

# TELESAT™

## Investor Presentation

November 2023



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Note: unless otherwise stated, all values included are in Canadian dollars.

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# Disclosures

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# Investment highlights

**Leading global satellite operator with diversified revenue and long-term visibility across blue chip customer base**



**Developing highly advanced low earth orbit (LEO) satellite network to capture fast growing enterprise broadband market**

**C\$745M<sup>1</sup>**

LTM Revenue

**C\$549M<sup>1</sup>**

LTM Adjusted EBITDA<sup>3</sup>

**74%**

Adjusted EBITDA margin<sup>3</sup>

**~US\$320B**

Addressable Enterprise market

**156+**

Next-generation satellites with enterprise-class service

**C\$1.5B**

In contracted GEO backlog as of Sept. 30, 2023

**86%**

Utilization rate as of Sept. 30, 2023

**~6 years**

Average remaining commercial life of geostationary satellite fleet

**US\$3.9B**

Telesat Lightspeed is fully funded<sup>2</sup> for global service

**US\$0.6B**

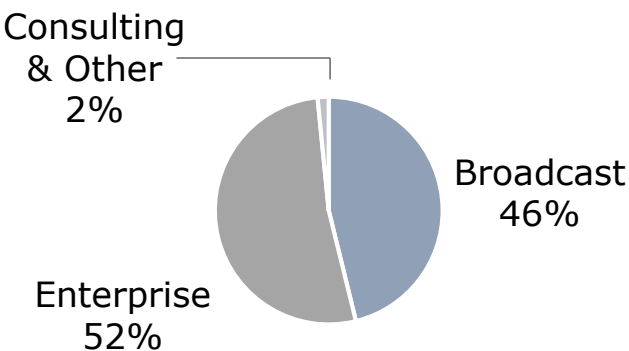
In contracted LEO backlog as of Sept. 30, 2023

**Telesat (NASDAQ & TSX: TSAT) is a leading global satellite operator with an established, high cash flow generative business and compelling growth opportunities backed by deep commercial, technical and regulatory expertise**

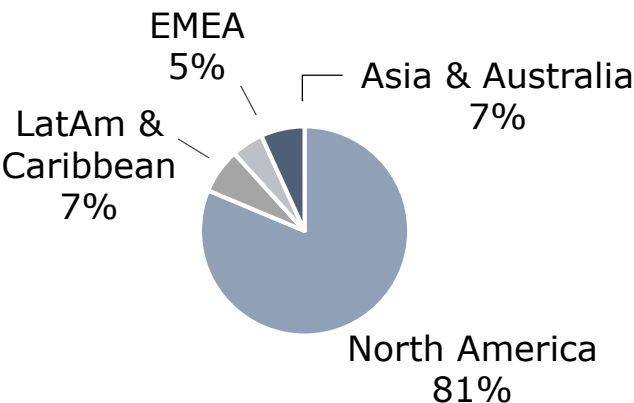
# Revenue supported by blue chip customers and diversified by application and region

15 in orbit GEO satellites today

## By Service Type



## By Region



### Enterprise 52%

- ▲ Satellite-delivered broadband and communications services for telcos, MNOs, ISPs, aviation, maritime, oil & gas, and government users
- ▲ Support networks for telecom operators, resellers and integrators



### Broadcast 46%

- ▲ Leading North American Direct-to-Home TV providers
- ▲ ~8M subscribers across Dish, Bell and Rogers/Shaw



### Consulting 2%

- ▲ Establishing, operating and upgrading 3rd party satellite systems worldwide (40+ countries)
- ▲ Assisted in over 100 satellite systems

