Michael Bolitho, Director of Treasury and Risk Management

Thank you and good morning. Earlier today we issued a news release containing Telesat’s consolidated financial results for the three- and nine-month periods ended September 30, 2021. This news release is available on Telesat’s website at www.telesat.com under the tab Investors. We also filed our quarterly form on Form 6K with the SEC this morning.

Our remarks today may contain forward-looking statements. There are risks that Telesat’s actual results may differ materially from the results contemplated by the forward-looking statements as a result of known and unknown risks and uncertainties. For additional information about known risks, we refer you to the Risk Factors section of our annual report on Form 20F for the 2020 fiscal year and in our quarterly reports on Form 6KL (phon) which can be obtained on the SEC website.

The information that we are discussing today reflects our expectations as of today and is subject to change. Except as required by securities laws, Telesat disclaims any obligation or undertaking to update or revise this information whether as a result of new information, future events, or otherwise.

I will now turn the call over to Dan Goldberg, Telesat’s President and Chief Executive Officer.

Dan Goldberg, President and Chief Executive Officer

Thank you, Michael. This morning I’ll discuss our third quarter and first nine months results and give an update on the business. I’ll then hand over to Andrew, who will speak to the numbers in more detail, and then we’ll open the call up to questions.

Comparing our Q3 results to the same period last year and adjusting for foreign exchange rate changes, revenue was down 2 percent, Adjusted EBITDA was down 1 percent, and our Adjusted EBITDA margin was 81.5 percent, up slightly from 80.4 percent in the prior period. Comparing the nine-month results and adjusting for FX, revenue was down 4 percent, Adjusted EBITDA was down 3 percent, and our Adjusted EBITDA margin was 80.2 percent, slightly higher than the 79.7 percent in the prior period. The FX adjusted reduction in revenue and Adjusted EBITDA for both the quarter and the first nine months of the year was primarily driven by a slight reduction in service for one of Telesat’s North American DTH customers, the reduction or nonrenewal of certain services in the enterprise segment, including as a result of the COVID-19 pandemic, and lower consulting revenue, partially offset by an increase in revenue.
associated with short-term services provided to another satellite operator.

Turning to some key metrics, backlog at the end of the quarter, which I should note excludes backlog associated with our Telesat Lightspeed constellation, was $2.3 billion, and our fleet utilization was 80 percent.

Looking at our revenues broke down on an application basis for the quarter, broadcast was 51 percent of total revenue, enterprise services 47 percent, and consulting and other 2 percent. On a geographic basis for the quarter, North America accounted for 81 percent of revenue, EMEA 8 percent, Latin America was 7 percent, and Asia was 4 percent.

As discussed on our last call, in the third quarter we announced that the government of Canada is making a $1.44 billion investment in the Telesat Lightspeed LEO constellation and announced also that the government of Ontario is committing $109 million to use Lightspeed to provide high-capacity broadband connectivity to remote communities throughout the province.

As we noted in our 6K for the quarter, Thales Alenia Space, who we’ve been working with on Lightspeed, recently informed us that the global supply chain issues out there will delay the construction of the Lightspeed satellites, which in turn will delay our getting into commercial service. We’re working with Thales now to get a better sense of the magnitude of the delay, whether there are steps we can take to mitigate the delays, and whether there are any further optimization we should consider for the Lightspeed design if we have a little more time.

This delay with Thales is also delaying our ability to complete our financing arrangements with the export credit agencies. I expect we’ll have more clarity on the Lightspeed schedule and export credit agency discussions in the near term.

Lastly, on the rollout transaction with Loral, I’m pleased to say that we’re on track for that transaction to close and for Telesat to become a public company before the end of the year.

With that, I’ll hand over to Andrew.

Andrew Browne, Chief Financial Officer

Thank you, Dan, and good morning, everyone. I would now like to follow up with some highlights from this morning’s press release and filings.

In the third quarter 2021, Telesat reported revenues of $192 million, Adjusted EBITDA of $157 million, and generated $63 million of free cash flow with almost $1.6 billion of cash on the balance sheet at quarter end. For the third quarter of 2021 and compared to the same period in 2020, revenues decreased by $10 million to $192 million, operating expenses increased by $8 million to $50 million, and Adjusted EBITDA decreased by $6 million to $157 million. The Adjusted EBITDA margin was 81.5 percent compared to 80.4 percent in 2020.

Between 2020 and 2021, changes in the U.S. dollar exchange rate had a negative impact of $6 million on revenues, a positive impact of $1 million on operating expenses, and a negative impact of $5 million on Adjusted EBITDA. But adjusting for the changes in foreign exchange rates, revenues decreased by $4 million for 2021 when compared to 2020, operating expenses increased by $9 million, and Adjusted EBITDA decreased by $1 million. Excluding the impact of foreign exchange, the decrease in revenues was primarily driven by a slight reduction of service for one of Telesat’s North American DTH customers, the reduction or non-renewal of certain services in the enterprise segment, and lower consulting revenue, partially offset by an increase in revenue associated with short-term services provided to another satellite operator.

