Connect Bidco Limited Quarter 4 Results 2023

London, UK: May 9, 2024. Connect Bidco Limited (“Inmarsat”, and together with its subsidiaries, the “Group”), a world leader in global mobile satellite communications, today announces audited financial results for the fourth quarter and year-ended December 31, 2023.

All information herein is related to Inmarsat, which is part of the Viasat, Inc. group (“Viasat”), following the acquisition by Viasat of Connect Topco Limited, the parent company of Inmarsat, on May 30, 2023 (the “Viasat Transaction”). All references herein to “we,” “us,” “our,” “Group” and “Company” refer to Inmarsat only and not to Viasat or any member of the wider Viasat group.

BASIS OF PREPARATION

The Management Discussion and Analysis is provided in accordance with the reporting requirements set out in our debt agreements. The financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act of 1933, other requirements of the Securities Exchange Commission (“SEC”), International Financial Reporting Standards (“IFRS”), or other generally accepted accounting principles. The accompanying financial statements have been prepared in accordance with IFRS, whereas Viasat’s consolidated financial information is prepared in accordance with US GAAP, which differs from IFRS in a number of significant respects.

The information presented herein and in the accompanying financial statements may vary from the results for Inmarsat presented by Viasat, or included in the consolidated financial statements for Viasat because (i) of the differences between IFRS and US GAAP and associated audit standards, (ii) Purchase Price Accounting (“PPA”) adjustments reflected in Viasat’s consolidated financial statements as a result of the Viasat Transaction, and (iii) the accompanying financial statements and associated disclosures contained herein are prepared at the level of Connect Bidco Limited, whereas results for Inmarsat, presented by Viasat, are prepared at the Connect Topco Limited level. This Management Discussion and Analysis has been prepared solely to comply with the reporting requirements under our debt agreements, and the information set forth herein should not be considered to be a substitute for or supplement to Viasat’s consolidated financial statements for the Viasat group prepared in accordance with US GAAP or the disclosures set forth in Viasat’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q or other filings with the US Securities and Exchange Commission (the “SEC”).

This Management Discussion and Analysis contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the US Securities Act of 1933 and the US Securities Exchange Act of 1934. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we and the wider Viasat group operate and the beliefs and assumptions of management. We use words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would,” variations of such words and similar expressions to identify forward-looking statements. In addition, statements regarding our anticipated operations, financial position, liquidity, performance, prospects or growth and scale opportunities; projections of earnings, revenue, costs or other financial items; anticipated growth and trends in our business or key markets; future economic conditions and performance; the development, customer acceptance and anticipated performance of technologies, products or services; satellite construction and launch activities; completion of in-orbit placement and in-orbit testing and commencement of commercial service of our satellites; the performance and anticipated benefits of our satellites; the expected completion, capacity, coverage, service speeds and other features of our satellites, and the timing, cost, economics and other benefits associated therewith; plans, objectives and strategies for future operations; and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ materially include the factors identified in Viasat’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Viasat’s other filings with the SEC. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

MANAGEMENT DISCUSSION AND ANALYSIS

	Fourth Quarter		Year-ended	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Group revenue	**420.5**	**395.7**	**1,619.8**	**1,474.1**
Government	155.3	141.9	571.8	526.9
Maritime	131.2	132.2	538.4	515.5
Aviation	103.1	85.2	380.2	310.8
Enterprise	28.1	33.0	115.1	106.4
Central services	2.8	3.4	14.3	14.5
EBITDA	**244.7**	**232.3**	**878.1**	**849.5**
Capital expenditure	**123.1**	**140.0**	**430.0**	**316.0**

Results of Operations

The following table represents the selected results of operations of Inmarsat for the periods indicated.

Direct costs and indirect costs are alternative performance measures used by the directors of Inmarsat (the "Directors") and management to understand the underlying financial performance of the Group. Direct costs are defined as expenses that can be traced directly to the sale of a product or service. Indirect costs are those costs which are not directly attributable to a sale. The measures may be useful to stakeholders to allow them to understand the potential development of our cost profile in the future. Analysing costs as direct and indirect costs is how management internally review performance and make subsequent business decisions.

