SES Full Year 2024 Results

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Operator: Hello, and welcome to the SES Full Year 2024 Results. My name is Laura, and I will be your coordinator for today's event. Please note this call is being recorded, and for the duration of the call, your lines will be on listen-only mode. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator.

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

Richard Whiteing: Thanks, Laura. Good morning, everyone. Thanks for joining this analyst & investor call for our full year 2024 financial results. The 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 front of the slides.

The agenda today is as usual. In a moment, Adel Al-Saleh, 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 happily take your questions.

With that, I'll hand over to Adel.

Adel Al-Saleh: Thank you, Richard. Good morning, everyone. Starting with the highlights on page number three, I'm pleased to announce a strong year of operational performance, thanks to our evolved strategy, our ongoing transformation, and the laser focus on execution.

We are fully delivered on our outlook, stabilising top-line trajectories supported by a wave of strategic wins and strong commercial success, showcasing the growing demand for our differentiated solutions. This was a landmark year for our mPOWER MEO constellation. It entered commercial service. We'll be increasing mPOWER capacity in sizable steps starting in April this year, followed by another step in 2026 and another step in first half 2027.

These increases in capacity will accelerate revenue ramp-up of our well sold-out MEO constellation. Year 2024 is also a landmark year with concession award of IRIS-square project, which will drive the next generation of our MEO growth towards the end of this decade.

I'm pleased to report that the regulatory process to complete the transformational and value-accretive Intelsat acquisition is fully on track. We have detailed plans for high-conviction synergies and reaffirming our previously communicated financial objectives for the combined company.

Looking at the financial highlights on page number four.

2024 revenue is stable year-on-year and at the top end of our financial outlook at over €2 billion, reflecting strong operational execution, led by third consecutive year of our Networks' growth. Our 2024 adjusted EBITDA exceeded our expectations and our 2024 outlook, going above €1 billion marked by €30 million, delivering 1% growth year-on-year. This was supported by solid performance with 3% year-on-year growth in our Networks business and nearly 9% reduction in our controllable operational expenses, as we continue to transform and drive operational excellence throughout the business.

Adjusted free cash flow was €253 million with €684 million generated in the last two years and remains a key differentiator within our industry.

In 2024, we continue to secure our future growth by securing over €1.4 billion of renewals and new customer contracts supporting our sizable gross backlog of €4.8 billion. Our net leverage remains at 1.5 times, including €3.2 billion of cash and cash equivalents.

We continue to maintain a sector-leading investment grade balance sheet and have delivered €450 million of cash returns to our shareholders during 2024, including the interim dividend and share buyback.

Moving on to the vertical performance, starting with our Networks business on page number five, where we have demonstrated our ability to win with our differentiated multi-orbit offerings, which supports our continued growth for the third consecutive years in a row.

Our Government business is up by more than 6% year-on-year, driven by expansion in both the US and global government revenues. Our Mobility business is up 7% year-on-year, with double-digit growth in aviation and complemented by higher revenue in cruise, where we extended our overall portfolio with nearly 50 new cruise activations during the year.

Due to the capacity constraints of our current O3b mPOWER fleet, we could not offer enough capacity to our Fixed Data customers. And due to the competitive nature of the segment, our Fixed Data business is down by 8.7% year-on-year. Overall, our Networks business secured €760 million of renewals and new deals.

Finally, Networks' gross backlog stood at €2.6 billion, showcasing the growing demand for our managed multi-orbit solutions, which have allowed the strong wins this year, which I will elaborate on in a few minutes.

Starting with our Government business on number six, where we grew 6.4% year-on-year, driven by the expansion in both US and global government businesses. Secure and sophisticated satellite-based solutions with multi-orbit applications are an increasingly critical component to fulfil government requirements, and we are a trusted partner in the area as shown with the important $200 million NATO MGS contracts and the US-European Command Blank Purchase Agreement and IRIS-square contract awards.

The NATO MGS contract is the first government commitment to mPOWER, which will consume much of the total near-term capacity to provide secure, resilient, and high-performance MEO connectivity for NATO members. The contract is for an initial three years, with the option to be extended by two more years.

This is also the first contract within the partnership between NATO, Luxembourg, and the US, which makes it easier for NATO allies and partners to participate in a multinational and multi-year procurement, realising synergies and economies of scale.

The US-European Command Blank Purchase Agreement is a multi-year commitment with a ceiling value of US$117 million, where SES will deliver multi-orbit and multi-band satellite capabilities to USEUCOM that will allow for greater network resilience and flexibility required for mission success in the responsibility of the region.

This was one of many US government contracts secured during the year, which also included $47 million with US Air Force Air Combat Command, US Agency for Global Media, and most recently, a $90 million award from US Army.

Finally, and perhaps most instrumental contract award this year, and one I'm very proud of, is the strategic IRIS-square secure sovereign government connectivity tender. The 12-year concession contract of IRIS-square will allow us to expand SES differentiated MEO offering to keep pace with the rapidly expanding demand where we're constrained today. And it gives us access to LEO constellation with owner economics when needed.

It further strengthened our offering by delivering a truly global MEO experience of guaranteed high throughput and low latency connectivity anywhere on land, at sea, or in the air, including the pulse, further expanding our total addressable market. We have started the project with focus on confirming schedule, pricing, and technical requirements by RDV1 in less than 12 months.

Our focus is to execute the contract within the framework of our financial policy, delivering IRR above our 10% threshold as announced back in December. Throughout the year, we have had many significant wins. On page seven, we're just listing a few other notable government wins, including US Department of Defence, Luxembourg Government, and several others.

Moving to page eight, and our Mobility business, which is up more than 7% year-on-year, including the periodic revenue booked in Q1. With double-digit growth in aviation, as we win new airlines such as Thai Airways, Turkish Airways, complemented by new cruise customers like Virgin Voyages and Resorts World Cruises.

First, I'd highlight our notable wins in the aviation business, with the first airline customer secured by our Open Orbits partnership. We and our partners provide seamless multi-orbit connectivity across the skies with uninterrupted coverage from east to west, and delivering internet speeds of up to 300 megabits per second.

