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# SES SA Full Year 2022 Results

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**Operator:** Hello, and welcome to the SES Full Year 2022 Results Conference Call. My name is Priscila, and I'll be your coordinator for today's event. Please note this call is being recorded. Your lines will be on listen-only mode. And you – if you require any assistance, please press star zero.

I will now hand you over to your host, Mr Richard Whiteing, the Head of Investor Relations to begin today's conference. Please go ahead, sir.

**Richard Whiteing:** Thanks. Good morning, everyone. Thanks for joining this Analyst Presentation Call for our full year 2022 results. This morning's presentation was uploaded along with the press release to the Investors section at SES.com, if you do not already have it. As always, please note the disclaimer at the back of the document.

In a moment, Steve Collar, our CEO, will present the main business highlights, followed by Sandeep Jalan, our CFO, to cover the financials in more detail. After some closing remarks from Steve, we will take your questions.

With that, let me hand over to Steve.

**Steve Collar:** Thanks, Richard. Good morning, everyone. I'll walk you through the highlights of what's been another busy and successful year for SES, starting on page three of the presentation.

So we delivered a solid set of results for the year and we've executed strongly across the business on all fronts. We secured €1 billion in new customer deals, completed the important acquisition of DRS GES in record time, brought SES-17 into service, launched the first two O3b mPOWER satellites, secured $170 million of incremental C-band clearing payments from Verizon and launched the satellites needed to complete the phase II C-band clearing.

Revenue for the year of €1.944 billion and adjusted EBITDA of €1.105 billion are comfortably within the financial outlook that we provided last February.

Networks now represents 50% of revenue and grew by 2% year-on-year with cruise and aviation being the standout performers, both of which rebounded strongly post-COVID. Our Video neighbourhoods are the bedrock on which we build our global business, with 2022 a good year for renewals most notably with Sky.

Consolidation is a topic in the industry these days. I was really pleased with the acquisition of DRS Global Enterprise Solutions completed during the year. This was a business that we had identified as a great fit for SES, proactively targeted and closed within five months.

Serving some of the most demanding end users in the DoD, GES is now fully combined with our government business under the new banner SES Space & Defence, a best-in-class full-service government system integrator just as we bring O3b mPOWER to the market.

Speaking of O3b mPOWER, we have positive commercial momentum with SES and O3b mPOWER and combined gross backlog now stands at over $1 million for the first time. In 2022, we closed a landmark partnership with Reliance Jio, signed five of the top six cruise operators onto O3b mPOWER and got our partnership with Microsoft Ground Station-as-a-Service, and announced a major deal with Marlink, supporting their growing enterprise business.

This was underscored as recently as last week with the announcement that Marlink will drive digital transformation across French Guiana, establishing gateways on both SES-17 and O3b mPOWER in a 15-year deal that will deliver 4G and 5G services across the region.

Significantly, last week, I joined Luxembourg's Minister of Defence for the enactment of the MEO Global Services programme, which following parliamentary approval will commit €195 million for the acquisition of unique capabilities and services on O3b mPOWER to support Luxembourg and its NATO partners, placing O3b mPOWER at the heart of Defence and Security across Europe. More on this to follow.

And lastly, an important year for our US C-band programme began with us receiving the balance of the $977 million accelerated relocation payments for Phase I clearing. We then concluded the agreement with Verizon for additional clearing and completed all of that work in the year to earn a further $170 million.

And finally, we launched three new C-band satellites that are now fully operational and completed a substantial proportion of the required filtering. The project is meaningfully derisked with US$3 billion in accelerated relocation payments to earn before year-end.

So turning the page four now and more detail on the Networks performance. As I mentioned, mobility repented in 2022 with 13% growth. Cruise was ahead 20% year-on-year with a fifth major brand signed and expanded services with MSC's Explora Journeys.

Aviation also performed strongly following the introduction of SES-17, and a successful transition of the Thales in-flight aviation network to support Spirit Airlines. Our Fixed Data business was also supported well by the introduction of SES-17. Sales momentum was good throughout the year with 17 new contracts signed, the majority supporting rural connectivity programmes, including ARSAT, who contracted for all of the available capacity in Argentina, as well as access networks in Claro Brazil.

