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SES S.A. H1 2022 Results

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Operator: Hello, and welcome to the SES Half Year Results 2022. Please note, this conference 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 presentation. This can be done by pressing star one on your telephone keypad to register your question.

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

Richard Whiteing: Thanks. Good morning, everyone. Thanks for joining this analyst and investor call for our half year 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, 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 take your questions.

With that, I hand over to Steve.

Steve Collar: Thanks very much, Richard. Good morning, everyone, and thanks for joining us this morning. And hope that you are all enjoying the summer.

I'm going to start on page three with the highlights. And look, I'm really pleased with the performance of the business in the first half. We've delivered a very solid set of results and the business is in good shape, on track to deliver on our financial outlook and objectives for the year and making really good progress on our strategic objectives as well in one of the busiest years on record for SES.

Revenue of €899 million was 3% up on a reported basis, while adjusted EBITDA of €545 million was flat year-on-year, reflecting a solid EBITDA margin and excellent control over discretionary spend. We have good visibility towards full year with over 90% of our revenue contracted and we fully reaffirm our 2022 outlook.

Our Networks business grew in the first half by 2%, and with growth accelerating in the second quarter. We've signed some nice deals in the first half that will contribute to ongoing growth through the year. While in Video, similarly to our performance in 2021, we've got the majority of our business done early in the year, securing important renewals, and executing well in core markets such as DACH, meaning that we'll only have limited business left to secure and good visibility towards our full year outlook.

The combined backlog for SES-17 and O3b mPOWER is continuing to grow with $130 million added since the start of 2022, taking our total backlog to $930 million. It feels great to have SES-17 in operation above the Americas, delivering services for our customers and meaningfully ahead of other Ka high-throughput satellites planned for the region, and at a time where both the aero market and cruise market are recovering rapidly post the COVID environment.

Our O3b mPOWER satellites have entered final testing, and we'll launch all six of the initial constellation this year with service introduction expected in Q2 2023. This is a game-changing investment for SES and will be a major component in driving our business for the next decade, particularly in the high value, high flexibility, and high throughput segments. And our recent wins in cruise underscore the right to win that we have created with our differentiated infrastructure and capabilities.

This is perhaps even more true in government – in the government segment, and I'm delighted that this week, we've closed the acquisition of DRS Global Enterprise Solutions. As I've said previously, I'm a huge fan of this business. It's one that we proactively selected as a key target and one that fits well with our value proposition, our network capabilities. It actually expands significantly our value proposition towards government customers and end users, and you'll be hearing more about this combined business going forward, a business that will be 50% of our Networks business and 25% of our global revenue.

Lastly on this slide, our C-band execution continues to be strong with clearing proceeds proceeding ahead of schedule and the successful launch of SES-22 in the quarter, providing real momentum. We've received our first significant reimbursement payment, and we're well on track to capture the US$170 million of additional gross cash proceeds from our agreement with Verizon having already completed more than half of the clearing.

So with that summary, I'll move fairly rapidly through the remaining slides, starting on page four with Video. So the trajectory of our Video business remains fully consistent with our expectations with a decline of 5% year-on-year, including the termination payment from Nordic Entertainment, or NENT, booked in Q1, which keeps us whole from a revenue perspective in the Nordic region for 2022.

The end of our wholesale agreement with Dish in the US in November last year is the other key driver in year-on-year comparisons and will wash through by the end of this year. Pricing on renewal continues to be stable to increasing, reflecting the pricing power earned from having the largest video neighbourhoods in the industry and leading penetration of high definition. More than 20% of our video contracts and revenues benefit from indexation clauses.

As I said, we've got a lot of good work done early in the year with €150 million of renewal revenue added to backlog in the first half, most notably the latest extension signed with Sky UK in a deal valued at €85 million on the back of a €90 million deal that we announced with Sky last year.

In Germany, our HD+ consumer platform continued its good momentum from last year and is now truly a hybrid platform with the launch of our HD+ IP and HD+ To Go products. Our subscriber base remained stable to growing. And while we remain vigilant, we see no discernible impact from rising inflation in Europe.

