SES SA Q3 2021 Results

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Operator: Hello, and welcome to the SES year-to-date results call nine months ended 30th September 2021. My name is Courtney, and I'll be your coordinator for today's event. Please note that this call is being recorded, and for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions. This can be done by pressing star one on your telephone keypad to register your questions. And if you require assistance at any time, please press star zero and you will be connected to an operator.

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

Richard Whiteing: Thanks. Good morning, everyone, and thanks for joining this investor call. This morning's presentation was uploaded along with the press release to the Investors section at ses.com, if you don't already have it. As always, please note the disclaimer at the back of the presentation.

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

So with that, I'll hand over to Steve.

Steve Collar: Thanks, Richard. Morning, everyone. I'm going to start on page three. And our strong year-to-date performance has continued into the third quarter. We've upgraded our top line outlook for the full year for our Video business on the back of continued strong performance with important long-term renewal signed for our core neighbourhoods, expanding our market leadership in high definition and good progress in HD+.

In Networks, we've maintained revenue year-on-year in the face of the extended COVID environment and we're seeing encouraging signals that the market is picking up with sequential growth in mobility and fixed data in Q3 to complement a strong year-on-year performance in governance.

It's certainly true that the COVID recovery has been longer and slower than we might have expected. And with the additional short-term headwind from the rapid withdrawal of services from Afghanistan, we've tampered our expectations for the full year for Networks with three months to go. The value of a balanced portfolio between Video and Networks is highlighted and that we remain on course to deliver total revenue within our outlook range for the year, while laser-focused on managing our discretionary spend, including a 2% year-on-year reduction in recurring operating expenses means that we're also on track to deliver our adjusted EBITDA outlook that we narrowed towards the top end of the range back in August.

We've achieved a major milestone in securing future revenues in EBITDA, with the successful launch of SES-17. It feels very good to be back launching again. And this is the first step in realising our vision of a seamless, integrated and cloud-enabled network of the future. And with the greater visibility on the upcoming launches for our unique O3b mPOWER system, we remain on track at the start of service of O3b mPOWER by the end of 2022.

Finally, I'm delighted to report that we've completed Phase 1 C-band clearing in the US. Obviously, that's a big deal and we expect to receive the first $1 billion of accelerated relocation payments in the coming months. We're also on schedule, in fact, a little ahead of schedule to complete Phase 2 clearing before December 23. And that will trigger a further $3 billion in accelerated relocation payments.

Okay. So turning to the key financial highlights on page four. Revenue of €1.32 billion and adjusted EBITDA of €823 million was solidly in line with our expectations. It's pleasing to see that the strong focus on execution and the measures that we implemented during Simplify & Amplify have driven recurring OpEx down 2% year-on-year with a corresponding robust EBITDA margin of 62%. It’s also of note, we’ve done an excellent job in reducing financing costs and that’s helped to drive a 17% year-on-year improvement in adjusted net profit.

So looking at the segments now in more detail on page five. And our Video business continues to perform really well. You can see the improved revenue trajectory with revenues down 4.1% year-on-year versus 8% last year. We've increased our guidance for 2021 on the back of the stronger revenue, solid renewals with large and strategic customers such as Comcast and Sky, and robust pricing across all markets and neighbourhoods.

We've built and continue to develop the industry's largest neighbourhoods. And a very strong indication of progress and the attractiveness of broadcast TV over satellite is the continued growth of high definition. We now carry an industry-leading 3,150 HD channels. And that's up 8% year-on-year. And the deal signed with Globecast for CGTN this quarter is a great example of a customer who's been leveraging our neighbourhoods at 19.2 for many years and deciding to upgrade to high definition. 225 other channels have made that same decision over the course of the year.

Very good news also announced this morning is the substantial expansion of our business with Dish Mexico on the QuetzSat satellite, a deal that secures over €85 million in backlog at a neighbourhood that serves two million subscribers. Importantly, we now deliver a comprehensive set of services supporting Dish Mexico's business with not only the satellite deliver DTH but also a state-of-the-art online video platform delivering OTT and on-demand content. And this is a really good example of the hybrid delivery platforms that the majority of our customers now employ.

