H1 2024 Results

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SES H1 2024 Results

Operator: Hello and welcome to the SES Half Year 2024 Results. My name is Caroline, and I'll be your coordinator for today's event. Please note this call is being recorded, and for the duration of the call your lines will be on listen-only mode. However, you'll have an 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 questions. If you require assistance at any point, please press star zero, and you'll be connected to an operator.

I will now hand over the call to your host, Richard Whiteing, head of investor relations, to begin today's conference. Thank you.

Richard Whiteing: Good morning, everyone. Thanks for joining this analyst and investor call for the H1 2024 results. The presentation was uploaded, along with the press release, to the Investors section at www.ses.com, if you don't already have it.

As always, please note the disclaimer on page two.

The agenda for today is outlined on page three. In a moment, Adel Al-Saleh, our CEO, will present the main business highlights, followed by Sandeep Jalan, CFO, to cover the financials in more detail. After some closing remarks from Adel, we will take your questions.

So with that, let me hand over to Adel.

Adel Al-Saleh: Perfect. Thank you, Richard. Good morning, everyone. I'm pleased to be reporting a solid first half of execution and important milestones that we have reached. Let's start on page number five.

First of all, H1 revenue and adjusted EBITDA were fully in line with our projections, and we remain on course to deliver on all of our financial targets for full-year 2024, with adjusted EBITDA tracking to the upper half of the range that we've given. Second, H1 reflected continued strong performance in our Networks business, which reached a crossover point in 2023 to now account for over 54% of the total revenue of the company. Government was a standout performer and secured impressive wins across both the US and global government businesses.

Aero and Cruise, including the periodic revenue in the first quarter in Cruise, also delivered strong growth.

Third point, bringing mPOWER into service in April was a significant milestone for us, and we're now ramping committed customers onto the network. I also got to experience my first SES launch with ASTRA 1P, taking off in June. This is an important satellite for us. It sustains the long-term cash flows for our Media business in the neighbourhood at 19.2^{0}E, where we serve almost 120 million households. That's over 300 million people.

Lastly, and most significantly, our transformational agreement to acquire Intelsat and the integration of the two companies will, from expected closing the second half of next year, create a stronger multi-orbit operator. The combined company will be well-positioned to compete with competitive end-to-end solutions in valuable growth markets where we have a right to win, underpinned by strong balance sheet fundamentals and sustained cash flow growth to drive value for customers, employees and shareholders.

Moving to our key financials on page six. Revenue of €978 million and adjusted EBITDA of €525 million were broadly stable year-on-year. As I mentioned, we delivered a growing performance Networks. Meanwhile, Media performance was consistent with our expectations. We secured important additional signings that underscore the solid fundamentals and cash flow generation of this business going into the future.

Execution and laser focus on efficiency and cost means that Adjusted EBITDA is tracking well. We expect full-year 2024 to be in the upper half of the target range set in February. Adjusted Free Cash Flow was up 70% year-on-year, partly helped by a lower run-rate in CAPEX than what we expected. We remain within the guidance of €500-550 million for the full year.

Finally, our backlog stood at €3.8 billion at the end of June, including some €430 million of signings across the business in the first half of the year. Pipeline for the second half of the year looks good, which will keep our backlog healthy.

Let's move to page number seven.

I wanted to share two important wins in the first half of the year:

The first example is a Government solution, where SES Space & Defense has been awarded a multiyear contract by the US Air Force Air’s Combat Command to support its remotely piloted aircraft training and testing programme. The contract is totalling $47 million. The important highlight of this is that this is the third contract iteration for the US Air Force mission, which shows you the long-lasting partnership we have with these customers. We will deliver transmissions coverage of the US and the Pacific Ocean as well as network management and monitoring solutions.

Second example is a Media example, where RTL Deutschland recently extended their long-term partnership with SES at 19.2^{0}E with a new contract worth tens of millions of euros that will run to the end of the decade. In addition to satellite capacity, we will now be providing value-added uplink services for their TV channels, expanding the scope of our relationship with RTL as well as the contract duration.

There are many other examples in Government with NASA and the US army, in Mobility with Virgin Voyages and Resorts World Cruises, in Fixed Data with INRED and in Media with QVC and TVMonaco.

Let's move to slide number eight, moving to the performance of the business units in the first half in more detail.

With Networks, you can see that the revenue grew 5% year-on-year. In the Networks business, the Government, improved by 8.4% year-on-year with high-single-digit expansion in both US and global business across the world.

Mobility was at 11.1% year-on-year growth. That included double-digit growth in Maritime from the periodic revenue we booked in Q1, and new cruise ships that were added to our service portfolio, as well as high-single-digit growth in Aviation from new contracts signed to support IFC partners.

