SES S.A. Q1 2022 Results

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SES Q1 2022 Results

Operator: Hello, and welcome to the SES Q1 2022 Results Call. My name is Jess, and I'll be your coordinator for today's event. For the duration of the call, your lines will be on listen-only. However, there will be the opportunity to ask questions. This can be done by pressing star one on your telephone keypad to register your question at any time. If at any point you require assistance, please press star zero and you will be connected to an operator.

I will now hand over to your host, Richard Whiteing, Head of Investor Relations to begin today's call. Thank you.

Richard Whiteing: Good morning, everyone. Thanks for joining this analyst and investor call for our Q1 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. And as always, please note the disclaimer at the back of the document.

In a moment, Steve Collar, our CEO, will present the main business highlights followed by Sandeep Jalan, CFO, to go over the financials in a little bit more detail. After some closing remarks from Steve, we'll be happy to take your questions.

With that, let me hand over to Steve.

Steve Collar: Very good. Thank you, Richard, and good morning, everyone. Thanks for joining us this morning. I'm going to start on page three with the main highlights, and a solid Q1 and a strong start to 2022.

In the first quarter, we generated revenues of almost €450 million and EBITDA of €274 million, both are fully in line with our expectations and consistent with the delivery of our full-year outlook. Our continued focus on OpEx and cost control contributed to a 17% improvement in net profit. While in April, we returned €220 million of cash to shareholders in the form of a 25% increase in our dividend.

2022 is a big year of delivery and execution across a number of long-term value drivers for SES. And we've achieved a number of important milestones already in the quarter.

SES-17, the largest and most capable geostationary satellite that we've ever launched is now on station above the Americas. The mission today has been flawless with all deployments successfully completed. And now we're undergoing final in-orbit testing before starting service in mid-June, a little earlier than previously communicated.

Good progress also with O3b mPOWER, our transformational Medium Earth Orbit constellation. The satellites are progressing well through the factory, and we've increased our launch cadence in the second half of the year within our existing CapEx envelope to accommodate slightly later deliveries of the satellites themselves.

Commercial momentum continues to build for both of these assets with the combined gross backlog up 20% year-on-year, an increasing roster of major global telcos, cruise lines, service partners and client companies signing. More broadly, we've seen good deal flow momentum in our Networks business in the first few months of the year.

We're extremely pleased with the acquisition of DRS Global Enterprise Solutions that we announced in March. Combining DRS GES with our existing SES GS business will double our government business and enable us to serve US government customers with an expanded set of connectivity solutions, leveraging our unique multi-orbit fleet at a time where we'll be bringing the extraordinary new powerful capability in the form of O3b mPOWER to market.

And lastly, with respect to US C-Band, things are going extremely well in the second phase clearing. First C-Band satellite is now on the way to the launch phase with a confirmed launch date at the very end of this quarter, and others following shortly behind. We're well on track to achieve our second phase clearing milestone by the end of 2023. And then the remaining accelerated relocation payment of $3 billion while we've created substantial additional value for SES through the clearing agreement with Verizon in a deal worth up to US$170 million that we expect to earn over the course of 2022.

So with that, I'll move fairly rapidly through the remaining slides. And on page four, a closer look at our Video business. The most significant news in our Video business is undoubtedly the important renewal and extension of business with Sky UK in a deal valued at €85 million on the back of a €90 million deal that we announced last year.

We serve 365 million households through our Video platforms, and it's these neighbourhoods built over decades that deliver our customers the most valuable content in the most reliable and cost effective way. This deal extends our business with Sky towards the end of the decade, with backlog in Video standing at a healthy €3 billion.

The trajectory of our Video business continues to improve with revenue down 2.6% year-on-year, including a termination payment from Nordic Entertainment, that keeps us whole from the revenue perspective in the Nordic region in 2022. The end of our wholesale agreement with Dish US on Quetzsat late last year transitioning to a significant renewal directly with Dish Mexico is the other key driver in year-on-year comparisons. And when excluding both the impacts of US wholesale and NENT – the one-off termination payment from NENT, our underlying Video business is down 4% year-on-year.

