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Michael Bolitho

Director of Treasury and Risk Management

Daniel Goldberg

President and Chief Executive Officer

Andrew Browne

Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Edison Yu

Scotiabank

Arun Seshadri

BNP Paribas

Chris Quilty

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Marcello Chermisqui

Ares Management

Matt Lapides

Abry Partners

Evan McFadgen

Cormark Securities

Alex Nolan

Invesco

Walter Piecyk

LightShed Partners

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the conference call to report the first quarter 2024 financial results for Telesat. Our speakers today will be Dan Goldberg, President and Chief Executive Officer of Telesat, and Andrew Browne, Chief Financial Officer of Telesat.

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

Michael Bolitho, Director of Treasury and Risk Management

Thank you and good morning. This morning we filed our quarterly report for the period ending March 31, 2024, 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, please see Telesat's Annual Report and updates filed with the SEC. Telesat assume 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. My opening remarks are quite short this morning given we hosted an earnings call just six weeks ago when we released our Q4 and full year numbers. I really just want to note that we're tracking to the 2024 guidance we gave earlier, and we're moving out as quickly as we can on Telesat Lightspeed now that we have understandings in place for all the financing we need for our first 156 satellites.

Our CapEx guidance this year is for between \$1 billion and \$1.4 billion Canadian dollars, or around \$750 million to \$1 billion U.S. dollars, which is pretty much entirely for Lightspeed. You'll see that unfold as we report our results throughout the year.

With that, I'll hand over to Andrew, who will speak to the Q1 numbers in more detail, and then we'll open the call up to questions.

Andrew Browne, Chief Financial Officer

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

In the first quarter of 2024, Telesat reported consolidated revenues of \$152 million, Adjusted EBITDA of \$111 million, and generated cash from operations of \$76 million, and ended the quarter with \$1.8 billion of cash. In the first quarter of 2024 compared to the same period in 2023, revenues decreased by \$31 million to \$152 million.

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Operating expenses decreased by \$6 million to \$47 million, and Adjusted EBITDA decreased by \$28 million to \$111 million. The Adjusted EBITDA margin was 72.8 percent as compared to 75.7 percent in 2023. The revenue decrease for the quarter was primarily due to a reduction in services and a lower rate on the renewal of a long-term agreement with a North American direct-to-home customer, as well as lower revenues from certain Mobility and Latin American customers, and lower equipment sales to Canadian government customers.

Looking at OpEx, the decrease in OpEx is primarily due to lower noncash share-based compensation and higher capitalized engineering expenses relative to the prior period.

Interest expense decreased by \$4 million during the first quarter when compared to the same period in 2023. The decrease in interest expense was primarily due to the repurchase of notes and Term Loan B. This was particularly offset by an increase in interest rates on the U.S. dollar Term Loan B facility itself.

In the first quarter, we recorded a loss on foreign exchange of \$68 million as compared to a gain of \$10 million in the first quarter of 2023. The loss for the three months ended March 31, 2024, was mainly the result of a stronger U.S. dollar to Canadian dollar spot rate as at March 31, 2024, as compared to the spot rate as at December 31, 2023, and the resulting unfavourable impact on the translation of our U.S. denominated debt.

Our net loss for the first quarter was \$52 million compared to net income of \$28 million for the same period in the prior year. The change was primarily due to the loss on foreign exchange, as mentioned.

For the quarter ended March 31, 2024, the cash inflows from operating activities were \$76 million, and the cash flows used by investing activities were \$20 million. In terms of capital expenditures incurred, they were primarily related to our low earth orbit constellation, Telesat Lightspeed.

Guidance, as you will also have noted in our earnings release this morning, we have reaffirmed our 2024 guidance. This guidance assumes the Canadian dollar to U.S. dollar exchange rate of \$1.35. For 2024 Telesat still expects the total full year revenues to be between \$545 million and \$565 million.

In terms of operating expenses, excluding share-based compensation, we are still looking to spend between \$80 million to \$90 million attributed to Telesat Lightspeed.

In terms of total Adjusted EBITDA Telesat still expects to be between \$340 million to \$360 million. As highlighted

on our last call, we will begin the process of showing GEO and LEO separately, and we have accordingly set out this (inaudible) of our financial statements.

