COMPANY WEBCAST

A EURONEXT COMPANY

SES Q1 2023 Results

Thursday, 4th May 2023

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

SES Q1 2023 Results

Richard Whiteing: Thanks, Laura. Good morning, everyone. Thanks for joining this analyst investor call for the Q1 2023 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.

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 a bit more detail. After some closing remarks from Steve, we will take your questions.

So with that, I hand over to Steve.

Steve Collar: Thanks, Richard. Good morning, everyone. Thanks for joining us. And we've started the year well with a solid set of results for Q1, strong traction in the market with good sales momentum and excellent progress on both O3b mPOWER and our C-band project.

Revenue and adjusted EBITDA were fully in line with our expectations and consistent with the full year outlook, which is unchanged and on track. Close to double-digit revenue growth, as reported, reflects the contribution from our acquisition of DRS GES, while solid EBITDA performance underscores our continued focus on execution across the business.

We're performing strongly in Mobility, up almost 15% year-on-year and driving growth overall in Networks. While in Video, we continue to flatten the revenue trajectory with more than €110 million of renewal business signed in the quarter on good commercial terms for SES.

Some of you may have caught the O3b mPOWER launch last week, bringing us to four satellites in orbit. And with the last two of the initial constellation launching in early June, we remain on track to start commercial service at the end of Q3 with customers ramping onto the system during Q4.

In more good news, the first two satellites have completed orbit raising and has begun in-orbit checkout. We formed our first beams over the satellites and the performance looks great.

Commercially, we continue to gain traction, and significantly this quarter, Luxembourg's Ministry of Defence announced the MEO Global Services programme, through which the ministry intends to acquire our services on O3b mPOWER to support Luxembourg and its NATO partners, establishing O3b mPOWER at the heart of defence and security across Europe.

And we've added another strategic programme to our list with the IRIS^2 project and the recent announcement that we've partnered with Europe's leading space and telecom operators and manufacturers to develop what we believe will be a compelling secure multi-orbit architecture to serve Europe and its citizens for decades to come.

We're bringing our multi-orbit credentials to the consortium. And given the ambitious time lines for the commission, the solution will likely leverage the best of existing and new infrastructure.

And finally, on C-Band, with the successful launch of the two remaining satellites, our project to clear 5G spectrum across the US is entering its final phase. We're very much on track to complete clearing and earn an additional US$3 billion in accelerated clearing payments before year-end, while we continue to make progress with the clearing house for the pending $600 million in cost reimbursements.

So I'll now move to page four and more detail on our Network segment that together drove 3% increase year-on-year. The cruise market continued its robust trajectory and drove a significant pickup for SES as we equipped a number of new cruise vessels ahead of delivering connectivity services. All of our cruise customers are signed to O3b mPOWER, and we expect to have a number of vessels already transition to O3b mPOWER this year.

Government and fixed data were largely flat year-on-year, with government showing a positive trend and fixed data benefiting from periodic revenue relating to a transponder sale. We have significant traction in the market across all our networks verticals, with €340 million of business signed since the start of the year.

Notable successes include incremental capacity and services signed on GovSats and some good pickup more generally in our global government business; several renewals with US Space Force and DISA, including the renewal of the Army WIN-T network; the renewal and extension of services for CNT in Galapagos, including transition to O3b mPOWER; new mobile backhaul and rural connectivity project wins with CFE in Mexico, ultimately growing to more than 1,000 sites; a substantial commitment on SES-17 for aviation services that will expand the number of aircraft supported on the satellite; and recent wins in both business Aviation and Cruise, the latter representing a number of new cruise vessels signed to O3b mPOWER.

And looking ahead to O3b mPOWER, I continue to be excited by the potential that we have to offer secure sovereign services from MEO, underscored by Luxembourg's intention to establish the NGS programme, as I described. The programme will authorise the acquisition of O3b mPOWER services valued at close to €200 million over ten years in the areas of defence, security and disaster recovery. Importantly, NGS is also the anchor for the framework agreement signed between Luxembourg and the US late last year, the so-called 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.