We carry an industry-leading number of HD TV channels, with QVC being the latest example of a long-term customer leveraging our broad neighbourhood reach and upgrading their services to high definition. Pricing remains robust in all of our core markets, reflecting the significant value that we create for our customers through our reach and our market penetration.

Finally, in Germany, our HD+ consumer platform continues its good momentum from last year, and is now truly multiplatform following the launch of HD+ IP and HD+ ToGo.

So now to Networks on page five, and we saw a good rebound in mobility from this time last year, up close to 10% year-on-year with our cruise business growing nicely, and aviation also showing a positive track. Government year-on-year was dragged down by the rapid withdrawal of forces from Afghanistan. But excluding this, our Networks revenue was actually ahead by low-single digit percentage year-on-year sustaining the positive performance that we saw in the second half of last year.

The quarter was characterised by sustained and positive deal flow across all Network segments that were not necessarily showing up in the numbers as yet, support our growth outlook for the year for Networks.

In our Government business, our support for a number of defence forces in Ukraine and surrounds will provide momentum in the second half. While in the US, we've won an important recompete that will anchor US government revenues for the year. The recent announced award from NASA is an exciting opportunity for us to develop and showcase the unique capabilities of O3b mPOWER as a critical communications relay, a new use case and one that leverages our unique position as the only operator in Medium Earth Orbit.

Equally in our fixed data business, we continue to build our commercial appeal with telcos and mobile network operators, notably across Asia and the Americas, and extending their reach with terrestrial quality solutions.

In fixed data, we've signed deals with COMNET and SSI both on SES-17, ComClark for educational services in the Philippines, and expanded our plan capabilities by becoming a Fast Net Connect partner with direct access to Oracle Cloud.

Our partnership with Microsoft is a key enabler of O3b mPOWER, is growing with a number of agreements supporting ground station as a service. While the landmark partnership with Reliance Jio announced last quarter across our GEO and MEO assets has now been memorialised in the signing of the joint venture.

And so then finally, on page six, and our key strategic value creation drivers. We've made really good progress with more green text being added to the chart as we promised you last time. Getting SES-17 on orbit and entering into service a little ahead of schedule is significant. And we've secured an important time to market advantage versus our high throughput satellites to be launched into the Americas over the next few years.

For O3b mPOWER, we've been able to accommodate an increased launch cadence with no impact on our overall CapEx envelope, and moving to three launches instead of two for the first six satellites, we've optimised our time to orbit and we've been able to accommodate a slightly later delivery of the satellites to the launch base. Importantly, we still expect to be in service and generating revenue on O3b mPOWER from the beginning of 2023.

Two important additions to the chart in the quarter with the acquisition of DRS GES, which we expect to complete during the second half of the year. And the important addition – additional C-Band clearing that we'll conduct with Verizon or for Verizon in a deal that's worth up to $170 million for SES, most of which we expect to receive during the course of 2022.

We continue to execute really well with the second phase of C-Band clearing. Our first new C-Band satellite will be in orbit by the time – next time we speak, and we're well on track to achieve full clearing before the end of 2023, triggering the remaining accelerated relocation payments of US$3 billion.

And with that, I'll hand over to Sandeep to the financial highlights.

Sandeep Jalan: Thanks, Steve. Good morning, everybody. Turning to the financial highlights on page eight. We are very pleased with the solid start to the year, the strong financial performance in quarter one of this year. Group revenue of €448 million was 2.6% higher year-on-year on a reported basis, mainly thanks to the positive effect of the stronger US dollar and also big revenue.

Adjusted EBITDA of €274 million was also higher by 2.4% year-on-year on reported basis and represented a robust margin of 61.3%. Adjusted net profit improved by 17% year-on-year to €88 million, thanks to improvement in both EBITDA, as well as below EBITDA items. And at the end of quarter one, our leverage stood at 3.1 times, a slight increase from the end of 2021, mainly reflect the timing of cash flows related to the C-Band clearing and of reimbursement from the clearing house, which we expect to begin starting in the coming months.

Finally, we are on track to deliver our full-year outlook of Group revenue between €1.75 billion and €1.81 billion and adjusted EBITDA range of €1.03 billion to €1.07 billion.