The early work done and ongoing delivery in our consumer business means that we have good visibility to our full year outlook in Video, more than 90% of our outlook contracted. And given that our consumer business renews monthly or quarterly, this reflects a very high percentage of non-HD+ business secured for the year.

So on to Networks on page six, where the sustained and positive deal flow is translating into revenue acceleration with Q2 growth of 4% on both the year-on-year and quarter-on-quarter basis. Overall, in H1, that means an uplift of 2% year-on-year, driven by excellent performance in mobility and fixed data, while the new wins we've seen in government are not fully compensating the headwinds caused by the rapid withdrawal from Afghanistan in Q3 last year.

Double-digit growth in the first half in mobility is on the back of the ongoing recovery in cruise, where we're adding new ships and new brands to the customer base, but also renewed demand for bandwidth in commercial aviation and growth in our commercial shipping business.

In Fixed Data, we're growing, thanks to the expansion of mobile backhaul solutions to support telcos and carriers in Asia and Latin America, as well as capturing new cloud revenues and opportunities. We continue to stand out among our peers in delivering growth in Fixed Data, and I believe this reflects the differentiated solutions that we bring to the market. This will accelerate further with the implementation of ARSAT on SES-17 who have taken all of the capacity over Argentina and later with the introduction of O3b mPOWER.

SES-17 will be the main growth driver ahead of O3b mPOWER. And this is a good segue to page six and the key deals signed in the first half across our primary growth driving investments.

Getting SES-17 on station and serving customers is significant for our business, particularly as we've secured an important time-to-market advantage versus other high throughput satellites to be launched into the Americas over the next few years. We're transitioning the Thales inflight network across onto SES-17 as we speak, and performance of the satellite and network is autumn.

On O3b mPOWER, the first two satellites are in the final stages of testing, as we can see in the picture here. This is a fully assembled O3b mPOWER satellite heading into the thermal vacuum chamber. And we've got three launches scheduled from the gate[?], firm launches with SpaceX for the initial constellation this year. We've had to be patient for the arrival of O3b mPOWER, but we're building this capability for the next two decades of growth for SES, it being scalable, flexible and the highest performing in the industry now or in the future and expect our start – expected to start delivering services in Q2 2023.

The flexibility and unique positioning of O3b mPOWER as highlighted with the recent NASA award, where we'll be using our constellation to relay high performance data from Earth-sensing satellites, something that MEO and mPOWER are incredibly well suited for and opens a new market for us in other high end data relay in space, leveraging our MEO platform.

Combined backlog for SES-17 and O3b mPOWER is up 16% year-to-date at $930 million with our anchoring deals with Jio on mPOWER, ARSAT on SES-17, two new cruise customers, two new fixed data networks in the Americas and a showcase deal to serve offshore oil and gas and mining in EMEA and Asia.

Turning to page seven. And the really good news earlier this week of the closing of our acquisition of DRS Global Enterprise Solutions, an acquisition that's been over 18 months in the making. Over decades, the GES team has forged a reputation for delivering solutions to meet and exceed the needs of some of the most demanding of US government customers and in some of the hardest places on earth to deploy services.

And together with our own government solutions team in the US, we represent, I believe, the two best service providers integrated and trusted partners for the US government. The two businesses when combined will create a scaled solutions provider and the number one trusted partner serving the multi-orbit satellite communications need of the US government and supporting missions anywhere on land, at sea or in the air.

And it's incredibly well timed with the launches of both SES-17, and in particular, O3b mPOWER, 40-50% of whose revenue we expect to come from Government Solutions. The combination of DRS GES with SES GES will unlock $25 million of annualised run rate synergies with networks increasing to around 50% of our overall business equal to Video, and government will represent half of this as our largest business segment in terms of revenue on the network side.

Given the closing only a couple of days ago, the financials from Global Enterprise Solutions acquisition are not included in our reported numbers today but will be as of Q3.

