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SES H1 2023 Results

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Operator: Hello, and welcome to the SES Half Year 2023 Results Call. My name is Laura, and I will 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, 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, Head of Investor Relations, to begin today's conference. Thank you.

Richard Whiteing: Thanks, Laura. Good morning, everyone. Thanks for joining this analyst and investor call for our H1 2023 results.

This morning's presentation was uploaded, along with the press release, to the Investors' section at ses.com, if you don't already have it. As always, please note the disclaimer at the back of the document.

In a moment, Ruy Pinto, CEO, will present the main business highlights, followed by Sandeep Jalan, CFO, to cover the financials in more detail. After some closing remarks from Ruy, we will be happy to take your questions.

So with that, let me hand over to Ruy.

Ruy Pinto: Thank you. Thanks, Richard. Good morning, good afternoon, everyone. First, I'm mindful that this is the first results call with me after our leadership transition at SES.

I have to say I feel privileged to lead the company at such an exciting time in our industry, and I'm looking forward to the opportunity of engaging with all of you in the course of the next – of this call and the next few calls.

Why don't we go and immediately start with page three and the highlights of what I think was a really strong start of the year for SES.

I'm pleased with the solid first half financial performance of our Networks business. We are delivering growth on the back of a double-digit Mobility, and notably, on our cruise segment as well. In Q2, our revenue performance was fully consistent with our expectations and we are continuing to sign important long-term renewals, which reflect the value of our core neighbourhoods. As a result, I'm pleased to say we are on track to deliver on our financial outlook for the full year for the full of 2023.

In addition to that, I'm pleased to say that today we are announcing a share buyback programme of up to €150 million, which demonstrates our conviction in SES' long-term fundamentals. And what I believe – we believe is our current share price undervaluation, representing an attractive opportunity to deploy capital in the best interest of our shareholders.

Moving on to O3b mPOWER. O3b mPOWER, I'm pleased to say we have now deployed all the upgraded ground infrastructure and the number of mPOWER ready customer terminals that make the best use of the mPOWER fleet capabilities, both in space and on the ground.

As the name states, the O3b mPOWER ready terminals being with many of our customers allow us to have starters commercial service starting. And I think it's very beneficial to both us and to our customers. We also have the first two mPOWER satellites in their final orbital positions

with more than four months of accumulated operations in space already completed. And a follow-on two satellites, S3 and S4, will be arriving at the final locations in the MEO orbit by the end of August.

The launch of satellite number five and number six out of the 11 that we have currently being manufactured is currently planned with SpaceX for Q3 2023. Whilst we wait for that launch, we continue the testing of the mPOWER payloads in space.

Let me add as well that in the course of operations, these operations campaign of the first four satellites, we did observe a number of sporadic trip-ups on a fraction of the numerous power modules on board. These trip-ups were recovered quickly and without the impact on the performance of the mPOWER payloads. We will continue to investigate this phenomenon. And in parallel, we are revising our operational procedures that take – so that we can take these sporadic events into account.

We are being extremely transparent on what we are doing, because as you realise, we want mPOWER to work flawlessly for SES and for our customers. We still plan to launch O3b mPOWER services by the end of this year.

On the commercial front, the combined backlog for SES-17 and O3b mPOWER is increasing. It now stands at more than \$1 billion as new deals signed in the Mobility segment and in Fixed Data, have more than replaced the revenues consumed in H1 2023. That's an outstanding result for us. This backlog number still does not yet count the commitment from the Luxembourg government, which moved one step closer with the Luxembourg parliament approval of our new global services programme. That is valued at €195 million over a 10-year period.

New Global Services, or NGS, as we call it internally, will take advantage of O3b mPOWER's ability to deliver flexible, high-performance connectivity solutions, and provide resilient secure satcom capabilities for Luxembourg for its partners in the areas of defence, security and disaster recovery.

Also in government, we are very pleased to say that the consortium of SES and a small number of other European space and telecom players, the consortium named SpaceRISE has been selected to develop a proposal for IRIS-2. I'm pleased with the progress that we are making on this important project for Europe. It's still in the early phases, but it's rewarding to see that we'll be delivering the initial proposal for the European Commission on 7th August as a team.

This is an attractive opportunity to create for Europe, a space-based sovereign communications network, and SES is a firm believer in this project alongside our other consortium members. I'm looking forward to coming back to this topic in future calls.