Looking at the page nine at net profit bridge in more details. As you can see, the improvement in EBITDA performance was driven by three main components: a stronger US dollar versus euro, which contributed €10 million; the contribution of periodic revenue; termination fees from Nordic Entertainment, which contributed €10 million; and continued strong cost management, thereby recurring OpEx reduced by €3 million or 1.9% year-over-year.

As Steve has already explained, Video was 6% lower on an underlying basis, and 4% lower excluding the US wholesale, while the impact of Afghanistan led to flatter revenues in Network, although we expect this to improve over the course of the year.

The second important element was interest cost, which further reduced by €8 million or about 24% to €27 million in quarter one of this year. We recognised a forex gain of €11 million in this period. This compares with €9 million in the quarter one of previous years.

Recent US dollar strengthening is overall positive for SES' financial performance as we have much more USD revenues than USD cost. I would like to remind once again our earlier guidance, like each cent of USD strengthening versus euro leads to about €8 million higher revenue, about €4 million to €5 million higher EBITDA and almost neutral cash in part due to dollar CapEx spent.

On top for C-Band's second tranche, $3 billion incentives, each cent of USD strengthening versus euro would lead to about €20 million more net cash inflow for us. The effective tax rate of 10% for quarter one is consistent with our expectation of 10-15% for the full year. And as a result, the adjusted net profit stood at €88 million or about 17% up compared to quarter one of last year.

Reported net income was €82 million, and it included on top of adjusted net income two exceptional items. Number one, the net C-Band expenses for the period stood at €7 million, and second, other significant special items, they amounted a total to €1 million and comprised costs related to restructuring as well as the acquisition of DRS GES.

Lastly, on page 10, about the CapEx outlook. This is unchanged. And as a reminder, it excludes C-Band related spend, which is proceeding very well. In quarter one, we spent in total CapEx €160 million, excluding the C-Band, and then the balance to come during the remainder of the year. As you can see, CapEx is starting 2023, comes down meaningfully, and this complemented growth in revenue and EBITDA from our unique investments will drive significant cash flow generation.

With that, I will hand back to Steve to conclude.

Steve Collar: Thanks, Sandeep. And in concluding with the familiar chart on page 12. We've made a solid start to 2022 with strong execution in the core of the business supporting our full year outlook and good progress in the delivery of the all-important growth driving segments. The coming months will see us achieve further significant milestones as we put in place the key elements that will drive revenue growth, EBITDA growth and expanding cash flows in our business for the years to come.

And on that note, we're happy to take questions.

Questions and Answers

Operator: If you would like to ask a question, please press star one on your telephone keypad. And please ensure your line is unmuted locally as you will be assigned when to ask your question. The first question comes from the line of Sami Kassab from at BNP Paribas. Please go ahead.

Sami Kassab (Exane BNP Paribas): Thank you very much, and good morning, gentlemen. Three questions to start with, please. The first one, what revenue impact have you seen or would you expect from the war in Ukraine? Did the demand for SATCOM in Eastern Europe increase? Can you please elaborate on that, Steve?

Secondly, I understand that the mPOWER entry into service date is confirmed. But still it is the third consecutive quarter, where the launch of batch one is slipping, talking about confidence too much. So can you comment on the reference to a delayed delivery of the asset? When will Boeing deliver the satellites? Are they being delivered to you? Any visibility and any risk that we may have in mind as to the delivery of the assets?

And lastly, can you update us on the stages of ongoing discussions with the EU Commission on the European constellation project? Thank you very much, Steve.

Steve Collar: Thanks, Sami. So yeah, look, Ukraine, again, I'd sort of be remiss not to emphasise the fact that this is first and foremost for us about our people and making sure that our people in the – we've been serving the market in Ukraine for the last 20 years; and making sure that we're looking after our customers and our people in the Ukraine is the most important thing for us. And the good news there is that continues to be the case.

On sort of revenue and what we expect. As I mentioned, we have seen a sort of an uptick in demand, as you would imagine, for defence services. In particular, we have the GovSat asset, which is well positioned to support the defence of Ukraine. We've seen a number of, in particular European MODs taking up additional capacity and services on GovSat. So we do expect some positive momentum in the second half of the year coming from that, which should help us offset this – the impact of the withdrawal of forces from Afghanistan late last year.