In respect to expected capital expenditures, as we disclosed last quarter, we continue to expect our 2024 cash flows used in investing activities to be in the range of \$1 billion to \$1.4 billion, as Dan has highlighted, which is nearly all related to expected Telesat Lightspeed Capital Expenditures. To meet our expected cash requirements for the next 12 months, including interest payments and capital expenditures, we have approximately \$1.8 billion of cash and short-term investments at the end of March, as well as approximately US\$200 million of borrowings available under our revolving credit facility. Approximately \$1.25 billion of cash was held in our unrestricted subsidiaries. In addition, we continued to generate a significant amount of cash from our ongoing operating activities.

Leverage, at the end of the fourth quarter, total leverage ratio as calculated under the terms of the amended senior secured credit facilities was 5.7 times-to-1. Telesat has complied with all the covenants in our credit agreement and indentures.

In terms of our debt repurchases, we were active subsequent to quarter end and up to May 8, 2024, where we purchased debt with a cumulative principal amount of US\$219.5 million in exchange for an aggregate cost of \$98.9 million. Combined with the debt repurchases completed in '22 and '23, Telesat has now repurchased a cumulative principal amount US\$806.5 million at an aggregate cost of \$438.3 million.

(Inaudible) including the repayment in 2020 of approximately \$341 million of the outstanding Term Loan B combined with our repurchases, our overall debt has now been reduced by approximately 24 percent, or \$1.1 billion in U.S. dollars. In addition this also results in interest savings of approximately \$55 million annually.

A reconciliation between our financial statements and financial covenant calculations is provided in the report we filed this morning. Our 6-K provides the unaudited interim condensed consolidated financial information in the MD&A. The non-guarantor subsidiaries shown are essentially the unrestricted subsidiaries with minor differences.

With that, I think we will conclude our prepared remarks for the call. I'm very happy to answer any questions that you may have. We will now turn back to the operator. Thank you.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you have a question, please press star, one, on your device's keypad. You may cancel your question at any time by pressing star, two. Please press star, one, at this time, if you have a question. There will be a brief pause while the participants register. We thank you for your patience.

The first question is from Edison Yu from Scotiabank. Please go ahead, your line is open.

Edison Yu, Scotiabank

Good morning, and thank you for taking our questions, mainly just some housekeeping ones. The cash flow is quite strong in the quarter despite the EBITDA declining. Were there any one-time benefits here, and how do you think this kind of trends for the rest of the year?

Andrew Browne, Chief Financial Officer

No, I think our cash flows underscore the high margins that we've got. If you look at our GEO business margins are approximately 80 percent. I think it's one of the great things of our existing business, notwithstanding the fact that indeed we've identified that we will see drops this year. But that's the underlying cash flow.

Edison Yu, Scotiabank

Understood. Then, I appreciate, obviously, the breakdown of GEO and LEO, and you've got some consulting revenue on the LEO side. Is the 1Q a good run rate to take for the rest of the year, the contribution from some LEO consulting?

Daniel Goldberg, President and Chief Executive Officer

I don't think so. It's not a big part of our business at this stage. Obviously, not until LEO is sort of up and in service, late 2027, are we going to see meaningful revenue. Up until then, there might be some more kind of incidental stuff. We're doing some work with the U.S. government that's sort of lumpy in nature, and I think this came from a contract that we have with NASA that we've talked about before, where we're demonstrating some features on Leo's ability to communicate with other in-orbit spacecraft.

But it's kind of a low to no margin stuff, too. It's a good thing for us to be doing to be demonstrating capabilities and tightening the relationship with the important U.S. government user. But yes, it's not kind of going to be a big driver of our top line results, or certainly our Adjusted EBITDA for the year.

Andrew Browne, Chief Financial Officer

No.

Edison Yu, Scotiabank

Understood. Thank you.

Operator

Thank you. The next question is from Arun Seshadri from BNP Paribas. Please go ahead, your line is open.

Arun Seshadri, BNP Paribas

Yes, hi. Just a couple from me. First, I just wanted to understand. So, the government of Canada is planning to take senior equity, I guess, above lenders and shareholders. Is that right? Like, so their equity in LEO is going to be structurally senior equity ahead of existing lenders and shareholders?

Daniel Goldberg, President and Chief Executive Officer

So, maybe a couple of things. I mean, what we announced six weeks ago it is that we reached terms with the government of Canada on a roughly CAD2.1 billion loan and we disclosed what the terms of that are. It's 15 years. It picks during construction. It carries a rate of CORRA plus 475 basis points. It's fundamentally a loan and the government of Canada will be the (inaudible), you know. Alongside of the government of Quebec and the vendor financing that we're getting, it will be the sort of senior secured lender in connection with the Lightspeed constellation and in the unrestricted group where we're building Lightspeed. That's kind of number one.