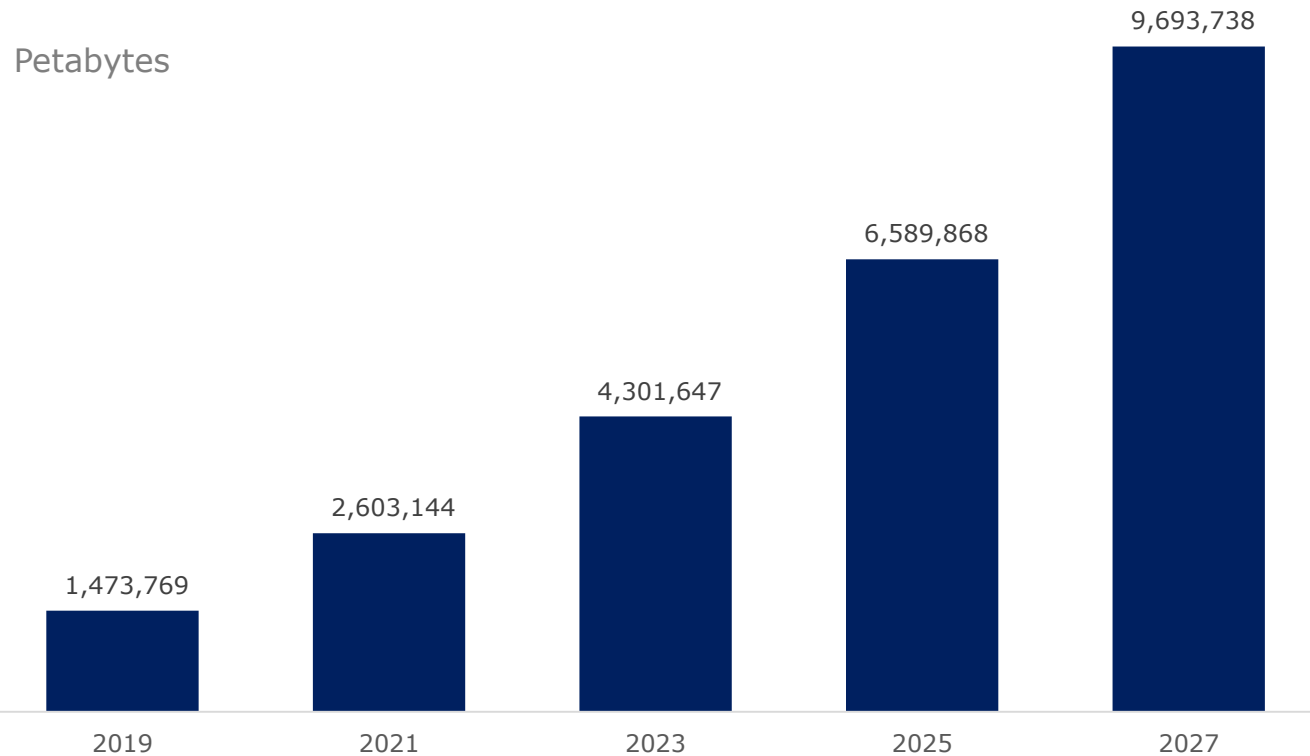


# Demand for broadband continues to increase dramatically with users requiring low latency connectivity

**Global data consumption over telecom networks is expected to nearly triple between 2022-2027**

**Internet, 5G and Cloud applications need low latency**

+



Note: 2019-2022 are actual numbers.  
Source: PwC's Global Telecom Outlook 2023-2027, Omdia



Cloud and 5G application performance degrades with higher latency

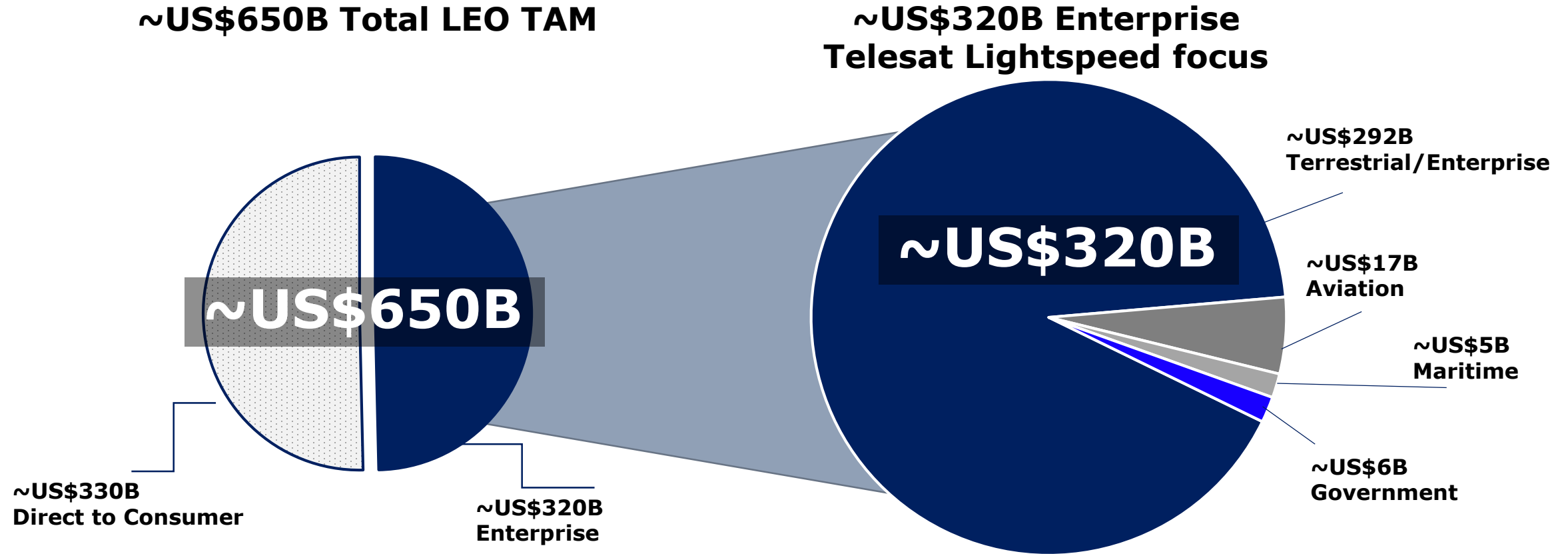


VPN and secure encrypted links can time out over high latency links



Interactive webpages and social media apps demand low latency

# Telesat estimates Total Addressable Market (TAM) for LEO services in 2032 to be ~US\$650B



**Telesat Lightspeed will initially focus on the ~US\$320B Enterprise market covering terrestrial enterprise, aviation, maritime and government verticals**