In Fixed Data, the comparison to last year is impacted by the periodic revenue recognised in the first quarter of 2023, which accounted for two-thirds of the variance. Excluding this item, the business was down by a low-single-digit percentage as lower revenue from Europe and Asia was largely offset by growth in Latin America.

Networks' backlog stood at €1.9 billion, with some €310 million of signings in first half of the year.

As I highlighted already, the entry of mPOWER into commercial service was a key milestone for SES, with committed customers now being deployed. We remain on track to expand the initial constellation of mPOWER, starting with the next launch of satellites 7 and 8 at the end of this year, followed in 2025 with satellites 9, 10 and 11, and in 2026 with satellites 12 and 13, with that, increasing the capacity of the network and accelerating our profitable long-term growth trajectory.

Turning to page number nine.

Notwithstanding the headwinds we're facing on the top-line, the fundamentals of our Media business remain robust and supportive of solid cash flow generation for a business which delivers high-quality content to worldwide audience of 363 million households. Ladies and gentlemen, that's over 1 billion people.

The DACH business, including our popular HD+ consumer platform, is our most valuable business within Media, generating over €300 million of annual revenue, as is used by the public and free-to-air broadcasters, as well as some 18 million direct-to-home households. SES's value proposition in this segment was evident in the stable revenue performance in the first half of the year, an improved trajectory over previous years.

Rest of Europe is our second-largest unit, also generating over €300 million per year, delivered to our expectations with an expected mid-single-digit decline year-over-year. Meanwhile, we continue to focus on managing the structural headwinds across other markets, especially the mature markets in North America and Asia.

Our Sports & Events business continues to be a standout performer with double-digit revenue growth and an ever-expanding list of tier-1 global customers like NFL, Premier League and, of course, Olympics, turning to SES to leverage our extensive global reach and expertise in content management, aggregation and distribution.

ASTRA 1P successfully launched in June, as I said earlier, bringing the latest technology to replace capacity at the most valuable video neighbourhood at 19.2^{0}E, where we will be replacing four satellites with one. ASTRA 1Q will follow later and will provide redundancy and bring the ability to grow by expanding our Networks business further in Europe.

Let me close out this section, on page number ten, with our important and transformational agreement to acquire Intelsat for an equity consideration of $3.1 billion.

Since announcing the deal at the end of April, the regulatory process of obtaining all necessary clearances is well underway, and we remain fully on track to closing the acquisition during the second half of next year.

At the same time, the two companies are making strong progress in terms of detailed integration planning, while respecting all legal and regulatory requirements as the two businesses continue to operate fully independently. I believe most of you have seen the financial information that Intelsat has published on their website. They're continuing to execute well against their full-year revenue and Adjusted EBITDA targets and supporting their own strong balance sheet.

The transaction is now fully financed after a successful syndication of €3 billion, comprising of €2.1 billion bridge facility and $1 billion term loan, providing us with financial flexibility to deleverage over time. Also, importantly and as expected, both Moody's and Fitch confirmed SES' investment-grade rating after the transaction was announced.

This acquisition is significant in four key areas.

First, it is highly accretive. We have a clear line-of-sight to achieve €370 million of combined OPEX and CAPEX synergies, and through the integration planning work that I mentioned, we're building robust execution plans that we will be implementing starting on day one of closing. This will ensure that we can deliver 70% of the total synergies by no later than the end of year three. At the same time, we'll continue to explore opportunities we believe are there to capture additional synergies.

Second, the combination of our complementary satellite fleets, ground networks, spectrum portfolios and capabilities will create a stronger multi-orbit competitor capable of providing greater service options and resilience.

Third, 60% of the combined revenue is generated from valuable growth segments where the benefits of a multi-orbit architecture are best placed to serve sophisticated requirements for reliable high throughput and low latency connectivity.

Lastly, the acquisition accelerates profitable growth and cash generation. Sandeep will cover this in more detail shortly, but we expect that with the growth in the combined business and synergy execution, the combined company will be generating more than €1 billion of free cash flow by 2027/2028 timeframe, i.e. within two to three years of closing.

With this ramp-up, we achieve rapid deleveraging, with net leverage reducing to below 3x within 12-18 months of closing. With this profile, we will build potential for increased level of shareholder returns in the future through our progressive dividend and/or additional share buybacks. And of course, we simultaneously enhance financial flexibility to invest profitably in network and service innovations as well as applications of the future to ensure that SES remains competitive in this fast-moving and dynamic SATCOM industry.

With that, I will turn it over to Sandeep to go through the financials in more detail.

Sandeep Jalan: Thanks, Adel. Good morning, everyone. We are very happy with our solid first half of the year financial performance. This demonstrates our competitive value proposition, strong execution across the business, cost discipline, solid cash conversion, our strong balance sheet and commitment to shareholder returns.