	Fourth Quarter		Year-ended	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Revenue excl. Ligado	**420.5**	**395.7**	**1,619.8**	**1,473.7**
Ligado revenue	-	-	-	0.4
Total revenue	**420.5**	**395.7**	**1,619.8**	**1,474.1**
Direct costs	(54.2)	(59.5)	(232.9)	(209.8)
Indirect costs	(110.1)	(113.9)	(417.5)	(406.9)
(Costs) / Income associated with Ligado and the Viasat Transaction and integration	(11.5)	10.0	(91.3)	(7.9)
Total net operating costs	(175.8)	(163.4)	(741.7)	(624.6)
EBITDA*	**244.7**	**232.3**	**878.1**	**849.5**
Depreciation, amortisation and other costs	(156.3)	(147.9)	(751.7)	(598.2)
Operating profit	**88.4**	**84.4**	**126.4**	**251.3**
Net financing costs	(29.9)	(24.8)	(74.6)	(115.4)
Profit before tax	**58.5**	**59.6**	**51.8**	**135.9**
Taxation charge	(42.2)	(16.0)	(34.7)	(30.7)
Profit for the period	**16.3**	**43.6**	**17.1**	**105.2**

***** See page 11 for a reconciliation of EBITDA for total profit for the period, which we consider to be the most directly comparable IFRS financial measure.

Comparison of the quarter ended December 31, 2023 to the quarter ended December 31, 2022

Revenue

Total revenue for the quarter ended December 31, 2023 increased by $24.8m (6.3%), to $420.5m from $395.7m for the corresponding period in 2022.

Movements in revenue by business unit were as follows:

- **Government** revenue increased by 9.4% to $155.3m. US Government revenue increased by 2.1% to $103.8m following higher leasing revenue, higher customer usage, and timing of contract milestones. Outside the US, revenue increased by 28.1% to $51.5m, following continued growth in Global Xpress ("GX") connections, increased equipment sales, and timing of milestones from new contracts, partially offset by lower leasing revenue.
- **Maritime** revenue decreased by 0.8% to $131.2m. This decrease was primarily driven by lower equipment sales and FleetBroadband ("FB") revenue compared to the prior year period and customer breakage in the prior period which was not repeated, partially offset by legacy product price increases and growth in Fleet Express ("FX"). FX vessels increased by 5% while average revenue per unit ("ARPU") was flat. FB vessels decreased by 15% as customers migrated to FX and other third party Very Small Aperture Terminals ("VSAT") services and FB ARPU declined by 7% as migrations remained skewed to the higher value customers.
- **Aviation** revenue increased by 21.0% to $103.1m reflecting strong performance from our diverse services portfolio. Core Aviation revenue, comprising Business Aviation ("BGA") and Aircraft Operations and Safety services ("AOS"), was 12.6% ($8.3m) higher than the corresponding period in 2022, reflecting 9.9% growth in BGA following a 17% increase in the number of JX installed aircraft and higher passenger usage, and growth in AOS revenue reflecting higher usage at lower price point on a new tiered contract for one customer. In Flight Connectivity ("IFC") revenue increased by 49.2% to $28.8m due to more aircraft in service, increased passenger usage and the release of a customer specific provision. The number of IFC active aircraft at the end of the quarter increased by 12% year-over-year.
- **Enterprise** revenue decreased by 14.8% to $28.1m, driven by lower satellite phone handset sales compared to the prior year period and higher lease revenue in Q4 2022 from a contract that has now ended.

Direct costs

Direct costs for the quarter ended December 31, 2023 decreased by $5.3m, to $54.2m as compared to $59.5m for the corresponding period in 2022. The decrease was mainly driven by the release of a customer specific direct cost provision following renegotiation of a contract and a lower inventory obsolescence provision, partially offset by increased purchases of third-party capacity and other costs in support of revenue growth.

Indirect costs

Indirect costs for the quarter ended December 31, 2023 decreased by $3.8m, to $110.1m as compared to $113.9m for the corresponding period in 2022. This was mainly driven by lower employee costs from an organisational restructuring, lower network and satellite costs and strong cost control across the business.

Costs / (income) associated with Ligado, the Viasat Transaction and integration

Costs associated with the Viasat Transaction and integration were $11.5m (Q4 2022 - $5.3m) for the quarter ended December 31, 2023. Income associated with Ligado were $nil (Q4 2022 - $15.3m).