# Telesat Lightspeed is optimized for enterprise and government users and highly capital efficient

## Guiding design principles

**Customer-driven design to meet the requirements of global enterprise customers**



**Disciplined approach to CAPEX focused on maximizing useable capacity per dollar of investment**

## Compelling enterprise value proposition



### **Low Latency**

30 to 50 msec



### **High Speed & High Capacity**

Gbps links



### **Cost Effective**

Transformational economics



### **Fully Global**

Anywhere, Anytime



### **Reliable, Resilient and Secure**

Distributed, resilient and interference resistant



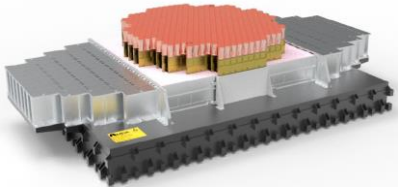
### **Advanced Enterprise Features**

MEF compliant for seamless network integration; customer ability to manage bandwidth pool

**Telesat Lightspeed was designed to provide the most capable broadband solution to global enterprise customers in the most cost efficient way possible**



# Telesat Lightspeed's enterprise class service empowered by highly advanced, state-of-the-art digital technologies



**Highly flexible Digital Beamforming Antenna** each satellite generates +1,500 beams (~300,000 in total) to dynamically and efficiently deliver service to users



**Digital Processor** on-board each satellite supports high efficiency satellite links with full routing capability to deliver secure and dynamic global connectivity



**Optical Inter-Satellite Links** creating a space-based global mesh network for low latency interconnectivity, high resilience and security, and reduced investment in ground infrastructure



**Global network of landing stations** that scales with commercial demand and seamlessly integrates with customer networks



**End to End Software Defined Network** offering the level of flexibility and configurability needed to meet the demands of enterprise customers

# Telesat Lightspeed timeline

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# Telesat Lightspeed delivers enterprise-class service to key market verticals that lack high-performing broadband

## Enterprise/Terrestrial US\$292B TAM 2032



**2032 Telesat rev. estimate:  
~US\$1.4B (~.5% of TAM)**

- ▲ Providing high throughput backhaul for fixed and mobile (3G/4G/5G) networks serving rural and remote communities, enterprises and public safety users
- ▲ Backhaul to wireless towers where fiber does not exist

## Maritime US\$5B TAM 2032



**2032 Telesat rev. estimate:  
~US\$0.5B (~10% of TAM)**

- ▲ Cruise & Yacht: High quality broadband for passengers, crew
- ▲ Concentrated capacity at ports
- ▲ Energy and Merchant Ships: ship-to-shore operations; crew welfare
- ▲ Global coverage

## Aviation US\$17B TAM 2032



**2032 Telesat rev. estimate:  
~US\$0.8B (~5% of TAM)**

- ▲ Commercial aircraft and business jets: high quality broadband at every seat; flight operations
- ▲ Concentrated capacity at large airport hubs
- ▲ Global coverage

## Government US\$6B TAM 2032



**2032 Telesat rev. estimate:  
~US\$0.5B (~8% of TAM)**

- ▲ Ships, aircraft (manned and unmanned), military vehicles, and bases
- ▲ Low latency, global coverage and true end-to-end encryption
- ▲ Distributed, redundant and self-healing mesh network able to bypass terrestrial networks

# Governments of Canada, Ontario and Quebec strongly support Telesat Lightspeed: ~US\$2.6 Billion in aggregate funding<sup>1</sup>

Canada 

Québec 

Ontario 

~US\$2.1B

+

~US\$0.5B

Government financing commitments for Telesat Lightspeed<sup>1</sup>

Funding commitments from Governments of Canada and Ontario to bridge Digital Divide in, respectively, Canada and Ontario

*"As a global leader in the new space economy, Canada is proud to see two domestic champions [Telesat and MDA] join forces on this flagship Canadian program to create high-skilled jobs and support cutting-edge innovation in the telecom industry, helping unlock economic and social opportunities in Canada's rural and remote communities.*

