UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-35878

INTELSAT S.A.

(Exact name of registrant as specified in its charter)

Grand Duchy of Luxembourg	**98-1009418**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
4, rue Albert Borschette L-1246 Luxembourg	**+352 27 84 1600**
(Address of principal executive offices, including zip code)	**(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of November 3, 2020, 142,145,054 common shares of the registrant were outstanding, with a nominal value of $0.01 per share.

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INTRODUCTION

In this Quarterly Report on Form 10-Q, or Quarterly Report, unless otherwise indicated or the context otherwise requires, (1) the terms “we,” “us,” “our,” “the Company” and “Intelsat” refer to Intelsat S.A., and its subsidiaries on a consolidated basis, (2) the term “Intelsat Holdings” refers to our indirect wholly-owned subsidiary, Intelsat Holdings S.A., (3) the term “Intelsat Investments” refers to Intelsat Investments S.A., Intelsat Holdings’ direct 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, and (7) the term “Intelsat Jackson” refers to Intelsat Jackson Holdings S.A., Intelsat Connect’s direct wholly-owned 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 and oral statements made from time to time by our representatives constitute forward-looking statements that do not directly or exclusively relate to historical facts. The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for certain forward-looking statements as long as they are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements.

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 belief that the growing worldwide demand for reliable broadband connectivity everywhere at all times, together with our leadership position in our attractive sector, global scale, efficient operating and financial profile, diversified customer sets and sizeable contracted backlog, provide us with a platform for long-term success; our ability to confirm and consummate a plan of reorganization in the Chapter 11 Cases (as defined below); the effects of the Chapter 11 Cases on our liquidity or results of operations or business prospects; other risks related to the Chapter 11 Cases as described further below; our belief that the new and differentiated capacity of our next generation Intelsat Epic satellites will provide inventory to help offset recent trends of pricing pressure, new capacity from other satellite operators, and improved access to fiber links in our network services business; our outlook that the increased volume of services provided by our Intelsat Epic fleet is expected to stabilize the level of business activity in the network services sector; our expectation that over time incremental demand for capacity to support the new 4K format, also known as ultra-high definition, could offset some of the reductions in demand related to use of new compression technologies in our media business; our expectation that our new services and technologies will open new sectors that are much larger and faster growing than those we support today; our belief that selectively investing, employing a disciplined yield management approach, and emphasizing the development of strong distribution channels for our four primary customer sets will drive stability in our core business; our expectation that developing and scaling our differentiated managed service offerings in targeted verticals, leveraging the global footprint, higher performance and better economics of our Intelsat Epic fleet, in addition to the flexibility of our innovative terrestrial network, will drive revenue growth; our belief that completing targeted investments and partnerships in differentiated space and ground infrastructure will provide a seamless interface with the broader telecommunications ecosystem; our ability to incorporate new technologies into our network that could change the types of applications we can serve and increase our share of the global demand for broadband connectivity; our projection that our government business will benefit from the increasing demands for mobility services from the U.S. government for aeronautical and ground mobile requirements; our intention to maximize the value of our spectrum rights; our expectations as to our ability to comply with the final U.S. Federal Communications Commission ("FCC") order regarding clearing C-band spectrum in North America, including the availability of adequate resources and funds required to comply and the receipt of accelerated clearing payments set forth in the FCC order; our belief that developing differentiated services and investing in related software- and standards-based technology will allow us to unlock opportunities that are essential to providing global broadband connectivity; the trends that we believe will impact our revenue and operating expenses in the future; our assessments regarding how long satellites that have experienced anomalies in the past should be able to provide service on their transponders; our belief as to the likelihood of the cause of the failure of Intelsat 29e occurring on our other satellites; our assessment of the risks of future anomalies occurring on our satellites; our plans for satellite launches in the near-term; our expected capital expenditures in 2020 and during the next several years; our belief that the diversity of our revenue allows us to benefit from changing market conditions and lowers our risk from revenue fluctuations in our service applications and geographic regions; our belief that the scale of our fleet can reduce the financial impact of any satellite anomalies or launch failures and protect against service interruptions; and the impact on our financial position or results of operations of pending legal proceedings.

Forward-looking statements reflect our intentions, plans, expectations, anticipations, projections, estimations, predictions, outlook, assumptions and beliefs about future events. These forward-looking statements speak only as of their dates 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 Part I—Item 1A—Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Annual Report"), as supplemented by the risks discussed in Part II—Item 1A—Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and Part II—Item 1A—Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, the political, economic, regulatory 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.

Other factors that may cause results or developments to differ materially from historical results or developments or the forward-looking statements made in this Quarterly Report include, but are not limited to:

- 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;
- the impact of the novel coronavirus ("COVID-19") pandemic on our business, the economic environment and our expected financial results;
- our ability to consummate the Company's transaction through which we expect to purchase the equity of Gogo Inc.'s ("Gogo") commercial aviation business (the "Gogo Transaction"), including without limitation the receipt of certain regulatory approvals and potential further approvals by the Bankruptcy Court (as defined below);
- our expectations as to the timing, benefits, and impact on our future financial performance associated with the Gogo Transaction;
- our ability to successfully integrate Gogo's commercial aviation business (including without limitation, the achievement of synergies and cost reductions);
- litigation; and
- other risks discussed in our 2019 Annual Report or this Quarterly Report.

Further, many of the risks and uncertainties that we face are currently amplified by, and will continue to be amplified by, the risks and uncertainties regarding the Company and certain of its subsidiaries' voluntary commencement of cases under Chapter 11 (the "Chapter 11 Cases") of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), including but not limited to:

- our ability to improve our liquidity and long-term capital structure and to address our debt service obligations through the restructuring;
- our ability to obtain timely approval by the Bankruptcy Court with respect to the motions that we have filed or will file in the Chapter 11 Cases;
- objections to the Company’s restructuring process or other pleadings filed that could protract the Chapter 11 Cases or interfere with the Company’s ability to consummate the restructuring;
- the length of time that the Company will operate under Chapter 11 protection and the continued availability of operating capital during the pendency of the Chapter 11 Cases;
- our substantial level of indebtedness and related debt service obligations and restrictions, including those expected to be imposed by covenants in any exit financing, that may limit our operational and financial flexibility;
- the conditions to which our debtor-in-possession (DIP) financing is subject and the risk that these conditions may not be satisfied for various reasons, including for reasons outside of our control;
- our ability to develop and execute our business plan during the pendency of the Chapter 11 Cases;
- increased administrative and legal costs related to the Chapter 11 process;
- potential delays in the Chapter 11 process due to the effects of the COVID-19 pandemic; and
- our ability to continue as a going concern and our ability to maintain relationships with regulators, suppliers, customers, employees and other third parties as a result of such going concern, during the restructuring and the pendency of the Chapter 11 Cases.

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, anticipations, projections, estimations, predictions, outlook, assumptions 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTELSAT S.A. (DEBTOR-IN-POSSESSION)

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2019	September 30, 2020 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 810,626	$ 1,001,000
Restricted cash	20,238	19,350
Receivables, net of allowances of $40,028 in 2019 and $29,838 in 2020	255,722	215,725
Contract assets	47,721	40,479
Prepaid expenses and other current assets	39,230	104,838
Total current assets	1,173,537	1,381,392
Satellites and other property and equipment, net	4,702,063	4,696,123
Goodwill	2,620,627	2,620,627
Non-amortizable intangible assets	2,452,900	2,440,700
Amortizable intangible assets, net	276,752	253,425
Contract assets, net of current portion	74,109	57,715
Other assets	504,394	564,434
Total assets	$ 11,804,382	$ 12,014,416
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 88,107	$ 172,271
Taxes payable	6,402	8,223
Employee related liabilities	44,648	35,371
Accrued interest payable	308,657	13,837
Current portion of long-term debt	—	5,400,953
Contract liabilities	137,706	127,879
Deferred satellite performance incentives	42,835	42,337
Other current liabilities	62,446	58,416
Total current liabilities	690,801	5,859,287
Long-term debt	14,465,483	—
Contract liabilities, net of current portion	1,113,450	1,060,732
Deferred satellite performance incentives, net of current portion	175,837	146,559
Deferred income taxes	55,171	63,922
Accrued retirement benefits, net of current portion	125,511	113,258
Other long-term liabilities	166,977	224,728
Liabilities subject to compromise	—	10,170,344
Shareholders' deficit:		
Common shares, nominal value $0.01 per share	1,411	1,421
Paid-in capital	2,565,696	2,572,324
Accumulated deficit	(7,503,830)	(8,144,803)
Accumulated other comprehensive loss	(63,135)	(61,191)
Total Intelsat S.A. shareholders' deficit	(4,999,858)	(5,632,249)
Noncontrolling interest	11,010	7,835
Total liabilities and shareholders' deficit	$ 11,804,382	$ 12,014,416

See accompanying notes to unaudited condensed consolidated financial statements.

INTELSAT S.A. (DEBTOR-IN-POSSESSION)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Revenue	$ 506,658	$ 489,449	$ 1,544,514	$ 1,430,303
Operating expenses:				
Direct costs of revenue (excluding depreciation and amortization)	104,743	120,267	305,595	331,771
Selling, general and administrative	60,750	69,215	168,263	214,586
Depreciation and amortization	161,536	162,573	496,438	488,235
Satellite impairment loss	—	—	381,565	—
Impairment of non-amortizable intangible and other assets	—	—	—	46,243
Total operating expenses	327,029	352,055	1,351,861	1,080,835
Income from operations	179,629	137,394	192,653	349,468
Interest expense, net	315,964	138,075	953,246	678,937
Other income (expense), net	(5,115)	3,067	(32,374)	8,564
Reorganization items	—	(36,367)	—	(335,059)
Loss before income taxes	(141,450)	(33,981)	(792,967)	(655,964)
Provision for (benefit from) income taxes	6,248	(18,650)	3,884	(17,691)
Net loss	(147,698)	(15,331)	(796,851)	(638,273)
Net income attributable to noncontrolling interest	(594)	(600)	(1,785)	(1,784)
Net loss attributable to Intelsat S.A.	$ (148,292)	$ (15,931)	$ (798,636)	$ (640,057)
Net loss per common share attributable to Intelsat S.A.:				
Basic	$ (1.05)	$ (0.11)	$ (5.70)	$ (4.51)
Diluted	$ (1.05)	$ (0.11)	$ (5.70)	$ (4.51)

See accompanying notes to unaudited condensed consolidated financial statements.

INTELSAT S.A. (DEBTOR-IN-POSSESSION)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Net loss	$ (147,698)	$ (15,331)	$ (796,851)	$ (638,273)
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	(625)	(626)	(1,877)	(1,878)
Reclassification adjustment for amortization of unrecognized actuarial loss, net of tax included in other income (expense), net	736	1,274	2,207	3,822
Adoption of ASU 2018-02 (see Note 13—Income Taxes)	—	—	(16,191)	—
Other comprehensive income (loss)	111	648	(15,861)	1,944
Comprehensive loss	(147,587)	(14,683)	(812,712)	(636,329)
Comprehensive income attributable to noncontrolling interest	(594)	(600)	(1,785)	(1,784)
Comprehensive loss attributable to Intelsat S.A.	$ (148,181)	$ (15,283)	$ (814,497)	$ (638,113)

See accompanying notes to unaudited condensed consolidated financial statements.

INTELSAT S.A. (DEBTOR-IN-POSSESSION)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(in thousands, except where otherwise noted)

	Common Shares						
	Number of Shares (in millions)	Amount	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Intelsat S.A. Shareholders' Deficit	Noncontrolling Interest
Balance at December 31, 2018	138.0	$ 1,380	$ 2,551,471	$ (6,606,426)	$ (43,430)	$ (4,097,005)	$ 14,396
Net income (loss)	—	—	—	(120,622)	—	(120,622)	580
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(1,925)
Share-based compensation	2.6	26	2,913	—	—	2,939	—
Postretirement/pension liability adjustment, net of tax	—	—	—	—	110	110	—
Adoption of ASU 2018-02 (see Note 13—Income Taxes)	—	—	—	16,191	(16,191)	—	—
Balance at March 31, 2019	140.6	$ 1,406	$ 2,554,384	$ (6,710,857)	$ (59,511)	$ (4,214,578)	$ 13,051
Net income (loss)	—	—	—	(529,722)	—	(529,722)	610
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(1,469)
Share-based compensation	0.1	1	3,586	—	—	3,587	—
Postretirement/pension liability adjustment, net of tax	—	—	—	—	109	109	—
Balance at June 30, 2019	140.7	$ 1,407	$ 2,557,970	$ (7,240,579)	$ (59,402)	$ (4,740,604)	$ 12,192
Net income (loss)	—	—	—	(148,292)	—	(148,292)	594
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(1,436)
Share-based compensation	0.3	3	4,676	—	—	4,679	—
Postretirement/pension liability adjustment, net of tax	—	—	—		111	111	—
Balance at September 30, 2019	141.0	$ 1,410	$ 2,562,646	$ (7,388,871)	$ (59,291)	$ (4,884,106)	$ 11,350

See accompanying notes to unaudited condensed consolidated financial statements.

INTELSAT S.A. (DEBTOR-IN-POSSESSION)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(in thousands, except where otherwise noted)

	Common Shares						
	Number of Shares (in millions)	Amount	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Intelsat S.A. Shareholders' Deficit	Noncontrolling Interest
Balance at December 31, 2019	141.1	$ 1,411	$ 2,565,696	$ (7,503,830)	$ (63,135)	$ (4,999,858)	$ 11,010
Net income (loss)	—	—	—	(218,771)	—	(218,771)	556
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(1,879)
Share-based compensation	1.0	10	971	—	—	981	—
Postretirement/pension liability adjustment, net of tax	—	—	—	—	648	648	—
Adoption of ASU 2016-13 (see Note 1—General)	—	—	—	(916)	—	(916)	—
Balance at March 31, 2020	142.1	$ 1,421	$ 2,566,667	$ (7,723,517)	$ (62,487)	$ (5,217,916)	$ 9,687
Net income (loss)	—	—	—	(405,355)	—	(405,355)	628
Share-based compensation	—	—	2,737	—	—	2,737	—
Postretirement/pension liability adjustment, net of tax	—	—	—	—	648	648	—
Balance at June 30, 2020	142.1	$ 1,421	$ 2,569,404	$ (8,128,872)	$ (61,839)	$ (5,619,886)	$ 10,315
Net income (loss)	—	—	—	(15,931)	—	(15,931)	600
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(3,080)
Share-based compensation	—	—	2,920	—	—	2,920	—
Postretirement/pension liability adjustment, net of tax	—	—	—		648	648	—
Balance at September 30, 2020	142.1	$ 1,421	$ 2,572,324	$ (8,144,803)	$ (61,191)	$ (5,632,249)	$ 7,835

See accompanying notes to unaudited condensed consolidated financial statements.

INTELSAT S.A. (DEBTOR-IN-POSSESSION)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net loss	$ (796,851)	$ (638,273)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	496,438	488,235
Provision for doubtful accounts	13,429	36,360
Foreign currency transaction loss	5,119	7,330
Loss on disposal of assets	171	—
Satellite impairment loss	381,565	—
Impairment of non-amortizable intangible and other assets	—	46,243
Share-based compensation	10,215	9,399
Deferred income taxes	(1,029)	4,720
Amortization of discount, premium, issuance costs and related costs	31,011	19,689
Non-cash reorganization items	—	196,974
Debtor-in-possession financing fees	—	52,182
Amortization of actuarial loss and prior service credits for retirement benefits	336	1,976
Unrealized losses on derivative financial instruments	21,104	372
Unrealized losses on investments and loans held-for-investment	36,482	721
Sales-type lease	7,064	—
Other non-cash items	(82)	—
Changes in operating assets and liabilities:		
Receivables	(4,015)	2,769
Prepaid expenses, contract and other assets	(7,556)	(67,253)
Accounts payable and accrued liabilities	2,933	60,624
Accrued interest payable	(1,076)	48,713
Contract liabilities	(17,336)	(62,737)
Accrued retirement benefits	(9,616)	(12,253)
Other long-term liabilities	(4,877)	(1,062)
Net cash provided by operating activities	163,429	194,729
Cash flows from investing activities:		
Payments for satellites and other property and equipment (including capitalized interest)	(202,265)	(419,952)
Origination of loans held-for-investment	(19,424)	(2,300)
Proceeds from loans held-for-investment	—	973
Capital contribution to unconsolidated affiliate (including capitalized interest)	(338)	(2,692)
Other proceeds from satellites	7,500	5,625
Net cash used in investing activities	(214,527)	(418,346)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	400,000	—
Debt issuance costs	(4,650)	—
Proceeds from debtor-in-possession financing	—	500,000
Debtor-in-possession financing fees	—	(52,182)
Principal payments on deferred satellite performance incentives	(20,991)	(25,428)
Dividends paid to noncontrolling interest	(4,830)	(4,959)
Proceeds from exercise of employee stock options	989	—
Other financing activities	298	—
Net cash provided by financing activities	370,816	417,431
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,241)	(4,328)
Net change in cash, cash equivalents and restricted cash	317,477	189,486
Cash, cash equivalents, and restricted cash, beginning of period	507,157	830,864
Cash, cash equivalents, and restricted cash, end of period	$ 824,634	$ 1,020,350

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Supplemental cash flow information:		
Cash paid for reorganization items included in cash flows from operating activities	$ —	$ 53,983
Interest paid, net of amounts capitalized	840,180	532,234
Income taxes paid, net of refunds	9,284	4,717
Supplemental disclosure of non-cash investing activities:		
Accrued capital expenditures	$ 3,825	$ 51,221
Conversion of loans held-for-investment to equity securities	—	4,802

See accompanying notes to unaudited condensed consolidated financial statements.

