

## CORPORATE PARTICIPANTS

**James Ratcliffe**

*Vice President, Investor Relations*

**Dan Goldberg**

*President and Chief Executive Officer*

**Andrew Browne**

*Chief Financial Officer*

**John Flaherty**

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**Dave Wendling**

*Chief Technical Officer*

## CONFERENCE CALL PARTICIPANTS

**David McFadden**

*Cormark Securities*

**Edison Yu**

*Deutsche Bank*

**Caleb Henry**

*Quilty Space*

**Walt Piecyk**

*LightShed*

**Chris Quilty**

*Quilty Space*

## PRESENTATION

**Operator**

Good morning, ladies and gentlemen. Welcome to the conference call to report the Third 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. James Ratcliffe, Vice President of Investor Relations. Please go ahead, Mr. Ratcliffe.

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**James Ratcliffe, Vice President, Investor Relations**

Thank you, Latanya and good morning, everyone.

This morning, we filed our quarterly report for the period ending September 30th, 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 update 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.

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

Okay, thanks James, and thank you all for joining us this morning.

Q3 and the first nine months of this year have unfolded largely consistent with our expectations. And as we noted in our earnings release, we've updated our guidance for revenues to be at the upper end of the range and for Adjusted EBITDA to be at or above the top end of the range.

Q3 was eventful with our biggest news that we closed the funding for Lightspeed towards the end of the quarter. We indicated on our Q2 call that closing was on track and we're pleased to get the announcement done shortly thereafter.

I'm happy to say that we're making excellent progress so far executing the program and are pleased with the work and good collaboration we're having with our key suppliers. I'm also happy to see all the very talented new people we're bringing into Telesat as we staff up for this important program.

In addition to the good progress we're making on the technical front, I've been very pleased to see the level of engagement we're having with the customer community now that the program is fully funded.

It's increasingly plain that satellite users, in each of the verticals we're focused on, see the significant benefits of LEO and have an appreciation as well that Lightspeed, with its highly advanced and capable design, can meet their growing connectivity requirements. Securing customer commitments for Lightspeed is obviously a very high priority for us, and we'll keep the market apprised of our progress as we move forward.

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Switching gears to our GEO activities. I'm pleased to say that we entered into a renewal agreement with EchoStar last month for Nimiq 5, a renewal that we've spoken about on our prior calls. It's a five-year renewal that will see DISH ramping down its capacity over roughly the course of the first year to half the capacity they're using today. On a cash basis, we'll be receiving a little less than a third of what we used to.

We plan to use the Nimiq 5 capacity we have coming back to us to support certain customer requirements in Canada, but we don't expect it to fully replace the lost revenue from DISH.

We mentioned on our Q2 call that we were contemplating selling a wholly-owned subsidiary that was generating roughly \$10 million a year top line, but with minimal EBITDA contribution. We did enter into an agreement last quarter to sell that business called Infosat for proceeds in the low single-digit millions of dollars, so nothing very material there.

The last thing I'll mention about developments in the quarter on the GEO business is that we restructured our contract with Canadian ISP Explorer, something we also discussed on our last call. Explorer has gone through a financial restructuring. And as part of that, we took an incremental bad debt provision last quarter to reflect that situation.

On our Q2 call, we noted that Explorer accounted for about \$40 million of backlog and that roughly one-third of that was a prepayment that we recognized as deferred revenue each quarter.

In light of Explorer's financial challenges, we restructured the contract, which will now expire at the end of Q3 next year, a little more than a year earlier than originally anticipated. Following the restructuring, we expect revenue from Explorer to be down around \$4 million next year relative to this year, but effectively flat at the EBITDA line.

In sum, it was a busy quarter, and we're performing well relative to our guidance as we get closer to year-end. We're very pleased to have Lightspeed fully funded for global service and are making strong progress to date on program execution. We remain very bullish on Lightspeed's prospects in the market as well as our ability to deliver an extraordinary value proposition to our customers and significant value creation for stakeholders.

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

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**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.

In the third quarter of 2024, Telesat reported consolidated revenues of \$138 million, Adjusted EBITDA of \$96 million.

For the first nine months of 2024, the Company generated \$64 million in cash from operations, ending the third quarter with \$1.1 billion of cash.

For the third quarter of 2024 compared to the same period in 2023, revenues decreased by \$37 million to \$138 million, operating expenses decreased by \$4 million to \$46 million, and Adjusted EBITDA decreased by \$37 million to \$96 million.

