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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the conference call to report the Second 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, Telesat Canada

Thank you and good morning. This morning we filed our quarterly report on 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 and SEDAR. 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, Chief Executive Officer, Telesat Canada

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

As we noted in our earnings release, we've had a busy first half of the year. We're tracking our guidance, received FCC validation on C-band clearing which allowed us to recognize approximately US $260 million in the quarter, and completed some meaningful additional debt repurchases that we think strengthen our balance sheet and create value for shareholders.

Certainly, the big news was our announcement this morning that we've selected MDA as a prime contractor for the Telesat Lightspeed satellites. By leveraging the advanced technology they've been investing in, we're able to reduce our Capex on the project by roughly US $2 billion while fully maintaining the revolutionary capabilities of the network that we think are going to make it so disruptive and successful in the market.

Lightspeed is now fully funded to global service delivery given the Company's own equity contribution, certain vendor financing, and aggregate funding commitments from our Canadian federal and provincial government partners. The government financing commitments are subject to a number of conditions, including completion of confirmatory due diligence and the conclusion of definitive agreements, which we're aiming to get done by the end of the year, recognizing it could take a little bit longer. I want to thank our government partners for their strong and consistent support of Lightspeed and their recognition of the manifold public interest benefits that flow from the project.

I want to say a few words about why this approach with MDA is much more capital efficient and why we ultimately pivoted and made the move to MDA.

The game-changing development here is the digital beam forming antenna that MDA has developed. We considered a digital beam former some years ago when we first evaluated technology options for Lightspeed, but our engineers felt that it wasn't ready for prime time. That the technology development risk at the time was too great. That's why when we selected MDA to build the antennas way back then, the antennas MDA prototyped and was going to build for our original planned formed beams using analog technology, which is to say it was an analog beam former. Over the past few years, MDA has continued to invest in the digital beam former, and late last year, as we were working hard to close our business case funding, which in part entailed looking to optimize the overall Lightspeed design, an exercise I know I've spoken about previously. We took another look at the digital beam former and came to the conclusion that it was now sufficiently mature and that not only could we leverage it, but that we had to given the massive efficiencies it delivers.

The performance improvement relative to the analog one is dramatic, its game changing. To give you a sense, it can create roughly triple the number of beams versus the analog one, which means we can serve our customers and cover the globe vastly more efficiently. For example, while the old satellite design required each satellite to have two pairs of analog beam forming antennas to deliver the capacity in the way that we want, we only need a single pair of digital beam forming antennas. This allows each satellite to be somewhat smaller and still have the same effective capacity as the larger ones. Smaller satellites almost always mean less costly satellites, and that's certainly the case here.

In the case of Lightspeed, the MDA satellites are roughly 75 percent of the size of the earlier versions we were considering. The digital beam former also creates a better link between the satellite and the user terminal, which further improves the performance and the efficiency of the overall network. The satellites will continue to have four optical inter-satellite links, which we've always emphasized is important to dynamically and rapidly route our users' traffic anywhere on earth, and which also provides great resiliency throughout the network.

In addition to the digital beam former, MDA also has been investing heavily in a digital processor that's tightly integrated with the digital beam former. MDA has been doing all this because they see a big opportunity to build LEO satellites as the industry transitions in that direction. To their credit, they've already been quite successful, winning last year a highly competitive process to be the prime contractor for the Globalstar LEO constellation that Apple is funding and using. MDA has world-class capabilities and high-volume satellite manufacturing and is heavily focused on winning more business as a prime, which is why they won the Apple opportunity and why they're going to be building the Lightspeed satellites.

The work with MDA and many of our other suppliers has already started. We expect the first launch to take place in mid-2026, and that will enter global service in late 2027. The total Capex for Lightspeed is approximately US $3.5 billion and, if we meet our plan, we expect to grow our revenue and Adjusted EBITDA by several multiples and achieve an IRR on the project of roughly 30 percent. We'll organize an investor day and present at a number of conferences in the near term so that we can give investors greater insight into our plans.

It would be hard to overstate how pleased we are with the arrangements we've put in place for Lightspeed and how keen we are to get out there with customers, investors, and others. It's been a long road, much longer than we anticipated, certainly much longer than I anticipated, with COVID and the supply chain constraints and inflation that COVID brought, representing real obstacles. We've always said we see a huge opportunity in the global enterprise broadband market and that we were laser focused on finding the most compelling path forward. Given where we've landed, it's been well worth the wait.

