SES Full Year 2021 Results

Thursday, 24th February 2022

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

SES Full Year 2021 Results

Operator: Hello, and welcome to the SES Full Year 2021 Results Call. My name is Judy, and I'll be your coordinator for today's event. Please note that today's call will be recorded. And for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. This could be done by pressing star one on your telephone keypad at any time. If you require operator assistance at any point, please press star zero and you'll be connected to an operator.

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

Richard Whiteing: Thanks. Good morning, everyone. And again, thanks for joining this analyst and investor call for our full year 2021 financial results. This morning's presentation was uploaded along with the press release to the Investors section at ses.com, if you don't already have it. And as always, for me, 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 take your questions.

So with that, let me hand over to Steve.

Steve Collar: Very good. Thank you, Richard, and good morning, everyone. Thanks for joining us this morning. And I'm going to start on page three with an overview of a very strong and satisfying year of performance and execution for SES.

In 2021, we delivered annual revenue in line with our objectives and EBITDA at the top end of our financial outlook, completed phase one C-band clearing ahead of the FCC deadline and received $977 million in accelerated relocation payments. We grew net profit by 70% and closed out the year with our leverage at its lowest level for six years.

During the course of the year, we returned €275 million to shareholders through a combination of dividend and share buyback, while the Board is proposing to increase the dividend this year by 25%, reflecting our long-term growth fundamentals and strong cash generation.

We made excellent progress during 2021 on our strategic value-creating initiatives with the successful launch of SES-17 being the first important step in the delivery of our future network, with O3b mPOWER also on schedule to launch in 2022. We've now secured almost $1 billion in gross backlog for the combination of SES-17 and O3b mPOWER, a 60% increase from a year ago.

The traction that we're seeing in the market for SES-17 and O3b mPOWER underscores how differentiated these assets are, with SES the only company that can offer multi-orbit, flexible, cloud-enabled, carrier-grade service on a global basis, attracting some of the world's largest and most important businesses to our network. This will in turn drive revenue and EBITDA growth from 2023 onwards.

And finally, 2021 was a very significant year in that we secured the first $1 billion in C-band accelerated relocation payments and now we're laser-focused on phase two . We're fully on track with a busy year of satellite launches in 2022, and a full clearing schedule laid out triggering an additional incentive of $3 billion in late 2023.

So now turning to the numbers on page four. Group revenue of €1.78 billion was well within our outlook, and this despite the ongoing COVID-related headwinds throughout the year. Pleasingly, our Video business continued to perform throughout the year with a much improved revenue trajectory on the back of important renewals, a growing number of high definition channels and the expansion of HD+ in Germany.

Our Networks business performed well against the backdrop of an extended COVID environment, with a recovery in Mobility contributing to positive year-on-year growth in the second half, momentum that we expect to accelerate through 2022.

Below the revenue line, the €1.09 billion of adjusted EBITDA represents performance at the top end of our guidance range and benefited from a 2% year-on-year OpEx reduction, while laser focus on all of our cost lines contributed to a net profit increase of almost 70% to €323 million.

Lastly, our ability to drive substantial cash through the business, along with the cash received from C-band payments, served to strengthen our balance sheet with leverage now below 3 times.

So now looking at our segments in more detail, starting with Video on page five. Having increased our outlook with our Q3 results in November, I'm pleased to say that we exceeded that elevated target on the back of a strong finish to the year. We've been discussing for some time the improving revenue trajectory in Video, and that's reflected in the 4.6% year-on-year trend versus minus 8% in 2020.

Our renewals were particularly strong in 2021, extending our long-term relationships with large strategic clients, such as Sky in the UK and Dish Mexico, for whom we are providing both DTH and OTT solutions, as well as key customers like Comcast, NSIL, HSE and BMT. We have built and continue to develop the industry's largest neighbourhoods, and a very strong indication of the attractiveness of broadcast TV over satellite is the continued growth of high definition.

We now carry an industry-leading 3,100 HD channels, and that's up 6% year-on-year, while we continue to boast substantial contract backlog at €3.1 billion. The deal signed with Globecast through CGTN was a good example of a customer who's been leveraging our neighbourhood at 19.2 East for many years and has now upgraded to high definition, driving higher throughput and higher revenues for SES.

So turning to page six, and one of the things I'm most pleased about is the progress that we've been making on our largest Video market, Germany, Austria and Switzerland or DACH, and in particular, with our B2C platform, HD+. We now serve more than two million paying subscribers and generate almost €130 million in annual revenue. We're growing revenue for the first time in a number of years on the back of both increasing subscriber numbers and increasing price.

Every second television bought in Germany now comes pre-installed and pre-configured with our extremely popular HD+ operator environment. And we've consistently improved our product offering in a highly dynamic and competitive market, now delivering a choice of 80 premium and free-to-air channels for a cost of just €6 a month.

