SES First Quarter Results 2020

Thursday, 7th May 2020

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

SES First Quarter Results 2020

Operator: Hello and welcome to the SES First Quarter 2020 Results conference call. Please note that for the duration of the call your lines will be on listen-only. However, you will have the opportunity to ask questions later on in the call. This can be done by pressing star one on your telephone keypad to register your question.

If you require assistance at any point, please press star zero and you'll be connected to an operator.

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

Richard Whiteing: Good morning everyone and thanks for joining our first quarter results call. This morning's presentation was uploaded to the website, along with the press release, this morning, if you don't already have it. As always, please note the disclaimer at the back of the document. The agenda for today is outlined on page two. In a moment, Steve Collar, CEO, will present the main business highlights and Ferdinand Kayser and JP Hemingway, the CEOs of SES Video and SES Networks will cover the main developments in their respective businesses. Afterwards, Sandeep Jalan, our new CFO, will then cover the financial highlights in a bit more detail and after some closing remarks from Steve, we'll be happy to take your questions.

And so, with that, let me hand you over to Steve.

Steve Collar: Thank you Richard and morning everyone. I hope you and all your families are well and coping with the various challenges and changes introduced by this COVID-19 environment. Before talking about the business, I want to take a moment to introduce Sandeep to you all, albeit virtually. Sandeep is officially on day two here at SES and joins us from Aperam and he brings with him the experience of not just surviving but thriving in a highly-competitive and disruptive industry. Aperam is a business that stands out amongst its peers and from the moment I met Sandeep, I knew he'd be a great fit for us here at SES. I'm enormously excited to be working with him and really looking forward to you all getting to know him.

And so, with that, I'm going to jump straight into the key highlights on page four. We've had a good start to 2020, with numbers solidly in line. This is the ninth quarter of results either in line or ahead of market expectations and that underscores our focus on execution. Our networks business continues to develop well, with underlying growth stepping up from the 4.5% we posted in 2019 to nearly 8% in Q1, with another quarter of significant growth in mobility and a positive contribution from fixed data.

Today, our results have been largely unaffected by the global pandemic and we've got a resilient business that benefits from fixed long-term contracts, more than 85% of our revenue is already secured.

That said, given the impact that the pandemic is having on global economies and some of the verticals that we serve, it's inevitable that our revenues will be affected. It's too early, not only in the development of the pandemic but also in projections of the pace and scale of the recovery to quantify the revenue impact but in anticipation, we've proactively implemented aggressive measures to ensure that we mitigate, wherever possible, the impact on our bottom line.

By taking these actions and committing to them early, we put ourselves in the best position not only to deliver the right performance in 2020 but also to ensure that we emerge from this crisis with the company in the very best possible position.

Looking beyond the immediate and inevitable priorities of COVID-19, we're making good progress with Simplify & Amplify. This progress – this programme will deliver significant profitability improvements from 2021 onwards, while also providing greater visibility for investors into our Video and Network business respectively and enhancing our strategic flexibility.

With the publishing of the FCC report and order, we've now got full visibility of the incentive structure for acceleration payments and we're now laser focused on execution and have established a dedicated team to deliver on this important programme.

So, with that, I'll give a little bit more detail, turning to page five. Revenue of €480 million was flat, year on year, on a reported basis and 1.9% lower on constant FX. EBITDA of €288 million, excluding the restructuring charges, reflected a margin of 60.1% and all fully in line with – with our expectations.

Networks now represents more than 40% of our business and grew by 7.7% on an underlying basis. Video performance was also consistent with our expectations, with the lower year-on-year revenue reflecting the trends that we spoke about in February, specifically our customers right-sizing their platforms in developed markets, resulting in lower volumes, lower revenue from North America Wholesale and our conscious decision to exit lower-margin and unprofitable service activities.

We continue to be disciplined around our operating expenses and year on year, our recurring expenses reduced. Net debt to EBITDA of 3.32 times was lower than the 3.4 times at the same time last year and with a 50% lower dividend versus last year to be paid in Q2, we remain consistent with and committed to investment-grade.

Overall, then, a solid quarter and one that, in normal circumstances, we'd be discussing the growth and development expected through the year on the back of a good start, particularly in Networks. Of course, none of us are operating under normal circumstances at the moment and we've collectively faced with the challenges of the global pandemic for more than two months now.

And so, turning to page six, our first and ongoing priority is to protect our business, our customers and our 2,100 employees around the world. We implemented a global work-from-home policy well ahead of any government regulations. We substantially upscaled our IT resources, protected operations as a pristine environment that only operators can access and as a result, we've had 100% availability of all of our customer-facing and operational services since the start of this pandemic, something that we've received really good feedback from our customers on.

We obviously have well established contingency plans in place to address scenarios such as this across all of our technical and operational facilities but it's enormously gratifying to see that these plans are truly tested, we come through with flying colours. It doesn't happen without incredible dedication and professionalism and I'm extremely proud of the world-class team that we have at SES, who have stepped up as one since the start.