I want to thank my colleagues at Telesat, genuinely world-class professionals in every key discipline—technical, regulatory, commercial, finance, legal, for their resilience, dedication, and ingenuity in what I think is hitting an absolute home run here. Throughout our 54-year history, we've always leveraged our deep engineering expertise and leaned into innovation to adapt in a dynamic market and meet our customers' ever-evolving but always mission critical requirements. Telesat Lightspeed is just the most recent example of that.

It's been a real privilege for me to work alongside the world-class team here and we're all now just 100 percent focused on executing the plan. With that, I'll hand over to Andrew and then look forward to addressing any questions you may have.

Andrew Browne, Chief Financial Officer, Telesat Canada

Thank you, Dan, and good morning, everyone. I would now like to focus on highlights from this morning's press release and filings. However, as Dan has said, it's been a long road and obviously with our announcement on Lightspeed, we are so excited to be in a position to move forward with our program.

Now focusing on our financial performance in the second quarter of 2023. Telesat reported revenues of $180 million, Adjusted EBITDA of $139 million, and for the six months ended June 30, 2023, we generated cash from operations of $102 million and we have $1.5 billion of cash on the balance sheet.

In the second quarter of 2023, when compared to the same period in 2022, revenues decreased by $7 million to $180 million. Operating expenses decreased by $7 million to $52 million, and Adjusted EBITDA decreased by $8 million to $139 million. The Adjusted EBITDA margin was 77.1 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 $5 million in revenues, a negative impact of $1 million in operating expenses, and a positive impact of $4 million on Adjusted EBITDA. When adjusted for changes in foreign exchange rates, revenues decreased by $12 million, operating expenses decreased by $8 million, and Adjusted EBITDA decreased by $12 million.

The revenue decrease was mainly due to a termination in service by a South American customer, combined with a reduction in revenues from one of our North American DTH customers. This was partially offset by increased revenue from the work we are performing for NASA related to satellite-to-satellite communications and lower overhead. The decrease in operating expenses is primarily due to lower non-cash share-based compensation, partially offset by higher costs associated with the procurement of third-party satellite capacity required to support certain customer networks.

Interest expense increased by $19 million during the second quarter when compared to the same period in 2022. The increase was due to an increase in interest rates in our 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 notes in 2023 combined with the impact of the maturity of our interest rate swaps in September of last year.

In the second quarter, we recorded a gain on foreign exchange of $67 million, as compared to a loss of $99 million in the second quarter of 2022. The gain for the three months ended June 30, was mainly the result of a weaker U.S. dollar to Canadian dollar, and with the resulting favourable impact on the translation of our U.S. dollar-denominated debt. Our net income for the second quarter of 2023 was $520 million compared to a loss of $4 million in the prior year. The variation of $524 million was principally due to C-band clearing proceeds recognized in the quarter of CAD $345 million, combined with a positive variation in foreign exchange and the conversion of our debt into Canadian dollars, and the gain on repurchase of debt of CAD $153 million. This was partially offset by higher interest expense and higher tax expense.

For the six months ended June 30, the cash inflows from operating activities were $102 million and the cash flows used in investing activities were $67 million. In terms of capital expenditures incurred, they were primarily related to a lower orbit constellation, Lightspeed, and the newly acquired Anik F4 satellite.

Guidance—as you will have noted in our earnings release this morning, we are very pleased to maintain our previously provided revenue and Adjusted EBITDA 2023 guidance. The guidance assumes the Canadian dollar to U.S. dollar exchange rate of 1.35. Telesat continues to expect that 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 $515 million.

In respect to expected capital expenditures, as a result now of our Lightspeed announcement, we now expect our ‘23 cash flows used in investing activities to be in the range of $175 million to $225 million, and we will provide any further update at the time of our Q3 call.

Looking at cash, to meet our expected cash requirements for the next 12 months, including interest payments and capital expenditures, we have approximately $1.5 billion of cash and short-term investments at the end of March, as well as approximately US $200 million of borrowings available under revolving credit facilities. Approximately $1 billion in cash was held in our unrestricted subsidiaries. In addition, we continue to generate an ongoing significant amount of cash from our activities.

At the end of the fourth quarter, leverage as calculated under the terms of our amended senior secured credit facilities was 5.69 times to 1. Telesat has complied with all the covenants in our credit agreement and indenture.

As Dan has also indicated, in the second quarter and including the subsequent period, we have reported debt with a principal aggregate amount of US $296 million by way of open market purchases, at a cost of $156.9 million. Combining with prior repurchases done in ‘22, we have now repurchased a total amount of US $456 million at an aggregate cost of $233.9 million. In addition, this also results in interest savings of approximately $27 million annually. Further just to add, since the end of 2020, when Telesat repaid approximately US $340 million of our term loan, our overall debt has been reduced by approximately 24 percent.