But yes, as part of the deal, there is kind of an equity feature. The government of Canada is getting warrants covering 10 percent of the equity in the Lightspeed project, and those warrants are struck at an equity value of US\$3 billion up for the Lightspeed project.

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Anyway, I'm just trying to be responsive to your question about senior equity. It's kind of a form of equity participation in the Lightspeed project itself as opposed to the common shares of Telesat Corporation.

Arun Seshadri, BNP Paribas

Thank you for that, Dan, that was clear. So, I think what you're saying is that it is effectively equity that's, I guess, a first preference on Lightspeed, and then the residual equity would be what flows through to the equity of Telesat (multiple speakers).

Daniel Goldberg, President and Chief Executive Officer

Yes, I wouldn't think about it as first preference. I think about it that right now, you know, Telesat owns a hundred percent of Lightspeed. In the future, if the government of Canada exercised these warrants, they would be an equity participant alongside of Telesat.

Arun Seshadri, BNP Paribas

Okay, so you're saying that it's not structurally senior equity then, that it's actually alongside whatever equity there is. Understood.

Daniel Goldberg, President and Chief Executive Officer

That's right. Yes, that's exactly right.

Arun Seshadri, BNP Paribas

Then, is there anything specific, either direction? As you're finishing off the financing, would you—from the government of Canada's perspective, would it make sense for them to have the entire—the Telesat cash flow also be as credit support, or that financing, or is it—I guess on the flip side, would they insist that Lightspeed be separated from Telesat in order to sort of finish off the financing? I guess if the latter is the case, then how would you manage solvency requirements to make sure that that happens?

Daniel Goldberg, President and Chief Executive Officer

Maybe I'll start answering this. First off, and just so everyone understands how this works, the government of Canada is lending us money. It's going to be in the unrestricted group, and the cash that Telesat Lightspeed generates is going to be used to support the borrowings in that unrestricted group. So again, we've mentioned that our funding sources beyond our own \$1.6 billion equity contribution is going to be borrowings from the government of Canada, the government of Québec, and some vendor financing, and so those borrowings are going to be supported and secured by our Lightspeed activities.

So, could we in the future—could, in the future, others potentially be behind the government of Canada in terms of being supported by Lightspeed cash flows, or could, with the government's consent something differently done? Yes. But right now, that's kind of how it's set up. I think we've always been pretty clear about how Lightspeed's getting financed and the fact that we've got a restricted group and an unrestricted group. I mean, fundamentally, it's being project financed, and our financing sources are the government of Canada, the government of Québec, some vendor financing, and then again, our own meaningful equity contribution. I hope that's helpful, and then we should probably move on.

Arun Seshadri, BNP Paribas

Yes, I think that's very helpful. Can I ask one last thing, and that is I've noticed that the restricted payment hasn't fully been made yet. I guess the expectation is that (inaudible) would be made, and then once that's done, are there any other things that need to be done to put a bow on—I guess, what else needs to be done from the timing standpoint to put a bow on all of the financing requirements? Thanks.

Daniel Goldberg, President and Chief Executive Officer

So the restricted payment, I think it's \$125 million.

Andrew Browne, Chief Financial Officer

A hundred and twenty, yes.

Michael Bolitho, Director of Treasury and Risk Management

There is a remaining restricted payment of \$120 million to be made under the \$150 million general (inaudible).

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Daniel Goldberg, President and Chief Executive Officer

Yes, and we expect that will get done in the coming days.

Michael Bolitho, Director of Treasury and Risk Management

Yes, correct.

Daniel Goldberg, President and Chief Executive Officer

Then beyond that, again, we'll—at this point in time, we've got all of the financing lined up for the 156 satellites. We do need to conclude definitive funding agreements with those sources that I've described, the government of Canada, Quebec, and the vendor financing. But we've already kind of started down that road and are highly confident that we're going to get there. So that's, I'd say, the final bow that needs to be tied, but we're moving forward.

As we said in our remarks, I mean, we've got meaningful cash on our balance sheet at this point in time, and we're going to start spending that money so that we can move this program forward as quickly as we can. We are hugely bullish on the opportunities that are out there in the market, and we want to come to market and get in service as quickly as we can.

Arun Seshadri, BNP Paribas

Thanks very much.

Daniel Goldberg, President and Chief Executive Officer

Thank you.

Operator

Thank you. The next question is from Chris Quilty from Quilty Space. Please go ahead, your line is open.

Chris Quilty, Quilty Space

Thank you. Dan, just to follow up, and I'm not going to hold you to it, but on the government of Canada, Quebec

and the vendor, is that something that, you know, in the next three to six months sort of timeframe (multiple speakers).