Note 1 General

Basis of Presentation

The accompanying condensed consolidated financial statements of Intelsat S.A. and its subsidiaries ("Intelsat S.A.," "we," "us," "our" or the "Company") have not been audited, but are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. References to U.S. GAAP issued by the Financial Accounting Standards Board ("FASB") in these footnotes are to the FASB Accounting Standards Codification ("ASC"). The unaudited condensed consolidated financial statements include all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of these financial statements. The results of operations for the periods presented are not necessarily indicative of operating results for the full year or for any future period. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019, on file with the U.S. Securities and Exchange Commission ("SEC").

Use of Estimates

The preparation of these condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of these condensed consolidated financial statements, the reported amounts of revenues and expenses during the reporting periods, and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates.

Bankruptcy Accounting

Our condensed consolidated financial statements included herein have been prepared as if we are a going concern and reflect the application of ASC 852, *Reorganizations* ("ASC 852"). ASC 852 requires the financial statements, for periods subsequent to the commencement of the Chapter 11 proceedings, to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, we classify liabilities and obligations whose treatment and satisfaction are dependent on the outcome of the reorganization under the Chapter 11 proceedings as liabilities subject to compromise on our condensed consolidated balance sheets. In addition, we classify all income, expenses, gains or losses that are incurred or realized as a result of the Chapter 11 proceedings as reorganization items in our condensed consolidated statements of operations. See Note 2—Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters.

Impact of COVID-19 on the Company

As a result of the novel coronavirus ("COVID-19") pandemic, in the first, second and third quarters of 2020, in an effort to safeguard public health, governments around the world, including United States ("U.S.") federal, state and local governments, implemented a number of orders and restrictions on travel and businesses, among other things. Some of these measures remain in effect and have negatively impacted the U.S. and other economies around the world in the short-term, while the long-term economic impact of COVID-19 remains unknown.

The COVID-19 pandemic has had an adverse impact on our business, results of operations and financial condition, a trend we expect to continue. Among the impacts of the COVID-19 pandemic were a reduction of revenue and a decreased likelihood of collection from certain mobility customers. We continue to closely monitor the ongoing impact on our employees, customers, business and results of operations.

Gogo Inc. Transaction

On August 31, 2020, following approval from the U.S. Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), Intelsat Jackson and Gogo Inc., a Delaware corporation ("Gogo"), entered into a purchase and sale agreement (the "Purchase and Sale Agreement") with respect to Gogo's commercial aviation business for $400.0 million in cash, subject to customary adjustments (the "Purchase Price"). The transaction further propels the Company's efforts in the growing commercial in-flight connectivity market, pairing our high-capacity global satellite and ground network with Gogo's installed base of more than 3,000 commercial aircraft to redefine the connectivity experience.

We expect to fund the Purchase Price with proceeds from our existing DIP Facility (as defined below) and cash on hand. In connection therewith, on August 24, 2020, the DIP Debtors and DIP Lenders (each as defined below) entered into an amendment ("DIP Amendment No. 1") to the DIP Credit Agreement (as defined below), in connection with the transactions contemplated by the Purchase and Sale Agreement (the "Gogo Transaction"). DIP Amendment No. 1 was approved by the Bankruptcy Court on August 31, 2020. The Gogo Transaction is expected to close before the end of the first quarter of 2021, subject to the receipt of certain regulatory approvals and the satisfaction or waiver of certain other customary closing conditions.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less, which are generally time deposits with banks and money market funds. The carrying amount of these investments approximates fair value. Restricted cash represents legally restricted amounts being held as a compensating balance for certain outstanding letters of credit.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within our condensed consolidated balance sheets to the total sum of these amounts reported in our condensed consolidated statements of cash flows (in thousands):

	As of December 31, 2019	As of September 30, 2020
Cash and cash equivalents	$ 810,626	$ 1,001,000
Restricted cash	20,238	19,350
Cash, cash equivalents and restricted cash	$ 830,864	$ 1,020,350

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which changes how companies measure and recognize credit impairment for any financial assets. The standard requires companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are within the scope of the standard. We adopted ASU 2016-13 and its amendments in the first quarter of 2020, on a modified retrospective basis. The adoption of ASU 2016-13 and its amendments increased our reserve for credit losses by $0.9 million as of January 1, 2020.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which is intended to simplify the subsequent measurement of goodwill. The amendments in ASU 2017-04 modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity will no longer determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities, as if that reporting unit had been acquired in a business combination. We adopted ASU 2017-04 in the first quarter of 2020, on a prospective basis. As a result, we will measure impairment using the difference between the carrying amount and the fair value of the reporting unit, if required. In the first quarter of 2020, we conducted a goodwill impairment analysis and determined the fair value of our reporting unit to be greater than its carrying value, resulting in no impairment of goodwill. See Note 10—Goodwill and Other Intangible Assets for further information.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), as part of its disclosure framework project to improve the effectiveness of disclosures in the notes to financial statements. Changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty were applied prospectively for only the most recent interim period presented. All other amendments were applied retrospectively for all periods presented. ASU 2018-13 and its amendments were adopted by the Company in the first quarter of 2020.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"), as part of its disclosure framework project to improve the effectiveness of disclosures in the notes to financial statements. ASU 2018-14 modifies and clarifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments remove certain disclosure requirements and require additional disclosures. ASU 2018-14 will be effective for the Company for annual periods in fiscal years ending after December 15, 2020, on a retrospective basis to all periods presented. We are in the process of evaluating the impact that ASU 2018-14 will have on our condensed consolidated financial statements and associated disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting For Income Taxes* ("ASU 2019-12"). The standard removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. It also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. ASU 2019-12 will be effective for the Company for annual periods in fiscal years beginning after December 15, 2020. We are in the process of evaluating the impact that ASU 2019-12 will have on our condensed consolidated financial statements and associated disclosures.

Note 2 Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters

Voluntary Reorganization under Chapter 11

On May 13, 2020, Intelsat S.A. and certain of its subsidiaries (each, a "Debtor" and collectively, the "Debtors") commenced voluntary cases (the "Chapter 11 Cases") under title 11 of the United States Code (the "Bankruptcy Code") in the Bankruptcy Court. Primary factors causing us to file for Chapter 11 protection included the Company's intention to participate in the accelerated clearing process of C-band spectrum set forth in the U.S. Federal Communications Commission's ("FCC") March 3, 2020 final order (the "FCC Final Order"), requiring the Company to incur significant costs related to clearing activities well in advance of receiving reimbursement for such costs and the need for additional financing to fund the C-band clearing process, service our current debt obligations, and meet our operating requirements, as well as the economic slowdown impacting the Company and several of its end markets due to the COVID-19 pandemic. On August 14, 2020, the Company filed its final C-band spectrum transition plan with the FCC. On September 17, 2020, the Company announced it finalized all of its required contracts with satellite manufacturers and launch-vehicle providers to move forward and meet the accelerated C-band spectrum clearing timelines established by the FCC.

The Chapter 11 process can be unpredictable and involves significant risks and uncertainties. Pursuant to various orders from the Bankruptcy Court, the Debtors have received approval from the Bankruptcy Court to generally maintain their ordinary operations and uphold certain commitments to their stakeholders, including employees, customers, and vendors, during the restructuring process, subject to the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. Our ability to fund operating expenses may be subject to obtaining further approvals from the Bankruptcy Court in connection with the Chapter 11 Cases.

On June 9, 2020, Intelsat Jackson received approval from the Bankruptcy Court (the "DIP Order") to enter into a non-amortizing multiple draw superpriority secured debtor-in-possession term loan facility (the "DIP Facility"), in an aggregate principal amount of \$1.0 billion on the terms and conditions as set forth in the DIP Facility credit agreement (the "DIP Credit Agreement") with certain of the Debtors' prepetition secured parties (the "DIP Lenders"), and on June 17, 2020, Intelsat Jackson and certain of its subsidiaries as guarantors (together with Intelsat Jackson, the "DIP Debtors") entered into the DIP Credit Agreement with the DIP Lenders, as amended by DIP Amendment No. 1 (see Note 1—General—*Gogo Inc. Transaction*), which was approved by the Bankruptcy Court on August 31, 2020. For additional information regarding the DIP Facility, DIP Credit Agreement and DIP Amendment No. 1, see Note 11—Debt.

On July 11, 2020, the Debtors filed with the Bankruptcy Court schedules and statements setting forth, among other things, the assets and liabilities of each of the Debtors, subject to the assumptions filed in connection therewith. These schedules and statements may be subject to further amendment or modification after filing.

The filing of the Chapter 11 Cases constituted an event of default that accelerated substantially all of our obligations under the documents governing the prepetition existing indebtedness of Intelsat S.A., Intelsat Luxembourg, Intelsat Connect and Intelsat Jackson. For additional discussion regarding the impact of the Chapter 11 Cases on our debt obligations, see Note 11—Debt.

While the Chapter 11 Cases are pending, the Debtors do not anticipate making interest payments due under their respective unsecured debt instruments; however, the Debtors expect to make monthly interest payments on their senior secured debt instruments pursuant to the adequate protection requirements under the DIP Order. For the three and nine months ended September 30, 2020, the contractual interest expense pursuant to our unsecured debt instruments that was not recognized in our condensed consolidated statements of operations was \$196.4 million and \$298.9 million, respectively.

In order for the Debtors to emerge successfully from Chapter 11, the Debtors must obtain the required votes of creditors accepting a plan of reorganization as well as the Bankruptcy Court's confirmation of such plan. A reorganization plan determines the rights and satisfaction of claims of various creditors and security holders and is subject to the ultimate outcome of negotiations and Bankruptcy Court decisions ongoing through the date on which it is confirmed.

Delisting of Intelsat S.A. Common Shares

On May 20, 2020, the New York Stock Exchange ("NYSE") filed a Form 25 with the SEC to delist the Company's common shares, \$0.01 par value from the NYSE. The delisting became effective 10 days after the Form 25 was filed. The deregistration of the common shares under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") became effective 90 days after the filing date of the Form 25. The common shares remain registered under Section 12(g) of the Exchange Act. The Company's common shares began trading on the OTC Pink Marketplace on May 19, 2020 under the symbol "INTEQ."

Liabilities Subject to Compromise

Prepetition unsecured liabilities of the Debtors subject to compromise under the Chapter 11 proceedings have been distinguished from secured liabilities that are not expected to be compromised and post-petition liabilities in our condensed consolidated balance sheets. Liabilities subject to compromise have been recorded at the amounts expected to be allowed by the Bankruptcy Court. The ultimate settlement amounts of these liabilities remain at the discretion of the Bankruptcy Court and may vary from the expected allowed amounts.

Liabilities subject to compromise consisted of the following (in thousands):

	As of September 30, 2020
Accounts payable	$ 9,874
Debt subject to comprise	9,782,161
Accrued interest on debt subject to compromise	341,676
Other long-term liabilities subject to compromise	36,633
Total liabilities subject to compromise	$ 10,170,344

Reorganization Items

The expenses, gains and losses directly and incrementally resulting from the Chapter 11 Cases are separately reported as reorganization items in our condensed consolidated statements of operations.

Reorganization items consisted of the following (in thousands):

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Adjustment of debt discount, premium and issuance costs	$ —	$ 196,974
Debtor-in-possession financing fees	—	52,182
Professional fees	36,262	85,233
Other reorganization costs	105	670
Total reorganization items	$ 36,367	$ 335,059

Going Concern

Our condensed consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities in the normal course of business. In connection with the preparation of our condensed consolidated financial statements, we conducted an evaluation as to whether there were conditions and events, considered in the aggregate, that raised substantial doubt as to the Company's ability to continue as a going concern. As reflected in our condensed consolidated financial statements, the Company had cash and cash equivalents of $1.0 billion and an accumulated deficit of $8.1 billion as of September 30, 2020. The Company generated income from operations of $349.5 million and a net loss of $638.3 million for the nine months ended September 30, 2020.

In light of the Company's Chapter 11 proceedings, our ability to continue as a going concern is contingent upon, among other things, our ability to, subject to the Bankruptcy Court's approval, implement a business plan of reorganization, emerge from the Chapter 11 proceedings and generate sufficient liquidity following the reorganization to meet our contractual obligations and operating needs. As a result of risks and uncertainties related to, among other things, (i) the Company's ability to obtain requisite support for the business plan of reorganization from various stakeholders, and (ii) the disruptive effects of the Chapter 11 proceedings on our business making it potentially more difficult to maintain business, financing and operational relationships, substantial doubt exists regarding our ability to continue as a going concern.

The filing of the Chapter 11 Cases constituted an event of default that accelerated substantially all of our obligations under the documents governing the prepetition existing indebtedness of Intelsat S.A., Intelsat Luxembourg, Intelsat Connect and Intelsat Jackson. As such, we have reclassified all such debt obligations, other than debt subject to compromise, to current portion of long-term debt on our condensed consolidated balance sheet as of September 30, 2020. For additional discussion regarding the impact of the Chapter 11 Cases on our debt obligations, see Note 11—Debt.

Our condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Note 3 Share Capital

Under our Articles of Incorporation, we have an authorized share capital of $10.0 million, represented by 1.0 billion shares of any class with a nominal value of $0.01 per share. At September 30, 2020, there were approximately 142.1 million common shares issued and outstanding.

Note 4 Revenue

(a) Revenue Recognition

We earn revenue primarily by providing services to our customers using our satellite transponder capacity. Our customers generally obtain satellite capacity from us by placing an order pursuant to one of several master customer service agreements. On-network services are comprised primarily of services delivered on our owned network infrastructure, as well as commitments for third-party capacity, generally long-term in nature, that we integrate and market as part of our owned infrastructure. In the case of third-party services in support of government applications, the commitments for third-party capacity are shorter and matched to the government contracting period, and thus remain classified as off-network services. Off-network services can include transponder services and other satellite-based transmission services, such as mobile satellite services ("MSS"), which are sourced from other operators, often in frequencies not available on our network. Under the category Off-Network and Other Revenues, we also include revenues from consulting and other services.

For each service type, the price per unit in our contracts is generally fixed for each defined time period. While the number of units or price per unit in our multi-year contracts may be different by year or another time period, the number of units and price per unit are fixed for each defined time period and the total contract price is fixed. To determine the proper revenue recognition method for contracts, we evaluate whether two or more services should be combined and accounted for as a single performance obligation. Our specific revenue recognition policies are as follows:

Satellite Utilization Charges

The Company's contracts for satellite utilization services often contain multiple service orders for the provision of capacity on or over different beams, satellites, frequencies, geographies or time periods. Under each separate service order, the Company's satellite services, comprised of transponder services, managed services, channel services, and occasional use managed services, are delivered in a series of time periods that are distinct from each other and have the same pattern of transfer to the customer. In each period, the Company's obligation is to make those services available to the customer. Throughout each service period, the Company provides services that are able to be used continuously, and the customer simultaneously receives and consumes the benefits provided by the Company. We believe that, given that our services are stand-ready obligations that are available continuously, the passage of time most faithfully reflects our satisfaction of the performance obligation. We also have certain obligations, including providing spare or substitute capacity if available, in the event of satellite service failure under certain long-term agreements. While we are generally not obligated to refund satellite utilization payments previously made, credits may be granted for sustained service outages in certain limited circumstances.

Similar to satellite utilization charges, we have determined that the customer simultaneously receives and consumes benefits provided by the Company for satellite related consulting and technical services, tracking, telemetry and commanding services ("TT&C") and in-orbit backup services, as detailed below. Therefore, similar to satellite utilization charges, we believe that the passage of time most faithfully reflects our satisfaction of the performance obligation for these services:

Satellite-Related Consulting and Technical Services

We recognize revenue from the provision of consulting services as those services are performed. We recognize revenue for consulting services with specific performance obligations, such as transfer orbit support services or training programs over the service period.

TT&C

We earn TT&C services revenue from providing operational services to other satellite owners and from certain customers on our satellites. TT&C agreements entered into in connection with our satellite utilization contracts are typically for the period of the related service agreement. We recognize this revenue over the term of the service agreement.

In-Orbit Backup Services

We provide back-up transponder capacity that is held on reserve for certain customers on agreed-upon terms. We recognize revenues for in-orbit backup services over the term of the related agreement.

Revenue Share Arrangements

We recognize revenues under revenue share agreements for satellite-related services either on a gross or net basis in accordance with principal versus agent considerations.

We occasionally sell products or services individually or in some combination to our customers. When products or services are sold together, we allocate revenue for each performance obligation based on each obligation's relative selling price. In these arrangements, revenue for products is recognized when the transfer of control passes to the customer, while service revenue is recognized over the service term.

Contract Assets

Contract assets include unbilled amounts typically resulting from sales under our long-term contracts when the total contract value is recognized on a straight-line basis and the revenue recognized exceeds the amount billed to the customer.

Contract Liabilities

Contract liabilities consist of advance payments and collections in excess of revenue recognized and deferred revenue. Our contracts at times contain prepayment terms that range from one month to one year in advance of providing the service. As a practical expedient, we do not need to adjust the promised amount of consideration for the effects of a significant financing component if we expect, at contract inception, that the period of time between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. For a small subset of contracts with advance payments that contain prepayment terms greater than one year and up to fifteen years, we assess whether a significant financing component exists by considering the difference between the amount of promised consideration and the cash selling price of the promised services. The prepayment amount is generally based on a standard methodology that discounts the total of the standard monthly charges over the service term to determine the prepayment amount, resulting in a difference between the amount of promised consideration and the cash selling price of the promised services. The Company considers the timing difference between payment and the promised transfer of services, combined with the Company's incremental borrowing rates, to determine whether a significant financing component exists. When a significant financing component exists, the amount of revenue recognized exceeds the amount of cash received from the customer. After receiving cash from the customer but prior to the Company providing services, the Company records additional contract liabilities as well as offsetting interest expense to reflect the upfront financing the Company is effectively receiving from the customer. Once the Company begins providing services, additional interest expense is recorded each period using the effective interest method, as well as corresponding additional revenue, which is recognized ratably over the service period.