So, our next priority is liquidity and we are in a strong position financially, with all debt maturities in 2020 behind us, a healthy cash balance and no further financing required until 2021. We have access to a €1.2 billion credit facility that remains and is expected to remain fully undrawn.

Turning, then, to our customer segments, we have a strong and resilient business, as I've said, with good visibility of both revenue and cash, more than 85% of our expected revenue secured for 2020 and a secured backlog of over €6 billion. Nevertheless, our business is certainly not immune to the effects of the pandemic, given the impact on the global economy and on some of the segments that we serve.

We do expect that our revenues will be impacted, particularly in our Aeronautical segment, Cruise and Sport & Events that, together, make up 12% of our revenue. We're working closely with our customers in these segments, as you'd expect and looking to find the right balance between supporting our customers through these unprecedented times while, at the same time, serving the needs and objectives of our own business.

We're not updating our outlook for the year, given the early stage in the development of the pandemic and uncertainty as to the scale and pace of the recovery. But what we have done is gone hard and early to mitigate the impacts of these likely revenue developments at the EBITDA line.

We've implemented a range of measures across our cost base, including a number of exceptional actions aimed collectively at delivering mid-double-digit reductions in cost and therefore protecting, in every way possible, our 2020 EBITDA.

We've also removed €180 million of capital expenditure from the long-term plan, including more than €20 million from 2020.

And lastly, we're in a unique position, both as an industry and as SES, to have a positive impact on our customers, on their customers and on society more broadly in challenging times. It's something that we're passionate about and when – and at a time where connectivity and being connected has never been more important, we're setting up to support NGOs on the frontline of the pandemic with in kind contributions, in kind connectivity services and broadcast programmes organised by non-profit organisations to support impacted communities.

And we're also a global business with offices and people around the world and the local impact that we're able to make through our Give Back programme is equally important. We've seen incredible examples of SES employees helping vulnerable folk in our local communities, volunteering in health centres, in food distribution and manufacturing protective gear and numerous other selfless acts. These – the sharing of these stories internally really continues to build an incredibly strong sense of community.

So, looking beyond COVID-19 and turning to page seven, Simply & Amplify, our strategic transformation programme that we discussed in February, is now well underway. We're on track with a broad base of initiatives that will generate meaningful profitability improvements, with EBITDA optimisation of between €40–50 million in 2021 and beyond. We're investing in customer-led innovation and deepening our engagement in cloud and last but not least, we're continuing our work to separate our Video and Networks businesses with SES to provide greater – within SES, sorry, to provide greater visibility into our business, increase operational focus and create strategic flexibility going forward.

In keeping with this operational focus, we've established a dedicated team, reporting directly to me, to execute on the US C-band clearing. And turning to that in more detail on page eight, the report and order is now published and we have full visibility over the clearing process, the timelines and the opportunity for SES to earn almost €4 billion in accelerated clearing payments. It's a complex endeavour and the dedicated team is fully engaged with customers, vendors and suppliers to execute on the clearing and the stated deadlines of December 2021 and December 2023.

We have a detailed plan in place, no show-stoppers and we're finalising our plans to invest in clearing ahead of the reimbursements that are expected to start in 2021. The next step is the election to accept acceleration on 29th May and we're gearing ourselves up for full execution and implementation beyond that date.

So, I'll come back and wrap up at the end but with that, I'll hand over to Ferdinand, who's going to talk a bit more about the video developments.

Ferdinand Kayser: Thank you Steve and good morning everyone. So, starting with the highlights for SES Video on slide ten, in Q1 2020, Video revenue was in line with expectations at €282 million. This represented an overall reduction, compared with last year, of 7.8% on an underlying basis and consistent with the trends that I spoke about during the results call in February.

Specifically, given the various developments in the OTT area and the emergence of new players in this industry, some of our broadcast customers are under pressure and are reducing the capacity on the contracts.

Video services revenues are also lower, as we continue to shift our portfolio and exit certain low-margin activities. As mentioned by Steve, our results reflect a minimal effect from the coronavirus so far and this has largely been in the area of Sport & Events, albeit this being a relatively low part of the overall video business.

Due to the pandemic-induced quarantines, the media consumption in general has seen a massive increase. People, in general, have been consuming more content across several media pipes, including online video and TV and in particular, broadcast TV. Interesting to notice that in the different markets, various younger audiences have kind of rediscovered the relevance of broadcast TV, given the importance of the news shows and this is illustrated by the increase of the average viewing time in the various target groups.

In this current situation, with many people working from home, we continue to secure operations, with the highest reliability and quality of service and distribute from 8,300 linear broadcast channels on a 24/7 basis from our satellite fleet to ensure our customers' businesses remain absolutely uninterrupted.

We have now completed the annual TV[?] monitor survey and the result, indeed, shows that our technical reach grew again to 367 million homes, compared with the 355 million TV homes at the end of 2018, more than any other satellite operator. Further, we now deliver 2,928 HD channels and 53 commercial ultra HD channels to viewers around the world, both higher than the previous year.