So with that, I'll turn to page five, and our Video business, where, again, we have a good quarter, securing renewals on good commercial terms. Business performance is fully in line with our expectations with revenues lower by 5% year-on-year, excluding the one-off termination payment from Nordic Entertainment last year.

We have the best neighbourhoods in the industry as demonstrated by our network reach, serving 369 million TV homes. And since the start of 2022, we secured well over 0.5 billion in new backlogs, including €110 million of incremental business signed in Q1.

Most notable deals include €75 million worth of contracts with key public and private broadcasters, including QVC, ZDF, Seven.One, MBS and High View in Germany where we serve more than 17 million satellite homes.

Pricing on renewal continues to reflect the pricing power gained by virtue of the large neighbourhoods that we operate and the value creation generated from the audiences across our platforms. Also of note, 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, evidenced by our Video backlog, which stands at €2.5 billion.

And finally, from me on page six, in addition to business execution, our main focus for 2023 is to deliver C-band clearing and to commercially launch O3b mPOWER.

As I mentioned, we now have four of the six satellites needed for the initial O3b mPOWER constellation successfully launched in in-orbit. The final two have completed their major testing. We'll ship from Boeing this month, and we'll launch in early June. We're on track to declare O3b mPOWER operational and in service at the end of Q3, with customers ramping onto the system through Q4. Satellites 7 and 8 are following along pretty closely behind. While on the ground, everything is ready, with gateways deployed and a large suite of customer terminals available, tested and being shipped to customers.

Yesterday, we announced our latest regional partner, Profen, who are investing in a local gateway to deliver services in Turkey in the region. It's an excellent model for O3b mPOWER and mirrors what we're doing already with Marlink and French Guyana and of course, Reliance Jio in India.

And moving across the C-band and March also saw the launch of our C-band satellites, allowing us to complete the small number of remaining customer transitions on the satellites. With only a few incumbent Earth stations left to have filters installed, we really are well advanced and fully on track to earn the remaining accelerated relocation payments in 2023.

And so with that, I will hand over to Sandeep.

Sandeep Jalan: Thanks, Steve. Good morning, everybody. Turning now to the financial highlights on page eight. We are very pleased with an overall solid first quarter financial performance, which is fully in line with our expectations.

Reported revenue was 10% up year-over-year to €490 million. These included the positive effects of stronger US dollar, which was about 3%, and the contribution from the DRS GES acquisition, which was about 10%.

Adjusted EBITDA was at €265 million. This was 3% lower on a reported basis, representing a solid margin of 54%. This included the positive effects of US strong dollar, which was about 2%, and also the contribution from DRS GES acquisition, which was also about 2%.

The financial outlook for 2023 is all fully reaffirmed with revenue, adjusted EBITDA and CapEx, each being on track versus the guidance we gave with the February results announcement.

Leverage of 3.6x was essentially unchanged compared with the year-end 2022.

With the latest successful launch of C-band satellites in March, as Steve reported, and with more than 90% of transition plan having been completed, we have fully derisked the C-band clearing and have a clear line of sight to \$3 billion or \$2.45 billion after tax towards the end of this year.

Further, we expect reimbursement of remaining C-band related costs, which are approximately \$600 million as of 31st March 2023. And once reimbursed, these will add to the cash balance and reduce net leverage.

In fact, after we received these substantial cash inflows of over \$3 billion net from the C-band net proceeds plus the reimbursement, our leverage, on a pro forma basis at the year-end comes down significantly to about 1x compared to our leverage threshold of 3x. And meanwhile, we have also paid out the dividends of €220 million for 2022, just two weeks back.

Moving now to slide eleven, on the net income bridge. Adjusted EBITDA for quarter one was lower by €9 million compared to quarter one of last year, and it was driven by the following components.

The first was the positive effect, which came from the stronger US dollar versus euro, and this contributed about €13 million to revenues and about €6 million to EBITDA.