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 consolidating financial information in the NDA. The non-guarantor subsidiaries shown are essentially the unrestricted float with minor differences.

With that, I would conclude our prepared remarks for the call. I'm very happy to answer any questions you may have, and with that, now I'll turn back to the Operator.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. (Operator Instructions)

The first question is from Mike Pace from JP Morgan. Please go ahead.

Michael Pace, JP Morgan

Hi, good morning. Thanks for taking the questions.

Dan, I appreciate all the colour and commentary earlier on the MDA contract and what you're getting out of that different than before. I guess just to be really clear here, for some of us that aren't so smart on satellite technology, you will have the same or roughly the same amount of capacity in this network than the prior network? I just want to confirm that, and then what are you not getting, if anything, for spending $2 billion less? Then I have a few other follow-ups.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Yes, thanks Mike. No, it's as we said, this constellation, by leveraging this more advanced digital beam former, it's got the same effective capacity. We were not going to settle on that. We've got a really good understanding, at least we think we do, of what the market needs, what our customers are looking for, the need to concentrate capacity dynamically around Europe, and we didn't trade off any of that, which is the beauty of this.

We still have four ISLs, which we've always said is important in terms of our ability to dynamically route traffic around the world and have greater resiliency throughout the network and gives us a lot more scope in terms of rolling out landing stations. I didn't even talk about it in my remarks, schedule, haven't compromised schedule at all.

The good thing about working with MDA as the prime satellite contractor is that we've always been working with MDA on this program. They already had a big part of the program with the antenna that they were going to build. What can I tell you? We've been beavering away in the background. We've been doing all sorts of things to close the business case, and some of that we talked about really explicitly, like engaging with investors on incremental equity contributions and the like. We also said, maybe a little more elliptically, that we were looking at other ways to optimize the constellation, the network, and ultimately, we really hit pay dirt there.

Anyway, it's equally capable, and as I said in my remarks, with the digital beam former, and our CTO, Dave Wendling is sitting with me here too, and Dave can talk more about it. The link is better between the spacecraft and the user terminal when it's transmitted with this digital beam former, and that is kind of above my pay grade in terms of how all that works. The analog antenna has to kind of squint at the user terminal at lower elevations and the digital one doesn't, and it just improves the link.

Michael Pace, JP Morgan

But just to be super clear here, is there anything that you're not getting? The answer, a simple no works as well, too, but just…

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

It's a simple no. It's a simple no from a capability perspective, from a flexibility perspective. Yes, and if anything, I think we're gaining stuff. With 3x the beams on each satellite, we've just got so much more scope to route traffic around. We looked at this technology years ago, but we—you know Telesat, we're not the most risk-embracing organization on the face of the earth. I think we're forward leaning but we don't get overly aggressive, so we took a pass on it. The thermals were too high. There's all kinds of stuff.

But in any event, MDA kept investing, and they're leveraging some of the work that they did on the analog beam former, which is another reason why we're not taking any schedule hit. Yes, it's just a home run.

Michael Pace, JP Morgan

Got it, thank you for that.

Then I don't know who wants to take this one, but I'm hoping some folks can maybe just bridge some funding gaps for me here, $3.5 billion total, $1.6 billion Telesat equity. We all can do math on how much money has moved over there to date. I'm wondering, can you give us that number rough rounded (inaudible)? I'm assuming C-band proceeds will help fund that and then additional money moving over. I'm just wondering if you can fill that in a little bit.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Let me try to fill it in and if there are still gaps, which is often the case after I respond to questions, then the finance folks can do it. A couple of things, and we tried to be clear about this in the release.

We're fully funded for right now, 156 satellites. The deal that we've announced with MDA is for 198 satellites. The US $3.5 billion is for the 198 satellites. Right now, with the cash that we have, including the cash that we've already invested in this project—and I should note the C-band proceeds that we're expecting to get real soon here. With the cash that we have and the C-band proceeds that are coming, with the money that we've lined up with our Canadian federal and provincial partners, we've mentioned that we've got some vendor financing which is not as significant as our own equity contribution or the government contributions. With all of that money, we've got enough money. We're fully funded for 156 satellites plus we've built a non-trivial amount of contingency in there, because that's kind of how we roll. That gives us enough money for the 156 satellites, which gives us full global coverage in a really good, high performing constellation. We've committed to MDA for another 42 satellites that we'll fund. The current plan is using the existing cash flows of Lightspeed, once Lightspeed gets up and running in a few years' time, so that's the plan, and so then the math should work.