Our consumer business in Germany and Austria, HD+, continues to grow posting strong numbers in particular in the positive development of registered subscribers, while the price increase implemented earlier in the year is contributing to higher year-on-year revenue. We put a lot of focus this year in developing the platform and expanding the services that we offer. And in the quarter, we launched HD+ ToGo, allowing HD+ customers to take their HD content with them on their mobile devices for a small incremental fee.

It's early days and the initial feedback from the public is great and obviously an important step forward in terms of us driving higher ARPU and reinforcing the attractiveness of the platform in our largest market.

We'll follow HD+ ToGo early next year with an IP version of HD+ and that will allow us to address the non-satellite homes in Germany, and that will increase our addressable market substantially in Germany.

So, page six, moving to Networks. And, again, it's an important quarter of progress and development in our networks business. We have been in this COVID environment for more than 20 months now, longer than any of us expected, and that certainly has presented an extended drag on growth, particularly in our higher growth segments of cruise and aviation. Given that backlog, I think we can be really pleased with the resilience shown by the business during this period with overall revenues flat year-on-year. And the good news is that we certainly start to see recovery in the third quarter with a 5% increase on a sequential basis, driven in large part by a nice expansion in mobility.

Government has been our standout performer in 2021, up nearly 8% year-on-year on the back of strong demand from the US and other governments, anchored particularly with our unique O3b infrastructure. We have adjusted our expectations for Networks in '21, driven in part by the rapid withdrawal of the US and other governments from Afghanistan, a relatively short-term impact but nevertheless one that's difficult to compensate for fully in the year.

On the fixed data side, we saw a modest contraction in the first nine months, driven by the expected lower volumes in the Pacific, following the deployment of a number of cable systems, but we continue to see growth from rural inclusion projects and continued success of broadening our relationships with tier one operators, as well as strong performance from cloud in Q3.

As I mentioned, notwithstanding COVID headwinds, our mobility sector is picking up with a return to sailing for the cruise sector and new contract wins in aero driving a 12% quarter-on-quarter growth, and demonstrating the strong long-term fundamentals, especially when looking ahead to bringing SES-17 and O3b mPOWER into service next year.

Additionally, we grew our backlog on our Skala and mobility platform by nearly €20 million through a growing list of mobility partners. Also of note, on this slide, the success of our recent demonstrations with Isotropic, our strategy is centred around open architecture and a seamless multi orbit capability. And for the first time, we're able to demonstrate with Isotropic the simultaneous connection of a geostationary satellite and our O3b constellation into a single antenna at the same time.

This is game-changing in terms of seamless customer experience, but it's even more critical for governments who are looking for flexible and resilient services.

With the enormously exciting launch of SES-17 only a couple of weeks ago, and O3b mPOWER early next year, we're building a global platform and a global capability that I believe can't be replicated. An important element in the global platform is cloud, and for the first time, we announced that our strategic partnership with Microsoft has been extended, with Microsoft committing to becoming a customer on O3b mPOWER, leveraging our next generation network to extend Azure at the edge of their network.

Moving to page seven, and the important progress that we're making on our strategic initiatives, huge progress this quarter with the completion of Phase 1 clearing in the US earning us a $1 billion in accelerated relocation payments and the launch of SES-17. SES-17 is really a state-of-the-art satellite with more than 200 high throughput beams over the Americas and huge flexibility to enable Thales in-flight experience, among others, to serve the growing need for connectivity and the shifting demand patterns across the US over the course of the day.

This flexibility comes from not only the fully digital payload on SES-17 but also the deployment of our Adaptive Resource Control technology, ARC, that that allows us to move power and bandwidth across the platform intelligently adapting to the demand that the system sees.

2022 is going to be an exciting year of launches with the first O3b mPOWER launch in Q1, quickly followed by the second. And while the first launch will come a little later than originally planned, we have a more powerful booster for the second launch, allowing us to maintain our objectives of being in service with O3b mPOWER in Q4 next year.

As a result, we'll have our second generation multi-orbit architecture in full commercial service before others are in service at all. And we fully intend to leverage that time to market advantage.

Customer engagement for SES-17 and O3b mPOWER is strong and building. We signed more than $220 million in backlog for the combination of SES-17 and O3b mPOWER since the start of the year, with total backlog now more than $780 million for the combination and a strong pipeline that will only strengthen as we launch and deploy the systems.