Second positive effect was the contribution from DRS GES, which was acquired at the end of August 2022. This contributed a revenue of €45 million in quarter one and EBITDA of €6 million in quarter one last year.

After adjusting effect of both GES like-for-like and constant currency, adjusted EBITDA was 7% lower compared to quarter one of last year.

Third component was the growth in Network, which included double-digit percentage growth in Mobility and €7 million of periodic revenue in Enterprise and Cloud during the quarter.

These positives were offset by a decline in video of about €22 million, or €12 million when excluding the periodic revenue in quarter one 2022 from net, as Steve said earlier.

And another impact came from higher recurring OpEx as expected. Below adjusted EBITDA, the main effects leading to an adjusted net profit of €64 million, were almost entirely non-cash, particularly high depreciation and amortisation linked to SES-17 being in service and non-cash ForEx loss of €6 million booked this quarter. Meanwhile, lower interest expense and taxes contributed about €8 million in the quarter.

The difference of €9 million between adjusted net profit and reported net profit is explained by net C-band expense of €4 million and other significant special items of €9 million in the quarter. Tax gain on these special items amounted to €4 million.

So in summary, a very good start to the year. Excitement is building with the mPOWER on service date getting nearer, and in the backlog, nicely building, including some recent important commercial wins. We are firmly on track with the full year revenue and adjusted EBITDA outlook and our growth trajectory.

With that, I will hand over back to Steve.

Steve Collar: Very good. Thanks, Sandeep. And then I will conclude with page 11 and a real solid Q1 performance, strong execution in the business, with Mobility driving growth in Networks, strong renewals in Video and good momentum in the market, with ongoing healthy deal flow supporting our year-end outlook.

2023 is a transformational year for SES that will see us bring O3b mPOWER to the market- a state-of-the-art constellation that's truly differentiated, given the ability to deliver dedicated carrier-grade, scaled and targeted bandwidth and services that will provide the bedrock of our future growth while we will also see the culmination of a massive 4-year undertaking to repurpose C-band spectrum in the US and in so doing transform our balance sheet.

And so with that, I think we're ready to take your questions.

Questions and Answers

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We'll now take our first question from Nick at Barclays. Your line is open. Please go ahead.

Nick Dempsey (Barclays): Good morning, guys. Just got a couple of questions. So first one, in terms of once mPOWER launched and functional, just in terms of thinking about the ramp up, you talked about customer that take up the [inaudible]. Can you talk to us about the risks [inaudible] slowly about there being some more investing[?] [inaudible]. We end with the benefits through our O3b mPOWER washing in a quarter or a couple of quarters later than we currently hope?

The second question, IRIS². So also, you'll be able to contribute some MEO assets into projects. Can you talk to us about the likelihood of contributing notable investment given absence spend of C-band to that process?

Steve Collar: Thanks, Nick. You were a little bit choppy there. So I'm not sure I got entirely the question, but I'll give it a go, and you can let me know if I answer appropriately.

So on mPOWER, the good news is we kind of bring the satellites up in pairs. And so we catch a good amount of the capability significantly ahead of sort of commercial launch. We're already doing that with F1 and F2. They're already on station. We've already four beams. We're running through the sort of standard in-orbit testing, but we will now have a good number of months to run configurations, deploy ARC. So ARC is fully developed. This is our space brain that we've been developing internally, that's fully ready to go, and we'll get sort of deployed.

And we'll be run that through and sort of deploy dummy services even with two satellites pretty much now. And so by the time we get to the end of Q3 with all satellites up in the constellation and ready to go, we're going to be fully checked out. And so, that's why we're optimistic that, through Q4, we're going to be moving customers onto the spacecraft, new customers generating revenues.

Obviously, there will be a ramp, right? And so that will happen through Q4 and indeed into Q1. But we don't anticipate any delay in getting customers up and operational on mPOWER, given the fact that we'll have the ability to fully check out performance and services and even start delivering, I would say, beta services on the first couple or the first four. Essentially what that looks like for customers is a gap for a period of time. But certainly, in terms of the capability of the mPOWER constellation, we can start delivering that even in advance of the final two satellites getting into the constellation.