EBITDA

EBITDA for the quarter ended December 31, 2023 increased by $12.4m (5.3%), to $244.7m as compared to $232.3m for the corresponding period in 2022, reflecting the factors discussed above.

Depreciation, amortisation and other costs

Depreciation, amortisation and other costs for the quarter ended December 31, 2023 increased by $8.4m to $156.3m as compared to $147.9m for the corresponding period in 2022. Depreciation increased mainly due to the I-6 F1 being brought into use, amortisation remained consistent with Q4 2022, partially offset by lower loss on disposal of assets.

Operating profit

Operating profit for the quarter ended December 31, 2023 increased by $4.0m, to $88.4m from the operating profit of $84.4m for the corresponding period in 2022, reflecting the factors discussed above.

Net financing costs

Net financing costs for the quarter ended December 31, 2023 increased by $5.1m, to $29.9m as compared $24.8m for the corresponding period in 2022. The increase mainly relates to lower capitalised interest following the I-6 F2 satellite impairment in Q3 2023, partially offset by higher interest income on intergroup lending arising from the loans issued in support of the distributions to shareholders prior to the consummation of the Viasat Transaction and higher external interest income as a result of higher interest rates and larger amounts held as cash on deposit and short-term investments.

Profit before tax

Profit before tax for the quarter ended December 31, 2023 of $58.5m represents a reduction of $1.1m from the profit before tax of $59.6m for the corresponding period in 2022, reflecting the factors discussed above.

Taxation charge

The taxation charge for the quarter ended December 31, 2023 of $42.2m represents an increase of $26.2m from the taxation charge of $16.0m for the corresponding period in 2022. The effective tax rate for the quarter was 72.1%, compared to 26.8% for the corresponding period in 2022. The 2023 rate differs from the UK rate of 23.5% mainly due to adjustments for the closure of the Launch Costs enquiry up to 2017.

Profit for the period

Profit for the quarter ended December 31, 2023 was $16.3m as compared to a profit of $43.6m for the corresponding period in 2022, reflecting the factors discussed above.

Comparison of the year-ended December 31, 2023 and the year-ended December 31, 2022

Revenue

Total revenue for the year-ended December 31, 2023 increased by $145.7m (9.9%), to $1,619.8m from $1,474.1m for the corresponding period in 2022.

Movements in revenue by business unit were as follows:

- **Government** revenue increased by 8.5% to $571.8m. US Government revenue increased by 6.9% to $389.8m following strong growth in GX usage, increased equipment sales, and timing of contract milestones. Outside the US, revenue increased by 12.1% to $182.0m, with continued growth in GX connections, increased equipment sales, and timing of milestones from new contracts, partially offset by lower leasing revenue.
- **Maritime** revenue has continued good growth year on year, increasing by 4.4% to $538.4m. This increase was primarily driven by legacy product price increases and continued strong growth of FX exceeding the decline in FB. The increase in vessel numbers, as provided in the quarter-ended discussion, and increase in FX ARPU was offset by FB ARPU declines, following similar trends as discussed in the current quarter results.

- **Aviation** revenue increased by 22.3% to $380.2m reflecting strong performance from a diverse service portfolio. Core Aviation revenue was 17.0% ($41.5m) higher than the corresponding period in 2022, following strong YoY growth in the number of JX installed aircraft. IFC revenue increased significantly, up 41.4% ($27.8m) over the prior year period, reflecting increased passenger usage, higher YoY active aircraft installed base, and the release of a customer specific provision.
- **Enterprise** revenue increased by 8.2% to $115.1m, driven primarily by additional satellite phone handset sales, higher airtime from strong historical handset sales, partially offset by declines in usage from legacy products.

Direct costs

Direct costs for the year-ended December 31, 2023 increased by $23.1m, to $232.9m as compared to $209.8m for the corresponding period in 2022. This was primarily due to a higher hardware sales mix, increased purchases of third-party capacity and other costs in support of revenue growth, and an increase in bad debt expense, partially offset by the release of a customer specific direct cost provision following renegotiation of a contract.

Indirect costs

Indirect costs for the year-ended December 31, 2023 increased by $10.6m, to $417.5m as compared to $406.9m for the corresponding period in 2022. This was mainly driven by higher employee incentive costs, higher IT costs for improved data resilience, and other inflationary increases across the business, partially offset by favorable currency movements which included a one-off foreign exchange gain relating to the provision held for the HMRC launch costs case ($27.6m).

