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Senior Director of Treasury and Risk Management

Daniel Goldberg
President and Chief Executive Officer

Andrew Browne
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CONFERENCE CALL PARTICIPANTS

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Arun Seshadri
BNP Paribas

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LightShed

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Marcello Chermisqui
Ares Wealth Management

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the conference call to report the Fourth Quarter 2023 Financial Results for Telesat.

Our speakers today will be Mr. 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, Senior Director of Treasury and Risk Management. Please ahead, Mr. Bolitho.

Michael Bolitho, Senior Director of Treasury and Risk Management

Thank you and good morning.

This morning, we filed our Annual Report for the year ending December 31, 2023, on Form 20-F 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, please see Telesat's Annual Report 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

Okay, thanks Michael. I'll say a few words this morning about our performance last year, share some thoughts about our expectations for this year, and then give an update as to progress to date on the Lightspeed program. I'll then hand it over to Andrew to speak to the numbers in more detail, and then we'll open the call up to questions.

I'm very pleased with our performance and the things we achieved in 2023. We did a really effective job in staying focused and beating our Adjusted EBITDA guidance, maintaining our operating discipline and industry-leading operating margins, securing the C-band clearing proceeds, and executing what I believe were some value-enhancing debt repurchases. But, far and away the most important thing we did last year was find an innovative and highly accretive path forward for Telesat Lightspeed, including landmark agreements with MDA and SpaceX, as well as important financing arrangements with our government partners in Canada.

The satellite user community, fully consistent with our longstanding expectations, is transitioning to LEO networks, and this transition will accelerate over time. For that reason, moving forward with our transformational Telesat Lightspeed program is our highest priority. Two thousand twenty-four marks the first full year where Telesat starts to make that transition to LEO in earnings, and to help all of you track what we're doing, starting this year, we're breaking down our financials between GEO and LEO and showing consolidated numbers as well.

As you can see in our top-line guidance that we released this morning, we're expecting some significant revenue declines, around CAD$150 million in GEO this year, split pretty evenly between our video and non-video businesses. We're not giving guidance beyond 2024 today, though I would note we're not expecting to see this magnitude of annual top-line decline in the coming years.

On video we expect the decline comes primarily from the full run rate impact of the lower rate on Nimiq 4 from the renewal we secured last October with Bell, as well as the renewal we have with EchoStar on Nimiq 5 coming up in early Q4 this year.

Over the past few years, we've talked about the headwinds we're facing in our DTH business, really driven by cord-cutting in the Ryzen over-the-top video platforms, and the reductions we're expecting this year are very much a continuation of that trend.

The other half of our expected revenue decline is coming from the enterprise side of our business, with the biggest contributor being erosion of maritime services revenues.

Other meaningful expected reductions are from an aero customer, the number of customers in Latin America, a universal service program we support in Indonesia, and here in Canada, some point-of-sale retail networks in a number of government services.

The biggest driver on the lost revenue in the enterprise segment is the migration of customer requirements from GEO to LEO mainly to Starlink, as they're the first in the market with a disruptive LEO network. The reality is that enterprise customers want affordable, low-latency broadband connectivity, which we've been talking about for quite some time. If anything, the transition to LEO is happening a little faster than even we expected, and although we don't love seeing Starlink cannibalize some of our GEO customer requirements, it's a strong validation of the market embrace of LEO and the compelling path that we're on with Telesat Lightspeed. We fully anticipated the transition to LEO, and it's precisely why we're building Lightspeed and why we're so bullish on it.

Turning to OpEx, we expect to see an increase of roughly CAD$40 million year-over-year, which is all driven by the investments we're making in Lightspeed. Half the increase comes from headcount expansion. I'm happy to say, though not surprised, we're getting world-class professionals joining and wanting to join Telesat, individuals who see where the industry is going and want to be part of building out and bringing to market a really advanced and revolutionary low earth orbit global satellite broadband network. The project is a huge magnet for absolutely top-notch talent throughout our industry.

To give you a sense, we had a little less than 500 people across the Company at the end of last year, and around 35 percent of them were working on Lightspeed. By the end of this year, we expect to have roughly 740 employees, a roughly 50 percent increase, with nearly two-thirds of the team working on Lightspeed. Dedicated GEO-heads are actually coming down over 10 percent as we shift folks to Lightspeed and more broadly take steps to right-size GEO OpEx for a declining GEO business.

The rest of the OpEx increase is coming from higher Lightspeed revenue-related costs, as well as costs associated with professional services, IT, travel, marketing, and regulatory activities all tied to the development, implementation, and commercialization of Lightspeed. It's full-on, and we're making great progress working with MDA and our other suppliers. We've completed the major system requirements review milestone with MDA and are progressing toward preliminary design review in the third quarter of this year. They're ramping up staff just as we are.

We're also making great progress with our software partners, developing the tools we need to dynamically manage the traffic on the network and the APIs and other interfaces our customers will use to purchase and manage Lightspeed services for their users' requirements. We're also making really good strides with various antenna suppliers for LEO user terminals for each of the verticals we're focused on, as well as with suppliers for our landing stations.

