SES SA H1 2021 Results

Wednesday, 4th August 2021

Transcript produced by Global Lingo
London – 020 7870 7100
www.global-lingo.com

SES SA H1 2021 Results

Operator: Hello, and welcome to the SES 2021 Half Year Results Conference Call for Investors and Analysts. My name is Jess, and I'll be your coordinator for today's event. For the duration of the call, your lines will be on listen-only. However, there will be the opportunity to ask questions. This can be done by pressing star one on your telephone keypads to register your question at any time. If at any point you require assistance, please press star zero on your telephone keypads and you will be connected to an operator.

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

Richard Whiteing: Good morning, everyone, thanks for joining our investor and analysts' results call for the half year ended 30th June 2021. This morning's presentation was uploaded along with the press release to the Investors section at ses.com, if you don't already have it. As always, please note the disclaimer at the back of the presentation.

In a moment, Steve Collar, CEO, will present the main business highlights, followed by Sandeep Jalan, CFO, to cover the financials in more detail. After some closing remarks from Steve, we will be happy to take your questions, where we're also joined from the US by JP Hemingway, CEO of SES Networks.

So with that, let me hand over to Steve.

Steve Collar: Very good. Thanks, Richard, good morning, everyone. Thanks for joining us. I'm going to be starting with page 3 and our good start to 2021 has continued into the second quarter. We've delivered a solid first half in Video on the back of important long-term renewals across our core neighbourhoods, expanding our market leadership in high definition, good progress in Consumer, all of which has contributed to an improved top line trajectory.

In Networks, we've maintained revenue year-on-year in the face of the extended COVID environment. We do see good signals that the market is picking up. Government has been particularly strong through this period growing double-digit. We continue to execute strongly in the business with a 5% year-on-year reduction in recurring operating expenses, a significant reduction in interest costs and a reduction in net debt by almost €400 million.

Our progress through the first half means that we're on track to deliver our 2021 revenue. We've got more than 90% of our revenue outlook already signed while laser-focused on reducing costs means that we're raising the low end of our adjusted EBITDA outlook.

With respect to C-band, we remain fully on track to achieve the Phase 1 clearing deadline at the end of this year, triggering the first $1 billion in accelerated relocation payments. The recent issuing of C-band licenses and the support that the major licensees to be efficient reimbursement process means that we expect to start receiving cost reimbursement in the coming months.

Then last but not least, we've returned €275 million of cash to shareholders this year through a combination of dividend and share buyback. This underscores our commitment to delivering sustained shareholder returns.

Turning to the key financial highlights on page four. Revenue of €875 million, adjusted EBITDA of €544 million were solidly in line with our expectations. €526 million in Video revenue delivered reflects the improved trajectory down 3.9% year-on-year through the first half versus 8% previously and consistent with our conviction of flattening the curve over the medium term.

€349 million year-to-date in Networks is flat year-on-year, which we're pleased with, given the ongoing COVID headlines. Cruise Lines are returning to business. Aviation is picking up driven by the US and we've seen increased deal flow in the last few weeks across the board.

Pleasingly, the strong focus on execution and the measures implemented during our transformational Simplify and Amplify programme have driven recurring OpEx down 5% year-on-year with the corresponding increase in EBITDA margin to 62%. Given our solid adjusted EBITDA through the first half, we're increasing the low end of our 2021 EBITDA outlook by €20 million, with the range now €1.08 billion to €1.1 billion.

Turning to page 5, on the Video side, we've concluded over €250 million of renewals and new business in the first half of 2021 building on the 650 million of backlog signed during 2020. In Europe, we saw Sky and a number of major public broadcasters extend their business with us, particularly at 19.2 and 28.2 East, the jewels in our network and among the most valuable video neighbourhoods globally.

Pricing trends are flat to increasing, reflecting the value that we deliver to our customers businesses. Importantly, we also extended our relationship with Comcast who serve millions of cable homes in the US, while also facilitating the accelerated clearing of spectrum to support the SEC process through the implementation of more efficient transmission.