Other fixed data deals in the year included Digicel Pacific, Marlink, Microsoft, SSi Canada, and Vodafone Cook Islands, who were our first O3b customer a decade ago and have now extended on to O3b mPOWER.

There was limited new business available in US government in 2022, but we had a good year in securing important long-term renewals, including the US Army TROJAN programme and the follow-on US Navy CSSC II programme with partner Inmarsat.

DRS GES contributed €95 million in revenue in the five months that they were in the business. And now combined with SES Space & Defence, we expect to exceed the promised $25 million in annualised medium-term synergies, including the migration of customers to SES fleet capacity.

And speaking of government, I want to spend a bit of time this morning on page five looking at secure sovereign space, an area that I've been speaking about for a while, and can now point to a number of strategic initiatives that underscore the importance of sovereign space to governments, our credentials as SES and the strategic focus that we've had on this segment for some time now.

So governments increasingly appreciate the importance of space as a strategic environment from which they deliver services, secure communications, earth observation, space situational awareness, 5G, data relay positioning and more. Global capability, leveraging the right orbits for the right service is out of reach for most governments and they are increasingly leveraging trusted commercial operators with access to spectrum, differentiated space capabilities and system integrator skill sets to deliver multi-mission services.

And with that in mind, Luxembourg's announcement establishing the MEO Global Services programme was really significant. This programme will authorise the acquisition of O3b mPOWER services by Luxembourg valued at €195 million over ten years in the areas of defence, security, disaster recovery, supporting Luxembourg's commitment to NATO, and establishing a secure capability for its NATO allies.

Importantly, the MGS programme is also the anchor for the framework agreement signed between Luxembourg and the US late last year, the Global Commercially Contracted Satellite Communication Support Partnership established under the NATO Support and Procurement Agency. This establishes O3b mPOWER as not only the workhorse for NATO in the protection of Europe and its borders, but also as the strategic Medium Earth Orbit layer in the US DoD Space Infrastructure.

And to highlight the importance of Medium Earth Orbit, we signed an innovative agreement with NASA, showcasing a new application data relay from LEO. With O3b mPOWER, we have a practically unlimited number of digital beams that we can use to relay data not only from earth, but also from space. And we see significant potential in the use of O3b mPOWER to move our customers' data around the network in a secure way.

And as further evidence of government's leveraging commercial capabilities and integrating with their own MilSatCom programmes, Babcock International supported by both SES and our GovSat subsidiary, were recently awarded a £400 million six-year contract to operate Skynet for the UK Ministry of Defence. The Service Delivery Wrap will encompass the operation of the UK Skynet satellites and ground stations, as well as delivering innovative future services to support the UK's deployed forces.

We joined the European Commission, the European Space Agency, and Luxembourg government in announcing our first low Earth orbit satellite, EAGLE-1. SES and Luxembourg are leading the way in developing Quantum Key Distribution from space, an application specifically called out in the IRIS$^2$. project. And IRIS$^2$ is now approved and aims to establish a sovereign multi-orbit constellation, supporting the needs of Europe and its citizens for the coming decades.

The European Parliament has approved the investment of €2.4 billion in the project's first phase through 2027, and SES is uniquely positioned as the European operator with multi-orbit credentials to partner with the Commission to deliver on the project's ambitious goals.

So now switching gears on Video on page six, and performance fully in line with our expectation. Revenues were lower by 5.5% year-on-year, including the termination payment from Nordic Entertainment booked in Q1, which protect us all for 2022, while the impact of the end of our US wholesale business is now behind us.

Excluding these one-off impacts, the core business run rate was down 4.4% year-on-year as we continue to flatten the revenue trajectory. We have the best neighbourhoods in the industry as demonstrated by our network reach, serving 369 million TV homes, and that facilitated the signing of contracts valued at €450 million during the year.

The most notable deals include an €84 million renewal with Sky, which followed a €90 million agreement in 2021, as well as important wins with Discovery Deutschland, ARD-ZDF, ProSieben, Mola TV, QVC, and the addition of several free ad-supported TV or fast channels to our core neighbourhood in Germany.