In 2021, HD+ went through the hybrid, firstly, with the launch of HD+ ToGo, which for the first time allows HD+ subscribers to view the content on their mobile devices for an additional monthly fee, while towards the end of the year, we launched HD+ IP, and we now have access to the 19 million non-satellite homes across Germany.

I think it speaks volumes to the strength of our product offering and our neighbourhood reach that in a new media landscape comprising streaming giants and content platforms, we're growing our subscriber base, adding new customers, increasing revenue and launching new and innovative products that create value directly at the customer edge.

Turning to page seven. The strength of our neighbourhoods across Europe at 19.2 East from which we serve 117 million households and generate more than €375 million in annualised revenue just from DACH alone, underscores the importance of this slot for our customers and the value creation for SES.

I'm really happy with the creative solution that we announced late last year for the continuation of services from 19.2 East. We'll be deploying two new state-of-the-art satellites from Thales Alenia space to replace the four satellites that we're currently operating in this slot in the 2024-2025 time frame, achieving a CapEx efficiency of more than 50% and driving a significant increase in profitability.

Not only will this combination of satellites deliver the resilience, reliability and redundancy that our Video customers need and secure continued premium services well beyond 2040, but also allow us to develop new IP-based solutions to complement our existing broadcast services, leveraging the advanced digital payload installed on ASTRA 1Q.

So now switching to Networks on page eight, and we've been in a COVID environment for almost 24 months now. And yet, thanks to the ongoing resilience of our customers and our business, our underlying value – our underlying revenue is higher than it was when the pandemic began.

Government has been our standout performer in 2021 at nearly 4% year-on-year on the back of strong demand from the US and other governments, anchored particularly with our unique O3b infrastructure, and this despite the unexpectedly rapid withdrawal of US and other governments from Afghanistan flattening our growth towards the end of the year.

Both Fixed Data and Mobility showed modest contraction in 2021, but each with positive developments in the year. In Fixed Data, expected lower volumes in the Pacific following the deployment of several cable systems was positively offset with growth from a number of rural inclusion projects, our continued success with tier one operators in the Americas and Asia, and exceptionally strong performance from cloud in the second half of the year.

In Mobility, despite the frustratingly – the frustrating longevity of COVID, the sector is picking up with a return to sailing in cruise and new contract wins in aero, driving both sequential and year-on-year growth in the second half of 2021.

And this is a good segue to page nine and the strong commercial success over the past 14 months in driving a significant uplift in the combined backlog of SES-17 and O3b mPOWER. We're bringing these programmes to the market ahead of our competitors and with differentiated value propositions. SES-17 will be on station in April and start serving customers, including our anchor aviation customer, Thales Inflight, from July.

We've established a truly market-leading position in cruise, commanding premium pricing and delivering industry-leading performance. This is underscored by the fact that five leading brands have made important commitments to O3b mPOWER, four of whom you see here on the chart and another we expect to be able to talk more about in the fullness of time.

Important long-term customers and partners are Orange and Marlink, have also committed early to O3b mPOWER, while Microsoft as well as being a gateway partner through their GSaaS or Ground Station-as-a-Service offering will also leverage O3b mPOWER within their own network contributing to the resilience of the Azure platform.

And I'll cover the foundational agreement with Reliance Jio in a moment. And overall, we have grown combined SES-17 and O3b mPOWER backlog to more than $900 million, up 60% since the start of '21. We're investing substantially in network, ground infrastructure and gateways ahead of revenue, as will be covered by Sandeep in our 2022 outlook. But the robustness of both our secured business and our pipeline of opportunities underscore the importance of these assets to drive growth for SES well into the future.

So now turning to page 10 and the announcement that we made just a week ago that has very significant implications for our business in India and for the adoption of O3b mPOWER more broadly.

Reliance Jio is India's leading telecommunications provider and has had a dramatically transformative impact on the Indian market, revolutionising telecom landscape since deploying its innovative 4G LTE services and solutions. We've announced a joint venture with Jio platforms, leveraging and embracing the dramatic changes in the Indian regulatory landscape.

Together, we will deliver scalable and affordable broadband services and solutions across the country via our O3b mPOWER and our geostationary assets, in particular, SES-12, starting this year. The initial deal is worth upwards of $100 million to SES, but this is just the beginning as we look to deploy as much as 100 gigabits per second of satellite capability across India.

SES and Jio will deploy network infrastructure and gateways across the country, and collaborate to develop brand infrastructure, solutions and services to serve the ambition of Prime Minister Modi's Gati Shakti Master Plan and connect millions of Indians. I could not be happier with this partnership with Jio. I believe that it will be transformational for SES and represents a huge opportunity for us to drive scale and growth into the O3b mPOWER network.

Okay. And now page 11 is the last slide from me and shows the important progress that we're making on our strategic and value-driving initiatives. You're going to see this slide progressively fill with green ticks as we execute on our plan and have already made huge progress.