We talked previously about our leadership in both the total number of channels carried across the SES neighbourhoods and the number of HD channels carried. Pleasingly, this leadership widened through the addition of 225 channels in high definition, up 8% year-on-year to more than 3,100 in total.

Satellite remains the most efficient reliable and cost effective platform for broadcasters to distribute their most valuable content to consumers around the world.

Good momentum and a positive trend in HD+ in Germany, but I'll skip over that for a second to the recent launch of HD+ in Ghana, an exciting world first as SES and HD+ Ghana was the first business to transmit ultra-high definition in Africa, transmitting both semi-finals and the finals of the European Championships for HD+ subscribers in collaboration with Samsung. In exciting developments regardless of whether you are on the right or the wrong side of the result and sticking with the themes for our Sports & Events business is back to pre-COVID run rates and picking up nicely.

Turning to page 6 and HD+ provides us with direct access to consumers in Germany, is an increasingly important contributor to our most valuable neighbourhood. The business is growing again with important growth in the number of registered subscribers while the price increased implemented earlier this year is contributing to higher year-on-year revenue.

As trailed last time we spoke, we'll be expanding our HD+ plus portfolio over the next few months starting with the launch of HD+ ToGo. For just an additional €5 per month, HD+ subscribers will be able to take their HD+ subscription mobile with access to over 100 channels on their mobile devices using the HD+ ToGo app.

The app will launch in Q4. I've already got the prelaunch version on my phone. It's pretty cool. For those interested who want to improve your German, we've included the link to the commercial in the deck. This will be followed early next year with an IP version of HD+ that will be accessible to the 19 million non-satellite households in Germany, substantially increasing our addressable B2C market.

So, so much for Video. Now shifting to Networks on page 7. It's worth noting that we've been in a COVID environment now for almost 18 months, a period that's had a profound impact on cruise and aviation. These segments for the three years prior to COVID were our fastest growing.

In that context, we're pleased with the year-on-year revenue holding firm, the standout performance definitely the strong growth in our government business, up 11% year-on-year on the back of strong demand from the US and other governments for the multi-orbit solutions that we offer anchored particularly with our unique O3b infrastructure.

I would note that I'm really excited by the engagement that we're seeing from governments around the world in MEO and in advance of the launch of O3b mPOWER later this year.

On the fixed data side, we saw a modest contraction in the first six months driven by expected lower volumes in the Pacific following the deployment of a number of cable systems, but we continue to see growth from rural inclusion projects and continued to success of broadening our relationships with tier one operators. We see that evidenced here with our relationship with Orange and the maritime service partners that we announced yesterday.

We're also excited to add AWS to our one hop to the cloud connectivity services delivering a multi-cloud environment for our customers.

Notwithstanding COVID headwinds, our mobility sector is picking up with the return to sailing for the cruise sector. We delivered the best solutions for cruise in the industry. And with O3b mPOWER still a year away from commercial launch, we've already secured over 300 million in backlog from cruise alone.

We're making good progress in replicating the success in cruise across into the Government sector with Navy and have a number of demonstration services ongoing across multiple mobile fleets that we expect to transition onto O3b mPOWER.

That's a nice segue to page 8. Our view of how we see the market in Networks dividing and where we believe we have a sustaining right to win with our unique multi-orbit cloud-enabled architecture. This graph shows on the X-axis increasing throughput per site and on the Y-axis increasing flexibility whether the demand is essentially fixed geographically or varies over time or location.

If we sort of start bottom left, services such as consumer broadband and traditional VSAT in relatively small amounts of bandwidth into relatively fixed sites. This is a large market. It's actually the largest on this graph and that's where you'll find consumer broadband and providers such as ViaSat and HNS but also where we see the LEOs focus such as Starlink as their architectures lend themselves towards low throughput and low mobility.

We focused our efforts around high throughput and high flexibility. This is where you'll find segments such as Cruise but also important government requirements such as ISR and Navy. We're particularly strong here. We're close enough to the earth to solve for latency but far enough away to allow us to deploy power and bandwidth flexibly to address the changing nature of demand in cruise, aviation and government as well as the higher throughputs for cell backhaul, trunking and fibre restoration.