Pricing on renewals continues to be stable to increasing, reflecting the pricing power owned in our Video neighbourhoods and improving penetration of high-definition TV channels. Meanwhile, more than 20% of our Video contracts and revenues benefit from indexation clauses, adding to the solid long-term cash generation fundamentals of the business.

And so then moving on to page seven and a recap of our strategic execution, delivering on the projects that create long-term value for our shareholders. As mentioned, C-band is fully derisked through the launch of the three satellites in 2022, and we will complete the filtering activities this year to secure $3 billion in C-band proceeds.

Getting SES-17 in service by mid-year was an important milestone, while the launch of the first two O3b mPOWER satellites points to our future platform for profitable long-term growth.

When we add the DRS GES acquisition and the addition of US$170 million for Verizon, we can be very satisfied with the year's work.

And staying with O3b mPOWER on page eight, given its importance in driving future growth, we're on track to launch commercially towards the end of Q3, with customers ramping onto the system through Q4. Delays in the manufacturing of O3b mPOWER means that it's coming later than we would like and delays our growth, but Boeing has made good progress with satellites three to six in the last months, and we expect to launch them during the second quarter.

We further optimised our launch planning after a good ride with the first launch, meaning a pre Q3 commercial introduction. Satellites seven to 11 are not too far behind, with an enlarged constellation expected in 2024. We've also made good progress on the ground with gateways activated and a range of small affordable high-performance customer terminals fully validated, shipped to customers, and operational ready on O3b Classic.

The O3b mPOWER technology stack and its multi-orbit platform is really performing well. And another important milestone was reached recently with the first end-to-end validation of our ARC, Adaptive Resource Control system, the space brain for O3b mPOWER and at the heart of our multi-orbit architecture. ARC will deliver significant operational efficiency, deploying beams, power and bandwidth across the system, monitoring performance and adjusting power and bandwidth autonomously. While later than we'd like, the capability that we have with O3b mPOWER is phenomenal and our whole focus for the next month is getting the system operational and supporting the commercial momentum that we have right now.

And with that, I will hand over to Sandeep.

**Sandeep Jalan:** Thanks, Steve. Good morning, everybody. Turning now to the financial highlights on page 10. We are pleased with an overall solid financial performance this year. Reported revenue was 9% up year-over-year to €1.95 billion. This revenue increase includes the positive effects of the stronger US dollar, as well as the five months of contribution from the DRS GES acquisition.

Adjusted EBITDA of €1.1 billion was up 1.3% on a reported basis, representing a margin of 57%, and it includes benefit from positive effects from US dollars as well as five months of GES EBITDA.

As expected, 2022 year-end leverage closed at 3.5x, down 0.5x from 4x as reported at the end of quarter three '22. The year-on-year increase in leverage from 2.9x to 3.5x is due to the acquisition of DRS GES for €443 million and our peak growth CapEx of €1.03 billion during 2022, partly offset from C-band first phase remaining proceeds, as well as the additional C-band clearing proceeds that came from Verizon.

Verizon C-band clearing yielded a total of $170 million, of which $160 million was realised within 2022 and the remaining $10 million was also realised at the beginning of this year. For '22 financial year, the Board is proposing a stable dividend of €0.50 for shareholder approval in early May and payment on 20th April '23. As Steve has already mentioned, we have derisked the C-band clearing with the first three satellites successfully in orbit, and now we have a clear line of sight for capturing the €3 billion towards the end of this year.

We remain committed to using these proceeds in the most optimal way for the benefit of shareholders, with a mix of strengthening the balance sheet with a more prudent leverage target of below 3x. Shareholder return will continue to remain our high priority, while also evaluating any additional value-accretive investment opportunities.

Looking now at page 11 and the net profit bridge. Adjusted EBITDA was higher by €14 million compared to the prior year. This was driven by the following main components. The first positive effect was coming from the stronger USD versus euro, which contributed €118 million to revenues and €67 million to EBITDA.