Thai Airways, the national carrier of Thailand, will become the first airline in Southeast Asia, while Turkish Airlines will integrate Open Orbits on its new fleet and have seamless connectivity over GEO and NGSOs in their aircraft.

At the same time, our wholesale offering continues to grow, and I'm delighted to say we have recently secured a major strategic capacity agreement just a couple of days ago for SES-17 worth over €100 million in contract value.

In cruise, we're continuing to expand our portfolio of business, which now stands at over 100 ocean ships with major brands like Carnival, MSC, Virgin, Resorts World Cruises, and others. Virgin this year were the first cruise operator to use SES Cruise mPOWERED + Starlink PRO offer, which signals we have truly entered a new era for multi-orbit connectivity solutions.

Our continued success in cruise with sustained demand for new builds showcases our strong position in this segment, thanks to our offering of fully integrated end-to-end service that uses multiple orbits, including MEO-based solution as the cornerstone of their passenger connectivity experience.

It's successes like these that have driven our continued growth and 7% year-on-year growth in Mobility, and which will drive our future expected growth in both cruise and aviation, where our ability to deliver managed multi-orbit solution is a source of strength, anchoring our right to win even in a competitive segment.

Last but not least, I'd like to talk about our wins in Fixed Data on page number nine.

Fixed Data delivered minus 8% year-on-year. Comparison is impacted by some periodic revenue last year in 2023. However, despite our capacity constraints, especially in the last few quarters, second half of 2024 was up 8% year-on-year compared to the first half of 2024. As we increase our available capacity on the mPOWER, we expect Fixed Data to continue to improve in 2025.

This is backed by new contract wins such as the agreement in Brazil with Telebras under the federal government initiative promoting digital inclusion across Brazil. We deliver much-needed high-speed connectivity through our SES-17 geo-satellite to underserved areas across northern Brazil.

I'm excited to talk about a new deal with the Viasat Energy, which is the first to bring new services and mPOWER to the Asian Pacific region where SES will provide sophisticated connectivity solutions to support and enhance offshore operations to a floating production storage and offloading vessel.

Equally, the multi-year contract with Orange to connect remote territories in the Wallis and Futuna Islands, where mPOWER will bring digital connectivity to thousands of people in underserved regions, where fibre connectivity is scarce or non-existent.

On page 10 are some more notable wins in our Mobility and Fixed Data businesses.

Moving to page 11 and our high cash-generated Media business, which continues to perform as per our expectations, delivering minus 5.3% decline in the year in line with our mid-single-digit guidance.

With stable DACH market, which serves 18 million direct-to-home households with multiyear contracts with major public and private broadcasters such as Sky, RTL, Warner Brothers Discovery and a double-digit expansion in our biggest performer, Sports and Events, we have booked more than more tier one global brands. This growth was offset by continued declines in other markets.

We have secured €650 million of renewals and new agreements, underscoring the significant cash flow generation of our Video business and contributing to our gross backlog of €2.1 billion, including several important multiyear renewals. The revenue and operational performance reflect the robust fundamentals of this business and solid customer base and customer demand.

On page 12, I'm glad to be able to tell you more about some important wins this year. The multiyear multi-transponder deal with Sky extends delivery to the end of the decade, providing the reliability they need to continue delivering the best TV content and demonstrating the sustained relevance of our satellite offering for media applications.

Secondly, I'm proud to announce a tier one sports brand. ATP, has chosen SES to broadcast its 58 tennis tournaments this year, which will reach over one billion fans across the globe to over 70 broadcasting partners. This is a massive reach for SES broadcast and services and allows ATP to have an easy to use, centralised platform to manage and deliver its content, optimising their capabilities and providing the best-in-class customer viewing experience for tennis fans of all ages.

And lastly, I'm happy to confirm a multiyear contract extension with ProSiebenSat.1, which we'll continue to distribute across Germany and in Austria in our valuable and cash-generative 19.2 degrees east neighbourhood.

These and the other ones we have announced throughout the year continue to support future of our Media business and the importance of satellite broadcasting for our media customers, as we continue expanding our services to a comprehensive approach in the media service market by combining our traditional capacity business and added ground services and managing more of the distribution chain to reduce complexity for our customers.

Page 13 shows just a few other notable media wins this year, including RTL and Warner Brothers Discovery and others.

Moving to page 14, and the development and deployment of our O3b mPOWER constellation that will sustain revenue over the next several years.

The entry of mPOWER into commercial services earlier this year was a key milestone for SES with customers now onboard and benefiting from our MEO offering. Q4 was an important quarter, we have made further ground installation and onboarded even more customers into our MEO constellation and where we have launched satellite 7 and satellite 8. They are now making their orbit raising phase, which will add meaningful and much needed incremental capacity.

Based on our learnings throughout 2024, we're going to increase mPOWER capacity in a few steps. Step one will happen at the end of Q1 when satellites 7 and 8 enter service, followed by another step after satellites 9, 10 and 11 launch and start service, and final step after satellites 12 and 13 are in orbit. These are significant capacity increases for our mPOWER constellation.

From 2027 onwards, we will operate a powerful constellation with seven fully capable satellites, supplemented by the initial satellites we launched. A key advantage of operating in MEO is inherent scalability of the network allowing us to incrementally add a small number of satellites on a regular basis. This ensures capacity grows in line with customer demand while maintaining a healthy balance between supply and demand, all in a CAPEX-efficient manner.

Each new satellite strengthens this constellation, enhancing overall capacity and network efficiency to support a profitable long-term growth trajectory. Meanwhile, IRIS-squared is very well timed to enter service by 2030. At that point, the mPOWER constellation is expected to reach steady state in their operation. Together, they will enable us to meet expanding demand well into the next decade.

Additionally, IRIS-square will extend coverage beyond mPOWER reach, unlocking new opportunities for MEO-based services in regions that were previously inaccessible, including seamless pole-to-pole coverage.

