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Telesat Lightspeed Promises Superior Satellite Broadband on a Global Basis, But Can the System Generate \$2.5 Billion in ‘Run Rate Revenue’ Needed to Clear a Market ROI Hurdle Rate?

Quilty Analytics in Its Latest Satcom Quarterly Briefing Evaluates Telesat and the Prospects for Its Lightspeed LEO Constellation

St. Petersburg, FL, May 27, 2021 – Quilty Analytics, the leading boutique firm for research, strategy, and investment banking advisory to the Satellite & Space industry, has issued to subscribers the latest edition of its Satcom Quarterly Briefing that evaluates Telesat’s innovative LEO satellite constellation called Lightspeed.

Telesat Lightspeed will combine 298 crosslinked next-gen satellites with an advanced ground infrastructure to create a highly secure, global mesh network that will mainly serve enterprise/ B2B markets, including carriers & MNOs, and customers in aero, maritime, and government. The first Telesat Lightspeed launches are planned for late 2023, and commercial service could commence in 2024.

Chris Quilty, Partner of Quilty Analytics, commented: “In our last Satcom Quarterly, we delved into SpaceX Starlink and the role it could play in fulfilling Elon Musk’s ambitions to colonize Mars. The positive comments we received were very gratifying, and many subscribers asked if we could do a similar evaluation of Telesat Lightspeed. Our key findings on Lightspeed are supported by discussions with colleagues across the space industry and communications with senior executives at Telesat.”

Here are highlights from Quilty’s latest Satcom Quarterly:

- Lightspeed’s innovative system design combines high capacity, low latency, and “plug & play” interoperability giving Telesat important advantages in serving enterprise markets.
- Unlike its LEO competitors, Telesat has a pre-existing satcom business with established customers, regulatory standing, global distribution, and a revenue base >\$600 million that generates high EBITDA margins and significant free cash flows.
- Our financial model of the Lightspeed program confirms that Telesat will likely need to generate ‘run rate revenue’ of \$2.5 billion to realize a return on its investment in line with a

hurdle rate of 10-12%. To achieve this target, Telesat must grow its annual data revenues, currently at \$300 million, by ~8x.

- Telesat has yet to start full satellite construction and could be 2+ years later to market than key NGSO competitors, such as OneWeb & O3b mPOWER, which are both targeting similar enterprise customers as Telesat.

Chris Quilty added: “The Lightspeed effort represents Telesat’s greatest opportunity in its 50-year history, but also presents significant risks. Challenges include: (1) securing financing, (2) keeping the program on-budget and on-schedule, and (3) driving billions in revenue from broadband satcom markets that have historically seen only modest growth. Compounding these challenges, Telesat can expect to face well-backed GEO/NGSO competitors that are likely to enter years ahead of Telesat Lightspeed.”

The Quilty Analytics team would like to thank the many experts whose timely input contributed to our findings. We hope this briefing stimulates discussion, and we look forward to receiving comments from friends and colleagues across our industry.

About Quilty Analytics LLC <https://www.quiltyanalytics.com/>

Headquartered in St. Petersburg, Florida, Quilty Analytics is an integrated boutique focused on research, strategy, and investment banking advisory exclusively for the Satellite & Space industry. Drawing on decades of experience and in-depth knowledge of Satellite & Space markets, Quilty Analytics offers an unmatched combination of financial, technical, and strategic insights that drive better investment and policy decisions.

Quilty Analytics’ proprietary financial models and market assessments underpin our independent research, strategy guidance, and investment banking advisory – services that we provide to a growing number of industry stakeholders. Sized and structured for rapid response, Quilty Analytics’ deep knowledge and expertise across Satellite & Space Markets are anchored by strong executive-level relationships and a rich transactional history.

To learn more about Quilty Analytics’ subscription-based research and its investment banking and strategy advisory offerings, please contact us at: Info@quiltyanalytics.com

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