Daniel Goldberg, President and Chief Executive Officer

Yes, Chris. No, we believe that should get done before the end of the summer. Hopefully, yes. We've got a lot of momentum with the government of Canada, as you can imagine, and the government of Quebec, which are the big contributors here. So yes, we're talking about in the coming months.

Chris Quilty, Quilty Space

Gotcha, so I was going to say the summer ends in October in Florida (phon), and I assume you're talking (multiple speakers).

Daniel Goldberg, President and Chief Executive Officer

Well, I'm working on an Ottawa summer, which ends a little bit earlier. (Multiple speakers) Yes, anyway, spring hasn't really even shown up yet. So anyway, yes.

Chris Quilty, Quilty Space

Also, the CapEx in Q1, I mean, obviously, you just closed the financing deal, but CapEx in Q1 was a little bit lower than I was expecting. Is it fair to assume you're probably more towards the \$1 billion and the \$1.4 billion? Andrew, typically in these large-scale, long-term programs, is it fair to assume, you know, year one, 30 percent, year two, 40 percent, year three, 30 percent type of how it falls out in timing, or should we look at this as sort of a longer, slower climb? Just a general framework of how you expect it to pan out.

Andrew Browne, Chief Financial Officer

I think, Chris, that given the nature of the program, you know, on supply chain and getting everything sort of moving forward. I think in this year that in our guidance, \$1 billion to \$1.4 billion, we think that's a solid number. By implication, it means we'll see kind of more payments upfront as we get all of the suppliers in place.

So, that's probably the best way I would characterize it, and then thereafter, as we go through the different

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milestones over the next two to three years, it will be more of kind of a flow tied to the contract and the operational milestones, Chris.

Chris Quilty, Quilty Space

Great, and one other question for you, Andrew. You had given the expected OpEx for the Lightspeed program. I'm assuming that is OpEx that's running through the P&L and strips out whatever is getting capitalized.

Andrew Browne, Chief Financial Officer

Yes, correct.

Chris Quilty, Quilty Space

Can you give me a sense of what is getting capitalized as part of the program? And again, as the construction goes and more gets capitalized, do we see that Telesat OpEx staying flat because everything gets rolled into capitalization, or do you expect it to grow in the out years? I mean, it's going to grow in the out years, but (inaudible).

Andrew Browne, Chief Financial Officer

Yes, so in terms of the sources and uses, we tried to make it a little bit clear in terms of the CapEx spend is third-party CapEx spend, so with vendors. So labour is in the operational uses, whether it's capitalized or not, just so you can see the outflow of funds and what the purpose of the outflow of funds is. In that regard the capitalized costs are there.

In terms of the overall level of effort, the amount of capitalized staff (phon) we ramp up our staff infrastructure quite rapidly, and therefore, you get to sort of a constant state relatively quick into program in terms of the level.

Chris Quilty, Quilty Space

I understand. Another question. You've predicted the data side of the business being down about \$75 million. As some of those contracts roll off, have you programmed in being able to resell some of that capacity, and what sort of luck have you seen on the data side in reselling?

Andrew Browne, Chief Financial Officer

(Inaudible)

Daniel Goldberg, President and Chief Executive Officer

Oh, for sure. We assume that there's some capacity that has come back into inventory that we'll resell, and I suspect we've already resold some of it. The guidance that we gave for this year will have kind of captured our assumptions, at least, about all of that. Was there another part to your question, Chris?

Chris Quilty, Quilty Space

No, that was it. It was that simple.

Daniel Goldberg, President and Chief Executive Officer

Okay.

Chris Quilty, Quilty Space

But I will ask you a difficult question, which is the elephant in the room question. Intelsat SES—and you'll probably have Lightspeed on orbit before the regulators get done with that—but what are your general thoughts on that transaction and how it impacts you?

Daniel Goldberg, President and Chief Executive Officer

Well, first off, I mean, we all know that those were conversations that had been taking place between SES and Intelsat some time ago, and they both confirmed that there had been discussions and then they each announced that those discussions had come to an end. But yes, I was never persuaded that that was the end of it, so it wasn't a big surprise to us, I'd say, that they made the announcement that they did recently.

That announcement, I think, fits within kind of the same framework that we've been talking about for a little while, which is to say the industry is changing quickly. There are these new entrants in StarLink and, in the future, Kuiper, that are impacting the industry. We all believe that industry consolidation would be a response to that. We've seen some already with Viasat and Inmarsat and Eutelsat and OneWeb, and now this big transaction as companies

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kind of organize themselves to remain competitive in this changing landscape.