The increase in operating expenses was principally the result of a $12 million increase in noncash share-based compensation, partially offset by higher capitalized engineering costs.

Depreciation and amortization decreased by $5 million compared to the same period in 2020. The decrease was primarily due to the end of useful life for accounting purposes of our Anik F1R satellite in 2020.

The gains and losses on financial instruments reflect changes in the fair values of our interest rate swaps and the prepayment option on our senior and senior secured notes. In the third quarter of 2021, we recognized a gain of $1 million related to financial instruments.

In 2021 we recorded a loss in foreign exchange of $68 million during the third quarter compared to a gain of $66 million in the third quarter 2020.

Tax expense decreased by $3 million during the quarter when compared to the same period in 2020 and was largely due to lower operating income before taxes in 2021.

Net loss was $42 million in the quarter compared to net income of $107 million in the third quarter of 2020.
For the first nine months of 2021, the cash inflows from operating activities were $250 million, and the cash outflows used in investing activities was $124 million. Virtually all of the capital expenditures related to our (inaudible) constellation Telesat Lightspeed.

As we had previously advised for 2021, we expect our cash flows used in investing activities to be in the range of $140 million U.S. dollars to $160 million U.S. dollars, including capital expenditures to further advance our Lightspeed program while we progress our financing arrangements. To meet our expected cash requirements for the next 12 months, including interest payments and capital expenditures, we had almost $1.6 billion of cash and short-term investments at the end of September, as well as approximately $200 million U.S. dollars of borrowings available under our revolving credit facility. Approximately $500 million in cash was held in our unrestricted subsidiaries. In addition, we continued to generate a significant amount of cash from our ongoing operating activities.

At the end of the quarter, leverage as calculated on the terms of the amended senior secured credit facilities was 5.6 times to 1. Telesat has complied with all the covenants in our credit agreement and (inaudible). A reconciliation between our financial statements and financial covenant calculations is provided in the report that we had filed this morning.

As we have stated previously, Telesat Canada has structured its investment in Lightspeed through unrestricted subsidiaries. To date Telesat Canada has invested $630 million in cash into these restricted subsidiaries to fund the development of Lightspeed.

With this concludes our prepared remarks for the call, and now we’re very happy to answer any questions you may have, and so we will turn back to the Operator. Thank you.

QUESTION AND ANSWER SESSION

Operator

Thank you. The first question is from Jason Kim with Goldman Sachs. Please go ahead.

Dan Goldberg, President and Chief Executive Officer

Jason, as you know, we have those revenue opportunities from time-to-time, and I’d say we’ve talked in the past, sort of given order of magnitude for what those things are. This one was more or less consistent with the kind of revenue recognition for those services that we’ve had in the past. Order of magnitude, it’s kind of low to mid-single-digit contribution for revenue for Q3.

Jason Kim, Goldman Sachs

Understood. Then, the supply chain issues regarding LEO, there’s still a lot of moving parts. But at this point, is this a timing issue, or potentially costs as well, and can you remind us if you still believe you need (inaudible) fully funded for LEO based on the financing sources you’ve outlined in the past.

Dan Goldberg, President and Chief Executive Officer

Can you repeat the last part again, Jason?

Jason Kim, Goldman Sachs

Sure. In terms of the financing sources, if you believe that you’re fully funded for Lightspeed based on all the items that you’ve identified as sources of capital in the past, whether it’s (multiple speakers).

Dan Goldberg, President and Chief Executive Officer

Okay, thanks. To the first part, I think this is more of a timing issue, and maybe an issue that isn’t all that terribly surprising. I mean, these global supply chain issues having impacts across almost every segment of the economy right now, and so it’s certainly the case that the Telesat Lightspeed program is requiring all sorts of components that are getting caught up in those global issues. I think this is fundamentally an issue of timing. As I said, we’re engaged with Thales right now just to fully understand what the impact of that’s going to be.

In terms of funding, I think what we said last quarter. When we put out our Q2 numbers, we had also just announced that significant investment from the Government of Canada, and we took the opportunity—I’m going to sort of just remind everyone of the financing that we had lined up to date. In Canadian dollars, that was at the time order of magnitude $4 billion. In U.S. dollars, somewhat more than $3 billion, and said that we expected that with those amounts lined up, plus the
amounts that we’ve been under discussions with the export credit agencies, that yes, those things would allow us to be fully funded for the program.