For the three months ended September 30, 2019 and 2020, we recognized revenue of $54.8 million and $47.8 million, respectively, and for the nine months ended September 30, 2019 and 2020, we recognized revenue of $200.3 million and $185.5 million, respectively, that were included in the contract liability balances as of January 1, 2019 and 2020, respectively. In addition, the total amount of consideration included in contract assets as of January 1, 2019 and 2020 that became unconditional for the nine months ended September 30, 2019 and 2020 was $9.1 million and $15.1 million, respectively.

Assets Recognized from the Costs to Obtain a Customer Contract

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that our sales incentive program meets the requirements to be capitalized due to the incremental nature of the costs and the expectation that the Company will recover such costs. The assets recognized from the costs to obtain a customer contract are amortized over a period that is consistent with the transfer to the customer of the services to which the asset relates. We capitalized $1.7 million and $1.5 million for our sales incentive program and amortized $1.2 million and $1.1 million for the three months ended September 30, 2019 and 2020, respectively, and we capitalized $5.7 million and $3.9 million for our sales incentive program and amortized $4.7 million and $3.9 million for the nine months ended September 30, 2019 and 2020, respectively. As of December 31, 2019 and September 30, 2020, capitalized costs relating to our sales incentive program were $9.4 million and $9.5 million, respectively, which were included within other assets in our condensed consolidated balance sheets.

Contract Modifications

Contracts are often modified to account for changes in contract specifications or requirements. We consider contract modifications to exist when the modification either creates new rights or obligations or changes the existing enforceable rights and obligations of either party. Most of our contract modifications are for goods and services that are distinct from the existing contract, as they consist of additional months of service priced at the Company's standalone selling prices of the additional services and are therefore treated as separate contracts. For contract modifications that do not result in additional distinct goods or services, the effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue.

Significant Judgments

We occasionally enter into certain contracts in which the customer makes payments in advance of services to be delivered, which may be years in the future. The reasons for the prepayments in these contracts vary, but generally can be either for the customer's benefit or for the Company's benefit (such as the ability to use the cash received from the customer to pay for the construction of a satellite asset). The determination of whether contracts with a prepayment provision contain a significant financing component requires judgment. The Company makes this determination based on various factors, including the differences between the amount of promised consideration and cash selling prices, the length of time between payment and the transfer of services and prevailing interest rates in the market.

While most satellite utilization contracts contain multiple performance obligations for each transponder service on different satellites, the service period for the different satellite utilization performance obligations is generally the same time period. In the event that the time period for multiple performance obligations is not the same, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling price of the promised good or service underlying such performance obligation. Judgment is required to determine the standalone selling price for each distinct performance obligation. In order to estimate standalone selling prices, we use an adjusted market assessment approach which involves an evaluation of the market and an estimate of the price that our customers are willing to pay, or an expected cost plus a margin approach.

When more than one party is involved in providing goods or services to a customer, we generally recognize the transaction on a gross basis due to the level of control that we have prior to the transfer of the good or service. These arrangements include instances where we procure equipment from vendors and sell to third-party customers, when we enter into revenue sharing arrangements with other parties and when we purchase capacity for voice, data and video services provided by third-party commercial satellite operators for which the desired frequency type or geographic coverage is not available on our network. Our third-party capacity arrangements (off-network) are more significant and, in determining whether we are the principal or the agent in these arrangements, we consider whether or not we control the service before it is transferred to the customer. In this determination, we consider the definition of control as set forth in ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), in ASC 606-10-25-25. When we purchase satellite transponder capacity from a third party, we have the ability to direct the use of and obtain substantially all of the remaining benefits from the purchased capacity. We obtain the right to the service to be performed by the third party, which gives the Company the ability to direct that party to provide the service to the customer on the Company's behalf. No other third party can direct the use of or obtain any benefits from the capacity.

We also considered the factors in ASC 606-10-55-39 in the Company's determination of control. In the vast majority of cases, when we resell capacity to third party customers, we are primarily responsible for the fulfillment of the services and acceptability of the service. Additionally, the Company has full discretion in establishing the pricing for transponder services with the customer and assumes the credit risk associated with capacity purchased from the third party. In the event the service is not acceptable to the customer, we are required to identify an alternative solution. Based on these considerations, we have concluded that we are the principal in the transaction for these arrangements. When these factors are not met, the Company recognizes revenue for third-party capacity arrangements on a net basis.

Judgment is required in determining whether we are the principal or the agent in transactions involving third parties.

Remaining Performance Obligations

Our remaining performance obligation is our expected future revenue under our existing customer contracts and includes both cancelable and non-cancelable contracts. Our remaining performance obligation was approximately $6.1 billion as of September 30, 2020, approximately 92% of which related to contracts that were non-cancelable and approximately 8% of which related to contracts that were cancelable subject to substantial termination fees. We assess the contract term of our cancelable contracts as the full stated term of the contract assuming each contract is not canceled since the termination penalty upon cancellation is substantive. As of September 30, 2020, the weighted average remaining customer contract life was approximately 4.0 years. Approximately 29%, 27%, and 44% of our total remaining performance obligation as of September 30, 2020 is expected to be recognized as revenue during 2020 and 2021, 2022 and 2023, and 2024 and thereafter, respectively. The amount included in the remaining performance obligation represents the full-service charge for the duration of the contract and does not include termination fees. The amount of the termination fees, which is not included in the remaining performance obligation amount, is generally calculated as a percentage of the remaining performance obligation associated with the contract. In certain cases of breach for non-payment or customer financial distress or bankruptcy, we may not be able to recover the full value of certain contracts or termination fees. Our remaining performance obligation includes 100% of the remaining performance obligation of our consolidated ownership interests, which is consistent with the accounting for our ownership interest in these entities.

(b) Business and Geographic Segment Information

We operate in a single industry segment in which we provide satellite services to our communications customers around the world. Our revenues are disaggregated by billing region, service type and customer set. Revenue by region is based on the locations of customers to which services are billed. Our satellites are in geosynchronous orbit, and consequently are not attributable to any geographic location. Of our remaining assets, substantially all are located in the U.S.

The following table disaggregates revenue by billing region (in thousands, except percentages):

	Three Months Ended September 30, 2019		Three Months Ended September 30, 2020		Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2020	
North America	$ 271,001	53 %	$ 266,516	54 %	$ 804,014	52 %	$ 758,999	53 %
Europe	60,708	12 %	54,082	11 %	186,497	12 %	160,866	11 %
Latin America and Caribbean	56,702	11 %	52,474	11 %	183,045	12 %	157,956	11 %
Africa and Middle East	61,080	12 %	60,349	12 %	185,186	12 %	181,151	13 %
Asia-Pacific	57,167	11 %	56,028	11 %	185,772	12 %	171,331	12 %
Total	$ 506,658		$ 489,449		$ 1,544,514		$ 1,430,303	

The following table disaggregates revenue by type of service (in thousands, except percentages):

	Three Months Ended September 30, 2019		Three Months Ended September 30, 2020		Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2020	
On-Network Revenues								
Transponder services	$ 364,312	72 %	$ 353,758	72 %	$ 1,111,182	72 %	$ 1,028,692	72 %
Managed services	93,080	18 %	69,438	14 %	277,616	18 %	226,749	16 %
Channel	601	— %	280	— %	1,877	— %	1,096	— %
Total on-network revenues	457,993	90 %	423,476	87 %	1,390,675	90 %	1,256,537	88 %
Off-Network and Other Revenues								
Transponder, MSS and other off-network services	39,129	8 %	54,478	11 %	126,704	8 %	141,783	10 %
Satellite-related services	9,536	2 %	11,495	2 %	27,135	2 %	31,983	2 %
Total off-network and other revenues	48,665	10 %	65,973	13 %	153,839	10 %	173,766	12 %
Total	$ 506,658		$ 489,449		$ 1,544,514		$ 1,430,303	

By customer application, our revenues from network services, media, government and satellite-related services were $180.8 million, $222.9 million, $95.7 million and $7.3 million, respectively, for the three months ended September 30, 2019, as compared to $169.6 million, $203.5 million, $108.0 million and $8.3 million, respectively, for the three months ended September 30, 2020. Revenues from network services, media, government and satellite-related services were $570.2 million, $672.3 million, $282.3 million and $19.7 million, respectively, for the nine months ended September 30, 2019, as compared to $495.7 million, $611.9 million, $299.9 million and $22.8 million, respectively, for the nine months ended September 30, 2020.

Our largest customer accounted for approximately 15% and 14% of our revenue during the three months ended September 30, 2019 and 2020, respectively, and 15% and 14% during the nine months ended September 30, 2019 and 2020, respectively. Our ten largest customers accounted for approximately 42% and 43% of our revenue during the three months ended September 30, 2019 and 2020, respectively, and approximately 40% and 41% during the nine months ended September 30, 2019 and 2020, respectively.

Note 5 Net Loss per Share

Basic net loss per common share attributable to Intelsat S.A. (“EPS”) is computed by dividing net loss attributable to Intelsat S.A.’s common shareholders by the weighted average number of common shares outstanding during the periods. Diluted EPS assumes the issuance of common shares pursuant to share-based compensation plans and conversion of the Intelsat S.A. 4.5% Convertible Senior Notes due 2025 (the "2025 Convertible Notes"), unless the effect of such issuances would be anti-dilutive.

The following table sets forth the computation of basic and diluted EPS (in thousands, except per share data or where otherwise noted):

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Numerator:				
Net loss attributable to Intelsat S.A.	$ (148,292)	$ (15,931)	$ (798,636)	$ (640,057)
Denominator:				
Basic weighted average shares outstanding (in millions)	140.9	142.1	140.1	141.9
Diluted weighted average shares outstanding (in millions):	140.9	142.1	140.1	141.9
Basic EPS	$ (1.05)	$ (0.11)	$ (5.70)	$ (4.51)
Diluted EPS	$ (1.05)	$ (0.11)	$ (5.70)	$ (4.51)

In June 2018, Intelsat S.A. completed an offering of $402.5 million aggregate principal amount of its 2025 Convertible Notes. We do not expect to settle the principal amount of the 2025 Convertible Notes in cash, and therefore use the if-converted method for calculating any potential dilutive effect of the conversion on diluted EPS, if applicable. Under the indenture governing the 2025 Convertible Notes (the "2025 Indenture"), the 2025 Convertible Notes are eligible for conversion depending upon the trading price of our common shares and under other conditions set forth in the indenture until December 15, 2024, and thereafter without regard to any conditions. The commencement of the Chapter 11 Cases constituted an event of default under the 2025 Indenture. See Note 11—Debt for additional information on the impact of the Chapter 11 Cases on our debt obligations.

Due to a net loss for each of the three and nine months ended September 30, 2019 and 2020, there were no dilutive securities, and therefore, basic and diluted EPS were the same. The weighted average number of common shares that could potentially dilute basic EPS in the future was 26.5 million and 22.3 million for the three months ended September 30, 2019 and 2020, respectively, and 26.8 million and 22.3 million for the nine months ended September 30, 2019 and 2020, respectively, primarily consisting of the 2025 Convertible Notes.

Note 6 Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosure* ("ASC 820") defines fair value, establishes a market-based framework or hierarchy for measuring fair value and provides for certain required disclosures about fair value measurements. The guidance is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value but does not require any new fair value measurements.

The fair value hierarchy prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1—unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2—quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted market prices that are observable or that can be corroborated by observable market data by correlation; and
- Level 3—unobservable inputs based upon the reporting entity's internally developed assumptions which market participants would use in pricing the asset or liability.

Recurring Fair Value Measurements

The tables below present assets measured and recorded at fair value in our condensed consolidated balance sheets on a recurring basis and their corresponding level within the fair value hierarchy (in thousands). No transfers between Level 1, Level 2 and Level 3 fair value measurements occurred for the nine months ended September 30, 2020.

Description	As of December 31, 2019		Fair Value Measurements as of December 31, 2019 Level 1		Level 2		Level 3
Assets							
Marketable securities[(1)]	$	5,145	$	5,145	$	—	$ —
Undesignated interest rate cap contracts[(2)]		372		—		372	—
Common stock warrant[(3)]		3,239		—		—	3,239
Total assets	$	8,756	$	5,145	$	372	$ 3,239

Description	As of September 30, 2020		Fair Value Measurements as of September 30, 2020 Level 1		Level 2		Level 3
Assets							
Marketable securities[(1)]	$	4,823	$	4,823	$	—	$ —
Common stock warrant[(3)]		3,239		—		—	3,239
Total assets	$	8,062	$	4,823	$	—	$ 3,239

(1) The valuation measurement inputs of these marketable securities represent unadjusted quoted prices in active markets and, accordingly, we have classified such investments within Level 1 of the fair value hierarchy. The cost basis of our marketable securities was $4.3 million and $3.9 million as of December 31, 2019 and September 30, 2020, respectively. We sold marketable securities with a cost basis of $0.1 million resulting in a nominal gain during each of the three months ended September 30, 2019 and 2020. We sold marketable securities with a cost basis of $0.6 million and $0.5 million resulting in a nominal gain during each of the nine months ended September 30, 2019 and 2020, respectively. These amounts are included in other income (expense), net in our condensed consolidated statements of operations.

(2) The valuation of our interest rate derivative instruments reflects the fair value of premiums paid, taking into account observable inputs including current interest rates, the market expectation for future interest rate volatility and current creditworthiness of the counterparties. As a result, we have determined that the valuation in its entirety is classified as Level 2 within the fair value hierarchy.

(3) We valued the common stock warrant using a valuation technique that reflects the risk-free interest rate, time to maturity and volatility of comparable companies. We identified the inputs used to calculate the fair value as Level 3 inputs and concluded that the valuation in its entirety is classified as Level 3 within the fair value hierarchy.

The following table presents a reconciliation of the preferred and common stock warrants which are measured and recorded at fair value on a recurring basis using Level 3 inputs (in thousands):

	Three Months Ended September 30, 2019		Three Months Ended September 30, 2020		Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2020
Balance as of beginning of period	$	247	$	3,239	$	4,100	$ 3,239
Unrealized loss included in other income (expense), net		(247)		—		(4,100)	—
Balance as of end of period	$	—	$	3,239	$	—	$ 3,239

Nonrecurring Fair Value Measurements

The carrying values of certain assets may be adjusted to fair value in subsequent periods on a nonrecurring basis if an event occurs or circumstances change that indicate that the asset is impaired or, for investments in equity securities without readily determinable fair values, observable transactions for identical or similar investments of the same issuer support a change in the investment fair value. During the first quarter of 2020, as a result of our interim impairment assessments, we recognized an impairment of non-amortizable intangible assets of $12.2 million. This fair value measurement is classified as Level 3 within the fair value hierarchy due to the use of significant unobservable inputs. See Note 10—Goodwill and Other Intangible Assets for additional information.

Other Fair Value Disclosures

See Note 9—Investments, Note 10—Goodwill and Other Intangible Assets and Note 11—Debt for fair value disclosures related to our loan receivables, impairment analysis and debt, respectively. The carrying amounts of the Company's other financial instruments are reasonable estimates of their related fair values due to their short-term nature.

Note 7 Retirement Plans and Other Retiree Benefits

(a) Pension and Other Postretirement Benefits

We maintain a noncontributory defined benefit retirement plan covering substantially all of our employees hired prior to July 19, 2001. The cost of providing benefits to eligible participants under the defined benefit retirement plan is calculated using the plan's benefit formulas, which take into account the participants' remuneration, dates of hire, years of eligible service and certain actuarial assumptions. In addition, as part of the overall medical plan, we provide postretirement medical benefits to certain current retirees who meet the criteria under the medical plan for postretirement benefit eligibility. In 2015, we amended the defined benefit retirement plan to end the accrual of additional benefits for the remaining active participants. We have received authorization from the Bankruptcy Court to continue making contributions in the ordinary course during our Chapter 11 Cases.

The defined benefit retirement plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. We expect that our future contributions to the defined benefit retirement plan will be based on the minimum funding requirements of the Internal Revenue Code and on the plan's funded status. Any significant decline in the fair value of our defined benefit retirement plan assets or other adverse changes to the significant assumptions used to determine the plan's funded status would negatively impact its funded status and could result in increased funding in future years. The impact on the funded status is determined based upon market conditions in effect when we completed our annual valuation. For the nine months ended September 30, 2020, we made cash contributions to the defined benefit retirement plan of $3.1 million. We anticipate that our remaining contributions to the defined benefit retirement plan in 2020 will be approximately $0.9 million. We fund the postretirement medical benefits throughout the year based on benefits paid. We anticipate that our contributions to fund postretirement medical benefits in 2020 will be approximately $2.9 million.

Included in accumulated other comprehensive loss at September 30, 2020 was $94.4 million ($63.0 million, net of tax) that has not yet been recognized in net periodic benefit cost.

The tables below show the components of net periodic benefit cost (income) for the three and nine months ended September 30, 2019 and 2020 (in thousands). These amounts are recognized in other income (expense), net in the condensed consolidated statements of operations.

	Pension Benefits			
	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Interest cost	$ 3,848	$ 2,962	$ 11,543	$ 8,888
Expected return on plan assets	(5,873)	(5,810)	(17,618)	(17,431)
Amortization of unrecognized net loss	1,055	1,600	3,166	4,799
Net periodic benefit income	$ (970)	$ (1,248)	$ (2,909)	$ (3,744)

	Other Postretirement Benefits			
	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Interest cost	$ 383	$ 266	$ 1,149	$ 798
Amortization of unrecognized prior service credits	(636)	(636)	(1,908)	(1,908)
Amortization of unrecognized net gain	(307)	(305)	(922)	(915)
Net periodic benefit income	$ (560)	$ (675)	$ (1,681)	$ (2,025)

(b) Other Retirement Plans

We maintain a defined contribution retirement plan qualified under the provisions of Section 401(k) of the Internal Revenue Code for our employees in the United States. We have received authorization from the Bankruptcy Court to continue making our contributions in the ordinary course during the Chapter 11 Cases. We recognized compensation expense for this plan of $2.1 million and $2.2 million for the three months ended September 30, 2019 and 2020, respectively, and $6.4 million and $6.7 million for the nine months ended September 30, 2019 and 2020, respectively. We also maintain other defined contribution retirement plans in several non-U.S. jurisdictions, but such plans are not material to our financial position or results of operations.