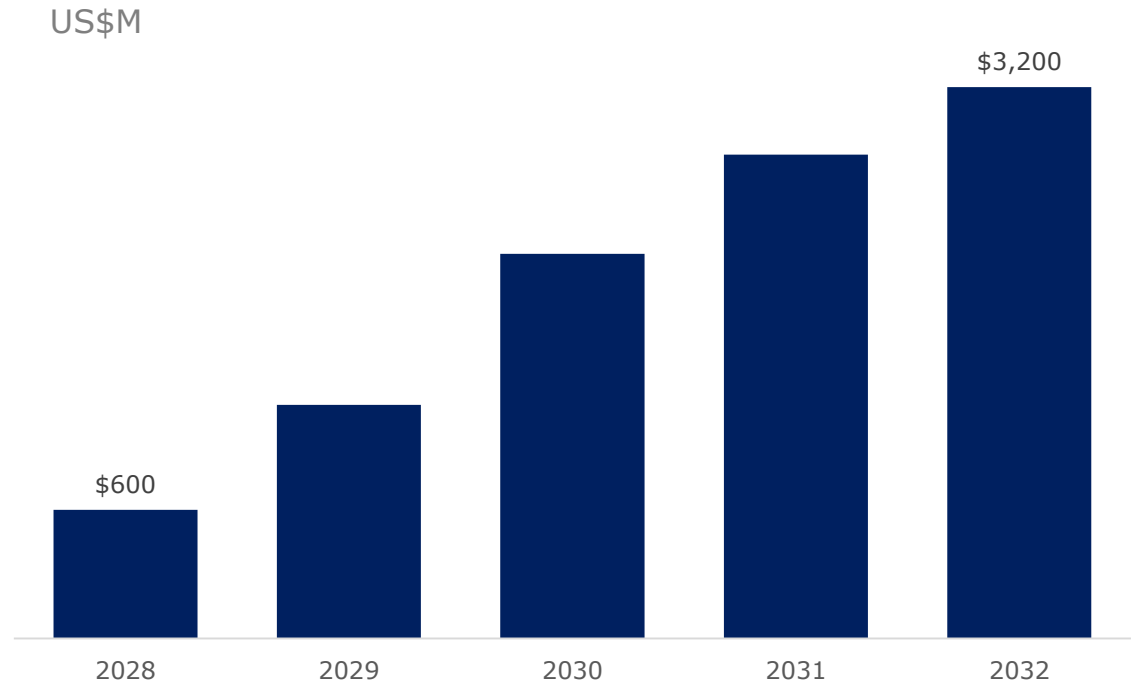
*Canada remains a strong supporter of Telesat Lightspeed and will continue to help solve some of the most pressing challenges we face here on Earth, from bridging the digital divide, to health, climate change, national security, and more"*

**- The Hon. François-Philippe Champagne, Min. of Innovation, Science and Industry of Canada**



# Telesat anticipates strong revenue growth driven by fast-growing demand and compelling enterprise-grade service value proposition

**Telesat expects to capture ~1% of 2032 US\$320 billion Enterprise TAM with EBITDA margin in line with its historic GEO performance**



An aerial photograph of a city at sunset. The sun is low on the horizon, casting a warm orange glow over the city and the sky. The city's lights are visible, and the sky is filled with soft, wispy clouds. In the foreground, the wing and tail of a large airplane are visible, flying over the city.