Costs / (income) associated with Ligado, the Viasat Transaction and integration

Costs / (income) associated with Ligado, the Viasat Transaction and integration were $91.3m (2022 – $7.9m) for the year-ended December 31, 2023, which is net of income associated with Ligado of $4.5m and recognized as a credit to direct costs (2022 - $14.9m, credit to direct costs).

EBITDA

EBITDA for the year-ended December 31, 2023 increased by $28.6m (3.4%), to $878.1m as compared to $849.5m for the corresponding period in 2022, reflecting the factors discussed above.

Depreciation, amortisation and other costs

Depreciation, amortisation and other costs for the year-ended December 31, 2023 increased by $153.5m to $751.7m, as compared to $598.2m for the corresponding period in 2022. This increase was mainly attributed to a net impairment of tangible assets of $145.2m in 2023, following the impairment of the I-6 F2 satellite.

Operating profit

Operating profit for the year-ended December 31, 2023 decreased by $124.9m, to $126.4m as compared to $251.3m for the corresponding period in 2022. The decrease was driven by the impairment charge discussed above, partially offset by higher EBITDA.

Net financing costs

Net financing costs for the year-ended December 31, 2023 decreased by $40.8m, to $74.6m as compared to $115.4m for the corresponding period in 2022. The decrease mainly relates to higher interest income on intergroup lending arising from the loans issued to the Group's direct parent undertaking in support of the distributions to shareholders prior to the consummation of the Viasat Transaction and higher external interest income as a result of higher interest rates and higher amounts held as cash on deposit and short-term investments. This was partially offset by higher interest expense on lease obligations arising from the recognition of new property leases during Q1 2023, predominately in relation to the new London office, and increased term loan interest from increasing USD LIBOR / SOFR. The impact of increasing USD LIBOR / SOFR was mitigated by an interest rate cap which provided protection when the USD LIBOR / SOFR was above 2%.

Profit before tax

Profit before tax for the year-ended December 31, 2023 of $51.8m represents a reduction of $84.1m from the profit before tax of $135.9m for the corresponding period in 2022, reflecting the factors discussed above.

Taxation charge

The taxation charge for the year-ended December 31, 2023 of $34.7m represents an increase of $4.0m from the taxation charge of $30.7m for the corresponding period in 2022. The effective tax rate for the year-ended December 31, 2023 was 67.0%, compared to 22.6% for the corresponding period in 2022. The 2023 rate differs from the UK rate of 23.5% mainly due the costs associated with the Viasat Transaction being capital in nature, adjustments for the closure of the Launch Costs enquiry up to 2017, overseas jurisdictions with differing tax rates, partially offset by a benefit coming from filing of prior year tax returns.

Profit for the period

Profit for the year-ended December 31, 2023 was $17.1m as compared to a profit of $105.2m for the corresponding period in 2022, reflecting the factors discussed above.

<u>Balance Sheet</u>

($ in millions)	**At December 31, 2023**	**At December 31, 2022**
Non-current assets	6,804.7	7,266.2
Current assets	1,156.3	754.4
Total assets	**7,961.0**	**8,020.6**
Current liabilities	1,495.6	1,562.0
Non-current liabilities	4,498.3	4,480.0
Total liabilities	**5,993.9**	**6,042.0**
Net assets	**1,967.1**	**1,978.6**

Non-current assets

Non-current assets at December 31, 2023 decreased by $461.5m to $6,804.7m as compared to $7,266.2m at December 31, 2022. This decrease was mainly driven by a decrease in Property, plant and equipment following the I-6 F2 impairment (as discussed on page 11). Additionally, there were decreases in intangible assets following amortisation exceeding additions and in the interest rate cap asset as the related instrument comes to an end in February 2025. The interest rate cap provided protection on term loan interest when the USD SOFR was above 2%. This was partially offset by an increase in the right of use assets following the recognition of new property leases during Q1 2023, predominately in relation to the new London office, and an increase in the intercompany loan to the Group's direct parent undertaking following additional accrued interest.