Note 8 Satellites and Other Property and Equipment

(a) Satellites and Other Property and Equipment, net

Satellites and other property and equipment, net were comprised of the following (in thousands):

	As of December 31, 2019	As of September 30, 2020
Satellites and launch vehicles	$ 10,407,690	$ 10,361,059
Information systems and ground segment	968,482	1,020,132
Buildings and other	280,109	288,484
Total cost	11,656,281	11,669,675
Less: accumulated depreciation	(6,954,218)	(6,973,552)
Total	$ 4,702,063	$ 4,696,123

Satellites and other property and equipment are stated at historical cost, except for satellites that have been impaired. Satellites and other property and equipment acquired as part of an acquisition are stated based on their fair value at the date of acquisition.

During the first quarter of 2020, the price of our common shares and trading values of our debt securities experienced sustained reductions. We also witnessed certain declines in financial performance as compared to previously prepared internal budget and forecast projections. Among the impacts of the COVID-19 pandemic were a reduction of revenue and a decreased likelihood of collection from certain mobility customers. Based on our examination of these and other qualitative factors, we concluded that further testing of satellites and other property and equipment was required.

The Company evaluated the assets for potential impairment using internal projections of undiscounted cash flows expected to result from the use and eventual disposal of the assets. If the carrying amount of the assets exceeds the undiscounted cash flows expected to result from its use, an impairment expense is recognized for the amount by which the carrying amount of the asset group exceeds its fair value. The impairment expense cannot exceed the carrying amount of the long-lived assets (unless the carrying amount is not being reduced below fair value for any individual long-lived asset that is determinable without undue cost and effort).

In estimating the undiscounted cash flows, we primarily used our internally prepared budgets and forecast information. The key assumptions included in our model were projected growth rates, cost of capital, effective tax rates, and industry and economic trends. A change in estimated future cash flows or other assumptions could change our estimated fair values and result in future impairments. The conclusion of our analysis was that the undiscounted cash flows of the asset group were greater than its carrying value, resulting in no impairment.

Satellites and other property and equipment, net of accumulated depreciation, included construction-in-progress of $191.5 million and $606.5 million as of December 31, 2019 and September 30, 2020, respectively. These amounts relate primarily to satellites under construction and related launch services. As of September 30, 2020, we incurred C-band clearing related costs and expenses of $312.1 million, of which $311.6 million is capitalized and expected to be reimbursable under the FCC Final Order. Of this capitalized amount, $288.2 million, $0.4 million, and $22.9 million is capitalized as satellites and other property and equipment, net of accumulated depreciation, other current assets, and other assets, respectively, in the condensed consolidated balance sheets.

Interest costs of $9.6 million and $10.5 million were capitalized for the three months ended September 30, 2019 and 2020, respectively, and $26.7 million and $20.7 million were capitalized for the nine months ended September 30, 2019 and 2020, respectively. Additionally, depreciation expense was $152.7 million and $154.4 million for the three months ended September 30, 2019 and 2020, respectively, and $470.4 million and $463.3 million for the nine months ended September 30, 2019 and 2020, respectively.

We have entered into launch contracts for the launch of both specified and unspecified future satellites. Each of these launch contracts may be terminated at our option, subject to payment of a termination fee that increases as the applicable launch date approaches. In addition, in the event of a failure of any launch, we may exercise our right to obtain a replacement launch within a specified period following our request for re-launch.

(b) Satellite Launches

Galaxy 30, the first satellite in Intelsat's Galaxy fleet refresh plan, was successfully launched on August 15, 2020. Galaxy 30 will replace Galaxy 14 at 125ºW serving media customers in the North America region. Galaxy 30 is the first four-frequency Intelsat satellite with C-, Ku-, Ka- and L-band capabilities. In addition, Galaxy 30 will offer broadband, mobility and network services to mobile network, enterprise and government customers in the North America region. The satellite will also play an important role in the Company's U.S. C-band spectrum transition plan, and is expected to enter into service in early 2021.

Intelsat 39 was successfully launched on August 6, 2019. Intelsat 39 replaced Intelsat 902 at the 62ºE location and delivers connectivity services in both the C- and Ku-bands to mobile network operators, enterprises and government customers, as well as aeronautical and maritime mobility service providers operating in the Europe, Africa, Middle East and Asia-Pacific regions. Intelsat 39 entered into service in October 2019.

(c) Significant Anomalies

In April 2019, the Intelsat 29e satellite (in service since 2016) experienced an anomaly that resulted in a total loss of the satellite. In accordance with our existing satellite anomaly contingency plans, we restored service for most Intelsat 29e customers on other satellites in our network, as well as on third-party satellites. We recorded a non-cash impairment charge of $381.6 million in the second quarter of 2019, of which $377.9 million related to the write off of the carrying value of the satellite and associated deferred performance incentive obligations and $3.7 million related to prepaid regulatory fees.

A Failure Review Board comprised of the satellite's manufacturer, Boeing Satellite Systems, Inc., the Company and external independent experts was convened to complete a comprehensive analysis of the cause of the anomaly. The board concluded that the anomaly was caused by either a harness flaw in conjunction with an electrostatic discharge event related to solar weather activity or the impact of a micrometeoroid.

During the second quarter of 2020, the Company determined it unlikely that it will be able to utilize certain satellite and launch vehicle deposits prior to their respective expiration dates. As a result, the Company recorded a non-cash impairment charge of $34.0 million related to the impairment of the carrying values of the deposits, which is included within impairment of non-amortizable intangible and other assets in the condensed consolidated statements of operations.

Note 9 Investments

We have an ownership interest in two entities that meet the criteria of a variable interest entity ("VIE"): Horizons Satellite Holdings LLC ("Horizons Holdings") and Horizons-3 Satellite LLC ("Horizons 3"), which are discussed in further detail below, including our analyses of the primary beneficiary determination as required under ASC 810, *Consolidation* ("ASC 810"). We also own noncontrolling investments in equity securities and loan receivables as discussed further below.

(a) Horizons Holdings

Horizons Holdings is a joint venture with JSAT International, Inc. ("JSAT") that consists of two investments: Horizons-1 Satellite LLC and Horizons-2 Satellite LLC. Horizons Holdings borrowed from JSAT a portion of the funds necessary to finance the construction of the Horizons 2 satellite pursuant to a loan agreement. The borrowing was subsequently repaid. We provide certain services to the joint venture and in return utilize capacity from the joint venture.

We have determined that this joint venture meets the criteria of a VIE under ASC 810, and we have concluded that we are the primary beneficiary because decisions relating to any future relocation of the Horizons 2 satellite, the most significant asset of the joint venture, are effectively controlled by us. In accordance with ASC 810, as the primary beneficiary, we consolidate Horizons Holdings within our condensed consolidated financial statements. Total assets of Horizons Holdings were $22.2 million and $16.8 million as of December 31, 2019 and September 30, 2020, respectively. Total liabilities were nominal as of December 31, 2019 and $1.1 million as of September 30, 2020.

We have a revenue sharing agreement with JSAT related to services sold on the Horizons 1 and Horizons 2 satellites. We are responsible for billing and collection for such services, and we remit 50% of the revenue, less applicable fees and commissions, to JSAT. Amounts payable to JSAT related to the revenue sharing agreement, net of applicable fees and commissions, from the Horizons 1 and Horizons 2 satellites were $1.6 million and $2.1 million as of December 31, 2019 and September 30, 2020, respectively.

(b) Horizons-3 Satellite LLC

On November 4, 2015, we entered into an additional joint venture agreement with JSAT. The joint venture, Horizons 3, was formed for the purpose of developing, launching, managing, operating and owning a high-performance satellite located at the 169ºE orbital location.

Horizons 3, which is 50% owned by each of Intelsat and JSAT, was set up with joint sharing of management authority and equal rights to profits and revenues from the joint venture. Similar to Horizons Holdings, we have a revenue sharing agreement with JSAT related to services sold on the Horizons 3e satellite. In addition, we are responsible for billing and collection for such services, and we remit 50% of the revenue, less applicable fees and commissions, to JSAT. Amounts payable to JSAT related to the revenue sharing agreement, net of applicable fees and commissions, from the Horizons 3e satellite were $3.3 million and $4.5 million as of December 31, 2019 and September 30, 2020, respectively.

We have determined that this joint venture meets the criteria of a VIE under ASC 810; however, we have concluded that we are not the primary beneficiary and therefore do not consolidate Horizons 3. The assessment considered both quantitative and qualitative factors, including an analysis of voting power and other means of control of the joint venture, as well as each owner's exposure to risk of loss or gain. Because we and JSAT equally share control over the operations of the joint venture and also equally share exposure to risk of losses or gains, we concluded that we are not the primary beneficiary of Horizons 3. Our investment, included within other assets in our condensed consolidated balance sheets, is accounted for using the equity method of accounting. The investment balance, which is equivalent to our maximum exposure to loss, was $110.2 million and $103.8 million as of December 31, 2019 and September 30, 2020, respectively. The investment balance exceeded our equity in the net assets of Horizons 3 by $11.6 million and $11.1 million as of December 31, 2019 and September 30, 2020, respectively. This basis difference represents the capitalized interest that we incurred in relation to financing our investment and we recognize it as a reduction of our equity in earnings of Horizons 3 on a straight-line basis over the life of the satellite. We recognized a nominal amount of equity in earnings of Horizons 3 in other income (expense), net for each of the three and nine months ended September 30, 2019 and 2020.

In connection with our investment in Horizons 3, we entered into a capital contribution and subscription agreement, which requires us to fund our 50% share of amounts due thereunder in order to maintain our 50% interest in the joint venture. Pursuant to this agreement, we made contributions of $5.0 million for the year ended December 31, 2019 and $2.7 million during the nine months ended September 30, 2020. We received distributions of $5.0 million for the year ended December 31, 2019 and $9.0 million for the nine months ended September 30, 2020. The Company utilizes the cumulative earnings approach to determine whether distributions received from equity method investees are returns on investment or returns of investment. In addition, our indirect subsidiary that holds our investment in Horizons 3 has entered into a security and pledge agreement with Horizons 3, pursuant to which it has granted a security interest in its membership interest in Horizons 3. Further, our indirect subsidiary has granted a security interest to Horizons 3 in its customer capacity contracts and its ownership interest in its wholly-owned subsidiary that holds the FCC license required for the joint venture's operations.

The Horizons 3e satellite entered into service in January 2019. The Company purchases satellite capacity and related services from the Horizons 3 joint venture, and then sells that capacity to its customers. We incurred direct costs of revenue related to these purchases of $5.6 million and $4.9 million during the three months ended September 30, 2019 and 2020, respectively, and $14.8 million and $14.9 million during the nine months ended September 30, 2019 and 2020, respectively. The Company also sells managed ground network services to the Horizons 3 joint venture and provides program management services for a fee. We recorded an offset to direct costs of revenue related to the provision of these services of $1.8 million and $1.7 million during the three months ended September 30, 2019 and 2020, respectively, and $3.9 million and $5.2 million during the nine months ended September 30, 2019 and 2020, respectively. On the condensed consolidated balance sheets as of both December 31, 2019 and September 30, 2020, $0.5 million due from Horizons 3 was included in receivables and $1.7 million and $1.6 million, respectively, of amounts due to Horizons 3 were included in accounts payable and accrued liabilities.

(c) Investments in Equity Securities

The Company holds noncontrolling equity investments in seven separate privately held companies, including investments in equity securities without readily determinable fair values and common stock warrants.

In accordance with ASC 321, *Investments—Equity Securities*, we use the measurement alternative to measure the fair value of our investments in equity securities without readily determinable fair values. Accordingly, these investments are measured at cost, less any impairment, and are adjusted for changes in fair value resulting from observable transactions for identical or similar investments of the same issuer. We recorded impairment charges of $5.0 million and $34.1 million during the three and nine months ended September 30, 2019, respectively, and $0.1 million during the nine months ended September 30, 2020, with no amounts being recognized during the three months ended September 30, 2020. We recognized an increase in fair value relating to investments of $1.7 million during the three and nine months ended September 30, 2019, with no comparative amounts in 2020. These investments are recorded in other assets in our condensed consolidated balance sheets and had a total carrying value of $27.2 million and $31.9 million as of December 31, 2019 and September 30, 2020, respectively.

We measure our stock warrants at fair value (see Note 6—Fair Value Measurements and Note 12—Derivative Instruments and Hedging Activities for additional information). The warrants are recorded in other assets in our condensed consolidated balance sheets and had a cumulative fair value of $3.2 million as of both December 31, 2019 and September 30, 2020.

(d) Loan Receivables

The Company has loan receivables from three privately held companies that it is holding for long-term investment. These loan receivables are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the outstanding principal, adjusted for unamortized discounts and deferred transaction costs. The Company recognizes interest income on loan receivables using the effective-interest method applied on a loan-by-loan basis. Direct costs associated with originating loans are offset against any related fees received and the balance, along with any premium or discount, is deferred and amortized as an adjustment to interest income over the term of the related loan receivable using the effective interest method.

Loan receivables are recorded in other assets in our condensed consolidated balance sheets at an amortized cost basis, net of allowance for credit losses, of $70.4 million and $68.8 million as of December 31, 2019 and September 30, 2020, respectively. These amounts were net of an allowance for credit losses of $4.6 million, unamortized discount of $3.0 million and $1.3 million, and unamortized deferred transaction costs of $1.0 million and $0.4 million as of the respective periods. As of December 31, 2019 and September 30, 2020, respectively, $1.5 million and $2.9 million of accrued interest related to our loan receivables was recorded in prepaid expenses and other current assets in our condensed consolidated balance sheets. We recognized interest income related to our loan receivables of $1.0 million and $2.9 million for the three and nine months ended September 30, 2020, respectively, with no comparative amounts for the three and nine months ended September 30, 2019.

A loan is determined to be impaired and placed on non-accrual status when, in management's judgment based on current information and events, it is probable that the Company will be unable to collect all amounts due under the contractual terms of the applicable loan agreement. We recognized impairment losses of $0.6 million related to loan receivables during the nine months ended September 30, 2020, with no comparable amounts for the three months ended September 30, 2020 and three and nine months ended September 30, 2019.

The fair value of loan receivables is evaluated on a loan-by-loan basis, and is determined based on assessments of discounted cash flows that are considered probable of collection. We consider these inputs to be Level 3 within the fair value hierarchy under ASC 820. The cumulative fair value of our loan receivables as of December 31, 2019 and September 30, 2020 was $69.3 million and $71.3 million, respectively.

Note 10 Goodwill and Other Intangible Assets

We account for goodwill and other non-amortizable intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*, and have deemed these assets to have indefinite lives. Therefore, these assets are not amortized but are tested on an annual basis for impairment during the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

During the first quarter of 2020, the price of our common shares and trading values of our debt securities experienced sustained reductions. We also witnessed certain declines in financial performance as compared to previously prepared internal budget and forecast projections. Among the impacts of the COVID-19 pandemic were a reduction of revenue and a decreased likelihood of collection from certain mobility customers. Based on our examination of these and other qualitative factors, we concluded that further testing of goodwill and other non-amortizable and amortizable intangible assets was required.

Determining the fair value of a reporting unit and other intangible assets often involves the use of estimates and assumptions that require significant judgment, and that could have a substantial impact on whether or not an impairment charge is recognized and the magnitude of any such charge. Estimates of fair value are primarily determined using discounted cash flows and market transactions. These estimates involve making significant estimates and assumptions, including projected future cash flows (including timing), discount rates reflecting the risks inherent in future cash flows, perpetual growth rates, and the determination of appropriate market comparisons.

(a) Goodwill

For the analysis of goodwill in the first quarter of 2020, we applied ASU 2017-04, which is further described in Note 1—General. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. After recognizing the impairment loss, the loss establishes a new corresponding basis in the goodwill. Subsequent reversals of goodwill impairment losses are not permitted under applicable accounting standards.

Intelsat has only one reporting unit for purposes of the analysis of goodwill, and accordingly, the analysis is undertaken at the enterprise level. We determined the estimated fair value of our reporting unit using a discounted cash flow analysis, along with independent source data related to comparative market multiples and, when available, recent transactions, each of which is considered a Level 3 input within the fair value hierarchy under ASC 820. The discounted cash flows were derived from a five-year projection of cash flows plus a residual value, with the resulting projected cash flows discounted at an appropriate weighted average cost of capital.

In estimating the undiscounted cash flows, we primarily used our internally prepared budgets and forecast information. The key assumptions included in our model were projected growth rates, cost of capital, effective tax rates, and industry and economic trends, along with the C-band accelerated clearing incentive payments expected to be received subject to the achievement of certain milestones and the discount rate applied to those cash flows. A change in estimated future cash flows or other assumptions could change our estimated fair values and result in future impairments. The conclusion of our analysis was that the fair value of our reporting unit was greater than its carrying value, resulting in no impairment of goodwill.