The Capex, just to be real clear here, the Capex for the 156 satellite constellation is about US $2.7 billion. The total program cost is about US $3.5 billion for the 156 satellites. That's Capex plus everything else, is about $3.5 billion, plus some contingency that I mentioned. Then when you look at the funding, there's about $1.6 billion equity contribution from Telesat, and just to be clear, that's cash that we've already put into the project, cash that is already available outside of the restricted group for LEO, the C-band proceeds that are coming in, that covers all that $1.6 billion, and then the government contributions are about US $2 billion. Then as I mentioned, there's some vendor financing as well, that's what gets us there.

Michael Pace, JP Morgan

Can you break up the government financing and the vendor, or give us one of those pieces? Is the government of Canada, of Quebec, is that the same from last time, is what I'm asking? Has anything changed?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

If you do the math—you know, we've said that it's approximately US $2 billion, which at current exchange rates is about CA $2.7 billion. Previously what we said is that the Government of Canada had committed to about CA $1.44 billion contribution, Quebec CA $400 million of contribution, there's an incremental $900 million there that we've been in advanced discussions with our government partners about. That's kind of the government piece.

We're not free right now to break down exactly how much is coming from the different sources, but we'll be able to talk more about that in the future. Then the vendor financing, we're subject to confidentiality obligations with our suppliers. It's some hundreds of millions of dollars, but we can't be more specific than that at this time. I will say it's not MDA.

MDA is holding their call I think, shortly after ours, and I'm sure they'll get asked. We chose MDA because they got this great technology and they're leaning in hard in building—in wanting to be a LEO prime, but we didn't select them because of vendor financing commitments.

Michael Pace, JP Morgan

Thank you, and just a quick one for clarity, I think I know the answer, this is still going to be funded, built in unrestricted subsidiaries, and then in the future, you might consider bringing everything back together. Is that still the thought?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Yes, nothing has changed there in terms of how and where we're funding this. Yes, what happens in the future in terms of restricted group versus unrestricted group, we're not saying anything about that. At some point in the future, it could all come back together or we could continue to finance those activities separately, but there's nothing about today's announcement that changes any of that.

Michael Pace, JP Morgan

Thank you.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Okay, thanks Mike.

Operator

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

Walter Piecyk, LightShed Partners

Thanks. Dan, just to confirm, that incremental government piece of the puzzle is not the revenue commitments that exist, right? This is incremental…

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

No, no, no. No, we've got a capacity commitment from the federal Government of Canada, it's CA $600 million over a 10-year term. We've got a separate commitment from the Government of Ontario, that's CA $109 million over a five-year term. Again, we've talked about this before, the way those things are structured, we think that the amounts are essentially going to get doubled when we take that pool of capacity that's subject to those funding arrangements and enter into agreements here in Canada with ISPs and the like. But no, those amounts are separate.

Walter Piecyk, LightShed Partners

This 900 then, I understand—I respect that you can't really disclose it, but cost-wise, obviously, is it going to look as attractive as what we saw from the Government of Canada?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

That's a great question. This approximately US $2 billion of government funding, we said it's subject to the completion of confirmatory due diligence and getting definitive agreements in place. We're going to need to work with the government to agree fresh terms for all of that. I believe it's going to continue to be attractive financing, but we'll update everyone on that, so yes.

Walter Piecyk, LightShed Partners

Fine. Then just the overall numbers. It was definitely helpful to recognize that your Capex is even lower for the initial launch, and you get revenue pump going, but the overall number then in terms of what you've outlined sources relative to the uses, it seems like you don't even need the operating cash flow to get to the full, I think you said 198 constellations.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

We don't need the operating cash flow, Walter, to fund the US $3.5 billion plus contingency for the 156, but we're going to need roughly another US $800 million to fully fund the incremental 42 satellites plus the launch vehicles.

Walter Piecyk, LightShed Partners

Why is that, because you said $2.7 billion for the 156, right? If I just take $1.6 billion plus $2 billion…

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

No, no, hold on, hold on—wait, wait, $2.7 billion for the Capex, about $3.5 billion for the total program cost.

Andrew Browne, Chief Financial Officer, Telesat Canada

Those contingencies, (inaudible) yes.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

It's a little confusing because the total program cost for the 156 is roughly equivalent to the Capex for the 198.