Of our – our €3.7 billion fully-protected contract backlog underpins the future revenue visibility across SES for DTH neighbourhoods.

In the first three months, we concluded some important contracts and we were able to offer new product solutions to our customers. A few examples are shown here on slide 11, starting with CNN Brasil, an operator for whom we are providing both transmission capacity and digital services, a kind of end-to-end distribution solution. We are distributing their channel in both SD and HD to both the cable operators and the various DTH players, SKY Brasil, OATV, Telefonica and Claro. This means that they are available in about 16 million homes in Brazil.

As this is an end-to-end solution, we are also providing the encoding and encryption and we provided the IRDs at the cable head ends.

Another important development is the extension of the SD distribution until end of 2024 with RTL in Germany. Of course, our focus is on the HD and the ultra HD and the 15 million households in Germany being equipped with MPEG-4 and HEVC TV sets, or receivers.

But, as we continue to have some 2.5 million SD households, we want to have the longest possible migration, first because of the revenue stream being secured by this simulcast. Second, because this allows us to secure, in the longer term, our position as the most important broadcast distribution infrastructure in our most important market, Germany, where we continue to have an overall reach of 17.3 million households.

BVN, the Dutch language channel for which SES has secured the distribution via various orbital positions over Europe, Africa and Asia is a good example, illustrating that, by operating a global fleet, we can secure distribution over multiple continents.

And last but not least, the NHK World channel is another international news channel for which we also handle the distribution over several continents, this having given us the possibility to include this channel as one of the up-to-now six international news channels in the package of the HSR[?] over East Africa, which counts now a total of 43 channels.

Let us now move to the individual Video segments in more detail, starting with the Video Distribution on slide 12.

Underlying revenues were 8.2% lower than last year. In Europe, we experienced some modest volume reductions in specific markets at the end of 2019, leading to lower year-on-year revenue. Nevertheless, utilisation across SES' industry-leading European Video neighbourhoods remained strong.

In North America, revenues decreased due to the lower wholesale business and the general ongoing right-sizing of volume across the US cable neighbourhoods. Trading conditions in the international markets continued to be challenging but I'm happy to see the effect of some recent contract signatures, albeit not yet completely offsetting the challenges in specific markets.

Turning to the Services on slide 13, where revenues were 6.7% lower than last year. While the number of HD subscribers remained stable, our decision to shift towards a software-driven approach during 2019 and the resulting lower sales of hardware was the reason for the lower year-on-year development. And as mentioned, our ongoing strategy of reducing exposure to unprofitable Services activities continues to impact the year-on-year development in the remaining part of the Video Services segment, which also includes the Sport & Events activities.

In Q1, the revenues from the Sport & Events business was stable compared with Q1 2019. However, considering the delays and cancellations of major sports events due to the COVID-19, we would expect the development of revenue to be negatively impacted throughout 2020.

As Sport & Events represents only 1% of the group revenues, or 2% of Video, this impact should be modest and we are optimistic that some events will be able to take place in the second half of this year.

Overall, Q1 developed as expected and we are continuing to drive value and modernise the satellite distribution by offering parallel IP delivery solutions, maximising operational efficiency and offering the best possible customer solutions and reach. And with that, I hand over to JP.

JP Hemingway: Thank you Ferd and a warm welcome, also, from my side. So, on slide 15, starting with the highlights for SES Networks. As mentioned in the previous full-year results, our key focus in Networks is to expand our addressable market by strong execution within our traditional market segments and develop growth by making our cloud-enabled satellite-based connectivity solutions part of the mainstream network ecosystem.

In the first three months of 2020, Networks again delivered another strong revenue performance, in line with expectations. I'm pleased to show that we have increased our momentum, as demonstrated in the acceleration of our underlying revenue growth to 7.7% in Q1 2020. The growth was, again, driven by strong mobility segments and complemented by growth in fixed data and stable performance in the government segment. While the overall fixed data environment remains competitive, our ability to grow in the segment, which now includes the first contribution to revenue from our focus on the global cloud partnerships shows the value of our differentiated service offering in relation to the competition and whilst we continue to closely monitor and engage with our mobility customers around the COVID-19 impact, we have seen opportunities in our fixed data and government customers to assist them in augmenting their networks during stay-at-home policies and mobilising relief efforts.

I talked previously about the excitement of our customers regarding O3b mPOWER and with a little more than one year to go until launch, we are tirelessly working on full operational readiness and further customer opportunities with a healthy pipeline of demand building in addition to those that we've previously announced.

So now I'd like to move on to slide 16 and look at our – some of our recent customer and partner successes.

Our global government team have been working closely with the Belgian development agency Enabel and have been awarded a four-year contract to bring more than 400 megabits of managed connectivity services to over 130 sites in 20 countries across Africa. The connectivity will power Enabel's commitment to the Digital for Development policy for the European Commission and the UN Sustainable Development Goals.