In short, we're moving out fast on all the key workstreams necessary to bring Lightspeed into service. The customer community is enthusiastic with the approach we're taking and the services we'll be offering, and there's great interest also with potential strategic partners and governments around the world to leverage Lightspeed for their needs: telcos, mobile network operators, satellite operators, service providers, and users in every vertical around the world for enterprise, for aero, maritime, and government services. They all recognized the transition to LEO that's underway in our industry, and everyone is actively looking for the best path or paths to ensure that they don't get left behind.

Our CapEx guidance for this year has us investing roughly a billion dollars Canadian into Lightspeed this year. We remain focused on launching our first satellites in June 2026, slightly more than two years from now, offering beta services shortly thereafter, and providing full global coverage and service by the end of 2027.

Let me now give a quick update on Lightspeed funding. Over the past months, we've had extensive engagement with the Government of Canada over funding for Lightspeed. We believe we've reached an understanding on detailed funding terms and expect to release a summary of those terms shortly, likely after markets close today. Suffice to say that we're very pleased we've reached this point. As we've noted in our earnings release, we estimate that our total cost of borrowings is roughly US$750 million lower than our prior funding plan, and that's on top of the US$2 billion in CapEx savings. We're very grateful for the strong support we've had from the Government of Canada on the Lightspeed program.

I'd note also that the Government of Canada isn't just some inanimate object. There are a ton of people throughout the Government of Canada who have worked really hard with Telesat and engaged closely with us over the past few years, and I just want to note that my colleagues and I appreciate all their hard work and commitment to the program. I'd note also not a huge surprise, given all the benefits that Telesat Lightspeed delivers to Canada. I'd say the world, whether that's bridging the digital divide, whether it's job creation, technology development, job creation, all of that. There are huge benefits that come from the Lightspeed program, and the Government of Canada and the people that work there recognize that, and we really appreciate that.

In sum, we accomplished a great deal last year and have a very full 2024 as we accelerate our efforts and investment in bringing Lightspeed to market. Our industry is undergoing a significant transition as LEO networks gain ascendancy and market share. To that end, our highest priority is on focused execution of the Lightspeed program, both technically and commercially. We're hugely bullish on our prospects in the market as well as our ability to deliver an extraordinary value proposition for our customers and significant value creation for shareholders.

With that, I'll hand it over to Andrew and then look forward to addressing any questions you may have.

Andrew Browne, Chief Financial Officer

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

Telesat ended the year 2023 with reported revenues of $704 million, Adjusted EBITDA of $534 million, and generated cash from operations of $169 million with $1.7 billion of cash on the balance sheet at year end. As Dan has mentioned, we outperformed our 2023 Adjusted EBITDA guidance.

In the fourth quarter of 2023, Telesat reported revenues of $166 million, Adjusted EBITDA of $123 million, and generated cash from operations of $13 million. For the fourth quarter of 2023 and compared to the same period in 2022, revenues decreased by $41 million to $166 million, operating expenses decreased by $30 million to $49.9 million, and Adjusted EBITDA decreased by $15.7 million to $123.3 million. The Adjusted EBITDA margin was 74.3 percent as compared to 67.2 percent in 2022.

When adjusted for changes in foreign exchange rates, revenues decreased by $41.2 million, operating expenses decreased by $30.2 million, and Adjusted EBITDA decreased by $15.9 million.

The revenue decrease for the quarter was primarily due to the completion of an equipment sale in 2022 to DARPA which was not repeated in 2023 and a rate reduction on the renewal of a long-term agreement with a North American customer. The decrease in operating expenses is primarily due to lower non-cash share-based compensation and higher equipment sales in 2022 related to the DARPA program, as I just mentioned.

Interest expense decreased by $2 million during the fourth quarter when compared to the same period in 2022. The decrease was due to the repurchase of notes in Term Loan B in 2023. This was partially offset by an increase in interest rates in the U.S. Term Loan B facility.

In the fourth quarter, we recorded a gain in foreign exchange of $78 million as compared to a gain of $72 million in the fourth quarter of 2022. The gain for the three months ended December 31, 2023, was mainly the result of a weaker U.S. dollar to Canadian dollar spot rate as of December 31 compared to the spot rate as of September 30, '23, and the resulting favorable impact on the translation of our U.S. denominated debt.

Our net income for the quarter was $39 million compared to net income of $91 million for the same period in the prior year. Our net income for the year ended December 31 was $583 million compared to a loss of $82 million for the prior year. The positive variation of $665 million was principally due to C-band clearing proceeds recognized in the second quarter of 2023 combined with a gain on the repurchase of our debt and the foreign exchange gain on the conversion of U.S. dollar debt. This was partially offset by the booking of an impairment of $79.8 million in quarter four.

For the year ended December 31, the cash inflows from operating activities were $169 million and the cash flows generated from investing activities were $212 million. The cash flows generated from the investing activities was due to the proceeds received from the Phase II C-band clearing as mentioned by Dan, partially offset by capital expenditures.

In terms of CapEx incurred, it was primarily related to our low earth constellation Telesat Lightspeed and the newly acquired Anik F4 satellite.

Turning to guidance, as you will also have noted in our earnings release this morning, we provided preliminary 2024 guidance. This guidance assumes the Canadian dollar to U.S. dollar exchange rate of 1.35. As Dan also mentioned, we will look forward to reporting on a segmented basis where we will break out our Lightspeed and GEO business as we go forward, and this is really to provide transparency and understanding that everybody will be able to appreciate as both our businesses develop.