Starting with the income statement on page 12, revenue of €978 million was broadly stable compared to first half of last year at constant forex rate. Adjusted EBITDA of €525 million, was lower by about 1% or €5 million compared to the prior period.

As you can see from the chart on the right, the main components of this were the growth in Network of €25 million or about 5%. It included periodic revenue of €22 million in Q1 of this year, as we had announced earlier.

This was offset by a decline in Media of €33 million, or about -6.7%, while recurring OPEX was slightly favourable year-on-year and contributed to adjusted EBITDA margin of 54% in first half of this year.

Looking at the other elements in the adjusted net profit of €111 million, which was also €5 million lower compared to first half of last year. Interest earned on more than €2 billion of cash, led to net financing expenses being €49 million lower and offset the higher expense for depreciation, amortisation and tax.

The increase in depreciation and amortisation arises primarily from a change in accounting where we have elected to treat indefinite life intangibles as definite life amortisable intangibles, further improving alignment of our accounting policy with the IFRS standards.

Lastly, the difference between Adjusted and reported Net Profit is explained by a net impairment expense of €25 million, which includes a €34 million write-down of a GEO satellite, in line with the evolution of our Media business in Brazil, following the outcome of a customer's bankruptcy process, which I'll speak about in more detail shortly.

Additionally, significant special items amounted to an expense of €20 million and included also acquisition-related costs. These items were partly offset by net tax benefits of €7 million.

Turning now to cash flow and the balance sheet on page 13.

Adjusted free cash flow of €146 million was €61 million, or about 70% higher year-on-year. This included CAPEX of €140 million, which was about €80 million lower than in the prior period. However, we expect a higher CAPEX run-rate in second half of this year in line with the €500-550 million CAPEX outlook that we had given for the full-year 2024.

Our strong balance sheet has sizeable cash balance of over €2 billion which is continuing to earn a healthy interest of over 5%, and this has yielded about €60 million of interest income in cash in first half of this year.

We have paid €216 million, or about €0.50 per A-share of dividend to our shareholders in April. We will now implement the change to semi-annual distribution of dividend with the payment of an interim dividend of €0.25 per A-share this coming October.

On top, we are continuing to buy back shares. Until the end of last week, we had bought back more than 18 million FDRs and expect to complete this programme of €150 million share buyback during the coming months. We will also buy back sufficient volume of B-shares to maintain the required 2:1 voting proportion. Adding the dividend payments during 2024 and the share buyback, equates to almost €0.5 billion of cash returns to shareholders. That's a very attractive yield.

On the C-band reimbursement front, we are finally seeing good acceleration and good progress. To this date, we have received over $1 billion, and we have now received confirmation of further reimbursements during quarter three amounting to over $200 million. This is very good news.

As you would have seen, we have successfully completed the transaction financing of €3 billion. It consisted of €2.07 billion bridge facility commitment as well as $1 billion term loan.

Our balance sheet continues to be industry-leading with net leverage of 1.7x at the end of June, and, as was already mentioned by Adel, our investment-grade credit status was reiterated by both rating agencies following the announcement of the Intelsat transaction.

This reflects Rating Agencies' view of the compelling logic of this transaction with Intelsat and our commitment to maintaining investment-grade balance sheet metrics, with strong cash generation delivering mid-single-digit growth in Adjusted EBITDA with faster growth in cash EBITDA, normalised CAPEX of between €600-650 million, and low level of interest and tax.

As such, the combined company is expected to generate more than €1 billion of normalised Adjusted Free Cash Flow by 2027/2028 timeframe, including the ramp-up of significant synergies by the third year. This gives us financial flexibility to create value for shareholders through the combination of a strong balance sheet, cash returns and disciplined, profitable investment.

You can find more details regarding these financial projections in the appendix of this presentation.

Finally, moving now to page 14, I'll present the standalone financial outlook which is fully on track.

We expect revenue in the range of €1.94 to €2 billion, with a step-up from H1 to H2 being driven by ramping customers onto mPOWER, while Media revenue for the second half should be at least a similar level as in first half of this year.

As mentioned by Adel, we are tracking well against our Adjusted EBITDA target of between €950 million to €1 billion, and we are confident that we will end up in the upper half of this range.

As mentioned already, CAPEX remains within the range of €500-550 million.

I also want to mention that during quarter two, a bankruptcy court approved the restructuring plans of SES' Media customer in Brazil. While SES has secured the revenue for full-year 2024 from this customer, it is expected that the outcome of this bankruptcy process will result in lower revenue during 2025, which will be equivalent to approximately 5% of annual Media revenue.

