

## CORPORATE PARTICIPANTS

**Michael Bolitho**

*Director of Treasury and Risk Management*

**Daniel Goldberg**

*President and Chief Executive Officer*

**Andrew Browne**

*Chief Financial Officer*

**Paul Firkins**

*Controller and Director, Taxation*

## CONFERENCE CALL PARTICIPANTS

**Arun Seshadri**

*BNP Paribas*

**Marcello Chermisqui**

*Ares*

**Brandon Karsch**

*Kennedy Lewis*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen. Welcome to the conference call to report the first quarter 2023 financial results for Telesat. Our speakers today will be Dan Goldberg, President and Chief Executive Officer of Telesat, and Andrew Browne, Chief Financial Officer of Telesat.

I would now like to turn the meeting over to Mr. Michael Bolitho, Director of Treasury and Risk Management. Please go ahead, Mr. Bolitho.

---

**Michael Bolitho, Director of Treasury and Risk Management**

Thank you, and good morning. This morning we filed our annual report for Form 6-K with the SEC and on SEDAR. 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 a discussion of known risks, see Telesat's annual and quarterly reports

filed with the SEC. Telesat assumes no responsibility to update or revise these forward-looking statements.

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

---

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

Thank you, Michael. This morning I'll share some thoughts on our financial results and give an update on the business. I'll then hand it over to Andrew, who will speak to the numbers in detail, and then we will open the call up to questions.

It's been just six weeks since we held our call for our full year 2022 results, so we don't have that many big updates to share with you today. Our Q1 numbers came in consistent with our expectations, and at this time, we can reaffirm the full year guidance we gave in late March.

When we released our full year results, I noted the two biggest contributors to the decreases in revenue and Adjusted EBITDA that we're forecasting this year. The first was the residual headwinds from the Anik F3 DISH renewal we secured early last year which will show up in the first four months of this year.

The second one we noted was an expected renewal with Bell for Nimiq 4 which comes up for renewal in early October this year. We noted that we expected Bell to renew all the DTH capacity on Nimiq 4 but at a materially lower rate than the current one, which is exactly where we've landed with Bell. That was renewed all the Nimiq 4 DTH capacity for two years with an option to extend for another year effective in October, when the current term expires.

As we noted on our last call, these two renewals, DISH and Bell, account for approximately half of our anticipated revenue and Adjusted EBITDA decline for the year.

I also want to flag that utilization at the end of Q1—were quite high at 88 percent—is down slightly from the 89 percent we had at the end of Q4. There were some changes in the fleet in Q1 with Anik F2 going into inclined service, so we pull it out of the utilization calculation, and Anik 4 coming into the fleet, so that goes into the utilization calculation. But those movements net-net had no real impact on utilization as a whole.

We don't have any new update on Lightspeed at this time relative to what we said on the call six weeks ago. I will say that we continue to make progress with the various parties we're engaged with. There's great enthusiasm within the Company and our Board about the prospects

of the constellation, and we remain optimistic that we're going to be able to move forward with the program, recognizing we're still not quite there yet and it's not over until it's over. We hope to be in a position to provide greater clarity soon.

Finally, as we noted in our press release this morning, we repurchased approximately US\$103 million in face value of Telesat debt since our last earnings call which we believe strengthens our financial position and creates value for shareholders.

With that, I'll hand it over to Andrew and then look forward to taking any questions.

---

**Andrew Browne, Chief Financial Officer**

Thank you, Dan, and good morning, everyone. I would now like to focus on highlights from this morning's press release and filings.

During the first quarter of 2023, Telesat reported revenues of \$183 million, Adjusted EBITDA of \$139 million, and generated cash from operations of \$63 million with \$1.7 billion of cash on the balance sheet. In the first quarter of 2023 as compared to the same period in 2022, revenues decreased by \$2 million to \$183 million, operating expenses decreased by \$11 million to \$53 million, and Adjusted EBITDA decreased by \$7 million to \$139 million. The Adjusted EBITDA margin was 75.7 percent compared to 78.4 percent in 2022.

Between 2022 and 2023, changes in the U.S. dollar exchange rate had a positive impact of \$7 million on revenues, a negative impact of \$1 million on operating expenses, and a positive impact of \$5 million on Adjusted EBITDA. When adjusted for changes in foreign exchange rates, revenues decreased by \$9 million, operating expenses decreased by \$12 million, and the noncash expense related to share-based compensation decreased by \$15 million. The overall result was a decrease in Adjusted EBITDA of \$12 million.