Turning to 24, specifically, Telesat expects its full-year revenues to be between $545 million and $565 million. In terms of operating expenses, excluding share-based comp, we would like to point out that we have a range of $80 million to $90 million attributed to Telesat Lightspeed. Also as mentioned, this highlights—represents an increase of $40 million year-on-year. In terms of Adjusted EBITDA, Telesat expects to be between $340 million to $360 million.

Turning to CapEx in respect to capital expenditures for 2024 used in investing activities, we anticipate this to be in the range of $1 billion to $1.4 billion, which is practically all related to Telesat Lightspeed.

Dan has also highlighted the drivers to our 2024 financial outlook in terms of revenue declines we're expecting at the GEO business and the increase in operating expenses that are fundamentally related to Lightspeed, as I had mentioned. The drivers of that OpEx is, indeed, headcount, as we discussed, marketing, IT systems, professional fees, and consulting.

Turning to cash to meet our expected cash requirements for the next 12 months, including interest payments and capital expenditures, we've approximately $1.7 billion of cash and short-term investments at the end of December, as well as approximately US$200 million of borrowings available under a revolving credit facility. Approximately $1.25 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, the total leverage ratio as calculated under the terms of the amended senior secured credit facilities was 5.32 times. Telesat has complied with all covenants in our credit agreements and indentures.

Further, including the repayments we made in 2020 of approximately $341 million of the outstanding term Loan B combined with our ongoing repurchase program, our overall debt has been reduced by approximately 28 percent. Just to recap, we've repurchased to date the total amount of US$587 million at an aggregate cost of $332.7 million. In addition, this also results in interest savings per year of around $40 million.

A reconciliation between our financial statements and financial covenant calculations is provided in the report we filed this morning. Our 20-F provides the unaudited interim condensed consolidated financial information in the MD&A. The non-guarantor subsidiaries shown are essentially the unrestricted subsidiaries with minor differences.

I think that concludes our prepared remarks for the call. I'm very happy now to turn back to the Operator and, I guess, address any questions you may have. Thank you very much.

QUESTION AND ANSWER SESSION

Operator

Thank you. (Operator Instructions) The first question is from Chris Quilty from Quilty Space. Please go ahead.

Chris Quilty, Quilty Space

Dan and crew, congratulations on getting that financing stub done. It's been a long trip over the years and somebody—I can't decipher. I mean, can you remind us, what was the last publicly stated position you had on terms of debt rates? I think it was around $2 billion, correct?

Daniel Goldberg, President and Chief Executive Officer

Yes. Hi, Chris. Yes, that's about right. That'd be a U.S. number. I think what we've said is—go ahead, Andrew.

Andrew Browne, Chief Financial Officer

Yes, I'll go ahead. In fact, you know, on our website we have our investor presentations. We did a kind of small roadshow in November in Toronto and in New York, but reading out from page 19, just for anyone—for reference.

Overall, in terms of our sources and uses, we had Telesat equity of $1.6 billion; government funding $2.1 billion, which is your question, Chris; vendor financing of $300 million. Just to round off in terms of our spending, overall, we had $2.7 billion for our satellites, operational expenditures of about $800 million, and we also had contingency included of roughly 14 percent, or $400 million, all contained within the overall program. (Inaudible) just to give you a quick refresher on that.

Chris Quilty, Quilty Space

That's great. Thanks for the detail. I kind of jumped over it, but congratulations on the, I think, the vision you put forward here with the focus on the enterprise market, and that brings up a question. Starlink has obviously been hurting the maritime market and other adjacent markets, but haven't really—have you seen them at all target the traditional enterprise market, and can you help us understand the differentiation of what you're trying to do versus Starlink system?

Daniel Goldberg, President and Chief Executive Officer

Yes. Well, Chris, thanks. So, let's see. Yes, they're definitely having an impact in maritime. They're working hard to make inroads in aero, but it looks so far like they've had greater traction in maritime than aero at this point. But in truth, we're kind of—we're seeing them everywhere. When you say enterprise, maybe less kind of the corporate-y enterprise, but we are seeing them for backhaul requirements on certain networks, so that's where we're seeing them.

We said in our remarks customers want affordable, high throughput, low latency, resilient connectivity, and, you know, SpaceX by now has launched a lot of satellites. It's a good product, but our product is differentiated for the verticals that we're focused on, which are those enterprise verticals. We talked about telcos, mobile network operators, corporates, governments, aero, maritime. I'd say, you know, it's a few things.

One of the key things that we do, unlike a service that's kind of principally a consumer-grade focused service, we've got the ability with our customers to do a bunch of things, give them SOAs (phon), make commitments around CIR, give our customers the ability to have their own dedicated bandwidth pools which then they can manage. They can oversubscribe it. They can offer different service tiers. They can move their bits around across their network, which for some of them could be the entire earth. It gives them massive flexibility, massive control over their bits over their network. I'd say that's a big part of the differentiation from the customer standpoint.