## Financial Overview

# Financial Highlights

**Significant contractual backlog provides high revenue visibility**

***C\$1.5B  
Revenue Backlog<sup>1</sup>***

**Capital efficient business model with high asset utilization**

***C\$563M  
Free Cash Flow<sup>2</sup>***

**Demonstrated disciplined execution enables High Adjusted EBITDA margin**

***~75%+ Margin  
(2020 – 2022)***

**Strategically investing for long-term growth**

***Telesat Lightspeed  
Program Fully Funded<sup>3</sup>  
for Global Service***

**Significant opportunity for growth at scale and value creation with Telesat Lightspeed**

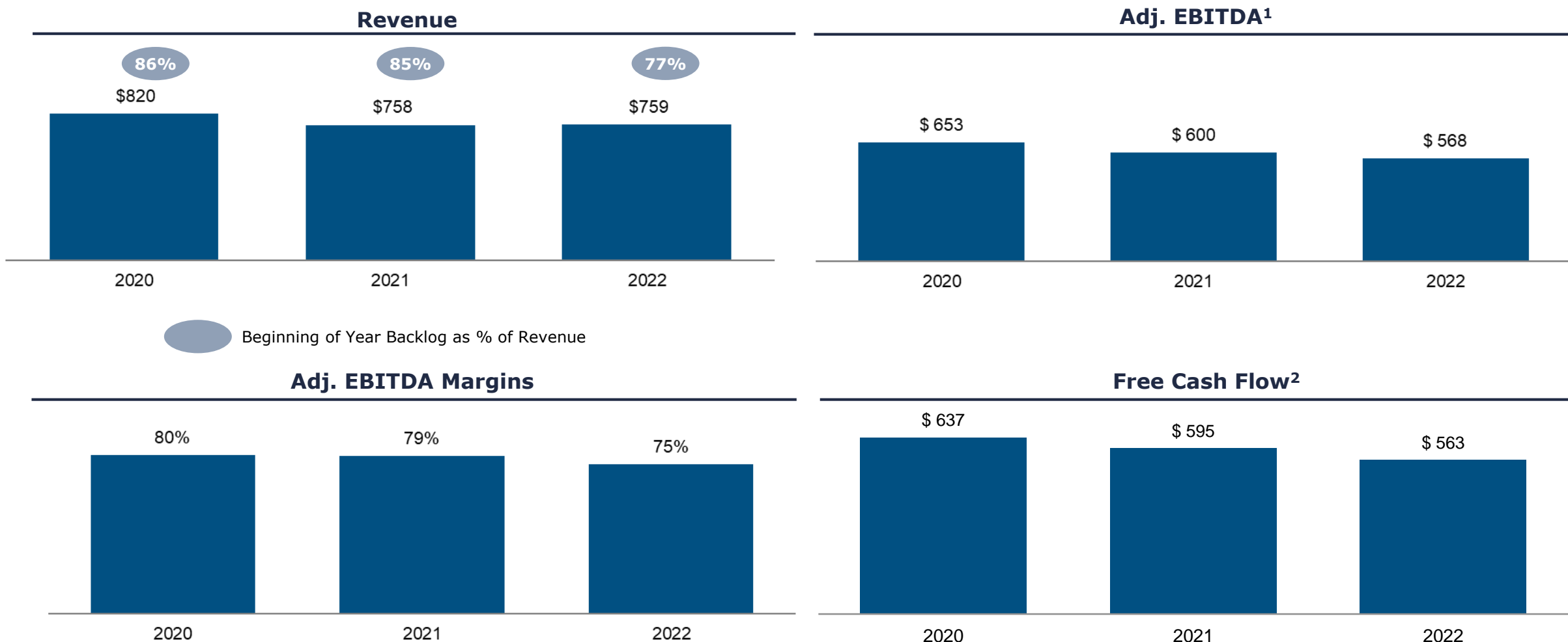
***~US\$320B Enterprise  
TAM***

<sup>1</sup> Revenue backlog as at 9/30/2023.

<sup>2</sup> Adjusted EBITDA margin and Free Cash Flow as of FY 2022 (excluding Lightspeed CAPEX) are non-IFRS measures. Please refer to the Appendix for a reconciliation of Free Cash Flow and Adjusted EBITDA margin to Net Income.

<sup>3</sup> Government financing commitments are subject to a number of conditions, including the conclusion of definitive agreements.

# Consistent and stable historical financial performance – high operating margins and strong free cash flow



<sup>1</sup> Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. Please refer to the Appendix for a reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin to net income.

<sup>2</sup> Free Cash Flow defined as Adj. EBITDA less Capex. Free Cash Flow is a non-IFRS measure. Please refer to the Appendix for a reconciliation of Free Cash Flow to Net Income.

Note: All figures in millions of Canadian dollars.



# Recent Performance – Q3 YTD 2023 Update

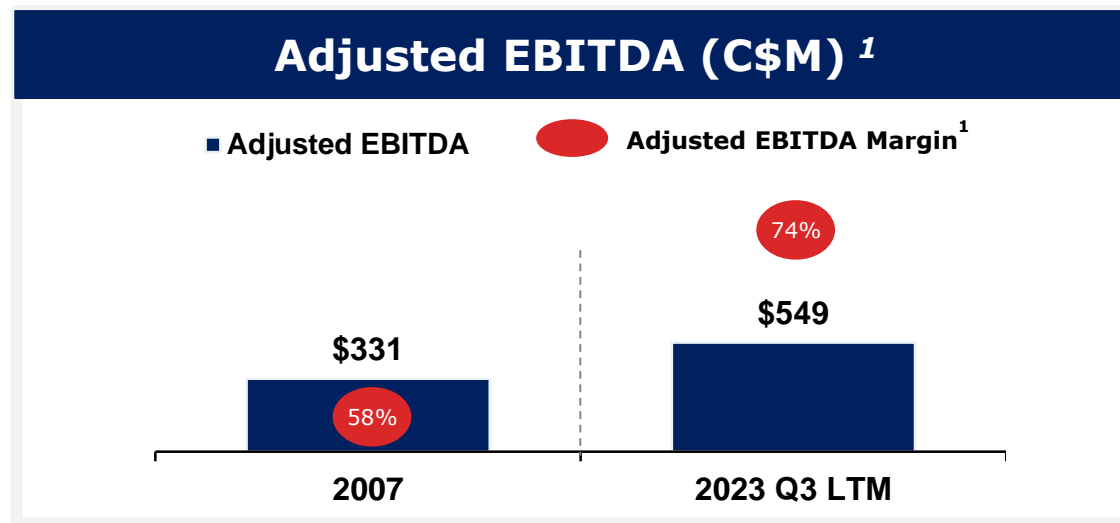
- ▲ Generated total revenues of C\$538.3 million
  - YTD decrease in revenues of C\$14 million (or 3%) compared to the same period last year. When adjusting for changes in foreign exchange rates, revenues declined 5% or C\$29 million compared to 2022
  - The decrease was mainly due to a reduction of revenue from one of Telesat's North American DTH customers and lower revenue from certain South American customers, partially offset by an increase in revenue from certain mobility customers

Financial Summary		
9 month ending September 30		
(C\$ M)	2022	2023
<b>Revenue</b>	552.5	538.3
<b>Adjusted EBITDA</b>	428.9	410.4
<b>% Margin</b>	77.6%	76.2%
<b>Cash</b>	1,677.8	1,775.0

- ▲ Operating expenses of C\$154.7 million
  - YTD decrease in operating expenses of C\$24 million from 2022. When adjusting for changes in foreign exchange rates, operating expenses declined by C\$27 million compared to 2022
  - The decrease was primarily due to lower non-cash share based compensation and lower insurance costs. This was partially offset by higher costs associated with the procurement of third party satellite capacity required when Anik F2 commenced inclined operations and higher equipment costs related to sales to Canadian government customers

- ▲ Adjusted EBITDA of C\$410.4 million with an 76.2% EBITDA margin
- ▲ As of September 30, 2023 contracted backlog for future services of approximately C\$1.5 billion
- ▲ Fleet utilization at 86%