Next, we've had significant expansion with our strategic partnership with Marlink, where, in Q1, we grew our GEO business to jointly provide solutions for NGO humanitarian programmes in Africa and Asia. In addition, we have partnered in our first MEO project together in the energy market, providing a very high-throughput service for welfare and operations to a facility in Mozambique, along with additional services on SES-14 HTS satellite for capacity for FPSO vessels.

Another partnership going from strength to strength is with Orange. In addition to their O3b mPOWER commitment, we have continued to grow our business together, most recently in the Central African Republic using GEO to connect 2G and 3G traffic from remote base stations to the capital of Bangui. This provides the operator for a single source of consistent and seamless experience across MEO and GEO services.

Lastly, our business has grown with our partner Gilat Telecom, with further significant capacity upgrades in DRC, spanning both MEO and GEO services to connect their premier telco customers with high-performance core connectivity, which became ever more critical during another fibre cable failure in the region.

So now I'll briefly run through some of the individual vertical performances, starting with government on slide 17. Overall, underlying revenue was in – is in line with a year ago, which is not reflective of the underlying growth we have witnessed over the previous two years and there's some key project timing award elements at play here. US government revenue was slightly up and the business is very focused now on executing on a strong commercial pipeline for both additional MEO and GEO-enabled network solutions.

Global government remained relatively stable compared to the previous year, with lower revenue from milestone-driven institutional projects, which were recognised in 2019, being largely offset by the expansion in services for government-funded connectivity projects, humanitarian operations and other connectivity solutions.

Moving on to fixed data on slide 18, the first three months of 2020 were a very good quarter for fixed data, with underlying revenue growth of 1.6% year on year, which includes the first revenue contributions from our cloud business, as previously stated. In the Americas, we continue to grow, mainly driven by the new and incremental managed services to tier-one telcos and mobile operators deploying 4G networks and government-funded rural WiFi projects. The successful deployment of broadband and mobile connectivity services to rural communities on behalf of SES's customers, notably using our SES-12 HTS satellite and MEO satellites, contributed to growth in the Asia-Pacific region. Our energy business also grew in Q1, with ongoing adoption of MEO high-performance services to remote operational facilities in this sector.

Finally, on slide 19, for mobility, we continued a high-growth path, with an underlying revenue expansion of 28.8%. Strong growth in the Aeronautical segments reflected the full-year impact of important new business signed during 2019, notably the steady increase in the through rate of SES-14 and 15, the expansion of SES's KA-based aero network and from managed connectivity services delivered to the aviation business market. Similarly, the full revenue contribution of expanded services with our key cruise customers continued to drive strong growth compared to the prior year in the Maritime segment.

So, in a nutshell, Q1 Networks results were fully in line with expectations, benefiting from ongoing growth of fixed and long-term contracts and largely unaffected to date by the impact of COVID-19 global pandemic. That being said, it is inevitable that we'll be impacted during the rest of 2020 and as Steve said, it is too early to provide an assessment of the revenue impact over the year. From the beginning, we have been in very close dialogue with our mobility customers, including, for some, ramping their capacity when passengers and crew needed it most and are trying to support them as much as possible, whilst balancing the needs of our business.

In addition, we have created a taskforce to rapidly support additional demand for connectivity solutions in fixed data and government.

And now, for the first time, I will hand over to Sandeep.

Sandeep Jalan: Thanks. Thanks very much JP and thanks also to Steve for the very, very warm welcome. Good morning everybody. I am very pleased to meet all of you virtually and I hope that you and your loved ones are keeping safe and well during these extraordinary times. I have worked for nearly three decades in a very tough metal and mining sector. It has been quite a lot of fun, in different parts of the world and working for the last seven years at Aperam, as CFO, in Luxembourg, which is a stainless steel player. And in the sector, despite significant challenges and commodisation, we learned to create value through good teamwork, transforming the business and consistently delivering attractive cash returns and strong financial metrics.

I am very delighted to be joining SES at this exciting transformation phase and looking forward to working with Steve and the rest of the SES team during the coming weeks, I will ramp up my learning curve on the space industry specifics, where I don't know much – I came out of the mining sector – also all our key value projects, meet key stakeholders and enhance business partnering with all the SES teams.

And I hope that my experience from a different industry can be useful to further transform and derive full value potential of SES. I look forward to meet and get to know you all in the future, once the COVID situation allows.

I will now talk you through the main financial highlights. So, starting with page 21, as the team mentioned, our financial performance was consistent with expectations. Group revenue was stable, year on year, as reported and 1.9% lower at the constant FOREX.

EBITDA included a €3.1 million restructuring charge and was 1.9% lower as reported and lower 3.3% at constant currency.

Excluding the restructuring charge, the EBITDA margin was 60.1%. Focus on cost and discretionary spending led to 1% reduction in the recurring cost. In this quarter, this was offset by the one-time recognition of €7.8 million of for the Luxembourg Net Wealth Tax. This expense was associated with 2019 income tax benefits now recognised and this is not expected to recur.