That’s still our expectation, which is to say that the cash—or I should say the funding that we’ve lined up to date, plus the amounts that we’re in discussions with the export credit agencies about, those things fundamentally should see the program fully financed.

Jason Kim, Goldman Sachs

Understood. Any updates on the DTH contract that’s coming up for renewal next year?

Dan Goldberg, President and Chief Executive Officer

No updates. We said before that we’ve got a renewal with DISH on our Anik F3 satellite coming up in Q2, but no, we don’t have any updates in terms of what that looks like at this time.

Jason Kim, Goldman Sachs

(Inaudible) My last question is, regarding industry consolidation for partnerships, from your perspective, what does the industry need? How does consolidation or partnership help achieve that, and what does Telesat bring to the table?

Dan Goldberg, President and Chief Executive Officer

Well, I mean, it’s a question that folks talk about from time-to-time in the industry. Certainly, our industry has gone through periods where there’s been consolidation and periods of time where you get new entrants into the sector. I feel like, I don’t know, kind of unbalanced. We’re probably over the next few years heading into another period where yes, it’s likely that there could be some consolidation and potentially some ownership change. Ownership change doesn’t always lead to consolidation, but it sometimes does.

Then, you know, I think that were the industry to consolidate, for sure, like a lot of industries if you do that, it can help rationalize the supply side of the equation. Where Telesat fits into that, I don’t know. I mean, I would say that our heavy focus has been on developing our Lightspeed constellation. We are big believers that the most promising segment of the market to address is the very strong and growing demand that we’re seeing around the world for kind of enterprise-grade broadband connectivity, and we think that the best way to address that market is by having a very advanced Low Earth Orbit satellite constellation that, again, has been designed to address that particular enterprise market. I’d say that is our overwhelming focus.

If there’s consolidation in the industry that’s taking place, yes, we may or may not be a participant in that. I think that—obviously, we think that the Lightspeed constellation is going to give us significant competitive advantages in the market. Maybe that initiative would be attractive to others in the industry, but that’s not really our focus right now. I mean, our focus, I’d say, has always been looking after our customers, being disciplined about what sorts of investments that we make, always with an eye towards making sure that we feel good about the returns on invested capital that come from the investments we make, and I think we’ve got a very good track record in that regard.

Anyway, those are some high-level thoughts on how we think about consolidation.

Jason Kim, Goldman Sachs

Thank you very much.

Operator

Thank you. The next question is from Walter Piecyk with LightShed. Please go ahead.

Walter Piecyk, LightShed Partners

Thanks. I just want to continue on with that. I mean, I guess when I listen to all your comments, first, I think, in the prepared comments you said you were on track for an IPO, or being public, I guess, is the way you phrased it, by the end of the year. It’s November 5, so I’m just curious on kind of how and when that process is going to take place and when we’re going to see some sort of a ticker, actually.

But more importantly, in your answer to the last question when you were talking about the financing and the discussions you were having with the export credit agencies, it didn’t sound like having some type of, like, IPO proceeds was an important part of that process. When you think about those discussions with the export credit agencies, like, what is the process to get that to the finalization so that we see it kind of official and everyone kind of knows this thing’s fully funded and ready to go?
Dan Goldberg, President and Chief Executive Officer

Yes, thanks Walter. First off, on the timing of the go public transaction, it’s coming. I mean, you’re right. I said before the end of the year, and we’re—what are we, November 5 today. So yes, I mean, there’s one other approval that we’re waiting for right now, and I certainly, as I look at my general counsel across the table, I don’t see anything out there that causes us any concern about obtaining that in the near term. Stay tuned there. I think we’re in good shape, and I think there’ll be a Telesat ticker symbol out there quite in the near term.

Dan Goldberg, President and Chief Executive Officer

Okay, and just secondly, on the supply chain issues, I mean, your constellation is, whatever, a couple years off, so wouldn’t these supply chain issues be having some impact on the other LEOs? Like, Starlink is sending up satellites now, and I know Kuiper is hopeful, I guess, to get something up in the air at the end of next year, some prototype. Like, are these common components that you think will impact some of the LEO plans that are ongoing right now?

Dan Goldberg, President and Chief Executive Officer

I believe that we are seeing these supply chain issues affecting not just our Lightspeed program, but some of the other players as well. We have less visibility into exactly what’s happening at SpaceX. They’re a private company, and Kuiper’s part of Amazon, so they don’t have to report in any kind of granular way on Kuiper. But SpaceX did reveal, I think it was earlier this week, that they are delayed because of supply chain issues in getting user terminals out into the market. So yes, that—I think these supply chain issues, they’re going to slow everyone down a little bit.