Andrew Browne, Chief Financial Officer, Telesat Canada

The numbers are the same, it's a coincidence.

Walter Piecyk, LightShed Partners

Okay.

I'm going to ask the first—the JP Morgan dude's question in a different way. You had these presentations that were very helpful in terms of sizing the market, $365 billion TAM, and you kind of broke it down and talked about your percentages. Has anything changed in terms of how you look at that TAM relative to this new constellation? Does it increase the TAM, does it decrease the TAM? I assume we're growing the size of that TAM as we hit a commercial date that might be a little bit later than what I first was forecasting back in 2021. Just thoughts on that?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Yes, our thoughts about the addressable market, the size of the market, the amount of share we can take in that market, are unchanged. Again, we deliberately have designed a constellation that allows us to do everything that we had been planning to do under the prior plan. If you dissect what we've said about the addressable market in the past, order of magnitude, it's about $400 billion, we think, out in the, I think we said 2025 time frame. Roughly, we've said about half of that $400 billion is kind of direct-to-consumer, which is not the market that we're focused on. We've always been real clear, we're focused on the enterprise and the government services market. That's roughly the other half of that TAM. We've said if we get 2 percent of that, which we don't think is the most ambitious kind of perspective, that we'll be hitting our business plan, and so our thinking around that (multiple speakers) say it again?

Walter Piecyk, LightShed Partners

The question is on that—yes, I have that, I'm glad to see the 430 is reaffirmed, as is a timeline on that. I think maybe what's the follow on this is you've had a delay, you have a new vendor, there's been a lot more conversation about, what people are calling direct-to-device markets and more of the consumer thing. Ergen on his stats Dish call was talking about S-band, although they're not financed, I think you've got the Ligado spectrum, I don't know what's going on at Viasat. Is there an opportunity perhaps to partner with one of these other players to get access to some additional spectrum and modify this constellation, to the extent that you can address that broader $430 billion market you identified for 2025?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Here's what I'd say about that. First off, the 430 doesn't include the direct-to-handset market, which is some of what I know Dish is focused on. These satellites right now have really been optimized, frankly just like our prior satellite design, they're optimized to do high throughput broadband connectivity for the enterprise market. We have squeezed out every watt of power and directed it to that market and we've sized the satellites, we've optimized them for that mission. In order to change the mission, it just wouldn't make any sense.

Now having said that, if we had access to S-band spectrum or L-band spectrum, could we leverage the bus, the process or potentially the antennas, although the antennas might look different? Yes, we could potentially do something like that. But right now, we've just got to stay laser-focused on this huge market that's in front of us that we know well, that we've been serving for years, that we've been out there engaging with customers about Lightspeed for quite some time. Walter, that's our focus.

Now could the TAM be a little bit bigger, because…

Walter Piecyk, LightShed Partners

Is there a drop-dead date when you'd have to work something out with an S-band or an L-band owner in order to integrate it?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

We're off to the races. We're already moving forward with MDA on this. We're not—look, if there's some great opportunity here with some third party bringing that spectrum and some capital, then it would just be almost kind of like an adjacent network that might leverage Lightspeed in terms of routing traffic around and whatnot, but—yes, we'd think about it that way.

Walter Piecyk, LightShed Partners

Last question, we've talked about this before in terms of the rev commitments that, when we were waiting for Telus to get and the ECA and that stuff, that it impacted your ability to get signature, so I assume that this is going to kind of open up that spigot. Are you—how do you envision disclosure in terms of, as you get incremental revenue commitments for the new constellation, individual press releases, updating on a quarterly basis, how do we get a sense of how that business develops?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Yes, all of that we'll be transparent about the deals that we're signing so that folks will have visibility. We understand how important that is.

Walter Piecyk, LightShed Partners

Awesome, thank you.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Okay, thanks.

Operator

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

Arun Seshadri, BNP Paribas

Hello gentlemen. Thanks for taking my questions, and first of all, congrats on getting the Lightspeed program reconstituted and funded. Lots of skeptics, definitely hats off.

Just wanted to nail down a couple of details on the funding, the equity side. Just to make sure I got my math right. The existing cash balance that you have right now is probably somewhere in the range of about US $1.1 billion. You're getting another $260 million from the C-band proceeds, that gets you close to US $1.4 billion. Is it fair to say that you have another US $200 million or so of additional equity that you need to contribute, either from the operating cash flows in order to get to your US $1.6 billion of equity funding?