The revenue decrease was mainly due to reduction in revenues from one of Telesat's North American DTH customers. This was partially offset by higher equipment sales to Canadian government customers combined with increased services provided to the aero and maritime customers.

The decrease in operating expense (inaudible) was primarily due to higher noncash share-based comp incurred in the three months ended March 31, 2022.

Interest expense increased by \$20 million during the fourth quarter when compared to the same period in

2022. The increase was due to an increase in interest rates on the U.S. Term Loan B facility combined with the foreign exchange impact on U.S. dollar denominated interest expense. This was partially offset by the impact of the repurchase of senior unsecured notes in 2022 combined with the impact of the maturity of one of the interest rate swaps in September 2022.

In the first quarter, we recorded a gain on foreign exchange of \$10 million as compared to a gain of \$36 million in the first quarter of 2022. The gain for the three months ended March 31, 2023, was mainly the result of a weaker U.S. dollar to the Canadian dollar compared to the spot rate as at December 31, 2022, with the resulting favourable impact on the translation of our U.S. dollar denominated debt.

Our net income for the first quarter of 2023 was \$29 million compared to net income of \$61 million in the prior year. The variation of \$32 million was primarily due to the gain on extinguishment of debt in the first quarter of 2022 combined with higher interest expense and lower foreign exchange gains, partially offset by higher interest and other income.

For the period ending March 31, 2023, the cash inflows from operating activities were \$63 million. The cash flows used in investing activities were \$25 million. In terms of capital expenditures incurred, they were related to our low Earth orbit constellation, Telesat Lightspeed, combined with our newly acquired satellite, Anik F4.

Looking at guidance, as Dan has mentioned and as we set out in our earnings release this morning, we maintain our previously provided 2023 guidance. This guidance assumes the Canadian dollar-to-U.S. dollar exchange rate of 1.35, so Telesat continues to expect full year 2023 revenues to be between \$690 million and \$710 million. In terms of Adjusted EBITDA, Telesat continues to expect between \$500 million to \$550 million. In respect to expected capital expenditures, we continue to expect 2023 free cash flows used in investing activities to be in the range of \$40 million to \$70 million. Once we have greater visibility around the construction and financing of our Telesat Lightspeed program, we will provide a further update on our anticipated capital expenditures for the year.

To meet our expected cash requirements for the next 12 months, including interest payments and capital expenditures, we had approximately \$1.7 billion of cash and short-term investments at the end of March, as well as approximately US\$200 million of borrowings available under a revolving credit facility.

Approximately \$1 billion in cash was held in our unrestricted subsidiaries. In addition, we continue to

generate a significant amount of cash from our ongoing operating activities. At the end of the fourth quarter, leverage as calculated under the terms of our amended senior secured credit facilities was 6.24 times-to-1. Telesat has complied with all the covenants in our credit agreement and indenture.

Dan has also highlighted this morning that subsequent to the quarter end and up to May 10, we have repurchased debt with a principal aggregate amount of US\$103 million by way of open market purchases at an aggregate cost of US\$56 million. A reconciliation between our financial statements and financial covenant calculations is provided in the report we filed this morning. Our 6-K provides the unaudited interim condensed consolidated financial information in our MD&A. The non-guarantor subsidiaries shown are essentially the unrestricted subsidiaries with some minor differences.

With that, we conclude our prepared remarks for the call, and we'll be very happy to answer any questions you may have. With that, we will turn back to the Operator. Thank you.

---

## QUESTION AND ANSWER SESSION

### Operator

Thank you. The first question is from Arun Seshadri from BNP Paribas. Please go ahead.

---

### Arun Seshadri, BNP Paribas

Yes, thanks for taking my questions. First, on LEO. I know there's not much of a broad update that you guys have right now, but can you say whether the—can you provide any details in terms of either there's any new parties involved, discussions going on with the existing parties just continue to advance? Any additional colour you can add?

---

### Daniel Goldberg, President and Chief Executive Officer

Yes. Hi, Arun, it's Dan. Yes, it's true. I mean, we only—hello?

So, we put out our full year numbers, what, just six weeks ago, so we don't have big updates. So no, the LEO discussions with the various parties are continuing. We're engaging with the parties that we've been engaging with. I think we're making headway. But yes, I'd say that's kind of where things sit.