I think from, I don't know, the investor standpoint what we're doing, I think, is also very capital efficient. We're able to cover the world with terabytes and terabytes of this very high-performing capacity with hundreds of satellites, not thousands of satellites, and satellites that last, you know, north of 10 years, so gives us a long opportunity to earn the kind of returns that we need to on our invested capital.

In any event—and look, again, I think SpaceX is moving fast and being disruptive. We don't get everything right around here, to say the least, but we definitely saw the transition from GEO to LEO coming, and what a powerful value proposition that is for our enterprise customers, so we've been all over that.

But I tell you, as good as SpaceX is and as fast as they're moving, like, no one's going to own this entire market. The market's huge. It's growing fast. I'd say, particularly for enterprise customers, they never want to put all of their eggs in any one basket.

In any event, we're excited to get moving and get out there as fast as we can. As you probably picked up in my remarks this morning, we're just super focused on making big investments to get there as fast as we can.

Chris Quilty, Quilty Space

Great. So, MDA clearly has a pretty tall task ahead of them here over the next couple years, but after listening to the Eutelsat OneWeb call, I find myself asking you the more important question, which is, where are you in terms of your gateway filings?

Daniel Goldberg, President and Chief Executive Officer

Are you kind of U.S. focused?

Chris Quilty, Quilty Space

Well, no, I mean for the global deployment. I mean, OneWeb's had their constellation up and it's still not fully operational because they couldn't get their gateways installed due to regulatory (inaudible) challenges.

Daniel Goldberg, President and Chief Executive Officer

Yes. No, I've tracked all that, too. So, here's what I'd say, a few things about gateways. One, for better or worse, we've been working on this for a long time, so we've identified—we're starting off with at a minimum, 25 landing stations around the world. They'll all be, you know, connected up and the like, and then we'll scale our landing station infrastructure from there. Then, for any given customer in any given country, we can kind of have sort of more bespoke landing stations as well with some of the flexibility that an advanced system like ours has.

The other thing I'd note about Lightspeed, maybe unlike OneWeb, is we've got the Optical Inter-Satellite Links on our constellation. What that means is you probably need—never mind probably. You need fewer gateways in order to still have full global coverage and connectivity and the opportunity to manage traffic around and to make sure that all of your satellites 24/7 are kind of on the network and able to contribute. So, yes, we've identified the landing stations where we need to go. I think we'll be in good shape there.

Chris Quilty, Quilty Space

Would you be interested in buying a Starlink optical crosslink?

Daniel Goldberg, President and Chief Executive Officer

You know what? It's an interesting question, and I'll share with you that we haven't had any conversations with Starlink about that. There are probably pros and cons of doing something like that, pros being SpaceX is building lots of them and it would allow us to theoretically interconnect with their constellation, although they're flying lower than we are. Were we to interconnect with those guys, probably do that in RF rather than optical.

I'm not sure that the Starlink optical link is SDA compliant. That would have to be something that we would take into consideration. There are a number of good OISL, Optical Inter-Satellite Link, providers out there with Heritage and the like. Anyway, stay tuned on that. We've announced a good many of our suppliers, including MDA and SpaceX, we announced Aalyria working with us on some of the software that's going to orchestrate the constellation. As we work with MDA and pick that kind of next-level supply chain, folks will learn more about the different component parts of the network.

Chris Quilty, Quilty Space

Great. Final question, Nimiq 5, was that a one-year or a multi-year contract?

Daniel Goldberg, President and Chief Executive Officer

Nimiq 5, well it was a…

Chris Quilty, Quilty Space

(Inaudible) one that's coming up for renewal?

Daniel Goldberg, President and Chief Executive Officer

Yes, it's coming up for renewal, so it hasn't been renewed yet. We've started having conversations with EchoStar about it. But it was a 15-year agreement that comes up in October of this year, so stay tuned on that.

Chris Quilty, Quilty Space

Okay, gotcha. That's what I wanted to know. Thank you.

Daniel Goldberg, President and Chief Executive Officer

Thanks, Chris.

Operator

Thank you. The next question is from Mr. Arun Seshadri from BNP Paribas. Your line is now open.

Arun Seshadri, BNP Paribas

Yes. Hi, thanks for taking my questions. First from me, I noticed this word, like, in your funding conditionality that the program is fully funded to global service delivery subject to certain conditions. If you can kind of outline what those conditions are, it would be helpful.

Then separately, on the funding plan itself, clearly strong support from the Government of Canada around the $750 million reduction and it being cheaper today. Can you sort of tell us how you calculate that $750 million so we just understand the puts and takes there?

Daniel Goldberg, President and Chief Executive Officer

Yes. Andrew, do you want to start with that and then I'll maybe talk about what some of the conditionality?

Andrew Browne, Chief Financial Officer

Yes, absolutely. As you know, that we were initially dealing with sort of Talus (phon) and dealing with the export credit agencies, and I have to say the export credit agencies are not necessarily cheap, right? They have a lot of fees, a lot of upfront fees and premiums, and so when you calculate the arrangements that we have come with the Canadian government and you do the math, basically, it just falls out of the equation. It's $750 million cheaper.

Daniel Goldberg, President and Chief Executive Officer

Oh, and over to me on conditionality. I mean, I've got to be definitely careful here. My General Counsel is sitting across the table for me. What would I say on the conditionality that doesn't make my GC irate?