SES expects to at least offset this impact on Adjusted EBITDA, starting from 2025, through additional operating efficiency actions as well as commercialisation of our Group's deal pipeline.

Now, I will hand back to Adel to conclude.

Adel Al-Saleh: Thank you, Sandeep. Can we move to slide number 16, and let me just summarise the key takeaways from our first half performance.

Driven by our strong competitive offerings in Government and Mobility, our Networks business continues to deliver growth and value for our clients. This is complemented by our Media business with solid fundamentals and execution, notably in the most important markets and segments that we serve.

Our performance in the first half has put us in good position to deliver full-year Adjusted EBITDA within the upper half of the range that we've given in February. Our cash flows are growing, and our balance sheet is the strongest in the industry.

We're returning a meaningful amount of cash to shareholders and thinking hard about when the right time is to expand this. Finally, we're taking the right steps to strengthen our multi-orbit offering and competitive position for the long term with the agreement to acquire Intelsat, where the combined company will be stronger and more capable than would be possible for either company on a standalone basis.

I want to conclude on page number 17 with a brief overview of our evolved strategy and what to expect from SES going forward.

First, I'm a firm believer that for our target segments and use cases, there is no single orbit capable of meeting all of our customers' growing demand for reliable, high performance, low-latency connectivity. Therefore, multi-orbit will become essential, but it should not create complexity for our customers. So, we are investing in and perfecting a strong, intelligent, multi-orbit network capability that forms the backbone of our vertical solutions. But those solutions will remove complexity at the customer level. Customer-centricity for us means we focus on our customers' requirements holistically, not partially. This gives SES a compelling right to win.

Implicit in that is our discipline and focus on the right kinds of customers and the right kinds of solutions. We want to compete where our differentiation resonates, enabling us to win.

Second, to build that competitive differentiation, we are continuously investing in innovation that can supercharge our core capabilities; innovation in our space and ground network, innovation in our digital layer, innovation in our operational service delivery. These are our capability engines that will drive all our vertical solutions.

These three key strategic priorities will sustain and enhance our position as a trusted, attractive partner to help drive our customers' success. In turn, this will drive growth in our revenue, EBITDA and free cash flow.

Third, we are rebuilding SES to focus on execution. This means getting leaner, more agile and more efficient across all aspects of the organisation and processes. This initiative is well underway, and we are already seeing the benefits of that.

Of course, all of this is amplified by the highly accretive and compelling benefits of bringing together our businesses with that of Intelsat.

With that, we're happy to take your questions.

Questions and Answers

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the first question from line Nick Dempsey from Barclays. The line is open now. Please go ahead.

Nick Dempsey (Barclays Capital): Yeah, good morning, guys. I have three questions. So, first of all, just regarding the impact from that Brazil customer in 2025, when you're talking about mitigating that, is that all about cost savings, or are you able to find other ways to fill some of that capacity and recapture some of that lost revenue?

Second question. I guess the key factor in free cash flow this year is the level of cash repayments you'll receive related to those C-band costs incurred. I can see that you said $420 million still to come, and I think you've received none in the first half. So, can you give a rough idea of how much you might expect to land in the second half of 2024 and the sort of timeframes on that?

And just the third, on the financing you have put in place related to the Intelsat deal, so you talked about a €2.1 billion bridge facility and also the $1 billion five-year term loan. Can you give us an idea of the cost of those two different facilities, and also whether they are unsecured or whether there is additional security or guarantees for those loans compared to the bonds?

Adel Al-Saleh: Okay, very good. Well, let me start answering, and then, of course, Sandeep will dive into the second two questions.

So, first of all, impact of the Brazilian customer and how do we mitigate it. Primary focus is to mitigate it through cost. Something we can take to the bank, something we can secure, is something we control very well. Of course, in addition to that, we will drive incremental revenue activities in order to secure additional growth and additional revenue. But we will make sure that we have it covered first with cost, and then revenue would be hopefully an additional mitigator, if we need it, in that particular situation.

I'm going to let Sandeep answer the two other questions.

Sandeep Jalan: Yeah, so, regarding your question on the free cash flow from the C-band, we are making really good progress. Of course, there have been large delays in getting these reimbursements, but where we stand today, we are in a good position. I might like to recall that on this, we have spent close to $1.5 billion, out of which $1.4 billion is reimbursable. At the end of June, we had received already above $1 billion, which is in our pocket. And during past few weeks, actually, we received confirmation from the clearinghouse that additional amount of more than $200 million should be in the mailbox. So during quarter three, we would expect to receive it. So that leaves us another $200 million to be realised further. As of now, we would expect this to be coming during the subsequent quarters of this year as well as during 2025. So we are continuing to engage in those conversations with the clearinghouse to make as expeditious reimbursement as possible.