The Adjusted EBITDA margin was 69.5 percent as compared to 75.9 percent in the third quarter of 2023. The revenue decrease for the quarter was primarily due to 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.

The decline in operating expenses was primarily due to lower non-cash share-based compensation and higher capitalized engineering related to Telesat Lightspeed, partially offset by higher bad debt expense, professional fees, and increased headcount in our LEO segment.

Interest expense decreased by \$6 million during the third quarter when compared to the same period of 2023. The decrease in interest expense was primarily due to the repurchase of notes and Term Loan B. This was partially offset by an increase in the interest rate on the U.S. term loan facility.

In the third quarter, we recorded a gain on foreign exchange of \$36 million as compared to a loss of \$77 million in the third quarter of 2023. The gain for the three months ended September 30th, 2024, was mainly the result of the weakening U.S. dollar, the Canadian dollar spot rate through the quarter as compared to the spot rate as of June 30th, 2024, and the resulting favourable impact on the translation of our U.S. dollar-denominated debt.

Our net income for the third quarter was \$68 million compared to a net loss of \$4 million for the same period in the prior year. The change was primarily due to the foreign exchange benefit I mentioned earlier, partially offset by the decline in revenues.

For the nine months ended September 30th, cash inflows from operating activities were \$64 million. Capital expenditures were \$661 million, almost all of which related

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to Telesat Lightspeed. Of this amount, \$550 million consists of cash payments made with the remaining \$111 million was accrued. This amount is reflected in trade and other payables on the balance sheet at quarter end.

Guidance, as you will also have noted in our earnings release this morning and as Dan has said, we've updated our 2024 guidance. This guidance assumes a Canadian dollar to U.S. dollar exchange rate of \$1.35.

For 2024, Telesat now expects its full year revenues to be at the upper end of the guidance range of between \$545 million and \$565 million. In terms of operating expenses, excluding share-based compensation, we now expect to spend approximately \$65 million to \$70 million on Telesat Lightspeed this year versus our prior expectation of \$80 million to \$90 million. This mainly reflects just the overall timing in new hires.

In terms of total Adjusted EBITDA, we now expect to come in at or above the guidance range of \$340 million to \$360 million, reflecting both better revenue and lower OpEx.

As promised, we are showing our GEO and LEO results separately as reflected in Note 4 of our financial statements filed in our 6-K.

In respect to capital expenditures, we expect 2024 capital expenditures to be in the range of \$1 billion to \$1.4 billion, which is nearly all related to Telesat Lightspeed. This also reflects our estimate of timing of invoices received and corresponding accruals at year-end.

To meet our expected cash requirements for the next 12 months, including interest payments and capital expenditures, we have approximately \$1.1 billion of cash and short-term investments at the end of September as well as \$2.54 billion available under our funding agreements with the Government of Canada and Quebec.

Approximately \$850 million in cash was held in our unrestricted subsidiaries at the end of the quarter. In addition, we continue to generate a significant amount of cash from our ongoing operating activities.

At the end of the third quarter, the total leverage ratio as calculated on the terms of the amended senior secured credit facilities was 5.84 times. Telesat is in compliance with all the covenants in our credit agreement and indentures.

In terms of our debt repurchases, we repurchased year-to-date an amount of US\$262 million at a cost of US\$190 million, including accrued interest. Combined with the debt repurchases completed in '22 and '23, we have now repurchased a cumulative principal amount of US\$849 million at a cost of US\$459 million, including accrued

interest. This also results in interest savings of approximately US\$54 million annually.

Including the repayment in 2020 of approximately US\$356 million of our Term Loan B, our overall debt has now been reduced by approximately 36 percent.

A reconciliation between our financial statements and financial covenant calculations is provided in the report we filed this morning.

Our 6-K provides the unaudited interim condensed consolidated financial information in the MDA. The non-guarantor subsidiaries shown are essentially the unrestricted subsidiaries with minor differences.

That concludes our prepared remarks for the call. And now we're very happy to answer any questions you may have. We will turn back to the Operator.

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**QUESTION AND ANSWER SESSION**

**Operator**

Thank you very much. We will now take questions from the telephone lines. If you have a question, please press star, one. 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 for questions. Thank you for your patience.

The first question is from David McFadden from Cormark Securities. Please go ahead.

