

Intelsat S.A.
Form 6-K
July 31, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
For the month of July, 2018
001-35878
(Commission File Number)

Intelsat S.A.
(Translation of registrant's name into English)

4 rue Albert Borschette
Luxembourg
Grand Duchy of Luxembourg
L-1246
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

INTELSAT S.A.
Quarterly Report for the three and six months ended June 30, 2018

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INTRODUCTION

In this Quarterly Report, unless otherwise indicated or the context otherwise requires, (1) the terms “we,” “us,” “our,” “the Company” and “Intelsat S.A.” refer to Intelsat S.A. and its subsidiaries on a consolidated basis, (2) the term “Intelsat Holdings” refers to Intelsat Holdings S.A., Intelsat S.A.’s indirect wholly-owned subsidiary, (3) the term “Intelsat Investments” refers to Intelsat Investments S.A. (formerly Intelsat S.A.), Intelsat S.A.’s indirect wholly-owned subsidiary, (4) the term “Intelsat Luxembourg” refers to Intelsat (Luxembourg) S.A., Intelsat Investments’ direct wholly-owned subsidiary, (5) the term “Intelsat Envision” refers to Intelsat Envision Holdings LLC, Intelsat Luxembourg’s direct wholly-owned subsidiary, (6) the terms “Intelsat Connect” and “ICF” refer to Intelsat Connect Finance S.A., Intelsat Envision’s direct wholly-owned subsidiary, (7) the term “Intelsat Jackson” refers to Intelsat Jackson Holdings S.A., Intelsat Connect’s direct wholly-owned subsidiary, (8) the term “Intelsat US LLC” refers to Intelsat US LLC (formerly known as Intelsat Corporation), Intelsat Jackson’s direct wholly-owned subsidiary and (9) the term “Intelsat General” refers to Intelsat General Communications LLC (formerly known as Intelsat General Corporation), our government business subsidiary.

In this Quarterly Report, unless the context otherwise requires, all references to transponder capacity or demand refer to transponder capacity or demand in the C-band and Ku-band frequencies only.

FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, all references to “dollars” and “\$” in this Quarterly Report are to, and all monetary amounts in this Quarterly Report are presented in, U.S. dollars. Unless otherwise indicated, the financial information contained in this Quarterly Report has been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”).

Certain monetary amounts, percentages and other figures included in this Quarterly Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

In this Quarterly Report, we refer to and rely on publicly available information regarding our industry and our competitors. Although we believe the information is reliable, we cannot guarantee the accuracy and completeness of the information and have not independently verified it.

FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report constitute forward-looking statements that do not directly or exclusively relate to historical facts.

When used in this Quarterly Report, the words “may,” “will,” “might,” “should,” “expect,” “plan,” “anticipate,” “project,” “believe,” “estimate,” “predict,” “intend,” “potential,” “outlook” and “continue,” and the negative of these terms, and other similar expressions are intended to identify forward-looking statements and information. Examples of these forward-looking statements include, but are not limited to, statements regarding the following: our intention to maximize the value of our spectrum rights, including the pursuit of partnerships to optimize new satellite business cases and the exploration of joint use of certain spectrum with the wireless sector in certain geographies; our expectations as to the potential timing of a final U.S. Federal Communications Commission (“FCC”) ruling with respect to our C-band joint-use proposal; the trends that we believe will impact our revenue and operating expenses in the future; and our expected capital expenditures in 2018 and during the next several years.

The forward-looking statements made in this Quarterly Report reflect our intentions, plans, expectations, assumptions, anticipations, projections, estimations, predictions, outlook and beliefs about future events. These forward-looking statements speak only as of the date of this Quarterly Report and are not guarantees of future performance or results and are subject to risks, uncertainties and other factors, many of which are outside of our control. These factors could cause actual results or developments to differ materially from the expectations expressed or implied in the forward-looking statements and include known and unknown risks. Known risks include, among others, the risks discussed in Item 3D—Risk Factors in our Annual Report on Form 20-F for the year ended December 31, 2017, the political, economic and legal conditions in the markets we are targeting for communications services or in which we operate, and other risks and uncertainties inherent in the telecommunications business in general and the satellite communications business in particular.