Finally back to C-band and the successful completion of Phase 1 nicely ahead of the December deadline, it's worth noting that the incredible effort and engagement across the C-band cable neighbourhoods in the US as we protect the services of more than 100 million households while delivering spectrum to support 5G rollout.

It's a huge undertaking and is going incredibly well. We expect to receive the first €1 billion in accelerated payments early in '22 and hopefully by the time we speak to you with the full year results.

Everything continues to be very strong also with respect to Phase 2 clearing with satellites well under construction and on track for launches next year. It's hard to overstate the significance in terms of value creation with a further €3 billion earned on successful Phase 2 clearing. We also continue to pursue further opportunities for accelerated clearing and monetisation that results of the auction in the US are fully known.

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

Sandeep Jalan: Thanks, Steve. Good morning, everybody. We are very pleased with the solid year-to-date performance and expect to achieve our full year Group revenue and adjusted EBITDA outlook. Net profit is 17% up year-on-year and our balance sheet metrics continue to remain very strong.

Turning to the results in more detail and starting with adjusted EBITDA on page nine. As you can see, adjusted EBITDA for the nine months stood at €823 million and represented a robust margin of 62.4%. This reflects the combination of solid revenue performance and a two-year – 2% year-on-year reduction in OpEx with the benefit of Simplify & Amplify programme.

At the revenue level, Video continued to deliver and improve performance with the reduction of 4.1% year-on-year, which is about half compared with minus 8% that we had recorded last year. This is demonstrating already a flattening of the curve.

In Networks, our flat performance versus the prior year is evidence that even in the challenging COVID environment, our unique infrastructure continues to deliver customer value and the long-term prospects in Networks continue to remain strong. Our mobility and fixed data revenues grew quarter-on-quarter by over 10% and government revenues continued to grow year-on-year but suffered from some rapid withdrawal of US troops from Afghanistan.

I will now move to page 10, which explains the net profit bridge. Adjusted net profit stood at €225 million, which is an increase of 17% compared with year-to-date 2020, where the lower adjusted EBITDA was more than offset by three main positives.

First, depreciation and amortisation was lower by €39 million or about 7% reduction year-over-year. Second is interest cost, which continued to reduce by about €24 million or about 21%. This is reflecting the positive outcome from the recent refinancing successes and replacing senior debt maturities with cheaper debts while maintaining a robust and long-term debt maturity profile.

By the way, this represents only the savings in our cost of senior debt. On top, there are also tangible cash cost savings of over €15 million per year from the replacement of our 2022 hybrid bonds with a combination of new hybrids and Eurobonds.

The third main positive, as you can see, it comes from the forex gain of €24 million that was recorded this year compared with a loss of €19 million which was recorded in the prior nine-month period in 2020. The forex gain is mainly linked to certain intercompany non-euro denominated flows. Reported net income was €205 million and it includes a few exceptional items, which are in line with our guidance. These comprise restructuring charge of about €7 million and net C-band charges of about €18 million. And also related tax benefits on these exceptional charges. Our reported earnings per share also increased by 50% from €0.26 in last year year-to-date September to €0.39 in year-to-date September this year.

Turning now to the balance sheet on page 11. Our continued strong focus on free cash flow generation led to the adjusted net debt being reduced by about 5% year-on-year. At the same time, and as I mentioned earlier, we have also reduced our average cost of financing from about 3.3% last year to 2.9% this year. As shown by the chart on the right, our weighted average debt maturity profile is very healthy at an average of 7.7 years. And you can see that there is no significant bond maturities coming due until 2023.

Coming to the CapEx forecast on page 12, the total CapEx is unchanged, albeit with some changes related to phasing, which reflects the latest launch schedule, mPOWER first launch, which has shifted by a few months from December 2021 to quarter one of 2022. Nevertheless, the message is still the same, after the growth CapEx peak during 2021, 2022 for SES-17 and O3b mPOWER, our cash flows will not only benefit from the growing revenues and EBITDA generated by these highly differentiated assets but also from the significantly lower level of CapEx needs.

Looking beyond this investment period of €2.67 million investment over ‘21 to 2025, we would not only have completed most of our growth investments but also all our major satellite replacements, meaning that they will then enter a sustained period of limited CapEx and higher free cash flow generation.

