# SES Full Year 2020 Results

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## Results presentation

**Operator:** Hello and welcome to the SES Full Year 2020 results. My name is Josh and I will be your coordinator for today's event. For the duration of the call, your lines will be on listen only, however, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator. I will now hand you over to your host, Richard Whiteing, to begin today's conference. Thank you.

**Richard Whiteing:** Thanks Josh, good morning everyone and thanks for joining our investor analyst results call for the 12 months ended 31st December 2020. This morning's presentation was uploaded along with the press release to the investor section at ses.com this morning, if you don't already have it. As always, please note the disclaimer at the back.

In a moment, Steve Collar, CEO, will present the main business highlights followed by Sandeep Jalan, CFO, to cover the financials in more detail. After some closing remarks from Steve, we will be happy to take your questions, where we're also joined from the US by J-P Hemingway, CEO of SES Networks. And so on that note, let me hand to Steve.

**Steve Hemingway:** Very good, thank you Richard, good morning everyone and thanks for joining us this morning. I'm going to start on page 3. And first and foremost I'm extremely pleased with the results that we've delivered in 2020, a year that I think we would all agree was extraordinary. Most notably as a business, we've delivered on the EBITA outlook that we provided this time last year before the onset of COVID-19 and it's an important and noteworthy achievement, I believe. And as a result we're comfortably towards the high end of our EBITA guidance that we provided in the middle of the year.

So this was only possible because we recognised early that we would need to sharply reduce discretionary spend in anticipation of the inevitably lower revenue induced by COVID-19, and the results that we're announcing today reflect the focus and discipline that we adopted to protect the bottom line. It also marks the third year in a row of delivery against our outlook to the market.

Staying with the theme of strong execution in the core of our business, we've not only reduced OPEX year on year, we've also taken steps needed to deliver on our simplify and amplify savings of 40 million in 2021 and 50 million on a run-rate basis by 2022. Leverage is also at a five-year low, with 500 million of year-on-year net debt reduction on the back of extremely strong cash generation and continued financial discipline.

We've enjoyed success in the marked, with a number of important renewals and extensions at our core video neighbourhoods over the last few months, starting with an extension and expansion with Canal Plus, valued at over €230 million, a slew of agreements with public broadcasters, including ARD, ZDF and the BBC, and concluding with this morning's announcement of a substantial extension with Sky at 28th February.

Our Networks business has grown more than 5% in a year and almost 30% since 2017, and in total we've signed more than 1.3 billion in customer contracts during 2020. We're super excited about the fact that we'll launch both SES-17 and O3b mPOWER this year, and we told you during the Q3 results that we'd be updating the market on our progress in commercialising these fantastic new assets. I'm really pleased to note that in just three months, we've increased the backlog by 40% to now $740 million, underscoring the fact that we will be the first to market with our second generation low-latency constellation, now intelligently combined with our GEO assets in a multi-orbit global network. In anticipation of O3b mPOWER, we've also closed a number of deals on our MEO network that showcase new use cases, most notably with naval customers, and these have the potential to scale substantially on O3b mPOWER, where we move from an environment of ten beams per satellite to more than 5,000.

Our commitment to delivering shareholder return is reflected in today's announcement to maintain a stable and fixed dividend of 40 cents a share. As importantly for shareholders, 2020 was a year in which we crystallised the repurposing of C-band for 5G in the US, with 4 billion in accelerated clearing payments due to SES upon successful clearing and the first milestone less than a year away. Our clearing plan is fully on track and on schedule. The proceeds from C-band clearing will add to the substantially expanding free cash flow generation from 2023 onwards, from the combination of expanding revenue and EBITDA, driven by the investments that we've made in growth together with a meaningful reduction in CAPEX with more than €390 million removed from our plan over the period and substantially lower average CAPEX profile from 2023 onwards.

In fact, as we look ahead to 2023, we'll have completed the investment in and launched the most flexible, state of the art, high throughput, multi-orbit, Ka-band network, coming the market as the world recovers from COVID with the demand for data and connectivity everywhere paramount, driving strong growth in revenue and EBITDA, and with these major investments behind us, a substantially lowered CAPEX profile and strong cash flow augmented by the additional 3 billion in gross C-band proceeds that we will earn at the end of 2023.

So, having covered those highlights, I'll go more rapidly through the remainder of the deck, starting on page 4 with the numbers. In video, we closed the year in line with the upper end of our outlook, while in networks we posted a third year of strong growth, and this despite the COVID-induced challenges faced in the aviation and cruise markets, two of our stronger growth markets in previous years.

Adjusted EBITDA of 1.15 billion was also at the top end of our COVID-updated outlook. We strengthened the balance sheet with 500 million in debt reduction, our leverage and interest costs are now at their lowest level for five years. As mentioned, we're reaffirming our commitment to shareholder return with a proposed dividend in line with last year and our financial policy, to maintain a minimum base dividend of 40 eurocents going forward.

So, turning to the markets and a page on video, page 5. Our video business was extremely resilient during 2020 and our customers saw an increase in demand for linear broadcast content. We served 365 million households, or more than 1 billion people across the globe, with programming and content, and I was particularly pleased with the amount of business that we were able to close with our most important customers at our most valuable orbital locations. We signed 650 million in video contracts in 2020, anchored by Canal Plus, who committed to over 230 million in incremental backlog and who are consolidating a substantial part of their

M7 business with SES through the end of the decade. And today we announced a multi-transponder extension with Sky, one of SES's longest standing and most important customers or partners, to support their standard-definition, high-definition and ultra high-definition distribution to their subscribers across the UK and Republic of Ireland. Since Q3 we've signed deals with major European broadcasters totally more than 440 million in contract backlog.

We've also had success in the emerging markets, securing the future of Ethiopian DTH at 57 East, developing an innovative high-grade online video platform in collaboration with Dish Mexico, and launching in HD+ in Ghana, the first market for HD+ outside Germany. Speaking of HD+, our B2C business in Germany generating 125 million in revenue has seen good momentum in 2020, with subscribers up in the second half of the year, fuelled by our unique and state of the art operator app, installed in every third TV set sold in Germany and avoiding the need for a dedicated set-top box. More to come, I would say, from HD+ through the year.