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The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results or those anticipated or predicted by these forward-looking statements:

- risks associated with operating our in-orbit satellites;
- satellite launch failures, satellite launch and construction delays and in-orbit failures or reduced satellite performance;
- potential changes in the number of companies offering commercial satellite launch services and the number of commercial satellite launch opportunities available in any given time period that could impact our ability to timely schedule future launches and the prices we pay for such launches;
- our ability to obtain new satellite insurance policies with financially viable insurance carriers on commercially reasonable terms or at all, as well as the ability of our insurance carriers to fulfill their obligations;
- possible future losses on satellites that are not adequately covered by insurance;
- U.S. and other government regulation;
- changes in our contracted backlog or expected contracted backlog for future services;
- pricing pressure and overcapacity in the markets in which we compete;
- our ability to access capital markets for debt or equity;
- the competitive environment in which we operate;
- customer defaults on their obligations to us;
- our international operations and other uncertainties associated with doing business internationally;
- litigation; and
- other risks discussed in our Annual Report or this Quarterly Report.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee our future results, level of activity, performance or achievements. Because actual results could differ materially from our intentions, plans, expectations, assumptions, anticipations, projections, estimations, predictions, outlook and beliefs about the future, you are urged not to rely on forward-looking statements in this Quarterly Report and to view all forward-looking statements made in this Quarterly Report with caution. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTELSAT S.A.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	As of December 31, 2017	As of June 30, 2018 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$525,215	\$444,030
Restricted cash	16,176	18,922
Receivables, net of allowances of \$29,669 in 2017 and \$31,807 in 2018	221,223	248,797
Contract assets	—	42,729
Prepaid expenses and other current assets	56,862	28,086
Total current assets	819,476	782,564
Satellites and other property and equipment, net	5,923,619	5,719,442
Goodwill	2,620,627	2,620,627
Non-amortizable intangible assets	2,452,900	2,452,900
Amortizable intangible assets, net	349,584	330,343
Contract assets, net of current portion	—	89,548
Other assets	443,830	411,042
Total assets	\$12,610,036	\$12,406,466
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$116,396	\$102,558
Taxes payable	12,007	25,093
Employee related liabilities	29,328	25,510
Accrued interest payable	263,207	263,379
Current portion of long-term debt	96,572	—
Contract liabilities	—	152,084
Deferred satellite performance incentives	25,780	30,020
Deferred revenue	149,749	—
Other current liabilities	47,287	50,662
Total current liabilities	740,326	649,306
Long-term debt, net of current portion	14,112,086	13,786,628
Contract liabilities, net of current portion	—	1,138,618
Deferred satellite performance incentives, net of current portion	215,352	225,618
Deferred revenue, net of current portion	794,707	—
Deferred income taxes	48,434	276
Accrued retirement benefits	191,079	182,070
Other long-term liabilities	296,616	65,203
Shareholders' deficit:		
Common shares; nominal value \$0.01 per share	1,196	1,367
Paid-in capital	2,173,367	2,546,862
Accumulated deficit	(5,894,659)	(6,120,450)

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Accumulated other comprehensive loss	(87,774)	(86,253)
Total Intelsat S.A. shareholders' deficit	(3,807,870)	(3,658,474)
Noncontrolling interest	19,306		17,221	
Total liabilities and shareholders' deficit	\$12,610,036		\$12,406,466	

See accompanying notes to unaudited condensed consolidated financial statements.