Andrew Browne, Chief Financial Officer, Telesat Canada

This is Andrew, I'll take that. I think as Dan laid out very clearly that we are totally funded, the $1.6 billion is already there today, and that is comprised of, as you say, the cash we have currently. We've got our C-band proceeds coming in, CA $345 million, but also during the course of the program, we have been investing in this development over time. That number includes that funding. and also—yes, I think altogether, I think we're in good shape.

I think the key point, we don't need any more cash to come in today for us to say we're fully funded. Any cash that comes in today is something for the future. but for today, we're fully funded.

Arun Seshadri, BNP Paribas

Got it, thank you Andrew.

Then in terms of the—I noticed that you haven't laid out any future debt buyback authorizations. Is it fair to say that, given you're fully funded, is it fair to say that future operating cash flow you're generating is still sort of likely to be used for debt buybacks?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

What would I say? We've been doing a fair amount of debt repurchases and we highlighted that in the earnings release, and we think that it's been a really smart thing to do with the cash that we have, that we don't have—we haven't had a higher value use for at the time. Rather than it just build up in the restricted entity, it just made a ton of sense to us to be repurchasing that debt back, because we thought it's trading at attractive values and it was a good way to strengthen our balance sheet and create equity value for the shareholders.

All I would say is, going forward, we're just going to be pragmatic about it as we go forward. If that continues to be the highest value opportunity for that cash, then we would consider more debt repurchases depending on where the debt is trading and the like. If we had other attractive uses for that cash, building a geosatellite or some other use, then we would consider that.

Anyway, it's a long answer, but suffice it to say, we feel good about the debt repurchases that we've done in the past, and going forward, we'll just be kind of pragmatic about it.

Andrew?

Andrew Browne, Chief Financial Officer, Telesat Canada

Yes, just to confirm what Dan has said, that's absolutely correct. Face value, we repurchased $456 million back, as we mentioned, and that gives the gain of $222 million. We're very focused on overall debt. That's why I threw in that since going back to the end of 2020, we've reduced our overall debt by 24 percent. In addition to all of these activities on Lightspeed getting going, the future of the Company, we're very, very focused and responsible about the debt we have today.

Arun Seshadri, BNP Paribas

Got it, thank you.

Then a last question for me, in terms of—obviously, you have a lot of work to do to finalize the agreements, etc., so two other topics. One is the structure of the remaining $900 million in financing, do you anticipate that to be at the Lightspeed subsidiary? Then secondly, do you know, beyond all of this, what are the other risks or dependencies remaining beyond getting all the agreements sorted out? What keeps you up at night at this point? Thanks.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

We expect that all of the government funding will be, yes, over on the unrestricted side, LEO. That was always the plan, and it continues to be the plan.

As far as what else keeps us up at night, we've got to close the funding with our government partners. I'm highly confident that we'll achieve that, but it's got to get done and it's got to get timely done. Then we've got a ton of work to do. We're going to be hiring a whole bunch of people and ramping up our staff, moving out with MDA in a big way. We're going to be ramping up our sales and marketing team as we do more heavy engagement with the customers. It's all that, and we've got our day-to-day business that we're running too and never take our eye off the ball on that.

Anyway, we're just so excited to be finally on our way and we can stop talking about when are we going to be fully funded, when can we get going. It's just so liberating after all this time to have the funding lined up, to have a great plan with MDA and the rest of our partners. From this point forward, it's just all about really focused execution.

Arun Seshadri, BNP Paribas

Congrats and all the best.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Okay, thank you.

Operator

Thank you. The next question is from Raghav Garg from DoubleLine. Please go ahead

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Raghav Garg, DoubleLine Group

Yes, thank you for taking the question. Can you talk about the life of these satellites, given they're slightly smaller? Does that impact your duration of the constellation?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

It's a good question. No, same capability from a lifetime perspective, which is to say we've specced that the satellites meet their performance specifications for effectively 11 years. Do we expect them to maybe go longer? Yes, that's been our experience in the past and I think the experience of others in the past, but from a spec perspective, our contract with MDA it's absolutely comparable to the prior plan, it's 11 years.

Raghav Garg, DoubleLine Group

Got it, thank you. Any colour on—you've given an IRR estimate, you've given the Capex, can you just talk about—on my math, presuming some duration, can you throw out an EBITDA number, because you've sort of given the inputs, I get to $2 billion to $3 billion. Is that unreasonable?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

It's not unreasonable. We've tried to provide some kind of high level building blocks, but we're going to quickly move past that. We mentioned that we will schedule an investor day before the end of the year. We definitely plan to be presenting at more conferences where we can meet with investors one-on-one and share a whole lot more information about what the business case looks like.