So yeah, we do expect to see that impacting revenues positively. It's not life-changing in terms of quantum, but I think important, and certainly something that we will expect to see coming through our government revenues in the second half.

Look, as far as mPOWER is concerned, we – this is obviously a very large significant investment that we've made, and it's a complex system that we're making sure is 100% right before it goes – before we ship it and launch it, as you would expect. This is a very important, very significant long-term investment by SES.

And I think we're managing the programme very, very well, the fact that we've managed to accommodate slightly later deliveries of the satellites, while optimising our launches. Effectively, by going to three launches, it cuts our time to orbit by about two months. And so, net-net, we're pretty much where we were and we're pretty happy about that. So I wouldn't – I don't think anybody needs to get too excited about a month or two in a satellite project. But has taken, I don't know, four years or something like that to get to this point, and ultimately is going to sustain revenue growth for the company for the next ten years.

And then on the European Commission constellation, look, what I'd say is we continue to believe that this is a significant strategic and long-term plan on behalf of the European Commission to develop a sovereign space architecture. And I think we feel that we're well placed to help the European Commission in that ambition. Significant engagement continues. I think we expect to see the formalisation of a programme happen over the next few months. And we continue sort of our engagement with the Commission.

So nothing too much to say in terms of concrete milestones, but I think we continue to see that programme moving forward, and we continue to expect to be a part of that project as it progresses.

Sami Kassab: Many, many thanks, Steve. All the best. Thank you.

Steve Collar: Thanks, Sami.

Operator: Next question that comes from the line of Nick Dempsey from Barclays. Please go ahead.

Nick Dempsey (Barclays): Yes. Good morning, guys. Can you hear me?

Steve Collar: Yeah, Nick. Loud and clear.

Nick Dempsey: Brilliant. Just first up on the €10 million of periodic revenue in Video that I think you guys flagged the termination fee for the NENT deal. So is that the final revenue that you will receive in that list? And when you're looking at organic revenue growth for 2023 versus 2022, when you're expecting to see positive growth, will you exclude that €10 million from the base when you're making that organic calculation?

Second question. For the renewal of the tranche of transponders with Sky UK, can you give us any indications on whether you've held price, maintained volume for that tranche compared to the previous deal for the tranche[?]? And third question. Just any sense of when you expect naturally telco expansion and cloud fields to start offset those lower Pacific revenue issues in your fixed data line?

Steve Collar: Very good. Very clear. Yes, look, on NENT, the reason that we've kind of presented all of the information is just so that you can understand how this sort of – the termination fee impacts our overall video numbers.

I mean, the good thing I would highlight is essentially what this termination fee does is it keeps us whole for the year with respect to NENT to the first approximation. So if you include it in the numbers, where we're only 2.6 down year-on-year at this point, obviously, that will kind of unwind, if you like, through the year. But as an overall, it keeps us whole for the Nordic region for 2022.

In terms of will we show what – will we show that versus sort of growth in following years? I think that's why we've broken this out as recurring and non-recurring, just so that it's clear. And we generally use the recurring numbers as the comparison. So I would imagine that that's what we'll do when we do year-on-years for next year. Obviously, in the scheme of our overall revenue, it's not super meaningful, but that's probably what we will do.

As far as Sky is concerned, look, I mean, again, super, super happy with the deal. And I think the fact that we've done two €80 million, €90 million deals with Sky over the last couple of years really sort of reinforces the relationship and the value that we deliver to Sky in the UK. I'm not going to talk about obviously price and volume with respect to any individual deals. But I will tell you that, overall, in Video, we see price really solid, really robust, reflecting the value that we do create. And we've actually signed a couple of deals where we've seen pricing moving up, which is very positive.

In terms of volumes, volumes with the Sky deal were very, very strong. I mean, essentially, we renewed – as I think we've talked about before, with a number of our broadcast customers, we – some of them have kind of big one-off renewals and others renew business over time. And with Sky, we generally renewing handfuls of transponders at a time. And the fact that we had two such significant deals over the last couple of years is very positive.

And on fixed data, yeah, look, I think we – I'd point you back to the deals that I talked about, as we were reviewing the network performance. And the quarter really was characterised by a good number of smallish deals that we think will contribute nicely over the course of 2022 and then into 2023 as we get kind of full year of SES-17.