Finally, an update on our transformational agreement to acquire Intelsat on page 15. On the regulatory front, we're making good progress. We have secured additional regulatory clearances since November. Although these are relatively small clearances, it is nonetheless encouraging and underpins our conviction in closing the deal.

Closing of the acquisition remains on track to complete during second half 2025. Now with the detailed integration plan validated by both teams to deliver conviction case synergies of €2.4 billion NPV, and the execution time line of 70% by the end of third year after the day one, with an opportunity at to accelerate our time line.

While resecting all other, all the legal and regulatory requirements, we continue to operate fully independently. We reiterate our combined company financial objectives, which we have announced back in April 2024 upon the transaction announcement. The combined multi-orbit company will be strategically positioned to compete with comprehensive end-to-end solutions and high value and high growth markets.

In the past few weeks, we've undertaken a review of the latest projections and all financial objectives are fully validated and reiterated, supported by strong balance sheet fundamentals and sustained cash flow growth. This combination will create a formidable competitor with a financial strength to invest in the future opportunities while preserving our investment-grade metrics and delivering attractive returns to shareholders.

In addition, I'm sure many of you have seen the FCC's draft notice of inquiry proposal for future C-band clearances. FCC's objectives is to move fast in clearing additional C-band spectrum. We will cooperate with FCC to support their objectives, while ensuring that the best outcome for our clients in North America and for us as well.

With that, I'll hand over to Sandeep to take you through the financial highlights.

Sandeep Jalan: Thanks, Adel. Good morning, everybody. We are very pleased with our financial performance for 2024, which demonstrates a disciplined execution with very important contract signings during the year with revenue at the top end of our expectations and adjusted EBITDA being well above our expectations. This supported a solid cash generation and continued shareholder returns.

Starting with the income statement on page 17. Revenue was at €2.001 billion. It was broadly stable compared with full year 2023 at the constant forex; with the third consecutive year of growth in Networks is a growing part of our business and now accounts for about 54% of our total revenues.

We are very happy that our evolved strategy, our transformation and the disciplined execution has resulted in a turnaround of adjusted EBITDA back to growth after nearly ten years. Adjusted EBITDA was at €1.028 billion. It was up year-over-year by about 1% and it was also about 3% above the top end of our outlook reach.

The main drivers of this were growth in Networks of about 3%, which was offsetting a decline in Media of about 5%. Total OPEX was down 3% year-over-year. Cost of sales increased in line with the Networks' revenue increase but it was fully offset by continued drive on cost efficiency actions, which resulted in savings at other OPEX by €49 million year-over-year. It was a decrease of about 9%. Adjusted net profit was €126 million, and reduction versus prior year, it reflects higher depreciation and amortisation and higher tax, partly offset by €47 million of lower net interest costs.

The decrease in depreciation and amortisation arises primarily from a change in accounting policy to treat indefinite life intangibles as definite life amortisable intangibles, as already flagged last year, and also the mPOWER depreciation from getting in service during 2024.

Lower interest costs primarily arose from about €127 million of interest income that we recorded due to significant cash and cash equivalents, which is now at €3.2 billion.

Finally, the difference between adjusted and reported net profit is explained by significant special items of €111 million, which included a net impairment expense of €123 million associated with slightly higher discount rates and revisions to the underlying business plans for some of the assets.

€180 million other exceptional expenses of a non-recurring nature included a restructuring charge of €63 million and also the cost associated with the implementation of our M&A activities of about €55 million. All this was partially offset by €83 million of C-band net income and €47 million of related net income tax benefits.

Turning now to cash flow and the balance sheet on page 18.

We continue to deliver sector-leading cash flows. Adjusted free cash flow for 2024 was at €253 million. Now within the last two years, we have generated €684 million free cash before dividends.

Our investment-grade balance sheet continues to be industry-leading with net leverage of 1.1x at the end of 2024, including €3.2 billion of cash and cash equivalents. On top, SES has received €300 million advance from the European Commission as the IRIS2 consortium lead towards executing the programme, and we are holding this €300 million as restricted cash.

In line with our prior announcement to reduce our gross debt during 2024, we have repaid over €700 million of debt and also repurchased an amount of €35 million of hybrids, which is non-call 2026 notes. Further, during January, we repurchased another of €65 million of hybrid, which is non-call 2026, taking the total repurchase to about €100 million.

We have fully secured the acquisition financing at competitive terms, including a successful €1 billion hybrid dual tranche offering that was oversubscribed and completed at competitive terms at the beginning of September last year.

In 2024, we have named excellent progress on C-band reimbursements. We received $386 million in cash, and the remaining amount now stands at about $90 million, and majority of which we expect to receive during the first quarter of this year. The full year 2024 interim dividend of €0.25 per share was paid to shareholders back in October, and the Board of SES is proposing a final dividend of €0.25 per A-share to be paid to shareholders in April 2025, which will give a full year 2024 dividend of about €0.50 per A-share and the total cash dividend paid during the calendar year 2024 amounted to $0.75 per A-share.

Including the interim dividend paid in October and the buyback, which is now completed, we have paid some €450 million to shareholders during last year alone. This takes the total return to shareholders, as you can see on the slide, since 2021 to €1.2 billion, which is over 100% of our adjusted free cash flow over the past four years, and it continues to remain a sector-leading shareholder returns.

Our strong adjusted free cash flow generation profile and the growth outlook will also benefit from the value-accretive Intelsat acquisition, which is fully funded and also well on track to complete during second half of this year. The combined company is expected to generate growing levels of adjusted free cash flow, including from ramp-up of significant synergies.

SES remains committed to investment-grade metrics, and as SES meets its net leverage target of below 3 times within 12 to 18 months after closing the Intelsat transaction, we intend to increase the annual base dividend and then also prioritise shareholder remuneration when allocating any future exceptional cash flows of the combined company.

Lastly, moving to the financial outlook on page 19. 2024 was a successful year. It was a year of execution, where we delivered at the top end of our outlook for revenue and above the top end of our outlook range on adjusted EBITDA. This is now the fifth consecutive year we have delivered business performance within our outlook range.