We overlay this with a coherent geo-fleet and create fixed seamless interoperability between them. This will be made super powerful with the addition of O3b mPOWER 5,000 beams per satellite and terabit per second throughput. With O3b mPOWER, we're launching our second generation network before others have deployed their first. And our network is designed to address the more profitable network segments with a sustaining value proposition.

To underpin this, we've signed €210 million in backlog for SES-17 and O3b mPOWER since the start of the year. And total backlog now stands at $770 million for the combination approximately a year ahead of commercial service.

Finally from me on C-band. The summary is that we're fully on track. Everything remains green with respect to Phase 1 clearing. We've completed the satellite transitions and we're substantially through the filter installations. Phase 2 also remains fully on track with satellites well under construction. With the issuing of C-band licenses, we expect a reimbursement expenses to start flowing in the coming months.

We continue to make excellent progress with the project that will obviously deliver substantial value for SES shareholders.

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

Sandeep Jalan: Thanks, Steve. Good morning, everybody. We are very pleased with the solid start to 2021, as shown by our first half financial results. Our revenue is fully in line with our expectations and we are improving our adjusted EBITDA outlook for 2021 at the low end by €20 million on the back of both, revenue performance as well as cost reductions.

Net profit is up 35% year-on-year. Net debt reduced by almost €400 million, and we have also continued to bring down our financing costs significantly by about €45 million per year. We have also distributed €275 million of cash to our shareholders during first half of this year, which includes €94 million of share buyback, which was completed recently, and a total of 12 million A shares and FDRs and six million B shares were bought back at average price of €6.56 and €2.62, respectively.

Turning to the results in more detail and starting with adjusted EBITDA on page 11. Adjusted EBITDA for the first six months of 2021 stood at €544 million and represented an improved margin of 62.2% compared to 61.4% a year ago. This reflects the combination of solid revenue performance and a 5% year-on-year reduction in OpEx with the benefit of last year's Simplify and Amplify programme.

At the revenue level, Video continued to deliver an improved performance, where the reduction of 3.9% year-on-year compared with minus 8% that we have recorded during first half of last year. This is, thanks to our pricing power and our unique Video neighbourhoods, as well as our growing B2C business of HD+ in Germany, where we also implemented recently 7% price increase.

In Networks, our flat performance versus first half of last year is evidence that even in the challenging COVID environment, our unique infrastructure continues to deliver customer value, and especially in government segment where we achieved growth of 11.3% year-on-year. This has mitigated the impact of COVID on mobility, which not surprisingly declined by about 10% year-on-year with a lag effect after a double-digit percentage growth during last year, as well as lower fixed data revenue in this period.

The long-term prospect in Networks continued to remain strong and we are very well placed to grow, thanks to our unique assets and capabilities in Network, which is well set to capture the massive growth in connectivity demand and is also set to benefit as the recovery from COVID starts to set in motion.

I will now move to page 12, which explains the net profit bridge. Adjusted net profit for the first half of the year stood at €152 million, which is an increase of 35% compared with the first half of last year, where the lower adjusted EBITDA of €38 million, which includes €24 million from forex effect, as explained on the previous slide. And this was more than offset by three main positives. First, depreciation and amortisation was lower by about €32 million or 9% year-on-year. Second, I'm very pleased with the progress we are making to reduce our cash cost of financing.

The refinancing actions contributed to an interest expense reduction of €15 million in first half P&L and about €30 million annualised, which is about 20% reduction compared to first half of last year. And by the way, this represents only the savings in the cost of our senior debts. On top, there are also tangible cash cost savings of about €15 million per year from the recent tender of our 2022 hybrid bonds with a combination of new hybrid €625 million and a tap of our Eurobond 2026 for €150 million, which was done at our historically lowest ever cost of 0.21%.

And this savings, €30 million plus €50 million, respectively, they really expand our free cash flow generation potential of the company significantly for the benefit of our shareholders.

And the third main positive comes from the forex gain of €20 million compared with the loss of €12 million in the prior period. And this forex gain is mainly linked to certain intercompany non-euro-denominated flows.