Finally, I'm delighted to say that after more than three years of hard work from many inside and outside SES, we have cleared the 300 megahertz of C-band spectrum in the US ahead of schedule. We have submitted our certification. We have passed the 10 days period for objections, and we are now focused on working with the FCC to have approval of that certification as the last major milestone to receiving the phase two pretax incentive payment of \$3 billion. We are confident that we will get this payment in Q4, realising a tremendous amount of value for SES.

If I could move on to page four, and will talk a little bit about the numbers. The revenue of €987 million was fully in line with expectations with a split of 51% from Networks and 49% for Video. In the last six months, we have signed a total of €960 million worth of contract renewals and new business wins across the Group.

In Networks, this included six data deals with our partners, Marlink, CSC Mexico, telecoms Cook Islands, new aviation revenue, including an expansion of our business jet service with LuxStream, as well as cruise and commercial shipping wins.

On the US government segment, we had awards on programmes such as CSS-2[?] with Inmarsat, the TROJAN Network, and the WINTI[?] programme. I apologise for the acronyms. This is complemented by a healthy increase on our Video backlog of €350 million, and notably, in the last few days, we agreed a multiyear, multi-transponder review with our customer at Telefónica on our 19.2 degrees this neighbourhood. Telefónica is the operator of the Spanish Movistar+ pay-TV platform. And this renewal adds more than €90 million to our backlog just this week again.

As a result, our fully protected contract backlog, which doesn't include the Lux government, stood at €4.7 billion at the end of June, underpinning the visibility, the longevity and the strength of our future revenue streams and cash flow.

We're also mandating a strong grip on cost and discretionary spend with our adjusted EBITDA for the first half of 2023, standing at €530 million, representing a margin of 54% as we gradually move from Video to Networks. As I mentioned already, this means we are fully on track to achieve our revenue and adjusted EBITDA outlook for the full year of 2023.

If I could then move on to more business details. Let's go on page five. So on page five, second quarter revenue grew up 3.4% year-on-year. And I have to say that, that has not been the case in the last few years. We are very pleased with that result. And that turns out to be that in the first half of 2023, we are 3.1% higher as compared with first half of 2022.

The key driver continues to be the strong performance in our Mobility segment, mainly driven by further expansion of our cruise business despite competition. That's a robust first half performance in government and fixed data, which included €7 million of periodic revenue in Q1 as well.

Looking ahead to the remainder of this year, the combination of deals signed to-date and visibility into the pipeline of near-term deals will allow us to deliver a step up in revenue from H1 from the first half to the second half of 2023, which is already fully implied in our full year outlook.

Going on to Video now on page six, please. You can see that the outturn of H1 of the first half of 2023 was similarly tracking well against our budgets and indicative of the secular trends we would expect to see going forward that you're familiar with. A reduction of 2% year-on-year in the second quarter contributed to the overall revenue in the first six months, closing at 3.5% lower than the first half of 2022, and that is excluding €10 million of periodic revenue booked in the prior year, otherwise it would look a little bit better.

Across the business, the reductions – the reduction is mainly coming from lower volumes in the mature markets, but we are delighted to say that pricing has been stable. And even in some

cases, we were able to slightly increase pricing with the benefit of having indexation clauses, given the current inflation in approximately 20% of our Video contracts.

While still a relatively small part of our overall Video revenue, our sports and events businesses continued to expand, growing and is establishing SES as a trusted partner for major sports brands and marquee events, further solidifying our position in Video market. We are very proud of that achievement in sports and events.

With that, I would like to hand over to our CFO, Sandeep, to give more details on the financials.

Sandeep Jalan: Thanks, Ruy, and good morning, good afternoon, everybody. Starting with the financial highlights on page eight. We are pleased with the solid first half performance, which is in line with our expectations, not only in terms of headline financials, both the revenue and EBITDA, but also a good positive traction in order intake and also C-band clearing having completed much ahead of schedule.

Reported revenue was up 10% year-on-year to €987 million. This included the full contribution from the acquisition of DRS GES, which we had completed in August last year. On a like-to-like, revenue was 1.2% lower versus H1 of last year, where reduction in Video was not fully offset by the growth in Networks. However, quarter two revenues showed a return to growth of 0.7% year-on-year for total and the Video decline was flattening to minus 2% for quarter two year-on-year basis.

Adjusted EBITDA of €530 million for the first half of this year was 3% lower on a reported basis, and when seen on a like-to-like basis, it was 6% lower when including the effect, particularly on the DRS GES acquisition effects. This represented a solid margin of 54%.