We continue to be the global leader in premium content, with almost 3,000 high-definition, ultra high-definition TV channels carried across the SES network. Over 60% more than the next operator. We've unparalleled technical reach and unrivalled quality and we're adding hybrid, cloud-based solutions to the broad portfolio of services that we deliver to our customers. The value of these capabilities and their long-term strategic importance to our customers is evidenced by the growing net promoter score, something we're really proud of, and substantial video backlog of 3.4 billion.

So now flipping over to page 6 and our networks business, which delivered a third successive year of strong performance, having grown by almost 30% since 2017. We certainly saw the impacts of the global pandemic on two of the fastest growing segments that we've had historically, aviation and cruise, and notwithstanding that, the business reaffirmed its status as the growth engine for SES, with a positive year over year contribution in all three segments.

Our government business delivered a step up in revenue in the second half, and as I mentioned, we achieved breakthroughs with new applications for our MEO constellation, with the US government in particular and the Navy being the standout. In addition, for our global government team, we secured two new governments for our roster of governments that we serve, and that will drive revenues in 2021 and beyond.

Another feature of networks in 2020 and one that differentiates us meaningfully from our peers, is the growth that we've posted in fixed data, up 7% year-on-year on an underlying basis, and this comes from the deployment of rural inclusion projects, our back core and high-capacity trunking, resulting in an expansion across the Americas, Africa and Asia. Our strategy of transforming tier one telco customers into strategic partners continues, with service upgrades and network expansions underpinning this fixed data growth.

We have many successful projects expanding the coverage of 4G around the globe and in 2020 we actually executed a very important trial with a major mobile operator successfully running 5G services over our MEO link, with performance scores equivalent to those of fibre, and really exciting when we put that in the context of the launch of O3b mPOWER coming up later this year.

In mobility, we recorded 9% growth year on year. That really reflects the good work that we did at the back end of 2019 in signing incremental services. And the team has done a really fantastic job in working with our long-term partners in what has been a challenging time for their businesses, while managing to secure additional future commitments and backlog. In cruise, for example, we've worked together in this period on the industry preparing for return to service to secure passenger innovation over the long-term, with five of our partners selecting O3b mPOWER and a majority of contracts going out through 2026 and beyond.

We've consistently spoken about making satellite mainstream and enabling global cloud adoption as key priorities for SES, and we've made really important progress on that during 2020. We've continued to drive forward our foundational partnership with Microsoft, creating new cloud-centric products and generating revenues from ground station as a service underpinning Microsoft's new Azure orbital offering. And in addition, we've started to see the benefit of collaborating with Microsoft on connected cloud solutions and have chosen a – closed a truly innovative deal in our maritime business as a result. In combination, we're seeing cloud-related backlog in the order of €35 million, which is a really promising start to our cloud business.

So, with that I'll turn to C-band on page 7. 2020 was a landmark year for our C-band initiative. From the beginning of the year the approval of the final report and audit order to the election of all satellite operators, and ending with the most successful spectrum auction in history, achieving almost 95 billion in total auction proceeds. And some of you will have seen this morning that Verizon alone bid more than 45 billion, underscoring the value of our C-band spectrum. Our clearing is fully on track, with 4 billion in proceeds coming to SES on successful accelerated clearing. We expect to meet the FCC's ambitious timelines and the first of which is now only some nine months away.

As previously guided and in the context of 2021 and 2022 being important years of investment in our network, proceeds of the first 1 billion pre-tax from the first clearing milestone at the end of the year will be used for strengthening of the balance sheet. Second proceeds will be used for a mix of return to shareholders, further balance sheet strengthening as required, and value-accretive investment. Bearing in mind that we've already invested substantially in our fleet, we have limited CAPEX needs beyond our growth investment peak in 2022 and we affirm our commitment to strong financial discipline.

The second clearing milestone at the end of 2023 is timed to coincide with growing cash flows from our business following important investments in our next generation network and lower overall CAPEX offering significant value creation for our shareholders.

At the same time, we're pursuing our claim of up to 1.8 billion in damages against Intelsat and have engaged market-leading expert legal and advisory teams to support the case. It's too early to say what the outcome will be but we believe we have a strong case and there's obviously potential for substantial incremental value for SES. Lastly, the success of the C-band process in the US has started to open up possibilities for further engagements in other markets, such as Canada and Brazil, as well as additional opportunities in the US. We're actively involved in examining these, as you would expect.

Finally, for completeness on page 10, and I've covered a number of these points, a reminder of the four growth initiatives that we've identified consistently as important for SES's growth in the future. I've already spoken about C-band and to reiterate my confidence in realising what is a substantial opportunity for shareholder value creation with C-band.

In 2020 we also completed the implementation of our simplify and amplify cost optimisation measures. We've locked in 40 million in recurring OPEX cost optimisation in 2021 and that will ramp to 50 million in 2022 and beyond.

We're really excited at the upcoming launches of SES-17 and O3b mPOWER, which both remain on track, as of the development of the entire multi-orbit ecosystem that we're building around these two great assets. This excitement is being reflected in customers committing to our network, with, as I mentioned, backlog for SES-17 and O3b mPOWER now at $740 million, up 40% since Q3. I'm really pleased with the level of engagement that we're getting with government and fixed data segments, and even in cruise, where, obviously despite the COVID environment, our cruise customers are looking out beyond that and to an important phase of growth as the world recovers.

We continue to lead the industry in enabling cloud adoption on a global scale, including but not limited to our partnership with Microsoft. It's a relatively small proportion of our revenue today but the 35 million in backlogs that I referred to earlier represent a really good start for our cloud strategy.

So, those four initiatives are the four that we will continue to track and that will drive substantial value for us in 2021 and beyond. With that, I'll hand over to Sandeep.