# Strong financial performance and value creation

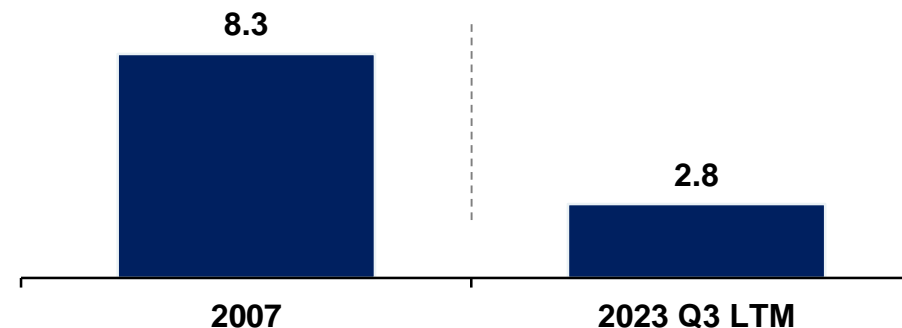


## Cash Generation and Uses

### Between 2007 and Q3 2023, Telesat:

- C\$6.3B in operating cash flow
- C\$3.1B invested in new satellites and other assets
- C\$1.2B returned to shareholders
- C\$0.8B outstanding notes and term loan repurchased
- C\$0.4B pre-paid in Term Loan
- **Notes and Term Loan reductions represent approx. 28% of overall debt**

## Net Debt/Adjusted EBITDA<sup>1</sup> Ratio



LTM as of September 30, 2023

2007 to 2009 figures are based upon Canadian Generally Accepted Accounting Principles while 2010 onwards is IFRS

Net debt is defined as gross short and long-term indebtedness less cash and short-term investments; 2007 excludes Senior Preferred Shares and swap liability from debt

<sup>1</sup> Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. Refer to Appendix for reconciliation of Adjusted EBITDA and Adjusted EBITDA margin to Net Income

# Sources and Uses Lightspeed Program | 198 Satellites

<u>Sources of Funding (US\$)</u>		<u>Uses Constellation Investment (US\$)</u>	
Telesat Equity	\$1.6B	Launch and Development of Initial 156 Satellites	\$2.7B
Government Funding <sup>1</sup>	\$2.1B	Operational expenditures	\$0.8B
Vendor Financing	\$0.3B	Contingency	\$0.4B
<b>Lightspeed Operational with 156 Satellites</b>	<b>~\$3.9B</b>	<b>Total Investment for 156 Satellite Constellation</b>	<b>~\$3.9B</b>
Lightspeed Cash Flows Once Operational Fund Additional 42 Satellites	\$0.8B	Remaining 42 Satellites and Infrastructure	\$0.8B
<b>Total Sources of Funding for 198 Satellite Constellation</b>	<b>~\$4.7B</b>	<b>Total 198 Satellite Constellation Investment</b>	<b>~\$4.7B</b>

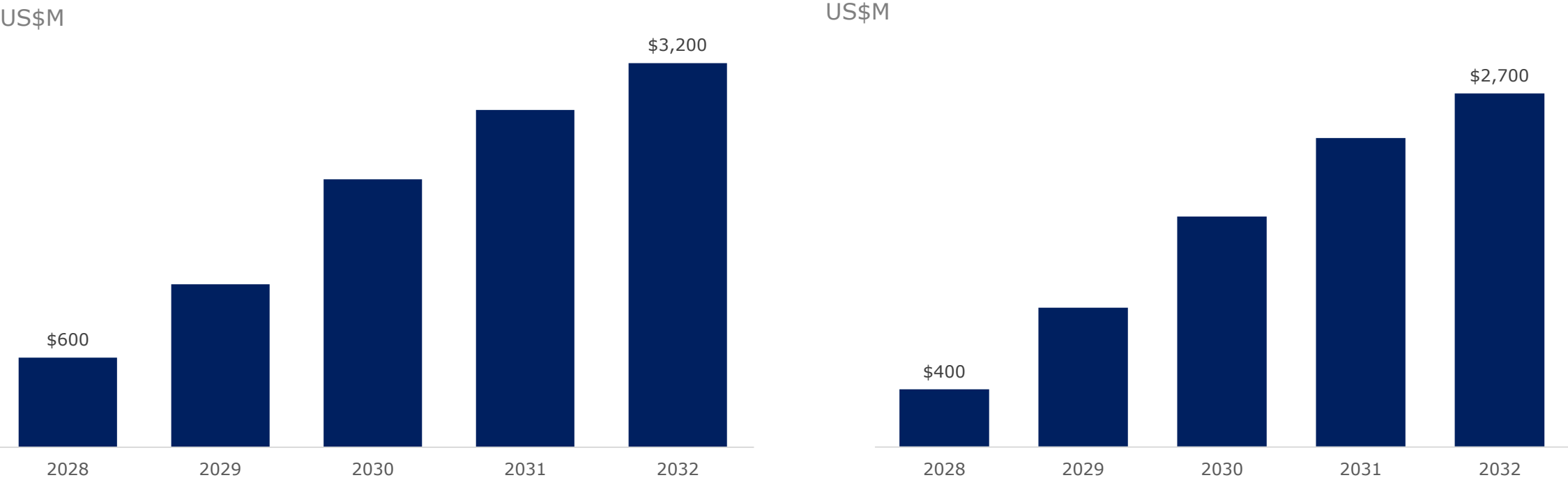
<sup>1</sup> Government financing commitments are subject to a number of conditions, including the conclusion of definitive agreements.