Adjusted net profit was €116 million, and I'll cover this in a moment on the next slide. The financial outlook for 2023 is fully reaffirmed with revenue, adjusted EBITDA and CapEx each being fully on track versus the outlook we had given in February.

We have decided to launch a share buyback programme of up to €150 million. The company will acquire up to 20 million A shares and 10 million B shares in equal proportion under mandate given by shareholders at April AGM of last year.

As Ruy mentioned, this reflects our confidence in the long-term fundamentals of SES, which we feel are not being fully reflected in our share price.

Lastly, and also mentioned by Ruy, thanks to the tireless efforts and commitment from our teams over the past three years, we have completed successfully the clearing of C-band much ahead of schedule. Upon and approved certification from FCC over the coming months or weeks, will be entitled to receive \$3 billion or \$2.45 billion after tax effects. This can be expected to arrive in our bank account sometime during the quarter four of this year.

Moving now to the net income walk on page nine. Adjusted EBITDA was €15 million lower compared to the first half of last year, and it was driven by mainly four components. The first was the positive scope effect from the acquisition of DRS GES in August of last year and forex effects of the stronger US dollars, which stood at 1.08 versus the euro in H1 of this year compared to 1.10 in the last first half of the year.

The second component was the growth in Network of €15 million or 3.1% year-over-year. This included a continued strong surge in Mobility by about 14% year-over-year and periodic fixed

data revenue of €7 million that we had recognised in quarter one of this year, as we had already highlighted in our previous earnings call.

We are already seeing a flattening of the decline curve in Video, which declined 3.5% year-over-year, excluding the periodic effect, and notably only by 2% decline in quarter two year-over-year. Recurring OpEx was higher by €20 million year-over-year as anticipated, leading to a decline in adjusted EBITDA by €50 million.

Below adjusted EBITDA, the main effects leading to an adjusted net profit of €116 million were almost entirely non-cash, particularly hard depreciation linked to SES-17 being in service, additional amortisation and change in forex impact of negative €28 million mainly due to the gain of €26 million that we had recognised last year in first half of the year.

Meanwhile, lower interest expense contributed with a positive €11 million in H1 of this year compared to last year. The difference of €24 million between adjusted net profit and reported net profit of €92 million, is explained by net C-band expense of €10 million and certain non-recurring items totalling €20 million, including restructuring and M&A-related costs. Tax benefit on these significant special items amounted to €7 million.

Moving now to page 10. We continued to focus and maintain a strong and sector-leading balance sheet with investment-grade metrics, and this remains a strong differentiator and source of value creation for our shareholders. Adjusted net debt as of 30th June was €3.9 billion. We have healthy low cost of funding at around 3% with average maturity of over seven years and with no senior debt maturities in the near term.

Liquidity remains quite robust over €1.8 billion, which includes €1.5 billion of committed credit facilities and over €300 million of cash in bank.

Leverage stood at 3.6, essentially unchanged from the end of 2022. Reimbursement of C-band clearing cost is moving at a slower pace than our expectations, but we are continuing to engage with the clearing house, and good news is that, during the past quarter, we received a further \$137 million taking now the total cumulative reimbursements to over \$860 million. This leaves approximately \$0.5 billion of pending cost reimbursements, which we would expect to recover mostly during this year or during 2024.

As already mentioned, we have further derisked C-band and strong visibility to the Phase II incentive payments. Once we secure the clearing certification from the FCC over the coming weeks. We will then have about 90 to 60 days before the full \$3 billion of proceeds start to arrive at our bank account from several licensees. We remain fully committed to using these proceeds in a disciplined way and in the best interest of our shareholders.

With that, I will hand over back to Ruy for the conclusions.

Ruy Pinto: Thanks, Sandeep. To sum up, if you can turn to page 12, please.

Our strong start to 2023 means we are fully on track to achieve our financial targets for the year. I have to say that we are extremely pleased with that outcome. The share buyback programme that we just announced demonstrates our confidence in the long-term fundamentals of our business and is a value accretive use of capital.

We believe it is a strong signal to our shareholders and to the market of how confident we are in our future. Our O3b mPOWER programme is moving forward, and we expect to be serving customers from the end of this year.

And finally, last but certainly not least, we have executed the C-band clearing and are now focused on securing certification from the FCC and receiving the \$3 billion payment in Q4 well within this year. And this will ensure the continued strength of our balance sheet.

With that, we'd be happy to take questions. Richard, please?

Questions and Answers

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We will take our first question from Nick Dempsey at Barclays. Your line is open. Please go ahead.