## Financial highlights

**Sandeep Jalan:** Thanks Steve, good morning everybody. Hope you're all keeping safe and healthy. I'll present now the main financial highlights of the year 2020 and I'll start with page 10 now.

So, given the very challenging conditions and COVID context during 2020, we are very pleased with our overall financial results, which are evident from our resilient EBITDA, which has stood at 1.15 billion, strong cash flows of 0.6 billion, and record reduction in our net debt by over €500 million, and leverage also which has stood at a five-year low. As you can see on this page 10, adjusted EBITDA 2020 was over 1.15 billion, and this represented an adjusted EBITDA margin of 51.4%. This adjusted EBITDA was in line with the pre-COVID outlook and also consistent with the top end of the mid-year outlook that we provided in August 2020. As Steve mentioned, this outcome demonstrates success of early COVID mitigation actions to protect our bottom line and our execution focus.

Our revenue for 2020 of €1.88 billion was around the mid-point of the outlook that we presented last August with our H1 results. At the revenue level, another year of revenue growth in network was more than offset by lower video, periodic and some other revenues, compared with 2019. Video reduced by 8% year over year, impacted by the combination of direct to home and cable customers right-sizing capacity in the mature markets, our ongoing withdrawal from low-margin activities, and importantly, by cancellations and postponements of sports and other events during 2020 due to COVID-19 effects.

Network continues its growth trajectory of 5.3% in 2020, even in a COVID context, reflecting the competitive advantages of our unique and proven multi-orbit offering. Network has now expanded by 27% over the last three years since 2017. All three network segments made a positive contribution to 2020 positive out-turn, with the benefit of new business signed in the second half of 2019 leading to mobility overall growth by 9% during 2020, while new business terms and service deployments in 2020 drove also growth in revenue for government by 1.7% and 6.7% growth for the fixed data.

I'll now move to slide 11, which explains the net profit bridge. So, adjusted net profit for the year stood at €208 million. The effect of the lower adjusted EBITDA by €86 million, this was partly mitigated by two major positives: lower recurring depreciation and amortisation by about €34 million, due to some satellites reaching end of depreciation life, and also life extension on some other satellites. Interest cost also continued to reduce by €17 million, driven by the recent refinancing and a further similar reduction that we expect during 2021 as we repay our 2021 bonds as well.

Net profit also includes a non-cash FOREX loss of €32 million, mainly coming from euro strengthening and the resulting translation effects from the balance sheet. This compares to a gain of €3 million in 2019 and this leads to a balance of €35 million when compared to 2019. The year-on-year movement in tax [inaudible] reflects the exceptional level of tax income, €76 million, that we had recognised in 2019 and did not repeat in 2020.

After the adjusted net income of €208 million, we have a few exceptional items totalling €350 million, which net of tax benefit €56 million explain the bridge to reported net loss, which stood at €86 million. These structural charges first went into our simplify and amplify programme, while the €40 million, which compared with €21 million in 2019 and this €40 million was fully in line with the guidance that we had given previously. The C-band charges on a net basis stood at €33 million 2020, overall spend of €43 million and this was netted with €10 million reimbursable expense that we recorded as income in our P&L account.

There was also an important non-cash impairment expense of €277 million that we recorded during the year and this relates to primarily the impact of market developments, including also COVID effects on the mid-term plans and lower baseline of certain GEO assets resulting in €183 million impairment. Intangibles, which was about €94 million impairment, mainly the former MX1 business, which is €80 million impairment recorded, and this is being integrated fully in our video infrastructure business starting 2021, and also orbital slot drives €40 million due to specific commercial and regulatory developments.

Turning now to the balance sheet on page 12, we continue to pay strong attention on our cash flows and we are very happy with our solitary cash flow situation before hybrid coupons and dividends, which stood at €665 million in 2020, thanks to which the adjusted net debt reduced by over €500 million or 13% compared to the prior year, after having also paid €182 million of dividend during the year. As shown by the chart on the left, all key metrics: net debt, leverage, and interest cost, they were the lowest compared with any point in the last five years and this demonstrates our commitment to financial discipline and strong balance sheet consistent with investment-grade metrics.

The €80 bonds secured in June at a coupon of 2% allowed us to retire the upcoming March 2021 maturity at less than half the cost and this means we have no significant senior debt maturities coming due over the next two years and our weighted averaged debt maturity is quite healthy at average 7.2 years.

I'll now move to page 13. CAPEX during 2020 stood at €207 million and this was about 30% lower compared with both the prior year and our outlook that we had given for this year, and this also gave another boost to the free cash flow. This number excluded €10 million of CAPEX for the C-band purposing. We have significantly reduced our CAPEX expense by about €390 million between 2020 to 2024 compared to the previous outlook that we had previously given, mostly reducing the investment peak during 2021 and 2022. This reduction of €390 million does not affect any of the growth projects but includes a reduction in discretionary CAPEX, some phasing of CAPEX pertaining to 19.2 replacement and also benefit of €72 million due to stronger euro. The updated CAPEX outlook now includes a forecast until 2025 and assumes a euro: US dollar of 1.2 compared to 1.15. Our robust cash flow will be able to support the growth investment of 2021-2022 and the domestic needs of refinancing.

After the growth CAPEX peak during 2021 and 2022 for SES-17 and O3b mPOWER, our cash flow profiles will not only benefit from growth in revenues and EBITDA generated by these highly differentiated assets but also from the significantly lower level of CAPEX needs in 2023 and beyond. Our normalised CAPEX needs in 2023 and 2025 are about €375 million per year and our maintenance CAPEX over 2021 to 2025 is about €165 million.