Raghav Garg, DoubleLine Group

Great, thank you.

Operator

Thank you. The next question is from Mr. Isenberg from Credit Suisse. Please go ahead.

Eric Isenberg, Credit Suisse

Hi, thanks for taking my question, and Dan, congratulations on the announcement with MDA. Some of my questions have already been asked here, but I did have a couple more I was hoping to lob in here.

On the math part, some of the information you gave has definitely been very helpful. One remaining question I do have, just trying to close the gap a little bit just between uses of proceeds. The MDA announcement seems like it's a CA $2.1 billion contract, and to kind of reconcile that with the numbers that you specified for at least the initial 156 satellites, it seems like there's a pretty big delta there probably over and above just what a contingency would be. Is there another significant vendor in the mix or another part of the puzzle, I guess? I'm trying to (inaudible).

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Yes, yes, yes. No, all—there aren't too many moving parts. It's the satellites, it's the launch vehicles, it's the global ground infrastructure, it's some upgrades that we need to make at our facilities here in order to operate this global constellation. There's some IT systems that need to get put in place. We've got some money for further user terminal development. That's kind of it, and when you add it all up, and we've been rigorous in terms of building up the business case. That's kind of what it comes into, and then yes, as we mentioned, we do have some nontrivial contingency in the plan because that just seems to be the prudent thing to do. We hope we don't spend it, that'd be really nice, but we budgeted for it and our funding covers it.

Andrew Browne, Chief Financial Officer, Telesat Canada

Yes, we think we've been very prudent in the build-out in terms of contingencies and looking at all of the elements that Dan has just outlined, that we've got proper funding and not just the MDA contract itself.

Eric Isenberg, Credit Suisse

Got it. Then as far as the revised structure of terms with the Government of Canada and Quebec, I understand there's probably some moving parts there, but are you able to clarify just the status of that relationship? I think previously you've had term sheet and an MOA in place respectively with the two, that had some contingencies related to the ECA financing, and with the ECA financing gone, I'm just wondering, will there be some forthcoming disclosures of those documents or key structures?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Yes, absolutely. We will provide lots of—all the material information relating to the structure of that funding when it's available. We've got commitments from these government partners, who I've got to say have always been strongly supportive of Lightspeed. As we mentioned, now they've got to finish their confirmatory due diligence, because they've already spent quite some time understanding the project, but they've got to do some confirmatory diligence around the MDA path, and then we've got to get definitive agreements in place and the like. We're all very focused to getting that done in short order.

The other thing I'd say is the government has—and when I say the government, our government partners, federal and provincial, have always been really supportive of our program. I've got to think that certainly now that MDA, which is also a Canadian company with a big footprint here in Canada, now that MDA is taking on a much greater role in the project, and it's roughly 2.5 times a bigger contract for MDA which means building out more facilities at their facility in Quebec, hiring a whole lot more people, a whole lot more IP development here in Canada. We're now the anchor for MDA's new digital satellite platform, which they hope to export around the world, driving more exports. Just all of that. The point is if our government partners, our Canadian government partners liked them, were strongly supportive of the old path, we've got to think that with this new path, they'll be even more supportive still.

I do want to emphasize, we didn't pick MDA because they're Canadian. We picked MDA because they're a genuinely world-class prime for high volume LEO satellite constellations. That's why they won the Apple contract, Apple Globalstar contract, but it doesn't hurt either that they're Canadian. Anyway, that's how we think about it, but we'll provide lots of clarity on that government funding once it's in place.

Eric Isenberg, Credit Suisse

Appreciate that. The last final question, one you've probably anticipated, is that with the timeline of an operational LEO project in 2027 relative to your debt maturities back in 2026, just curious if you've given any thought to potential structural changes that you might put in place prior to that, to kind of capitalize on growing backlog on the LEO side as far as refinancing.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

I'd say that the schedule that we announced today is fully consistent with the schedule that we had under the prior plan. There's nothing new about the timing of our plans with MDA that really alters any of that.

We're fully cognizant of the maturities. It's still some years out there, obviously, in terms of when these maturities are coming up, and I think we've been making it easier still with all these debt repurchases that we've been doing.

Our expectation is we've got some time. Our Lightspeed business certainly is going to develop, our GEO business will continue to evolve as well. The whole landscape is continuing to evolve. In any event, we'll speak more about that going forward, but there's certainly nothing that we announced today that alters in any way our thinking about it, and certainly I think we already had a really strong business case with Lightspeed.