Second positive effect was a return to growth in Networks revenues, which was up year-over-year by €16 million or 2%, including a strong rebound of 13% in our Mobility business. These positive effects were partly offset by Video revenue decline of minus €59 million or 5.5% minus, and higher recurring OpEx as expected.

Finally, the acquisition of DRS GES added €95 million to revenue and €11 million to EBITDA for the first five months ended 31st December.

Below adjusted EBITDA, the main effects leading to an adjusted net profit of €189 million were almost entirely non-cash, particularly high depreciation and amortisation linked to SES-17 being in service, higher non-cash tax booking linked to FX from impairment exercise and variation in forex gains year-over-year.

The difference of €223 million between adjusted net profit of €189 million and reported net profit of negative €34 million is explained by four major exceptional items, as you can see on the right-hand of the chart.

First, net C-band income of €154 million was recognised. It was mainly due to the additional proceeds from Verizon, which yielded $170 million and net of C-band expenses. Second, a non-cash impairment of €397 million has been booked during the year, including €373 million in second half of the year. This mainly reflects a sharp increase of about 2.5% year-over-year increase in the discount rates based on the latest market conditions, and this affects the net book value of intangibles and GEO satellites.

Third, other significant special items of €17 million, including restructuring cost and costs related to the acquisition of DRS GES. Fourth item is the tax gain on these special items, which amounted to €37 million.

Adjusted EPS when excluding the effects of these special items is €0.35 per A share compared to a reported earnings per share of minus €0.16.

Moving now to our balance sheet on page 12. Leverage was 3.5x at the year-end. It was in line with our expectations as announced in the prior quarter. Recurring solid net operating cash generation was complemented by the remaining portion of phase I C-band proceeds collected in January 2022, and the bulk of the $170 million from Verizon additional clearing, which was also realised in quarter four. These helped to partly offset the impact of leverage from €435 million acquisition of DRS GES, our peak year of CapEx with €1.03 billion of investments, mainly growth and in mPOWER, net cash interest of €152 million and dividend payment of about €220 million net.

With the C-band clearing completing this year, we are continuing to engage with the clearing house to expedite the reimbursement process. To date, we have now received over $727 million of reimbursements, which is up from around $515 million at June 2022, compared with about €1.3 billion that we have spent so far at the end of December 2022.

During mid-year 2022, we proactively issued a new €750 million seven-year bond with a coupon of 3.5%. Now with the strong liquidity, we can well address now the upcoming €750 million senior notes maturity in early April. We have no other senior debt maturities in the near term. We are pleased to also have recently secured €300 million term loan from the European Investment Bank on attractive financial terms and also diversifying our sources of financing.

Our investment-grade standing allows us to access a wide pool of capital at attractive rates, and this is shown in our low average interest rate of 3.1%, with over 95% of debt at fixed rate and a very healthy maturity profile. The Board remains committed to a strong balance sheet and have reaffirmed its commitment to maintain a new and lower target leverage of below 3x compared with the previous level of 3.3x.

2023 is all set to be a landmark year with a clear line of sight to earn further €3 billion from C-band in less than a year to be utilised in the best interest of shareholders.

Finally, on page 13 now, we provide the outlook for 2023, assuming a forex rate of $1.09 for €1 euro to a dollar. As a reminder, a $0.01 strengthening in US dollar against the euro translates to around €10 million higher revenue and around €5 million higher EBITDA and vice versa.

After a solid 2022, revenues and EBITDA landing at the midpoint of our outlook at beginning of the year, we would expect a similar revenue development in 2023, with Group revenue expected within the range of €1.95 billion to €2 billion. This includes the first full year contribution from DRS GES, which Steve has mentioned, is now fully integrated into SES Space & Defence.

Our EBITDA outlook for 2023 of between €1.01 billion and €1.05 billion shows this year as a transition year, as we bring O3b mPOWER in service with a higher OpEx due to certain pre-operative expenses, as well as sale of equipments before revenues from O3b mPOWER capacity sales, drive the trajectory of revenue growth from the start of service from end of quarter three.