Turning now to the financial outlook on page 14. First of all, please note that our outlook is set now at a euro: dollar rate of 1.2 compared to our previous outlook, which was at 1.15, and this has quite important effects on different lines of items in P&L and cash flow and all this needs to be better understood. So, for our modelling purposes we would like to guide you that approximately 50% of our group revenue, 50% of our registered EBITDA and 50% of CAPEX is denominated in US dollars. This means that 1 cent appreciation of euro versus dollar will impact revenue by about €8 million negatively, EBITDA by about €4 million to €5 million negatively, CAPEX positively by €4 million to €5 million due to positive effects on lower euro CAPEX and hence almost zero effect at the free cash flow level. And this shows a very good natural hedge in our cash flows. On top, in fact, the overall impact is quite positive for us. As you now, one third of our debt is in US dollars, therefore each 1 cent our debt reduces by about €11 million and this has also a net debt as well as leverage ratios.

So, in summary a stronger euro is FCF-neutral and rather positive for net debt and our leverage.

We expect 2021 group revenue to be between €1.76 billion to €1.82 billion, of which more than 80% has already been contracted. Please note that this outlook when compared to 2020 actual represents a euro: USD effect of almost €50 million. So, at the top end of our 2021 guidance, we are very close to 2020 actuals.

We are forecasting an EBITDA €1.06 billion to €1.1 billion for 2021, excluding the restructuring €10 million C-band related expenses, which are estimated between €15-20 million and income on C-band account, which is about €850 million. This EBITDA outlook once again factors in effects of stronger euro, which is about €25 million when compared with 2020.

Now, on the segmental guidance, while video continues to experience similar evolution as seen in 2020, our focus is on reducing the pace of decline over the medium to long term. On Networks, we are remaining cautious to protect the growth of 2%-6% during 2021 due to reduced business opportunities from continued COVID effect, especially on mobility, which continues to remain challenged. This is fully consistent with the latest NSR projections, which also show a lower network growth of 4% in 2021, while NSR long-term growth projections are remaining strong at 13% CAGR for the next five years.

We expect the Network business to deliver a fourth year of consecutive growth in 2021, with the pace of growth accelerating thereafter, propped up by the entry into service of SES-17 and O3b mPOWER during the second half of 2022, leading to a return to growth in adjusted EBITDA from 2023.

Our results of 2021 and 2022 will also see full benefits of the simplify and amplify programme, with the gains ramping up from €40 million to about €50 million by 2022. These to some extent will be offset by some gains from COVID mitigation saving, which will continue to normalise as activities start also to normalise. We will continue to be laser-focused on our operational excellence, cost reduction, discipline, investment and robust cash flow management, to make sure that we have overall a positive good set of results.

Finally, on page 15, we are committed to driving sustainable, profitable growth and value creation for our shareholders, with a focus on disciplined investment and strong balance sheet metrics consistent with investment grade metrics. As mentioned earlier by Steve, the board is proposing an unchanged dividend of 40 cents for 2020, payable in April 2021, and intends to maintain the dividend at this minimum base level going forwards.

Lastly, as commented earlier by Steve, we are fully on track and getting very close to the milestones for realisation of C-band clearing proceeds, while the first proceeds, $1 billion pre-tax, will be fully used for strengthening our balance sheet, second proceeds, which is $3 billion pre-tax, will be used fully for shareholder benefit. These last C-band proceeds are $4 billion pre-tax, a huge addition to solid and growing business cash flows past our investment peak in 2021 and 2022, thanks to also expanding revenue and EBITDA proffered by mPOWER and SES-17 and coupled with lower level of CAPEX needs at the rate of €375 million going forward and these offer significant shareholder value.

We affirm our commitment to maintain financial discipline in the best interest of our shareholders. So with that, I will now hand back to Steve to conclude.

## Concluding remarks

**Steve Collar:** Thanks Sandeep. I will certainly keep these last couple of slides brief. Slide 17 just shows a view of the industry. This is NSR's view of how the industry is going to develop over the next decade. Starting with 12 billion in 2020 and growing to 26 billion by 2029, with the majority of that growth coming from 2022 onwards, which is particularly noteworthy for us with, obviously, the arrival of O3b mPOWER and SES-17 as the world emerges from COVID and the demand for data everywhere is even more important, I would say, as we've lived through this period of needing to be connected to our lives in everything that we do, and we feel incredibly strongly that we're well positioned to take advantage.  And as I mentioned earlier, we'll be first to market, with O3b mPOWER being our second-generation of our MEO constellation really ready to serve and to capture the benefit of this demand.

Reflecting on to page 18, you know, three core elements here: flattening the curve in video as we emerge from this period of our customers sort of right-sizing the amount of capacity and service that they carry over satellite versus OTT, and indeed, involving ourselves in the world of OTT through our B2C initiative in HD+ and indeed developing hybrid solutions for our customers, continuing and accelerating our growth in networks – we're guiding 2021 growth similar to 2020, given that we'll still be in a COVID environment, but as we look beyond COVID and into 2022 and on the back of SES-17 and O3b mPOWER really accelerating the growth that's coming from our Networks business.  And then lastly, confirming our commitment to both operational excellence, making sure that we're really driving the lowest cost base possible within the business but also absolute financial discipline as we look towards all other metrics.

Lastly, on page 19, you know, we're really pleased, I'm really pleased, with the performance that we've delivered in 2020.  It's a year that's been dominated by COVID and despite that we've delivered on guidance that we provided right at the start of the year.  The track record of growth in Networks is exceptional and a demonstration of the unique network offerings that we deliver.  I'm really happy with the momentum that we have within our video business right now, which is underscored by the deals that we announced with Canal Plus and in particular this morning with Sky.  Ongoing commitment, as I mentioned, to financial discipline and shareholder return, and that's reflected in the record low leverage, the growing backlog for SES-17 and O3b mPOWER and the stable dividend, and at the same time we're fully on track to realise the 4 billion for C-band proceeds just at the end of this year.  And looking to the mid-term, growth in revenue and EBITDA driven by SES-17 and O3b mPOWER, expanding cashflows augmented by substantially lower CAPEX needs beyond 2022, and that'll be boosted by a further 3 billion in C-band proceeds at the end of 2023.

So, with that we will be open for your questions.