Nick Dempsey (Barclays): Yeah, good morning. First question. I wonder if you could just give us a few more details about the technical issue that you mentioned with mPOWER at the beginning, Ruy? Just to delve into that a little bit deeper and to understand the potential impact, also whether that issue could affect the satellites yet to be launched.

Second question, was a particular boost to Video from sports and events in the most recent quarter, or else I'm not really sure if I understand why it's improved, because your comments are fairly similar about Q1 as Q2, but the growth rate is better.

And the third question, if you completed the clearing process and cash is sitting there to give you \$3 billion, why is it not possible to get the €500 million of reimbursements all sorted out in the next couple of months? Why is that going to be spread over '23 and '24?

Ruy Pinto: Nick, thanks. Good questions. Let me take each one at a time. On mPOWER, this – we have a highly complex new technology payloads that, alongside our partners, Boeing, we are now flying. It is not unusual for you to have – I'll give you a very close example. Sometimes your circuit break in your house will trip and you just go and bring it back on. That's poor analogy, but still it's an analogy.

So we are not overly concerned, but we want to make sure that we have no gremlins or hiccups when we deploy these services. And that's why we have been very transparent disclosing this phenomena, this spurious event. But we are not really worried about any long-term or even short-term impacts of it.

On the second question, sports and events, I would defer to Sandeep on any comments on the actual numbers, if I may, Sandeep?

Sandeep Jalan: Yeah. So on sports and events, this is a low-margin business, but clearly on a growth trajectory. And after post-COVID, we are starting to see back this strong surge in the sports and events. We're really – these are not very high margins because these are not satellite revenues. So these are lower margins. But clearly, number one, tap some of our satellite capacities, but also add some service revenues and profits. So that is continuing to grow.

It's a few millions, but it is on a total base revenue of about €25 million. But it's on a growth trend as we had told in Video, there are some businesses which includes sports and events, which also includes retail B2C business [inaudible], which also has been on a growth trajectory. Clearly, in the current circumstances, as you know that with some of the economic environment, this business is not growing, but it remains a very healthy business and with a very healthy profits as well.

Ruy Pinto: And on the third question, Nick, the reimbursements. The clearing house has a job of checking of the reimbursements. We are confident that we're going to get them, but it is a laborious process. Their job is to scrutinise them and they are doing their job. Our job is to explain them, and we have been very successful in doing that so far. It just takes time. That's the nature of the reimbursements process. I think we have made very good progress, but it's something that is very difficult to rush. I don't know, Sandeep, if you want?

Sandeep Jalan: Yeah, what I would like to add, clearly, Nick, the process remains much longer than what we would expect but we have continued to get the reimbursement, that's important, with the delays. And second, it's also important to know that we are also entitled to see and trust on the reimbursements, right? So these delay add – I mean we're not losing anything from the interest point of view, so interest should also come back in the recoveries.

But yeah, from our team point of view, we are doing everything that we can do to make sure that we give all the right documentation and working with clearing house day in and day out and there's a dedicated team working on this to accelerate. And that demonstrated €860 million of reimbursement has come. And the overall non-reimbursement component remains at the same ranges of below €100 million that we had indicated. Nothing changes there.

Nick Dempsey: Can I just follow up on the first one? Can you maybe explain to non-technical people exactly what the anomaly was? What it affected on the satellites? That's what I didn't really understand.

Ruy Pinto: I tried to come up with, Nick, a poor analogy of the circuit breaking in your home. It's poor, but it's somewhat accurate. I mean I'm not even calling it an analogy, right? This is just a spurious or a sporadic switch off that it will be there and you turn it back on.

Now in our business, we'd like to understand everything that happened in space. And that's why, first, I mentioned it, and that's why we are changing our procedures to take that into account. We can quickly recover from it, but we are just being transparent here.

Nick Dempsey: Okay. Thank you.

Operator: Thank you. We'll now move on to our next question from Roshan Ranjit at Deutsche Bank. Your line is open. Please go ahead.

Roshan Ranjit (Deutsche Bank): Great. Good morning, everyone. Thank you for the questions. I actually got four very quick ones, actually. Just a follow-up on Nick's question on Video. Could you just run through any big renewals that we should expect coming up in the second half of the year? As Nick mentioned, H1 was very strong. So just to understand the trends into the second half of the year there, please. And Mobility, a strong quarter but growth slightly down on Q1. Any competition effects from Starlink? I know they've been making a bit of a push into mobility, particularly in maritime? Or is this a pure wait until we get more capacity on, and then we will be able to deploy capacity and new contracts to the customers?