# Telesat Lightspeed Outlook

## Revenue and EBITDA

### Telesat Lightspeed Revenue<sup>1</sup>

**Telesat Lightspeed EBITDA**  
*Margin expected to be approximately in line with historical levels by 2029*



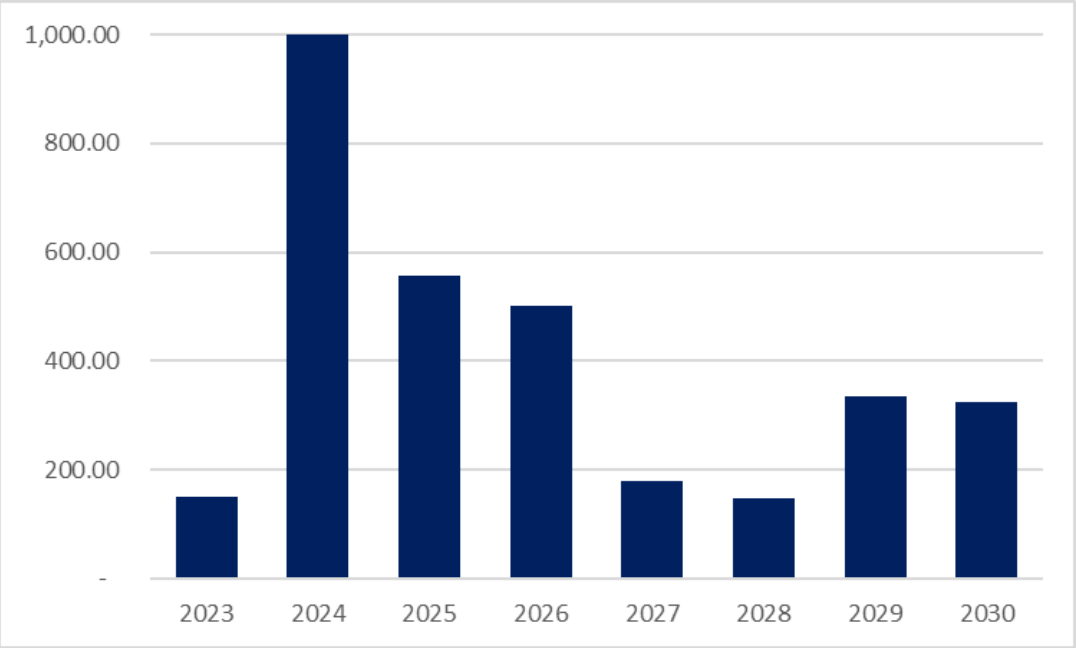
<sup>1</sup> As discussed on slide 13



# Telesat Lightspeed CAPEX<sup>1</sup>

US\$M

Total Capex for 198 satellites US\$3.5B



## Total Capex Program (2023-2030)

	<u>156 Satellites</u>	<u>Add'l 42 Sats</u>	<u>198 Satellites</u>
Satellite Costs (incl. Sys Eng)	1,562M	425M	US\$1,987M
Launch Vehicle Costs	656M	184M	US\$ 840M
Launch Insurance Costs	77M	12M	US\$ 89M
Ground Network and Other	<u>412M</u>	<u>184M</u>	<u>US\$ 596M</u>
<b>Total Capex Costs</b>	<b>US\$ 2,707M</b>	<b>US\$ 805M</b>	<b>US\$3,512M</b>

<sup>1</sup> Note  
156 satellites in service scheduled early 2028  
42 satellites in service scheduled end of 2030  
See slide 10



# Conclusion

# Telesat is strongly positioned to execute its growth plan and create significant shareholder value

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**50+ years of innovation, industry firsts, engineering excellence and world class customer service**



**Longstanding and trusted provider of mission-critical, enterprise-grade communications services to enterprise and government users**




**Telesat Lightspeed is optimized to meet fast-growing requirements of enterprise and governments users in the most cost efficient manner**



**Telesat Lightspeed is fully funded<sup>1</sup> with ~US\$0.6B of contractual backlog**



**Telesat has the strong support of Canada's Federal and Provincial governments**



## Appendix

# Telesat's commitment to ESG

## Environmental

### 1. Responsible use of space

- 50+ years of experience
- Advanced features to mitigate space traffic and limit debris
- Minimized carbon footprint through low number of satellites and launches

### 2. Enabling net zero emissions

- High-speed, ubiquitous broadband key for clean tech and reducing energy and fuel consumption

### 3. Global environmental monitoring and climate change / emissions tracking

### 4. Protecting sensitive and biodiverse environments

- Delivering high-quality Internet from space without disrupting local ecosystems