## Questions and Answers

**Operator:** Thank you very much.  If you would like to ask a question or make a contribution on today's call, please press star one on your telephone keypad.  To withdraw your question, please press star two.  You'll be advised when to ask your question.  So, our first question comes from the line of Sami Kassab from Exane BNP Paribas.  Sami, please go ahead, your line is now unmuted.

**Sami Kassab (Exane BNP Paribas):** Thank you Josh and good morning, gentlemen.  I have a few questions please.  The first one: you've opened the door to additional C-band payments today, so can you help us understand a bit more, perhaps, what's more behind that door?  Have you signed any agreements in the US with auction winners to perhaps deliver the spectrum faster than the FCC requires? And how much more could you earn perhaps in Brazil and Canada?

Secondly, can you please, Steve, comment on volumes and pricing trends for the 650 million of orders that you've signed in video? Generally speaking can we think of lower volumes offset by higher prices or any colour on those two key variables, please?

And lastly, do you expect revenue growth for government and fixed data to accelerate in 2021 or to remain around the levels reported last year? Thank you.

**Steve Collar:** Thank you very much, Sami. Yeah, look, I think on C-band sort of additional monetisations, definitely too early. No agreements signed and I would say as far as the US is concerned, obviously there's been a quiet period right up until I think this morning. What is really interesting now is, obviously, the results of the auction are now public and it's clear, you know, who has secured what, and that gives us an opportunity to think about how we can deliver more value to the carriers. And that's something that, you know, I expect us to work on pretty hard over the course of the next sort of few months as that progresses. And yeah, as far as other markets, I think, you know, with the success of the US and the fact that C-band is obviously going to be used as one of the primary bands for 5G, there are activities ongoing in Canada and in Brazil and frankly two or three other markets that are probably at an even earlier stage but look quite promising. So, yeah, I think, you know, too early to put numbers on it, too early to be too specific, but I would say is definitely the momentum that's been created in the US gives us additional opportunities, both within the US and indeed outside the US.

On video, as I said, very pleased with the progress that we're making. Very happy with the deals that we've been announcing, particularly given that they are at our core neighbourhoods. And I would say pricing is good. We are, you know, we've been successful in, as a minimum, maintaining pricing, and in a number of markets and with a number of deals, actually moving pricing incrementally upwards. Volume, as you say, is something that is very much dependent on the individual neighbourhood and the individual customer, and in some cases we've seen some very modest reductions I would say in volume, during some of these renewals. But overall I think the summary that you gave, which is, you know, modest volume reductions with modest price increases, is about right.

And for the question on networks I'll hand over to J-P.

**John-Paul Hemingway:** thank you Steve and good morning everybody and good morning, Sami. Yes, obviously we're pretty pleased with the performance we've had in 2020 from fixed data and government. It's solid performance and in fixed data in particular, you know, really good performance across most of the globe, which is something that we're particularly pleased about. And that's come from a combination of the strong assets and coverage we have and some of the differentiated services with MEO et cetera.

In terms of fixed data, it's certainly a good trajectory that we're on and I feel that that can be continued on into this year, and early signs indicate that that's looking positive. And on government actually, as Steve indicated, we've had some really interesting wins, particularly in MEO going into new applications and indeed new customers from a global government perspective. So we should actually see a more positive trajectory coming out of government coming into this year.

**Sami Kassab:** Many thanks gentlemen.

**Operator:** Our next question comes from the line of Nick Dempsey from Barclays. Nick, please go ahead, your line is now unmuted.

**Nick Dempsey (Barclays):** Yeah, good morning guys. I've got three questions. So, you're looking for positive growth for the group in 2023 and beyond, that's the first time you've said that and that's interesting. Can you talk about the kind of assumptions you're making there in very broad terms? I'm sure you won't want to give very specific guidance but do you expect the rate of video decline to ease inside that expectation? And just around, kind of, the mPOWER contributions, how much of that is based on backlog and good commercial conversations you're having now and how much on kind of hope?

Second question, just on the renewal of the tranche of transponders with Sky UK, can you give us a rough sense there of the volume and pricing related to that renewal compared to the prior contract for the same tranche?

And third question, we've seen some slippage in launches elsewhere in the industry, you pointed to that. Is there a risk that the launches needed for the C-band process could end up slipping, something outside your control, and that impacting your ability to deliver the clearing on time?

**Steve Collar:** Thanks Nick. Lots there, so let's try and make sure that we cover it all. Yeah, so look, 2023 and beyond is the combination that you allude to, I would say, which is – we talk about flattening the curve in video and that, you know, we're coming out of this phase where our video customers sort of rebalance their platforms and that's positive, and that sort of reflects, I would say, in the engagements that we're having now and the renewals that we're seeing. So, definitely a sort of a flattening of the curve in video and then obviously augmented by what we anticipate being strong growth in our Networks business. As we talked about, you know, in the COVID year of 2020 and indeed continuing in 2021, our growth segments are going to be somewhat depressed and so we have more modest expectations of growth for 2020 and 2021, despite the fact, you know, we're growing at 5% and guiding to something similar in 2021. But beyond that, and obviously fuelled with SES-17 and O3b mPOWER, you know, we expect to see high single-digit or low double-digit growth in our Networks business out for the foreseeable future. And, yeah, no, it's not based on hope, it's based on signing customers. As I said, we've increased our backlog by 40% just over the last three months. It's not necessarily something that we're going to say is going to happen every three months but definitely we're now less than a year from launch – we'll be launching both systems this year – and getting very excited about the momentum that's building within the customer base.

And look, you know, we will have successfully invested in an absolutely stand-out, state of the art, second-generation, non-geostationary constellation, while others are still sort of financing, building and thinking about it.  And we're going to have an absolute, you know, lead in the market, and that's what we intend to deliver on.

With Sky, look, I'm not going to talk about any specific contract and so won't get into it.  I kind of gave some indications to Sami earlier about the overall trends that we're seeing in video, which is, you know, we've been successful in moving prices up in a number of these conversations.  Volume, I would say, in the main modestly down.  But certainly for Sky, you know, one of our longest serving customers – I think it'll be almost four decades of partnership with Sky at the end of this contract, which takes us out into towards the end of the decade.  So, very, very happy with that.