Current assets

Current assets at December 31, 2023 increased by $401.9m to $1,156.3m as compared to $754.4m at December 31, 2022. The increase was mainly due the recognition of the insurance recoveries receivable in relation to the I-6 F2 satellite impairment, an increase to receivables from revenue growth, and an increase in inventory on hand.

Current liabilities

Current liabilities at December 31, 2023 decreased by $66.4m to $1,495.6m as compared to $1,562.0m at December 31, 2022. This was mainly driven by a decrease in the current tax liability following the payment of HMRC launch costs case settlement and trade payables following the timing of payments on inventory, capex, and professional fees, partially offset by an increase in deferred income following a receipt from Ligado.

Non-current liabilities

Non-current liabilities at December 31, 2023 increased by $18.3m to $4,498.3m as compared to $4,480.0m at December 31, 2022. The increase was mainly driven by the recognition of new financial lease obligations relating to property leases, predominately in relation to the new London office.

Liquidity and Capital Resources

The following tables set out the cash flows for the periods indicated.

	Fourth Quarter		**Year-ended**	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Cash generated from operations[1]	226.8	274.4	797.4	839.8
Cash capital expenditure[2]	(123.1)	(140.0)	(430.0)	(316.0)
Net interest paid[3]	(90.7)	(93.1)	(246.0)	(227.5)
Other movements[4]	(33.4)	-	(134.3)	(33.6)
Free cash flow[5]	**(20.4)**	**41.3**	**(12.9)**	**262.7**
Dividends related to associates and NCI[1,6]	1.2	0.8	4.4	3.0
Acquisition of remaining shares in Inmarsat Iceland[7]	-	-	(1.7)	
Net cash flow	**(19.2)**	**42.1**	**(10.2)**	**265.7**
Cash (invested in) / received from short-term deposits	(30.0)	(109.1)	79.1	(79.1)
Net repayment of borrowings	(4.4)	(4.3)	(17.5)	(17.5)
Issue of intergroup lending	-	-	-	(299.3)
Movement in cash and cash equivalents	**(53.6)**	**(71.3)**	**51.4**	**(130.2)**
Foreign exchange adjustment	0.5	3.8	(0.3)	2.0
Net (decrease) / increase in cash and cash equivalents	**(54.1)**	**(75.1)**	**51.7**	**(132.2)**

1. Cash generated from operations excludes “dividends related to associates and NCI” which is disclosed separately in the table above, however it is included in “cash generated from operations” within cash flow from operating activities within the cash flows statement presented within the Connect Bidco Limited annual financial statements.
2. Cash capital expenditure comprises “Purchase of property, plant and equipment”; “Additions to intangible assets” and “Own worked capitalised” as included in investing activities within the cash flow statement presented within the Connect Bidco Limited annual financial statements.
3. Net interest paid comprises “Interest received” included in cash flow from operating activities and “interest paid” and “other financing activities” included in cash flow from financing activities within the cash flow statement presented within the Connect Bidco Limited annual financial statements.
4. Other movements comprises “tax paid” included in cash flow from operating activities and “cash payments for the principal portion of lease obligations” included in cash flow from financing activities within the cash flow statement presented within the Connect Bidco Limited annual financial statements. Tax paid during the year-ended December 31, 2023, included the settlement of the Group’s HMRC launch costs case of $69.1m.
5. See page 12 for a reconciliation of free cash flow to net cash from operating activities for the period, which we consider to be the most directly comparable IFRS financial measure.
6. Non-controlling interest (“NCI”) refers to the Group’s 51% shareholding in Inmarsat Solutions ehf. During Q2 2023 Inmarsat acquired the remaining shareholding in Inmarsat Solutions ehf.
7. During Q2 2023, the Group acquired the remaining shareholding in Inmarsat Solutions ehf. which resulted in a cash outflow of $1.7m to the previous shareholders.