So, yeah, I think we've said in the past that we expect growth in all three of our network segments, and I don't think anything that we've seen suggests that that will – what that will be different. So I think we do expect fixed data to grow. And so that will, if you like, offset, as we say, the declines that we've seen in the Pacific with growth – new growth, in particular, I would say on SES-17, but also in our MEO portfolio, and obviously ahead of the delivery of mPOWER.

Nick Dempsey: Great, thank you.

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

Carl Murdock-Smith (Berenberg): Hi. Morning, guys. And thanks for the question. Just two for me. Just on the increase in the cadence of the mPOWER launches, moving from effectively two to three launches. Obviously, you've not moved your CapEx guidance at all. So can you just talk about how you've kind of included that within the pre-existing CapEx envelope?

And then secondly, and just more broadly across the business. Can you talk about a bit about the impact from higher inflation with regards to costs, both OpEx and CapEx? But also to what extent you have any inflation indexation within your contract? Thank you.

Steve Collar: Thanks, Carl. Just on the two to three, look, one of those two was an expendable. So we were having – the second launch was going to be a higher power launch. So in moving to three standard launches, we've actually kind of optimised things from our standpoint, and optimised things a little bit I think from SpaceX's standpoint. I think it was a good deal for both of us and we've managed to sort of achieve that overall deal within the CapEx envelope that we previously had.

Hand over to Sandeep for any additional comments on that and for the second question.

Sandeep Jalan: Yeah. So regarding CapEx, indeed, we don't have any changes in our overall CapEx guidance. You have to keep in mind that for this year and next, we are spending cumulatively about €1.5 billion of CapEx, so this launch cadence, it doesn't affect in totality. We have lots of optimisation possibilities within that, and that we are doing very well there.

So regarding your second question on the inflation. So yes, inflation is happening around us. But on a net basis, we don't see any impact for us in a short term. And I'll give you several elements there off.

So yes, starting with the very first one, energy is a very, very small component of our costs. And on staff costs, we are starting to see some impact but nothing in the short term. I think, in the short term, our guidance very well factors it into account. And very important component is that there is about 20% of our contracts, which have an indexation clause. So there, the impact whatever we might have, from the cost front, it will be largely offset by the indexation and the revenue.

So, overall, in short term, we don't see any impact of this inflation hitting our EBITDA of cash generation or our guidance for 2022. Of course, we have to continue to monitor the developments for the next years, how long it sticks, what are the impacts. But again, we will try and offset as much as we can on the price front. And just as a reminder, I mean, our cost is less than 40% of our total revenue. So the upsides on the revenue should be there to offset any impacts that we would see.

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

Steve Collar: Thanks, Carl.

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

Roshan Ranjit (Deutsche Bank): Great. Morning, everyone. Thanks for the questions. I've got three, please. Firstly, on the Video side. I think last year you kind of alluded to maybe a slight pause in some of the HD migration, which you've seen from some of your customers. You've obviously announced the QVC contract, I guess, extension, maybe slightly incremental, given the HD capacity. Do you see more of that picking up this year? So maybe a catch-up from the slower run rate last year?

Secondly, on the mobility side. I think it was a stronger performance this quarter than I certainly had anticipated. Are we now quarter-on-quarter seeing this good momentum building up on the cruise end side? And I think you had previously alluded to an announcement with another cruise company. I guess I haven't seen that done yet. Is that still in the works?

And lastly, on the C-Band payments. Now, Sandeep, you alluded to the slightly higher tick-up in leverage this quarter. And that was timing around the C-Band reimbursements. I think at the end of 2021, you have just over €700 million of reimbursements. Can we get a sense of how that unwinds through the – I know you said that it's expected to come through the year, but any phasing around that? And just on a phasing point, you highlighted €160 million of CapEx been paid this quarter. Is it possible to get a sense of the phasing for the remainder just over €700 million for the rest of year? Thank you.

Steve Collar: Thanks, Roshan. Yeah, look, Video, we're – I would say with customers sort of migrating upgrading to high definition, QVC was a really nice year and I think it came on the back of similar deals with CCTV and one or two others in the second half of last year. And yeah, I think we do see this trend. I think as a general comment, our video customers, broadcast customers have fared fairly well through the COVID environment.