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**David McFadden, Cormark Securities**

Yes, hi. Just a couple of questions. First of all, just on the EchoStar renewal. You indicated that the revenue will be down about a third or 30 percent, but you expect to offset some of that. I was just wondering what do you think the net impact would be?

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

I don't know, David. It's Dan. Thanks for the question. I'm not sure yet. We've got a couple of satellites that are coming to the end of their lives, and we plan to use the capacity coming back from Nimiq 5 to support some of the customers who were using those satellites. In some ways, it's just kind of shifting revenue around a little bit.

I don't know. I mean it's best right now just to think about—and we're not giving 2025 guidance yet. Stay tuned on

that. When we do, we'll try to give some more insight into that.

But yes, but don't think of it as new revenue. I think it's more going to be revenue that's moving from customers that are currently on satellites like Anik F3 and other satellites that are approaching end of life.

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**David McFadden, Cormark Securities**

Okay. Then just a couple of questions on Lightspeed. You're sticking with your CapEx guidance of \$1 billion to \$1.4 billion. When I look at the cash flow statement, would that number then show up on the cash payment of satellite programs? Because so far, it's about \$500 million year-to-date.

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

Andrew?

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**Andrew Browne, Chief Financial Officer**

Yes, I'll answer that. In fact, David, as I said in my notes that if you look at the CapEx itself, if you go to Page 8 and our cash flows used in generating for investing activities, you'll see two amounts: cash payments related to the satellite programs, \$502 million; cash payments related to property and other equipment, which is also related to aspects of our Lightspeed program. That gives you \$550 million.

Also, as we said, that given the timing of invoices, cash hasn't been paid, but nonetheless, they were accrued. And I could draw your attention to Page 7, trade and other payables. There is an amount of \$157 million there. And included within there is the amount that I had mentioned of \$111 million. If you take the \$111 million accrued and you add for the cash paid \$550 million, that gives you the \$661 million that we've called out for capital expenditures.

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**David McFadden, Cormark Securities**

Okay. If you're going to actually record the \$1 billion to \$1.4 billion, those line items in the cash flow statement are going to be impacted, right?

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**Andrew Browne, Chief Financial Officer**

Yes, correct, 100 percent.

**David McFadden, Cormark Securities**

Okay. Okay. Then just on...

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**Andrew Browne, Chief Financial Officer**

Hold on. Was that, David? What was that last question? Sorry.

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**David McFadden, Cormark Securities**

No, no, no. That was just a clarification. Just some questions on the development of Lightspeed. There's been some talk in the trade press, a number of agreements that I guess you're working on. Can you give us any update on Taiwan, your discussions with providing Lightspeed government of Taiwan or something like that?

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

We saw that there were some news reports about that. But no, I mean, our policy is not to comment on any potential discussions we're having with folks, which is not to say that we're not, not to say that we are.

But I would say, and we've talked about this before, Lightspeed is extraordinarily impactful and useful for governments, particularly as communications requirements evolve, and we've seen how the conflict in Ukraine has played out.

You might have seen that Australia recently cancelled a multibillion-dollar geostationary program with Lockheed Martin, defense applications and there was speculation that it was owing to budget constraints. But I think it was just yesterday, the Australian Minister of Defense came out and said, no, it's a function of the fact that the technology has evolved, and we need to meet these requirements, but we think that LEO is just a much better, more resilient distributed architecture to do it.

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In any event, so we can't comment on any particular discussions that we're having, but I would note that we see a lot of opportunities to work with governments, leveraging Lightspeed's capabilities.

Having said that, notwithstanding our policy of not commenting on discussions that might be pending, we will acknowledge that Viasat said on its earnings call, I think it was last week, that they are in discussions with us about a

Lightspeed capacity purchase. We will affirm that that's the case.

Here again, I think that Viasat, like a lot of other users out there are seeing the need at a minimum to complement their existing satellite infrastructure with LEO, the customer community, and we saw this recently with United Airlines moving from some of its existing providers. They announced that they're going to be transitioning over to Starlink.

I think Air France shortly after announced the same thing. Clearly, the user community, not a shock to Telesat—that's why we're building Lightspeed—sees huge benefits from moving to LEO, and so I think that most communication service providers across all these different verticals are looking for a way to leverage LEO right now in order to remain competitive.

Certainly, the conversations that we're having with Viasat are a reflection of that. I mean, Lightspeed is just going to be transformative in terms of what users are going to be able to do. And Starlink, I think, has really validated just how powerful it is. But users want competitive alternatives as well and Lightspeed is going to be a very competitive alternative.