And finally, for me, on page eight. I think I promised you that we'll show you this slide – when we showed you this slide last quarter that you can expect to see green ticks appearing as we execute on one of the busiest years in our history in terms of delivery on key strategic projects. And that's very much the case this quarter with SES-17 on station and serving customers, SES-22 launched, and we've confirmed today that it's in service, and we will begin transitioning customers as early as next week, the closing of the GES acquisition and more than 50% of the additional clearing for Verizon already completed.

Next up, another C-band launch at the end of September, followed by three O3b mPOWER launches in Q4. Great progress and super pleased with the way that the business is executing and firing on all cylinders.

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

Sandeep Jalan: Thanks, Steve. Good morning, everybody.

Turning to the financial highlights on page 10. We are very pleased with an overall solid financial performance in the first half of this year. Reported revenue was up 3%, net profit up 11%, and net debt 9% decrease year-over-year.

So first, speaking about the Group revenue, which were close to €900 million. They were up year-over-year by €24 million or 3% on a reported basis. Besides the solid underlying revenue performance, this also reflects the positive effect of the stronger US dollars, which benefited first half of these revenues by about €43 million when compared to the first half of last year.

Adjusted EBITDA of €545 million is at the same level as in first half of last year, and it represented a robust margin of 60.6%. EBITDA also benefited from positive effect of stronger USD by €23 million.

Adjusted net profit improved by 11% year-over-year to €168 million for first half of this year, and thanks to improvements in items also below EBITDA, which I'll explain in the next slide.

We continue to maintain a strong balance sheet with leverage at 3x at the end of first half of the year. Finally, we are fully on track to deliver our full year outlook for 2022.

Looking now at the page 11, net profit bridge. I'll explain in more details. As you can see, the adjusted EBITDA performance was driven by three main components. First, as I said earlier, the stronger USD versus euro, which contributed €23 million in our EBITDA, and this comprised a net effect of revenue plus €43 million and OpEx minus €20 million year-over-year.

Second impact was coming from €10 million periodic revenues, as we explained during quarter one results. This was in Video pertaining to Nordic services.

And third component was the return to growth in Networks, where we saw revenues up year-over-year by 2% for first half of the year. And for quarter two, it was an increase of 4% year-over-year. And these effects were offset by Video revenue decline, in line with our guidance.

Meanwhile, recurring OpEx was kept flat year-over-year when excluding impacts of stronger US dollar, and this reflects continued strong control on our discretionary costs. Below adjusted EBITDA, we have further positive effects leading to an increase of €16 million or about 11% year-over-year increase in adjusted net profit.

Adjusted net profit rose to €168 million in the first half of the year. And this comprised of three main components. Depreciation was lower year-over-year by €11 million due to lower depreciable base. We continue to reduce our interest cost by a further €8 million for first half of the year. And forex gain in the first half of the year were €26 million, and this was higher when compared to last year by €6 million.

These positive effects were partly offset by a higher tax expense of €10 million year-over-year, which is mostly non-cash and pertaining to certain forex-related adjustments in our tax expense bookings.

Reported net income for first half of the year was €101 million, and this was explained by three major exceptional items. Net C-band expenses for the period we accounted for €13 million during this period. Other significant special items were €27 million and including €24 million of impairment expenses that we have recorded for a few GEO assets, mainly related to increase in the discounting rates, which went up when compared to end of last year. Tax on special items, including C-band, there €27 million.

So turning now to the balance sheet on page 12. Adjusted net debt was 9% lower compared with June last year, thanks to solid business cash generation and the nearly €1 billion pre-tax proceeds that we've got in our pocket from Phase 1 C-band clearing.

During June, we proactively and successfully issued a new $750 million, seven-year Eurobond with a coupon of 3.5%. With a strong liquidity, we can well address now the upcoming $750 million maturity, which is set for early next year, so we have no other senior debt maturities now bid for 2024.

On C-band, there is a timing difference because we must first expense the cost before submitting the invoices to the clearinghouse as part of the reimbursement process. To-date, we have spent about $1.1 billion, and over $520 million is already reimbursed, including $560 million that we received in first half of this year.