Executing on C-band clearing ahead of schedule was a significant achievement late last year, protecting our customers' networks, while generating $1 billion for SES and its shareholders, cash that we have booked and received. We've also successfully launched SES-17, the largest and most capable satellite that we've launched to-date, and it will arrive on station at a time where others are experiencing production delays.

SES-17 features more than 200 high throughput beams over the Americas and huge flexibility to serve the growing need for connectivity and the shifting demand patterns across the region over the course of the day. It will also be the first satellite to use our Adaptive Resource Control technology, ARC, that allows us to move power and bandwidth across the platform intelligently and is an integral building block in our multi-orbit strategy. We've got a great anchor customer in Thales Inflight, a book of secured backlog and a strong pipeline.

And looking ahead to the rest of ’22. It’s an important year of execution with two launches for O3b mPOWER and our first C-band launch all happening in the second quarter. These launch dates support our objectives of being in service with the O3b mPOWER constellation before the end of the year, and we remain on track to achieve that.

SES-17 will be on station in April, enter the service at the end of Q2 and will become an important driver of growth into the second half of 2022. Q3 is all about C-band and having secured phase one, we’re now focused on delivering phase two. Our phase two planning has benefited substantially from the experience gained in phase one, and we remain more than on track to secure the additional $3 billion in accelerated relocation payments ahead of the FCC deadline at the end of 2023.

We also continue to make progress with further opportunities for accelerated clearing and monetisation, and I expect to have more to say on this topic in the next few weeks. And then in Q4, the focus is back to O3b mPOWER and bringing what is a game-changing constellation and capability to market. No other system can offer the throughput, flexibility and performance that O3b mPOWER can, and we’re building on the legacy of the only successful broadband, NGSO constellation ever deployed in O3b.

So with that, I’ll hand over to Sandeep.

Sandeep Jalan: Thank you, Steve. Good morning, everybody. We are very pleased with the solid financial results in 2021. EBITDA is fully in line with our expectations and at the high end of our outlook.

Adjusted net profit is 70% year-on-year, and thanks to our cash focused actions, resulting in very solid cash flow generation. Both net debt and leverage reduced to our six-year record low.

Turning now to the results in more detail and starting with the adjusted EBITDA on page 13. As you can see, adjusted EBITDA for the 12 months stood at €1.09 billion and represented a robust margin of 61%. This reflects the combination of solid revenue performance and a year-on-year continued reduction in OpEx.

At the revenue level, as you can see, Video delivered an improved performance with a 4.6% reduction year-over-year, and this compares favourably with minus 8% recorded in the previous year. This demonstrates already a flattening of the curve.

In Networks, our comparable performance versus last year is evidence that even in the challenging COVID environment, our unique infrastructure continues to deliver customer value and the long-term growth prospects, and Network remained quite strong.

OpEx in the year continued to reduce, and it was €17 million or 2.5% lower than the prior year 2020, which was already at a much lower than our normal recurring OpEx spend due to COVID-related savings. And this shows that we have and are successfully realising the €50 million savings that we had promised from our Simplify & Amplify targets.

Moving now to page 14, which explains the net profit bridge. Adjusted net profit stood at €323 million for the year, and this is an increase of almost 70% compared with 2020, where the lower adjusted EBITDA was more than offset by four major items. First and foremost, depreciation and amortisation was lower by €50 million or 7% versus prior year. And for year

2022, it should be noted that we will begin depreciating SES-17 from mid-2022 at the same time as the first revenues from the satellite.

Second element is interest costs, which once again continued to reduce. It reduced by €32 million year-over-year or 21%, which is, thanks to the refinancing successes in replacing our senior debt maturities with cheaper debt.

The third main positive comes from the forex gain of €37 million compared with a loss of €32 million that we had recorded in the prior year. The forex gain of €37 million of the year, it is comprising of over 60% the gains, which are already realised and in our cash, as well as the rest comprises some unrealised gains and non-euro-denominated flows on monetary assets, mainly dollar accounts.

Finally, the recurring tax expense of €34 million represented an effective tax rate of 10%. And when compared with €66 million last year, it represents a decrease of €32 million. Reported net income was €453 million, and it included on top of adjusted net income four exceptional items. Number one, restructuring expenses of €8 million. Second, a net positive from C-band income of €779 million, which includes the first accelerated relocation payment of €839 million and the net expenses on C-band clearing of €60 million.

I also wish to share the good news that pursuant to bilateral advanced pricing agreements reached, we are reducing our cash tax guidance on C-band proceeds to 18-19%. This compares favourably from our earlier guidance of 20% to 25%. At the mid end of guidance, this effectively means that additional net cash in for SES is about $160 million compared to our earlier guidance.

Non-cash impairments were – was the next item which accounted to about €724 million. This largely pertains to a non-cash write-down of goodwill in our GEO North American CGU, which is mainly triggered by recognition of €839 million cash income that we accounted in quarter four from first phase of C-band clearing. Indirectly, this also implies that we have converted an intangible asset on our balance sheet to real cash, which is a great outcome.