Turning now to the financial outlook on page 13. We are on track and continue to expect 2021 Group revenue to be more than €1.76 billion. With Group revenues on track and reducing year-on-year OpEx, we are also on track to deliver adjusted EBITDA outlook well within our guidance range of €1.08 billion to €1.1 billion. As you may recall, the lower end of our EBITDA guidance was already raised from €1.06 billion to €1.08 billion with our half year results.

In view of the latest developments, we have also adjusted the lower end of the revenue guidance between Video and Network. So Video continued flattening trajectory. It allows us to upgrade low end of our guidance by about €30 million, while for Network, in view of the COVID-related impact, as well as the Afghanistan rapid troops withdrawal, we are adjusting it downwards by about €30 million.

Positive developments continue also on the C-band front. As Steve mentioned, the reimbursement process is now underway. And having completed the Phase 1 clearing, we are very excited by the fact that we are just a few months away from getting our first $1 billion cheque, and we continue to make good progress for the second cheque of $3 billion, which is just two years away.

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

Steve Collar: Thanks, Sandeep. I'll end on page 15, which should be a familiar slide by now. Our solid performance in the first nine months reflects the strong execution towards sustained and profitable growth, as we continue to flatten the curve in Video and bring SES-17 and O3b mPOWER into service to support Network's growth, we'll see top line and EBITDA growing coming through from 2023; while beyond our investment peak next year, we'll be in a sustained low CapEx environment and this will allow the business to drive strong cash flows on a sustaining basis augmented by the €3 billion in accelerated clearing process in late 2023, all of which were focused on driving substantial value for SES shareholders.

So with that over to you, Richard, and questions.

Richard Whiteing: All right. Thanks, Steve. Thanks, Sandeep. Courtney, I think we're good and can take questions.

Questions and Answers

Operator: Thank you. So as a reminder, that if you would like to ask a question on today's call, so please press star one on your telephone keypad. Please ensure your line is unmuted locally and you will be advised when to ask your question. That was star one on your telephone keypad. And our first question comes in from the line of Sami Kassab calling from Exane. Please go ahead.

Sami Kassab (Exane BNP Paribas): Thank you very much, and good morning, everyone. I have a few questions please starting with fixed data. The make-up of revenue is gradually changing. Can you provide a little bit of guidance in terms of what's the share of cloud revenues within fixed data now? What's the share of energy? What's the share of the, what you call, major tier one telcos versus the share of other stuff that is perhaps more under pressure?

Secondly, could you please quantify the annual revenue impact from the US troops existing Afghanistan and whether we should expect that impact to have a lingering effect into 2022? And lastly, can you perhaps elaborate a little bit on the mPOWER capacity pricing? Would that differ significantly from O3b or will the capacity pricing be quite close to what you're charging the market for O3b today? Thank you, gentlemen.

Steve Collar: JP, why don't you take the first?

John-Paul Hemingway: Absolutely. So good morning, Sami. Yes, so on fixed data, you asked a question about revenue mix of cloud energy versus traditional telco fixed data. I would say that the predominance of fixed data remains in those universal service obligation, the rural inclusion projects and the telco wins. And that has certainly driven a lot of the growth that we've seen.

The increase we saw from Q2 to Q3 actually did include some project starts that come with a little spike in equipment revenues that came from those traditional fixed data aspects. We have seen growth in cloud and energy. They still remain the smaller proportion of fixed data, but it is very promising in their growth outlooks I would say. Cloud is relatively nascent. I think we have the lead in the industry and we're really, really pleased about the announced win with Microsoft themselves, where we're actually looking to increase the amount of connectivity, we sell not only through cloud service providers but to augment resiliency in their own infrastructure networks. So I would say cloud and energy are small proportions of fixed data. We've had some significant growth in the traditional fixed data mix.

Steve Collar: Great. Sami, on the second question around the withdrawal of troops and services in Afghanistan, obviously, that was – it was rapid and it was faster than I think anybody expected and that is harder to recover from in any given year. We put the impact at sort of high-single digits for our business in '21. '22, obviously we have kind of a full year – not going to get into speaking too much about 2022, but we have kind of full year to sort of deliver on our government targets with respect to '22.