Walter Piecyk, LightShed Partners

But your point is that those discussions don’t require some type of IPO-type funding or anything like that. It’s just these are discussions that are just going to kind of move along their way and happen at some point, hopefully in the near future.

Walter Piecyk, LightShed Partners

Okay.

Dan Goldberg, President and Chief Executive Officer

I mean, both of those companies have also materially increased the number of satellites that they’re using in constellations. Just this morning there was a filing from Kuiper where they’re doubling their request to the FCC for satellites to, I think it’s like 7,700 from whatever it was before, 3,500, 3,600. Like, when you kind of—as your progress moves along, is it likely that you’ll face the same issue where you’re likely to increase the number of satellite—I know it’s a different application, but an increase potentially in the number of satellites that you plan to launch?
Dan Goldberg, President and Chief Executive Officer

Yes, so the filing that you’re referring to—so the FCC has just sort of completed—there was a deadline for filing applications in the second processing round for V-band, non-GEO stationary and GSO satellites in the V-band, and yes, we also made an application to the FCC that would allow us to expand Lightspeed. There are two frequency bands that we’ve been filing for, both at the ITU and with the FCC and here with the Government of Canada. One has been Ka-band, and we’ve got priority rights in Ka-band and have received an authorization from the FCC in their first processing round. We have filed an application in the second Ka-band processing round at the FCC to expand beyond the 298 Lightspeed satellites that we’d been talking about. Off the top of my head, I think we’ve sought authority to launch up to 1,671 Ka-band LEO satellites, and our own V-band application that was submitted in this recent FCC V-band process, kind of a mirror application. I think we’d already filed a first round. We had V-band constellation, and we’ve now updated that along with others in the industry, and I think again, off the top of my head, sort of mirrors what we’re doing in Ka-band. It’s 1,671…

Walter Piecyk, LightShed Partners

Would that be for future capacity for basically success-based capital, or does that potentially impact the price of the initial project?

Dan Goldberg, President and Chief Executive Officer

It doesn’t impact the price of the initial project. It’s what satellite operators need to do, which is to say reserve spectrum that allows you—gives you the kind of orbital and spectrum real estate so that as you expand your constellation, you have some response to demand in the market, that you’ve got the spectrum that you need to do just that. That’s what we’ve done, and that’s what these other operators have done in filing these applications.

Walter Piecyk, LightShed Partners

Thank you very much.

Operator

Thank you. The next question is from Mike Pace with JP Morgan. Please go ahead.

Mike Pace, JP Morgan

Hi, good morning. I actually want to follow up on, I guess, the 298 to 1,671 satellites. I’m sorry if I just didn’t catch a couple of nuances here, but is that—this is all would be demand-driven growth if it’s there. Then you just have the ability to add more satellites, or is this you think you need to get there to really have global full coverage for everything that you want to do? Because it’s just—it’s 5X. It’s a lot larger.

Dan Goldberg, President and Chief Executive Officer

Yes, no. We feel that the 298 that we’re starting with is the right constellation size, will give us multiple terabits of capacity and a very powerful value proposition in the market. But, Mike, I mean it would be foolhardy of us to not make sure that we’ve got the ability to scale our constellation in response to a market that’s growing in response to demand. So yes, that’s what we’ve done here. That’s what we did in the earlier K-band processing round. That’s what we’re doing in this V-band round. That’s what our competitors are doing as well. It’s what we need to do to make sure that we’ve got the authority to scale our constellation as required.

Mike Pace, JP Morgan

Understood, okay. Then, a question on, I guess, C-band. When are you expecting, or where are the satellite companies in terms of Phase 1 payments coming in? I’d love what you think there, but also, I guess with some news here yesterday or the day before that some of the wireless guys are delaying 5G rollouts because of potential interference issues from the FAA. I’m curious—which I thought that issue was resolved back in the day, so I’m curious what you think or what you’re hearing about that as well.

Dan Goldberg, President and Chief Executive Officer

As you noted, kind of the clearing process in the U.S. is taking place in two phases. We believe that we’ve now done everything we need to do to clear the spectrum that we’ve been using. We expect to receive the first payment from the FCC, which I believe is 25 percent of the total $344 million, that we expect to receive. We expect to receive the first payment early next year. Then the second payment, my recollection is the industry’s required to clear that spectrum by December 2023, I think it is. Again, I think we’ve already done everything we need to do to meet that deadline. But the other operators haven’t yet and still need some time to do that, so my
expectation is the second payment is something that we’d receiving—I’m staring at a colleague. It’s further out, Mike.

But certainly, none of the proceeds that the satellite operators are entitled to are going to be adversely impacted by these discussions that the (inaudible) operators are having with the FAA. It’s very clear what we all need to do in order to be entitled to those payments, and that is clear that spectrum and clear it on time. It’s not my expectation that—and to be clear, the carriers have paid for their spectrum, so that money is available for the satellite operators once that clearing is done.