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**David McFadden, Cormark Securities**

Just following on that, Lightspeed would be or is expected to be better than Starlink today for sure, but no one expects Starlink to stand still, right? SpaceX, Starlink asked to change its orbit, use additional spectrum because they want to be able to offer a gig download speed as well. So, I was just wondering, do you have any comments on that? And how would Lightspeed compare with, I guess, with what Starlink is proposing to do? I don't—maybe you don't know what they're proposing to do, but any comments on that would be helpful.

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

Yes. No, listen, I agree with you. Starlink is a great service. It's why they're getting so much traction in the market. It's why they're being so impactful. It is a great service today and it will be getting better. If people don't recognize that, then I think they're diluting themselves, and so it's incumbent upon all of us to make sure that we're bringing to market services that can compete not just with the Starlink that exists today, but the Starlink that will just be getting better and better over time.

That's the competitive environment that we believe that we're going to be entering into, and we're going to have to compete on all the things that we've always had to

compete on. We're going to have to compete on quality of service. We're going to have to compete on price. We're going to have to compete on level of customer service and responsiveness. Then we're going to have some features that we think enterprise users are going to particularly value, whether that's service level agreements or CIRs or giving our customers more kind of autonomy over how they manage the bandwidth that they procure from us. We think that those will all be important features. It could be the case that those things are ultimately duplicated by our competitors, and we've got to be ready for that.

Yes, I mean, that's how we think about it. But fundamentally, we're used to competing in markets that are highly competitive. We're used to, yes, having to bring a great value proposition to the market. I think that we're going to be successful because it will be a great constellation and a great network. We are, I think, well known in the industry for providing high levels of customer service.

Starlink, I believe, is going to continue to gain market share, but they're not going to take 100 percent of the market. The market is big. It's growing even with customers that they're serving today, those customers will want multiple providers. That's just kind of how these enterprise customers operate.

Anyway, that's how we think about it, David. But I agree with you. Starlink, it's a great service today. Obviously, we track what they're doing closely. And my expectation is it will be a network that just gets better and better over time.

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**David McFadden, Cormark Securities**

Okay. All right. Thanks.

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**Operator**

Thank you. The next question is from Edison Yu from Deutsche Bank. Please go ahead.

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**Edison Yu, Deutsche Bank**

Hey good morning everyone and thank you for taking our questions. I wanted to go back on the 4Q kind of implied guidance. It seems there's—if you take the range that you're kind of pointing us towards and the first three quarters, it's a bit of a step down. Can you maybe talk about the drivers of that? Is that basically all on the Nimiq 5?

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

No, it would absolutely be the biggest driver. That contract got kind of re-rated in—help me out, John...

**John Flaherty, Vice President, Business Planning and Marketing**

Early October.

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

Yes, early October. It's going to have a full—and I said it's just a third of the cash on a go-forward basis that we're going to be receiving versus what we did before. And there, I said the cash because in the revenue that we recognized with DISH previously, most of what we were getting was cash, but there was also a deferred revenue piece from a prepayment that we had gotten at the time we did that contract. That will be the biggest driver.

I'm not sure if there's—I mean, there's nothing else that really comes to mind in terms of other things. On the EBITDA side, we continue to ramp up our cost structure. We add headcount mostly for our LEO activities, but that will be the biggest driver on the top line.

**Edison Yu, Deutsche Bank**

Understood. Understood. I noticed in the filing, there was an update, I guess, on Shaw. Can you just kind of maybe tell us or update us on the situation?

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

Well, there's not much—I mean, there's not a huge update. Shaw took the position sometime earlier in the year that for whatever reason, they felt like they had a right to stop paying us. We don't share that view, and so we filed a lawsuit against them.

I think at the top of my head, we're seeking \$45 million in damages, about \$35-plus million is for revenue payments that they owe us under the contract, and the balance would be punitive damages and things like that. So, not a huge update.

Looking at our General Counsel, as I say this, the lawsuit has been filed and away we go. But we feel strongly about our claims and so we're pursuing it. But there's no real update beyond that.

**Edison Yu, Deutsche Bank**

Understood. Understood. And just last one for me. I know you affirmed the discussions with Viasat. Can you maybe just remind us on the discussions that you're having? I assume it's more than just with Viasat. Does that kind of cater more toward ISV? Is that government? Is that maritime? Like how is the split of discussions going in terms of the various end markets, if one kind of stands out more than the other?