In 2024, we were able to not only deliver above our expectations but also deliver on our promise to the market to stabilise top line, showing a stable revenue and brought back EBITDA growth. We will continue to deliver and we expect Group revenue to be stable year-over-year as we expect Networks growth to be higher in 2025 as compared with 2024.

This will offset Media declines, which we expect to be above our medium-term outlook of mid-single-digit average decline due to two important elements. First, about 5% decline coming from the Brazilian customer bankruptcy, which we had already flagged last year in August, and the second, there is impact of SD TV channels switch-offs in Europe and the UK, reflecting in our numbers. We expect our Media trajectory to improve from 2026 onwards.

2025 adjusted EBITDA is expected to be broadly stable year-on-year on the back of a better-than-expected outturn during 2024 as we surpassed our outlook by almost €30 million.

When you exclude the impact of Brazilian customer bankruptcy in 2025, we would have expected year-on-year growth on both revenue and adjusted EBITDA. This guidance is based on a euro-dollar constant currency. The recent dollar strengthening suggests further improvement in our euro-reported results.

For sake of sensitivity, you may assume that each $1 strengthening versus euro improves about €12 million in our revenues and about €8 million improvement in EBITDA in terms of our reported and economic results. We expect to deliver during 2025 a second full year of stable revenues and adjusted EBITDA, positioning us for sustained growth beyond 2025.

CAPEX for 2025 is expected to be within that range of €425 million to €475 million, and we expect an average of €325 million for 2026 to 2029, excluding IRIS2 CAPEX. This is fully in line with our prior CAPEX outlook range of €350 million per year over the period of 2025 to 2028. IRIS2 CAPEX phasing is expected to be backloaded with most of the CAPEX to ramp from 2027, and it will translate into an average annual spend of about €400 million over the years between 2027 to 2030. We will announce the exact phasing of IRIS2 programme as we continue to refine the project cost estimates and time schedule toward the end of this year. We also expect a higher free cash flow in 2025 than in 2024.

Moving on to page 20. I would like to reiterate the combined company growth outlook. The highly accretive Intelsat acquisition is set to complete during the second half of this year with regulatory and integration planning activities very well on track and all combined company financial objectives are reconfirmed.

2024 pro forma revenue is aligned to previous outlook of €3.8 billion and a low to mid-single-digit CAGR is expected for the period between 2024 to 2028. It is fully confirmed. Adjusted EBITDA pro forma from the combined entity for 2024 of €1.8 billion has also been confirmed as well as the mid-single-digit CAGR for the period 2024 to 2028 outlook we have previously announced.

CAPEX also remains in line with the previous guidance, pro forma 2024 at about €1 billion and average of about €600 million to €650 million for the period from 2025 to 2028, it is reconfirmed. Intelsat transaction is a highly synergistic transaction. And as part of the integration plan, we have now fully detailed and we have confirmed our conviction case synergies of about €2.4 billion of net present value, of which about 70% we expect to realise within three years. The combined company is on track to grow the adjusted free cash flow towards €1 billion pre-IRIS2 by 2027-2028.

Now I would like to hand back to Adel to conclude.

Adel Al-Saleh: Thank you, Sandeep. On page 22, I'd like to conclude by reaffirming our evolved and differentiated strategy is showing results. First, our strong 2024 financial performance was supported by transformative actions as we move to create a more efficient and agile operating model to accelerate execution, maximise efficiency, profitability and cash flows.

Secondly, there's a growing demand for more sophisticated solutions where we can deliver value by reducing complexity at the customer level and combining multiple orbits. It is clear we see customers' requirements being bifurcated between simple, standard solutions, on the one hand, where competition is more intense, and the other sophisticated multi-orbit solutions, where we can give the best combination of connectivity and support to bring the best of services for our customers in those segments.

This is happening on our selected segments where we have a strong right to win and over 1.4 billion contracts signed this year. On the other hand, through our continued expansion of mPOWER and investment in an innovative new technology and services, we will ensure our versatile solutions remain one step ahead, meeting evolving needs of users who require more than standard connectivity and deliver a clear path to sustained growth and cash generation. Hence, positioning SES to differentiate and succeed in a new era of competition, innovation, and opportunity.

On page 23, we're looking ahead to another milestone year in 2025, as Sandeep mentioned before. With the laser focus on strong execution, operational excellence and SES' key strategic priorities, we will continue to expand our O3b mPOWER constellation adding much needed capacity with the launch of satellites 7, 8 and 9.

We'll continue to further grow in Government and Mobility, which is expected to deliver Networks acceleration. The successful highly and highly accretive integration of Intelsat accelerates our trajectory towards sustained value creation and long-term growth and a stronger multi-orbit competitor. The combined company is poised to drive sustainable revenue growth, adjusted EBITDA and free cash flow, ultimately, maximising value for shareholders, as highlighted on page 24.

As mentioned previously, on C-band, we'll cooperate with FCC to support their objectives while ensuring the best outcome for our clients in North America and for us as well. We will enhance scale, financial strength and a broader solution set, we're well positioned to be in the top three players of this expanding industry with an important differentiating ability to generate over €1 billion free cash flow by 2027-2028.

Our commitment on strategic iterative investment will continue to reinforce our industry-leading balance sheet and strengthen our capabilities demonstrated by the €450 million return to shareholders in 2024 and over €1 billion cumulative return to our shareholders since 2021. This is reiterated by our intent to increase the annual base dividend once the combined net leverage falls below 3 times and prioritise shareholder remuneration when allocating any future exceptional cash flows in the combined company.

As we embark on our journey to reinforce continued industry leadership of SES, our Board continues to review its current composition to ensure that it has the right balance of skills and experience required to steer SES to future growth and value creation in the fast-changing market environment. It is the Board's intention to propose changes at the upcoming AGM.

As we close 2024 with all financial targets reaffirmed, with Intelsat integration multi-orbit leadership and financial discipline, we're well positioned for a transformative 2025, driving growth, innovation and strong shareholder returns.

With that, we're happy to take questions.