Reported net income of €137 million for first half of this year compares to €86 million in first half of last year and includes a few exceptional items. These comprise restructuring charge of €6 million and net C-band charges of €12 million and related tax benefits on these exceptional charges. And this is fully in line with our guidance. Our reported earnings per share was also higher than prior period at €0.25.

Turning now to the balance sheet on page 13. Our continued strong focus on free cash flow generation led to the adjusted net debt being reduced by about €400 million or about minus 10% compared to 30th June 2020. At the same time, and as I mentioned earlier, we have also reduced our average cost of financing from 3.5% to 2.8%, which is about 20% reduction, with the benefit in cash annual cost of about €45 million, as I explained earlier. And this expands the free cash flow generation potential.

As shown by the chart on the right, our weighted average debt maturity profile is very healthy at an average of 7.6 years. And you can note that there is no significant senior bond maturities coming due over the next two years.

Moving to the CapEx forecast on page 14. This is totally unchanged. Our robust cash flow will be able to support the growth investment of 2021 and 2022 with no major financing needs. Part of the growth CapEx peak of this year and next for SES-17 and O3b mPOWER, our cash flows will not only benefit from the growing revenues and EBITDA generated by these highly differentiated assets but also from the significantly lower level of CapEx needs beyond 2022, which is set around €375 million per year during the period from 2023 to 2025.

More importantly, after this investment peak cycle of €2.67 billion, we would have completed most of our growth investments and major satellite replacements, meaning that we will then enter a sustained period of limited CapEx and higher free cash flow generation.

Turning now to the financial outlook on page 15. We are on track and continue to expect 2021 Group revenue to be between €1.76 billion to €1.82 billion, of which more than 90% has now already been contracted.

Our focus is to continue to execute across the business and deliver the growth in Group revenues between first half of the year and second half, that is implied in our outlook, where we expect some reduction in Video during quarter three and quarter four to be offset by new wins in Network.

So with revenue on track and our solid performance in reducing year-on-year OpEx, we are also raising the low end of our adjusted EBITDA outlook by about €20 million. So our 2021 revised outlook EBITDA now stands at €1.08 billion up to €1.1 billion.

Positive developments continue also on C-band front. The reimbursement process is now set in motion with the issuance of licenses by SEC as well as clearinghouse being in place with a defined reimbursement process. Billing statements have been submitted to clearinghouse for reimbursement, which will expect to start and receive the monies within this years.

We are well set to the first clearing milestone later this year which will allow us to receive the first proceeds of $1 billion, which will be fully utilised to extending the balance sheet.

With this now, I hand back to Steve to conclude.

Steve Collar: Thanks, Sandeep. I will end on page 17. This is a slide that we showed last quarter and it provides a picture of how we expect our business to develop in the coming years. As we continued to flatten the curve in Video and launch SES-17 and O3b mPOWER to support Network's growth, we'll see top line and EBITDA growth coming through from 2023.

While beyond our investment theme next year, we will be in a sustaining low CapEx environment. This will allow the business to drive strong cash flows on a sustaining basis augmented by €3 billion in accelerated clearing proceeds in late 2023, all of which focused on driving substantial value for SES shareholders.

With that, Richard, I think we're ready for questions.

Questions and Answers

Sami Kassab (Exane BNP Paribas): Good morning, gentlemen. Good morning, everyone. A few questions, please, to start. What is driving the growth in international video markets? Can you elaborate on that please, Steve? Is it pricing? Is it volume going up? And do you think Video revenue growth in these emerging markets is sustainable over the next two to three years? Or is it more due to a specific contract renewal that you are seeing growth in '21? Secondly, what's the outlook for fixed data? When do you expect it to return to growth, please? And lastly, can you provide an update on the revenue impact you expect from the Quetzsat satellite renewal? Thank you.

Steve Collar: Great. Thanks, Sami. So yeah, I mean, growth in international markets in Video, I would say, we're doing well in Africa. We're making good progress in Africa. We have built a neighbourhood in Ethiopia at 57°East. And so that's kind of an important neighbourhood for the future.