Mike Pace, JP Morgan

Understood. Just one more because a lot of other questions have already been asked and answered, but conversation with the export credit facility folks, are you still talking about similar sized type facility to what you’ve mentioned before on calls? Just any colour there would be helpful.

Dan Goldberg, President and Chief Executive Officer

Yes, that’s right. Nothing there has really changed in any material way.

Mike Pace, JP Morgan

Understood, thank you.

Operator

Thank you. The next question is from Brendan Karsch with Kennedy Lewis. Please go ahead.

Brendan Karsch, Kennedy Lewis

Hi, thanks for the call today and for taking the questions.

I just wanted to drill down on the enterprise segment a little bit first. Good to see some of the short-term services return. Just want to know if you have any more visibility into more of that over the next few quarters. Elsewhere in that segment, I’m wondering if you could speak a little bit more about some of the declines you’re seeing. You mentioned reductions or non-renewals of services. Is that losses of customer completely, or cancellation of volumes, or is that pricing driven? A little more colour there would be helpful.

Dan Goldberg, President and Chief Executive Officer

Okay, so on the short-term services, those are always a bit lumpy and always a bit unpredictable. We don’t expect to have any more of those, I would say, for the next couple of quarters based on what I know about kind of what’s in the pipeline and what’s not in the pipeline.

Then, on kind of the enterprise services environment, yes, I mean it remains competitive. We’ve said over the past bunch of quarters that, yes, the environment remains competitive. On balance there are some downward pricing pressure still, not as meaningful as we had seen a couple of years ago. It’s more moderated. Some markets are more competitive than others. I would say that demand seems actually reasonably pretty good, and you’ve seen, if you look at our fleet utilization, we’re at 80 percent and have kind of maintained that for quite some time now. If anything, on balance I think it’s ticked up a little bit.

We are seeing some kind of green shoot recovery, not surprisingly, in the maritime space, particularly around cruise, in the aerospace as people are wanting to fly again, so that’s been encouraging. It’s nothing that’s had that big of a favourable impact so far this year. A little bit on the margins, but it looks like folks are ramping up again in that when the cruises start to ramp up, each ship has more bandwidth than they did pre-COVID, which isn’t a surprise given what’s happened to bandwidth usage during COVID. Everyone just expects a whole lot more throughput.

Then, you know, drilling down on where we saw the revenue erosion in the enterprise segment kind of over the course of the year and over the course of the quarter, it’s a whole bunch of puts and takes. Some of it is just renewing stuff but at rates that are a little bit lower than where they were before. Some of it is COVID. Order of magnitude, I don’t know, it’s about 20 percent of the decline, something like that, is due to COVID for the first nine months of the year. Some of it is some business that’s gone away. It’s a whole bunch of stuff. I should say that there’s been new business, too. This is all just kind of net-net numbers, so anyway, that’s kind of what the environment looks like.

Maybe the last thing I’d say is this year’s unfolded pretty much consistent with our expectations. I mean, again there are always puts and takes. But yes, the environment has unfolded kind of consistent with our expectations. Maybe we would’ve thought that aero and maritime would’ve come back a little bit earlier. Like, we didn’t predict that the Delta variant would push a lot of that further back. But notwithstanding that, when I sit with the sales team on a regular basis, I’d say on balance I’m
more encouraged than not by the level of activity and things that are in the pipeline kind of around the world.

Brendan Karsch, Kennedy Lewis

Great, that's helpful colour. Then, pivoting to the broadcast side of the business, you said no update on DISH. But on the prior call, you had mentioned that you were working on some plans to potentially backfill some of that capacity if the renewal didn't come in fully. I just wanted to hear if there was any update on maybe looking at plans to backfill that capacity if necessary.

Dan Goldberg, President and Chief Executive Officer

No, listen. We're super engaged in the market, and that's a good satellite and that's a good payload. It covers kind of all of North America. Our utilization rates for that coverage area in Ku-band are very high right now, and we do believe there are—because of that and because of what we're seeing in the market—going to be opportunities to resell that capacity should it come back to us.

Last quarter, you're right, we talked about some of that. But no real further material update relative to what we spoke about just a couple of months ago.

Brendan Kasch, Kennedy Lewis

Great. Then just the last one for me, you'd spoken on the previous call, and I think a couple people asked about maybe providing more detailed financials for the restricted group versus the LEO sub. It looks like basically the same detail here, so I wanted to ask if there were still going to be plans to maybe provide more of a breakout than what's already in there.

In addition to that, just wanted to try to get a sense for this quarter. I'm penciling out that on a constant currency basis maybe restricted group EBITDA was up a little bit year-over-year. Is that fair?