We had a cash balance of €1.7 billion at the end of June, and this allows us to meet the investment needs during second half of this year. As you have seen about the GES acquisition, we paid $450 million this week and CapEx outflows in second half related to mPOWER for the first six satellites, which will get launched in quarter four. Those investment needs can be well met by these cash balances.

On page 13 now. We remain on track to deliver our full year 2022 financial outlook. And on top, we continue to benefit also from forex effects, which are positive for us. As Steve has mentioned, we have good visibility for our revenue outlook range of €1.75 billion to €1.81 billion, with already more than 90% of the revenues contracted.

Our adjusted EBITDA range of €1.03 billion to €1.07 billion reflects a robust margin profile for the year. And as some 50% of our revenue and EBITDA is in US dollar, a stronger forex rate, as we have said earlier, is positive to our reported financials.

As we have guided, each basis point strength of dollar versus euro benefits SES revenue by about 9 million positive effect and EBITDA by about half that amount. So roughly about 4.5 million for each basis points movement. And almost neutral effect on the free cash flows due to dollar CapEx.

Euro-dollar rates were 1.10 in the first half of this year compared to 1.20 in first half of last year. And this has benefited our financial results by about €43 million year-over-year in revenue and €23 million in EBITDA, which is net of €20 million OpEx negative effects. USD has strengthened further during recent months and hence, positive fact there from maybe even stronger during the second half of the year than what we have reported during the first half of this year.

The year total effects could be in a range of about €100 million revenue and €50 million EBITDA uplift compared to the previous year in terms of forex effects. And this is more than double the positive effect that we had in the first half of this year so far.

Our continued stronger US dollar will also benefit the upcoming significant USD proceeds related to C-band, most notably, this 170 million of gross payments from Verizon for the additional C-band clearing and 3 billion from Phase 2 C-band clearing. Each cent movement impacts by about €20 million on the C-band related proceeds that I mentioned. So at current rates, we could expect about €200 million more of positive effect in our euro cash flows.

Our CapEx outlook remains unchanged at the given exchange rate, and we will see some impacts from forex, and largely neutralising the positive EBITDA effect that I mentioned earlier. We are happy to have successfully completed earlier this year the acquisition of DRS GES ahead of our announced schedule. During coming weeks, we'll be focusing on integration and consolidation of this business and its financials, and we plan to give more financial details together with our next set of financial results.

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

Steve Collar: Great. Thanks, Sandeep. So lastly, on page 16, a solid H1 performance and execution in the core of the business, fully on track to deliver our outlook for the year, the closing of the acquisition of the best-in-class US government solutions provider at a time that we're building game-changing space-based capabilities for governments around the world.

Good progress, both technically and commercially on SES-17 and O3b mPOWER with growing backlog, strategic new customers, SES-17 in service ahead of the competition and mPOWER making good progress through the factory.

C-band continues to be the good news story as well with all clearing fully on track. SES-22 launched, SES-20 and 21 approaching launch, and our Verizon clearing progressing really well. Much to do between now and the end of the year. So no let-up in the pace as we put in place the key drivers of revenue growth, EBITDA growth and expanding cash flows at SES for the years ahead.

And with that, back to Richard and questions.

Richard Whiteing: Thanks, Steve. Thanks, Sandeep. Operator, we can go ahead and take the first question.

Questions and Answers

Operator: As a reminder, if you would like to ask a question, please press star one. The first question comes from the line of Nick Dempsey of Barclays. Please go ahead.

Nick Dempsey (Barclays): Good morning guys. I've got two questions. So first of all, I'm sure you can't comment specifically on any rumours in the press. But are you able to talk in general terms about the kind of practical CapEx synergies mainly that might be achievable from combining two GEO operators, predominantly GEO operators just in broad terms?

Second question, softer delay in mPOWER impact in the launching and coming into service impact your ability to show positive group organic revenue growth for 2023 versus [inaudible]?