---

### Arun Seshadri, BNP Paribas

Okay, thanks Dan. Then, in terms of the IRIS-2 European project, is there any way—are you guys—can you talk whether you're one of the bidders there at all, or just any other sort of—any details on that front?

---

### Daniel Goldberg, President and Chief Executive Officer

We're not a bidder. I mean, the EU has been, I think, pretty clear that they're really focused on working with EU companies in that process. We've been tracking it. My own guess is it will continue to evolve. We saw the consortium that's come together. We pay attention to what the EU is saying in terms of what their objectives are and their timeframes and whatnot.

We certainly think that with our activities with Lightspeed that there are things that we could offer in connection with the project that would be very beneficial. But at this point in time, we're more just sort of tracking it and will kind of evaluate whether there's a good opportunity for us to participate at some point. But at this point, we're really just kind of on the sidelines.

---

### Arun Seshadri, BNP Paribas

Got it, thank you. Is there any—can you talk about sort of what sort of things you could provide theoretically that could be beneficial to that project?

---

### Daniel Goldberg, President and Chief Executive Officer

Well, I mean, certainly, one of the things they're focused on is deploying a LEO constellation and we're deploying the LEO Constellation, too, and so there would be potentials in terms of working with a similar supply chain and leveraging kind of volume synergies. Depending on an openness, our fleet could be used to complement, backstop, expand whatever constellation they ultimately deploy. It's just kind of those sorts of things, but there are already a lot of parties participating in the effort, and so yes, I think right now we're just trying to monitor how it's developing. If there's a good opportunity for us to be a constructive participant, yes, we'd definitely be open to that.

---

### Arun Seshadri, BNP Paribas

Okay. Thanks, Dan. Then, one last question for me is more in terms of the buybacks between the various securities. I assume primarily liquidity has driven the choice in terms of which securities to buy back?

---

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

Yes, that's right. I mean, we—some of these securities are more liquid than others. Yes, so we just kind of have to be opportunistic in terms of what we can do out there, and I think what we've been doing is, as I said in my remarks, it accretes value to the equity and strengthens our financial position kind of more broadly, but that's exactly right.

---

**Arun Seshadri, BNP Paribas**

Are you able to buy back bank debt according to your read of the indentures—I mean, sorry, of the credit agreement?

---

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

I'm no securities lawyer, but my General Counsel is nodding yes. So yes, I think that we're able to do that.

---

**Arun Seshadri, BNP Paribas**

Okay. Thank you very much.

---

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

Thank you.

---

**Operator**

Thank you. The next question is from Marcello Chermisqui from Ares. Please go ahead.

---

**Marcello Chermisqui, Ares**

Hey, guys, thanks for taking my questions. Can you provide us, like, what the latest update is on the cost to build Lightspeed? I know a year ago you were saying around US\$5.5 billion. But since then, there's been some

more inflationary pressures. What's the earliest you can get all 188 satellites launched and activated if you theoretically secured the remaining financing tomorrow?

---

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

Yes. Thanks, Marcello. We're not seeing, at this time, incremental inflationary pressures that have us alter the way we're thinking about the total cost as we've sort of been providing indications around that for, gosh, I don't know, roughly the last nine months or so.

Then, in terms of when we could get going, my recollection is, I think, maybe we start launching in 2026, sort of that kind of timeframe. But we'll certainly provide detailed updates when we're financed and get going on the program.

---

**Marcello Chermisqui, Ares**

Could you provide, like, any update on supplier conversations? Do you think there's an opportunity to potentially switch to alternative vendors to reduce costs, or at this point, are your switching costs too high with these suppliers?

---

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

You know, we've always said that we are working closely with Thales as our prime contractor, and they've got a really good track record, I think, in terms of building constellations and the like. Equally, we've said that we're not bound to Thales, and we have, as you would expect, continued to think about alternative ways that we could deploy our constellation in a way that allows us to meet all of our objectives. That's certainly something that we continue to evaluate. Whether switching costs are prohibitive or whatnot, that's something that we would take into account, but it's certainly an opportunity that exists for Telesat and certainly something that we've evaluated over time to make sure that we have some optionality there.

---

**Marcello Chermisqui, Ares**

I saw in the 10-Q release that Erwin Hudson is retiring next month, so who's going to be running Lightspeed, and do you think there's any impact to the project?