The fourth exceptional item pertains to related tax benefits on the earlier three exceptional items that I was describing. So as a result of all this, our reported earnings per share stood at €0.92 for the year.

Turning now to the balance sheet on page 15. Our continued cash focus led to a strong free cash flow for the year. Adjusted net debt reduced by about 9% year-over-year and is about €1.4 billion reduction over the last six years which has been recorded or about 30% when we compare these numbers versus 2016.

Leverage of 2.9 times at the end of 2021 is also the lowest of the last six years and reflects our strong focus on cash flows and also reflects the strongest balance sheet in the sector. At the same time, and as I mentioned earlier, we have continued to reduce our cost of financing. Our average cost of debt has reduced from 3.3% last year to 2.9% this year. Compared to year 2019, we have by now already reduced our total cash cost of interest by over €50 million. This reflects the strong financial positioning of our company and competitive debt portfolio, and leads to further improved recurring free cash flow generation for the benefit of our shareholders.

Our liquidity position is also quite strong at €2.2 billion of liquidity, which includes cash of over €1.1 billion and €1.2 billion committed in undrawn revolving credit facility. At the same time, our average weighted senior debt maturity profile is very healthy at an average of 7.5 years, and there are no significant bond maturities until 2023.

Coming now to the CapEx forecast on page 16. The CapEx over the comparable period '21 to '25 is now at €2.68 billion, which is exactly similar to our previous guidance and despite the weaker euro, which is now assumed at 1.13, which increases the CapEx by about €60 million, and this reflects basically that we have really contained our CapEx.

As we have said earlier, after the growth CapEx peaked in 2022 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 much lower level of CapEx needs from 2023 onwards, as you can see here. This expands the recurring cash generation capacity of the company. The CapEx for 2025 and 2026 of €380 million is reflective of the completion of the major growth investments and satellite replacements.

Turning now to the financial outlook on page 17. Following a solid 2021 performance, where we delivered adjusted EBITDA close to the top end of our outlook, we are expecting Group revenues between €1.75 billion to €1.81 billion, and adjusted EBITDA, which ranges from €1.03 billion to €1.07 billion during 2022. This outlook is given at a forex rate of 1.13 and around 85% of the Group revenue is already contract.

The revenue outlook reflects mid-single-digit decline in Video being offset by low to mid-single-digit growth in Networks, where second half of 2021 already starts to show some growth. During 2022, we are in an important year of putting into service our differentiated investments, most notably mPOWER. This creates some additional preoperative expenses, which are not yet covered by any revenues in 2022, and hence, are accordingly reflected in our outlook that we are giving for 2022.

Looking beyond 2022 and with the full benefit of SES-17 and O3b mPOWER uniquely serving growing demand in high value segments, we expect both Group revenue and EBITDA to achieve low-to mid-single digit average annual growth. And this is already underpinned by the sizable backlog that we have.

Moreover, as the average revenue growth profile beyond 2022 would far exceed the average expected cost increases, our EBITDA margin would trend to be about 60% beyond 2022.

Finally, turning to the financial policy on page 18. As Steve mentioned, the Board is proposing an increase in the dividend of 25% to €0.50 per share – per A share, with a commitment to maintain stable to progressive dividend policy. This level of expansion in the base dividend reflects our conviction in the strong cash flow generation and which is well supported by the top line growth from 2023 and the long-term fundamentals of the business and sustained value creation for the benefit of our shareholders.

With the first $1 billion payment from C-band already in our bank account, we maintain our commitment to fully use these proceeds to strengthen the balance sheet in the context of 2022 being our peak investment year. We continue to make good progress on C-band second tranche, $3 billion, and remain committed to it being used in the most optimal way for the benefit of our shareholders.

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

Steve Collar: Very good. Thank you, Sandeep. And I'll end on page 20 and a bit of a look to the future. So having executed extremely well in 2021 and delivered an excellent set of results, in 2022, we'll continue to see the strength of our Video neighbourhoods through an improving revenue trend, while Networks will grow on the back of momentum in government and Mobility buoyed by the activation of SES-17 and ahead of the introduction of O3b mPOWER.

Beyond 2022, we'll see top line in EBITDA growth driven by our growth investments. While beyond our investment peak, we'll be in a substantially lower CapEx environment, generating strong cash flows on a sustaining basis and augmented by $3 billion in C-band proceeds in late 2023. All of this will drive substantial value for SES and its shareholders.

As the world's largest satellite operator, the strategic importance of space has never been clearer, reflected in the announcement by the European Commission of a secure and sovereign multi-orbit space architecture for the benefit of Europe and its citizens, an initiative that is consistent with our architecture, our capabilities and our vision.

And finally, we've laid out a bold ESG agenda, focusing on our four key areas of utmost importance to SES: sustainable space, climate action, diversity and inclusion, and empowering of communities through the focus on critical human needs.