Dan Goldberg, President and Chief Executive Officer

Andrew?

Andrew Browne, Chief Financial Officer

Yes, I think in response to the second part of your question, I believe that's correct. To your first question, indeed (inaudible) will be what our full-year numbers that we will indeed break out the accounting to show restricted and unrestricted. That indeed will be our plan, and so you will see that fully disclosed with our year-end numbers.

Brendan Kasch, Kennedy Lewis

Okay, that's great to hear. Thank you.

Operator

Thank you. The next question is from Arun Seshadri at Credit Suisse. Please go ahead.

Arun Seshadri, Credit Suisse

Yes, hi. Thanks for taking my questions. Just a couple left for me. First, I just wanted to confirm on the DISH side, is there—when you think about the overall contract negotiation, do you think about it in two steps, i.e. for two separate satellites, or do you think about it as sort of one (inaudible) negotiation that you're going through?

Dan Goldberg, President and Chief Executive Officer

Separately. You're right, Arun. We've got a contract with DISH for Anik F3, another one for Nimiq 5, but yes, we think about them kind of each separately.

Arun Seshadri, Credit Suisse

Each separately, got it. Thank you. Then, as far as sort of the overall LEO business plan, at what point do you expect to publish something more sort of, I guess, forward-looking, etc., on the overall LEO plan?

Dan Goldberg, President and Chief Executive Officer

Yes, that's a great question. I would say, oh, a couple things about that. Our expectation is we're going to be public in the near term. Our expectation is that we'll have a full-funded Lightspeed constellation also in the near term. I would say at that point in time, given how meaningful the investment is, and given how kind of fundamental Lightspeed is to Telesat's kind of growth trajectory, and given how bullish we are about the program, I'd say once we're public and Lightspeed is fully funded, we will share views about what the potential of
Lightspeed is from a financial standpoint. We’ll try to provide more granularity about exactly what the cost is associated with the program, and we’ll try to provide some kind of directional information about our views on the size of the market, our views on kind of what part of that market we think that over time we’re going to capture, probably some views about what our views are on kind of margin development for that activity.

So yes, I think it’s going to be important for us to give more information about that so that everyone, investors, lenders have an appreciation for how we’re thinking about what Lightspeed can contribute in terms of our financial profile going forward.

**Arun Seshadri, Credit Suisse**

Got it, thank you Dan. Would it be fair to say that if you were looking to raise more dollars in the equity market post the IPO of Telesat that that would—ahead of that you would probably share more details? Is that a fair expectation?

**Dan Goldberg, President and Chief Executive Officer**

I don’t want to so much tie it to a public equity offering in the future. We have to be very careful in terms of how we talk about that. But I think it’s fair to say that equity investors, current equity investors and future ones, yes, are going to need to have a good understanding of the kind of dimensions of this Lightspeed investment. How much is it going to cost, how much is it going to take to operate this business going forward, what’s the revenue opportunity and the EBITDA, cash flow opportunity associated with that big project. Yes, that’s how we think about it.

I think it’s going to be important that we share that information. In truth, yes, we’re looking forward to pulling back the covers on it a little bit. We’ve been working on it for a long time. We’re extraordinary bullish about the prospects of Lightspeed and, yes, look forward to sharing more with the market when the time is right about what that project looks like.

**Arun Seshadri, Credit Suisse**

Okay, great. Thank you. Last thing for me is, in terms of 2022, any sort of thoughts you can provide in the various industry categories what your expectations are at a high level without—I know you probably don’t want to give specific guidance or anything like that in advance of the IPO, but it would still be helpful to hear some high level commentary on each business segment.

**Dan Goldberg, President and Chief Executive Officer**

No, we’re—thanks for the question. Yes, we won’t take this opportunity to provide detailed guidance for next year. But I will say, and just hearkening back on what I was saying in response to the last caller, I think the environment—I don’t have a crystal ball, but I think the operating environment won’t be terribly dissimilar to what we’ve seen this year, maybe with the exception of, as I said, more activity in the cruise sector, maybe more activity in the aero sector. But beyond that, I don’t think—we’re not really seeing many things out there that would make us feel like there’s some kind of wholesale change, kind of in the macro environment.

Then, of course for Telesat, there are more micro issues like the DISH renewal that we’ve talked about in Q2 and whether or not we secure any of those short-term satellite services that are, again, always a bit lumpy and unpredictable.

But anyway, that’s kind of high level thoughts.

**Arun Seshadri, Credit Suisse**

Great, thanks for the time.

**Operator**

Thank you. The next question is from Jonathan Krautmann with Rubric Capital. Please go ahead.

