectus on Form F-4 to be filed in connection with the proposed transaction. The forward-looking statements included in this communication are made only as of the date hereof and, except as required by federal securities laws and rules and regulations of the SEC, SES and Intelsat undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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