And two very quick ones on, I guess, the C-band firstly. It's quite clear. It seems like things moving a bit faster than we – you had anticipated. Previously, you talked about December. Now you're talking about Q4. Are we talking about maybe first half of Q4 until you get the cash in there? And last question, more technicality. The €150 million buyback, I think that is the authorisation you have from the AGM, how quickly can you go back to call an AGM to increase that amount? Thank you.

Ruy Pinto: Good question. Thank you. Thanks for the questions. Actually, I have to say I don't feel that we have any short-term big renewals on Video that I'm aware of that are key for our long-term performance on Video. Telefónica was one. And as I mentioned, it was a long negotiation with a long-term customer, Telefónica. And I feel that we had a win-win with that, particularly new with – actually, it takes us up into 2030 on that contract. And that's really pleasing that we have that long-term visibility of Video.

On the Mobility, and your question Q1 and Q2 and competition, I mean, we shouldn't pretend that we don't have increased competition in the cruise market or in the Mobility segment. We all know that Starlink is deploying at pace. The interesting aspect there from my perspective is that we still have a preferred relationship with our customers. Even when our customers look at competitors such as Starlink, they come to us. And that allows us to preserve value, preserve the customer relationship and protect our position in that market as much as we can, again, in the phase of quite naturally increased competition.

The growth on Mobility is driven by maritime, and actually, it's more than 30% year-on-year, mainly on new cruise vessels with equipment installs. And that outlines the strength and it's reflected in Q2. So it's not easy, but we feel comfortable with our position.

On the C-band question around €150 million question on the buyback, why don't I defer to Sandeep again for more detail?

Sandeep Jalan: Yeah. So on the C-band, clearly, the clock is starting to tick. As we said, we are running much ahead of the original schedule, which was the deadline of 5th December 2023. So the filing was made already last month in July. There was a technical 10 days period window, which expired for the licenses to be able to object.

So now FCC has another 30 days window to make sure that all the process is checked, all the documentation is checked and that is – process is ongoing. We expect that process to complete within the next weeks. And after that, basically, the next step of the process starts, which is basically issuing the invoice and that moment, we would already recognise the income as soon as the FCC clears because at that moment, we get entitled to the money.

And then there is a 60 days window plus a week for the moneys – for the licenses to pay. So that effectively lands the proceeds to arrive in our bank accounts, subject to, of course, having no objections from the FCC or no remarks, which clearly, we are not expecting any big remarks because there has been a meticulous work around that.

On the €150 million, the – our current AGM authorisation is €150 million, 20 million A shares and 10 million B shares, and that is the programme that we are announcing. And this is already a first step, and we are very pleased with this first step. And clearly, as per the AGM authorisation, any further buyback would require technically another approval of shareholders, and clearly that approval itself gone to bottleneck, if and when we decide to do so.

Ruy Pinto: Let me just emphasise again that we have no reason to believe that we will not have – that we'll not receive the incentive payments before the end of the year. Of course, it's not in the bank and that it's in the bank – it's not in the bank. But we have absolutely no reason to believe that we are not on track on that process.

Roshan Ranjit: That's very helpful. Thanks a lot, guys.

Operator: Thank you. We will take our next question from Carl Murdock-Smith at Berenberg. Your line is open. Please go ahead.

Carl Murdock-Smith (Berenberg): That's great. Thanks very much. First question, I was just wondering if you could provide a bit more commentary on the ongoing court case process in terms of the C-band claim with Intelsat and the recent developments there in terms of going forward? What the next steps are, and your confidence in making any progress there?

Secondly, I was wondering if you could make some comments on IRIS-squared and the timeline there going forward and your potential scale of involvement?

And then third, I was just wondering if you could provide a few more comments around what stage of testing we are at with O3b mPOWER 5 and 6 to provide us with some reassurance that they will indeed be launched this quarter? Thank you.

Ruy Pinto: Carl, thanks for the questions. On the SES Intelsat litigation, from our perspective, the good news is that the judge, the US Court of Appeals' judge upheld our appeal and actually reversed the case to the bankruptcy court asking them to review their decision of not awarding us, SES, any damages. It is really good news.

And having the case back in the bankruptcy court clearly indicates that the original decision was not the best one, was not the right one. We take a lot apart from that. Having said that, this court case is – they take their time. We have no control over the timing of an adjudication by the bankruptcy court judge. But again, we take up from the fact that the appeals court indicated that the original judgment was not correct. So we are relatively bullish. It's difficult to predict that this rule turnout in our favour at the end of the process.