I think they're – with more people at home watching and consuming more linear TV in particular, whether that be news or obviously the case of QVC, shopping has done relatively well through this period as far as sort of online shopping and so on.

So yeah, I think we can expect to see more of our customers having the confidence to move from standard definition to high definition. And generally, that means more value for us, and that means that volumes move up. And with pricing staying robust, I think we can expect to see some growth coming from the migration from standard definition to high definition. And certainly QVC is an important customer for us across a number of our platforms. In this case, it was in the UK. But QVC are obviously an important customer for us across a number of our locations.

On mobility, yeah, we were pleased with the pickup. I think it reflects the fact that in our segments, in particular, in cruise, we're emerging from this COVID period. I'm really confident. We've had pretty much all of our cruise customers signed for O3b mPOWER. And so our cruise business will continue to grow as we look ahead to migrating customers and upgrading them and serving more ships on mPOWER as soon as we have the system up and operational.

And I think, yeah, through 2022, it's reasonable to expect that we'll see continued sort of development, positive momentum in mobility side of our business.

And on C-Band, Sandeep, maybe you take that question?

Sandeep Jalan: Yeah. So on the C-Band, the whole process is now in motion. The whole process – and this is, in fact, first of all, we have to make the payments and then claim the reimbursement. So there is a – there are a few months lag effect.

So during first quarter, we have made lots of payments concerning the C-Band, which basically consumes the proceeds that we received from the relocation incentives. And by now we have expensed close to over $1 billion of the C-Band, reimbursable expense. And good thing is that we have submitted most of the invoices. And these invoices are in process of clearing at the clearing house. And then during coming months, we would expect the reimbursement of these amounts as is foreseen in the process. So all that process is fully in place and it's going on.

Roshan Ranjit: Good. Great, thanks. And just to follow-up on the – just to get a sense of the CapEx phasing for the remainder of the year, please?

Sandeep Jalan: Yeah. So our CapEx guidance for the year is €950 million. By now, in quarter one, we have spent €160 million. So that means the remaining during the year would be about €790 million and we are very much in line with our CapEx guidance. And this CapEx, again, it doesn't include the C-Band related expense that I was mentioning. This is not what we report as CapEx, because these are basically reimbursable expenses that we are incurring and expecting reimbursements within a few months.

Roshan Ranjit: Okay, thank you.

Operator: The next question comes from the line of Alexander Peterc from Société Générale. Please go ahead.

Alexander Peterc (Société Générale): Yes, good morning, and thank you for question. Good morning. Could you perhaps clarify a little bit further the Nordic Entertainment impact? I understand you have the €10 million settlement. So that comes in as a periodic revenue. Do you still have any recurrent revenue coming from Nordic Entertainment this year? So what is the impact of that rolling off on a full year basis that we should expect then in 2023?

And then a second question, just in terms of M&A. Would you now rather prioritise smaller targets with a good operational fit such as DRS? Or are you still also contemplating large M&A opportunities? Thanks a lot.

Steve Collar: Thanks, Alexander. Good morning. Yeah, look, on NENT, I would say that the one-off largely keeps us whole for 2022. So if you compare sort of '21 revenue from the Nordic region and '22 revenue, that largely approximates. There was some incremental, but it's not meaningful. It's €1 million, €2 million, I think. So overall kind of €12 million in total, €10 million of which was the termination fee, which keeps us approximately whole from '21 to 2022. And as we go forward, we don't expect any more revenue from NENT. They relocated. We're in the process of finalising the relocation of UK. And so we don't expect any revenues in 2023 from NENT.

On M&A, look, we're really, really happy with DRS GES. It was a business that we had our eye on for some time. We kind of felt that it would be a very, very good fit for us and a very, very good fit, in particular, given the investments that we've made in SES-17, but particularly O3b mPOWER. Government business fits incredibly well with the kind of capabilities that we have on O3b mPOWER. So we feel really good about that. And I would say everything that we've seen subsequent to the announcement in terms of sort of initial engagement and so on gives us very good confidence that, indeed, this was a good thing for us to do with the business.