To sum up, at SES, we're executing strongly in the core of our business, bringing highly innovative and differentiated assets to the market at the time that's right to drive growth, have among the strongest balance sheet in the industry and have laid out a bold and exciting vision for the future of SES and for the industry.

And with that, over to Judy to lead us through questions.

Questions and Answers

Operator: Thank you so much. And as a reminder, if you would like to ask a question on today's call, please press star one on your telephone keypad. You'll then be advised when you can ask your question. Again, it is star one on your telephone keypad to ask a question. The first question is coming from the line of Nick Dempsey from Barclays. Nick, your line is unmuted and may now go ahead.

Nick Dempsey (Barclays): Yes. Good morning guys. I've got three questions. So first of all, your guidance commentary beyond 2022 points to revenue growth and adjusted EBITDA growth being the same. Networks expected to grow faster than Video. You've said that Networks has a lower EBITDA margin than Video. So do you expect margin improvement at Networks beyond 2022 of a decent amount to avoid a negative mix effect on margins? Or will you find some savings at a Group level to balance that all out?

Second question, let's get the Russia question out of the way. I think your revenue exposure is very small. But can you give us a sense of what risks there might be to that revenue, whether you have any risk going forward around Russian launch vehicles? And then whether there might be any potential benefit to your government business from what is unfolding in Ukraine?

And the third question, that 18-19% guidance on tax for C-band that's positive, is that setting stone for phase two payments or could there still be some variation?

Steve Collar: Nick, I think a good round of asks for Sandeep. So, Sandeep.

Sandeep Jalan: Hi, Nick. Thanks for the question. So starting with the guidance. So yes, there will be a mix in revenue profile beyond 2022 because we were looking at Network revenue which would grow by high-single digit to low-double digit kind of range. So there is a shift between Video revenues and Network revenues having an impact on the margins.

However, at the same time, what is happening in 2022, we have one-off kind of step-up in the OpEx, which are not supported. And as we go beyond, there is an operating leverage on the Network side, which is coming into business. And that reflects quite positively on our overall margins as we go beyond.

So beyond 2022, we are guiding for our margins to remain in the range around 60% or so, which we find reflective with our cost actions that have been already happening and the revenue, operating leverage.

Steve Collar: I'll take Russia and Ukraine. So it's very small for us, less than 1% in total, actually. I think it's less than 0.5 of a percent. So no significant receivables, nothing – very, very minimal impact on our business. No exposure from Russian launch vehicles. So really nothing to speak of with respect to exposure to our business.

And in terms of what does it mean for our government business? Obviously, we've been leaning forward in terms of making our capabilities and capacity available. And it's a bit too early to say what kind of an impact that will have. And so we will see what happens as the situation evolves over the next few weeks and months.

Sandeep Jalan: So on your third question, Nick, about the C-band taxation. So C-band-related taxation, this is a multi-jurisdictional taxation. We had entered advanced bilateral pricing arrangement. And this process is now over. So we are now quite comfortable with the guidance that we are giving. It's 18-19%. The proceeds that we have booked in 2021, we have used these tax rates to make those bookings, as well as when we look ahead on the second tranche, these will be the rates. So at the mid-range, it implies an effective tax rate of 18.5%, and we are very comfortable with that.

Nick Dempsey: Thanks, Sandeep. Can I just come back quickly on Russia? Do you have capacity spare that would be useful in that region and [inaudible]?

Steve Collar: So the answer to that is yes. We have, in particular, the GovSat asset. As you know, that was a – that's a joint venture between ourselves and the Luxembourg government, and is orientated around government services in ex and military Ka-band, which covers the region. So that's a primary asset, I would say, that could be useful. But we have a number of others. And as I said, we've sort of positioned all of those assets and made our services and capabilities available.

Nick Dempsey: Very good. Thanks guys.

Operator: Thank you so much for your question, Nick. And the next question in the queue is coming from the line of Roshan Ranjit from Deutsche Bank. Roshan, your line is now unmuted and may now go ahead.

Roshan Ranjit (Deutsche Bank): Morning, everyone. Just a quick question on Video, please. We saw a very good performance, as you said, came in above your raised guidance. Now you are citing the mix of the important renewals and the new wins. Is it possible to get just a bit more colour on to how the renewal has actually gone significantly better? I know the US renewal at the back end of last year, you said did have a drag, which we saw. But was there potentially upside there?

And just thinking ahead to '22, what are the major renewals coming up for this year? If I remember correctly, I think it was Nordic Entertainment Group. But is that more a 2023 effect rather than '22? Thank you.

Steve Collar: Thanks, Roshan. On Video, I think the first thing to say is we're really pleased with the performance of our Video business in 2021. I think we generally outperformed our expectations. I think it was a combination of very solid pricing on renewal. In a number of cases, we've actually moved the pricing up and leveraged the power of our neighbourhoods.