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

We are having active discussions with customers all over the world in all those different verticals that we talked about. The level of engagement with the customer community is very, very high.

We've always been telling everyone that Lightspeed was going to get fully funded. I'd like to think that most people believed us. But I will say there's been a—it feels like a bit of a sea change in terms of just the qualitative nature of the discussions we've been having with customers in all these different verticals, since we announced that we're fully funded.

And I think it's two things. One, the fact that we're fully funded, maybe it's more than two things. Three, the fact that we're going to be launching in two years' time. And the way a lot of these networks work, you need lead-time, particularly when you're dealing with the aero and you've got whether an airplane needs a new antenna, a lot of the planes can actually communicate with Lightspeed even with their existing antennas, but you still need a new modem. So, there's some lead-time. The customers need to start working now if they're going to transition to Lightspeed.

Then the other thing I think that's happened, the same day that we announced that we were fully funded, United announced that they were moving all of their planes to Starlink. I think the penny has just dropped with the user community that—Whether you think the future is totally LEO or whether you think that the future is going to have a meaningful component of LEO. But I think everyone in the world believes one or the other right now.

I've noticed that between being fully funded, between all the traction that Starlink is getting out there, the seriousness and the concreteness of the discussions that we're having with customers is, yes, firming, if you will.

In any event, it's across the board. It's aero, it's maritime, it's government services, and then it's the old kind of traditional backhaul rural broadband sort of requirements.

Anyway. But look, we're just in the trenches right now, working with customers, very focused on signing commitments, and as we do, we'll be announcing them. So far, we haven't in our financials been disclosing LEO backlog, but we're going to start doing that in the new year, just so everyone knows.

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**Edison Yu, Deutsche Bank**

Thanks. Thank you, Dan. Appreciate the insights.

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**Operator**

Thank you. The next question is from Caleb Henry from Quilty Space. Please go ahead.

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**Caleb Henry, Quilty Space**

Hi. Thanks, guys. A couple of questions around just Lightspeed and also LEO constellations. Telesat had recently announced a contract, I think it was 127 antennas from Intellian. I was just curious how far that gets you with meeting your gateway needs? And also, kind of what the status is of the gateways for Lightspeed so far? My guess is it's probably—that sounds like it's about half the antennas you would need, but I wasn't sure.

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

I'm looking at our CTO Dave Wendling. I think the order that we made with Intellian covers about, David, it's like somewhere between 25 and 30 gateways, help me out.

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**Dave Wendling, Chief Technical Officer**

Yes. 27 gateways, Dan.

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

That's between 25 and 30. So, 27 gateways, and we're really pleased with the good work that Intellian has been doing. I mean they are one of the leaders in our sector, not only for gateway antennas, but for user terminal antennas as well. Yes, we're plowing forward.

Some of the sites, in Canada at least, will be kind of more greenfield in nature. Other sites around the world will be probably a mix of two, some that existing Teleport facilities where we'll be adding our gateway antennas and then

maybe some greenfield sites as well. We've been mapping out locations in North America, in Asia, in Europe, and Australia, and Latin America. Yes, so we feel good about the progress that we're making there.

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**Caleb Henry, Quilty Space**

Okay. Thanks. And then a question on—this one may go a little way back. I remember in 2020, Telesat was working on, I think it was interoperability with the Space Development Agency. Since you have the same optical terminal provider, does it look like Lightspeed will be able to communicate with the military constellation in the U.S., PWSA?

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

Listen, we've tried really hard to track what the U.S. government has been saying about interoperability of these—I mean, it's really important for the U.S. government that as part of their proliferated LEO initiative that these various LEO constellations are interoperable. It gives them more resilience. It gives them more flexibility, greater deterrence value and all of that. That was certainly a consideration for us when Telesat and MDA chose TSAT. I think that we're going to be interoperable.

But it goes beyond just the ISLs, like we're also using Aalyria. We announced that too, I believe we did. We announced Aalyria, which is a software provider that is providing at least some level of the software platform that we'll be using to manage the traffic of the constellation and what not. And the U.S. government, I believe, is also working with Aalyria.

Not only do the ISLs facilitate interoperability in terms of the constellations being able to pass traffic between each other optically, and there are ways to do it with RF as well, but it's also handy to have your systems being able to talk to each other to facilitate traffic flows across networks.