($ in millions)	Fourth Quarter 2023	Fourth Quarter 2022	Year-ended 2023	Year-ended 2022
Cash and cash equivalents				
At beginning of the period	338.8	305.1	233.8	364.0
Net (decrease) / increase in cash and cash equivalents	(54.1)	(75.1)	51.7	(132.2)
Foreign exchange adjustment	0.5	3.8	(0.3)	2.0
At end of the period	**285.2**	**233.8**	**285.2**	**233.8**
Short-term deposits				
At beginning of the period	-	-	109.1	30.0
Net increase / (decrease) in short-term deposits	30.0	109.1	(79.1)	79.1
At end of the period	**30.0**	**109.1**	**30.0**	**109.1**
Total cash, cash equivalents and short-term deposits	**315.2**	**342.9**	**315.2**	**342.9**
Opening net borrowings	**3,346.7**	**3,339.8**	**3,305.4**	**3,242.6**
Net cash flow	19.2	(42.1)	10.2	(265.7)
Other movements	(19.2)	7.7	31.1	328.5
Closing net borrowings	**3,346.7**	**3,305.4**	**3,346.7**	**3,305.4**

Comparison of the quarter ended December 31, 2023 to the quarter ended December 31, 2022

Cash generated from operations

Cash generated from operations for the quarter ended December 31, 2023 decreased by $47.6m to $226.8m as compared to $274.4m for the corresponding period in 2022. This decrease was mainly due by a working capital outflow primarily due to decreases to trade and other payables driven by timing of payments.

Cash capital expenditure

Cash capital expenditure for the quarter ended December 31, 2023 decreased by $16.9m to $123.1m as compared to $140.0m for the corresponding period in 2022. This decrease was driven mainly by the timing of contractual payments on major infrastructure investments. The cash capital expenditure table on page 10 provides a more detailed breakdown for the period.

Net interest paid

Net interest paid for the quarter ended December 31, 2023 decreased by $2.4m to $90.7m as compared to $93.1m for the corresponding period in 2022. This decrease was mainly driven by higher interest received from cash held on short-term deposit.

Other movements

Other movements for the quarter ended December 31, 2023 increased by $33.4m to $33.4m as compared to $nil in the corresponding period in 2022. The increase mainly relates to the timing of lease and taxation payments.

Dividends related to associates and NCI

Dividends of $1.2m were received for the quarter ended December 31, 2023 as compared to $0.8m for the corresponding period in 2022. The increase relates to the higher dividends received from associates.

Cash (invested in) / received from short-term deposits

Cash invested in short-term deposits for the quarter ended December 31, 2023 was $30.0m as compared to $109.1m in the corresponding period in 2022. In Q4 2023 short-term deposits with maturity terms of greater than 90 days were $30m compared to Q4 2023 of $109.1m.

Net repayment of borrowings

Net repayment of borrowings for the quarter ended December 31, 2023 was $4.4m as compared to $4.3m for the corresponding period in 2022, which were both related to the scheduled quarterly repayment of the term loan.

Comparison of the year-ended December 31, 2023 and the year-ended December 31, 2022

Cash generated from operations

Cash generated from operations for the year-ended December 31, 2023 decreased by $42.4m to $797.4m as compared to $839.8m for the corresponding period in 2022. This decrease was mainly due by a working capital outflow primarily due to decreases to trade and other payables driven by timing of payments, higher non-cash movement which included a one-off foreign exchange gain relating to the provision held for the HMRC launch costs case ($26.7m), partially offset by improved EBITDA performance.

Cash capital expenditure

Cash capital expenditure for the year-ended December 31, 2023 increased by $114.0m to $430.0m as compared to $316.0m for the corresponding period in 2022. This was driven mainly by the timing of contractual payments on major infrastructure investments. The cash capital expenditure table on page 10 provides a more detailed breakdown for the period.

Net interest paid

Net interest paid for the year-ended December 31, 2023 increased by $18.5m to $246.0m as compared to $227.5m for the corresponding period in 2022. This increase was primarily driven by interest being paid in relation to the HMRC launch costs case settlement.

Other movements

Other movements for the December 31, 2023 increased by $100.7m to $134.3m as compared to $33.6m in the corresponding period in 2022. The increase was primarily driven by the tax settlement payment to HMRC in relation to the launch costs case.

Dividends related to associates and NCI

Dividends of $4.4m were received for the year-ended December 31, 2023 as compared to $3.0m for the corresponding period in 2022. The increase was related to the higher dividends received from associates during 2023, $4.9m, offset by $0.5m dividend paid to NCI.