And in terms of sort of other M&A, I would say, we continue to feel ourselves in a very good position with respect to the consolidation, any potential consolidation of the industry. We've got a very strong balance sheet, a new fleet, a lot of investments that we've made, a growing business, obviously the successful execution in C-Band. And so, I think we feel ourselves to be in a good position. I think the overall feeling continues to be that consolidation would be good for the industry, particularly, I would say, horizontal rather than vertical, as was the case of vertical with DRS GES.

But we're going to make sure that we're always doing things in a financially disciplined way and looking at for the best interest of SES shareholders. So it's certainly not consolidation for consolidation sake. We're going to make sure that anything that we do, do makes absolute sense from value creation standpoint, and we feel very strongly that DRS GES is a great example of that.

Alexander Peterc: Very clear. Thank you very much.

Operator: The next question comes from the line of Ben Lyons from Credit Suisse. Please go ahead.

Benjamin Lyons (Credit Suisse): Morning, everyone. Thank you for taking my questions. And most of them have been answered. But if I maybe just follow-up on the consolidation point. I mean, we've seen operators move to a more end to end product offering. Are you expecting to see more horizontal consolidation or like the Inmarsat-Viasat deal or more vertical type deals like the GES, the current deal that completed or in process of completing? And maybe if I could just ask on Starlink moving into IFC. They signed a couple of deals. How are you thinking about that? And how you're thinking about competition going forward in aviation? Thank you.

Steve Collar: Yeah. Thanks, Ben. I don't have too much more to say on consolidation. I don't know kind of what we should expect from others. And as I said, what – DRS GES for us is important, because they are – they operate networks for customers. They really are the sort of the network operator.

And at a time where we expect growth in government business, and we expect particular interest in the sort of capabilities that we can bring with O3b mPOWER, we see them as an incredibly good fit, and very complementary to our existing SES GS business.

So it doesn't – I don't think that this reflects a sort of a general move on behalf of SES towards verticalization. It sort of reflects a very, I think, well thought through strategy around how do we grow and develop our government business in a way that's sustainable and sort of adds very significant capability to what we have already a sort of strong platform in government.

I think, again, on horizontal versus vertical, consolidation in general will benefit. I've talked before about the interior investment that we've seen in CapEx on behalf of a number of different sort of businesses. And I think the more that we can sort of align our CapEx investment, whether that be through consolidation or through strategic partnership, I think those things are beneficial to the industry.

And your second question was on –

Sandeep Jalan: Starlink.

Steve Collar: Starlink. Yeah, look, I think, it's no surprise – I mean we – in previous calls, we've talked about where our real strength is, which is in the sort of high throughput high flexibility services. And we've got a real heartland there, again, kind of reflecting back on why government is an important segment for us. This is where most of the government requirements fall. This is where cruise falls. And aviation kind of straddles, I would say, low throughput, high throughput with extreme flexibility. And it's that flexibility that I think will sort of introduce and challenges for LEO to address.

So I think LEO will start to address requirements that are 'domestic'. And so I think the examples that you talked about are sort of US domestic networks. And I think that's probably consistent with where they will target the market early on. I think these first announcements are relatively, I'd say, experimental in nature. I think there's a lot of work to be done in terms of getting hardware on board planes and actually operating the network.

So I suspect we'll see that happening over a period of years rather than months. But yeah, not at all unexpected. Don't expect it to have a meaningful impact, I would say, on our aviation business. And I think we will – we expect that trend to sort of continue and that they will be a competitor in sort of regional aviation and potentially sort of a commercial aviation business that probably focus more around domestic markets rather than – we do a lot of international, particularly transatlantic transoceanic. And I think that stuff will be tough for LEO.

The concentration that you tend to get around airports is also something that's difficult to address when you've kind of got fixed supply. And I think that will lead to some challenges.

So I think they definitely – they will be a player. They will add to the market. I don't think that it will sort of significantly impact our business in the short, medium term, and frankly, as we look out into the long term as well.

Benjamin Lyons: Thanks a lot. Really helpful.

Operator: We have no further questions. So I will now hand back to SES for closing.

Steve Collar: Very good. Thanks very much, as always for joining us. Much appreciated. And look forward to talking to you with our first half results. Thanks all.

Sandeep Jalan: Thanks. Bye-bye.

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

[END OF TRANSCRIPT]