Asia continues to be a good market for us supported by what you probably saw a couple of days ago, a strong renewal in India to support the significant business that we have there. I would say, Asia continues to be, again, a good market where we've seen some good renewals and also a little bit of new business coming from the Asia market.

We're relatively modest in our expectations for growth in the emerging markets. We do have some promising developments also in Latin America where we see a little bit of progress. But I would say our expectations are still relatively modest. But yeah, what is there we definitely expect to be sustaining.

I'll hand to JP in a second on fixed data just to cover the Quetzsat question. We have a renewal coming up on Quetzsat towards the end of this year. Won't say too, too much about it but I think we – as we have discussed before with Ciel and Quetzsat and the relationship with EchoStar, I think we see that declining over time. But nevertheless, we have some very nice business on Quetzsat in Mexico, which we extend – expect to extend for the long-term. JP, on fixed data.

JP Hemingway: Yes, Steve. Sure. And good morning, everybody, and good morning, Sami. So on fixed data, obviously, looking back to 2020 we actually have a really solid performance that exceeded our expectations. And in 2021, so far, we've been seeing really a sort of mixed trend among the regions. So really, really solid performance in the Americas and Asia. And some softness that we knew would be in place in the Pacific region, as Steve mentioned, around where some of the submarine cables are coming to some of the island territories that we've had for many years.

We expend that – expect that sort of mixed performance across the regions to continue through the remainder of this year. Some overperformance in those strong regions and managing the softness in the other regions. We would expect the real performance to pick up in fixed data as we get the fantastic new assets that we have to come into market in 2022 and beyond, where we really get the leverage the SES-17 and O3b mPOWER, which provide fantastic capabilities for the fixed data market.

Aleksander Peterc (Societe Generale): Yes, good morning, and thanks for taking my question. I have three. One is on your guidance upgrade. If you could clarify what is driving your EBITDA outlook upgrade precisely? Is it more cost cutting for better savings, or is the better mix with Video tracking slightly stronger and Network is a bit weaker so far this year than we are modelling originally?

And then the two questions on the divisions. So just in Video, if you could remind us what is the proportion of HD+ in your Video revenue base?

And on Networks, I just like to understand is the midpoint of your guidance range is still realistic? If I calculate right, you get in the second half 12% growth like-for-like. So after flat underlying in H1, what will drive this acceleration? Also do you have other models in this range? Thanks a lot.

Sandeep Jalan: Yeah. So thanks very much for your question. So on the guidance upgrade, as our guidance implies for the full year, we will continue to expect our revenues to grow in second half of this year, of course, with the mix as you can see when you take a look at Video and Network separately. In Video, we would expect some declines in second half of the year compared to first half of this year that Steve talked about.

But on the other hand, in Network, we continue to expect revenues to grow, as JP was just talking about. So this mix – overall, we expect our revenues to continue to grow. That's first plus for the second half of the year.

Second, we are continuing to perform well on the cost reduction front. We are putting a laser focus across our businesses in terms of cost attention. Also making sure that this ramp up of Simplify and Amplify programme gains are continuing to ramp up and we see a pretty decent progress, as you can see, in our results for first half of this year. This programme was launched just one year back and we can already see a good decent ramp up on these gains.

Of course, the COVID related saving that we had last year, they will continue to go down but clearly the Nexus that cost savings continue on track. Revenue will continue to grow. And with this, we feel pretty confident to upgrade the guidance for the full year. First half of the year, EBITDA was €545 million and you can see that from the full year guidance, the second half despite the revenue growth in the year implying an EBITDA at the midpoint range of very similar magnitude.

Steve Collar: Great. Thanks, Sandeep. So on HD+, yeah, look, HD+ from a revenue standpoint is about €120 million. It's sort of nicely profitable, positive momentum. I mentioned the new products that we're going to be launching. Very important part of the overall 19.2 neighbourhood and the German business. Good prospects for HD+ in Germany going forwards.