I guess I'd say the conditionality, it's kind of typical stuff with any funding agreement, right? We have to enter into definitive agreements. We've got multiple funding sources. Each funding source needs to make sure that the other one is there and that in the aggregate we have sufficient cash to "fully fund the program". It's that kind of stuff.

As you can see, I'm a big believer in actions speaking louder than words. We're confident we've got the financing in place that we need to move our project forward, which is why we're hiring all these people and spending all this money and entering into all these contracts. But that's when we referenced it. We're kept on a tight leash here by our Legal Department, and so it was mostly just to be careful to say, yes, we still need to get those definitive agreements in place and the like.

Andrew Browne, Chief Financial Officer

I would just add further that we've got contingency, you know, as we mentioned, of $400 million also within our program.

Arun Seshadri, BNP Paribas

Got it, that's helpful. On the original, the $750 million plan, the reduction, obviously understand, Andrew, that the export agencies are not necessarily that cheap. But just in terms of the assumptions in that $750 million, is that just kind of over the total—the debt costs over a certain period of time that it's lowered by? Like, can you just share those assumptions in advance of the disclosure that's going to come out tonight?

Daniel Goldberg, President and Chief Executive Officer

Yes, I'll take that Andrew. I mean, fundamentally, yes, like we've stared at what were our total cost of borrowings under the original plan with another vendor and what it is now, and we took everything into account. We took into account what the total CapEx and other costs of the original program were versus the new one. We took into account what our expected cost of borrowings would be over the life of the funding commitments, right? The interest rate, any other—and this is relevant for the export credit agencies—Premia and stuff like that, that you have to pay. Then we compared that to what our expectations are, will be our cost of borrowings for what I'll call the new and improved approach, and yes, that's the math we did, the $750 million savings over the course of the program.

It's my expectation that in the near term we'll provide some additional details around our funding terms, and it'll allow folks to kind of make their own calculations about what our cost of borrowings are.

Andrew Browne, Chief Financial Officer

A rigorous process that we've gone through.

Arun Seshadri, BNP Paribas

Got it. Understood, thank you. Then separately, can you talk about broadcast revenue? It seems like even adjusting for the run rate, Bell, and maybe a little bit for the EchoStar, your broadcast revenue is still a little bit lower than we would have expected, if you could give any additional colour there.

Then also, how much in GEO OpEx reductions are embedded in your EBITDA guidance? Thank you.

Daniel Goldberg, President and Chief Executive Officer

I'll let Andrew take the second one. I'll start with the first one.

So, yes, I mean—and I said in my opening remarks—the expected decline in video, overwhelmingly driven by one thing that's already happened, which was the renewal that we secured with Bell for Nimiq 4. Sorry, just keeping my Nimiqs straight—with Nimiq 4 last October. We had nearly three months' impact of that lower rate last year, but we got the full run rate impact of it for this year. We said at the time it was a significantly lower rate that we agreed with Bell to close that Nimiq 4 renewal. That's the biggest contributor to the expected decline in broadcast this year.

Then, you know, there's Echo. We just started conversations with Echo. Our guidance accommodates a range of different outcomes with where we end up with them from, you know, they don't renew anything, to they renew just part of it, or they renew all of it. But no matter what, our expectation is, given what's going on in the market, given the other recent renewals we got, we are expecting under any scenario it's going to be materially less revenue from DISH on Nimiq 5 than what we've been recognizing over the past 15 years.

So anyway, there are other broadcast customers we have that we sort of take into account when we put our projections together. But fundamentally, it's the two that I've highlighted.

Arun Seshadri, BNP Paribas

Got it, helpful. Last thing for me is, how much do you plan on spending, I guess, on Lightspeed before getting definitive docs from the Canadian Government on the funding? When you think about the OpEx side, you kind of mentioned on EBITDA for 2025 the step-down would be less than in '24. Any way you could quantify the OpEx, within '25 that you can expect today? Thanks. That's all for me.

Andrew Browne, Chief Financial Officer

I'll address some components of your questions, indeed. I think your first question was relating to the step-down in our GEO OpEx. As you probably appreciate, our fixed costs are approximately 62 percent, 65 percent. Nonetheless, we've gone through in great detail looking at our plans or scale of plans, as Dan has gone through the investment in Lightspeed in the future. We've brought our GEO costs down now approximately, I'd say 4 percent or so, notwithstanding the fact that our costs are pretty well fixed.

Then, when you look at Lightspeed, that indeed about 65 percent to 70 percent of that increase is indeed fixed, and primarily it's coming from compensation as we scale up and we hire people coming in.

Then, you know, just coming back to our sort of guidance and Adjusted EBITDA, $340 million to $360 million. But just to compare, if you take a look at what we said is $80 million to $90 million for Lightspeed, if you actually added that back to what Adjusted EBITDA guidance is, we come to a margin of like 79 percent to 80 percent, so our costs are very, very focused.

After 2025 we probably may be, as Dan had said, I think our expectations in terms of top line will not see the reductions that we're seeing now, and in OpEx we probably wouldn't give any guidance right now specifically for 2025.

I hope that's kind of addressed the variation of your questions.

Arun Seshadri, BNP Paribas

Yes, thank you.