The carrying amounts of goodwill consisted of the following (in thousands):

	As of December 31, 2019	As of September 30, 2020
Goodwill	$ 6,780,827	$ 6,780,827
Accumulated impairment losses	(4,160,200)	(4,160,200)
Net carrying amount	$ 2,620,627	$ 2,620,627

(b) Orbital Locations, Trade Name and Other Intangible Assets

Orbital Locations. Intelsat is authorized by governments to operate satellites at certain orbital locations—i.e., longitudinal coordinates along the Clarke Belt. The Clarke Belt is the part of space approximately 35,800 kilometers above the plane of the equator where geostationary orbit may be achieved. Various governments acquire rights to these orbital locations through filings made with the International Telecommunication Union, a sub-organization of the United Nations. We will continue to have rights to operate satellites at our orbital locations so long as we maintain our authorizations to do so.

Our rights to operate at orbital locations can be used and sold individually; however, since satellites and customers can be and are moved from one orbital location to another, our rights are used in conjunction with each other as a network that can be adapted to meet the changing needs of our customers and market demands. Due to the interchangeable nature of orbital locations, the aggregate value of all of the orbital locations is used to measure the extent of impairment, if any.

We determined the estimated fair value of our rights to operate at orbital locations by using the build-up method to determine cash flows for the income approach, with the resulting projected cash flows discounted at an appropriate weighted average cost of capital. Under the build-up approach, the amount a reasonable investor would be willing to pay for the right to operate a satellite business using orbital locations is calculated by first estimating the cash flows that typical market participants might assume could be available from the right to operate satellites using the subject location in a similar market. It is assumed that rather than acquiring such a business as a going concern, the buyer would hypothetically start with the right to operate satellites at orbital locations and build a new business with similar attributes from the beginning. Thus, the buyer is assumed to incur the start-up costs and losses typically associated with the going concern value and pay for all other tangible and intangible assets.

The key assumptions used in estimating the fair values of our rights to operate at our orbital locations included the following: (i) market penetration leading to revenue growth, (ii) profit margin, (iii) duration and profile of the build-up period, (iv) estimated start-up costs and losses incurred during the build-up period and (v) weighted average cost of capital.

We completed our analysis of the estimated fair value of our rights to operate at certain orbital locations in connection with the analysis of goodwill described above in the first quarter of 2020 and concluded that the fair value was greater than the carrying value, resulting in no impairment.

Trade Name. We have implemented the relief from royalty method to determine the estimated fair value of the Intelsat trade name. The relief from royalty analysis is comprised of two major steps: (i) a determination of the hypothetical royalty rate, and (ii) the subsequent application of the royalty rate to projected revenue. In determining the hypothetical royalty rate utilized in the relief from royalty approach, we considered comparable license agreements, an excess earnings analysis to determine aggregate intangible asset earnings, and other qualitative factors, each of which is considered a Level 3 input within the fair value hierarchy under ASC 820.

The key assumptions used in our model to estimate the fair value of the Intelsat trade name included forecasted revenues, the royalty rate, the tax rate and the discount rate. We completed our analysis of the estimated fair value of the Intelsat trade name in connection with the analysis of goodwill described above in the first quarter of 2020 and it resulted in an impairment of our trade name intangible asset of $12.2 million, which is included within impairment of non-amortizable intangible and other assets in the condensed consolidated statements of operations.

The carrying amounts of acquired intangible assets not subject to amortization consisted of the following (in thousands):

	As of December 31, 2019	As of September 30, 2020
Orbital locations	$ 2,387,700	$ 2,387,700
Trade name	65,200	53,000
Total non-amortizable intangible assets	$ 2,452,900	$ 2,440,700

Other Intangible Assets. The Company evaluated acquired intangible assets subject to amortization for potential impairment using internal projections of undiscounted cash flows expected to result from the use and eventual disposal of the assets. The key assumptions included in our model were projected growth rates, cost of capital, effective tax rates, and industry and economic trends. A change in estimated future cash flows or other assumptions could change our estimated fair values and result in future impairments. The conclusion of our analysis was that the undiscounted cash flows of the asset group were greater than its carrying value, resulting in no impairment.

The carrying amounts and accumulated amortization of acquired intangible assets subject to amortization consisted of the following (in thousands):

	As of December 31, 2019			As of September 30, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Backlog and other	$ 743,760	$ (713,205)	$ 30,555	$ 743,760	$ (720,292)	$ 23,468
Customer relationships	534,030	(287,833)	246,197	534,030	(304,073)	229,957
Total	$ 1,277,790	$ (1,001,038)	$ 276,752	$ 1,277,790	$ (1,024,365)	$ 253,425

Intangible assets are amortized based on the expected pattern of consumption. Amortization expense was $8.6 million and $7.8 million for the three months ended September 30, 2019 and 2020, respectively, and $25.8 million and $23.3 million for the nine months ended September 30, 2019 and 2020, respectively.

Note 11 Debt

As discussed in Note 2—Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters, the filing of the Chapter 11 Cases constituted an event of default that accelerated substantially all of our obligations under the documents governing the prepetition existing indebtedness of Intelsat S.A., Intelsat Luxembourg, Intelsat Connect and Intelsat Jackson. As such, we have reclassified all such debt obligations, other than debt subject to compromise, to current portion of long-term debt on our condensed consolidated balance sheet as of September 30, 2020. While the Chapter 11 Cases are pending, the Debtors do not anticipate making interest payments due under their respective unsecured debt instruments; however, the Debtors expect to make monthly interest payments on their senior secured debt instruments pursuant to the adequate protection requirements under the DIP Order.

The carrying values and fair values of our notes payable and debt were as follows (in thousands):

	As of December 31, 2019		As of September 30, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Intelsat S.A.:				
4.5% Convertible Senior Notes due June 2025 [(1)]	$ 402,500	$ 265,231	$ 402,500	$ 128,800
Unamortized prepaid debt issuance costs and discount on 4.5% Convertible Senior Notes	(133,310)	—	—	—
Total Intelsat S.A. obligations	269,190	265,231	402,500	128,800
Intelsat Luxembourg:				
7.75% Senior Notes due June 2021 [(1)]	421,219	336,975	421,219	14,743
Unamortized prepaid debt issuance costs on 7.75% Senior Notes	(1,257)	—	—	—
8.125% Senior Notes due June 2023 [(1)]	1,000,000	590,000	1,000,000	35,000
Unamortized prepaid debt issuance costs on 8.125% Senior Notes	(5,838)	—	—	—
12.5% Senior Notes due November 2024 [(1)]	403,350	277,152	403,350	50,536
Unamortized prepaid debt issuance costs and discount on 12.5% Senior Notes	(184,344)	—	—	—
Total Intelsat Luxembourg obligations	1,633,130	1,204,127	1,824,569	100,279
Intelsat Connect Finance:				
9.5% Senior Notes due February 2023 [(1)]	1,250,000	865,625	1,250,000	375,000
Unamortized prepaid debt issuance costs and discount on 9.5% Senior Notes	(27,741)	—	—	—
Total Intelsat Connect Finance obligations	1,222,259	865,625	1,250,000	375,000
Intelsat Jackson:				
9.5% Senior Secured Notes due September 2022	490,000	562,275	490,000	531,650
Unamortized prepaid debt issuance costs and discount on 9.5% Senior Secured Notes	(11,204)	—	(8,459)	—
8% Senior Secured Notes due February 2024	1,349,678	1,380,046	1,349,678	1,368,236

	As of December 31, 2019		As of September 30, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Unamortized prepaid debt issuance costs and premium on 8% Senior Secured Notes	(3,903)	—	(3,286)	—
5.5% Senior Notes due August 2023 [(1)]	1,985,000	1,687,250	1,985,000	1,230,700
Unamortized prepaid debt issuance costs on 5.5% Senior Notes	(8,723)	—	—	—
9.75% Senior Notes due July 2025 [(1)]	1,885,000	1,729,488	1,885,000	1,232,319
Unamortized prepaid debt issuance costs on 9.75% Senior Notes	(20,487)	—	—	—
8.5% Senior Notes due October 2024 [(1)]	2,950,000	2,669,750	2,950,000	1,902,750
Unamortized prepaid debt issuance costs and premium on 8.5% Senior Notes	(12,916)	—	—	—
Senior Secured Credit Facilities due November 2023	2,000,000	1,985,000	2,000,000	1,980,000
Unamortized prepaid debt issuance costs and discount on Senior Secured Credit Facilities	(22,149)	—	(18,290)	—
Senior Secured Credit Facilities due January 2024	395,000	398,950	395,000	391,050
Unamortized prepaid debt issuance costs and discount on Senior Secured Credit Facilities	(1,600)	—	(1,331)	—
6.625% Senior Secured Credit Facilities due January 2024	700,000	712,250	700,000	707,000
Unamortized prepaid debt issuance costs and discount on Senior Secured Credit Facilities	(2,832)	—	(2,359)	—
Superpriority Secured DIP Credit Facilities due July 2021	—	—	500,000	505,625
Total Intelsat Jackson obligations	11,670,864	11,125,009	12,220,953	9,849,330
Eliminations:				
8.125% Senior Notes of Intelsat Luxembourg due June 2023 owned by Intelsat Jackson [(1)]	(111,663)	(65,881)	(111,663)	(3,908)
Unamortized prepaid debt issuance costs on 8.125% Senior Notes	652	—	—	—
12.5% Senior Notes of Intelsat Luxembourg due November 2024 owned by Intelsat Connect, Intelsat Jackson and Intelsat Envision [(1)]	(403,245)	(277,080)	(403,245)	(50,522)
Unamortized prepaid debt issuance costs and discount on 12.5% Senior Notes	184,296	—	—	—
Total eliminations:	(329,960)	(342,961)	(514,908)	(54,430)
Total Intelsat S.A. debt	14,465,483	13,117,031	15,183,114	10,398,979
Less: current portion of long-term debt	—	—	5,400,953	5,483,561
Less: debt included in liabilities subject to compromise	—	—	9,782,161	4,915,418
Total Intelsat S.A. long-term debt	$ 14,465,483	$ 13,117,031	$ —	$ —

(1) In connection with the Chapter 11 Cases, these balances have been reclassified as liabilities subject to compromise in our condensed consolidated balance sheet as of September 30, 2020. As of April 15, 2020, the Company ceased making principal and interest payments, and as of May 13, 2020 ceased accruing interest expense in relation to this long-term debt that was reclassified as liabilities subject to compromise. Further, $197.0 million of debt discount, premium and issuance costs related to these notes was included within reorganization items in the condensed consolidated statements of operations for the nine months ended September 30, 2020.

The fair value for publicly traded instruments is determined using quoted market prices, and the fair value for non-publicly traded instruments is based upon composite pricing from a variety of sources, including market leading data providers, market makers, and leading brokerage firms. Substantially all of the inputs used to determine the fair value of our debt are classified as Level 1 inputs within the fair value hierarchy under ASC 820, except for our senior secured credit facilities and our 2025 Convertible Notes, the inputs for which are classified as Level 2.

Intelsat Jackson Superpriority Secured Debtor-in-Possession Term Loan Facility

On June 17, 2020 (the “Closing Date”), the DIP Debtors and DIP Lenders entered into the DIP Credit Agreement, a non-amortizing multiple draw superpriority secured debtor-in-possession term loan facility, in an aggregate principal amount of $1.0 billion, on the terms and conditions set forth therein. See Note 2—Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters.

Intelsat Jackson borrowed $500.0 million of term loans under the DIP Facility on the Closing Date. Under the DIP Facility, Intelsat Jackson may, at its sole discretion, make incremental draws of the lesser of $250.0 million and the remaining available commitments of the DIP Lenders. Drawn amounts under the DIP Facility bear interest at either (i) 4.50% per annum plus a base rate of the highest of (a) the Federal Funds Effective Rate plus ½ of 1.00%, (b) the Prime Rate as in effect on such day and (c) the London Inter-Bank Offered Rate (“LIBOR Rate”) for a one-month interest period on such day (or if such day is not a business day, the immediately preceding business day) plus 1.00% or (ii) 5.50% plus the LIBOR Rate. For purposes of the DIP Facility, the LIBOR Rate has an effective floor rate of 1.0%. Undrawn amounts under the DIP Facility shall be subject to a ticking fee of 3.6% of the amount of commitments of the DIP Lenders from the entry of the DIP Order until such commitments terminate, which ticking fee shall be payable on the last day of each fiscal quarter prior to the date such commitments terminate and on the date of such termination. If an event of default under the DIP Facility occurs, the overdue amounts under the DIP Facility would bear interest at an additional 2.0% per annum above the interest rate otherwise applicable.

The proceeds of the DIP Facility may be used, among other things, to pay for (i) working capital needs of the DIP Debtors in the ordinary course of business, (ii) potential C-band relocation costs, (iii) investment and other general corporate purposes, and (iv) the costs and expenses of administering the Chapter 11 Cases. The maturity date of the DIP Facility is July 13, 2021, subject to certain extensions pursuant to the terms of the DIP Credit Agreement.

The DIP Credit Agreement includes usual and customary negative covenants for debtor-in-possession loan agreements of this type, including covenants limiting the Company’s and its subsidiaries’ ability to, among other things, incur additional indebtedness, create liens on assets, make investments, loans or advances, engage in mergers, consolidations, sales of assets and acquisitions, pay dividends and distributions and make payments in respect of junior or prepetition indebtedness, in each case subject to customary exceptions for debtor-in-possession loan agreements of this type.

The DIP Credit Agreement also includes certain customary representations and warranties, affirmative covenants and events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, certain events under the Employee Retirement Income Security Act of 1974, as amended, and change of control. Certain bankruptcy-related events are also events of default, including, but not limited to, the dismissal by the Bankruptcy Court of any of the Chapter 11 Cases, the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code and certain other events related to the impairment of the DIP Lenders’ rights or liens granted under the DIP Credit Agreement.

On August 24, 2020, the DIP Debtors and DIP Lenders entered into DIP Amendment No. 1 to the DIP Credit Agreement, in connection with the Gogo Transaction (see Note 1—General—*Gogo Inc. Transaction* for additional information). DIP Amendment No. 1 was approved by the Bankruptcy Court on August 31, 2020.

The foregoing descriptions of the DIP Credit Agreement and DIP Amendment No. 1 do not purport to be complete and are qualified in their entirety by reference to the full text of the DIP Credit Agreement and DIP Amendment No. 1, as applicable.

Intelsat Jackson Senior Secured Credit Agreement and the Company and Certain of its Subsidiaries' Indentures

The commencement of the Chapter 11 Cases constituted an immediate event of default under Intelsat Jackson’s secured credit agreement, dated as of January 12, 2011 (as amended, the “Intelsat Jackson Secured Credit Agreement”), as well as under the indentures governing certain of the Company and its subsidiaries’ senior secured notes and senior notes, resulting in the automatic and immediate acceleration of substantially all of our outstanding debt. Any efforts to enforce payment obligations related to the acceleration of our debt have been automatically stayed as a result of the filing of the Chapter 11 Cases, and the creditors’ rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

In addition, in April 2020, our LIBOR loans under the Intelsat Jackson Secured Credit Agreement were converted to Alternate Base Rate (“ABR”) loans. We expect to pay interest on the floating rate term loans under the Intelsat Jackson Secured Credit Agreement at the rate applicable to ABR loans.

Note 12 Derivative Instruments and Hedging Activities

Interest Rate Cap Contracts

As of December 31, 2019 and September 30, 2020, we held interest rate cap contracts with an aggregate notional value of $2.4 billion that mature in February 2021. These interest rate cap contracts, which were entered into in 2017 and amended in 2018, are designed to mitigate our risk of interest rate increases on the floating rate portion of our senior secured credit facilities (see Note 11—

Debt). The contracts have not been designated for hedge accounting treatment in accordance with ASC 815, *Derivatives and Hedging* ("ASC 815"), and the changes in fair value of these instruments, net of payments received, are recognized in the condensed consolidated statements of operations during the period of change. We received $9.5 million in settlement payments related to the interest rate cap contracts for the nine months ended September 30, 2019 with no comparable amounts for the nine months ended September 30, 2020.

Preferred Stock Warrant and Common Stock Warrant

During 2017, we were issued a warrant to purchase preferred shares of one of our investments. We concluded that the warrant is a free-standing derivative in accordance with ASC 815. As of December 31, 2019 and September 30, 2020, the fair value of the preferred stock warrant was zero. During 2019, we were issued a warrant to purchase common shares of a separate investment. We concluded that the warrant is a free-standing derivative in accordance with ASC 815.

The following table sets forth the fair value of our derivatives by category (in thousands):

Derivatives not designated as hedging instruments	Classification	As of December 31, 2019	As of September 30, 2020
Common stock warrant	Other assets	$ 3,239	$ 3,239
Interest rate cap contracts	Other assets	372	—
Total derivatives		$ 3,611	$ 3,239

The following table sets forth the effect of the derivative instruments in our condensed consolidated statements of operations (in thousands):

Derivatives not designated as hedging instruments	Classification	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Interest rate cap contracts	Loss included in interest expense, net	$ (1,625)	$ (23)	$ (21,104)	$ (372)
Preferred stock warrant	Loss included in other income (expense), net	(247)	—	(4,100)	—
Total loss on derivative financial instruments		$ (1,872)	$ (23)	$ (25,204)	$ (372)

Note 13 Income Taxes

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220)—Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02"), which allows for an optional reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act (the "Act"), which was signed into law on December 22, 2017. Consequently, the amendments eliminated the stranded tax effects resulting from the Act for those entities that elect the optional reclassification. ASU 2018-02 is effective for all entities for interim and annual periods beginning after December 15, 2018. We adopted ASU 2018-02 in the first quarter of 2019, which resulted in a reclassification of stranded tax effects of $16.2 million from accumulated other comprehensive loss to accumulated deficit.

The Act includes a number of provisions, including the lowering of the U.S. corporate tax rate from 35 percent to 21 percent, effective January 1, 2018. The Act limits our U.S. interest expense deductions to approximately 30 percent of EBITDA through December 31, 2021 and approximately 30 percent of earnings before net interest and taxes thereafter. The Act also introduced a new minimum tax, the Base Erosion Anti-Abuse Tax ("BEAT"). We are treating the BEAT as a period cost.