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INTELSAT S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Six Months Ended June 30, 2017	Six Months Ended June 30, 2018
Revenue	\$533,229	\$537,714	\$1,071,713	\$1,081,496
Operating expenses:				
Direct costs of revenue (excluding depreciation and amortization)	79,933	76,479	164,896	159,049
Selling, general and administrative	47,541	49,865	105,203	110,147
Depreciation and amortization	177,510	173,615	356,642	340,073
Total operating expenses	304,984	299,959	626,741	609,269
Income from operations	228,245	237,755	444,972	472,227
Interest expense, net	248,100	303,150	494,346	585,604
Gain (loss) on early extinguishment of debt	(48	) 22,085	456	22,149
Other income (expense), net	1,542	(2,836	) 3,754	1,595
Loss before income taxes	(18,361	) (46,146	) (45,164	) (89,633
Provision for (benefit from) income taxes	4,439	(306	) 11,278	22,056
Net loss	(22,800	) (45,840	) (56,442	) (111,689
Net income attributable to noncontrolling interest	(995	) (988	) (1,923	) (1,940
Net loss attributable to Intelsat S.A.	\$(23,795)	\$(46,828)	\$(58,365)	\$(113,629)
Net loss per common share attributable to Intelsat S.A.:				
Basic	\$(0.20	) \$(0.38	) \$(0.49	) \$(0.93
Diluted	\$(0.20	) \$(0.38	) \$(0.49	) \$(0.93

See accompanying notes to unaudited condensed consolidated financial statements.

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INTELSAT S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Six Months Ended June 30, 2017	Six Months Ended June 30, 2018
Net loss	\$(22,800)	\$(45,840)	\$(56,442)	\$(111,689)
Other comprehensive income (loss), net of tax:				
Defined benefit retirement plans:				
Reclassification adjustment for amortization of unrecognized prior service credits, net of tax included in other income (expense), net	(2)	(2)	(4)	(4)
Reclassification adjustment for amortization of unrecognized actuarial loss, net of tax included in other income (expense), net	519	938	1,085	1,876
Marketable securities:				
Unrealized gains on investments, net of tax	113	—	282	—
Reclassification adjustment for realized gain on investments, net of tax	(16)	—	(29)	—
Reclassification adjustment for pension assets' gains, net of tax included in other income (expense), net	—	—	—	(351)
Derivatives:				
Unrealized gain on fair value of derivatives, net of tax	50	—	894	—
Other comprehensive income	664	936	2,228	1,521
Comprehensive loss	(22,136)	(44,904)	(54,214)	(110,168)
Comprehensive income attributable to noncontrolling interest	(995)	(988)	(1,923)	(1,940)
Comprehensive loss attributable to Intelsat S.A.	\$(23,131)	\$(45,892)	\$(56,137)	\$(112,108)
See accompanying notes to unaudited condensed consolidated financial statements.				

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INTELSAT S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net loss	\$(56,442)	\$(111,689)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	356,642	340,073
(Benefit) provision for doubtful accounts	(7,462)	2,505
Foreign currency transaction (gain) loss	(301)	5,803
Loss on disposal of assets	24	17
Share-based compensation	9,354	2,877
Deferred income taxes	(2,555)	(31,774)
Amortization of discount, premium, issuance costs and related costs	23,899	25,135
Gain on early extinguishment of debt	(456)	(22,149)
Amortization of actuarial loss and prior service credits for retirement benefits	1,715	2,448
Unrealized gains on derivatives and investments	—	(29,372)
Other non-cash items	31	(783)
Changes in operating assets and liabilities:		
Receivables	13,603	(43,114)
Prepaid expenses, contract and other assets	(5,551)	1,915
Accounts payable and accrued liabilities	(36,261)	22,280
Accrued interest payable	2,580	172
Deferred revenue and contract liabilities	(61,562)	(17,700)
Accrued retirement benefits	(7,601)	(9,009)
Other long-term liabilities	(498)	465
Net cash provided by operating activities	229,159	138,100
Cash flows from investing activities:		
Payments for satellites and other property and equipment (including capitalized interest)	(305,265)	(120,419)
Purchase of cost method investments	(16,000)	(8,500)
Capital contributions to unconsolidated affiliates	(16,195)	(23,239)
Proceeds from insurance settlements	1,547	5,709
Other proceeds from satellites	—	3,750
Net cash used in investing activities	(335,913)	(142,699)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	402,500
Payments on debt exchange	(14)	—
Repayments of long-term debt	—	(669,910)
Debt issuance costs	—	(12,683)
Proceeds from stock issuance, net of stock issuance costs	—	224,250
Other payments for satellites	(18,333)	—