**Jonathan Krautmann, Rubric Capital**

Hey, Dan. Just to make sure I understand the IPO, I think what we’ve heard is, to summarize things, is that having a publicly listed entity is viewed favourably by the ECAs as a potential source of support. Call it an additional currency that can be drawn upon if it’s needed for the ECA’s senior financing. So, if I understood things correctly, Telesat doesn’t need to tap the equity capital markets in significant size, but going public is just really part of the overall financing structure that’s important to the ECAs. Is that fair?
Well, I don’t want to—first off, we’ve always tried to be quite clear that this roll-up transaction with Loral is a transaction that will result in Telesat being a public company. We’ve always tried to be very disciplined to stay away from talk about a public offering, which obviously, there’s all sorts of securities regulations, both in the U.S. and Canada around that, so we’ve always tried to be very clear and disciplined around that, number one.

Then, I would say in terms of how the export credit agencies might think about Telesat being a public company—what would I say there? I guess all I would say is, the more access Telesat has to sources of financing for Lightspeed, but also just for growth projects more generally, that’s just a good thing from, I think, everyone’s perspective. I’d probably leave it at that.

Second question, we’ve watched spectrum values with interest. I think the latest data point is the success of the 3.45 GHz auction here in the U.S. and where values are that are currently in auction. We talked last quarter on this call about the potential that we could migrate our legacy GEO operations into 100 MHz in the Canadian C-band. Are there any updated thoughts on how we could free up and potentially, I guess, get financially incentivized to open up another hundred MHz of Canadian C-band for the carriers or for other people in Canada?

Just sort of for the record, we are going to continue to have access to 200 MHz of C-band spectrum, not just 100, and in Canada that first 300 MHz of spectrum needs to be cleared in certain parts of the country, but not even all parts of the country by—I forget exactly when—sometime late 2025, I think it is. Beyond that, no.

First off, we agree with your observation that the spectrum is highly desirable. We get that. We’ve always understood that, and I believe that 200 MHz of good, mid-band spectrum is going to continue to be valuable. I know the carriers are very keen to get access to that 300 MHz of spectrum, but I’ve no doubt that given how everyone’s using bandwidth that that 200 MHz is going to also be desirable and valuable in the future. That’s a good thing for Telesat, obviously.

But a specific answer to your question, no. We’ve almost kind of just come off of the last process, and the government here, unlike in the U.S., hasn’t even auctioned that 300 MHz of spectrum that they will be clawing back. So yes, I guess all I would say is kind of in the fullness of time. It’s not lost on us that that could potentially be a very valuable asset. We’re using it right now. Frankly, we’re using all 500 MHz right now, but no, I mean we’re very cognizant of the fact that that’s spectrum that could be of great value.

Jonathan Krautmann, Credit Suisse

Great, thank you.

Operator

Thank you. The next question is from Derrek Wenger with Concise Capital. Please go ahead.

Derrek Wenger, Concise Capital

Yes, just one clarification. Just curious, can the LEO—when do you anticipate LEO may be profitable? I know that’s years out, maybe, and can those profits be used to pay off debt in the entire complex?

Dan Goldberg, President and Chief Executive Officer

Thanks for the question. We said earlier that we do expect that we’ll be providing more information about kind of the LEO financial profile, so we should probably wait to have that conversation kind of in a more fulsome way about when it becomes profitable. For sure, of course, we do expect LEO to generate a significant amount of revenue and a significant amount of EBITDA and to be a very accretive investment for the Company. But I don’t want to talk about—in the absence of having a broader conversation about the financial profile of Lightspeed, I don’t want to just speak separately about when it becomes profitable.

On the debt side, I mean, as you know, LEO is being financed in a separate credit silo. It’s certainly going to be the case that yes, the cash that it generates and whatnot will be used, in part, to repay the lenders in that credit silo. I’m looking at my finance colleagues, but that’s the plan.

Derrek Wenger, Concise Capital

Okay, (inaudible) forward to that.
Dan Goldberg, President and Chief Executive Officer

Okay, thank you.

Operator

Thank you. The next question is from Ned Hole with DDG Capital Management. Please go ahead.

Ned Hole, DDG Capital Management

Hi, Dan. Hi, everybody. Thank you for the time. Are you concerned at all with where the bonds are trading?

Dan Goldberg, President and Chief Executive Officer

Maybe I’ll take the first crack at that. I mean, I don’t like where the bonds are trading. I think that when we talk to folks out there, I think it’s a lot of it—this is just kind of what we’re hearing—that a good chunk of that relates to just sort of uncertainty about the financing of Telesat Lightspeed. That’s, I’d say, one of the key explanations that we’re at least hearing from folks about why the debt is traded like it’s traded. So we are very focused on clarifying all that as soon as we can, which is—I mean, there are all sorts of reasons why we’ve been very focused on completing the financing of Telesat Lightspeed. One is just so we can move forward with the program as expeditiously as we can.