I think Germany was probably the standout performer if we look at – and that's pleasing because it really is our Video heartland. So Germany performed exceptionally well, and that was both in our infrastructure business, so our B2B and in our HD+ B2C business. But I would say it reflected pretty much across all regions, all customers and all renewals. And it was a combination of upgrades.

We talked about the Globecast deal where the customer moved from standard definition to high definition and increased throughput, so that's sort of an example of a handful of the deals we did. Others were renewals secured at sort of increased pricing and that drove better performance than expected. So I would say, overall, a good picture on Video.

In terms of renewals for 2022, we did a lot of our renewal work at the back end of 2021, so that's also pleasing. We've got a very healthy secured book of business in Video for 2022. We've got – our business with Sky tends to renew every year. So we have a handful of transponders that come up every year or certainly every two or three years, and we've got a few with Sky this year. That's probably our largest renewal.

We've got some business in India to renew, which is always the case. But I would say compared to a typical year, we really don't have that much in 2022, and that reflects the fact that we've got a lot of business done early and ahead of renewals in 2021.

And then as far as NENT is concerned, so this is a customer that we do expect to go away. I think we talked about that last year. But that will not have a significant impact during 2022. So that's more beyond 2022 that we expect to see an impact there.

Roshan Ranjit: That's very helpful. Can I just check on the areas where you've said you've seen pricing go higher, was that offset against any volume declines or was that with broadly stable volumes, just you had some pricing power there?

Steve Collar: It's hard to generalise. But I would say we haven't seen – we've sort of seen our Video neighbourhoods rather stabilising, I would say, during the course of 2021. I think we talked previously about customers rightsising their volumes. And I think we haven't seen that nearly as much in 2021. We've seen – most of our DTH customers and our Video customers more broadly have been doing relatively well over the last sort of 12, 24 months, and I think that's reflected in the business that we've been doing with them.

Roshan Ranjit: Okay. Great. Thank you.

Operator: Thank you so much, Roshan, for your question. The next question is coming from the line of Nicola Gifford from Goldman Sachs. Nicola, you may now go ahead.

Nicola Gifford (Goldman Sachs): Thanks very much. Morning everyone. I just had a bigger picture question on consolidation. In the past, you've been supportive on this across the industry. What's your updated message on consolidation in the current environment? And has anything changed from your view? Thanks.

Steve Collar: Great. Thanks, Nicola. No, I would say nothing's really changed in our view. I think we're still of the view that consolidation would benefit the industry and particularly from the perspective of more coherent networks offered to customers. We're doing our own job there in sort of creating our multi-orbit neighbourhoods, where customers can move across our platforms. But I think sort of coherent investment, coherent CapEx around common networks is sensible, and it's one of the, I think, the important benefits that consolidation will bring.

But what I would also say is that we intend to be completely financially disciplined around any consolidation that we're going to look at. And obviously, sort of only get involved to the extent that it's in the interest of SES shareholders. So nothing really has changed. I think, overall, would be a positive for the industry, but we're going to remain very disciplined in the way we approach consolidation.

Nicola Gifford: Great. Thanks.

Operator: Thank you so much, Nicola. And just another reminder, if you would like to ask a question on today's call, then it's star one on your telephone keypad. The next question is coming from the line of Terence Tsui from Morgan Stanley. Terence, your line is now unmuted and may now go ahead.

Terence Tsui (Morgan Stanley): Hello. Good morning, everyone. I've got a couple of questions on CapEx, please, and then one on the C-band. So on CapEx and specifically on the upcoming satellite launches, I think for O3b mPOWER, this is the second time that the launch date has been pushed back. Can you just give us some colour on the challenges you've faced in launching these satellites and what gives you confidence that it would happen in Q2 and that there will be no impact on the service launch by the end of the year?

And then secondly, a bit more of a financial question around CapEx and looking at the mid-term CapEx projections. I think in 2023 and 2025, it now looks like you're expecting CapEx to be around €30 million to €40 million higher than what was said back in November. Can you just give us some details behind this, please?

And then lastly, on the C-band, specifically around the phase two proceeds. Do you see any impacts from the ongoing dispute between the aviation industry and the telcos regarding the launch of 5G services in the US? Could they have any spillover impacts on the receipt of phase two proceeds for SES, please? Thank you.

Steve Collar: Great. Thanks, Terence. Happy to take those questions. So look, on O3b mPOWER, we haven't seen any meaningful delays. It's – we have pushed, I think, the first launch back by a handful of months, which is really pretty been insignificant, given the scale of the programme that we're launching. And importantly, we're still on track to bring the constellation into service at the end of this year, which is ultimately the date that our customers care about. So on track for the end of 2022 to start delivering services.

The launch dates will inevitably move around a little bit as we get into the very important phase of the programme. But the important date for us to hold is the in-service date of O3b mPOWER, and that's not changing, which is very positive. As I said, I think the industry is struggling a little bit around production right now. And we're not really experiencing those delays. And certainly, it feels very good to have SES-17 up in orbit and delivering revenues for us during the course of 2022.