Cash received / (invested in) from short-term deposits

Cash received from short-term deposits for the year-ended December 31, 2023 was $79.1m as compared to $79.1m invested in the corresponding period in 2022. As at 31 December 2023 short-term deposits with a maturity terms of greater than 90 days were lower than 2022 following management's decision to reduce the investments with maturity terms greater than 90 days, as compared to as at 31 December 2022.

Net repayment of borrowings

Net repayment of borrowings for the year-ended December 31, 2023 was $17.5m as compared to $17.5m for the corresponding period in 2022, which were both related to the scheduled quarterly repayment of the term loan.

Issue of intergroup lending

Issue of intergroup lending for the year-ended December 31, 2023 was $nil as compared to $299.3m issued for the corresponding period in 2022. In 2022, the intergroup lending was issued to the Group's direct parent undertaking, in support of the Q2 2022 distribution to shareholders.

Cash capital expenditure breakdown

Cash capital expenditure, which relates to tangible and intangible asset additions, includes capitalised labour costs and excludes capitalised interest, is set out in the following table.

	Fourth Quarter		**Year-ended**	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Major infrastructure projects[1]	55.3	95.8	173.4	176.1
Success-based capital expenditure[2]	10.0	12.8	51.6	55.0
Other capital expenditure[3]	49.1	41.3	175.3	104.7
Cash flow timing[4]	8.7	(9.9)	29.7	(19.8)
Total cash capital expenditure	**123.1**	**140.0**	**430.0**	**316.0**

1. Major infrastructure projects consists of satellite design, build and launch costs and ground network infrastructure costs.
2. Success-based capital expenditure consists of capital equipment installed on ships, aircraft and other customer platforms.
3. Other capital expenditure investment primarily includes infrastructure maintenance, IT and capitalised product and service development costs.
4. Cash flow timing represents the difference between accrued capital expenditures and the actual cash flows.

<u>Other Notable Developments</u>

Ligado

On September 21, 2023, the Group and Ligado signed an amendment to the Ligado cooperation agreement pursuant to which the Group agreed to defer (with interest) the $357.0m payment due on September 30, 2023, as well as the March, June and September 2023 quarterly payments, until October 20, 2023. On October 20, 2023, the Group and Ligado signed a further amendment pursuant to which the Group agreed to further defer (with interest) the $358.5m payment due on October 20, 2023, as well as the March, June and September 2023 quarterly payments, until November 10, 2023. On November 9, 2023, the Group and Ligado signed an amendment pursuant to which the Group agreed to further defer (with interest) the $360.1m payment due on November 10, 2023, as well as the March, June, September and December 2023 quarterly payments, until January 10, 2024.

On January 10, 2024, the Group and Ligado signed a further amendment to the Ligado cooperation agreement pursuant to which the Group agreed to further defer (with interest) the $365.5m as well as the March, June, September and December 2023 quarterly payments, until January 17, 2024, unless Ligado provide the Group subsequent confirmation that it's debtholders have agreed to forebear to at least until June, 7, at which point the January 17, 2024 payments due as well as the March 2024 quarterly payment (with interest) will be automatically extended to May, 31 2024, at which the total amount owed of $455m will be due (which includes all outstanding quarterly payments and interest). This confirmation was received on January 19, 2024, and the amount is now due on May 31, 2024.

Litigation

As part of normal operations, from time to time, the Group is subject to legal disputes with customers, suppliers and other third parties. We continuously monitor these disputes in order to manage and account for them appropriately.

I-6 F2

The I-6 F2 satellite suffered a power subsystem anomaly during its orbit raising phase, as well as permanent battery failure. The manufacturing and launch costs of the satellite were insured and the anomaly does not impact any ongoing customer services. The full cost of the satellite has been impaired ($490m, including $124m of capitalized interest), partially offset by recognition of $349.0m with respect to the related insurance claim, which was filed before year end. As a result, a net impairment has been recognised in the year of $141m. Subsequent to year end 31 December 2023 the full amount ($349m) of the insurance claim has been received.

Refinancing of term loan & revolving credit facility

Subsequent to year-end, the Group extended the maturity of term loan and revolving credit facility. Of the existing $1.75bn term loan B, $1.3bn was extended for a period of 5.5 years with a new maturity date of 28 September 2029. Interest on the extended portion is, at the option of the Group, either the term Secured Overnight Financing Rate, plus 450 bps or the alternate base rate, plus 350 bps. Of the non-extended portion, $300m was left in place with an original maturity date of 12 December 2026 and the remaining $84m was retired with cash. Concurrently, the Inmarsat revolving credit facility was downsized from $700m to $550m and extended 3 years with a new maturity date of 28 March 2027 (or, if more than $100m of the non-extended portion of the term loan B is outstanding on the date that is 91 days prior to the maturity thereof, such date).