Regarding your question on financing, this is a very good outcome. We had a very good outcome on this bridge financing. This deal has led us to closing this transaction with €3 billion financing fully secured. I want to say that this entire financing is fully unsecured. At

SES balance sheet, we do not have any debt whatsoever which is secured. So this is a totally unsecured facility.

So, €2.1 billion is a bridge facility that will continue to finance in the market with the market take-out financing during the coming quarters, as we go towards the closing date. And the €1 billion term loan, it is with several banks, and this will be amortised over five years. So this is a dollar loan. It is at very competitive rates, and it remains within the total financing cost range that we had given, which is $325-350 million range for the combined company.

Adel Al-Saleh: I think that's really important to note, right, so people can model it correctly. That is the range we expect to be in, and we're quite confident we'll be in that range.

Nick Dempsey: Okay, thanks.

Operator: We will take the next question from line. Carl Murdock-Smith from Berenberg. The line is open now. Please go ahead.

Carl Murdock-Smith (Berenberg Bank): Hi, thank you very much for the questions. Three from me as well, please. Firstly, you seem to have interchangeably used the phrase 'Video' or 'Media' quite a lot during the presentation. I was just wanting clarification. Do you mean the same thing when you say Video or Media, specifically with regarding to your comments around the impact of the Brazilian customer's bankruptcy next year being a 5% headwind to Media revenue? Just confirming, you also mean Video revenues.

Then, secondly, also in relation to Video, you talk about double-digit growth in Sports and Events. I was just wondering if you could disentangle how much of that is underlying versus related to specific events. I'm just thinking in terms of, it felt like I've gone home every night and watched sports for the last few months, certainly. So I was wondering how much of it is it in relation to current events? And obviously also thinking forwards, ahead to Q3, given the Olympics going on, etc. So comments on underlying versus specific there.

And then thirdly, on depreciation and amortisation, you've seen higher D&A this quarter, saying it's arising mainly from a change in accounting treatment of orbital slot licence rights. Can you just expand a bit more on that change and what we should be expecting going forwards? Thank you.

Adel Al-Saleh: Okay, great. Thank you for the question. The first one is quite easy. Yes, when we say Video and Media, it's the same thing. So I apologise if we confuse you guys by changing – using different words. So we'll try to stay consistent going forward, but it is exactly the same.

Sports and Events, it's a really, really exciting platform for us. What we've done there is we built a compelling service and a platform, a technology platform, that enables events in general to be able to come on the platform very quickly and do very efficient distribution of that across the world. And although it is absolutely – you're absolutely right, it is driven by events. The good news is there are a significant number of events that are all seasonal in nature across the world. So the events today, of course, are driven by what's happening with Olympics. It happens every four years. But in the second half of the year, there are the Asian Cups, there are different Asian competitions. In the beginning of next year, the NFL Super Bowl comes back again, etc., which we're a part of, and so on. Other events, I don't want to mention some of the customers that are protective a little bit, are year-long events and, etc.

So what's good to see is, despite the fact that we are dependent on these events, the business has delivered consistent double-digit growth for the last eight quarters. And actually, we have an ambition to make that business significantly larger than what it is today because it's really getting traction. So you can't say it's underlying, but the nature of the business, because it's driven by events, becomes underlying because the events change every quarter. There are different events that we have been able to win. So hopefully, that clarifies it and clarifies why we're excited about that part of the Media business.

On the D&A, please.

Sandeep Jalan: Yeah. So, on amortisation and depreciation, this is what I already explained earlier. This basically pertains to certain orbital slot rights. As you know, back on our balance sheet, we have intangible assets, and this primarily now consists of orbital slot rights. And these, as per the prior policy, they were not being amortised over years. And we have taken a reassessment of that entire position. And based on that, we are starting to amortise those orbital slot rights, and that reflects this impact that we show here on slide 12, which represents about €29 million, which is primarily coming from that position of orbital slot rights being changed from non-depreciable to depreciable slot rights.

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

Operator: Thank you. As a reminder, if you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the next question from line Sami Kassab from BNP Paribas. The line is open now. Please go ahead.

Sami Kassab (BNP Paribas): Thank you very much. And good morning, everyone. I have a few questions, please. The first one on SES Video. You were previously talking about flattening the curve in video, and yet the Q2 performance of SES Video is one of the worst reported in close to five years. So, can you help us understand what drove the acceleration in the decline in Q2, and how should we think about SES Video revenue trends in 2025? Should we now expect double-digit declines, given Brazil? And on the back of what you just said, Adel, can you quantify the Sports and Events revenue size, please?