Then, look, on guidance, I don't want to get too far into sort of high end, low end. We obviously give a range for a reason. On the Video side, we're obviously tracking more towards top end. I think on the Networks side, we're obviously tracking more towards the lower end. That probably just reflects the fact that COVID has gone a little bit longer than we would have liked. I think probably to be higher we would have needed a faster recovery. We are where we are nevertheless.

On the overall revenue, I think we feel very comfortable and obviously with the upgrade on the adjusted EBITDA gives you a view of where we expect to end up in the very important sort of adjusted EBITDA neighbourhood. So with that, Aleksander, hopefully, we answered your questions.

Giles Thorne (Jefferies): Thank you. My first question is on Video. We've now got Sky Q via IP product launched in Germany, which looks and feels very similar to the same products launched in the UK and Italy. But there is some commentary that Sky Deutschland would be, I don't know. I don't know if they're incentivising but there are certainly allowing existing Sky customers over cable and satellite to move to the IP product. So I guess, it would be useful, Steve, to hear your comment on how you see Germany evolving over the next three years when it comes to distribution of Video content?

Second question is back to JP and the comment around submarine cable coming to certain island. This is stimulating a memory at the back of my head around the early O3b contract wins with customers out in the middle of the Pacific Ocean. Can you confirm that it's that business that you're losing to submarine cable?

And then my third question is back to Video and HD+. As I remember, HD+ was a very market specific and very elegant solution to the distribution of HD in Germany. I suppose each market is different, but my broad question is, where can you see such a similar – I mean, we've got the Gartner news now. But where else could you see this model as being relevant to the overall cultivation of HD in other markets that you're in? Thank you.

Steve Collar: Great. Thanks, Giles. So yeah, look, I mean, I'm super optimistic in – about Germany in general. I mean, if you look at the overall market sort of 36 million TV households, half of which are satellite households, the other half approximately are sort of non-satellite households. In the sort of 17 million, 18 million that we serve over satellite, we've got this very, very kind of rich and diverse broadcast market with very strong public broadcasters with a significant mandate to carry sort of well-liked content for everyone in the country. Two very strong commercial broadcasters in RTL and ProSieben. Sky, obviously the PayTV platform and then also our own HD+ B2C service.

Really robust and interesting market. You've sort of touched on Sky. I think that Sky reflects – so first of all, Sky are fantastic example, I think, in the broadcast industry of a business that has evolved itself into the hybrid environment and sort of developed great technology with Sky Q. They're a very strong partner for us. We really like what they're doing sort of hybridising their environments. But satellite is the sort of the key enabler of that hybrid environment both in the UK and in Germany. I think what they're doing is extending their attractiveness in the market and that can only be very good news for SES.

And indeed, reflects what we're doing with HD+. You sort of mentioned there is some parallels there. I'd sort of agree. I really like the mobile app that we're launching in Germany. I think we're learning a ton through the sort of delivering B2C services, that will also serve well as we think about additional services whether that be audience measurement or others that we can introduce as we have a kind of direct touch to consumer. And with sort of two million consumers on HD+, I think that bodes very well. I'm optimistic about Germany and I think we've got some really interesting things to say in that market. I'm actually very positive about the developments with Sky.

To take your third question on HD+ in other markets. I mean, so what would be conditions need to be for HD+ in other markets? I think, firstly, a strong free-to-air neighbourhood which is definitely the case in Ghana. Value-add that we can deliver through in particular the integration of our operator app into TVs, and that's something we've also successfully achieved in Ghana, particularly with the partnership with Samsung. And so, if you buy a Samsung TV in Ghana much like in Germany, it comes with HD+ installed. There is an operator app. That makes sort of the root to HD+ a very simple one.

There are other markets where we think HD+ could be relevant. I think, like I said, we've learned an awful lot and we've developed a lot of technology through delivery of services in Germany with HD+. I think that consumer interface if you think about other businesses in other industries that are growing and growing fast is really, they grow on the back of a strong consumer interface and that's something that we will continue to think about within our Video business.

So with that, JP, maybe take the question on the Pacific.

JP Hemingway: Yes. So on the Pacific Islands, Giles, it is the connectivity that we have been providing to those island nations. And it has been a fantastic market and remains a very good market for us in the Pacific region. If you recall, we were effectively being the primary internet connection service and 4G enabler for those islands and we continue to be so for many of them.