So I would say continue to watch this space. But for now, we feel good about the launches of O3b mPOWER and certainly the in-service date at the end of this year. Do you want to take, Sandeep?

Sandeep Jalan: Sure, Steve. So on the CapEx, I think it's difficult to take a look at '23 to '25 in isolation. You have to take a look at the entire period of our guidance, '21 to '25, where our current CapEx guidance is, in fact, completely consistent with our previous guidance, which was around €2.68 billion.

Now this is a question of now phasing between different years. And as you can see in 2021 itself, our last guidance was €300 million and our current actuals stand at €245 million. So this shows an important savings there. And then the phasing over the next years, it has been optimised. But the overall CapEx spend remains the same despite a CapEx increase of €65 million, which just comes from a forex effect. Because euro is weaker, so some of our dollars spend, which is CapEx, that translated into euro just lands higher.

But in fact, we have not even increased our total – our CapEx guidance, we have contained within that. So that basically shows that we have really taken significant steps to reduce our CapEx.

Steve Collar: And then on the last question around C-band and phase two clearing. The short answer is no. We have no exposure, no risk and nothing to do with any ongoing discussion between the FAA and the FCC. Our deal is very clear. It's not related to the proceeds of the auction or indeed any arrangement that the carriers have with the FCC. This is entirely a deal that separated from that where we are incentivised to clear C-band and clear it ahead of what otherwise might be the case. So no risk as far as we're concerned.

And indeed, these discussions were ongoing during the course of the phase one payments, and we received those payments early, which just sort of underscores the fact that it's disconnected from the ongoing conversations between the carriers, the FAA and the FCC.

Terence Tsui: Great. Thanks very much.

Operator: Thank you, Terence, for your question. The next question in the queue is coming from the line of Ben Lyons from Credit Suisse. Ben, your line is now unmuted, and may now go ahead.

Ben Lyons (Credit Suisse): Morning. Thanks for taking my question. I have a few if possible. So the first one is around the guidance. How much prudence have you taken around the Mobility line when we look at the Networks business for 2022? And then just kind of related, is what's your expectation for government as the end of the year was a little bit weaker? Are you still seeing an impact from Afghanistan and do you expect that to annualise halfway through the year? And the last one was just on inflation. How much of your revenues are inflation linked? And are you seeing any impact on your OpEx line? And if I may, could we just get an update on the Intelsat litigation? Thank you.

Steve Collar: Great. Ben, you've got a good list there. So let's see if we can deal with them. Look, I think on Mobility, are we being prudent? I think we're taking a sort of a measured approach to what we expect in Mobility over the course of '22. I do think that the situation is improving, particularly in cruise. We've got pretty much all of the cruise lines back operational again. We certainly see strong backlog for the cruise operators who have got – there are a lot of people who haven't been able to take holiday for the last couple of years and are now sort of lining up to go on cruises. And so that's very positive for our customers, and we expect that to be positive for us.

And we've seen the confidence of the cruise lines in their commitments that they've made to O3b mPOWER. So I think as we look even beyond 2022, it looks good as far as cruise is concerned.

As far as aviation, we actually saw some new business signed in aviation for SES towards the back end of last year and the early part of this year. So again, that sort of speaks to the business that our service provider customers are doing with the airlines, and I think that's positive. We're probably a bit more modest, a bit more circumspect in terms of aviation just because I think it's a bit harder to predict how quickly that will come back.

So I think we've had experience over the last couple of years with COVID. We're trying to be balanced with how we think about the Mobility recovery. But I would say of the two, we're more bullish around cruise.

Expectations for government, and in particular, Afghanistan, so yeah, look, there's no question there was a fair amount of business that we were doing there. And so when that sort of comes out, and in particular, when it comes out relatively quickly and relatively unexpectedly, it's difficult to sort of refill that revenue in the short time.

But what I will say is we've got a lot of pipeline, I would say, on the government side of our business. I think it's probably right to expect that we'll start the year a little slowly on the government side, but we show a number of programmes sort of coming through towards the second half of the year. And so I think that's probably the shape of what we'll expect to see in government.

And overall, I think we expect another good year on the government side of our business. And obviously, it's a bit early to sort of speculate as to what impact the situation in Ukraine may have, but that's something we're obviously watching pretty closely.

You want to take the inflation question?

Sandeep Jalan: So thanks for your question on inflation. So yes, so far as our revenue is concerned, when we have long-term contracts, typically, we have indexation clause, again, depending upon the segments and the customers we are positioned. But generally, for very long-term contracts, typically, we use – we do have indexation clause and we do apply them, and that helps also in the current environment. And this is already a part of our overall guidance, so doesn't represent an extra opportunity.

And on the cost side, we are trying to contain all the impact from the inflation and is part of our action plan.

Steve Collar: And then on the litigation. So I mean not much to say other than we're done now as far as the case is concerned. We've got sort of closing arguments and so on, but the judge now basically has to decide. We feel good about where that sits, but it's ultimately now in the hands of the court, and we will await the decision.