So I feel very good about service introduction on mPOWER. I feel very good about the level – the amount of testing we've been able to do on the ground stations, on the customer terminals. All of that is fully validated with the existing constellation. So I really feel very good about where we sit with mPOWER, notwithstanding the fact it's obviously taken us longer than we would have liked, and we've had to a bit be more patient to get to this point, but we do feel very confident in the programme and the results we're seeing and the programme we'll generate.

Look, on IRIS^2, I think the first thing I'd say is we feel like we've got a very strong consortium. We are part of a very strong consortium with the main team comprising Europe's major operators and manufacturers and then a broader group, including sort of telecom operators.

And so I think we really feel like we've got all bases covered. We've got a strong security inside a component, which is also essential. This isn't just a space architecture. It's a sort of secure communications architecture. And so I think we feel that the team members that we have around the table are really strong, and everyone contributes.

I think, as I mentioned, I think that the solution, which is still under definition to be clear, will comprise sort of head start services on existing infrastructure and then launching new infrastructure. As you know, the European Commission has sort of set aside €2.4 billion, plus additional sort of technology development with ESA. So there's a very significant amount of public funding available for this project.

And it's way too early to sort of think about what investment might look like. As I say, we're still working hard on the architecture. It will be multi-orbit. We think we have a strong role to play given our investments, but way too early to sort of think about any incremental investments that we or indeed any other member of the consortium might make at this stage.

Does that cover the questions, Nick?

Nick Dempsey: Yes. Just one quick follow-up. In terms of IRIS^2, if you are kind of holding aside some mPOWER capacity for that project, and it goes on longer than expected, which has happened before with the European projects, is there any chance that, that slows the ramp of mPOWER? Or do you just have so much capacity that we don't have to worry?

Steve Collar: No, I wouldn't say that we are holding mPOWER capacity. We're driving mPOWER obviously hard into the market, as you can see from the deals that we're signing and the backlog that we have. So I don't think we see any need to hold any capacity back. And given that we're launching – bear in mind, we've got two more satellites that we'll add this year. We've got three more coming beyond that. So it's really not a consideration at this point.

Nick Dempsey: Great. Thank you.

Operator: Thank you. We'll now take our next question from Terence Tsui at Morgan Stanley. Your line is open. Please go ahead.

Terence Tsui (Morgan Stanley): Hello. Thank you everyone for taking my questions. I have a couple, please. The first one is just around your leverage. And what do you see as like the optimal leverage in the longer term? I know you've got the target leverage of below 3 times from 2024. But when you have the significant C-band proceeds coming through, your leverage is going to be way below that. So perhaps do you see like any floor for how low you want leverage to be?

And then my second question is just around the C-band. There's been some news flow in the past couple of days from the aviation industry around the first deadline for airlines to retrofit some of their equipment. If that deadline is delayed, does that impact the timing of any payments you may receive?

And then lastly, if I can just squeeze in a final follow-up on IRIS^2. I think it's going to be operating as a kind of a concession agreement. Have you got any, like, further colour around like how the economics could work? How the concessions could be awarded? And if not, maybe just give us an indication about the timing of when you expect the next steps. Thank you.

Sandeep Jalan: So thanks for the question. I'll take the first one and pass on to Steve for the next two. So on the leverage, our quarter one leverage is at 3.6x. As you have seen with our December results, we have announced to reduce our leverage threshold to below 3x. As I said earlier in my speech that at the end of this year, when we take a look at this C-band significant proceeds coming in pro forma basis, the net debt leverage would stand at 1x.

Clearly, our aim continues to remain a strong investment-grade balance sheet. We continue to carry investment-grade rating with both the agencies, which is Moody's as well as Fitch. And this will continue to remain the target. But clearly, the C-band money is not in the bank, it's coming beginning of next year. And as we come closer to that time line, clearly, we'll take a look at our financial policy and make further announcement as we do fit, including on leverage.