Lower EBITDA and higher net financing charges resulted in a net profit of €50.8 million. Net debt to EBITDA ratio was lower, year on year, at 3.32x and as Steve mentioned, we ended the quarter in a strong financial position, with cash and cash equivalents of €437 million, prior to the payment of 2019 dividend, amounting to €184 million during April 2020.

Further, there is no refinancing need until 2021 and we have access to a €1.2 billion revolving credit facility, which remains fully undrawn. As the team mentioned, we have taken prudent and proactive measures to limit all non-critical investments and therefore reduce our CAPEX forecast by a total of €180 million over the next four years.

Moving on to page 22, I now present to you the revenue walk. The change in FOREX, as you can see, accounted for about €7.6 million of the total movement. At the constant FOREX, the underlying business was €10.5 million lower, reflecting the stronger underlying growth in networks, offset by lower revenue. Total revenue included €8.1 million of periodic and other revenues.

Moving on to page 23, about EBITDA development, EBITDA of €284.7 million during this quarter was lower at constant FOREX, reflecting the revenue performance previously discussed. As mentioned, net increase in operating expenses reflects the one-time impact of the recognition of Luxembourg wealth tax of €7.8 million. Excluding this effect, recurring OPEX decreased by €2.3 million, which is roughly 1%. Excluding the restructuring cost, the EBITDA margin was 60.1%.

Now, turning to page 24, net profit during this quarter was €50.8 million. Depreciation and amortisation expenses are stable because of the new assets entering service outweighing the benefits of certain assets which reached the end of depreciable life.

Net financing costs, they are slightly higher, mainly due to a reduction in the amount of interest that we capitalised during this quarter, related to last year and the FOREX losses during quarter one 2020.

This offset an overall reduction of 3.7% in net interest expense and combined with a lower EBITDA, accounts for most of the net profit balance compared with quarter one 2019.

Moving to page 25, you can see the leverage development. The net debt to EBITDA stood at 3.32 times at the quarter end, compared to 3.4 times at the end of quarter one 2019.

During this quarter, the group have repaid €650 million of eurobonds and so there is no refinancing need until 2021. Even after this repayment, the group had €437 million of cash and cash equivalent, which more than covered the dividend payment of €184 million that was paid on 23rd April.

Lastly, as Steve mentioned, we also have plenty of liquidity, in the form of a €1.2 billion revolving credit facility, which we intend to keep undrawn.

Moving now to the CAPEX outlook on page 26, we have reviewed our CAPEX programmes the reflect the reduction of €180 million of non-critical investments over the next four years. This, together with the significant cuts in CAPEX for 2020 that Steve announced earlier – this is quite a meaningful reduction and shows our commitment to mitigate any impact of COVID-19 situation on our bottom line and on the cash generation capabilities of SES.

The group is progressing well to the important investments in SES-17 and O3b mPOWER, which make up the exceptional level of spend in 2021, which will drive, also, substantial growth in our future earnings.

The impact of this atypical CAPEX year on our leverage in 2021 was fully considered when the board had set the level of the dividend at €0.40 and reaffirmed, also, our commitment to the investment grade.

As mentioned in this chart heading, the CAPEX outlook excludes any impact from US C-band, which would result in additional operating cost and capital expenditure prior to reimbursement of the clearing cost, as outlined in the FCC final report and order, which also allocates up to $3.97 billion in accelerated incentive payments to SES.

So, with that, I will conclude and hand back to Steve.

Steve Collar: Thanks very much Sandeep, so, a very quick summary on page 28. A solid start to 2020, with all of the key metrics in line with expectations. A nice step up in growth in our Networks business, which now represents more than 40% of our overall revenue, early and substantial actions to mitigate any potential impact that COVID-19 is going to have in our operating environment and a continued focus beyond COVID-19 to drive through our strategic transformation projects and in particular, realise the important benefits that US C-band repurposing will bring.

So, with that, I'll hand back to you, Richard.

Richard Whiteing: Thanks Steve. Thanks all. I think, Simone, we're ready to take questions.

Operator: Thank you. If you'd like to ask a question, please press star one on your telephone keypad. Ensure that your line remains unmuted locally; I'll then prompt you when to ask your question and that is star one.

The first question comes from the line of Nick Dempsey from Barclays. Please go ahead.

Nick Dempsey (Barclays): Yeah, good morning guys, I've got three. So, first of all, when you're talking about giving help to challenged customers in Aero and Cruise, I know you're not going to be able to give us a sense of the revenues right now but I just want to try and understand how that might unfold. For example, would you, for a Gogo, or a Global Eagle or one of these customers just wipe out your revenues with them, for a quarter or more, or would you take a cut to those? And then, when you restarted the contracts, if you like, would we be back to the same level as before? I just want to try and understand some parameters there, even if you can't give us precise numbers.