In terms of CapEx, we are now beyond our investment peak and expect a level of €550 million for 2023, followed by an average of around €385 million for the years 2024 to 2027. For your forecast, you should expect 2024 to be slightly above this target due to important ongoing investments, including mPOWER remaining satellites and 19.2, while 2027 is expected to be below the average.

2023 will also be a landmark year for SES, which will see us earning $3 billion from C-band. After taxes, these proceeds represent a huge source of supplementary value creation and will be used in the most optimal way for the benefit of shareholders. We remain focused on executing our targets in a landmark year with C-band proceeds of €3 billion and transition year to return back to growth.

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

**Steve Collar:** Great, Sandeep. Thanks. So turning to page 15, we have a balanced business split roughly 50/50 between Networks and Video, with Video generating significant and sustained cash flows and Networks generating our growth. After low single-digit growth in 2022 in Networks, we expect mid-single-digit growth in 2023 before accelerating strongly once O3b mPOWER fully enters service.

On the Video side, we're driving value from our core neighbourhoods, flattening the curve, and improving CapEx efficiency across the fleet, notably at 19.2 East, where the two satellites will launch next year, will replace four existing assets. The complementarity of these two businesses is the foundation for our long-term growth, solid cash generation and the strong balance sheet metrics in turn driving value for our shareholders.

On page 16, and key to this is in showing up for our customers and delivering the solutions that help them be successful, and our net promoter score reflects a positive picture. In the coming months, I'll be evolving our organisation, combining sales, product and service delivery functions within our four business segments. Our customers should expect to benefit from enhanced customer experience with resources deployed more closely to them, faster response times, faster deployment of enabling technologies to them while also increased operational efficiency within SES.

In this structure, we'll also be combining Technology and Services into a single organisation, leading to synergy and reduced cost, as well as a faster turnaround for our customers.

And finally, to sum up on page 17, we've executed strongly against this year across the business, delivered on our numbers, added valuable new capabilities to serve government customers through disciplined investment, achieved important milestones in delivering differentiated multi-orbit network with assets already in orbit and put ourselves in a position to capture substantial value from US C-band clearing.

And with that, we're happy to take your questions.

## Questions and Answers

**Operator:** Thank you, sir. Ladies and gentlemen, if you would like to ask a question or make a contribution on today’s call, please press star one on your telephone keypads. We will now take our first question from Nick Dempsey from Barclays. Please go ahead. Your line is open.

**Nick Dempsey (Barclays):** Yes. Good morning, guys. Three questions, please. So first one, when setting your adjusted EBITDA margin, you're referring to free operating expenses for mPOWER and the weighting towards lower margin equipment sales in the year. So logically, should we expect adjusted EBITDA margin to be higher in 2024 than 2023?

Second question, is it fair to say that the variation within guidance on revenue relates mostly to the range of possibilities around the [inaudible], in other words, at the bottom end of your revenue guidance range, would you have very little contribution from mPOWER in '23?

And the third question, your backlog for mPOWER and SES-17 is only up just under €15 million until we last heard from you, even though we might have hoped for a bit more of a ramp-up in SES-17. So has there been any added backlog for mPOWER apart from the Luxembourg deal, which I don't think is included, since we last heard from you?

**Steve Collar:** Great. Thanks, Nick. I guess Sandeep and I will probably share. So look on the first, we're obviously – so this was to do with EBITDA margin and we're not going to give guidance for 2024. But what you say is entirely right. So 2023 is going to be, I would say, equipment heavy when it comes to O3b mPOWER and we're only sort of in service in the final quarter of the year. So limited capacity and service revenue on O3b mPOWER in 2023.

Obviously, the picture will be very, very different in 2024. So this is a '23 effect as we bring O3b mPOWER into service. I'll perhaps take the third one, and then Sandeep can take a second.

Look, on backlog, we're pretty happy to be sitting at €1 billion backlog for SES-17 and O3b mPOWER combined, particularly when you think that SES-17 is now also consuming backlog, right? So we're fully operational now on SES-17. So we're consuming backlog as we go and we're still adding. And you rightly say that the €195 million from Luxembourg is not in the backlog, but obviously once that achieves parliamentary approval, it will be, and we have very good visibility, I would say, of adding another couple of hundred million of backlog.