Steve Collar: Very good. Thanks, Terence. I'll take the C-band question. So short answer no. Absolutely no impact. We have a job to do, which is clear the 300 megahertz and protect our broadcast customers, and that's what we will do. And that will earn us our €3 billion in accelerated relocation payments. So no impact from this question from aviation. That really is a topic for the FAA, FCC, the mobile operators and the airlines. It doesn't impact us in any way, shape, form or fashion.

On IRIS², yes, there will be a sort of a concessionaire model. In terms of timing, we expect that this deal will kind of get negotiated in the second half of the year and probably, there will be a contract award to the successful bidder, which in the case of – if it's us, in the consortium, it will be towards the consortium at the end of the year. And so yes, that's the sort of the schedule that we expect on IRIS².

Obviously, a lot of work to be done between now and then, right? We've got to come up with a compelling architecture. We sort of have to understand exactly how that fits with the commission's plans. And so a lot of work between now and whenever there's an award, and that we expect sort of towards the end of the year or maybe early into 2024.

Terence Tsui: That’s great. Thanks, Steve. Thanks, Sandeep.

Steve Collar: Thank you.

Operator: Thank you. We'll move on to our next question from Sami at BNP Paribas. The line is open. Please go ahead.

Sami Kassab (Exane BNP Paribas): Thank you, Laura. Good morning, gentlemen. I have two questions, please. The first one, the organic revenue growth of the Mobility segment has been quite volatile in recent quarters, from the low 20s down to the low single digits, back up to the mid-teens. Can you help me understand what drives the volatility in contract starts or usage of the capacity or anything else? And that would be number one.

Number two. You've confirmed being in discussions with Intelsat. If not premature, can you let me understand the strategic rationale of your interest? I think from where I understand the financial side of the appeal, but strategically, other than O3b mPOWER, can you perhaps talk a little bit about that, if not premature? Thank you, Steve.

Steve Collar: Very good. Thanks, Sami. Listen, I mean, the first thing I'd say is, all of those growth numbers are good, right? High single-digit, 20%. All of that stuff is super positive, and I think reflects really good momentum that we have on the mobility side. And it's both maritimes and principally cruise and aviation.

There is a little bit – one of the things that sort of explains a little bit of lumpiness is when we implement services on board cruise ships. We obviously – as part of that, we sell equipment essentially, and that can result in some short-term lumpiness. But I would say, overall, the trend is very positive, growing both sort of capacity services and where necessary equipment sales.

And equipping cruise ships, obviously, means a precursor to then generating significant service revenues. And we've just signed some more, right? So just in the last handful of days, we've signed another cruise line with another bunch of ships. And we've signed a significant deal in aviation on SES-17, and that will all kind of sort of – that will weigh through us in terms of revenue growth out into the future. So it really feels like positive momentum in Mobility more generally.

And look, I can go back, we put out a statement. We said we sort of – we confirm we're in conversations, but really nothing more to add at this point in time. It would certainly be premature to get into discussions on that topic. So everything we've said on that topic is what we're going to say is what I would say, Sami.

Sami Kassab: Thank you, Steve.

Steve Collar: No problem.

Operator: Thank you. We'll move on to our next question from Carl Murdock-Smith at Berenberg. Your line is open. Please go ahead.

Carl Murdock-Smith (Berenberg): Hi. Thanks very much. I'll try a different way, if that's okay. Can I just ask more broadly for you to talk about your view on the logic for consolidation in the industry without necessarily talking about any particular examples?

And then secondly, I'm at risk of you telling me this is too early again. But on the prospect of C-band proceeds, when might you be in a position to frame how you use those proceeds given the previous questions about where your pro forma leverage would be? Might you be in a position by the H1 results? Or are you likely to wait till the money is actually in your accounts, given things like the IRIS² process? Thanks very much.

Steve Collar: Thanks, Carl. Listen, I mean, I'm on record at saying I think consolidation in the industry is broadly a good thing, right? We've seen a couple of fairly large, you'd call it, horizontal announcements with Viasat, Inmarsat and Eutelsat, OneWeb. And I think, broadly speaking, that's a good thing.