And so anyway, we've been very intentional about trying to make Lightspeed interoperable. And certainly, again, we've already acknowledged that we're talking to Viasat, that's obviously a big consideration for them as well. They envision a multi-orbit hybrid network. So, working with whether it's the U.S. government or other operators to provide as much interoperability as possible. It's good for the customers. It's good for the ecosystem at large. It's good for Telesat.

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**Caleb Henry, Quilty Space**

Okay. Then last question. I know that Canada is obviously not part of the European Union, but Canada is part of the European Space Agency. And given how they're funding or co-funding the IRIS<sup>2</sup> network, I was wondering, is there any chance for overlap or perhaps discussions around interoperability. I don't know to what extent there might be a connective tissue between Canada and IRIS<sup>2</sup> or if there is none?

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

Telesat has not been involved in the IRIS<sup>2</sup> initiative. I mean that's been very much a European focused activity. But I would assume that the Europeans, just like the Americans to maximize resilience, to maximize flexibility. Would like to see IRIS<sup>2</sup> interoperable with other allied constellations.

Look, the manufacturer of our OISLs; it's TSAT, it's Airbus. I got to think that there's a high likelihood that we will be interoperable with IRIS<sup>2</sup>. And I've got to believe that for their own reasons, the Europeans are going to want IRIS<sup>2</sup> to be interoperable with other constellations.

Certainly, Canada and the European—the members of the EU, those nations are great allies. Yes. Look, we're Ka-Band. And I believe that what IRIS<sup>2</sup> is doing for their hard gov requirements is going to be Ka-Band, maybe no-Ka. That also would facilitate some interoperability between what I believe IRIS<sup>2</sup> is all about and what we're doing.

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**Caleb Henry, Quilty Space**

All right. Great. Thank you.

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**Operator**

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

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

Walter, are you with us? Operator, I think we're going to need to...

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**Walt Piecyk, LightShed**

Can you hear me now?

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

There you go.

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**Walt Piecyk, LightShed**

Sorry about that.

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

No worries.

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**Walt Piecyk, LightShed**

Just want to go back to the first question. I thought in the prepared comments when you were describing the DISH transaction, 50 percent reduction over time in capacity and a 70 percent reduction in what they were paying. And the first questioner, I think, asked it was 30 percent you didn't correct them. I just want to clarify if I heard it correctly from the prepared comments.

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

Yes, I think what the prepared comments were we expect to be receiving around—I can't remember if I said a third or 30 percent, but 30 percent is around a third.

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**Walt Piecyk, LightShed**

That's like a 70 percent reduction as opposed to a 30 percent reduction. I just want to make sure I heard that correctly.

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

Yes, that's right. It's 70 percent reduction. And again, from the cash that we've been taking in, and we tend to care about cash around here. That's right.

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**Walt Piecyk, LightShed**

Understood. And then--

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

Sorry to interrupt you, Walter, but it will be about a year from now, half the capacity and paying about a third of what they used to pay. The lower cash that we're getting reflects that they're taking less capacity and the capacity



they are taking, they're taking at a somewhat lower rate per unit.

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**Walt Piecyk, LightShed**

Got it. And then the expectation would be at the end of the five years that would effectively go to zero and then in terms of their usage and their need to not to do another renewal. I mean, obviously...

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

Well, no, I don't know. Look, I don't know about that. And what I also don't know is at the end of the first year, a little more than that, it comes up in January of 2026.

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**John Flaherty, Vice President, Business Planning and Marketing**

Twenty twenty-six.

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

Thanks, John. They stepped down to 16 transponders, but they might need more. at that time. And if we haven't already found other uses for it, then it might be the case that they extend on some of that even early 2026. I don't know. And obviously, there's a lot going on with DISH and EchoStar right now. We'll have to see.

But look, they still have lots and lots of subscribers that are getting their TV channels off of Nimiq 5, which is why they've renewed, and so we'll just have to see how it plays out.

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**Walt Piecyk, LightShed**

Then moving to the LEO and Viasat. I think you said you affirmed that's the case about Viasat. Are you affirming discussions or have you affirmed that they have, in fact, already contracted?

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

No, no, no, no. No, affirming discussions. Yes, they said on their last call, they were engaged in discussions with us around a Lightspeed commitment, and that's all we're affirming.

Look, we've got a great relationship with Viasat. We've worked with them for years. They're a customer of ours today using our GEO capacity. Over the years, we've bought VSAT hubs from them and other things to support R2A broadband business here in Canada. Anyway, we go way back.