Second question: when you're saying you've seen no impact on your business yet from COVID-19, do you – are you running that through April and the first week of May, so literally up to today you've seen no impact on your business, or are we just talking about Q1?

And then, the third question, on C-band, I mean, you say in your statement, when you're talking about the 29th May filing deadline, 'Subject to the eligibility of satellite operators, including SES,' how much risk do you see for your C-band acceleration payments and what's going on with Intelsat and is that sentence in your release a reference to that?

Steve Collar: Thanks Nick. So, look, I mean, as you'd expect, every discussion with a customer is sort of fairly unique to the particular situation of a customer, right? And so, whether we're talking about the Cruise customers, sort of Aeronautical customers, or Sport & Events, it's sort of very different. So it's very hard to be, sort of, generic about it and as you say, we're not going to get into sort of specifics around customers. But in the main, it falls, as you would expect, into customers who are either challenged from a cash standpoint, or customer who require, sort of, less service on a temporary basis.

I would say, in almost all cases and maybe all cases, this is very temporary and we would expect a return to the same level of service, if not higher service, once we're through the COVID-19 environment. But as I said and as we kind of said up front, we're very early, not only in the sort of development of the pandemic but frankly, in also working through the situations with our customers and sort of coming up with plans that, you know, best balance what our customers need and obviously the needs of SES.

In terms of, sort of, limited impact on us from the pandemic, no, we're here talking about Q1, so really we're talking about, you know, our Q1 results and not seeing impact from the pandemic in Q1. And with respect to C-band, yeah, obviously 29th May is an important date – we – you know, our expectation is that all of the satellite operators that are eligible for acceleration payments will – will elect on 29th May but obviously we can't speak for everyone else, so we'll see what happens on 29th May. But we are certainly preparing, full scale, to not only elect but to then sort of execute on the programme, which is ultimately the important thing. And this has always been, from the beginning a plan that not only, you know, creates significant shareholder value for SES but also protects our broadcast customers and delivers spectrum, really, in the fastest possible way to the US and we have a really, really robust and resilient plan. It's actually – you know, we've done a lot of work on it, I would say, over the course of the last couple of months and I feel very good about where we sit with respect to our C-band clearing at this point.

Nick Dempsey: Thank you.

Operator: The next question comes from the line of Aleksander Peterc from Societe Generale. Please go ahead.

Aleksander Peterc (Societe Generale): Yes, yes, good morning and thanks for the question. I'd just like to come back a little bit on the impact of COVID. Do you see any impact to your future plans as a result of the delays and disruptions at satellite manufacturers, launches and regarding infrastructure build out. And then secondly, , there is a bit of a material shortfall in mobility revenue going forward and given this is a big growth engine for Networks, is it still possible for SES to delay the mPOWER launch, which is a big drag in terms of financials to you, to a later date or is this now fully on track and cannot be deferred? Thanks.

Steve Collar: I'll take the second one first, mainly because I've forgotten the first one. But on the second one, no, we have no intention to delay the launches of either SES-17 or O3b mPOWER. Those programmes are, you know, very important in driving our revenue growth and frankly, you know, the – we think, with the timing of those launches and the timings of the satellites being in service, we'll be well beyond the sort of the COVID-19 environment by then. We're sort of looking at, you know, back end of 2021 and 2022 when we really start to see significant revenues being generated from those satellite investments.

With respect to impact on the construction of those satellites, you know, we continue to monitor that with our providers, with both Thales and Boeing. Obviously, both of those – both of our providers are, to some degree, impacted by COVID-19 and that places some limitations on workforce and on their ability to access factories and so on. At the moment, there is no significant delay to either programme and so we're maintaining our launch and in-service dates as we previously have. It wouldn't be surprising if we were pushed out by a quarter on either of those programmes but for the time being, we don't have any kind of updates on the availability of those programmes.

Aleksander Peterc: Thank you. Can I have just a quick follow-up? I'd just like to understand what happens, exactly, if Intelsat goes into Chapter 11 before 29th May, given that they missed, recently, a coupon on their debt and it looks all a bit shaky there. So I'd just like to understand: can this still be derailed as a result of a default delay process at Intelsat. Thanks.

Steve Collar: Yeah, so, look, I won't get too far into sort of speculating on what's going to happen at Intelsat. Obviously the situation with their – you know, with their leverage and debt structure pre-dated this whole period and so I think it was inevitable – or it is inevitable at some point that is going to need restructuring, whether now or later.

In our judgement, we don't see any impact on the election of 29th May. I think, in any situation you imagine for Intelsat, having access to $4.8 billion of accelerated relocation payments is a good thing and so I think our judgement is that all operators will elect, come 29th May. But we can really only speak for ourselves, which is, you know, we're making our plans to do so and not only to do so but also to execute successfully on the programme.

Aleksander Peterc: Thank you very much.

Operator: The next question comes from the line of Giles Thorne from Jefferies. Please go ahead.