Effective January 1, 2019, the Luxembourg corporate tax rate decreased from 26.01% to 24.94%. This resulted in a decrease in deferred tax assets and corresponding valuation allowance.

The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid.

On July 2, 2018, we implemented a series of internal transactions and related steps that reorganized the ownership of certain assets among our subsidiaries (the "2018 Internal Reorganization"). The 2018 Internal Reorganization resulted in the majority of our operations being owned by a U.S.-based partnership, with certain of our wholly-owned Luxembourg and U.S. subsidiaries as partners.

In response to the COVID-19 pandemic, on March 18, 2020, the Families First Coronavirus Response Act (the "FFCR Act") was enacted, and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted. The FFCR Act and the CARES Act contain numerous income tax provisions, such as increasing the 30 percent adjusted taxable income threshold to 50 percent for taxable years beginning in 2019 and 2020 for purposes of determining allowable business interest expense deductions. The CARES Act repeals the 80 percent limitation for taxable years beginning before January 1, 2021 (enacted by the Act), and it further specifies that net operating losses arising in a taxable year beginning after December 31, 2017, and before January 1, 2021, are allowed as a carryback to each of the five taxable years preceding the taxable year of such losses. Modifications to the tax rules for the carryback of net operating losses and business interest limitations resulted in a federal tax refund of approximately $11.4 million and $26.9 million for the three and nine months ended September 30, 2020, respectively. In addition, the CARES Act includes refundable payroll tax credits and deferral of employment side social security payments. As of September 30, 2020, Intelsat's payroll deferral was approximately $3.4 million.

The majority of our operations are located in taxable jurisdictions, including Luxembourg, the U.S. and the United Kingdom ("UK"). Due to our cumulative losses in recent years, and the inherent uncertainty associated with the realization of taxable income in the foreseeable future, we recorded a full valuation allowance against the cumulative net operating losses generated in Luxembourg. The difference between tax expense (benefit) reported in the condensed consolidated statements of operations and tax computed at statutory rates is attributable to the valuation allowance on losses generated in Luxembourg, the provision for foreign taxes, which were principally in the U.S. as a result of the final BEAT regulations and the UK, as well as withholding taxes on revenue earned in some of the foreign markets in which we operate, offset by the tax benefit resulting from the impacts of the CARES Act and a tax reserve established on certain tax benefits taken with respect the final BEAT regulations.

As of December 31, 2019 and September 30, 2020, our gross unrecognized tax benefits were $25.0 million and $42.4 million, respectively (including interest and penalties), of which $21.5 million and $38.5 million, respectively, if recognized, would affect our effective tax rate. As of December 31, 2019 and September 30, 2020, we had recorded reserves for interest and penalties in the amount of $0.6 million and $0.7 million, respectively. We continue to recognize interest and, to the extent applicable, penalties with respect to the unrecognized tax benefits as income tax expense. Since December 31, 2019, the change in the balance of unrecognized tax benefits has consisted of an increase of $7.0 million related to current tax positions, an increase of $13.0 million related to prior tax positions, and a decrease of $2.5 million related to the expiration of a statute of limitations on the assessment of certain taxes.

We operate in various taxable jurisdictions throughout the world, and our tax returns are subject to audit and review from time to time. We consider Luxembourg, the U.S., the UK and Brazil to be our significant tax jurisdictions. Our subsidiaries in these jurisdictions are subject to income tax examination for periods after December 31, 2014. We believe that there are no jurisdictions in which the outcome of unresolved tax issues or claims is likely to be material to our results of operations, financial position or cash flows within the next twelve months.

During 2019, the Company made payments to the government of India in the amount of $7.0 million with respect to ongoing administrative proceedings. We believe it is more likely than not that the positions which we have presented in these matters will result in a favorable outcome for the Company. As a result, the payments have been recorded in taxes receivable.

Effective January 31, 2020, the UK formally exited the European Union ("EU"). As a result of the withdrawal, existing tax reliefs and exemptions on intra-European transactions will likely cease to apply to transactions between UK entities and EU entities. In addition, transactions with non-EU countries, such as the U.S., may also be affected. As of September 30, 2020, all relevant tax laws and treaties remained unchanged and the tax consequences were unknown. Therefore, we have not recognized any impacts of the withdrawal in the income tax provision as of September 30, 2020. We will recognize any impacts to the tax provision when changes in tax laws or treaties between the UK and the EU or individual EU member states are enacted.

On December 2, 2019, the U.S. Department of Treasury and the U.S. Internal Revenue Service released final regulations with respect to BEAT as enacted by the 2017 Tax Reform Act. These regulations represent the final version of proposed regulations which were released in December 2018. The BEAT is a minimum tax established by the Act that subjects certain payments made by U.S. corporations or subsidiaries to foreign related parties to a secondary federal income tax regime in the U.S. The final regulations clarify which taxpayers are subject to the BEAT and how the BEAT rules apply to certain payments and transactions. We have adopted the final BEAT regulations as of the release date. These regulations are effective for the Company as of its tax year ended December 31, 2018. A second set of final regulations was issued on September 1, 2020, addressing among other topics, the application of the BEAT to partnerships and the application of the effectively connected income exception to depreciable or amortizable property contributed to a U.S. partnership by a foreign partner. Similar to the first set of final regulations issued in December 2019, the second set of final regulations are effective for the Company as of its tax year ended December 31, 2018. As of September 30, 2020, the Company recognized the BEAT tax impact associated with the second set of final regulations related to its tax years ended December 31, 2018 and 2019, and as of September 30, 2020.

Note 14 Commitments and Contingencies

On May 13, 2020, Intelsat S.A. and certain of its subsidiaries filed voluntary petitions for relief under title 11 of the Bankruptcy Code in the Bankruptcy Court. As a result of such bankruptcy filings, substantially all proceedings pending against the Debtors have been stayed and prepetition liabilities are subject to compromise. See Note 2—Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters.

In the absence of the automatic stay due to the Chapter 11 Cases, we are subject to litigation in the ordinary course of business. Other than as disclosed below, management does not believe that the resolution of any of those pending proceedings would have a material adverse effect on our financial position or results of operations.

SES Claim

On July 14, 2020, SES Americom, Inc. ("SES") filed a proof of claim in the Bankruptcy Court in the amount of $1.8 billion against each of the Debtors. SES asserts that the Debtors owe money (or will owe money) to SES pursuant to certain contractual and fiduciary obligations made in the context of the consortium agreement between Debtor Intelsat US LLC, SES, and other satellite operators (the "Consortium Agreement"). SES believes it is entitled to 50% of the combined payments that may eventually be payable to the Debtors and SES pursuant to the FCC Final Order, which provides for Acceleration Payments subject to the satisfaction of certain deadlines and other conditions set forth therein. SES's proof of claim alleges that the Debtors breached the Consortium Agreement by taking the position that the Debtors are not required to split Acceleration Payments with SES and the other members of the consortium. The proof of claim also alleges breach of fiduciary duties and unjust enrichment and seeks monetary and punitive damages. We dispute the allegations in the proof of claim and on October 19, 2020, filed an objection to the claim, which we intend to litigate vigorously. To the extent that any portion of SES's claim is allowed, we have asked the Bankruptcy Court to 'equitably subordinate' such claim based on SES's conduct in matters related to the Consortium Agreement. While the ultimate resolution of the claim is not currently predictable, if there is an adverse ruling, the ruling could constitute a material adverse outcome on our future consolidated financial condition.

Note 15 Related Party Transactions

(a) Shareholders' Agreements

Certain shareholders of Intelsat S.A. entered into a shareholders' agreement in December 2018, which provides, among other things, specific rights to and limitations upon the holders of Intelsat S.A.'s share capital with respect to shares held by such holders.

(b) Governance Agreement

In December 2018, the Company entered into a governance agreement with its shareholder affiliated with Serafina S.A. The agreement contains provisions relating to the composition of the Company's board of directors and certain other matters.

(c) Indemnification Agreements

We have entered into agreements with our executive officers and directors to provide contractual indemnification in addition to the indemnification provided for in our articles of incorporation.

(d) Horizons Holdings

We have a 50% ownership interest in Horizons Holdings as a result of a joint venture with JSAT (see Note 9(a)—Investments—Horizons Holdings).

(e) Horizons-3 Satellite LLC

We have a 50% ownership interest in Horizons 3 as a result of a joint venture with JSAT (see Note 9(b)—Investments—Horizons-3 Satellite LLC).

Note 16 Condensed Combined Debtors' Financial Information

The following presents our Debtors' condensed combined balance sheet as of September 30, 2020, statements of operations for the three and nine months ended September 30, 2020 and statement of cash flows for the nine months ended September 30, 2020. Consolidating adjustments include eliminations of the following:

- investments in subsidiaries;
- intercompany accounts;
- intercompany sales and expenses; and
- intercompany equity balances.

Intercompany balances with non-Debtor affiliates have not been eliminated. On the Debtors' condensed combined balance sheet, these primarily consist of net intercompany trade receivables generated under our Master Intercompany Service Agreement ("MISA") and funding for the operations of non-Debtor affiliates. On the Debtors' condensed combined statements of operations, total reported revenue includes intercompany revenue of $106.0 million and $228.6 million for the three and nine months ended September 30, 2020, respectively, primarily consisting of satellite capacity charges and revenue recognized pursuant to intercompany agreements between certain Debtor entities and a newly-formed non-Debtor entity relating to the management of certain reorganization-related costs. Cost from affiliates primarily relates to sales and technical support services provided to Debtors as specified under the MISA. Investments in non-Debtor affiliates are presented under the equity method of accounting in the condensed combined financial statements set forth below.

DEBTORS' UNAUDITED CONDENSED COMBINED BALANCE SHEET

(in thousands, except per share amounts)

	September 30, 2020
ASSETS	
Current assets:	
Cash and cash equivalents	$ 880,185
Restricted cash	19,091
Receivables, net of allowance of $24,884	146,096
Contract assets	30,387
Prepaid expenses and other current assets	100,815
Intercompany receivables	187,613
Total current assets	1,364,187
Satellites and other property and equipment, net	4,631,470
Goodwill	2,620,627
Non-amortizable intangible assets	2,440,700
Amortizable intangible assets, net	253,425
Contract assets, net of current portion	40,148
Investment in affiliates	168,251
Other assets	411,348
Total assets	$ 11,930,156
LIABILITIES AND SHAREHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable and accrued liabilities	$ 163,538
Taxes payable	8,775
Employee related liabilities	31,047
Accrued interest payable	13,837
Current portion of long-term debt	5,400,953
Contract liabilities	125,415
Deferred satellite performance incentives	42,337
Other current liabilities	53,075
Total current liabilities	5,838,977
Contract liabilities, net of current portion	1,042,850
Deferred satellite performance incentives, net of current portion	146,559
Deferred income taxes	63,646
Accrued retirement benefits, net of current portion	113,258
Other long-term liabilities	186,771
Liabilities subject to compromise	10,170,344
Shareholders' deficit:	
Common shares, nominal value $0.01 per share	1,421
Paid-in capital	2,572,324
Accumulated deficit	(8,144,803)
Accumulated other comprehensive loss	(61,191)
Total shareholders' deficit	(5,632,249)
Total liabilities and shareholders' deficit	$ 11,930,156

DEBTORS' UNAUDITED CONDENSED COMBINED STATEMENTS OF OPERATIONS

(in thousands)

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Revenue	$ 473,556	$ 1,314,307
Operating expenses:		
Direct costs of revenue (excluding depreciation and amortization)	69,189	200,538
Selling, general and administrative	57,659	181,931
Cost from affiliates	9,785	32,047
Depreciation and amortization	157,442	472,610
Impairment of non-amortizable intangible and other assets	—	46,243
Total operating expenses	294,075	933,369
Income from operations	179,481	380,938
Interest expense, net	137,444	677,124
Equity in loss of affiliates	(40,791)	(41,260)
Other income, net	2,973	15,007
Reorganization items	(36,367)	(335,059)
Loss before income taxes	(32,148)	(657,498)
Benefit from income taxes	(16,217)	(17,441)
Net loss	$ (15,931)	$ (640,057)

DEBTORS' UNAUDITED CONDENSED COMBINED STATEMENT OF CASH FLOWS

(in thousands)

	Nine Months Ended September 30, 2020
Cash flows from operating activities:	
Net loss	$ (640,057)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	472,610
Provision for doubtful accounts	34,465
Foreign currency transaction gain	(801)
Impairment of non-amortizable intangible and other assets	46,243
Share-based compensation	9,031
Deferred income taxes	5,470
Amortization of discount, premium, issuance costs and related costs	19,689
Non-cash reorganization items	196,974
Debtor-in-possession financing fees	52,182
Amortization of actuarial loss and prior service credits for retirement benefits	1,976
Unrealized losses on derivative financial instruments	372
Unrealized losses on investments and loans held-for-investment	721
Equity in loss of affiliates	41,260
Other non-cash items	(7)
Changes in operating assets and liabilities:	
Receivables	12,841
Intercompany receivables	(105,048)
Prepaid expenses, contract and other assets	(81,814)
Accounts payable and accrued liabilities	69,812
Accrued interest payable	48,713
Contract liabilities	(66,304)
Accrued retirement benefits	(12,253)
Other long-term liabilities	2,801
Net cash provided by operating activities	108,876
Cash flows from investing activities:	
Payments for satellites and other property and equipment (including capitalized interest)	(414,610)
Dividends from affiliates	28,960
Proceeds from loans held-for-investment	973
Capital contribution to affiliates	(9,005)
Other proceeds from satellites	5,625
Net cash used in investing activities	(388,057)
Cash flows from financing activities:	
Proceeds from debtor-in-possession financing	500,000
Debtor-in-possession financing fees	(52,182)
Principal payments on deferred satellite performance incentives	(25,428)
Net cash provided by financing activities	422,390
Effect of exchange rate changes on cash, cash equivalents and restricted cash	754
Net change in cash, cash equivalents and restricted cash	143,963
Cash, cash equivalents, and restricted cash, beginning of period	755,313
Cash, cash equivalents, and restricted cash, end of period	$ 899,276
Reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated Debtors' balance sheet to the total sum of these same amounts shown on the condensed consolidated Debtors' statement of cash flows:	
Cash and cash equivalents	$ 880,185
Restricted cash	19,091
Total cash, cash equivalents and restricted cash reported in the condensed consolidated Debtors' statement of cash flows	$ 899,276

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and their notes included in Item 1—Financial Statements in this Quarterly Report, and with our audited consolidated financial statements and their notes included in our Annual Report on Form 10-K for the year ended December 31, 2019. In addition, see "Forward-Looking Statements" and Item 1A—Risk Factors for a discussion of factors that could cause our future financial condition and results of operations to be materially different from those discussed below.

Overview

We operate one of the world's largest satellite services businesses, providing a critical layer in the global communications infrastructure.

We provide diversified communications services to the world's leading media companies, fixed and wireless telecommunications operators, data networking service providers for enterprise and mobile applications in the air and on the seas, multinational corporations and internet service providers. We are also the leading provider of commercial satellite capacity to the United States ("U.S.") government and other select military organizations and their contractors.

Our customers use our global network for a broad range of applications, from global distribution of content for media companies to providing the transmission layer for commercial aeronautical consumer broadband connectivity, to enabling essential network backbones for telecommunications providers in high-growth emerging regions.

Our network solutions are a critical component of our customers' infrastructures and business models. Generally, our customers need the specialized connectivity that satellites provide so long as they are in business or pursuing their mission. In recent years, mobility services providers have contracted for services on our fleet that support broadband connections for passengers on commercial flights and cruise ships, connectivity that in some cases is only available through our network. In addition, our satellite neighborhoods provide our media customers with efficient and reliable broadcast distribution that maximizes audience reach, a technical and economic benefit that is difficult for terrestrial services to match. In developing regions, our satellite solutions often provide higher reliability than is available from local terrestrial telecommunications services and allow our customers to reach geographies that they would otherwise be unable to serve.

Recent Developments

Voluntary Reorganization under Chapter 11

On May 13, 2020, Intelsat S.A. and certain of its subsidiaries (each, a "Debtor" and collectively, the "Debtors") commenced voluntary cases (the "Chapter 11 Cases") under title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"). Primary factors causing us to file for Chapter 11 protection included the Company's intention to participate in the accelerated clearing process of C-band spectrum set forth in the U.S. Federal Communications Commission's ("FCC") March 3, 2020 final order (the "FCC Final Order"), requiring the Company to incur significant costs related to clearing activities well in advance of receiving reimbursement for such costs and the need for additional financing to fund the C-band clearing process, service our current debt obligations, and meet our operating requirements, as well as the economic slowdown impacting the Company and several of its end markets due to the novel coronavirus ("COVID-19") pandemic.

On August 14, 2020, the Company filed its final C-band spectrum transition plan with the FCC. The FCC Final Order provides for monetary enticements for fixed satellite services ("FSS") providers to clear a portion of the C-band spectrum on an accelerated basis (the "Acceleration Payments"). On September 17, 2020, the Company announced it finalized all of its required contracts with satellite manufacturers and launch-vehicle providers to move forward and meet the accelerated C-band spectrum clearing timelines established by the FCC. Under the FCC Final Order, the Company is eligible to receive Acceleration Payments of approximately $1.2 billion and $3.7 billion on December 5, 2021 and December 5, 2023, respectively, subject to the satisfaction of certain deadlines and other conditions set forth therein.

The Chapter 11 process can be unpredictable and involves significant risks and uncertainties. As a result of these risks and uncertainties, the amount and composition of the Company's assets, liabilities, officers and/or directors could be significantly different following the outcome of the Chapter 11 Cases, and the description of the Company's operations, properties and liquidity and capital resources included in this Quarterly Report may not accurately reflect its operations, properties and liquidity and capital resources following the Chapter 11 process.