And as far as C-band is concerned, look, we've – as you would imagine, we're being laser-focused on this.  And in fact all of our satellite programmes are maintaining their schedule nicely.  In T-band we've seen no slip and where our manufacturers have had challenges, they've mitigated those challenges.  We've also got substantial, let's say, sort of alternative ways that we can continue to deliver on the clearing milestones even if one of the three programmes that we have ongoing sort of runs into challenges.  Not the case today.  Nothing that we've seen suggests that that will be the case, which is tremendously optimistic, because as you say, you know, there have been some challenges in the manufacturers through COVID.  But right now and today, we're on schedule.  In fact, we're a little ahead of schedule when it comes to the first clearing milestone and with the second clearing milestone fully, fully on track.

And I would also extend that comment to SES-17 and O3b mPOWER.  So we've also managed to maintain those programmes on track for their launches, which is also very good news.

**Nick Dempsey:** Thank you, Steve.

**Steve Collar:** Did I get it all, Nick?

**Nick Dempsey:** You absolutely did.

**Operator:** Okay, our next question comes from the line of Aleksander Peterc from Societe Generale.  Aleksander, please go ahead, your line is now unmuted.

**Aleksander Peterc (Societe Generale):** Yes, good morning and thank you for the question.  Just firstly if you could come back a little bit on the CAPEX plan reduction.  If you could be a bit more precise on what exactly is going on there and the phasing and what allows this very substantial reduction in the plan over coming years beyond the obvious FX impact that you've quantified.

And then secondly, on the use of receipts, I understand the first billion is going towards deleveraging.  Can you be a bit more precise on the remaining 3 billion?  Is any of that going to be used for deleveraging as well?  Do you think you need to go further on that front?  Or is everything going to be used towards, I don't know, value-creating acquisitions or redistributing that back to the shareholders?  What are your intentions on the remaining 3 billion?  Thanks a lot.

**Sandeep Jalan:** Thanks, Aleksander, for both the questions.  So, on slide 3 we explained about our CAPEX programme and when you compare it with our previous guidance, it's a reduction of

€390 million and as you can see, these reductions are primarily over the first three years, which is 2020, we made an important reduction of close to €100 million compared to previous guidance. And almost €280 million over 2021 and 2022-3.

So, these reductions of €390 million are primarily coming from, when you take a look at the blue line and you compare with our previous outlook, these are the maintenance CAPEX and that is where we have taken a hard look at all our discretionary CAPEX and made an important reduction, which is about €120 million. Another €70 million, it comes from FOREX. As we were saying previously, that some of our CAPEX, it is denominated in dollars, so clearly in euro terms we get an economical benefit therefrom. And the third impact comes from some saving of 19.2 that I mentioned earlier, and this is some cash flow optimisation between 2024 till 2025. And overall this reduces our investment peak, investment during 2021, 2022, and allows us to fund these investments out of our regular cash flow without any important financing needs.

Then on your second question on the proceeds from C-band. So, here we have been very clear about the usage. The first tranche, which is $1 billion, which will be fully utilised to deleverage and to strengthen our balance sheet and in a context of our ongoing peak growth investment in 2021 and 2022. For the second one, $3 billion, it's three years out and what we have to realise that these are significant and huge proceeds and they will come on top of our expanding revenue, expanding EBITDA and free cash flow from 2021 and beyond, as Steve explained earlier, coming from mPOWER and SES-17. So, overall this, coupled with those growing cash flows, provides a very significant shareholder value position.

But clearly we are three years out, we will continue to be very, very disciplined about the uses of these proceeds and as we continue to move along towards these milestones, we will continue to provide more clarity on the uses of that. But clearly, shareholder benefit and shareholder return will remain in our prominent considerations.

**Aleksander Peterc:** Thank you very much.

Operator: Thank you. Our next question comes from the line of Roshan Ranjit from Deutsche Bank. Roshan, please go ahead, your line is now unmuted.

**Roshan Ranjit (Deutsche Bank):** Great. Morning, thank you for the questions. Just two from me, please. When we're looking at the Network business guidance, 750 to 780, given we had the adjustment this quarter, can we get a sense of what you have factored into the mobility? I assume you're not going to give the numbers but just, you know, what kind of review of the contracts you have applied given the uncertainty still around the COVID situation? I mean, at the mid-point we're looking at, I think, a 2% increase year on year in Network but it would be interesting to know what happens within mobility there.

And thank you for the data on the mPOWER backlog. Is it possible just to try and get a sense of how that backlog is split between maybe existing customers and new customers? Clearly, mPOWER is opening up the opportunity to new services which you previously didn't offer, but any colour around the kind of existing to the incremental customer base will be useful. Thank you.

**John-Paul Hemingway:** I'll take those for the Networks business. So, first off, I think the sort of mid-points of the guidance is obviously near to 4%. We said sort of 2%-6%, so just want to sort make clarity on that. Yeah, look, obviously we've thought about this mobility piece pretty carefully. So, as we said, we did have a fairly exceptional reduction in sort of the last quarter of 2020, which is obviously due to some of the partnership arrangements that we've had with those customers. And to the extent that we know them and can predict them, we've factored those into the growth predictions we have in 2021. Now, clearly we're sitting and working with our customers to a great extent. We're working with the cruise when they can return to sailing and we expect that towards the middle of this year but certainly with fairly reduced and restricted itineraries. And obviously air will probably have a slightly longer return to service – full service – more into 2021 and 2022.

So, working with all the customers very, very carefully. To the extent we know where we've had to factor in deals, they have been factored into our growth outlook.

And on the second question in terms of the O3b mPOWER and SES-17, look, obviously we'll go back to our existing customers first. They know and trust and use these services already. That's obviously proven to be a very strong proposition and the services they have today, they can take to much greater scale when O3b mPOWER comes to bear. So that's been the focus of our efforts. But there's been really interesting conversations with new customers and I hope to announce some of those in the coming months.