Operator

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

Joe, LightShed

Hi, everybody. This is Joe for Walt. You provided a CapEx range. I just want to kind of get a sense of what's the difference between hitting the high end versus coming in in that $1 billion low end of the range. Is there something—what's the limiting factor right now?

Daniel Goldberg, President and Chief Executive Officer

Well, I mean, our suppliers need to hit milestones in order to get money from us. We've got a nominal schedule that they need to achieve, but if they don't hit their milestone, we aren't going to pay them. We've built the range principally around that.

Joe, LightShed

Okay, and then getting back to, I think it was Chris' question about enterprise. If you drill down a little further into that, just so I understand, were these customer contracts that were up for renewal, and they required having LEO as part of the solution going forward so there's going to be a non-renewal? How does that work with the kind of guide comes down that much?

Daniel Goldberg, President and Chief Executive Officer

Yes, that's exactly it, Joe. I mean, we had contracts coming up for renewal. I said in my opening remarks that a big chunk of it, the biggest contributor, was around maritime. It was cruise. We've got customers that have been serving the cruise market, and they lost business to Starlink, so they didn't renew their contracts with us. That's how it works. That's what it was. That's exactly what it was, and that accounts for, again—that was the biggest contributor.

Joe, LightShed

Okay. How long are those contracts generally? Like, is there a chance for let's say the next renewal, whenever that is, one in 2027 or 2026 or whatever, when you have something that's potentially on the horizon to be commercial with Lightspeed that you could win that business back?

Daniel Goldberg, President and Chief Executive Officer

Look, it’s pretty fluid. I mean, the big enterprise customers are sophisticated about what's happening out there in the market. They have quite a bit of flexibility to add networks, drop networks. They'll make some, I'd say maybe kind of medium-term commitments, maybe two or three years or something like that. I don't have full visibility of exactly what they've committed to with Starlink. I know that Starlink has had a practice of oftentimes not signing long-term agreements with customers. It's almost kind of month-to-month in some ways. Whether they did something differently with the cruise customers, I don't know.

But suffice to say that the cruise lines and the service providers that serve them are well aware of what we're working on with Lightspeed. They like what we can offer and the flexibility that we offer and our ability to concentrate capacity at ports and on key shipping lines. They like to have the diversity of suppliers, as I mentioned. So, yes, I mean, we're—I hate losing any renewal, but, yes, we're sure not kind of blocked out of the market on a go-forward basis.

Joe, LightShed

Then my last question, on the funding, you mentioned the Canadian government. Is the provincial government, the Quebec provincial government still involved in the funding process?

Daniel Goldberg, President and Chief Executive Officer

Yes, our expectation is that Quebec will be a meaningful funding participant in our program. Quebec gets great things from this Lightspeed initiative, I'd say now more than ever that we're working with MDA. When I think about the amount of investment that was going to be made in Quebec under the original plan, when Quebec had agreed to certain funding commitments, now that MDA is our prime contractor, yes, the amount of investment in Quebec has gone up, I'd say dramatically. So, yes, our expectation is Quebec will be one of our funding sources.

Joe, LightShed

Okay, thanks.

Daniel Goldberg, President and Chief Executive Officer

Okay. Thanks, Joe.

Operator

Thank you. The next question is from Mr. Mike Pace from JPMorgan. Please go ahead.

Mike Pace, JP Morgan

Good morning, guys, and thank you for the added colour on the guidance between the two segments.

I guess just to dig down a little bit, Dan, you said that you don't expect the same type of declines in ‘25, and I guess I understand that on a total basis because the broadcast renewals. But from an enterprise, would you continue to expect enterprise to decline at that same kind of rate? Maybe another way to get at it is, and I think we've discussed this in the past, how much of your enterprise business do you think is at risk for real alternatives, including your own, eventually?

Daniel Goldberg, President and Chief Executive Officer

That's a great question. I'm smiling because we had anticipated this question. Still not sure we have a great answer for it.

Mike Pace, JP Morgan

Looking forward to it.

Daniel Goldberg, President and Chief Executive Officer

What would I say? Look, we've got a long-term plan. We gave our guidance, obviously, this morning for 2024. We have a decent amount of visibility. It's one of the nice things about our sector. A decent amount of visibility in terms of, you know, what our longer-term performance will probably be. You don't always get it exactly right, but we've got a decent track record, I think.

We've done a pretty—I'd say for most companies, a super rigorous analysis. We've done a real kind of grounds-up analysis looking out beyond 2024. Having done that, it's why we're able to say this morning that it isn't our expectation, which is to say it is not our expectation that we're going to have the magnitude of top-line decline in future years that we've had this year.

We need to do a little bit more work, I think, to give a, I don't know, substantive, for lack of a better word, answer to your question about where are you more vulnerable to, for instance, Starlink or even cannibalizing our own revenue. We used to give some guidance about the percentage of our enterprise revenue, or maybe even our total revenue, that we anticipated would migrate over to Lightspeed over time. Like many things, I've forgotten what we said. John, do you remember what we had said? I want to say we had estimated it was around 50 percent of our enterprise revenues that we thought would be migratable to Lightspeed over time. I think that's what we said.