But two, because I think that providing the clarity on the financing of Telesat Lightspeed should address what we’re hearing, at least, are concerns within the restricted group about what it could mean for the restricted group.

Yes, in answer to your question, just picking up on your word concerned, we don’t like it. We appreciate the support that we’ve gotten from our lenders. We want all of our stakeholders, equity holders, lenders to have a good day at the end of the day. Telesat’s been in the market as a borrower for a long time, and the goodwill that I think that we’ve built up with our lenders over time, that’s important to us. Seeing our debt trade down and knowing that that causes our lenders pain, yes, that is concerning to us. We don’t like it. Our hope is that all of our stakeholders do well from participating in Telesat and supporting the Company, and our hope is that when we have clarity on the Lightspeed financing that that will be accretive to our lenders and that the debt will respond.

Here again, can’t make any promises around that. But you asked the question, and those are some thoughts around it.

Ned Hold, DDG Capital Management

No, that’s helpful. It seems like—I know they’re not perfect overlaps in terms of that, the base between the Loral equity and the Telesat Canada box, the unrestricted and restricted, and economic ownership outside of—or away from Loral. But it seems like there’s a pretty big disconnect between Loral equity and Telesat bonds. Do you have any reaction to that or any thoughts around it?

Dan Goldberg, President and Chief Executive Officer

Well, I want to reemphasize—no, thanks for that. I guess I’d like to reemphasize something that we’ve said before, which is the reason Telesat Lightspeed is being financed as it’s being financed in the separate credit silo, that was all about—that is all about the fact that it’s a big project. We need to raise a lot of funds in connection with that project. The export credit agency financing source, we think, is an attractive one to support the financing of Telesat Lightspeed and given all of the restrictions that we have to borrow within the restricted group, it’s—and I’m not complaining about it. I’m just describing that it’s a fact. It compelled us to finance Telesat Lightspeed in the separate group. It doesn’t reflect any intention on the Company to do Lightspeed away and to keep it away from the restricted group. It’s just a recognition of the fact that it requires significant borrowings to finance it, that the restrictions that we have in the restricted group required us to do it elsewhere.

When you—but I believe when you see how—and we’ve tried to be very transparent about this, too. We’re operating the Company—certainly, it all rolls up into the same equity, and so from our equity owners, a dollar of EBITDA coming from the restricted group or a dollar of EBITDA coming from Lightspeed—and by that, I mean this other credit silo—we’re indifferent. Shareholders are indifferent.

I think that the fact that we’re doing Lightspeed strengthens Telesat, like, it makes us more effective in the market when we’re out there selling our GEO services, which is to say the assets that are in the restricted group. Customers, I believe—and I talk to these customers—are more inclined to work with us and to acquire our current services because they’re excited about working with Telesat and having the opportunity to work with us in the future, also because of our Lightspeed constellation.

Anyway, I mean, that’s kind of how we think about it, and it’s just kind of reality.
Ned Hole, DDG Capital Management

Yes, that’s very helpful in how to think about it. Just lastly, a quick clarification from the previous question. If and when LEO becomes profitable, you said you could use those proceeds to pay down debt. Did you say at the LEO or Lightspeed credit silo, or at both credit silos?

Dan Goldberg, President and Chief Executive Officer

Well, look. I mean, as we—I mean, as you can imagine, the lenders who are lending in the LEO credit silo have been—just like our lenders in the GEO credit silo, our lenders in the Lightspeed silo, of course, as you would do, are very focused on making sure that they have the rights and are collateralized in the Lightspeed asset. So yes, that’s—until and unless we do something different than the cash flow that we generate in the restricted group, subject to the governance (phon)—you guys have—the governance are very clear what we need to do with that cash, and that’s what we do with that cash. The same will be true on the other side, in the other credit silo, that we will be making borrowings with the export credit agencies, for instance, in that credit silo and there will be detailed covenants and the like around what happens to the cash that’s generated with the assets that we’re investing in in that credit silo.

But that’s, I’m sure, exactly as everyone would imagine it to be. That’s kind of how it works.

Ned Hole, DDG Capital Management

Great, thank you very much. Appreciate the time.

Dan Goldberg, President and Chief Executive Officer

Okay, thank you.

Michael Bolitcho, Director of Treasury and Risk Management

Okay, I think we’re out of time today. Dan, any closing remarks?

Dan Goldberg, President and Chief Executive Officer

No, the only closing remarks is we appreciate everyone joining us this morning and look forward to speaking again when we issue our Q4 and full-year numbers. Thank you very much.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.