As of May 9, 2024 there were no outstanding balances under the revolving credit facility.

Non-IFRS Financial Measures

This Management Discussion and Analysis and the accompanying presentation to bondholders include non-IFRS financial measures such as EBITDA, Adjusted EBITDA, and free cash flow to supplement consolidated financial information presented on an IFRS basis. We believe EBITDA, Adjusted EBITDA, and free cash flow are measures that are appropriate to enhance an overall understanding of our past financial performance or liquidity and prospects for the future. However, the presentation of this additional information is not meant to be considered in isolation or as a substitute for measures of financial performance prepared in accordance with IFRS. Moreover, Viasat and Inmarsat calculate EBITDA and Adjusted EBITDA differently and therefore the two measures may not be comparable. A reconciliation between the non-IFRS financial information and the most comparable IFRS financial information is set forth below. You should not consider such items as an alternative to the historical financial position or results, or other indicators of our position or performance based on IFRS measures.

EBITDA and Adjusted EBITDA

EBITDA is a non-IFRS performance measure which we define as profit for the period before net financing costs, taxation, depreciation and amortisation, gains / losses on disposal of assets, impairment of assets and share of profit of associates. Adjusted EBITDA is defined as EBITDA adjusted to exclude EBITDA attributable to Ligado and costs associated with the Viasat Transaction and associated integration activities.

The following table reconciles EBITDA and Adjusted EBITDA to total profit / loss for the period, which we consider to be the most directly comparable IFRS financial measure.

	Fourth Quarter		**Year-ended**	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Profit for the period	**16.3**	**43.6**	**17.1**	**105.2**
Taxation charge	42.2	16.0	34.7	30.7
Net financing costs	29.9	24.8	74.6	115.4
Depreciation and amortisation	156.8	146.9	609.5	600.8
Net impairment of assets	1.3	0.5	145.2	0.5
Loss on disposal of assets	0.9	3.0	4.1	4.1
Share of profit of associates	(2.7)	(2.5)	(7.1)	(7.2)
EBITDA	**244.7**	**232.3**	**878.1**	**849.5**
Attributable to Ligado	-	(15.3)	(4.5)	(15.3)
Cost associated with the Viasat Transaction	(1.7)	5.3	61.2	22.8
Viasat integration costs	13.2	-	34.6	-
Adjusted EBITDA	**256.2**	**222.3**	**969.4**	**857.0**

Free Cash Flow

Free cash flow is a non-IFRS performance measure which we define as net cash from operating activities for the period less purchase of property, plant and equipment, additions to intangible assets, own work capitalised, interest paid, other financing activities, cash payments for the principal portion of lease obligations, dividends paid related to NCI, and adjusted to exclude for dividends related to associates and NCI and foreign exchange adjustment which is included in cash generated from operations.

The following table reconciles free cash flow to net cash from operating activities for the period, which we consider to be the most directly comparable IFRS financial measure.

	Fourth Quarter		**Year-ended**	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Net cash from operating activities	**199.7**	**275.8**	**694.2**	**822.9**
Purchase of property, plant and equipment	(95.4)	(101.2)	(305.0)	(204.0)
Additions to intangible assets	(16.3)	(29.8)	(80.1)	(77.4)
Own work capitalised	(11.4)	(9.0)	(44.9)	(34.6)
Interest paid	(94.3)	(94.7)	(259.6)	(230.2)
Other financing activities	(0.4)	(0.4)	(1.8)	(1.8)
Cash payments for the principal portion of lease obligations	(1.6)	(2.4)	(10.5)	(10.5)
Dividends paid related to NCI	-	-	(0.5)	(0.7)
Less: dividends related to associates and NCI	(1.2)	(0.8)	(4.4)	(3.0)
Less: foreign exchange adjustment	0.5	3.8	(0.3)	2.0
Free Cash flow	**(20.4)**	**41.3**	**(12.9)**	**262.7**