Andrew Browne, Chief Financial Officer

I believe it was in that zone. There are some things that just aren't suitable for (inaudible) that are better served (inaudible).

Daniel Goldberg, President and Chief Executive Officer

Yes. That was kind of the estimate that we gave before. Now, again, we said that a little while ago, and already we've seen some move off. Not for Lightspeed, but Starlink. But in many ways, it'd probably be a similar book of business that could move to Lightspeed that would be more vulnerable to LEO competition (inaudible) large.

Again, I think that Lightspeed is a better value prop for enterprise users than the other LEO constellations. But I don't know, it's a long-winded winded answer, Mike. As I said, we need to do a little bit more work on it, but kind of order magnitude, that's probably the book a business that's at risk. Looking at my colleagues who do the work of updating the long-term plan, I'm sure that's kind of how we thought about it. To be clear, we assume in our forward projections that there are additional requirements that move to LEO, including before Lightspeed's available, which is to say we lose it. So, yes, I think we've captured that.

Mike Pace, JP Morgan

Okay. A few more, and they can be quicker on my end. I just want to make sure I understand. If I take your consolidated EBITDA guidance for '24 and I add back the Lightspeed OpEx, is that basically the GEO business or the restricted group in terms of EBITDA?

Andrew Browne, Chief Financial Officer

Correct. Absolutely. Yes, Mike.

Mike Pace, JP Morgan

Okay, and then can you share what the Lightspeed OpEx was in 2023, please?

Andrew Browne, Chief Financial Officer

In 2023 it was approximately just under $50 million, $48 million, to be precise.

Daniel Goldberg, President and Chief Executive Officer

Canadian.

Andrew Browne, Chief Financial Officer

Yes, Canadian.

Mike Pace, JP Morgan

Yes, thank you. Then, I think I got the math here. You did not repurchase any debt in the fourth quarter. Can you confirm that and anything subsequent to the end of the quarter?

Andrew Browne, Chief Financial Officer

That's correct, yes.

Mike Pace, JP Morgan

Okay, and then I believe you still have a US$150 million basket—I don't recall if it's RP or committed investments—that you can move from restricted group to unrestricted group. Has that happened? If not, when should we expect that to happen, if we should?

Daniel Goldberg, President and Chief Executive Officer

It has not happened. We would expect to do that fairy soon.

Mike Pace, JP Morgan

Okay, great. Thanks, guys.

Daniel Goldberg, President and Chief Executive Officer

Thanks, Mike.

Operator

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

Marcello Chermisqui, Ares Wealth Management

Hey, guys. Thanks so much for taking the question. I wanted to ask a couple of questions on the guidance. My understanding is maritime and aerospace represent about 20 percent of enterprise sales, so about $70 million of the 2023 enterprise sales. It seems like between, like, the cruise business and the aerospace customer, it could be down 50 percent in 2024, so in line with what you were saying the Starlink competition looks. Is that the right way to think about that?

Daniel Goldberg, President and Chief Executive Officer

Hold on. John's just going to confirm. So, let's see. The sheet that I'm looking at has aero and maritime being a little bit less than 20 percent of our total revenue. I forget what you would kind of characterize as a percentage of our enterprise revenue, so I haven't done the backward math on that, but roughly half of that.

Unidentified Male Speaker

Roughly half and half, so…

Daniel Goldberg, President and Chief Executive Officer

Yes, there you go. So, I'm sorry, the question again?

Marcello Chermisqui, Ares Wealth Management

It seems like aerospace/maritime is down 50 percent in your guidance. Is that the right way to think about it?

Daniel Goldberg, President and Chief Executive Officer

We're staring at something, hold on. Yes, you've done good math there. It sounds like.

Marcello Chermisqui, Ares Wealth Management

Appreciate it. It seems like, given your earlier comment about 50 percent potential loss to Starlink, you think that there's not much more risk there, or do you think that that segment might have incrementally more than the 50 percent?

Daniel Goldberg, President and Chief Executive Officer

That segment would probably have incrementally more, maybe less aero and more maritime is how we would think about it. I think Starlink's having, of all the verticals right now, probably having the biggest impact in maritime for what we've felt so far.

Marcello Chermisqui, Ares Wealth Management

Okay, that's helpful. Then, on the broadcast revenue side, it seems like you're guiding to 50 percent of the total revenue decline, so about $75 million. If I look at the decline from fourth quarter versus the third quarter of 2023, it seems like a $10 million decline, likely mostly due to Nimiq 4, like, the Bell contract renewal. That would imply about $30 million of decline baked into 2024 numbers. The remaining, say, $45 million of broadcast revenue decline outside of Nimiq 4, is that all Nimiq 5, because I think that one is only two months remaining. Even if you assume zero, it seems like there might be other stuff that's going on.

Daniel Goldberg, President and Chief Executive Officer

So I think your math around the impact of Nimiq 4 is kind of directionally right. There might have been some other stuff in there as well. Then, as I mentioned, the other big, I would say, anticipated contributor would be DISH, and by DISH I mean EchoStar. Yes, I mean, that it comes up in early October, and we just—it's just too early to say whether that gets renewed at all or, you know, it's just some partial renewal, so it's that.

Then, beyond that, yes, just kind of making provision for any other erosion that we could potentially have and yes, so those are the component parts of that.