For us, I don't think it's going to have any real impact in terms of how we compete in the market, what the prospects of Lightspeed and the like are. We've been competing against each of them for decades now, and they've each—they're already each meaningfully larger than Telesat. Coming together, obviously, they'll be larger still. But I don't think there's anything that should be too dramatically different in the combined competitive profile versus us competing against each of them individually.

So yes, all to say we weren't surprised. It fits with our expectation that consolidation would happen in the industry. It's probably not the last deal. Certainly, there will be—there are fewer players as more consolidation takes place, but I suspect that there could be more consolidation still in the future.

Anyway, that's how we think about it. Again, I mean, actions speak louder than words. Our vision is that—and I don't think it's even a vision anymore. I think we're all watching it real time. There is a transition that's taking place in the industry right now, particularly what we think of as enterprise users, which is to say, non-video. It's in the process of transitioning off of GEO and down to LEO. and for good reason. Something that we saw coming, something that we think that we're well organized for with our plans for Lightspeed.

Anyway, that's where our focus is right now, just making sure that we execute well on Lightspeed and bring to the market what we're convinced our addressable market is focused on. Our enterprise customers, government customers, and the aero and maritime customers, they're wanting, affordable, high throughput, low latency, distributed, resilient, kind of seamlessly connected connectivity, and we'll be able to deliver that in Lightspeed.

Chris Quilty, Quilty Space

Great. I appreciate it, and I hope spring comes soon for you.

Daniel Goldberg, President and Chief Executive Officer

Thank you, Chris.

Operator

Thank you. The next question is from Marcello Chermisqui from Ares Management. Please go ahead, your line is open.

Marcello Chermisqui, Ares Management

Hey, guys, thanks for taking the question. You said earlier in response to a question that you will be making a CAD120 million restricted payment in the coming days. Given that you already have such a significant amount of cash at the LEO entity and are waiting to spend the money until once you finalize terms later this summer, what is the rush to make the cash transfer so soon?

Daniel Goldberg, President and Chief Executive Officer

Hey, Marshall, thanks for the question. First off, I think the—I'm looking at our (multiple speakers).

Michael Bolitho, Director of Treasury and Risk Management

It's \$150 million—it's US\$120 million.

Daniel Goldberg, President and Chief Executive Officer

Yes, and so the payment is US\$120 million. Then, as far as urgency, look, we're moving forward with Lightspeed in advance—and by moving forward with Lightspeed, I mean we are going to be spending meaningful amounts of money this year. You've heard the CapEx guidance that we've given in advance of completing these definitive agreements. We have a sufficiently high level of confidence, on the one hand, that we'll conclude those definitive agreements, and on the other hand, kind of a strategic urgency to get going with the Lightspeed program. We're moving out, and when we talk about the CapEx spending that we've guided to this year, we're opening the spigots now. MDA (phon) is going to be—and our other vendors—contracting with the supply chain, ordering parts, hiring people. We're moving out here, so that's the plan. That's what we'll be doing.

Marcello Chermisqui, Ares Management

That makes sense. In terms of discussions regarding an extension on your revolving line of credit, I know it's due later this year. I know today you're in compliance with the

revolver covenants, but if I roll forward your leverage ratio at year end based on the guidance, and I understand you're not tested today since there's no revolver usage, but I think the Company may not be in compliance by year end. Do you think that could impact a revolver, and do you think it's fine without having a revolver? How are you thinking about discussions?

Michael Bolitho, Director of Treasury and Risk Management

Yes, Marcello. It's certainly something that we look at, that we review. We have a business that generates—our GEO business, which I talked about earlier, a few minutes ago, is still generating cash. In terms of a revolver, in 17 years, I believe we have drawn our revolver once.

Marcello Chermisqui, Ares Management

Yes, totally makes sense. Then just one last question. On utilization that has declined so much sequentially, I know there's an interplay between utilization and then just, like, what your pricing per transponder is. Can you talk about just, like, when you think about utilization, are you targeting a certain utilization, or how do you think about where utilization is versus where you want to be?

Daniel Goldberg, President and Chief Executive Officer

Yes, I will take it. We target 110 percent utilization, to be honest with you. I mean, that's where we'd like to be. Probably everyone does, but barely anyone really gets there.