Ben Lyons: Thanks a lot. Really appreciate the answers.

Steve Collar: Thanks, Ben.

Operator: Thank you, Ben, for your question. And the final question in the queue is coming from the line of Sami Kassab from BNP Paribas. Sami, you're now unmuted and may now go ahead.

Sami Kassab (Exane BNP Paribas): Thank you very much, and good morning, everyone. I have a few questions, please. First one, can you comment on the opportunities you see for the Group in the context of the EU commission proposal for APPP on the upcoming broadband constellation? Could that lead to some capacity procurement contracts on mPOWER, for instance?

Secondly, 19.2 East is probably the largest cash generating orbital slot that you have. Can you elaborate on the improvement in the profitability of that position that you've referred to? And given how you see revenues trending at 19 East and given the 50% CapEx savings on the fleet replacement, how do you see the net present value of that neighbourhood developing over the next ten years?

And thirdly, excluding Afghanistan, would you be able to share the revenue growth rate you had in government for '21? And lastly, if the judge decides in your favour with regards to the Intelsat lawsuit, would you rather have cash from Intelsat? Or would you be happy with common stock in the newco, or even you have a choice between cash and stock in the newco? Thank you, Steve.

Steve Collar: Great. Thanks very much, Sami. So look, on the European Commission project, we've obviously been involved in the study phase of that project during 2021. I think we've made some very strong progress together with our partners on an architecture that we think fulfils the ambitions of the European Commission.

I think 2022 is going to be an important year as the commission sort of solidifies the project, gathers the funding, launches some form of procurement process. And we expect to be – let's say, the largest global operator, but the largest European operator, we expect to be involved, let's say, in that process.

Could it lead to some take up of our existing and new capabilities? Yeah, we think so. I think from what we hear from the European Commission, there's a desire to start delivering services as early as possible, and that includes the use of existing and new infrastructure. And obviously, we're looking very hard at O3b mPOWER and how we can leverage O3b mPOWER. It's an incredibly flexible constellation and system, which delivers really important capabilities. And so that's something that, obviously, we're being thoughtful about through this process.

It's a bit too early to be definitive. Obviously, a lot depends as to what – how this progresses during 2022. But it's something that we're spending a good amount of time on and leaning forward on, I would say.

On 19.2, you're right to say that it's the highest revenue generating slot in our fleet by a distance and has been for pretty much the whole 30 years since we've established that slot. It was the first slot that we established as SES and continues to drive very, very significant value with our German – our neighbourhoods in DACH, in Spain, in France and elsewhere. So a very, very key slot for us.

And I would – as I said in the talk, really, really pleased with the solution we came up with. I think it's fantastically innovative. I think it delivers everything that our customers need at that slot for the next couple of decades, but also gives us an opportunity to deliver exciting new services from 19.2 and a 50% savings in CapEx. Sandeep, I don't know if you will talk about the financials.

Sandeep Jalan: Yes, I think 19.2 is a slot which is a very important part of our revenues, particularly from DACH region, and overall revenue there remains quite strong. And the profitability on this project is also quite strong, comfortably significantly above our thresholds of 10% IRR. When we take a look at CapEx, even over ten years, that was also one of your questions, I mean, the CapEx is now – happening now. It's a digital CapEx that we are spending on this project.

There is not much of ground CapEx, etc., on the build over the next ten years. So it's a CapEx for next 15 years live and even hopefully beyond. And very capable set of satellites. We should be able to cater even some further revenue potential for us. So overall very happy with this.

Steve Collar: Okay. And I think the next question was government and the growth rate. So I think the government business grew 4% in 2021. You sort of asked what would that be if we excluded Afghanistan. I mean, I think it's difficult to say. But definitely, you can comfortably add another percent, I think, on that number, maybe a little bit more. But like I say, our focus now is very much sort of mitigating the impact that Afghanistan had at the back end of last year. It did cause a flattening in our growth on the government side.

But there's a lot of activity in our government business, not just the US, but also, I would say, more globally, there are interesting opportunities that we think can leverage our capabilities on a global basis in government. So that's pretty exciting.

And then on Intelsat, look, we've – as we said, we've made our case. It's for the judge to decide. And ultimately, we hope we will win. We expect that we will, and then we'll see what form of compensation we get as a result.

Sami Kassab: Thank you, gentlemen.

Steve Collar: Thanks, Sami.

Operator: Thank you so much, Sami, for your question. And there are no further questions in the queue. So I would like to hand it back over to Steve.

Steve Collar: Great. Well, listen, thanks very much for joining us, particularly on a morning where we also recognise that we're not the only new story. So I appreciate your time and look forward to speaking to you in Q1, which is not so long away. So thanks a lot for everyone and speak to you soon.

Operator: Thank you, everyone, for joining us on today's call. You may now disconnect your handsets. Hosts, please stay connected.

[END OF TRANSCRIPT]