Marcello Chermisqui, Ares Wealth Management

Okay, that's helpful. Then, I noticed in the disclosures you mentioned something about Nimiq 4 that happened earlier this year. What are your contingency plans with Bell in case something more permanent happens to Nimiq 4, and is it correct that the insurance only lasts until November 2024?

Daniel Goldberg, President and Chief Executive Officer

We'll take the insurance first.

Unidentified Male Speaker

Nimiq 4 is at the end of its life, or near end of its orbital maneuver life, so it has very little book value, so it has very little insurance. What insurance is there expires in November of 2024.

Daniel Goldberg, President and Chief Executive Officer

Then, as far as kind of contingency for Bell, so right now they use Nimiq 4 and they use Nimiq 5. I think the first thing I'd say is—I'm sorry, Nimiq 6. Thank you, Dave. You know, we highlighted the issue that we had with Nimiq 4. It's the right thing to do, to highlight it for everyone. My own expectation is that Nimiq 4 makes it to its anticipated end of life. You never know. If it didn't, Bell's got Nimiq 6 and they're using that. Beyond that, we'll see where we land with EchoStar on the Nimiq 5 renewal. Maybe there's some ability to use Nimiq 5 to look after Bell, if they needed it. Certainly, I'd say those are kind of the things that we'd think about. Bell's a sophisticated customer. I mean, they understand how the networks work.

Marcello Chermisqui, Ares Wealth Management

Really appreciate it. Sorry, just on Nimiq, are you—on the scale of assumptions, are you assuming no revenue for that in the 2024 guide?

Daniel Goldberg, President and Chief Executive Officer

I'd just say we gave a range of guidance that can accommodate a range of different outcomes, so yes, it accommodates all kinds of different outcomes with EchoStar. My own guess is we get a partial renewal with them, but it's just too early to say. They've got work to do on their side in terms of how they go about distributing all the channels that they need to distribute, and so they've got work to do with them. We've known those guys for a long, long time. We have a good relationship with them. But it's still some months away, and we developed a guidance range that accommodates just a whole range of different outcomes for them.

Marcello Chermisqui, Ares Wealth Management

That satellite, does that represent a significant—like, much more revenue versus other Nimiq satellites, or other satellites you have, or is it pretty consistent with, in terms of size, scale of other ones?

Daniel Goldberg, President and Chief Executive Officer

I'd say of the Nimiqs, kind of the same order of magnitude with Nimiq 4, Nimiq 5, Nimiq 6, recognizing—I should say, if you go back to the original rates on—because Nimiq 4 and Nimiq 5 have been renewed at much lower rates than their first 15 years of life. But if you went back and looked at the original rates on Nimiq 4, Nimiq 5, and Nimiq 6, yes, they're kind of all in the same ballpark.

Marcello Chermisqui, Ares Wealth Management

Very helpful. Thanks so much for answering the questions.

Daniel Goldberg, President and Chief Executive Officer

You're welcome.

Michael Bolitho, Senior Director of Treasury and Risk Management

Okay, we have time for one more brief question.

Operator

Thank you. The last question is from Mr. Joe Ghergurovich from Sixth Street. Please go ahead.

Joe Ghergurovich, Sixth Street

Hi, thanks for squeezing me in here. Most of my questions have been answered. I guess just one on the fourth quarter performance EBITDA coming in better than expected. Were there any one-time items in there, or what was driving that?

Andrew Browne, Chief Financial Officer

Overall, I think it's just sort of timing of other expenditures, particularly as we invest in sort of Lightspeed going forward. As you can probably tell, we controlled the OpEx pretty tightly, and so with the program as soon as we get going in 2024, that's why we’ve stepped up our guidance. I'd say that's kind of one of the main contributing elements in addition to the frugality of how we manage the business.

Joe Ghergurovich, Sixth Street

Got it. Then just one more on—so, just to be clear, the $700 million of government funding that you were in advanced discussions or as of last quarter, are you saying now that the whole $2.1 billion of U.S. government funding is now secured and you expect to release details after the close?

Daniel Goldberg, President and Chief Executive Officer

I don't know what the $700 million reference is to. We had noted in the earnings release, and I reiterated it in my remarks, that that we expect to have about US$750 million of savings relative to what our original funding plan was. By savings, I mean savings in terms of our cost of borrowings in addition to the US$2 billion CapEx savings.

Then, as far as that, $2.1 billion, so there, I'd say stay tuned. The Government of Canada, we would expect, would be a meaningful amount of our government partner funding sources. We expect that Quebec, as I mentioned earlier, will also be part of that, and so I would just say stay tuned. We expect to make some information available in the near term around the Government of Canada financing. It's not going to be too long until we do our Q1 call, so we'll probably be able to provide a bit of an update there as well.

Joe Ghergurovich, Sixth Street

Got it. Thank you very much for your time.

Daniel Goldberg, President and Chief Executive Officer

Thank you, Joe.

All right. Well, listen, everyone, thank you very much for joining us this morning. As I mentioned, our Q1 call is kind of around the corner, so we look forward to speaking with everyone again then. Thank you very much.

Andrew Browne, Chief Financial Officer

Thank you very much. Cheerio.

Operator

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