**Telesat First Quarter 2023 Financial Results**  
**Thursday, May 11, 2023 – 9:00 AM ET**

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

We have an embarrassment of riches in terms of super-smart, capable, experienced technical people at Telesat. I think it's one of the great strengths of Telesat. Erwin is a total rock star and has been a great colleague and has provided great leadership. He actually has stayed on quite for some time longer than we had anticipated—I should say that he had anticipated—and I think that Erwin will continue to—I mean, Erwin's retiring. He's not going anywhere else. I suspect that Erwin will continue to consult with Telesat on Lightspeed going forward. So, yes, we've got a great technical team here. Erwin's been a great part of it. But it's not something that is a concern in terms of our ability to move forward with the program.

**Marcello Chermisqui, Ares**

Lastly for me, in terms of the royalty payments that the GEO business pays the LEO business per year for use of the IP and other assets, is that the \$2.5 million of revenue you reported in the LEO business in the first quarter, or how does that royalty payment work?

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

I'm looking at my colleagues around the table here. Does anyone want to take that? Paul?

**Paul Firkins, Controller and Director, Taxation**

So, the payments between the LEO and GEO are for shared resources basis (phon). It's not a royalty payment. Revenues usually come from the U.S. government services is what you're seeing.

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

On the LEO side.

**Paul Firkins, Controller and Director, Taxation**

On the LEO side.

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

That was Paul Firkins, our Controller.

**Marcello Chermisqui, Ares**

Great.

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

Does that answer your question? Thank you, Marcello.

**Marcello Chermisqui, Ares**

Yes.

**Operator**

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

**Brandon Karsch, Kennedy Lewis**

Hi, thanks for taking the call. Good to hear that you got that Bell renewal done, and I heard the commentary that that plus DISH are about half of the revenue decline this year. But there's a lot of moving pieces here. Can you just maybe help us get a better sense of what the full year annual run rate is of this Bell renewal?

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

Gosh, I think we've provided more insight than your average company about what it would be. There actually aren't that many moving pieces. I think we said on our last call that for the revenue decline—I should say the forecast revenue decline 2023 versus 2022, that Bell and DISH account for about half of that.

The DARPA contract that we recognized, I think it was Q4 last year, accounts for roughly another, I don't know, quarter of the anticipated revenue decline, and then the rest would just be a bunch of more cats and dogs stuff, lower renewals—and by lower renewals, I mean maybe renewing a contract at a lower rate, that sort of thing.

I think that gives you a lot to work with, and providing more than that just starts to—I don't know, we're starting to share just too much proprietary information on a public

call like this. I think you can kind of work it out, or close enough.

---

**Brandon Karsch, Kennedy Lewis**

Okay, thanks. Maybe I'll take this offline. Then, with the Shaw-Rogers transaction closing, any updated thoughts on how that might impact the relationship with Shaw, if at all?

---

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

Canada is a big country, but in some ways, it's kind of a small one. We've worked with both Shaw and Rogers a lot over the years, though we've done a whole lot more business with Shaw just because they had the DTH platform. I think we've said on prior calls Rogers doesn't have a competitive DTH platform, and I think they've highlighted the fact that the Shaw platform gives them this kind of—national reach is something that they regard it—as a positive. So, we don't believe that our kind of outlook with Shaw and those business activities are adversely impacted by the fact that Rogers has now kind of taken over Shaw.

---

**Brandon Karsch, Kennedy Lewis**

Okay, that's helpful. Are you able to share when that renewal would come up?

---

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

I think you can probably tell. I mean, it's mostly tied to the—and Shaw's on a couple of our satellites, so Anik F2, Anik G1. You can sort—and they're mostly kind of end of life on both of those satellites. For Anik F2, that will put you out in the 2024/2025 kind of ZIP code, and for G1, much longer still.

---

**Brandon Karsch, Kennedy Lewis**

All right, that's very helpful. Thanks for taking the questions.

---

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

Okay, thanks Brandon.

---

**Operator**

Thank you. This concludes today's question-and-answer session. I would like to turn the meeting back over to Mr. Goldberg.

---

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

Okay. Well, Operator, thank you, and thank you all for participating this morning. Again, it wasn't a whole lot of time that had elapsed since we held our last call. We look forward to speaking with you again when we release our Q2 numbers, so 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.

---