Questions and Answers

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We will now take our first question from Sami Kassab of BNP Paribas. Your line is open. Please go ahead.

Sami Kassab (BNP Paribas Exane): Yes. Thank you. Good morning, everyone. I have three questions, please. First, can you confirm my understanding that it's your intention to return cash to shareholders from the insurance proceeds and any potential C-band cash proceeds?

Secondly, how much of the C-band rights that you currently have is currently in use, and therefore, how much could theoretically be repacked?

Lastly, on Ukraine, we've heard the parliament in Europe suggest that GOVSATCOM should play a big role in covering Ukraine's internet connectivity. Can you update us on SES' positioning and deployment of services in Ukraine and whether you see that as a potential new revenue stream going forward? Thank you, Adel.

Adel Al-Saleh: Thank you. Thank you for the questions. Look, we're making it very, very clear that the C-band dynamics is moving quite fast, right? It is FCC's intention to move as fast as they can. This is actually the new administration's priority, if you will, in generating more revenue for the Treasury as well as releasing some of the C-band into the mobile operators. We will cooperate with them, as I said, very clearly.

We're also making it very clear that our priority in this company, especially the combined companies, first of all, to delever below 3 times and that any excess cash that especially with exceptional proceeds that we may get will be prioritised to our shareholders' return. We're making it there very, very clear.

Now how much of that spectrum and how much is going to be monetised, it's very early to say. As you know, we're now operating within a 200 megahertz of the remaining spectrum, between 3.98 and 4.2, right, in that kind of range.

How much will we need to clear is uncertain. FCC's intention is to get as much as they can and release that. We just need to see this process to go through. I want to make sure also that there's a clear understanding in the marketplace around how is the C-band structured within the Intelsat agreement.

First of all, in a combined company scenario, SES, the combined company, will have a benefit of about 12.5% more in the first 100 megahertz versus a stand-alone company. So we'll get 12.5% more if we were a stand-alone company for the first 100 megahertz. Anything above the first 100 megahertz will be 100% allocated to the SES new company. And that's something I'm not sure the market understands really well, but that's really important element of our agreement with Intelsat.

Clearly, there is significant value in the future. How much will be released is still very early to speculate. We just need to see how FCC proceeds with their process and their steps, and then it will become clear. I hope I answered those first questions.

On Ukraine, look, we continue to support Ukraine operations, right? I mean, this is not some public knowledge that we disclose the details of what we do, and we see that there is a much bigger opportunity in front of us with the dynamics that you're seeing in the market between the US asking Europe to pick up more pace and take more on the support of Ukraine. So we're very well positioned for that as we go forward. That is much as I can say about Ukraine.

Sami Kassab: Thank you very much.

Operator: Thank you. We will now take our next question from Alexander Peterc of Bernstein. Your line is open. Please go ahead.

Alexander Peterc (Bernstein): Yes, good morning. Thank you for taking my questions. First one will be a little expansion what you said on C-band. Is it correct to understand from your comments that freeing up more than 100 megahertz is a realistic proposal as you rightly point out that you're going to get 100% of any excess returns above 100 megahertz?

The second question, still on C-band, would be how should we think about the potential compensation of satellite operators. Should we just apply the same economics as in the previous round, or is that too much of a rough approach? What's your thinking there?

Then the second question I would have is more operational. On fixed connectivity, you seem to have deprioritised that segment as it carries lower margins and you have scant bandwidth available right now before more of mPOWER ramps up. Should we assume that the mix change towards more fixed connectivity going forward as you get more bandwidth on mPOWER, would that be dilutive for your EBITDA margins? Thank you very much.

Adel Al-Saleh: Thank you, Alexander. Very good questions. Well, look, on the C-band, as I said, FCC made their intentions and objectives very clear. They would like to get more than 100 megahertz. Is it possible technically? Yes, it's possible. It requires work. It requires detailed engineering work, which we will get into, and of course, support FCC objectives, as I said before.

How much actually gets cleared is still unclear, right? It will be really important to see how FCC proceeds, like I said, with their processes with their consultation period, the things that they need to do in order to get the feedback. But their objective is very clear, to get as much as possible. Technically, although the difficulty will rise, it is possible. There are other solutions we can propose to customers and to FCC.

In terms of how do you think about compensation, look, there are not too many precedents, right? Again, it's very early for us to speculate. We need to let this process play out. But the only precedent available is what happened in the last clearing, right. That's the only thing that we have in the marketplace to see how it goes.

Also, you need to think about kind of what is the value of the C-band. My perspective is the value of the C-band actually has grown rather than contracted over the last few years. But that's my perspective, right, rather than perspective of how much actually compensation will have. That is a very valuable band for everybody, by the way, not just for the mobile operators. But also you can see that the direct to device folks like to get their hands on it, our customers think it's really important. So it's a very valuable piece of real estate, if you will. But we need to let the process play out in order to understand what the potential future compensation could be.

Regarding your questions around our fixed connectivity solutions and their performance. Look, there's no question they have been constrained and we have walked away from demand in the market because we prioritised higher-value segments, right, particularly Government and Mobility. As we release more capacity, our prioritisation will remain the same, right? We will look at the best outcome for SES in terms of where do you place that excess capacity.

However, we expect that with that excess capacity that are quite significant steps that we'll see, as I described in multiple steps as we go forward, one happening very, very quickly. We will get more capability and more capacity to the fixed solutions, and we see it as incrementally accretive to us versus not having it. Yes, it will be at a lower margin but, if not, will be dramatically dilutive to us as a margin because of volume that we expect to release into that segment, right?

I feel for my colleagues and my employees and leaders who are driving that segment, who are fighting for demand and have customers that need it. But we will, of course, deploy capacity as we see that's the most value accretive to our shareholders and our company.

Sandeep Jalan: Just to add to that margin question, Alex, is that we are delighted with our 51% margin in the year 2024. As you can see from our guidance for 2025, the margins is remaining at around 50% plus levels, right? That's our goal, right, despite some drop in Media that we mentioned earlier.