**Roshan Ranjit:** Great, thanks. So is it fair to say that out of the 740, the majority is with existing customers? But, you know, if we wait to see what happens in the coming months with new customers. Is that fair to say?

**John-Paul Hemingway:** That's fair to say.

**Roshan Ranjit:** Perfect. Thank you.

**Operator:** Thank you very much. Our next question comes from the line of Patrick Wellington from Morgan Stanley. Patrick, please go ahead, your line is now unmuted.

**Patrick Wellington (Morgan Stanley):** Yeah, morning everybody. I've got three questions. Steve, it may sound churlish, but why doesn't the business grow in 2022? Have you ruled out revenue and EBITDA growth in 2022?

And my second question is around video. Can you talk to us a bit more around video? We've seen right-sizing this year, we've seen that run-down of historic contracts at MX1, you've talked about backlog. And yet we're still looking at, I think the guidance is minus 6 to minus 9 this year. So can you talk to us about the sort of mid-term future, where you might hope to get that annual video decline to and what the steps are going to be to get there? And maybe, I mean, you mentioned Mexico in the, I think, in the context of this presentation, could we talk about EchoStar and QuetzSat and what your feelings are about that contract in the future?

And then just one on the financial side. Do we – do you have a target for long-term net debt to EBITDA post the growth CAPEX and post the receipt of C-band? What's a comfortable level, do you feel, for the newly configured group in terms of net debt to EBITDA?

**Steve Collar:** Thank you Patrick. Look, we're not going to get into providing guidance for 2022. I think what we're talking about is obviously as we look at 2023 and beyond, we're into a period where obviously SES-17 and O3b mPOWER, the full constellation is really sort operating very strongly at that point. So that's what's, sort of, fuelling the growth, I would say, from 2023 and beyond. And we also call out the fact that by then, you know, we'll be through our investment, right? So, we will have completed our investment in these fantastic assets, we'll be into an environment where we have a low, and certainly historically low, CAPEX profile for the years beyond. And so we'll be in that great situation of strong free cash flow being delivered by growing revenue and EBITDA and lower CAPEX. And so that's, kind of, the future beyond this, this growth investment that we're making.

It's not to say that we've ruled out growth from 2022, but I would say we'll stay away from getting into a specific conversation about 2022 and talk more generally about the growth that we expect in the business from 2023 and beyond.

As far as video, yeah, look, we're clear in our objectives and what we're trying to do. We have the largest video business around and that means that, you know, we have the best pricing in the industry, we have the best neighbourhoods in the industry. And so over this period as we sort of reduce our exposure in the US in particular and from the wholesale business that we have in the US, and you talk about QuetzSat, you know, those deals were very, very successful deals. We don't expect those deals to be repeated going forward and so obviously that's something that drags a little bit on our numbers.

But our objective and goal is absolutely flattening this curve in video. And, you know, I think we're making good progress in that. We are kind of moving the curve down and that's something that we expect to continue through 2021 and into 2022. And obviously that will enable us to generate top line growth as we look out into the future, really being driven by video.

And financial targets, do you want to take that, Sandeep?

**Sandeep Jalan:** Yep. Hi Patrick. So, interesting question. So, let me take a look at our net debt to EBITDA. Today we have a guidance of 3.3 at, which is adjusted net debt to adjusted EBITDA. And this is a KPI that we intend to maintain.

Our C-band proceeds of $3 billion, as we said earlier, is three years out and clearly at that moment we could take another look. But what we will continue to maintain for sure, we will continue to maintain a strong balance sheet which is consistent with the investment grade metrics. And, very importantly, we will continue to ensure strong financial discipline. The context of the overall industry, the return on invested capital, has been going down. We will continue to be very disciplined with any of our new investments, making sure that they do deliver a double-digit IRR, which is our target, and also cash returned to shareholders, a stable dividend and growing, this will continue to be in our mind.

So, overall, can't give you a number of what will be our net debt to EBITDA in three years out, but we will stay with 3.3 for the moment and continue to make sure that we have a strong balance sheet and a very disciplined approach to our cash management.

**Patrick Wellington:** Well, if I could follow up on those two questions, firstly on the net debt to EBITDA, would you be tempted, with the new shape of the group and the lower maintenance CAPEX, to, if you like, as Bruce Forsyth would say, would it be higher or lower, would be your temptation to take the 3.3 times level?

And then Steve, if I can ask you quickly on yours, to give us an idea, what is a medium-term aspiration for the video business? Do you think you can get it back to zero? Do you think you can get it back to zero to 5? On a mid-term view, what is your aspiration in numerical terms, if you like?

**Sandeep Jalan:** Patrick, it's interesting question and again, I think, leverage in itself cannot be an objective. We need to take a look at the overall shareholder value and what makes the maximum sense at a particular point in time. And again, these proceeds are three years out. We'll be closely looking at it and the main goal of any of these KPIs will be to enhance the shareholder value, make sure that whatever we are promising we are delivering, and in that context we have to weigh whether this 3.3x or something will stay at this level or we would like to make any tweaks at this time. But it will depend upon the main consideration, which is shareholder value, continued expansion.

**Patrick Wellington:** Great, thanks.

**Steve Collar:** And you've pushed me, Patrick, so I'll try and indulge you. Look, I mean, we've seen huge shifts in video in general over the last five years and despite that, you know, broadcast remains incredibly strong. We have the largest neighbourhoods, we've got 365 million households, more than 1 billion people that we serve with video, and we're increasingly moving to support our customers in that hybrid world, in a hybrid environment, so that we're delivering services not only across our satellites but also OTT. And I talked about the developments we're making in cloud play and online video platforms that sort of augment what we do from a core infrastructure standpoint as well as HD+, which is, you know, a really important nugget within SES, delivering significant revenue but also B2C and sort of allows us to create value at the customer edge, which is really compelling.

Look, I think, what's our ambition? Our ambition is certainly to flatten the curve, as we've said. To get down to, firstly, I would say low single-digits. Too hard to say, I think, whether flat is achievable in the very short term but I think out to medium-term it's perfectly reasonable to assume flat to low single-digits is – reflects the way we expect the industry to develop.