I still think, even with the decline in utilization that we've had, we still probably have one of the highest asset utilization numbers in the sector right now. It concluded this quarter at 77 percent, but it is down meaningfully from where we ended Q4, which was up at around own 85 percent. What's driven that, the biggest culprit has been the business we've lost in the maritime space fundamentally. We talked about that on our last call that there was some renewals that we did not secure, particularly in the maritime space, that have moved mostly, as far as we can tell, over to StarLink. I'm not going to guide right now on what we think utilization will be in the future, but we're focused on remarketing that capacity.

From a pricing perspective, there's been downward rate pressure in the industry for years now. The slope of that

decline has varied throughout those years, so we've seen significant downward pricing pressure. I'm looking at one of my colleagues, probably five or six years ago. It moderated. There's still downward price pressure, but the extent of it had moderated. Again, I'm speaking as if we're living in a homogenous world. It really varies by region. We had noted before that probably where we were seeing the steepest declines were in Africa, in Latin America, but again, things started to moderate a little bit. Right now, I'd say the slope of the downward pressure is probably picking up a little bit again, but not dramatically.

But look, I mean, the laws of supply and demand are alive and well in our industry, like in others. So yes, but that's what has accounted for the decline in utilization. It's mostly been in the maritime space. There is some downward pricing pressure, but not what I would describe as sort of extreme at this at this point.

Marcello Chermisqui, Ares Management

Great. Thanks so much.

Daniel Goldberg, President and Chief Executive Officer

Okay, thank you.

Operator

Thank you. The next question is from Matt Lapides from Abry Partners. Please go ahead, your line is open.

Matt Lapides, Abry Partners

Hey, guys. Thanks for all the colour here. I wanted to follow up on the maritime comments. Can you talk about what type of maritime customers you've been losing? Are they cruise lines, are they large global shipping companies, are they both, are they personal, the yacht segment? Any colour you can provide on the type of maritime customers where you're seeing the most defection, I suppose, would be helpful.

Daniel Goldberg, President and Chief Executive Officer

Yes, the biggest has been in the cruise space and, in particular, probably for us, in the Caribbean. We just had a meaningful amount of capacity there. So I'd say that it accounts for the lion's share of the losses, cruise in

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Caribbean. Then there's—probably on the margins, there's been some erosion, I don't know, maybe maritime transport and stuff like that, but the driver has been cruise.

Matt Lapides, Abry Partners

Got it. Can you talk about how much of that business, if you look back three years ago, how much of that is now gone? I mean, is there more of it to come, really is what I'm trying to get at?

Daniel Goldberg, President and Chief Executive Officer

Yes, we've been staring at that. I'll ask my colleague, John. We've absorbed a lot of the hit. John, do you want to offer any thoughts around that?

John

Yes, if you go back three years? That's probably not the right time to go back to because in the past two years, we had some pretty significant increases in maritime. But from the past two years to this year, we're expecting roughly half the revenue, a revenue decline by roughly half.

Daniel Goldberg, President and Chief Executive Officer

From where we were.

John

From where we were over the past couple of years.

Matt Lapides, Abry Partners

Got it, that's helpful. Then just one follow-up to the earlier question about the government of Canada's equity position LEO. I just want to make sure I understand the flow of funds. If five or six years from now Lightspeed is up, it's everything you hoped it would be in terms of generating lots of cash, and in the LEO subsidiary business, if there's excess cash flow after servicing the debt, there's a dollar of excess cash flow, where does that extra first dollar go to? Does it go to the equity holders of the LEO subsidiary, or is it shared ratably

amongst—up at the ultimate holding companies such that all stakeholders would get their pro rata share of that dollar?

Unidentified Male Speaker

There is nothing in the contemplated definitive documents that we're talking about that would ratably share that between the equity holders at Telesat Corporation and Telesat LEO, no.

Matt Lapides, Abry Partners

Okay. Thank you for clarifying. That's it for me, appreciate it.

Daniel Goldberg, President and Chief Executive Officer

Thank you.

Operator

Thank you. The next question is from Evan McFadgen from Cormark Securities. Please go ahead, your line is open.

Evan McFadgen, Cormark Securities

Okay, thank you. Yes, a couple of questions. If I understand right, I think you said that you expect to conclude the definitive agreements with the government and it could take as long as until the end of the summer. Is that correct?

Daniel Goldberg, President and Chief Executive Officer

Yes. Again, I mean, we're dealing with the government of Canada here, so I can't be too precise about the timing on when exactly it would come to a close. But that's our expectation given the momentum that we have and what an extensive blueprint we have in terms of what the terms are. Yes, we think that having this done by the end of the summer is a realistic timeline.