The updated business case that's so much more capital efficient, it's only going to strengthen the overall Company, and that just puts us in a better place going forward, no matter how you're—what lens you're thinking about the business.

Eric Isenberg, Credit Suisse

Appreciate that, thanks again.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Okay, thanks.

Operator

Thank you. The next question is from Marcelo Chernevski from Ares. Please go ahead.

Marcelo Chernevski, Ares

Hey guys, congrats on the fully funded now.

I had a question, Dan, maybe just to parse some of the language you gave on debt buybacks from a prior caller. You said that if it continues to be the highest value opportunity for cash, but there may be other attractive uses of that cash that you would consider, so what other alternative uses of the cash would you consider at the GEO business?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

It's just to say that it's all about strengthening the business, like how we always think about the use of cash, it's all about strengthening the business, creating value for shareholders and providing great service to our customers. We're always looking for ways to grow our business in a way that is, I hope, smart and prudent.

It turns out to be the case that we haven't ordered a GEO satellite in quite some time. I think we've always been very disciplined in terms of how we think about Capex and the use of cash and how we run our business with our high operating margins and whatnot, but we don't foreclose the opportunity that in the future, there could be a good opportunity to make some investments in the restricted group. That could be a new GEO satellite, I don't know, it could be something else that would strengthen the business and meet all those objectives that I just talked about.

To date, nothing has come across our plate, which is why we've used the cash to repurchase debt. We just want to be clear that, that's something we can do, but we don't want to mislead folks that that's all we're going to do with the cash. We're going to be open minded and opportunistic, and that's all we were trying to say.

Marcelo Chernevski, Ares

That makes sense. With respect to the 42 satellites that are not part of the 156, you said that comes out of operating cash, at what point will you have the operating cash to finance those? Is that in five years when you were fully run rated, or is it longer than that?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Yes. Andrew, do you want to talk about the timing of our assumptions there?

Andrew Browne, Chief Financial Officer, Telesat Canada

Yes, indeed. You've answered the question yourself, actually, that indeed when we're fully global coverage, where actually Lightspeed is off with customers, we will be generating cash flows. That's in our model, to show that being pretty conservative, that we will be able to fund that from our cash coming from Lightspeed itself. That's why we don't feel we need any external financing whatsoever right now.

Marcelo Chernevski, Ares

Understood, and then the 100 option, what is the timing around that, and what would you look for before exercising that option?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Yes. We've built in a lot of capabilities to scale up our network over time. It will be totally demand driven, and we think it's a really smart thing to have the rights there in the MDA contract to order additional satellites if we've got the business case to do it. We don't have to. We've also built into our regulatory rights the ability to scale up our constellation. This is all about future optionality to continue to grow the constellation, but that will purely be a function of what the demand environment looks like at the time.

With 156 satellites and then 198 satellites, we have a massively capable network that can deliver multiple terabits of capacity to users. Our focus right now is getting that taken up, and then we'll think about ordering incremental satellites and expanding.

Marcelo Chernevski, Ares

Lastly, I know you're still negotiating the financing with the government, but in terms of the split between debt and preferred, is that still similar, and do you think that there might be more warrants that they might take in the rest of the business?

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

It's something that we really need to work through with our government partners. We think everyone here is around the table, we're all constructive, we know each other well. They've been strong supporters of the project. We—I think, have always tried to be good custodians of the capital that's entrusted with us. We've got to work through all those details with the government and then we'll share all that with the market.

Marcelo Chernevski, Ares

Great. Thanks so much for taking the questions.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Thank you. I think we've got time for maybe one more question.

Operator

Perfect, thank you. The next question is from Bill Weiss, InvestCorp. Please go ahead.

Bill Weiss, InvestCorp

Thanks very much, and congratulations on the announcement today. Most of my questions have been answered, but is there any update on or any more thoughts you have on the impact of the Dish-EchoStar merger on Telesat's business and Dish renewals going forward? Thank you.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

I think it has no impact on the work that we do with Dish and with EchoStar. We've obviously followed that situation closely. I think we have a really good relationship with Dish, with EchoStar, but no, we don't think that that combination changes in any way the work that we do with them.

Bill Weiss, InvestCorp

That's it, thank you.

Daniel Goldberg, President, Chief Executive Officer, Telesat Canada

Okay. Thank you. Thank you all for your time today. We look forward to speaking with you again when we issue our Q3 numbers, and we really appreciate everyone's time and all the good wishes. Thank you very much.

Andrew Browne, Chief Financial Officer, Telesat Canada

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.