We will continue to see robust growth in Government and in Mobility, where we have very strong backlog and very good levels of demand. So despite the fact that we might locate now a bit more to our Fixed Data business, but we'll continue to see a robust level of margins, where we are not only continuing to focus on a rich and higher profitability mix, but also focusing on our discretionary costs, right? You saw that during 2024. We took out a lot of costs. And there a lot of cost optimisation actions that are going forward and is a part of our guidance for 2025 as well.

Alexander Peterc: That's very clear. Thank you very much.

Operator: Thank you. We'll now move on to our next question from Roshan Ranjit of Deutsche Bank. Please go ahead.

Roshan Ranjit (Deutsche Bank): Great. Morning everyone. Thanks for the questions. I have got three, please. I know you mentioned the ongoing regulatory process as part of Intelsat and some of the smaller approvals you received. Can you just outline some of the asks that you've had to provide from some of the larger jurisdictions and in terms of when some of the larger approvals should be expected to be received, please?

Secondly, and maybe going back to the fixed connectivity question. One of your peers alluded to increased pricing pressure in the industry. Again, I appreciate capacity used in different segments. But anything that you are seeing particularly on the Mobility side in terms of pricing? Are you able to kind of offset that with volumes?

Lastly, and apologies if I missed it, going back to the '25 guidance. You highlight that it excludes the impact of the Brazilian customer bankruptcy. If I go back to Q2, you highlighted at the time that you expected to mitigate at the EBITDA level the impact from that. How should we think about that translating into the stable adjusted EBITDA guidance, please? Thank you.

Adel Al-Saleh: Very good. Thank you. Good questions. Thank you for that. I'll start and then Sandeep with will complement.

Look, the regulatory process is really progressing as we expect, right? I mean, we expect it to clear the smaller regulatory regimes very quickly or as we planned, and that happened and etc. And the big ones being US Department of Justice, FCC, and of course, European Commission and CMA, we expect it to be really picking up steam right now, and that's exactly what's happening. We have very active engagement with these regulatory bodies going through the typical questions that they have, understanding the market, understanding the impact of the combined company with different market segments, what are the economics mean? What does it mean for competition. So we're providing exactly the type of information that we expected to receive from the regulators.

And it's really taken its expected course, right, and so on. We expect that actually in the next few months, we should see these large regulatory processes come to an end, which is why we're continuing to highlight that our expectation to close in the second half of 2025 is exactly where it sits, right? So we will see those milestones passing in March, in April and May, as we progress with these this regulatory environment.

I don't want to get into exactly what questions they're asking us, but they're exactly what we expected. There's nothing in this regulatory process so far that we have seen that is a surprise to us. We expected them to focus on certain areas. That's what their focus. We have our very clear cases. We're explaining our business and how the business evolves. That's progressing very well.

Your second question around the increased price pressure in the fixed services market, yes, there is price pressure there. No question. That's why I said when I presented this our team in that segment has two dynamics that they have to deal with. One is available capacity that they can sell and the second one is the competitive nature of that market.

But again, even in that market, we look at ways to differentiate, right? So we do not follow the path of just going and dumping capacity wherever we can, especially because our capacity is in high demand. We choose to be very picky. We've defined these green zones, whether it's with mobile operators, whether it's with energy companies, whether it's with digital inclusion solutions, where we do not want to go down the path of just competing purely on dollar per megabytes or euro per megabytes that we have. We found those segments.

That's why we're not necessarily chasing growth in the fixed services market. We're chasing quality, right, and where we can be quite sticky and the cash generation has been quite strong.

In the Mobility market, related question that you have. Look, again, it's the same thing applies. We have defined our vertical solutions. They are not typically pure capacity selling. Our capacity is augmented by services and capability, that includes security, that includes multi-orbit operation, it includes managed services that the clients need that typically they would either struggle to do themselves or have to hire other people to do to create a differentiated solution for the client, to simplify the complexity that the client really needs, right?

Again, in Mobility, we stay away from those segments that have high competition. I highlighted, you look at aero and you look at cruise as two examples of the Mobility segment, right? It's very clear that in cruise, we coexist with our competitors, Starlink on all the ships. Yet our business continues to grow and their business continues to grow, because the demand for capacity and services on these ships continues to grow. We continue to struggle to fulfil everything they need in a combined fashion.

Just recently, you've seen our announcement, specifically around the really exciting capability to actually manage quality of experience of an individual on a ship, on a plane, right, where we can differentiate between individuals who need to consume a lot of data versus individuals who just need to check e-mails or read the newspaper online. And that's really valuable capability that our customers really demand.

In Mobility, there is competition, no question about it. But again, our strategy is to look at the very specific segments where we can add value, where we can coexist with our competitors because customers need options and customer needs dual sources. They're not going down the path of I'm just going to bet everything on one. They're not doing that, especially in areas where they consider this connectivity becomes very premium, either because it's mission-critical or because it's so important for our customer experience.

And Government, look, I don't need to talk about Government, right. You guys see the demand that we are trying to fulfil in the governments both in the US as well as in Europe and NATO nations and others, where it is really about can we bring more capacity, can we bring more solutions to these customers as we go forward.

Then your last question were your comments on Oi, right? I'm going to say something and, Sandeep, you please. It's exactly what we said. When our customers went bankrupt in Brazil, we made it very clear; we will compensate for that customer impact on our EBITDA through cost and in our revenue through growth in the other segments. That's exactly what we did.

We did it in 2024, in the second half of '24. We're confident in 2025 that despite that year-on-year massive decline, which will show Media to be outside of our typical mid-single-digit decline because that's an incremental decline, yet the business overall is able to deliver stable revenue at broadly stable EBITDA. That is a result of us being able to manage the costs down, drive more revenue growth in the segments that have growth to compensate for that.

Sandeep Jalan: Yeah. No, exactly that. As you mentioned, Adel, and as we have said last year in August, we are fully compensating the effect of Oi. Let there be no ambiguity on our outlook. Our outlook for both revenue and adjusted EBITDA is to be stable year-over-year on revenue and broadly stable year-on-year on adjusted EBITDA, including the significant one-off effect coming from this Brazilian customer bankruptcy.