Giles Thorne (Jefferies): Thank you. My first question was back on the question of mobility and any potential support that you might extend. There seems, to me, to be a competition dimension to all of this because Gogo, Global Eagle and certainly Gogo have been explicit in saying they will be asking for concessions and I can think of one of their major KU-band suppliers that's not in a great position to be offering a concession. So is there any bone in your body, Steve, that you think you could take share in mobility, on the back of everything that's going on? That was my first question.

The second question was a much more closed questions: Networks separation under Simplify & Amplify. Could you confirm whether selling a stake to a supplier in lieu of a milestone payment is on the longlist of potential benefits of the separation and is – you know, Boeing is the obvious one here.

And then the final question was on ViaSat. They've now got a market access for MEO in the United States. There's lots of obvious things why this shouldn't impact you at all but as the MEO incumbent, you know, let's give you the opportunity to comment. Thank you.

Steve Collar: Thanks Giles. Good questions, as always. So, look, on the – on mobility, we've been taking share, right? We've been consistently taking share in mobility for three or four years now and we see absolutely no reason why that would stop, notwithstanding kind of the challenges in that segment at the moment.

I'm not sure that the – you know, sort of being opportunistic around, you know, our competition is necessarily a high priority. Our priority is really showing up as a good partner and a good supplier and a good sort of participant in the – particularly the aeronautical space I think you were referring to and we will –

Giles Thorne: Yeah.

Steve Collar: – continue to do that. So I think, you know, there's no question that the environment right now is challenging and I think all of our providers and indeed the airlines are thinking about what does recovery look like? But I wouldn't say that it's a – you know, a big consideration for us to – to sort of – to take advantage of this situation any more than our normal plan to grow our mobility segment.

Giles Thorne: Understood.

Steve Collar: On, sort of, Networks separation – or, you know, us investigating the separation of our business, that continues. We're doing a lot of work on that and I would say, you know, there's a danger in asking very specific questions about what is and isn't on the list of options. What we said in February was the first step is really making sure that we understand what the implications are of the separation of Video and Networks and then that does provide us with a ton of strategic flexibility.

I would say that the one that you mentioned is very theoretical and not something that is, you know – something that I would say is, you know, a likely eventuality. But, you know, you'd expect me to say everything is possible and the whole point of strategic flexibility is exactly that.

And then, with respect to ViaSat, look, I think that that – you know, from what I – from my understanding, that's just the normal process flowing through of, sort of, grants from the FCC, the FCC dealing with the applications as they come, so I don't think there's any new news there. I don't think that, frankly, there's any – I think ViaSat probably have enough on their plate to go execute on the pretty ambitious ViaSat 3 plan and programme that they have and we feel very good about MEO, right? The longer that time goes on, I think the more it evidences the fact that LEO is a really difficult place to deploy from. We've talked about that on these calls in the past and you know, the significant challenges of the big, big investments that are required to deploy in low Earth orbit. That's evidenced by what's happened with OneWeb over the last couple of months. And so we feel really, really good about medium Earth orbit. We've got, you know, privileged access to spectrum, we're doubling down, with mPOWER coming, you know, what feels like soon now, which is great news and we have the ability to expand and scale that constellation as we drive commercial success, which is something that is very hard to do, actually, in low Earth orbit.

So the longer time goes on, the more we feel good about the solution that we have with respect to low-latency services, particularly in our Networks business.

Giles Thorne: Great, thank you very much, Steve.

Steve Collar: Thanks Giles.

Operator: The next question comes from the line of Sami Kassab from Exane. Please go ahead.

Sami Kassab (Exane BNP Paribas): Thank you and good morning gentlemen. Two questions, please. First, can you elaborate on the opportunities you see from COVID-19 in government and fixed data and do you believe these opportunities are likely to accelerate revenue growth in government and fixed data for the remainder of the year?

And secondly, have you built any contingency plans on C-band should Intelsat elect not to participate? And if you have contingency planning, can you perhaps communicate what they look like in broad terms? Thank you.

Steve Collar: [Inaudible] JP, the –

JP Hemingway: So I'll –

Steve Collar: – first part?

JP Hemingway: Yeah, I'll take the first part. So, on the fixed data and governments, we realised pretty early on that obviously, when we are dealing with the requests for the assistance, to the previous questions, there was also an immediate ask for, 'Can we help?' And that help came in a number of factors: can you upgrade the existing services that you have into some of the larger telco partners that we have, to upgrade their overall capacity where we play a significant part of the service to a particular city, country or island. Or, in addition, particularly where we were serving the rural connectivity markets out of these remote villages and towns, etcetera, we were asked to provide either new networks or upgrades to existing networks so we could provide better working from home and remote capabilities.

In the government case, this was some of the humanitarian efforts that we already have and they also had a lot of people working from home in some pretty severe conditions, so we upgraded their particular networks as well.