Steve Collar: Great. Thanks, Nick. No, it won't surprise you to learn that we're not going to comment any more than we ever do on market rumours and industry rumours. I think generally, what I've said on this call and other calls is that industry consolidation is a good thing, and I think will result in sort of rationalisation of the industry. Of course, from an SES standpoint, we will do things only in the best interest of our shareholders and would just leave it there.

Look, as far as mPOWER is concerned, I would say we've seen – this is a strategic project that is going to, as I say, drive growth for SES for the next decade. It is game-changing in its capability. We're having, as I said, to be a little more patient than we would like. But the good news is that we're fully locked on for three launches this year and have a solid in-service date for Q2. And then no change in our trajectory, so growth is going to be driven by SES-17 and in particular, with the arrival of O3b mPOWER in 2023. Same expectations that we have for the business, and that we've talked about with sort of growing revenue, growing EBITDA, less CapEx, and growing cash flow. So all consistent with we talked about previously.

Nick Dempsey: And that's still relevant for 2023? I don't know if you 100% addressed that.

Steve Collar: As I said, no change in terms of the growth drivers, no change in the fact that the growth is going to come from SES-17 and O3b mPOWER. We're not going to talk about 2023 specifically in terms of outlook. We'll do that in December. But in terms of the overall trajectory, fully consistent with everything we've said previously – in February. I'm being corrected by Richard. We'll talk about that in February.

Nick Dempsey: Okay.

Steve Collar: Thanks, Nick.

Operator: The next question comes Sami Kassab of BNP Paribas.

Sami Kassab (Exane BNP Paribas): Thank you, and good morning, gentlemen. We've all been frustrated with the constant delay in the mPOWER launch date. So Steve, can you discuss at what stage of the manufacturing process mPOWER satellites currently are? Have they moved to the terminal vacuum test phase yet? And if so, what does it tell us about the progress that Boeing has made since our last earnings call a few months ago? And most importantly, why don't you tell us about the likelihood of the Q4 launch deadline?

Steve Collar: Yes. So you can see the pictures, Sami. So if you look on page six, that is O3b mPOWER in thermal vacuum chamber. This was actually taken, I believe, a couple of weeks ago. And so this satellite is now nearing the end of its test, and there's not much left to do. As you know, by the time you get through thermal vacuum, you pretty much do some final checks and then ship the satellites to launch base. So that's what we're expecting for the first two, and we're hitting our cadence in terms of the next two and then the next two, which is what we need for the initial constellation.

So I would say, happy with the progress. As you say, it's kind of – we've had to be more patient than we would like. But this is – it's not unusual that you slip a month or two as you get towards the launch. As you know, we've mitigated by having more – we've got fewer satellites per launch vehicle. We've added a new launch vehicle, so that will get us to orbit more quickly, which is a very good thing. And, fully confident in the launches this year and in service in Q2.

Sami Kassab: Thank you, Steve. Then the second question, could you comment on the government outlook for the rest of the year with perhaps Afghanistan phasing out, and any other driver? Would we expect government to return to growth or still negative in H2?

And lastly –

Steve Collar: Go ahead.

Sami Kassab: Thanks. Then lastly, if the OneWeb merger goes ahead, Eutelsat will be the only company with a LEO/GEO offering. So why do you think clients would take the MEO/GEO combo with SES if they can have the LEO/GEO architecture? Can you elaborate on differentiation, please? Thank you.

Steve Collar: sure. So on the government side, you're right that Afghanistan was a drag on revenues and sort of continues to show up in the year-on-year comparisons. We are signing nice business in government. And I would say that's sort of underscored by the renewal of the TROJAN contract, which is obviously a significant renewal for us as well as some other business, both in the US and in Europe, we are supporting NATO and other customers here serving, particularly around the defence of Ukraine and also kind of strengthening networks.

Generally, I would say, across Europe, we've got a great asset there in GovSat, and we continue to see demand there. I mean, look, Afghanistan was always – whenever something like that happens in the short-term, it creates a short-term hole. But we're definitely seeing that hole being filled and expect to see that continue through the second half of the year.