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**Walt Piecyk, LightShed**

Then in terms of, I guess, let's call it, L-band and S-band spectrum that's out there. Has anyone approached you in terms of possibly integrating the use of spectrum beyond what you already planned for Lightspeed prior to launch? Is that possible?

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

People have approached us wondering if we had scope on our satellites to host those kind of payloads. And the answer is we just don't. We're using every ounce of power and mass and whatnot to support our mission.

But certainly, for MDA, look, I mean, it's public now. MDA is building those satellites for Globalstar and they're leveraging—I'm looking at Dave, they're leveraging the same Bus. And so anyway—so certainly, the Bus that we're using can support satellites that are used for direct-to-device using those lower spectrum bands.

Maybe, who the hell knows, in the fullness of time, would we ever consider trying to do something with an entity that wants to launch a direct-to-device constellation, and we do something jointly with them. I mean, yes, that could make sense for them and for us. But that's...

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**Walt Piecyk, LightShed**

But could that be part of the constellation? And like what's the deadline for when an agreement like that would have to be put in place for it to actually be part of that?

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

Right now, for the first 198 satellites we have—the ship has sailed, we're doing that. It will be beyond that.

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**Walt Piecyk, LightShed**

Understood. And my last question, I guess, is you talked about, again, in the prepared comments about how the enterprise customers, the concept of a LEO constellation

was resonating with them, maybe even a preference. Then later, you talked about maybe at the end of the year providing some booking numbers. Does that imply that you've already started to sign some level of bookings with some enterprise customers that may not be significant enough to disclose on this quarterly call, but ultimately, there are bookings that are starting to build that you will then later disclose, I guess, at the end of the fourth quarter?

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

Yes. Listen, I am always loath to create high expectations at home and at work. Look, we're not giving any targets right now for backlog. And we're having lots of discussions with lots of people. I've been in this industry for a long time. I know that some of those things can take a long time, particularly the first ones.

Anyway, we plan, as I said, to start disclosing in our SEC filings backlog, not just for our GEO business, but for LEO as well. Let's just leave it at that right now, and we'll see where we are when we start making those disclosures. But for sure, we're focused on it. And for sure, we're having lots of really good concrete discussions with folks. Yes, so stay tuned.

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**Walt Piecyk, LightShed**

Great. Thank you.

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**Operator**

The next question is from Chris Quilty from Quilty Space. Please go ahead.

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**Chris Quilty, Quilty Space**

Thanks. Congrats on getting the debt deal closed and now that you don't have to ever worry about raising money again, where has all your free time gone? Is there a particular area in terms of manufacturing or regulatory or customer sales that's really risen to sort of the number one focus for Management now?

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

Well, I mean, management is a big word. We're kind of trying to divide and conquer. But you're absolutely right, though, Chris, to note that—I mean, implicit in your question is that getting the funding done consumed a ton

of our time, which it did and we are glad for all sorts of reasons to have that in the rear-view mirror now, one of which is it does give us more time to devote to other areas.

Certainly, I'm looking at Dave, our CTO, as I say this, he and his team spending a whole lot less time answering diligence questions from lenders and are just full on right now with MDA, with folks like Intellian, Aalyria. I mean, we're just spending a ton of time with our partners moving the program forward, spending a lot of time hiring lots of people right now. That takes a lot of time.

Then for myself, I'm spending much more of my time working with the customer community. And we're going to turn our attention a little bit to the Investor Relations activities, which it wasn't a whole lot of fun talking to funds. We just wanted to know when we're going to close our funding.

Yes, so the time now that was spent nailing down the financing is totally spent on the technical side, getting Lightspeed implemented and moving forward. On the commercial side, it's going out there speaking with prospective customers and other partners about Lightspeed. But then there's our GEO business, too. I mean we got the renewal done with DISH. We restructured the arrangements with Explorer. We're out there working—we got regulatory approval to use Nimiq 5, not just for broadcast applications in Canada, but for non-broadcast services as well so that we have some more utility in terms of what we can do with that satellite.

Yes, a lot of activity rolling out the gateways, a lot of activity getting market access all around the world. Anyway, it's great to be able to just be much more forward-looking on all of that stuff right now.

Honestly, I'm glad you asked the question, it feels good. We're really making a lot of progress right now, and we're really bringing in just superb people right now as we build up the team, and we're getting a great reception just kind of throughout the ecosystem right now.