And very importantly government revenue, right? We've been talking for some time about the significance of O3b mPOWER for governments and I think the fact that we've been able to secure an important commitment, again, subject to parliament approval, an important commitment, not just for Luxembourg but for Luxembourg's partners and allies and anchoring this framework agreement between Luxembourg and the US, which is very significant in establishing O3b mPOWER in the government.

Sandeep, maybe for the second question.

**Sandeep Jalan:** Yeah. So second question concerning EBITDA guidance, our EBITDA guidance for 2023 basically factors situation particularly in context of O3b mPOWER.

**Steve Collar:** I think it was revenue.

**Sandeep Jalan:** Okay.

**Steve Collar:** The revenue, right? I think, look, our revenue range is not very different from every year. We always have a range, and so history suggests that we deliver comfortably in the range. Obviously, our goal is the top end of the range, Nick. So, no real mystery here. We just provide a guidance range, and this is very, very similar to that that we provided previously.

**Nick Dempsey:** So I guess my question was if mPOWER is delayed further and you get fewer revenues – less revenue than you were hoping for this year, that you still might be at the bottom end of that range. That was really my question.

**Steve Collar:** Yes. Look, I mean, I think – no, we don't have very significant service revenues for mPOWER baked into the plan. So a lot of that will come in the form of equipment and gateway and so on which is why the revenue will be there. But the margin, EBITDA is a little lower. But yeah, I wouldn't sort of characterise the range any more than we always provide €50-ish million. I think last year it might even have been slightly wider. But a €50 million range on revenue guidance is pretty typical.

**Nick Dempsey:** Thanks, guys.

**Steve Collar:** Thanks, Nick.

**Operator:** Thank you. We will now move on to our next participant, Roshan Ranjit from Deutsche Bank. Please go ahead. Your line is open.

**Roshan Ranjit (Deutsche Bank):** Great. Morning, everyone. Thank you for the questions. I have three as well. And maybe just starting, following up on Nick's point. You highlighted the equipment sales has been a kind of slight drag as we're ramping up and I think that was something similar this quarter as well. Just to confirm, these equipment sales isn't a kind of structural shift that you're seeing as a function of having a bit more of a product mix change into the data side or the government side, as a result of mPOWER. This is just building out the channels, i.e., it's a kind of '23 effect and not likely to continue as it will drag as much as we look further out.

Secondly, I'd be interested in getting your thoughts around the leverage target and your more prudent approach at around 3 times. I mean, what is driving that? I mean your cost of debt is just above 3% and I think you said the latest bond that you issued was around that level. So it'd be interesting just to get your thoughts around there? And how we should think about the second tranche payment coming up?

And lastly, on the operational side, so mobility, the good trends that you've had from the start of the year slightly slowing. Is that purely related to the lack of capacity that you have to service these clients, and once I guess mPOWER is launched that should be picking up towards the end of the year? Thank you.

**Steve Collar:** Well, thanks, Ranjit. I'll take again one and three and leave two to Sandeep. So, look, no change in approach. No change in philosophy or sales approach. But in 2023, we're going to be bringing O3b mPOWER online and O3b mPOWER will sort of dictate that we deploy a lot of gateways, customer-related gateways, and a lot of terminals. And so it's just kind of the start-up effect if you like of a new constellation coming to the market.

We will have some in 2024 because again we want to support customers with equipment sales. I think by 2024, we'll expect more of our customers to sort of go direct for a bunch of the equipment. We have an open architecture system, it's not proprietary in any way. So I think that will migrate more to our customer procuring directly.

For 2023, we do anticipate a number of customers acquiring equipment from us, which we make money on. We just don't make a huge margin obviously on equipment sales. And so that deals with question one.

And on question three, yes, you're exactly right. So great progress in cruise, in particular the cruise and aviation. And obviously we're a little capped out on the O3b constellation until we can get O3b mPOWER into service. And so that reflected a little bit in Q4. But we do have a number of installs still going on. So we would expect to see growth continuing during 2023, notwithstanding the fact that new business will be a little leaner until we get through to O3b mPOWER.