Pursuant to various orders from the Bankruptcy Court, the Debtors have received approval from the Bankruptcy Court to generally maintain their ordinary course operations and uphold certain commitments to their stakeholders, including employees, customers, and vendors during the restructuring process, subject to the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. While the Chapter 11 Cases are pending, the Debtors do not anticipate making interest payments due under their respective unsecured debt instruments; however, the Debtors expect to make interest payments on a monthly basis to holders of their senior secured debt instruments. For the three and nine months ended September 30, 2020, the contractual interest expense pursuant to our unsecured debt instruments that was not recognized in our condensed consolidated statements of operations was $196.4 million and $298.9 million, respectively.

The filing of the Chapter 11 Cases constituted an event of default that accelerated substantially all of our obligations under the documents governing the prepetition existing indebtedness of Intelsat S.A., Intelsat Luxembourg, Intelsat Connect and Intelsat Jackson. For additional discussion regarding the impact of the Chapter 11 Cases on our debt obligations, see Item 1, Note 11—Debt.

On June 9, 2020, Intelsat Jackson received approval from the Bankruptcy Court (the "DIP Order") to enter into a non-amortizing multiple draw superpriority secured debtor-in-possession term loan facility (the "DIP Facility"), in an aggregate principal amount of $1.0 billion on the terms and conditions as set forth in the DIP Facility credit agreement (the "DIP Credit Agreement") with certain of the Debtors' prepetition secured parties (the "DIP Lenders"), and on June 17, 2020, Intelsat Jackson and certain of its subsidiaries as guarantors (together with Intelsat Jackson, the "DIP Debtors") entered into the DIP Credit Agreement with the DIP Lenders, as amended by an amendment ("DIP Amendment No. 1") to the DIP Credit Agreement, dated as of August 24, 2020. DIP Amendment No. 1 was approved by the Bankruptcy Court on August 31, 2020. For additional information regarding the DIP Facility, DIP Credit Agreement and DIP Amendment No. 1, see Liquidity and Capital Resources—*Debt* below.

On July 11, 2020, the Debtors filed with the Bankruptcy Court schedules and statements setting forth, among other things, the assets and liabilities of each of the Debtors, subject to the assumptions filed in connection therewith. These schedules and statements may be subject to further amendment or modification after filing.

Update on the Impact of COVID-19 on the Company

The COVID-19 pandemic has had an adverse impact on our business, results of operations and financial condition, a trend we expect to continue. Among the impacts of the COVID-19 pandemic were a reduction of revenue and a decreased likelihood of collection from certain mobility customers. We continue to closely monitor the ongoing impact on our employees, customers, business and results of operations.

Gogo Inc. Transaction

On August 31, 2020, following approval from the Bankruptcy Court, Intelsat Jackson and Gogo Inc., a Delaware corporation ("Gogo"), entered into a purchase and sale agreement (the "Purchase and Sale Agreement") with respect to Gogo's commercial aviation business for $400.0 million in cash, subject to customary adjustments (the "Purchase Price"). The transaction further propels the Company's efforts in the growing commercial in-flight connectivity market, pairing our high-capacity global satellite and ground network with Gogo's installed base of more than 3,000 commercial aircraft to redefine the connectivity experience. In connection with the transactions contemplated by the Purchase and Sale Agreement (the "Gogo Transaction"), the DIP Debtors and DIP Lenders entered into DIP Amendment No. 1 to our DIP Credit Agreement (see —*Voluntary Reorganization under Chapter 11* above). We expect to fund the Purchase Price with proceeds from our existing DIP Facility and cash on hand. The Gogo Transaction is expected to close before the end of the first quarter of 2021, subject to the receipt of certain regulatory approvals and the satisfaction or waiver of certain other customary closing conditions.

A. Results of Operations

Three Months Ended September 30, 2019 and 2020

The following table sets forth our comparative statements of operations for the periods shown with the increase (decrease) and percentage changes, except those deemed not meaningful ("NM"), between the periods presented (in thousands, except percentages):

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Increase (Decrease)	Percentage Change
Revenue	$ 506,658	$ 489,449	$ (17,209)	(3)%
Operating expenses:				
Direct costs of revenue (excluding depreciation and amortization)	104,743	120,267	15,524	15%
Selling, general and administrative	60,750	69,215	8,465	14%
Depreciation and amortization	161,536	162,573	1,037	1%
Total operating expenses	327,029	352,055	25,026	8%
Income from operations	179,629	137,394	(42,235)	(24)%
Interest expense, net	315,964	138,075	(177,889)	(56)%
Other income (expense), net	(5,115)	3,067	8,182	NM
Reorganization items	—	(36,367)	(36,367)	NM
Loss before income taxes	(141,450)	(33,981)	107,469	(76)%
Provision for (benefit from) income taxes	6,248	(18,650)	(24,898)	NM
Net loss	(147,698)	(15,331)	132,367	(90)%
Net income attributable to noncontrolling interest	(594)	(600)	(6)	1%
Net loss attributable to Intelsat S.A.	$ (148,292)	$ (15,931)	$ 132,361	(89)%

Revenue

We earn revenue primarily by providing services to our customers using our satellite transponder capacity. Our customers generally obtain satellite capacity from us by placing an order pursuant to one of several master customer service agreements. On-network services are comprised primarily of services delivered on our owned network infrastructure, as well as commitments for third-party capacity, generally long-term in nature, which we integrate and market as part of our owned infrastructure. In the case of third-party services in support of government applications, the commitments for third-party capacity are shorter and matched to the government contracting period, and thus remain classified as off-network services. Off-network services can include transponder services and other satellite-based transmission services, such as mobile satellite services ("MSS"), which are sourced from other operators, often in frequencies not available on our network. Under the category Off-Network and Other Revenues, we also include revenues from consulting and other services.

The following table sets forth our comparative revenue by service type, with Off-Network and Other Revenues shown separately from On-Network Revenues, for the periods below (in thousands, except percentages):

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Increase (Decrease)	Percentage Change
On-Network Revenues				
Transponder services	$ 364,312	$ 353,758	$ (10,554)	(3)%
Managed services	93,080	69,438	(23,642)	(25)%
Channel	601	280	(321)	(53)%
Total on-network revenues	457,993	423,476	(34,517)	(8)%
Off-Network and Other Revenues				
Transponder, MSS and other off-network services	39,129	54,478	15,349	39%
Satellite-related services	9,536	11,495	1,959	21%
Total off-network and other revenues	48,665	65,973	17,308	36%
Total	$ 506,658	$ 489,449	$ (17,209)	(3)%

Total revenue for the three months ended September 30, 2020 decreased by $17.2 million, or 3%, as compared to the three months ended September 30, 2019. By service type, our revenues increased or decreased due to the following:

On-Network Revenues:

- *Transponder services*—an aggregate decrease of $10.6 million, primarily due to an $8.9 million decrease in revenue from media customers and a $2.4 million decrease from government customers, partially offset by a $0.8 million increase from network services customers. The decline in revenue from media customers was mainly driven by non-renewals,

renewals at lower pricing, service contractions, and early terminations, as well as the recognition of deferred revenue in the prior period for certain prepaid capacity and service contracts that terminated in 2019 for which there are no comparable amounts in 2020. The decline from government customers was primarily driven by non-renewals, pricing compression, and the transfer of services to off-network capacity. The increase in revenue from network services customers was primarily driven by a renegotiated contract with a maritime mobility customer for which revenues were previously classified as managed services, and new wireless infrastructure services in the Asia-Pacific region. This increase was partially offset by non-renewals, renewals at lower pricing, service contractions, and services transferred to off-network services.

- *Managed services*—an aggregate decrease of $23.6 million, primarily due to a $14.0 million decrease in revenue from network services customers and a $10.5 million decrease in revenue from media customers, partially offset by a $0.9 million increase in revenue from government customers. The decrease in revenue from network services customers was primarily driven by the transfer of revenue recognition from managed services to transponder services, largely in connection with the renegotiated contract with a maritime mobility customer referenced above, as well as credits provided to customers related to COVID-19. These declines were partially offset by increases in revenue due to new trunking applications and new FlexAir services. The decline in revenue from media customers was mainly related to the termination of managed video service contracts in 2019 and a decrease in occasional use video services. The increase in revenue from government customers was mainly attributable to new FlexGround services.

Off-Network and Other Revenues:

- *Transponder, MSS and other off-network services*—an aggregate increase of $15.3 million, primarily due to a $12.8 million increase in revenue from government customers, largely driven by the transfer of certain services from on-network to off-network and the sale of customer premise equipment.
- *Satellite-related services*—an aggregate of increase of $2.0 million, largely related to professional fees recognized in connection with Mission Extension Vehicle-1 ("MEV-1") and Mission Extension Vehicle-2 ("MEV-2").

Operating Expenses

Direct Costs of Revenue (Excluding Depreciation and Amortization)

Direct costs of revenue increased by $15.5 million, or 15%, to $120.3 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. The increase was primarily due to a $13.4 million increase in equipment costs largely incurred in connection with government customers and a $5.3 million increase in staff-related expenses largely relating to our employee retention incentive plans, partially offset by a $2.7 million decrease in third-party managed capacity costs largely related to a government customer.

Selling, General and Administrative

Selling, general and administrative expenses increased by $8.5 million, or 14%, to $69.2 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. The increase was primarily due to a $7.2 million increase in professional fees and a $4.5 million increase in staff-related expenses largely relating to our employee retention incentive plans, partially offset by a $4.2 million decrease in costs for licenses.

Depreciation and Amortization

Depreciation and amortization expense increased by $1.0 million, or 1%, to $162.6 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. Significant items impacting depreciation and amortization included an increase of $4.7 million in depreciation expense resulting from the impact of a satellite placed in service, partially offset by a decrease of $3.1 million in depreciation expense due to the timing of a satellite becoming fully depreciated and a decrease of $0.7 million in amortization expenses.

Interest Expense, Net

Interest expense, net consists of gross interest expense incurred together with gains and losses on interest rate cap contracts (which reflect the change in their fair value), offset by interest income earned and interest capitalized related to assets under construction. As of September 30, 2020, we held interest rate cap contracts with an aggregate notional amount of $2.4 billion to mitigate the risk of interest rate increases on the floating-rate term loans under our senior secured credit facilities. The contracts have not been designated as hedges for accounting purposes.

Interest expense, net decreased by $177.9 million, or 56%, to $138.1 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, primarily due to a decrease of $176.3 million in interest expense largely resulting from Chapter 11 restructuring activities, partially offset by an increase in interest expense recognized on our senior secured credit facilities.

The non-cash portion of total interest expense, net was $29.7 million for the three months ended September 30, 2020, primarily consisting of interest expense related to the significant financing component identified in customer contracts, amortization and accretion of discounts and premiums and amortization of deferred financing fees.

Other Income (Expense), Net

Other income, net was $3.1 million for the three months ended September 30, 2020, as compared to other expense, net of $5.1 million for the three months ended September 30, 2019. The net increase in other income primarily consisted of lower foreign currency losses of $4.1 million largely related to our business conducted in Brazilian *reais* and a $3.6 million net loss due to a change in value of certain investments in third parties for the three months ended September 30, 2019, with no similar activity in 2020.

Reorganization Items

Reorganization items reflect direct costs incurred in connection with the Chapter 11 Cases. Reorganization items of $36.4 million for the three months ended September 30, 2020 primarily consisted of professional fees. There were no comparable amounts for the three months ended September 30, 2019.

Provision for (Benefit from) Income Taxes

Income tax expense decreased by $24.9 million to income tax benefit of $18.7 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. The decrease was principally attributable to a net benefit recognized for the Base Erosion Anti-Abuse Tax (“BEAT”), additional benefit from the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) with regards to the relaxed limitations on the deductibility of interest, the use of net operating losses arising in taxable years beginning after 2018 and lower income from our U.S. subsidiaries for the three months ended September 30, 2020.

Cash paid for income taxes, net of refunds, totaled $2.5 million and $2.1 million for the three months ended September 30, 2019 and 2020, respectively.

Net Loss Attributable to Intelsat S.A.

Net loss attributable to Intelsat S.A. was $15.9 million for the three months ended September 30, 2020, as compared to net loss attributable to Intelsat S.A. of $148.3 million for the three months ended September 30, 2019. The change reflects the various items discussed above.

Nine Months Ended September 30, 2019 and 2020

The following table sets forth our comparative statements of operations for the periods shown with the increase (decrease) and percentage changes, except those deemed not meaningful ("NM"), between the periods presented (in thousands, except percentages):

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Increase (Decrease)	Percentage Change
Revenue	$ 1,544,514	$ 1,430,303	$ (114,211)	(7)%
Operating expenses:				
Direct costs of revenue (excluding depreciation and amortization)	305,595	331,771	26,176	9%
Selling, general and administrative	168,263	214,586	46,323	28%
Depreciation and amortization	496,438	488,235	(8,203)	(2)%
Satellite impairment loss	381,565	—	(381,565)	NM
Impairment of non-amortizable intangible and other assets	—	46,243	46,243	NM
Total operating expenses	1,351,861	1,080,835	(271,026)	(20)%
Income from operations	192,653	349,468	156,815	81%
Interest expense, net	953,246	678,937	(274,309)	(29)%
Other income (expense), net	(32,374)	8,564	40,938	NM
Reorganization items	—	(335,059)	(335,059)	NM
Loss before income taxes	(792,967)	(655,964)	137,003	(17)%
Provision for (benefit from) income taxes	3,884	(17,691)	(21,575)	NM
Net loss	(796,851)	(638,273)	158,578	(20)%
Net income attributable to noncontrolling interest	(1,785)	(1,784)	1	—%
Net loss attributable to Intelsat S.A.	$ (798,636)	$ (640,057)	$ 158,579	(20)%

Revenue

The following table sets forth our comparative revenue by service type, with Off-Network and Other Revenues shown separately from On-Network Revenues, for the periods shown (in thousands, except percentages):

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Increase (Decrease)	Percentage Change
On-Network Revenues				
Transponder services	$ 1,111,182	$ 1,028,692	$ (82,490)	(7)%
Managed services	277,616	226,749	(50,867)	(18)%
Channel	1,877	1,096	(781)	(42)%
Total on-network revenues	1,390,675	1,256,537	(134,138)	(10)%
Off-Network and Other Revenues				
Transponder, MSS and other off-network services	126,704	141,783	15,079	12%
Satellite-related services	27,135	31,983	4,848	18%
Total off-network and other revenues	153,839	173,766	19,927	13%
Total	$ 1,544,514	$ 1,430,303	$ (114,211)	(7)%

Total revenue for the nine months ended September 30, 2020 decreased by $114.2 million, or 7%, as compared to the nine months ended September 30, 2019. By service type, our revenues increased or decreased due to the following:

On-Network Revenues:

- *Transponder services*—an aggregate decrease of $82.5 million, primarily due to a $43.3 million decrease from network services customers, a $32.6 million decrease in revenue from media customers, and a $6.6 million decrease in revenue from government customers. The decline from network services customers was primarily due to non-renewals, renewals at lower pricing and service contractions for enterprise, maritime and aero mobility, and wireless infrastructure application customers, and lost revenue resulting from the loss of Intelsat 29e, a portion of which services were restored with off-network services. These losses were partially offset by new business from enterprise and wireless infrastructure application customers. The decrease in revenue from media customers was primarily due to non-renewals, renewals at lower pricing, service contractions and early terminations largely relating to distribution services, as well as the recognition of deferred revenue in the prior period for certain prepaid capacity and service contracts that terminated in 2019 for which there are no comparable amounts in 2020. The decrease in revenue from government customers was primarily related to non-renewals, renewals at lower pricing, and services moved to off-network services.

- *Managed services*—an aggregate decrease of $50.9 million, primarily due to a $27.6 million decrease in revenue from media customers and a $23.2 million decrease from network services customers. The decline in revenue from media customers was primarily due to a decrease in revenue from managed video services mainly related to an early termination of a contract in 2019 and a decrease from occasional use video services. The decline in revenue from network services customers primarily related to maritime and aero mobility customers due to non-renewals, a renegotiated contract with a maritime mobility customer, and lost revenue resulting from the loss of Intelsat 29e, a portion of which services were restored with off-network services. The decline in revenue from network services customers was partially offset by new Flex business from maritime mobility customers and new business from trunking applications.

Off-Network and Other Revenues:

- *Transponder, MSS and other off-network services*—an aggregate increase of $15.1 million, primarily due to a $22.5 million increase in revenue from government customers largely driven by the transfer of certain services from on-network to off-network and the sale of customer premise equipment, and a $6.5 million increase in revenue due to the transfer of certain Intelsat 29e network services customers to off-network capacity. These increases were partially offset by a $14.3 million decrease due to revenue recognized during the first quarter of 2019 from a network services customer accounted for as a sales-type lease under ASC 842, *Leases* ("ASC 842"), with no comparable amount for the same period in 2020.
- *Satellite-related services*—an aggregate increase of $4.8 million, largely related to professional fees recognized in connection with MEV-1 and MEV-2, as well as increased revenues from services supporting government customers.

Operating Expenses

Direct Costs of Revenue (Excluding Depreciation and Amortization)

Direct costs of revenue increased by $26.2 million, or 9%, to $331.8 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The increase was primarily due to:

- a $17.4 million increase in third-party FSS capacity costs largely incurred in connection with government customers, Intelsat 29e customer restoration on third-party satellites, and the Azercosmos (Intelsat 38) satellite;
- a $9.6 million increase in staff-related expenses largely relating to our employee retention incentive plans; and
- a $4.7 million increase in equipment costs primarily related to $12.4 million attributable to a government customer, partially offset by a $7.7 million decrease in third-party capacity costs recognized under ASC 842 for the nine months ended September 30, 2019, with no comparable costs for the nine months ended September 30, 2020; partially offset by
- a $5.6 million decrease in third-party managed capacity costs largely related to a government customer.