Look, on mPOWER, you asked a question around pricing and how does pricing compare. I think the important thing on mPOWER is we have a very, very different set of capabilities and we're able to deliver services in a completely different way. And so the way we position those services with customers is really around value rather than competing on price. We feel like we have the highest performing network out there and that's very much the way that we engage with our customers around O3b mPOWER.

Sami Kassab: Okay. Thank you, Steve. Thank you, JP.

Steve Collar: Thanks, Sami.

Operator: The next question comes from the line of Nick Dempsey calling from Barclays. Please go ahead.

Nick Dempsey (Barclays): Yeah. Good morning, guys. I've got three. So, first of all, just focusing on government again. I know you don't want to give a guidance for 2022. But that's what I guess people will be focusing on here. So we've got an ongoing headwind from Afghanistan through certainly in the first half of '22. And then, mPOWER presumably contributing only very late in 2022. Is there anything else in government that we've got going on that could expect to help us expect growth in '22 over '21 for the government revenue line?

The second question; you talked previously about the declines of Video continuing to ease going forward. And based on what you're seeing commercially right now, do you think that you can progressively reduce that rate of decline a little in '22, '23, '24, or will the flow through of your renewal on QuetzSat prevent that improvement in '22?

And third question. Just wonder if you could give us some more colour on the further C-band monetisation opportunities that you referenced when you were talking about C-band?

Steve Collar: Thanks, Nick. Look, I mean what I'd say about government is we've grown government in '21, 8% and not on the back of new launches or new capacities. So I think that shows that we have the ability to deliver growth into this market. Afghanistan was obviously a market that did consume quite some services and that sort of withdrawal was faster than expected.

I think our expectations for 2022 are that we're going to be able to continue to grow the business. But we'll obviously talk about '22 when we speak next. I sort of make the same comment around Video. Again, not to get too far into the future. But I think, again, what we can say as a general trend in how we see this, our video business rolling out is a flattening of the trajectory, a flattening of the curve. And we're really pleased to see that kind of 8% going down to 4%. I think that's reflective of what we expect to happen in our Video business going forwards.

Further C-band monetisation. Look, I think can't – nothing specifically to announce or talk about. But I think we – given that we're now beyond the auction, we know who's kind of one which PEA[?] that gives us very specific sort of information and context for seeing how we can work with the MNOs and the winners of the auction to create more value for them.

So we're in that process. Nothing to say specifically, but I'm optimistic that we will be able to deliver more value for the carriers. And as a result, there are opportunities there for further monetisation.

Nick Dempsey: Okay. Thank you.

Steve Collar: Thanks, Nick.

Operator: The next question comes from the line of Terence Tsui calling from Morgan Stanley. Please go ahead.

Terence Tsui (Morgan Stanley): Hello. Thanks very much. Good morning, everyone. I've got two questions, please. Apologies for another one on government, but I was just wondering if you could say something a bit more around the engagement. What's been – what's the engagement been like for the US government on O3b mPOWER? Are they still waiting for you to demonstrate capabilities before signing up to longer-term agreements? Are you – and are you seeing any signs of any budgetary constraints from that side?

And then my second question is just around the C-band, and thank you for the slide around the upcoming satellite launches. I just wondered what are the milestones are there to clear for phase 2, please, and perhaps you can also squeeze in a quick update on the implicit claim as well? Thank you.

Steve Collar: Great. Thank you very much for those questions. Look, I was in – I was actually in London earlier this week at the Global MilSatCom Conference and it's very interesting. I think what you – what governments – and this is not specific to the US. I think it's governments in general, you sort of certainly expand it, Five Eyes are really focused on is a future space architecture, which is resilient that leverages military satellite communications, the military systems, defence systems that the national governments build, but significantly leverages commercial technologies in a kind of integrated and resilient way.

I think you will see the majority of governments wanting to get access to all orbital layers, so GEO, MEO and LEO, and that serves us very well, because we're unique – uniquely positioned in medium Earth orbit. In medium Earth orbit, because we're a little further away from the Earth, we have this fantastic ability to move power and bandwidth and deliver higher end services in a very flexible way and these are things that government is really value, right, whether – whichever sort of part of the services you look at, whether it's navy, whether it's sort of there to reach back, whether it's ISR. All of these sort of capabilities require high throughput, a lot of flexibility, the ability to reconfigure the network.