The users want—they think Starlink is a great service. They want more competitive alternatives out there. And I think folks recognize we're one of those alternatives.

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**Chris Quilty, Quilty Space**

Great. A quick modeling question, Andrew, like in Q3, your cost of sales was kind of half of what it was sequentially and your staff costs and obviously, there's some timing issues with the program. Can you give us a sense maybe—and I guess your guidance would imply that we're going to see a step-up sequentially in both of those. Where

do those numbers settle out like on an ongoing basis? And obviously, you're continuing to hire, but...

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**Andrew Browne, Chief Financial Officer**

I think, Chris, what you say, indeed, and I think the earlier question we got as Dan has said that, obviously, our program, we're building the capability for our program. We're hiring people, et cetera. I think as we go forward, that you will see the step-up and just to share some numbers on headcount.

We started the year with 500 people. We're looking to close at 700 people. That's a 40 percent increase in headcount itself. And so the ancillary costs that come with that. In essence, that's what we will see.

We haven't given sort of guidance for 2025-2026. I would just say that in terms of that forward looking, if you look at the our Investor deck that we have published. It gives you a feel of what the revenue build looks like going out from 2027, 2028 out to 2032. And also, it shows you the levels of EBITDA.

That's what I would say, Chris, if you want to get a view of how it goes forward. And by implication, you can see what the step-up in OpEx will be. But with such a large program, what you say is absolutely correct. That's what we will see a step function as we grow.

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**Chris Quilty, Quilty Space**

Understand. But was there any reason for the variability in Q3?

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

Variability in what exactly, Chris, just so we can be responsive?

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**Chris Quilty, Quilty Space**

I mean staff costs were at the lowest in a couple of years and likewise, cost of revenue dropped almost in half sequentially.

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

The big one there would be that contract that we have with NASA.

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**Andrew Browne, Chief Financial Officer**

We had costs involved with NASA. That's what could kind of down.

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

Yes, because that's lumpy. We did that work with NASA. That was all about interoperability of satellite networks. But it was lumpy in nature. We recognized some revenue earlier in the year, and then there was a lot of expense associated with that, too. It wasn't contributing a lot on the EBITDA line. Anyway, I think that would account for a big chunk of it.

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**Andrew Browne, Chief Financial Officer**

And we will have capitalized engineering as well as we grow in terms of headcount. That will have an impact, and that will build as well as we go forward.

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**Chris Quilty, Quilty Space**

Got you. Okay. And then I guess final question. It looks like you've made contract awards with Intellian on gateway antennas and SatixFy landing stations. Are there any other major awards or pieces you need on the ground side? I ask that in the context of Eutelsat OneWeb. And obviously, they've got an operating constellation on orbit, but the service launch has been delayed due to the ground rollout. How confident are you that you won't be in that situation two years down the road?

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

Well, I don't think we're going to be in that situation. It's not like we just started this program. We've got a great team in place on the landing station side. We've mapped out all the different landing stations that we need. We're in discussions with various parties around the world right now in terms of where those landing stations are going to go.

Intellian has got a good track record in terms of producing the antennas. So, when we look at our schedule and all the interdependencies and whatnot, the landing stations come in when we need them.

Look, we'll start with some—we're going to have probably five or six around the world up and running within two years because when we launch our first batch of satellites, we need some landing stations around the world just to do the

testing and orbit raising and whatnot of those satellites. That feels good.

I think in terms of other—I'm looking at Dave, most of the big contracts, I mean, certainly satellite launch, landing station antennas, mentioned the contract with Aalyria. We've done some big agreements with the providers for the BSS and the OSS for the constellation. Those are out there for the dispenser for the satellite. That's all been announced.

But what comes to mind for me right now is we're doing work with various parties on flat-panel antennas for the different verticals. I mean, it's a good time for flat-panel antenna development, and so we're engaged with various folks on that. The supply chain is, at this point in time, engaged, announced, and moving forward.

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**Chris Quilty, Quilty Space**

Good. Well, congratulations. Keep up the good work.

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

Chris, thanks.

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**Andrew Browne, Chief Financial Officer**

Thanks, Chris.

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**Operator**

Thank you. There are no further questions registered at this time. I would now like to turn the meeting over to Mr. Goldberg.

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

Okay. Well, thank you all for joining us this morning and we look forward to chatting with you when we release our fourth quarter and full year numbers. Thank you.

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**Andrew Browne, Chief Financial Officer**

Thank you.

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**Operator**

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

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