**Patrick Wellington:** That's great. Thank you.

**Operator:** Our next question comes from the line of Ben Lyons from Credit Suisse. Ben, please go ahead, your line is now unmuted.

**Ben Lyons (Credit Suisse):** Good morning. Thank you for taking my question. Just a quick follow-up to the previous question on the video business. Do you think it's going to take some kind of consolidation on that side in order to get back to perhaps flat or even slight growth?

And then a question on LEO. It's been making quite a lot of noise recently. You know, what are the benefits of MEO over LEO? And in terms of LEO, do you see any particular segments of your business being affected by some of the constellations going up? Thank you.

**Steve Collar:** Great. Thanks for that question. Yeah, look, I mean, I think we've said and we've talked previously that we think that there's a case for sort of industry consolidation and so on. We're very well placed in that as sort of an industry leader and if the opportunity arises and if we believe it creates significant shareholder value, clearly we're going to be open, but we're also going to be incredibly financially disciplined as we think about those sorts of opportunities. And I think it's probably equally true in Networks as it is in video, for different reasons.

On MEO versus LEO, look, there are massive advantages in being a little further away from the Earth, because if you're a little further away from the Earth, you can cover the Earth much, much more economically. And so you see that from, you know, the talk of what's needed to invest in LEO networks. And if I just sort of take OneWeb as an example, they started investing in their network in 2012, I think, and here we are in 2021 and they're nowhere close to being built, and it's because of the extraordinary amounts of money that need to be invested up front. You know, anywhere from $5-10 billion just to put a network up. And you know, the equivalent number for us in MEO is somewhere between $1-2 billion, depending on how extensive you think the network is.

And it also, there are kind of other reasons. It's much easier for us to kind of upgrade the network. It's much easier for us to build the network incrementally. We don't have to launch it all at once, we can launch it over time as demand develops, and so the return on invested capital associated with MEO is much, much higher than you could imagine would be the case for LEO, notwithstanding the fact that you need much, much deeper pockets for LEO.

So yeah, there are meaningful advantages. It's why we chose MEO. We've been doing this for more than a decade and we, you know, it's not by accident that we found ourselves in MEO. We had the choice, if you like, back then to go LEO or MEO and specifically chose MEO. So – and it particularly works for the kind of customers and the kind of applications that we want to serve, right. So if you look at the portfolio of customers that we serve, our fixed data business is very, very enterprise dominated, so it tends to be, you know, at the higher end of fixed data rather than, for instance, residential broadband, which is where the majority if not all of the LEOs will sort of start and if not continue their interest. And mobility. Mobility is much, much easier to achieve from medium earth orbit than it is from LEO. You don't have the same number of handovers, you don't have the same number of gateways. And so for the kind of businesses that we serve, whether that be planes in the air, ships at sea, governments around the world or indeed, you know, thicker-route fixed-data networks, including the development of cloud and 5G, MEO is 100% the right choice.

Doesn't mean to say that we ourselves wouldn't be open to augmenting that. We describe ourselves as multi-orbit. We're, you know, GEO and MEO today and who knows in the future? But it certainly wouldn't be a sort of full-scale LEO-only network. It's very much using our assets and using our spectrum in the right way to deliver the kinds of services that our customers are looking for.

So hopefully that gives you at least our view on the benefits and the advantages of MEO.

**Ben Lyons:** Great. Thank you.

**Operator:** Thank you very much. Our final question comes from the line of Sarah Simon from Berenberg. Sarah, please go ahead, your line is now unmuted.

**Sarah Simon (Berenberg Bank):** Yeah, hi, morning. I've got just a few follow-up questions. First one is, can you tell us what the average life is of the backlog you have on video? And as part of that, the life in terms of the renewals you've been doing. What numbers of years on average have you been signing for, for the public broadcasters for example in Europe in 2020?

And then, in terms of the impairment charge, can you give us an idea which satellites you took those charges on? You gave us a number but I'm interested in specifically which satellites they were. Thanks.

**Steve Collar:** Thanks Sarah. So, average length of backlog in video, around six years, between six and seven years today. The average term that we're signing, I would say minimum five, six years, maximum ten years, is what we're seeing in video right now.

And on the impairment, Sandeep?

**Sandeep Jalan:** I didn't get the question. Can you repeat, please? Sorry.

**Sarah Simon:** Yeah, sorry. It was just which satellites you've taken impairments on.

**Sandeep Jalan:** Yeah, so this impairment of €183 million, it is primarily on eight GEO satellites and some other satellites, they are also impacted by the current market developments and COVID impacts. And that is what the impairment charges we've recorded. And in our annual report you'll see a bit more disclosures around this.

**Sarah Simon:** Are you going to disclose which satellites? I mean, I'm interested in whether these are – it's more to do with video impairment or is it sort of SES-14, 16, on the mobility side? Can you give us any more colour on that?

**Sandeep Jalan:** No, I think these are not coming primarily from one segment. I mean, some of these are common satellites which we apply to both business, and these are all GEO satellites that we recorded the impairment on.

**Sarah Simon:** Yeah, so -

**Sandeep Jalan:** We're not disclosing individual satellites per se due to confidential reasons.

**Sarah Simon:** Will you disclose in the annual report?

**Sandeep Jalan:** Not the individual satellites. Individual satellites, again, is a commercial element. That's something we would not like to disclose.

**Sarah Simon:** Alright. Okay, many thanks.

**Steve Collar:** Thanks, Sarah.

**Operator:** Okay, we have no more questions in the queue.

**Steve Collar:** Very good. Listen, thank you very much for joining. Much appreciated and look forward to speaking to you along with our Q1 results. Thanks all, have a great day.

**Sandeep Jalan:** Thank you, good bye.

**Operator:** Thank you very much for joining today's call. You may now disconnect your handsets. Hosts, please stay on the line. Thank you.

[END OF TRANSCRIPT]