I think it's a good thing for customers, principally because I think there's sort of fragmentation in the way services are delivered to customers. And we've been, I would say, mitigating that and being thoughtful about that in terms of integrating our MEO capability and our GEO capability so that we present a larger network towards customers.

But obviously, consolidation is helpful in that regard. We have also sort of driven some vertical consolidation. You saw Intelsat acquiring the Commercial Aviation business of Gogo. And we, ourselves, acquired DRS GES, which we feel was a very important acquisition, given the investments that we have, given mPOWER coming to market, given our focus on government and sovereign services.

So that one was a really good pickup as far as we're concerned. And so, again, broadly nothing that I haven't said already. I think consolidation is generally a good thing. I think some verticalisation is healthy. And in our case, accretive from day one. But at the end of the day, it has to make sense for the companies involved and sort of representing SES. It's got to be right for SES and right for our shareholders.

And – so that's where I would leave the conversation on consolidation. And I will hand to Sandeep for the C-band question.

Sandeep Jalan: Thanks, Carl, for your question. So on the C-band proceeds, clearly, these proceeds, on a net basis, net of tax, are quite significant, more than $3 billion, as I mentioned earlier. These are not yet in the pocket, right? They will be coming mostly – some of the reimbursement will come this year.

But basically, that ARP will land in our bank sometime early next year. So clearly, while they're not in the bank, it's good to have flexibility. It's a good problem to have, right? And with our strong balance sheet, clearly, on a pro forma basis, including this $3 billion net proceeds, we will be going to about 1x.

It allows a lot of flexibility and strength for the company. As we have said repeatedly earlier, it will be used in the best interest of SES and its shareholders. Investment grade will continue to remain our very important priority. We have remained committed for investment grade due to a valid reason. It's also our cost of debt. Cost of debt remains very competitive. Our average cost of debt is around 3%.

And as the world has moved to a high-cost environment of debt, we consider having an investment grade balance sheet in a capital-intensive industry is a strategic benefit that we would like to retain for a sustainable SES. So we have already affirmed our target to remain below 3x, and we might re-examine as it moves closer to those dates when we have the money in our pocket.

Carl Murdock-Smith: That's great. Thank you. And one more, if I may. You mentioned that 20% of your video contracts have inflation inflators in. That's a figure you've quoted before. I was guessing more on a go-forward basis of video contracts that you're signing now. Are you trying to put inflation links into new contracts? And what percentage of new video contracts that you're signing have inflation linked in that? Thanks.

Steve Collar: Yes. The short answer is yes. I mean, at renewal, we're looking where we can to – for the commercial terms to reflect the value that we're delivering, right? And if you take Germany as an example, the significant value that's created on top of the transponders that we deliver for the broadcasters, for the advertising environment more generally is very significant.

And so we look to reflect that in the commercial terms and the commercial discussions. Obviously, on an individual basis, that can reflect the length of term, right? And we've signed deals recently that go out 10 years, 15 years, respectively. So that's obviously an important term that we look to get. But it's also the price and indeed, indexation.

And I would say, over the last sort of three to six months, we've been successful in achieving any and all of those things not necessarily all at the same time, but either a substantial extension in terms of term, an increase in the base price or indeed, indexation, and that's sort of part of the negotiation.

Obviously, that is best where we have strong neighbours and the strongest value propositions. And this is why having the best neighbourhoods in the industry is beneficial for us.

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

Steve Collar: Thanks, Carl.

Operator: Thank you. And we'll now take our last question from Roshan at Deutsche Bank. Your line is open. Please go ahead.

Roshan Ranjit (Deutsche Bank): Good morning, everyone. Thanks for the questions. I have three very quick ones. Firstly, on the terminal sales. And Steve, you mentioned the lumpy nature of that kind of revenue stream. And I think last quarter, you highlighted the high level of sales within the revenue base. Given the backlog that you've been building over the last few quarters, is it fair to say that those customers have now got a terminal? You mentioned an incremental contract on maritime. Are those – is that contract still to be served to the terminal? So should we expect next quarter to have some lumpy equipment sales in there? If you could give us a bit of visibility on that front. And maybe even what percentage of your sales this quarter were terminals? That would be super helpful.