And look, as far as OneWeb and Eutelsat, I don't think an awful lot has changed. I think clearly, the merger is an open question as to whether that happens and how that happens. But I think in terms of our analysis, we've always assumed that Eutelsat would exist, and we've always assumed that OneWeb would exist in some way, shape, form, or fashion.

I think Gen 1, as we've talked about previously, is pretty limited in its capability. And so I think that they're thinking about Gen 2, which is back end of the decade. And listen, we've analysed an awful lot our competitivity from MEO and how we've differentiated ourselves, and I think we remain incredibly optimistic and incredibly persuaded that the architecture that we're developing is the right one.

And not only that, we've been doing it for a decade. We've been operating Medium Earth Orbit for more than a decade with the original O3b mPOWER constellation. So our – sorry, the original O3b constellation. So our multi-orbit isn't theoretical. It's real, and we're delivering that capability to customers today, and that will be even more reinforced when we bring O3b mPOWER to the market.

So I would say nothing has changed. If anything, we have more conviction around our architecture, our solutions, particularly in the high throughput, high flexibility markets where we are incredibly strong, and frankly, LEO struggles to play. And so no change. There's more conviction and leave it there.

Sami Kassab: Thank you very much.

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

Ben Lyons (Credit Suisse): Thank you for taking my questions. First one actually is a follow up on consolidation. I mean, you've just done the GES deal, so a vertical deal. And maybe from a high level, I mean, could you speak about what you think the opportunities are in the market for perhaps vertical or horizontal consolidation? I mean do you expect the market to go in any particular direction?

And the second one would just be on the backlog evolution. I mean, you had a big uptick in Q1, and it's been moving up slightly but at a slower pace. What's the kind of pipeline going forward on the backlog? Thank you.

Steve Collar: Yes. So look, on consolidation, I take the opportunity to reinforce how happy we are with our acquisition of DRS GES. I think – you can talk generically about consolidation, but what really matters is, does it make strategic sense? Does it drive your business? Is it consistent with what you're trying to do and what you're trying to achieve?

And I think we've been on a path and clear about our direction of travel in the network side of the business, which we – where we feel we have a very strong right to win in the higher value segments. And that's very consistent with the architectures that we're building. We've seen that with our engagement with governments around the world.

And so GES, as I would say, best-in-class service provider, combined with our existing government services business is an incredibly good fit but entirely aligned with our strategy, with our approach and with the way that we're building our Networks business. So I'd like to think and happy to say that we're being very thoughtful about what makes sense for our business, not just sort of generic consolidation.

And look, I mean, I think I've said it as far as horizontal is concerned. I think it makes sense. I think it help rationalise the industry. I think that there are arguably sort of too many networks and too much CapEx in coherency in the market. And I think consolidation will help that, but I wouldn't go further than that other than to say, much like with the acquisition of DRS GES, we're going to do things that create value for SES and create value for our shareholders.

And then, look, as far as backlog, again, we've sort of spoken about this, but it is – it does tend to be a little bit sort of variable from quarter to – from in any one quarter, but I think the trajectory and the trend is very, very clear. We signed a great deal with Reliance Jio, and we're busy now implementing that, and that will start flowing into the revenues. And that's really, really good.

And in this quarter, even if not significant in terms of backlog because they're not necessarily super long-term contracts, some of the deals we've signed are really strategic and will start contributing revenue early in the life of O3b mPOWER when we talk about the deals on O3b mPOWER.

And on SES-17, the ARSAT deal is a really nice deal. It's basically for all of the capacity in Argentina. And again, while not a super long-term deal, I think we have the view that, that deal will sort of continue beyond the original contract date. So I would say backlog is a good guide. It doesn't tell the whole story. And it's quarter-on-quarter, difficult to sort of predict.

But I think the overall trajectory is really super positive, $930 million of backlog for these growth assets, represents a really, really good base. And we continue to grow from there.

Ben Lyons: Great. It’s really helpful. Thank you.

Steve Collar: Thank you very much.