Evan McFadgen, Cormark Securities

Okay, and so even though you may not have those agreements concluded until the end of the summer, you're still going to spend \$1 billion to \$1.4 billion. I guess you can do that because you have all that cash sitting in the nonrestricted sub. Is that what gives you the confidence to just spend the way you are planning?

Daniel Goldberg, President and Chief Executive Officer

What gives us the confidence to spend that money before having the definitive agreements concluded is just a lot of conviction that we'll get those definitive agreements done given all the good work that we've done with these funding sources and how much these funding sources wanted to see this project move forward.

Then, as I said on the other hand, we've got to get going. We've got pricing locked in with our suppliers, and we've got a great opportunity out there in the market. Our customers are wanting us to have this service available to them as quickly as we can. If they had their way, we'd have it available, like, now. So we've got to move. Waiting around for another three or four months, knowing as we do—and we believe that, again, a high degree of confidence that we're going to get all this funding that we need. It just doesn't seem to be on balance the right thing to sit on our hands and go through a process that we have a lot of conviction about where we're going to land with these funding sources. So yes, we've decided to move forward and move forward with speed.

Evan McFadgen, Cormark Securities

Okay, and so I would imagine that the vast majority of that spend on Lightspeed will be on satellite build and design and everything. Correct?

Daniel Goldberg, President and Chief Executive Officer

The most significant portion of the CapEx that we'll be investing this year is going to go towards satellites. There'll be some launch payments. There'll be some other stuff for user terminals and landing stations. But with the biggie will be our friends at MDA, giving them the cash that they need to turn on their supply chain and move forward.

Evan McFadgen, Cormark Securities

Right, and so because MDA is the prime contractor, all that money is going to MDA right?

Daniel Goldberg, President and Chief Executive Officer

I wouldn't say all of it, but I'd say a very meaningful portion of it.

Evan McFadgen, Cormark Securities

Right, okay. Then just on just a question on the fact that you lost some business to maritime, you think it's gone to StarLink, it's my understanding that StarLink doesn't offer any SLAs, and you, when you have Lightspeed up, you would offer SLAs. Wouldn't that give you a competitive advantage?

Daniel Goldberg, President and Chief Executive Officer

Yes, we think it will. But we need our Lightspeed constellation to deliver the service, so that that's why we're bullish about our prospects to take the market share that we need in order for that project to be successful.

I think there are a number of features of the Lightspeed constellation that will it gives us a good competitive advantage and allow us to present a tremendous value proposition to the customer community. The ability to provide SLAs and CIR and give our customers an enormous amount of autonomy to manage the bandwidth that they will be contracting from us. I think all of those things will allow us to be successful. But yes, Evan, that's one of the features for sure. We'll be offering our customers SLAs, and we think that's important to some subset of them.

Evan McFadgen, Cormark Securities

Okay. All right, thank you so much.

Daniel Goldberg, President and Chief Executive Officer

Okay, thank you.

Operator

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Thank you. The next question is from Alex Nolan from Invesco. Please go ahead, your line is open.

Alex Nolan, Invesco

Thanks, my question was answered. I wasn't able to take myself out of the queue. Thanks.

Daniel Goldberg, President and Chief Executive Officer

Thank you.

Operator

Thank you. Once again, please press star, one, on your device's keypad, if you have a question.

The next question is from Walter Piecyk from LightShed. Please go ahead, your line is open.

Walter Piecyk, LightShed Partners

Thanks. Dan, I apologize if this is kind of a redundant question, but I've kind of heard this and what to make sure that this is put to bed. MDA will start constructing these satellites prior to you finalizing the agreements with the government of Canada, correct?

Daniel Goldberg, President and Chief Executive Officer

Correct.

Walter Piecyk, LightShed Partners

Okay. Then, in terms of the overall market, now that you've seen a little bit more of what StarLink has been doing, different verticals, they've gone into Russia (phon), many people, at least initially, expected them to go after maritime. I know that there were some of your peers that were claiming they couldn't do airplanes and that around (phon) airplanes. Just curious, when you look at the market opportunity for your LEO constellation, has it changed at all as you kind of approach construction now?

Daniel Goldberg, President and Chief Executive Officer

I don't believe so at all. Listen, StarLink is having a big impact on the market, and they're having an impact on our business, which I don't love. But what I do love is it has, I think, a hundred percent validated the strategic direction that we took Telesat in going some years back. You're right, there were folks that doubted whether they'd penetrate the maritime market and the backhaul market and doubts about the aero market. We were convinced that a LEO architecture was not only a good infrastructure to support those services, but one that would have a significant competitive advantage, and StarLink is demonstrating that in real time. But no, our are market thesis, our business plan, it's intact.