Secondly, is it fair to assume that this quarter, there wasn't any benefit of the GES synergies flowing through? If so, should that start flowing through from next quarter?

And finally, just a follow-up on the video deals. You mentioned good terms for the renewals. Is it possible to get a sense of the volume versus price mix on those renewals? Thank you.

Steve Collar: Great. Thanks, Roshan. Look, terminal sales, I would say, we're always going to have a bit of that. And obviously, we're going to have that when we're growing, right? And so the example that was – the question was asked was around mobility. And there, as we fit our cruise ships to receive, in particular, multi-orbit services, O3b mPOWER services, we go on board and we install antennas. And those antennas are effectively sold.

And so – and the good news is we've been hard at work, and we've got a very busy year in 2023 as well, as fitting and equipping cruise ships for O3b mPOWER services. And so we will see – we will continue to see that. I don't think we're ever going to be done, maybe kind of when we get one or two years into the mPOWER deployments, that will start to sort of trail off a little bit. And it may well be that customers go direct to the terminal manufacturers to acquire terminals rather than coming through us.

We have a small markup on that. So we always make money. Obviously, it's sort of margin dilutive. But in terms of making those sales, we always need money. And what you will see, I would say, in the coming quarters is more broadly, not maritime-related, but more broadly, equipment sales related to O3b terminals, right? We want to get as many terminals as we can in the market. We're in the process of doing that right now.

I talked about the Profen deal. That will include some hardware, and we would expect to see that happening during 2023. So some of our sales, certainly on the network side during 2023, will reflect that as sort of a larger proportion, I would say, of equipment sales. But that's all good, right? Because what that does is that provides the feed for the bandwidth coming on top. We don't sell other people's equipment, right? All the equipment we sell is specifically for use on our system.

Why don't, Sandeep, you take the GES question?

Sandeep Jalan: Yes. So on the GES, the synergies, we are really happy with the way the synergies are ramping. As we have said earlier, we were conservative, in fact, in the internal capacity, internalisation. And there, the traction has been really already at the run rate. And in fact, we plan to almost be at the double by next year.

And on the OpEx as well, we have really made good inroads. And during this year, we will already be at the planned run rate that we had announced. So really good prospects there.

Steve Collar: And then on the video, all of the – for all of the deals that we announced and for all the customers that we referenced, it was like-for-like volumes. And so our like-for-like volumes will, in some cases, slightly improved commercial terms.

Notwithstanding that, there are sort of other markets in which customers will continue to look at the amount of capacity that they have and sort of right-size it. I think that will continue to be an ongoing theme, which is why we're suggesting that our video business will be sort of low single-digit decline going forward.

It's essentially volume, right, being offset by sort of small increases in price or indexation over time. That's essentially the trend in our video business, and with less capital supporting that business. I mean, as you know, we're only launching two satellites the 19.2 versus four that are there today.

So from a profitability standpoint, the business continues to be super, super good, cash flow generative, great visibility of future revenues not growing, and that's a trend that we expect. And the decline really comes from volume. But in the specific case of the renewals that we sort of spoke about and the $110 million of incremental business that we signed, that was all like-for-like volume.

Roshan Ranjit: Perfect. That’s great. Thank you very much.

Richard Whiteing: Good stuff. Are we – there are any other questions?

Operator: That is all we have. And I will now hand it back to Steve to conclude the call. Thank you.

Steve Collar: Okay. Thanks very much. Really appreciate you joining. Happy with the results. I look forward to speaking to you with our H1. And may the force be with you.

Sandeep Jalan: Thanks to all. Thank you.

Operator: This concludes today's call. Thank you for your participation. Stay safe. You may now disconnect.

[END OF TRANSCRIPT]