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

Aleksander Peterc (Société Générale): Yes, good morning. And thank you for the opportunity to ask a question. I'm sorry to come back to consolidation. I'd just like you to clearly state to us whether your preferred route to value creation for shareholders is the vertical consolidation along the lines of what you're doing with DRS? Or would you also contemplate a large-size horizontal M&A deal? Is everything on the table? Or do you have a preferred route to value creation? That's the first question.

Second one is really on mobility, nice acceleration there. How should we think about this business developing in the second half? And do you see further scope for improvement in year-on-year growth trends there? Thanks a lot.

Steve Collar: Look, I mean, our path to value creation for shareholders is not premised on consolidation and certainly not exclusively, right? Our path to value creation is executing on in the core of the business exactly as we are doing. And as I say, I couldn't be happier with the progress in the core of the business. We've made significant investments that we're executing well on. We've collected very significant C-band proceeds. This is value creation that we have executed on and continue to execute on and continuing to then grow revenues, grow EBITDA.

And as we emerge from this heavy growth investment phase will be into growing and expanding cash flow. So lots and lots of levers for us to continue to grow shareholder value. And I would say consolidation is part of it. But as I've said before, on the DRS GES acquisition, this isn't about consolidation really. This is about adding strategic capabilities in a part of the market where we have a very, very strong right to win.

And look, on the acceleration of growth in networks, it's really positive from my standpoint, the fact that we've gone to 4% growth, both in the quarter from quarter-to-quarter and year-on-year is positive. We're on track with our outlook. And I think if we continue to sign the business and implement the business that we've signed, we should expect that trend to continue.

Aleksander Peterc: Thanks.

Steve Collar: Thanks, Aleksander.

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

Carl Murdock-Smith (Berenberg): Hi. Thanks very much. I just wanted to ask, first, how come CapEx guidance hasn't changed, given the slippage of O3b mPOWER over the '19 to 2023? And then secondly, kind of following up from the question just now, one of the main beats this quarter is obviously Fixed Data. Can you talk about your confidence going forward in terms of the sustainability of that growth? Thank you.

Sandeep Jalan: So I'll take the first question, Aleksander. I mean, our CapEx guidance for the year remains unchanged. Of course, this guidance of $950 million CapEx is at the exchange rate of $1.13. So what you can expect is some movements from the forex, basically neutralising the EBITDA effect that we said earlier. That's number one.

Number two, when we gave that guidance, we have considered all the cost. And the majority of the cost is basically the cost of the satellites and launches. And those costs do not change, right? So overall, those costs are remaining at that level. So we don't expect any meaningful change in that guidance.

And guidance for the rest of the period of the next four years after that, it is in the range of €460 million per average as we have said earlier. And of course, there, you can expect some forex effects.

Steve Collar: look, I'll take the question on Fixed Data. Really happy with the progress in Fixed Data. As we talked about, we closed the number of networks in the quarter as well, and that will contribute going forward. We saw some good performance in cloud during the quarter. And the good news there is a bunch of that is I've described before that we're colocating our gateways and our access to the satellite with key cloud data centres and nodes, and we're starting to see that benefit come through.

So it's – I think it's not just the normal mobile backhaul business and the kind of the rural networks that we continue to deploy. It's also the growing influence of the cloud-first strategy that we have, the partnership that we have with Microsoft and the good work that we're doing to develop our cloud business.

So – and in terms of will it continue? I said we certainly have that expectation. I think as I've said, we've outperformed the market as far as fixed data is concerned consistently quarter-on-quarter and year-on-year and have expectations that we will continue to do so.

Carl Murdock-Smith: That's great. Thank you.

Sandeep Jalan: Thanks, Carl.

Operator: The final question comes from the line of Roshan Ranjit of Deutsche Bank.

Roshan Ranjit (Deutsche Bank): Great. Morning, everyone. Thanks for the questions. I have got two, and I guess follow-ups mainly. Just on SES-17, so that obviously became operational a couple of weeks ago. Can you tell us about any early kind of revenue kind of upside maybe or any discussions around incremental contracts? Because if I remember correctly, the thinking was in terms of government contracts that could typically only come on once the satellite is in service. Or should we think about SES-17 being more the kind of mobility maritime contracts aside from the ARSAT deal?