And then secondly, on Networks, you won quite a few contracts with government, reported double-digit revenue growth in the quarter. Can you maintain this rate of growth for the remainder of the year in government? Thank you.

Adel Al-Saleh: Very good questions. Thank you for that. Look, on Video, clearly, we have been always guiding that we will see this business at about mid-single-digit decline on medium term and long term. Clearly, in the first half of the year, we've seen some headwinds, specifically around this customer that we have described, which impacted our overall revenue, which is why it's important to look, and why we're disclosing how is the business doing in your key regions. And our key regions, where majority of our revenue, where over €600 million annually being generated, is between DACH and Europe, the rest of Europe. And those businesses, DACH was even stable year-on-year, so flat, if you will, and Europe was exactly where we thought the business would be, which is middle-single-digit decline, around -5%, as we had expected. So the business was dragged down by this situation in Brazil.

Now, if you think – the question about how do you think about it next year? We're still quite confident about the prospects of the business and the ranges that we keep talking about. Clearly, next year we will have headwinds, right? Because 5% of the business disappears, even though we had a long-term contract with that customer, which is why we're focused to make sure we mitigate that with our cost activities, which we are very confident that we will do. So the question will be is, can we mitigate it with revenue activities to stabilise the revenue further? And that's something we will lean hard on our Sports and Events team. We want them to go beyond the double-digit growth. We actually want them to grow much, much faster. And we'll see what we can do.

But on a midterm basis, knowing that 2025 is going to be impacted by this 5% impact of a client, it should remain the same, the same as we've had it before, exactly because the biggest business within that organisation, within that business overall, continues to be exactly what we expect it to be.

So that's on that. Now, unfortunately, we're not ready to disclose Sports and Events' exact number, but we will do it in the next quarterly releases. Because what we would like to do is actually not only release what we have today, but be a lot stronger in our conviction of the future, right, and where we want to take this business, right, rather than just give you some numbers at this point. By the way, the numbers are floating within our financials somewhere, I don't know if it's there or if it's not, etc. So, but a lot more on that in the future.

On the Networks, look, the dynamics that you see – which is that high-single-digit government growth, and I think the Aero and the Cruise business performed better than our expectations, honestly. The dynamics going forward is as follows. We expect our government business to continue to deliver mid-to-high-single-digit revenue growth. We think it's absolutely sustainable. There'll be some important wins we'll be announcing. Unfortunately, we couldn't get it done and closed for this quarter announcement, but we'll be announcing, I'm sure, in the third quarter that further demonstrates the traction in that business. And it's driven by the fact that both the US government as well as European government and other global governments, international governments, see satellites as a key component for their strategy, both in military use as well as non-military use.

So we see the demand, whether it is, as I said, in military missions or in social connectivity and digital initiatives that they have across the countries, is very strong. And the governments are not looking for one solution. They're looking for multiple orbits and with our unique MEO capability and GEO combination and partnerships in LEO, we see that demand to continue to be strong.

We also see our Cruise business, if you normalise for the periodic revenue we got in first quarter because due to one single contract, will continue to be strong. And we see that evolving by looking at, how are we doing in terms of new ships wins, right? That's an important key indicator for us as we look in the future of the business, and we're quite – we're happy where our team has taken us and growing it.

And our IFC business, there is massive demand today. A lot of our business in that segment is to our partners. We're getting pulled into a lot more airlines asking us to build – to bid direct. In some cases we include the partners. In other cases, they really want us to be bidding direct. So we see the momentum and the opportunity of new airlines turning on connectivity in their aeroplanes to be very robust going forward.

So you should expect the overall Networks business momentum to be exactly how you see it today. That's what we're expecting, that's what we're driving and that's where we're putting a lot of our investments to ensure we have the solutions that are very competitive. I hope I answered your questions.

Sami Kassab: Perfect. Thank you very much.

Operator: Thank you. We will take the next question from line Aleksander Peterc from Bernstein. The line is open now. Please go ahead.

Aleksander Peterc (Bernstein): Good morning, and thank you for taking my questions. I just have two. The first one pertains to the phasing of the headwind you're going to have from this Brazilian operator's lower revenue. It seems to me that we're shifting from -5%, which is a secular decline for your Video business, to -10%, during the time when you have this base effect of this Brazilian customer. So, is this kicking in as of the second quarter and then continues for the next 12 months, or is it different phasing? Just like to understand where exactly we should model this downward trend in Video. And against that backdrop, can you just confirm that you'll still be in a position to report like-for-like growth in 2025 overall, with the growth in Networks offsetting entirely that Video decline?

And then the second question, if you could detail the reasons behind the 15% decline in the second quarter in Fixed Data, like-for-like, what exactly caused this drop? And will this reverse in the second half as you have more capacity coming on stream with mPOWER? Thank you.