**Sandeep Jalan:** Yeah. So, on your second question on the leverage. Since September 2022, our leverage has continued to remain elevated above our earlier threshold of 3.3x, particularly due to the fact that we are in transition with these investment peaks for mPOWER and other investments. And the Board remains committed to investment-grade balance sheet as it allows us a competitive advantage. And that's why Board reaffirms its commitment to maintain the investment-grade to below 3x.

When you take a look at our balance sheet, we do have very strong balance sheet with 3% cost of debt, and this is a strong competitive advantage that we commit to maintain and retain.

Now we have a clear line of sight with the C-band proceeds as well towards the end of this year. And with that in mind, the Board commits to reduce our leverage threshold to below 3x.

**Roshan Ranjit:** Great. So if I can just follow up, Sandeep, I mean, you mentioned temporarily, you have been above the 3.3 times, which, as you said elevated CapEx. Now that's coming down. I guess, what is driving the target to change from 3.3? Is there a change in the definition of what constitutes investment-grade? Or why that additional kind of prudent, I would say, please?

**Sandeep Jalan:** Yeah. So I think clearly the market environment during 2022 has remained tough, also with the financial market situations. You also see the impacts with a higher cost of borrowings. And clearly, the difference between investment-grade and non-investment-grade starts to become even more meaningful and important. And hence, with that in mind, and the C-band proceeds coming in, we consider that it's a prudent thing to maintain a strong and competitive balance sheet.

In a very high capital-intensive industry like ours, it is a huge differentiating advantage that we aim to maintain.

**Steve Collar:** Thanks, Ranjit.

**Roshan Ranjit:** Okay. Thank you.

**Operator:** Thank you. We will now move on to Carl Murdock-Smith from Berenberg. Please go ahead, sir. Your line is open.

**Carl Murdock-Smith (Berenberg):** Hi, thanks very much for the questions. Pretty much following on from Roshan's question first. I mean, Sandeep, you talked about having a clear line of sight now towards C-band. I was just wondering kind of around the timing for more granularity of how you will use those C-band phase II proceeds. Will we be getting more detail, say, by the H1 results? So will we actually have to wait until you have the cash in your hands to determine that kind of split between shareholder returns and value accretive opportunities?

And then, secondly, I think you said that you're on track now to exceed on synergies from DRS GES. I was just wondering if you could comment slightly about how the integration have gone and where those beats on synergy delivery are coming from? Thank you.

**Sandeep Jalan:** Yes. So, on the C-band, we are still one year away, so C-band proceeds is huge, €3 billion, and it comes as an extra supplementary value for our shareholders. We remain committed to use it with the mix of shareholder cash returns, strong balance sheet and value-accretive investments.

Shareholder returns remains the key priority, but we are still one year out. And as we go throughout this year, we will come back on this question and clarify the uses of those proceeds. But it will remain a very disciplined usage of those proceeds for the best interest of shareholders.

On the DRS GES integration, yeah.

**Steve Collar:** Yeah, I'll take that. I mean we – the first thing we did was we put the team together immediately. So there was no delay in terms of forming a combined leadership team and that is reflected down into the organisation. So we saw some immediate savings, I would say, in terms of headcount. But as we go forward, we'll expect to see more synergies coming from moving more of the customers networks on fleets.

And so we were relatively poorly represented. We, SES, were relatively poorly represented in DRS GES' networks previously, and obviously over time that will increase. And so those are the two ways. It was early integration and early combination of the team combined with overtime shifting more of the DRS GES customer business onto SES fleet.

**Carl Murdock-Smith:** That's great. Thanks very much.

**Steve Collar:** Thanks, Carl.

**Operator:** Thank you. It appears there is no further questions at this time. I'd like to turn the conference back to Mr Richard for any additional or closing remarks. Thank you.

**Richard Whiteing:** Very good. Thanks very much for joining us, everyone. We really appreciate it, and we will talk to you again with our Q1. Thanks, all. The IR team is available for questions.

**Operator:** Thank you for joining today's call.

[END OF TRANSCRIPT]