What we see, if you exclude that one-off, in fact we would already have grown in 2025. As you can see that there is a very healthy growth in our Networks business that we are seeing. There is also reductions in our OPEX that we are seeing. The aim being to stabilise the margins, right? We are very confident that on our outlook, not only in 2024, we have demonstrated a good progress but also in 2025, and what Adel was outlining earlier, with our laser focus on our strategy and our positioning in the green zones. And differentiated with our offerings, we are winning our fair share of a growing demand and we are continuing to maintain a healthy level of results.

Roshan Ranjit: That's very clear. Thanks guys.

Operator: Thank you. We'll now take our next question from Nick Dempsey of Barclays. Please go ahead.

Nick Dempsey (Barclays): Yeah. Good morning, guys. I've got three left. First of all, one question I get sometimes from investors is whether it is possible for SES to renegotiate the Intelsat deal or even walk away from it in certain circumstances. I wonder if you could give us some clarity on what room you have there.

Second question, how do you think within IRIS-squared about the risks of delays or an increase to the overall cost of the project? If you look at projects of this kind, they have fairly rarely stuck to the deadlines of time or cost. What protections do you have there?

Then the third question. I told you before Brendan Carr's comments on C-band on the FCC blog. There was a letter from Starlink to the FCC referring to the potential for next-generation satellites to participate in sharing that spectrum at the upper end of the band. Is it technically possible for the current video usages and then Starlink to do something and then mobile operators to operate in there? Or without interfering with the aviation use of the spectrum, just the other side of the band?

Adel Al-Saleh: Nick, very good questions. Thank you for that. Look, let me address the first question, which is Intelsat, what are the legal parameters that we can think about in either walking away or renegotiating the deal.

The deal structure is a traditional public company structure, right, which has the expected type of terms in terms of MAC cancellations options, etc., etc. So it's very, very traditional public company deal. There is no unilateral right for any party to walk away. It's not in the content. That's not available.

If Intelsat decides, we just don't want to do the deal, that's not possible to walk away. There are potential options where a party may decide they don't want to close after all conditions have been met. In the contract, if all the conditions are met, each party is obligated to close legally. A party can decide they don't want to do that.

In order to successfully execute that, the other party must agree. And in that case, the party that wants to cancel the contract will have to pay 300 million, plus expenses. If the other party do not agree, they could force the party that's wanting to cancel the contract to actually close the contract in New York law, in New York courts, right? And then it goes to a process of litigation or whatever the companies go through.

That is the structure of this contract, right? And there are other clauses in there where there are adverse conditions or MAC clauses or things that could happen that would give the party a right to cancel. Those have not happened, right? But there are protections for us as a company in case dramatic things can happen and change the trajectory of our combined company and our pro forma and how we think about the business. That's as much as I'd like to say this. Sandeep, you may?

Sandeep Jalan: I would just like to add to that, right? Apart from the contract dynamics, a very important part of that conversation has to be around the value of the deal in the phase and in the way we announced, and we do not see anything having changed from a fundamental point of view. Rather, we have progressed a lot, including on detailing and validating the synergies, on which we have even increased our level of conviction on the value of synergies and the duration to be able to deliver 70%, of the value within three years.

And also, Adel explained earlier, the significant value potential from C-band, right?

Adel Al-Saleh: That's a nobody's number. Nobody's model.

Sandeep Jalan: Exactly. We remain really confident that this deal is highly value accretive for SES as a combined company and are growingly getting more competitive landscape to be able to continue to grow and deliver €1 billion of free cash flow within three years by '27 and '28, and we have confirmed all our metrics.

And C-band, just to reiterate that those value points that Adel mentioned earlier, it's 12.5% more of a combined company that SES shareholders receive as a result of being a combined company compared to the value proportion between these two companies in the last period.

The last 100 megahertz continues to remain fully to SES shareholders' benefit. On the overall, we feel pretty confident on all the modelling and all the numbers and all the value point that we had assessed for the deal.

Clearly, on the reg fees, Adel highlighted earlier, right, this is not a walk in the park. It's a public style M&A deal, right?

Adel Al-Saleh: Very good. Thank you for reminding me of that, right? Because we do feel when you look at the value of the deal, you look at the synergies, you look at the combined company and what we could do in different verticals remains intact. There's nothing that's happened in the last nine months that could change what we have. It has not changed then.

Okay. On your second question with risks of delays in IRIS-square. Nick, when we presented IRIS-square, we were very clear that we've put several important terms in that contract to protect us from risks of potential delays or acceleration in costs beyond what we have. And those conditions remain, right?

Remember, we go through multiple steps. The first really important step that we need to achieve, which is what we call Rendezvous 1, which happens 12 months after we signed the contract, which happens towards the end of the year, beginning of 2026, where we confirm, again schedule, technical requirements and cost or pricing of the project. At that point, the customer or us, as a consortium, can decide not to proceed if it's dramatically different than what we have done before. So that's a really important piece of work where you actually validate technology, you validate that you can execute it.

Then after that, we're quite confident we will get to a positive outcome by Rendezvous 1. After that, we have protection mechanisms of either schedule exceeding the agreed boundaries or the monthly cost that we will be spending has a cap that we can rely on in case things start getting away from us.

Also, we have a protection that in case we are dramatically below our IRR, that we can sit down with the Commission and renegotiate the contract. So there's plenty of protection mechanisms for us, knowing, understanding that this is a quite complicated contract and advanced technology.

I mean, this is our next generation, right, that we're doing. And it's a really fortunate position to be in as a company where you have the government supporting you and the objectives are aligned to build the next-generation platform that we will continue to expand well beyond the IRIS-square capability, right. Think out a ten-year horizon that we will be doing and building up this capability as we go forward within our CAPEX envelope that we have defined.

Then your last question, Nick. As I said, look, this C-band is a highly valuable piece of real estate, right? There are many new applications that are emerging. And what's Starlink has made clear, by the way, and they also made clear that they are supportive of our transaction, because they see that the transaction can create efficiencies, right, in how we utilise assets, not just the spectrum but other assets, and therefore, position themselves to be able to benefit from that.