Here again, for me it's just reinforced everything. Our customers know now that LEO is the best way to address so many of these requirements. They are taking services from StarLink, and it provides a pretty good service, but it doesn't give everyone everything that they want. We've talked about the SLAs. We've talked about their ability to manage their own bandwidth pools and whatnot. So, it doesn't give enterprise users everything they need, number one.

Number two, the customers don't want to put all their requirements with one supplier. They don't do that with all sorts of their enterprise infrastructure, whether it's cloud or, you know, Internet connectivity, kind of writ large, whether it's satellite or not. They want multiple providers.

Yes, there's a huge opportunity here. There's nothing that we've seen in StarLink that causes us to question the various assumptions that we made when we got ourselves on this Lightspeed path. If anything, all of our thinking around the immensity of the opportunity and why LEO will have a competitive advantage capturing those requirements has been validated by everything we've witnessed over the last 12-plus months.

Walter Piecyk, LightShed Partners

On past calls I've talked about, or we've talked about the ability to sign up people to pre-reserve the capacity, right, existing enterprise customers from (inaudible), saying, hey, we're going to take part. I think the issue was getting to that point of finalization and that once that occurred, we might be able to see some of those press releases start to hit. Understanding that things aren't finalized, if you've started the construction, doesn't that send enough of a message to these customers that we can start seeing some releases from you guys or some indications of enterprises signing up for capacity on the new constellation?

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Daniel Goldberg, President and Chief Executive Officer

Listen, you're right. I think calls like this one—and we're in a small industry, so when this supply chain all gets under contract, that will ripple through the industry. If anyone had any doubts about whether or not Telesat was going to proceed with this program, those should be put to rest. If they haven't already been put to rest, I think they should be put to rest in the coming days and weeks.

I think that it will be a great sign to the customer community that Lightspeed is coming. Look, we're only about two years away from launching our first satellite, so it isn't that far away. We are going to be very focused on trying to secure customers and making those announcements and reporting backlogs so that all sorts of different audiences can track the progress we're making.

My own expectation is it'll still be closer to in-service when we're able to make more of those announcements. But I still have an expectation that we'll be able to announce commitments in advance of being in service. You can imagine that, with all of my colleagues here on the commercial side, we're very focused, and we're very engaged with the customer community right now and they're excited about Lightspeed. So yes, all I'd say there is stay tuned. We're very focused on that, and we'll be very transparent about the commitments that we get.

Walter Piecyk, LightShed Partners

If I can, just one last one on EchoStar. I mean, they're facing some financial distress, particularly as they approach the end of the year, which is, I think, the time for renewal. Have you had any preliminary discussions? Any thought on that, maybe how that may play out?

Daniel Goldberg, President and Chief Executive Officer

Well, you know, we talked about what one of the headwinds that we're facing this year is an expectation that—and the renewal that we have coming up, comes up in October, is on our Nimiq-5 satellite, which they use—they're the exclusive user of that satellite. The guidance that we gave for this year captures all sorts of different outcomes that we might get there. On the last call, we had said that we'd started the conversation with EchoStar about their thoughts about whether they're going to want to renew or not. But we haven't advanced it that much since we had our last call just six weeks ago, and so it's not clear to me where we'll end up. I think, regardless of

the scenario, we're going to see a meaningful reduction in the amount of revenue that we recognize from Nimiq-5 post renewal date in October.

But whether they renew all of it, some of it, or none of it, it's still not clear to us at this point in time. We've got a great relationship with EchoStar. We've worked with them for years. We know that Nimiq-5 is being used to distribute content today to their subscriber base. We know that they do have a lot of other things that they're focused on, and saving cash is pretty high on that list.

So anyway, all to say that, yes, we'll give an update once we have one, but right now, we don't have an update from the call that we had just six weeks ago.

Walter Piecyk, LightShed Partners

Got it, thank you.

Daniel Goldberg, President and Chief Executive Officer

Thank you, Walter.

Operator

Thank you. At this time, we will turn the call back over to Mr. Goldberg. Please go ahead.

Daniel Goldberg, President and Chief Executive Officer

Okay. Well, Operator, thank you very much, and everyone, thank you for joining us this morning. We look forward to chatting with you when we release our Q2 results. So, thank you all, and have a nice weekend.

Andrew Browne, Chief Financial Officer

Thank you. Cheerio.

Operator

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