On IRIS-2 and timing, first, we are really pleased and impressed by the progress that the European Commission has made on the IRIS-2 programme, for such a complex programme that requires the European Parliament approval and budget allocations and so on, the Commission is proceeding at pace, and we are matching that pace as part of our consortium.

The Commission has stated that they would expect a contract award, a 12 years contract award beginning of next year, Q1, Q2. Of course, it's difficult to predict, and there will be a lot of hard work from SES. We have a dedicated team of IRIS-2 and our consortium partners is Hispasat, Eutelsat, Airbus and Thales to put together a compelling proposal to the commission that addresses their requirements, involves a level of privacy investment and involves a level of capital and operational investments from the commission and the European Space Agency.

That's a whole way of saying that this is not a short process. We considered a must win for SES in terms of being under contract alongside our partners by next year. We think there is an upside to this process, but it's not a process that you can rush and there will be complex negotiations throughout the next few months and we'll keep you guys, of course, posted on the upside that is in that programme. We firmly believe in best upside for both SES and the SpaceRISE consortium partners.

On Satellite 5 and 6, the satellites are essentially ready and undergoing additional testing in El Segundo. We have a slot with SpaceX in Q3 for the launch, but again, repeating what I just mentioned, we want to be doubly sure that they will perform as we want and expect for our customers in space. You don't want us to rush this and we are not rushing, but we are optimistic these things happen in complex programmes. And these are actually not worrying in my book.

Carl Murdock-Smith: That's great. Thanks very much.

Operator: Thank you. And our final question comes from Terence Tsui at Morgan Stanley. Your line is open. Please go ahead.

Terence Tsui (Morgan Stanley): Yeah. Thanks very much. Good morning, everyone. I'll just stick to two questions, please. The first one is just on Video. I just wanted to press you guys a bit more on what you see as the outlook for Video? In the past, you talked about flattening the curve. It seems the curve has been flattened – was a 2% decline this quarter. Are you more confident now going forward that you can see maybe like a low single-digit decline in the future as opposed to like a mid-single digit to high-single-digit decline that we've seen in the past? So that was my first question.

And then my second question was just around C-band proceeds. I know you're reluctant to say what you'll use the proceeds for. But I'm just interested to know that if the FCC timing goes as planned and everything goes as planned, when will you commit to a decision on the use of the C-band proceeds? Thank you.

Ruy Pinto: Thanks. Thanks for the questions. On Video, I think we have improved our performance on Video, given the inevitable secular trends that we are familiar with. We still believe – we still strongly believe in the strength of our neighbourhoods, the best example being, of course, the 19.2 East, the German market. And we also do believe that our stickiness with our customers does not just come from the neighbourhood, our HD+ business in Germany, for example, has been performing well.

It's below valuable exception in my book, where we have a small B2C business in Germany. But the point is that it increases the stickiness with our customers. It provides longevity and it puts us in a better position to – I wouldn't say completely arrest the decline but perform better than our competitors and stick to very – to low single digits decline in Video. So I'm actually more optimistic now than we were a couple of years ago on that front.

On the C-band proceeds, I'll let Sandeep comment as well, but we are going to be sensible. And what does that mean? We are going to have a blend of delevering our balance sheet, keeping it as strong as it is, and keeping or working very hard to keep our investment-grade position. We are going to look at returning some proceeds to our shareholders. But we're also going to look at how can we efficiently and sensibly, prudently deploy some of the proceeds to guarantee the growth of the company in years to come. It's a real good position to be, if you ask me, and we shouldn't – I shouldn't understate that.

With your question on timing, timing is always a tricky question, but we will come back to the market, of course, with our direction of travel and all that. Sandeep?

Sandeep Jalan: Yeah. I would just say that we are already taking the first step. While the money is not in our bank, we are already taking the first step today with €150 million buyback. And clearly, there is more to come, so stay tuned. It's clearly a topic which is gathering our

attention and our focus. And all that we will do is to make sure that we stay disciplined and focused on the long-term growth and in the best interest of our shareholders.

Terence Tsui: Thanks very much.

Operator: Thank you. I will now hand it back to Richard for closing remarks. Thank you.

Richard Whiteing: Thanks, Laura. That concludes this morning's call. As I said, myself and the team are available to have any follow-up questions. Otherwise, wishing you a wonderful Thursday and a great August. Thank you very much, and have a great day.

Operator: Thank you. Ladies and gentlemen, thank you for your participation. You may now disconnect.

[END OF TRANSCRIPT]