Last thing I'd say is this Isotropic demonstration is really important in that context because it means that, for example, a single terminal can be connected to a national asset and at the same time and simultaneously be connected to O3b mPOWER. And if anything happens to either of those links, then the service continues to be maintained. And that's never been done before. That's never been shown before. It's not something that happens by accident. It's something that we've been working on for a long time. And so the significance of having that capability and integrated terminal with open architecture that allows governments to move between assets I think is really significant and sort of adds to my excitement as to the relevance of, in particular, O3b mPOWER for governments going forward.

C-band, look, it's really – I mean, it's really going well. We're done with Phase 1, which is autumn. And Phase 2, we've got the launches next year next, having had a little bit of a hiatus in terms of launches, it's like London buses. They're all coming at once next year. So we've got three launches for C-band next year.

In terms of other milestones, it's a lot of hard work on the ground as well. It's reconfiguring customer's networks, it's going back and reinstalling a whole bunch of filters. Obviously, the planning for Phase 2 now is full – fully cranked up now that we've got Phase 1 behind us. But we've learned an awful a lot during the Phase 1 delivery and that's going to stand us in incredible good stead for Phase 2, enables us to save a bunch of time in a few places. So, no, we feel very, very good about Phase 2 and the important milestones really are the launches, which I think we start in Q3 next year.

The third question – you asked about the Intelsat litigation. Not much to say there other than we feel strongly about our position. We intend to hold Intelsat to account and that's what we're doing. Obviously, they have a complex process with their Chapter 11. But we continue to feel good about that. I think the case will be heard early next year I believe. And so that's we feel as strongly about that as we did 18 months ago or whenever we launched that process. I think that was – did I get all the questions?

Terence Tsui: Yeah. That's perfect. Thanks very much. Really interesting.

Steve Collar: Thanks a lot.

Operator: The next question comes from the line of Roshan Ranjit calling from Deutsche Bank. Please go ahead.

Roshan Ranjit (Deutsche Bank): Morning, everyone, and thanks for the questions. Just two for me please. On the Video side, I mean, previously you've mentioned these pockets of growth in some of the newer markets in the international. I think you cited Ethiopia last quarter. Is it possible to get a sense of the kind of mix between the renewals going better and the – I don't know whether to call upside, but the new markets and the pricing power that you've seen in these new markets and what is kind of driving that guidance upgrade, please?

And secondly, something super quick, on C-band. You mentioned in the slide deck that the 5th December date for – it's kind of being fully completed. Super small question, but why is it then taking a couple of months to actually get the cash in? And you mentioned potentially hopefully being a position to announce cash being received with the full year results. Is it just literally the kind of translation and people have to go through because just to sort of what's going on? Thank you.

Steve Collar: Yeah. Thanks. On the Video side, I think as it relates to the 2021 performance, the majority of the – of what underpins the – our ability to upgrade our guidance in Video for the full year was better performance in our core neighbourhoods, combined with strong performance in HD+, which is obviously an integral part of our German – our business in Germany.

In the core neighbourhoods, I think it was real pricing power. It was the strength of those neighbourhoods that we've obviously built over the course over the last 35 years. And probably stronger renewals than expected and at better prices than we had forecast.

But Ethiopia and other markets like it remain an important part of our medium to long-term future. So these markets tend to generate relatively modest revenues to begin with as you build those neighbourhoods. But in Ethiopia, we've had sort of spectacular success. We've reappointed, I think, 10 million – almost 10 million dishes over a very short period of time. And so we have – as we look to the future and as that neighbourhood develops, we have good expectations, good prospects, I think, for future revenue generation in Ethiopia.

So short-term 2021, more driven by our core neighbourhoods and by good performance in HD+. I think medium, long-term, we have good expectations of some, as you said, pockets of growth, some important areas of growth in Video in the developing markets.

On the cash, Sandeep, why don't you take that?

Sandeep Jalan: Yeah. So this cash of €1 billion cheque just a couple of months away. So just to explain as to how the process works. So first, just to confirm, we are fully in track with the process that we laid out. So 5th December this deadline it works in a way, whereby we have already made – filed all the papers, right, in October itself.