Now it's up to the FCC, of course, to decide how to do it. Technically, you could work in that spectrum with many different applications. We have demonstrated that. We're in the middle of demonstrating actually a direct-to-device capability within that segment and others. Technically, it's possible, but it needs to be designed and coordinated very, very well. And it's really up to FCC to decide how they want to allocate or free up that spectrum, knowing that their main objectives and the most important objective is to drive incremental revenue to the Treasury to fund a lot of the initiatives that the Trump administration is driving.

I'll leave it at that, Nick, and we'll see how this evolves.

Operator: Thank you. We'll now take our last question from Stephane Beyazian of ODDO BHF. Please go ahead.

Stephane Beyazian (ODDO-BHF): Yes, thank you. Just a follow-up. Can you give a little bit colour or your view on Intelsat's financials that we have seen for the first nine months and whether this is what you expected when you discussed with the company on the merger?

The second question, can you tell us if there are any major contracts that are coming for renewal this year in the connectivity segment? Thank you very much.

Sandeep Jalan: Yeah. I'll take the first one on the Intelsat financials. Clearly, as I said earlier, right, there is nothing fundamentally which has changed our views on the deal, right, whether it's from a strategic or a financial perspective, our value creation for our shareholders.

When you analyse, right, the year-to-date September results, yes, there are some shifts that we see on the revenues. I think you will look at their results that they intend to announce sometime in a week to ten days. And apart from that shift, nothing has changed in the value. There are some short term, which is a shift of revenue, but fundamentally nothing in terms of their growth prospects in those verticals and as the business has changed.

Rather, you should also look at about $100 million extra money that they have recovered from C-band. It's also something that they have announced that compared to the value that we had assumed for C-band reimbursement, where we ourselves as well made an excellent progress last year, Intelsat has recovered $100 million more value than what we had assumed in the deal calculations.

So yes, on a year-to-date September numbers, they are a bit behind but basically on the contracts which are pretty secure and moving to the right. And you will get a bit more inputs on their result announcement in a week to ten days' time.

Adel Al-Saleh: Yes, very good, Sandeep. Look, I just want to reiterate a couple of things. Clearly, we've done a lot of follow-up work and detailed analysis of their shortfalls in 2024, which are driven by very specific drivers and projections into 2025 and beyond.

We can't talk about their projections for the year. They will be announcing their earnings in a week, right, and so on behind this. So you'll be able to see their view of how they finish the year and then how do they see the future going forward.

With all of that detailed analysis, we have been able to confirm our original business case, right. As we've highlighted multiple times, it has not changed from what we assumed in the beginning and how the pro forma of the company was put together and our expectations. So to us, that's very important.

I had the pleasure to meet with their leaders multiple times to understand really the dynamics going into the future to make sure that we are comfortable in how we go forward. Hopefully, that really answers your question.

Then on your question regarding major renewals, actually 2024 was a really important year, especially for the Media segment, right? They've done a lot of renewals that take them to 2029, 2030 and so on. The US government business does not have a lot of big renewals coming up. They've secured for the next two to three years. There are important wins, though, that we want to gain. There are new business that's coming up in Europe. And the government, the same thing. There are several opportunities. We see those opportunities actually emerging faster with the geopolitical dynamics that we're all seeing, and the question that we were asked about the Ukraine. So we see that accelerating.

And by the way, I just want to highlight that our global business outside of the US, Government business grew double digit last year, right? It was one of the fastest growing segments that we have. So we see that demand. We are well established in the US, like we have a very strong contract base, very strong customer base. That we're now seeing the rest of the world is really accelerating their consumption and their demand for actually these kind of services.

So no major year of big renewals. There'll be a few here and there, but not anything significant that we're worried about.

Sandeep Jalan: Yeah. And we are very well positioned in 2025, right, to continue to grow in our Networks business, where we have been growing for the past three years. This year, there will be an acceleration of growth in our Networks, coming from some of these major contract wins that we have already in our bag. Adel explained about them a bit earlier, which is this large MGS contract, right? So we'll have a lot of service revenues coming this year.

Last year, we had only equipment revenues. We'll have service revenues on that. Open aero orbits, which was a new initiative initiated last year. We have several airlines on more coming in the pipeline. So we're clearly see an acceleration in growth in our Networks business, which is basically offsetting the Media decline, including this one-off effect. We are very excited with our 2025 outlook to continue to stabilise despite this Brazilian customer effect.

Stephane Beyazian: Okay. Thank you.

Operator: Thank you. That's all the time we have for Q&A. I will now hand it back to Sandeep Jalan, CFO. Thank you.

Sandeep Jalan: Thank you very much, Laura. Thanks, everybody, for joining this call today. I also want to take this opportunity to thank Richard Whiteing, who has been leading the front from SES for dialogue and engagement with our investors. Richard has been for the last ten years in the job and doing a phenomenal work for SES and on our equity story. So thanks a lot, Richard, for this continuing to lead our IR efforts.

At the end of this month, we'll be transitioning over to Christian Kern. Christian Kern joined with a very wide experience. He comes from Telefónica Deutschland but also have worked previously in many, many different roles and particularly having done a lot of sell-side jobs, having set up the brokerage for also JP Morgan and several of their offices. So welcome, Christian, and thanks once again, Richard.

Christian Kern: Thank you, Sandeep, and look very much forward to working with everyone who's been in touch already this morning, and will take it from here. Thank you so much, and also appreciate Richard for a great handover. Really appreciate it.

Sandeep Jalan: Richard, you want to like to add?

Richard Whiteing: Thanks, Sandeep. Thanks, Christian. Pleased to be leaving the company in a better place than I found it. Really excited about the prospects for the future, both for SES. I'll continue to watch as an engaged interested shareholder.

Adel Al-Saleh: Thank you, Richard.

Sandeep Jalan: Thank you.

Adel Al-Saleh: Welcome aboard. Bye. Thank you, everybody.

[END OF TRANSCRIPT]