And sticking with mobility, you’ve seem to be on a weekly basis announced same kind of incremental capacity signed with a number of cruise companies. We have seen Starlink talk about wanting to move into maritime, and I think they do have an offering. I understand the -- your nice grid with the high flexibility, high throughput, but there seems to be a want from the shipping industry, but much more capacity. Do you think that, that is a concern? Or is there a specific segment for Starlink to address? And is there, I guess, more opportunity for you on the maritime side? Thank you.

Steve Collar: Look, great question. So on 17, I mean, it's great to have it in service. I think we've seen nothing but good performance. We're really, really happy with the performance that we see in orbit. It's kind of – it's above spec, and that will allow us to deliver at and above our SLA towards our customers and deliver frankly more throughput. So that's very, very good news.

I think, at the moment, we're in the middle of transitioning our customers across onto SES-17, those that we were serving on other assets, and in particular, Thales inflight, which – with whom we’d built a network on third-party assets, and that's now moving across onto SES-17, and that will have the effect of dropping our – some of our costs to third-party capacity going forward. So that's super positive.

And again, the sort of feedback from Thales as we move aircraft across onto SES-17 is very, very positive in terms of the service that they're delivering. I think SES-17 is not going to be a huge contributor from a gov standpoint. We will have some gov on SES-17, but that won't be a significant driver. As you say, the real focus on 17 right now is around the mobility and around fixed data. And as you say, we – sort of on a weekly basis, we're signing and announcing deals. And that's what will fuel progress on SES-17.

I think, in the short-term, what we see most focus is cruise. And so not just on our O3b constellation, but also leveraging SES-17 for cruise. So that's stuff that we're working on right now and growing the aviation business.

SES-17 is a great satellite for aviation. Aviation is sort of coming back strongly, I would say, post-COVID, particularly in the US. And so we're optimistic about our prospects for SES-17 in mobility. And in fixed data, where ARSAT is a great example of a deal, but we've also signed networks in Central America. There's a lot of activity in kind of the Andean region. So I think good prospects for SES-17 as far as Fixed Data is concerned.

And in cruise, look, I mean I think we will see and expect to see sort of, quote-unquote, "hero" projects where individual cruise ships are connected and demonstrated and so on. But cruise – and you made the point about more capacity. More capacity in cruise is great news for us because we're the only ones that can deliver this sort of high throughput, high performance connectivity.

Cruise ships are sort of floating villages or towns or however you want to think about it with very high GDP and what you need to do is serve them with gigabits worth of capability. And that's something that is very, very hard to do when those ships are moving and when multiple ships are all in the same region at the same time. And we've got a network which is configured uniquely for cruise.

And with the latest brands we've added, I think we now – it might be one of the top six brands that we don't have pretty much all of the premium cruise ships from all of those brands on our network, which is, I think, shows the quality of the offering that we have and the competitiveness of the offering that we have, even though we're, by far, not the cheapest solution on the market.

I think what we rely on is the kind of service quality that we can deliver and sort of the guest experience and guest satisfaction that we deliver on board cruise ships. So all good as far as the cruise industry and the cruise market is concerned, and we expect further growth from that market. I think to some degree, on SES-17 and then obviously also with the arrival of O3b mPOWER.

Roshan Ranjit: Got it. That’s helpful. Thank you.

Steve Collar: Great. I think we’re done. Are we done, Richard?

Richard Whiteing: Operator, I think you said that was the last question, so maybe hand it to Steve to conclude.

Steve Collar: Look. Nothing much more to add on other than a lot of work going on in the business. Happy with the first half. Very focused on delivering a similarly positive second half of the year, and obviously delivering on the significant amount of projects that we have in the business, more green ticks to come when we speak next following Q3.

So with that, thank you very much for joining. Much appreciated and talk to you next time.

Sandeep Jalan: Thank you.

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

[END OF TRANSCRIPT]