Some of those island nations have had one, two or even three submarine cables come to those islands. So we've tended to shift to more about resilient support mechanism to those islands over time. And some of them have reduced theirs of total capacity as a result. But as I say, in other islands, we still remain a primary internet and primary connection for 4G.

What's really interesting is around mPOWER. And we're in advanced conversations with a number of the Pacific Island nations to provide mPOWER to some of what they call the outer islands, given the lower cost terminals and more flexibility that we have. So we can distribute the internet and distribute the 4G backbone into more of the island nations that we have. So there's really good potential there.

And actually really interesting opportunities to do submarine cable restoration in and around those nations given this super-hyper throughput that mPOWER enables that can get up to gigabits and 10 gigabits of restoration that makes us very relevant in that market going forward. So expect to see some good growth in the future.

Nick Dempsey (Barclays): Yes, good morning, guys. I've got three left. First one, what could potentially delay you or derail you in your 2023 deadline for C-band clearing? Now how reliant are you on whatever they're doing and whether they stick to their timeframes for that deadline?

Second question. In terms of the backlog for mPOWER and SES-17, I listened. I appreciate that government won't commit ahead of the launch. We know that from the past. But can you give us any colour on the kind of scale of business with government that you've been discussing so that we can kind of fill in the imaginary sort of backlog from government?

And the third question, you already answered Sami on CATSAT. But what other factors are there in the second half of '21 allowing to make Video organic revenue growth year-on-year worse in that period than first half?

Steve Collar: Thanks, Nick. So C-band 2023, , we continue to make really good progress. 2023 for us is about launching satellites and sort of reinvigorating the neighbourhoods with those satellites. It's really going very well. We've got six satellites under manufacture with three different manufacturers, three different launch vehicles. We've really de-risked I would say the programme completely.

We've got a lot of margin in the schedule. We're learning a lot through the deployments obviously in Phase 1 in terms of customer clearing. We feel like we can probably go even a little bit quicker in the second phase as a result of that. Nothing good things to say to be honest, Nick. It's still a little bit a way away. It's a complex series of transitions.

We're working very hard with our customers to make sure that they feel supported. The renewal with Comcast was very important both from the perspective of Phase 1 and Phase 2. It's really, really good to see that. But yeah, I mean, couldn't – always want to stay fairly humble around this thing because it's obviously a very important programme for us. But hard to imagine that it could be doing better at this point in time with respect to clearing.

On the second half in Video, we've had a very good first half. We knew that that was going to be a little bit of sort of positive tailwinds with some business that we signed in Germany, a little bit of business also in the US ahead of some of the C-band transition. We get a bit less of that in the US with the sort of the transitions completed and with some more efficient coding and modulation.

I'd say probably that's the one thing I'd point to Nick is US Video in the second half will probably come off a little bit. But like I said, I mean, I think we're happy with the performance of the Video business trending towards the high end and that's our expectation for the second half. Then JP, do you want to take the question on Government – I don't think we're going to be tracking imaginary backlog as a metric, Nick, going forward. But JP can certainly take the question on where we are with Government.

JP Hemingway: Yes, Nick. As Steve said, we won't be sort of articulating what orders maybe that we haven't received an imaginary backlog. But I get the point of your question. I guess if you look to the past as any measure of the future, you look at the contract that we had with the US government which had a blanket purchase agreement in excess of $500 million because they recognised the differentiation and importance of MEO. Obviously what mPOWER does is obviously takes that to the next level.

So certainly wouldn't like to draw extrapolations from that too much but that's certainly the – a measure of the importance that MEO would have and all the indications are that the MEO enables more that we've previously had based on more applications enabled with the flexibility and scale of O3b mPOWER.

Operator: There are no further questions in the queue. So I'll hand the call back to your hosts for some closing remarks.

Steve Collar: Very good. Thanks very much everyone. Really appreciate you joining us. Happy with the results today and look forward to talking to you all in Q3. Thanks a lot.

[END OF TRANSCRIPT]