Now, FCC has up to a month to confirm. No objections have been filed on this. And the latest deadline there is 5th December. And FCC will confirm within that. Thereafter, basically what happens is that the clearing house has X number of days which is – which goes about two months to make these payments. The payments will be coming in escrow from the auction winners. And we would be getting the proceeds latest, let's say, in about two months therefrom.

So as Steve said earlier, we should be expecting to get the proceeds already by the time we are announcing our annual results. So fully on track, fully on the timelines which are from the clearing house and FCC.

Roshan Ranjit: That's great. Thank you.

Steve Collar: Thanks, Roshan.

Operator: Thank you. Our final question comes in from the line of Aleksander Peterc calling from Société Générale. Please go ahead.

Aleksander Peterc: Yes. Hi. Good morning, and thanks for the question. I just have a couple of positions. So first one on CapEx. It seems to me that's about €300 million of CapEx shifting from this year into mostly to '23. So I'd like to reconcile that with your suggestion. There's been a couple of months slippage in the launch schedule. But the cash effect seems to be more from '21 to '23, which is a longer time period, so if you could just kind of reconcile that for me.

And then secondly still on C-band, are we still okay to model the P&L impacts of the first instalment in the fourth quarter and then the cash impact in the first quarter of next year? And if you could give us an update on the tax you expect to pay on that. Are we still below 20s? Thanks a lot.

Sandeep Jalan: Yeah. So regarding the CapEx, clearly, it includes basically two impacts. Number one, as I mentioned, mPOWER launch, which has just shifted by a couple of months. And secondly, that there are the vendor financing payments which are linked to many of these satellite programmes. So basically what you see here that from 2021, we have a saving of about €360 million, but this basically gets phased over 2022, €70 million and €290 million, which is coming in 2023.

So it's including also the payments optimisation that we have in our payment schedule for many of these satellite programmes. So it's basically just the knock-on effects on our overall programme and cash raising. But the overall CapEx, as I mentioned earlier, doesn't change at all. It is fully within our guidance of €2.67 billion. And what it does as well, it keeps our overall leverage as well much healthier at these levels, because clearly it has a positive impact on 2021 and 2022 leverage.

And your second question was regarding C-band. Can you –

Aleksander Peterc: Yeah. The phasing of the P&L impact or the cash impacts and also an update on the tax rate. Thanks.

Sandeep Jalan: Yes. So as we had also guided earlier, we will be making this clearing already by 5th December. This will be confirmed. So the accounting impacts of this will be fully recognised in the books of this year. So we will recognise it in our income. There will be tax thereon that will also get recognised. So the net income will fully reflect in the P&L of this year. However, the cash, the check will come after a couple of months, so they will realise those moneys within quarter one.

So, yes, cash flow impact we will see after a few months. And the tax payment as well. I mean, tax payments will basically be going in quarter one only.

Aleksander Peterc: And the range is still below 20%?

Sandeep Jalan: So the tax remains within our guidance range 20-25%. I mean, as you would have seen, I mean, all these tax reforms renew as they continue to make a lot of different discussions, as you would have seen from the latest development as well. It's going more in direction of there's minimum taxes, and there's all these talk of 21% to 28% has not made much headway. There is still, let's say, missing support from several - I mean, the number of votes required.

It's not yet clear whether it's going in that direction or not. But as we have said earlier, it doesn't have a huge impact on us. We remain fully – even if those upgrades happen, we remain fully within the guidance range of 20-25%, and in fact, towards the low end of the guidance range.

And in any case, 2021 will be fully with the tax rates that we have in 2021. So we'll give more clarity when this US tax rates are more clear. But in summary, fully within our tax guidance range, and in fact, towards the low end.

Aleksander Peterc: Okay. Thanks.

Operator: Thank you. That was the final question in the queue. So I shall hand the call back of course to yourselves for any concluding remarks.

Steve Collar: Great. Thanks very much. Thanks, everyone, for joining. Really appreciate the questions and the engagement and look forward to speaking to you with our full year results in February. Thanks all.

Operator: Thank you for joining today's call. You may now disconnect your handset. Hosts, please stay connected and await further instruction.

[END OF TRANSCRIPT]