Adel Al-Saleh: I'm sorry, repeat the last part, just the last part of the like-for-like question. We didn't get it. What exactly was the question?

Aleksander Peterc: If the Fixed Data was down 15%, 1-5, in the second quarter, and I just like to understand what exactly happened there and if that is going to reverse the second half? Thank you.

Sandeep Jalan: Yeah. So on your first question concerning media, as we explained the impact of this customer in Latin America, in quarter two, we had a negative impact coming from that. If you exclude that impact, it's basically in the same range that we had guided for, which is the mid-single-digit decline. However, this customer and this particular restructuring doesn't impact the overall revenue for the full year. Right? So this adjustment, it reflects for the cumulative position of the year where it had a negative impact, but with the recognition that we will have in the rest of 2024, it does not make an impact. So we would expect Media to be in line with the outlook that we had provided at the beginning of this year. That means mid-single-digit decline for 2024.

As we move in 2025, we will see about another 5% impact on Media. This will be only in 2025, on top of the mid-single-digit that we guide for the midterm outlook. And that remains the same trajectory going forward.

Speaking about Fixed Data, Fixed Data in quarter two, it was a difficult quarter for our Fixed Data business. We had some difficult revenues in Europe as well as, we had explained earlier as well, some one-off revenues in prior year. And as we move into quarter three, we would expect some uplift.

In quarter two, as we entered quarter two, we have also prioritised some other verticals, like government and mobility, much more on mPOWER. As we go into second half of the year, we would expect further ramp up in our Fixed Data business. But this remains really a challenging part of our business. And as Adel well explained, we would expect a step-up in this business.

Adel Al-Saleh: Yeah. So the Fixed Data, I'm not sure how like-for-like was -15%. Actually, the like-for-like for Fixed Data would have been a lower decline versus reported because we have this periodic revenue in first quarter of 2023, right? So it's not – the -15% would not be accurate. And Richard can follow up on exactly what it is.

Sandeep Jalan: Just if I expand on that, 15% is the number for quarter two. I think we should take a look at the number for the first half of this year, where it was -8%, and if you normalise this one-off that was in first half of last year, then actually it's a very low-single-digit, about 2%.

Adel Al-Saleh: And part of the dynamic there – it's – look, it's a good question because that is a segment that we are looking very, very hard at, and we've become a little bit more selective of the kind of customers we go after. Where do we put our capacity? Avoid the very large commoditised segments within that Fixed Data, right? So we had selected already in the first half of the year – our leadership has selected not to pursue certain things. Partially, we're in a unique position where our capacity is quite highly demanded. So we are very picky where do we deploy that solution or capacity versus going after quite commoditised or highly price sensitive segments.

As I described in our strategy evolution, we are focused on areas where we can differentiate. And there are plenty of areas in Fixed Data to differentiate. The sell cycles are longer, but the long-term trajectory of those are much better for us as we go forward.

And your question on how should we think about 2025? This is not a 2025 forecast call. Right? But as I said in the beginning, first of all, the impact of the Brazilian customer, we fully expect to mitigate on bottom line, which is really important; that is point number one.

We will also work very hard to mitigate the revenue impact. So as overall company, we will work very hard to make sure that our overall performance continues to be stable or slight growth, and not accept the fact that we have a customer impact that will then drop to the bottom-line or to the top-line of the company. I want to make sure you don't model us incorrectly going forward, assuming that this thing is going to just drop, and we are unable to mitigate it.

Aleksander Peterc: Okay. Thank you. So just to clarify, you're saying Video will have the full impact next year, -5% on top of the -5% secular decline. That's -10%. So Networks needs to grow by 10% for you to be flat in 2025. Is that the right way of looking at it, just thematically?

Adel Al-Saleh: Yeah. Look, there are a couple of things. Broadly, directionally, you're correct. However, there are several levers we also have in Media to mitigate some of that revenue decline. So it doesn't have to be -5% and -5% equals -10%. How much of it, we will disclose as we get into 2025, right, because there are a lot of things we're doing in the second half of the year, especially new contracts, new things – Sports and Events, big, big, big contributor as well for Media. We're also rolling out multiple free-to-air neighbourhoods in addition to what we currently have in our business.

So there are multiple activities in the Media business that should be able to help us in 2025, but we will quantify all that in due course. But I wouldn't see it as -5% and -5% equals -10%.

Aleksander Peterc: Very clear. Thank you very much.

Operator: Thank you. We'll take our last question from line Roshan Ranjit from Deutsche Bank. The line is open now. Please go ahead.

Roshan Ranjit (Deutsche Bank): Great. Good morning, everyone. Thank you for the questions. I've got two, please.