So it's not massive. It's not insignificant but we put a task force together to respond to those pretty much within 24 hours, to try and get those networks upgraded. So it certainly helps and those upgrades typically don't go away once you've given them, they tend to find new uses for them. So it is a positive impact but we obviously continue to monitor that as we go forward.

Sami Kassab: The point of accelerating the current growth trend in those two divisions?

JP Hemingway: I think it could. As I said, you tend to provide these; they're typically asks for fixed periods of time. But our experience is that they typically find uses for them, as I've previously said. So you know, we would expect this to trigger some growth but there's great underlying growth in both those segments. That growth that we indicated in fixed data in Q1 does not actually come from the COVID relief efforts; it's actually just good underlying growth in the fixed data segment.

Sami Kassab: Thank you.

Steve Collar: Look, Sami, just to pick up on C-band, like I said, I mean we're fairly confident, based on everything that we see, that the 80% threshold that's sort of needed to trigger acceleration, the acceleration sort of payments and the acceleration approach, will be triggered. We've had a good relationship with the FCC through this entire process. I think we understand the strategic nature of what we're doing here and I would say 29th May is not far away at this point. So we will all know on 29th May what the – or shortly thereafter, you know, what the situation is. But as I said, you know, we're as – you know, we're as confident as we can be that the plan as outlined by the FCC and in the report and order will get executed.

Sami Kassab: That's helpful. Thank you Steve and can I quickly ask: do you expect any additional payments on C-band beyond the FCC amounts, from further one-on-one negotiations that you may have with some potential bidders? And can you quantify, perhaps, how big these payments could be?

Steve Collar: Yeah, so, look, the report and order certainly allows for that. I would say, you know, it's way too early. I think there are probably some opportunities but they will come down the road, certainly after election and also probably after auction once we understand, you know, who has what and what could be interesting to the various different incumbents that acquire spectrum. So yes, I think there are possibilities but it is, from my perspective, far too early to quantify those or even speak to any great sort of sophistication around those potential opportunities.

Sami Kassab: Thank you Steve.

Steve Collar: Thanks Sami.

Operator: The next question comes from the line of Sarah Simon from Berenberg. Please go ahead.

Sarah Simon: Yes, morning everybody. I've got a few questions as well. The first question was on the 85% of revenues that's secure. Firstly, can you tell us what that number would have been this time last year? Secondly, when you talk about the anticipated revenue, are you talking about the anticipated revenue, you know, kind of midpoint of the guidance or are you thinking, you know, post an adjustment for the pandemic?

Secondly, on the CAPEX, clearly positive to be reducing it but the fact that you're reducing it for 2022 and 2023 but you're not expecting the business to be permanently impacted doesn't seem to kind of tally. So where are you – where are you, slash why are you, taking out that extra CAPEX?

And then, finally, just a quick question for Ferd. On the reference to lower wholesale in Video in the US, I thought the wholesale – kind of the big step change – had annualised out now, or, if that's not the case, can you tell us when it does annualise out? Thank you.

Steve Collar: Thank you Sarah. A lot there. So, on the secured revenue, what's the equivalent for last year, Richard –

Richard Whiteing: Just give me a second.

Steve Collar: You – okay, Richard is going to come back on that. On the CAPEX, look, I think it's – we're taking that CAPEX this year as well, Sarah, so we've taken out €20 million, more than €20 million in 2020 and you know, I think it's just taking a very hard look at the business and sort of protecting it wherever we can and that includes, you know, really being laser focused on what capital investments we need to make. We do have a significant capital investment programme. We've got a big investment coming up with, particularly, O3b mPOWER in 2021. So I think, in the short term, it's really about, you know, helping in the mitigation around what is a tricky environment for us all and I think in the longer term it's about making sure that we're really lasered on, you know, CAPEX needed to sustain and grow our business but no more than that, right? And so I think there's no more mystery there.

Ferd, do you want to take the question on the wholesale US?

Ferdinand Kayser: Yeah, the wholesale US will still have a negative impact on our revenues in US during the year 2020. So it will average out at the end of this year.

Steve Collar: Okay and then your question was on –

Sarah Simon: Thank you.

Steve Collar: – sort of when we talk about 85% secured, what is that kind of reference? And I would say midpoint of the range is the right approximation, Sarah, on the revenue side. And then, Richard, have we got an equivalent number for last year?

Richard Whiteing: It was pretty much consistent with last year, Sarah. So on track –

Sarah Simon: Great, thanks.

Richard Whiteing: – even on that.

Sarah Simon: Perfect, thanks.

Steve Collar: Thanks Sarah.

Operator: We have no further questions so I'll hand back over to the host of the call for any closing remarks.

Steve Collar: Thanks everyone. Thanks for listening. As always, myself and the rest of the team from the IR side are available if you've got any follow-ups. I wish you all very well. I hope that you stay safe and I look forward to seeing you in person when we all emerge from this current situation.

Stay safe. Thanks everyone.

Operator: Thank you for joining today's call. You may now disconnect your handsets.

[END OF TRANSCRIPT]