## Social

### 1. Committed to STEM community

- Major employer of co-op students
- Women in STEM Annual Scholarship

### 2. Committed to Indigenous communities

- Critical connectivity provider, closely engaged with Indigenous ISPs and community leaders
- Indigenous Youth Fellowship

### 3. Connecting scientific research outposts globally

### 4. ESG strategy aligned with several UN SDGs\*

- Universal access to broadband as a UN-defined human right
- Supporting other essential rights (education, healthcare, remote work) and reducing inequalities

## Governance

### 1. Equal votes across shareholders

### 2. Independent directors

### 3. Strong track record of compliance with public company standards prior to public listing

### 4. 50+ years of service and partnership with blue-chip customers globally

**Telesat's ESG priorities are central to the Telesat Lightspeed network and in line with global best practices and highest business standards**

# LTM September 2023 Revenue and Adjusted EBITDA Reconciliation

## Amount in '000 CAD

	<u>Q4 2022</u>	<u>YTD Q3 2023</u>	<u>LTM September 30, 2023</u>
Net income (loss)	92,340	545,298	637,638
Tax expense (recovery)	1,786	98,452	100,238
(Gain) loss on foreign exchange	(72,251)	(181)	(72,432)
Interest and other income	(12,915)	(48,764)	(61,679)
Interest expense	67,304	205,171	272,475
Gain on repurchase of debt	-	(221,462)	(221,462)
Depreciation	46,691	140,067	186,758
Amortization	3,775	9,927	13,702
Other operating (gains) losses, net	(7)	(344,899)	(344,906)
Non-recurring compensation expenses	303	693	996
Non-cash expense related to share-based compensation	11,968	26,066	38,034
<b>LTM Adjusted EBITDA</b>	<b>138,994</b>	<b>410,368</b>	<b>549,362</b>
<b>LTM Revenue</b>	<b>206,684</b>	<b>538,260</b>	<b>744,944</b>
<b>LTM Adjusted EBITDA margin</b>	<b>67.2%</b>	<b>76.2%</b>	<b>73.7%</b>



# Adjusted EBITDA YTD Q3 2023 reconciliation

	<u>YTD Q3</u> <u>2022</u>	<u>YTD Q3</u> <u>2023</u>
Net income (loss)	\$ (172,457)	\$ 545,298
Tax expense (recovery)	48,143	98,452
(Gain) loss on changes in fair value of financial instruments	(4,314)	-
(Gain) loss on foreign exchange	311,842	(181)
Interest and other income	(10,561)	(48,764)
Interest expense	154,452	205,171
Gain on repurchase of debt	(106,916)	(221,462)
Depreciation	142,064	140,067
Amortization	11,204	9,927
Other operating (gains) losses, net	-	(344,899)
	2	693
	55,460	26,066
<b>YTD Q3 Adjusted EBITDA</b>	<b>\$ 428,919</b>	<b>\$ 410,368</b>

# Adjusted EBITDA Reconciliation 2007

Combined year ended  
December 31, 2007

Operating revenues	\$	569,203
Net (loss) earnings	\$	77,691
Income tax (recovery) expense		(5,093)
Other expense		1,412
Loss on foreign exchange		118,969
(Gain) loss on foreign exchange		(68,445)
Interest expense		52,409
Impairment loss on long-lived assets		2,116
Amortization		145,834
Non-cash expense related to share-based compensation		5,867

<b>Adjusted EBITDA</b>	<b>\$</b>	<b>330,760</b>
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Adjusted EBITDA margin		58.1%
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# Adjusted EBITDA Reconciliation

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>
Revenue	\$ 820,468	\$ 758,212	\$ 759,169
Net (loss) income	\$ 244,820	\$ 155,025	\$ (80,117)
Tax expense (recovery)	(4,353)	78,377	49,929
Loss (gain) loss on changes in fair value of financial instruments	13,115	18,684	(4,314)
Loss (gain) on foreign exchange	(47,605)	(27,539)	239,591
Interest and other income	(5,196)	(3,418)	(23,476)
Interest expense	203,760	187,994	221,756
Depreciation	216,885	203,772	188,755
Amortization	17,195	15,983	14,979
Other operating (gains) losses, net	215	(107,615)	(7)
Gain on extinguishment of debt	-	-	(106,916)
Non-recurring compensation expenses	1,261	5,423	305
Non-cash expense related to share-based compensation	12,500	73,723	67,428
<b>Adjusted EBITDA</b>	<b>\$ 652,597</b>	<b>\$ 600,409</b>	<b>\$ 567,913</b>
 % Margin	 79.5%	 79.2%	 74.8%

# Free Cash Flow Reconciliation (excluding Lightspeed capex)

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## Free cash flow

	FY 2020	FY 2021	FY 2022
Adjusted EBITDA	652,597	600,409	567,913
(-) Satellite programs, including capitalized interest	(9,163)	(345)	(619)
(-) Purchase of property and other equipment	(14,260)	(3,886)	(4,453)
(-) Purchase of intangible assets	(30)	(1,162)	(71)
<b>Free Cash Flow</b>	<b>629,144</b>	<b>595,016</b>	<b>562,770</b>
Lightspeed capex incurred	(68,781)	(307,435)	(59,434)

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