Firstly, on the government business, which, as you highlighted, has done well in the first half of the year. We've seen a few of the announcements, particularly, I guess, yesterday around the GEO business and having signed contracts with the US government on GEO HTS. So my question is, and I know you don't disclose the mPOWER backlog, but you previously talked about the second half of the year being dominated by filling the backlog with government contracts, having previously focused on mobility. So, could you give us a sense of how that has been trending? You said that you expect government to be strong in the second half of the year. I guess that will be driven by mPOWER. But how many contracts have you signed, I guess, so far? How many do you expect to sign for the rest of the year?

And lastly, just a quick one, the Starlink partnership. Any colour you could give us on how that is progressing and any revenue contribution as part of the partnership agreement that you have? Thank you.

Adel Al-Saleh: Thank you. Look, on the government business, the attractive part of the government business is they are quite diverse in their requirements. So you've seen the latest announcement that we put out earlier today, I believe, or yesterday around Air Force, it was GEO solution. By the way, it's the third iteration of that contract, and the customer has an option to go to MEO and even to LEO, but continue to choose a GEO solution that's really fit for purpose for what they do, for that particular thing.

mPOWER is seeing a very strong demand from the governments. And we are, I would say – I was going to say fortunate, but really, it's an unfortunate situation where we have to prioritise customers that go on mPOWER. And a lot of the prioritisation goes to the government.

So, yes, you're absolutely right. In the second half of the year, you will see big ramps going by the government customers into mPOWER. And we're hoping to announce – we were hoping to announce a contract this call, but we will be announcing several contracts over the next several months that will underpin what I'm saying. Right? So you will see that momentum going forward.

And the good news for us is, as I described in my opening remarks, we've got two satellites, mPOWER, going up. That helps us with the capacity. Remember, we're operating the constellation at an impaired level because of the power module failures. That has been very stable for us, by the way. Therefore, as we launch 7 and 8, that gives us more resilience, gives us a little bit more confidence in pushing more power through these satellites, versus being conservative, which gives us more capacity. Then we will add more with 9 and 10 and 11 going in 2025, in the first half 2025, that gives us more capacity, with a complete set of satellites, through 13, in first half of 2026.

So the ramp of that constellation will continue to really progress well for us. And we just look forward to making sure that our constraint now opens up a little bit, so we can bring more customers into this exciting, really powerful solution with all the flexibility and the low latency that that constellation provides.

The Starlink partnership is going well. I mean, we're working with them very closely in Cruise. We will not disclose financial details. We don't have an agreement with them to be able to disclose it. But if you look at our Cruise customers, they're really asking for that flexibility. They want to have dual source on the ship that's able to leverage whatever capacity available, both for ship operation, but also for their customer experience. And you can go on some of these large cruise lines websites and see the type of digital experience they're offering their customers, it's really innovative. It's amazing what they're trying to do both on the ship, but also on shore when they actually get customers going into tours and different events, etc., that uses both capacities and constellation effectively to deliver the type of experience that they need.

So that partnership is going very well with us. And, of course, we're thinking about expanding broader LEO partnerships because we are a big believer in this multi-orbit where we are the – have the owner economics between GEO and the MEOs, which are very important to us. And, of course, a partnership for a LEO Solution that provides the customers what they need.

Roshan Ranjit: That's great. Thank you. If I may just push for a bit more on the Starlink, what percentage of your ship base have both solutions on them at the moment, please?

Adel Al-Saleh: Look, a lot of their ships have an implemented dual solution, right? I don't know the exact percentage, but it's growing. So, but it's interesting to see, as it grows, the percentage of the dual sources on the ship, our revenue continues to grow and our margin continues to grow.

So that explains the dynamics, right, which is there is insatiable appetite for bandwidth for broadband on these ships, and one solution doesn't fix it. So they need both solutions in order to be able to provide that continuous resilient bandwidth. So the penetration of dual source on the ships is growing. I honestly don't know the answer of what percentage of our cruise ships that we serve have dual solution, but it's growing, and it's growing fast, and we expect it to continue, while our revenue and our profit in our Cruise business also continues to grow quite fast. That tells you the dynamics, right? That it's not replacement dynamic, it is complementary, and both carriers are getting the volumes that they require.

Roshan Ranjit: Understood. Thank you.

Operator: Thank you. We have come to an end of the question-and-answer session. I'll hand it back over to your host for closing remarks.

Richard Whiteing: Thanks, everyone. That concludes this morning's presentation. As always, myself and the rest of the IR team are available if you have any follow-ups. Have a great day and enjoy the summer.

Adel Al-Saleh: Thank you.

Sandeep Jalan: Thanks everyone.

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

[END OF TRANSCRIPT]