Selling, General and Administrative

Selling, general and administrative expenses increased by $46.3 million, or 28%, to $214.6 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The increase was primarily due to a $22.9 million increase in bad debt expense, largely relating to a certain customer that filed for Chapter 11 bankruptcy protection and certain customers in the North America, Asia-Pacific and Africa regions, a $13.2 million increase in professional fees and a $7.7 million increase in staff-related expenses largely relating to our employee retention incentive plans.

Depreciation and Amortization

Depreciation and amortization expense decreased by $8.2 million, or 2%, to $488.2 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. Significant items impacting depreciation and amortization included:

- a decrease of $12.6 million in depreciation expense due to the timing of a satellite becoming fully depreciated;
- a decrease of $10.0 million in depreciation expense due to the write-off of Intelsat 29e; and

- a decrease of $1.1 million in amortization expense; partially offset by
- an increase of $14.1 million in depreciation expense resulting from the impact of a satellite placed in service; and
- an increase of $1.2 million in depreciation expense due to the impact of certain ground segment assets placed in service.

Satellite Impairment Loss

We recognized an impairment charge of $381.6 million for the nine months ended September 30, 2019 relating to the loss of Intelsat 29e (see Item 1, Note 8—Satellites and Other Property and Equipment). The impairment charge consisted of approximately $377.9 million related to the write-off of the carrying value of the satellite and associated deferred satellite performance incentive obligations, and approximately $3.7 million related to prepaid regulatory fees. No comparable amounts were recognized for the nine months ended September 30, 2020.

Impairment of Non-Amortizable Intangible and Other Assets

We recognized impairment charges of $34.0 million and $12.2 million for the nine months ended September 30, 2020 relating to certain satellite and launch vehicle deposits and the Intelsat trade name intangible asset, respectively. No comparable amounts were recognized for the nine months ended September 30, 2019. See Item 1, Note 8—Satellites and Other Property and Equipment and Item 1, Note 10—Goodwill and Other Intangible Assets for further discussion.

Interest Expense, Net

Interest expense, net decreased by $274.3 million, or 29%, to $678.9 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The decrease in interest expense, net was principally due to the following:

- a decrease of $258.6 million in interest expense primarily resulting from Chapter 11 restructuring activities, partially offset by an increase in interest expense recognized on our senior secured credit facilities; and
- a decrease of $20.7 million corresponding to a larger decrease in fair value of the interest rate cap contracts during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2020; partially offset by
- an increase of $6.3 million due to lower capitalized interest primarily resulting from decreased levels of satellites and related assets under construction.

The non-cash portion of total interest expense, net was $103.2 million for the nine months ended September 30, 2020, primarily consisting of interest expense related to the significant financing component identified in customer contracts, amortization and accretion of discounts and premiums and amortization of deferred financing fees.

Other Income (Expense), Net

Other income, net was $8.6 million for the nine months ended September 30, 2020, as compared to other expense, net of $32.4 million for the nine months ended September 30, 2019. The net increase in other income was primarily driven by a $36.5 million net loss for the nine months ended September 30, 2019 due to a change in value of certain investments in third parties with no similar activity in 2020, as well as a $6.0 million gain on sale of assets for the nine months ended September 30, 2020.

Reorganization Items

Reorganization items reflect direct costs incurred in connection with the Chapter 11 Cases. Reorganization items of $335.1 million for the nine months ended September 30, 2020 primarily consisted of $197.0 million related to the write-off of debt discount, premium and issuance costs, $85.2 million in professional fees and $52.2 million in financing fees related to the DIP Facility. There were no comparable amounts for the nine months ended September 30, 2019.

Provision for (Benefit from) Income Taxes

Income tax expense decreased by $21.6 million to income tax benefit of $17.7 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The decrease was principally attributable to a net benefit recognized for the BEAT, additional benefit from the CARES Act with regards to the relaxed limitations on the deductibility of interest, the use of net operating losses arising in taxable years beginning after 2018 and lower income from our U.S. subsidiaries for the nine months ended September 30, 2020.

Cash paid for income taxes, net of refunds, totaled $9.3 million and $4.7 million for the nine months ended September 30, 2019 and 2020, respectively.

Net Loss Attributable to Intelsat S.A.

Net loss attributable to Intelsat S.A. was $640.1 million for the nine months ended September 30, 2020, as compared to net loss attributable to Intelsat S.A. of $798.6 million for the nine months ended September 30, 2019. The change reflects the various items discussed above.

EBITDA

EBITDA consists of earnings before net interest, loss (gain) on early extinguishment of debt, taxes and depreciation and amortization. Given our high level of leverage, refinancing activities are a frequent part of our efforts to manage our costs of borrowing. Accordingly, we consider loss (gain) on early extinguishment of debt an element of interest expense. EBITDA is a measure commonly used in the FSS sector, and we present EBITDA to enhance the understanding of our operating performance. We use EBITDA as one criterion for evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. However, EBITDA is not a measure of financial performance under U.S. GAAP, and our EBITDA may not be comparable to similarly titled measures of other companies. EBITDA should not be considered as an alternative to operating income (loss) or net income (loss) determined in accordance with U.S. GAAP, as an indicator of our operating performance, or as an alternative to cash flows from operating activities determined in accordance with U.S. GAAP, as an indicator of cash flows, or as a measure of liquidity.

A reconciliation of net loss to EBITDA for the periods shown is as follows (in thousands):

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Net loss	$ (147,698)	$ (15,331)	$ (796,851)	$ (638,273)
Add (Subtract):				
Interest expense, net	315,964	138,075	953,246	678,937
Provision for (benefit from) income taxes	6,248	(18,650)	3,884	(17,691)
Depreciation and amortization	161,536	162,573	496,438	488,235
EBITDA	$ 336,050	$ 266,667	$ 656,717	$ 511,208

Adjusted EBITDA

In addition to EBITDA, we calculate a measure called Adjusted EBITDA to assess the operating performance of Intelsat S.A. Adjusted EBITDA consists of EBITDA of Intelsat S.A. as adjusted to exclude or include certain unusual items, certain other operating expense items and certain other adjustments as described in the table and related footnotes below. Our management believes that the presentation of Adjusted EBITDA provides useful information to investors, lenders and financial analysts regarding our financial condition and results of operations because it permits clearer comparability of our operating performance between periods. By excluding the potential volatility related to the timing and extent of non-operating activities, such as impairments of asset value and other non-recurring items, our management believes that Adjusted EBITDA provides a useful means of evaluating the success of our operating activities. We also use Adjusted EBITDA, together with other appropriate metrics, to set goals for and measure the operating performance of our business, and it is one of the principal measures we use to evaluate our management's performance in determining compensation under our incentive compensation plans. Adjusted EBITDA measures have been used historically by investors, lenders and financial analysts to estimate the value of a company, to make informed investment decisions and to evaluate performance. Our management believes that the inclusion of Adjusted EBITDA facilitates comparison of our results with those of companies having different capital structures.

Adjusted EBITDA is not a measure of financial performance under U.S. GAAP and may not be comparable to similarly titled measures of other companies. Adjusted EBITDA should not be considered as an alternative to operating income (loss) or net income (loss) determined in accordance with U.S. GAAP, as an indicator of our operating performance, as an alternative to cash flows from operating activities determined in accordance with U.S. GAAP, as an indicator of cash flows, or as a measure of liquidity.

A reconciliation of net loss to EBITDA and EBITDA to Adjusted EBITDA is as follows (in thousands):

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Net loss	$ (147,698)	$ (15,331)	$ (796,851)	$ (638,273)
Add (Subtract):				
Interest expense, net	315,964	138,075	953,246	678,937
Provision for (benefit from) income taxes	6,248	(18,650)	3,884	(17,691)
Depreciation and amortization	161,536	162,573	496,438	488,235
EBITDA	336,050	266,667	656,717	511,208
Add:				
Compensation and benefits(1)	3,924	15,484	10,215	39,338
Non-recurring and non-cash items(2)	11,944	10,510	50,373	25,837
Satellite impairment loss(3)	—	—	381,565	—
Impairment of non-amortizable intangible and other assets(4)	—	—	—	46,243
Reorganization items(5)	—	36,367	—	335,059
Proportionate share from unconsolidated joint venture(6):				
Interest expense, net	1,345	1,074	3,825	3,199
Depreciation and amortization	2,814	2,815	7,505	8,444
Adjusted EBITDA(7)(8)	$ 356,077	$ 332,917	$ 1,110,200	$ 969,328

(1) Reflects non-cash expenses incurred relating to our equity compensation plans and, for the three and nine months ended September 30, 2020, expenses incurred relating to our employee retention incentive plans in connection with our Chapter 11 proceedings.

(2) Reflects certain non-recurring expenses, gains and losses and non-cash items, including the following: professional fees related to our liability management initiatives; costs associated with our C-band spectrum proposal; corporate development and strategy costs; certain research and development costs; severance, retention and relocation payments; changes in fair value of certain investments; certain foreign exchange gains and losses; and other various non-recurring expenses. In 2019, these costs were partially offset by non-cash income related to the recognition of deferred revenue on a straight-line basis for certain prepaid capacity service contracts.

(3) Reflects a non-cash impairment charge recorded in connection with the Intelsat 29e satellite loss.

(4) Reflects a non-cash impairment charge recorded in connection with the write-off of certain satellite and launch vehicle deposits (see Item 1, Note 8—Satellites and Other Property and Equipment) and a trade name impairment (see Item 1, Note 10—Goodwill and Other Intangible Assets).

(5) Reflects direct costs incurred in connection with our Chapter 11 proceedings. See Item 1, Note 2—Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters.

(6) Reflects adjustments related to our interest in Horizons 3. See Item 1, Note 9(b)—Investments—Horizons-3 Satellite LLC.

(7) Adjusted EBITDA included $25.8 million and $26.2 million for the three months ended September 30, 2019 and 2020, respectively, and $76.1 million and $78.7 million for the nine months ended September 30, 2019 and 2020, respectively, of revenue relating to the significant financing component identified in customer contracts in accordance with the adoption of ASC 606, *Revenue from Contracts with Customers*. These impacts are not permitted to be reflected in the applicable consolidated and Adjusted EBITDA definitions under our debt agreements.

(8) Intelsat S.A. Adjusted EBITDA reflected $5.1 million and $4.4 million for the three months ended September 30, 2019 and 2020, respectively, and $7.6 million and $14.3 million for the nine months ended September 30, 2019 and 2020, respectively, of Adjusted EBITDA attributable to Intelsat Horizons-3 LLC, its subsidiaries and its proportionate share of Horizons 3. These entities are considered to be unrestricted subsidiaries under the definitions set forth in our applicable debt agreements.

B. Liquidity and Capital Resources

Overview

We are a highly leveraged company and our contractual obligations, commitments and debt service requirements over the next several years are significant. At September 30, 2020, the aggregate principal amount of our debt outstanding not held by affiliates was $15.2 billion. Our interest expense, net for the three and nine months ended September 30, 2020 was $138.1 million and $678.9 million, respectively, which included $29.7 million and $103.2 million of non-cash interest expense, respectively. At September 30, 2020, cash, cash equivalents and restricted cash were approximately $1.0 billion.

The commencement of the Chapter 11 Cases accelerated substantially all of our outstanding debt. Any efforts to enforce payment obligations related to the acceleration of our debt have been automatically stayed as a result of the filing of the Chapter 11 Cases, and the creditors' rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

During the pendency of the Chapter 11 Cases, as discussed above in —Recent Developments, *Voluntary Reorganization under Chapter 11*, we expect cash payments on our interest obligations to be lower than in prior years. In past years, our cash flows from operations and cash on hand have been sufficient to fund significant capital expenditures ($255.7 million and $229.8 million for the years ended December 31, 2018 and 2019, respectively). However, as discussed above in —Recent Developments, *Voluntary Reorganization under Chapter 11*, our ability to fund operating expenses is now, to some extent, subject to obtaining certain approvals from the Bankruptcy Court in connection with our Chapter 11 proceedings.

A significant factor driving the Company's decision to file for Chapter 11 protection was the Company's desire to participate in the FCC's process for accelerated clearing of the C-band spectrum, for which we need to incur significant upfront expenses for clearing activities well in advance of receiving reimbursement payments. On August 14, 2020, the Company filed its final C-band spectrum transition plan with the FCC.

In addition to the significant capital expenditures we expect to make in 2020 and beyond, we expect total clearing costs will be approximately $1.7 billion over the next two to three years. Our primary source of liquidity is and will continue to be cash generated from operations, as well as existing cash. Also, as noted above in —Recent Developments, *Voluntary Reorganization under Chapter 11*, we have entered into a DIP Facility in an aggregate principal amount of $1.0 billion. We currently expect to use cash on hand, cash flows from operations and borrowings under the DIP Facility to fund our most significant cash outlays, including debt service requirements, capital expenditures, and the Purchase Price for the Gogo Transaction (see —Recent Developments, *Gogo Inc. Transaction* above) in the next twelve months and beyond. We also expect to receive reimbursement payments for certain upfront C-band spectrum clearing expenses incurred and under the FCC Final Order, the Company is eligible to receive Acceleration Payments of approximately $1.2 billion and $3.7 billion on December 5, 2021 and December 5, 2023, respectively, subject to the satisfaction of certain deadlines and other conditions set forth therein.

Cash Flow Items

Our cash flows consisted of the following for the periods shown (in thousands):

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Net cash provided by operating activities	$ 163,429	$ 194,729
Net cash used in investing activities	(214,527)	(418,346)
Net cash provided by financing activities	370,816	417,431
Net change in cash, cash equivalents and restricted cash	317,477	189,486

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased by $31.3 million to $194.7 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The increase was primarily due to a $21.0 million decrease in net loss and changes in non-cash items and a $10.3 million increase from changes in operating assets and liabilities. The increase in operating assets and liabilities was primarily due to lower outflows related to the amount and timing of accounts payable and interest payments, as well as higher inflows from receivables, partially offset by higher outflows related to prepaid and other assets and deferred revenues.

Net Cash Used in Investing Activities

Net cash used in investing activities increased by $203.8 million to $418.3 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The increase was primarily due to higher capital expenditures partially offset by lower origination of loans held-for-investment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities increased by $46.6 million to $417.4 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The increase was primarily due to higher net proceeds of $52.4 million resulting from our DIP financing during the nine months ended September 30, 2020, as compared to the net proceeds from the debt offering completed during the nine months ended September 30, 2019. This was partially offset by an increase of $4.4 million in deferred financing payments on satellite performance incentives as compared to the nine months ended September 30, 2019.

Restricted Cash

As of September 30, 2020, $19.4 million of cash was legally restricted, being held as a compensating balance for certain outstanding letters of credit.

Debt

Intelsat Jackson Superpriority Secured Debtor-in-Possession Term Loan Facility

On June 17, 2020 (the "Closing Date"), the DIP Debtors and DIP Lenders entered into the DIP Credit Agreement, a non-amortizing multiple draw superpriority secured debtor-in-possession term loan facility, in an aggregate principal amount of $1.0 billion, on the terms and conditions set forth therein (see—Recent Developments—*Voluntary Reorganization under Chapter 11* above).

Intelsat Jackson borrowed $500.0 million of term loans under the DIP Facility on the Closing Date. Under the DIP Facility, Intelsat Jackson may, at its sole discretion, make incremental draws of the lesser of $250.0 million and the remaining available commitments of the DIP Lenders. Drawn amounts under the DIP Facility bear interest at either (i) 4.50% per annum plus a base rate of the highest of (a) the Federal Funds Effective Rate plus ½ of 1.00%, (b) the Prime Rate as in effect on such day and (c) the London Inter-Bank Offered Rate ("LIBOR Rate") for a one-month interest period on such day (or if such day is not a business day, the immediately preceding business day) plus 1.00%, or (ii) 5.50% plus the LIBOR Rate. For purposes of the DIP Facility, the LIBOR Rate has an effective floor rate of 1.0%. Undrawn amounts under the DIP Facility shall be subject to a ticking fee of 3.6% of the amount of commitments of the DIP Lenders from the entry of the DIP Order until such commitments terminate, which ticking fee shall be payable on the last day of each fiscal quarter prior to the date such commitments terminate and on the date of such termination. If an event of default under the DIP Facility occurs, the overdue amounts under the DIP Facility would bear interest at an additional 2.0% per annum above the interest rate otherwise applicable.

The proceeds of the DIP Facility may be used, among other things, to pay for (i) working capital needs of the DIP Debtors in the ordinary course of business, (ii) potential C-band relocation costs, (iii) investment and other general corporate purposes, and (iv) the costs and expenses of administering the Chapter 11 Cases. The maturity date of the DIP Facility is July 13, 2021, subject to certain extensions pursuant to the terms of the DIP Credit Agreement.

The DIP Credit Agreement includes usual and customary negative covenants for debtor-in-possession loan agreements of this type, including covenants limiting the Company's and its subsidiaries' ability to, among other things, incur additional indebtedness, create liens on assets, make investments, loans or advances, engage in mergers, consolidations, sales of assets and acquisitions, pay dividends and distributions and make payments in respect of junior or pre-petition indebtedness, in each case subject to customary exceptions for debtor-in-possession loan agreements of this type.

The DIP Credit Agreement also includes certain customary representations and warranties, affirmative covenants and events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, certain events under the Employee Retirement Income Security Act of 1974, as amended, and change of control. Certain bankruptcy-related events are also events of default, including, but not limited to, the dismissal by the Bankruptcy Court of any of the Chapter 11 Cases, the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code and certain other events related to the impairment of the DIP Lenders' rights or liens granted under the DIP Credit Agreement.

On August 24, 2020, the DIP Debtors and DIP Lenders entered into DIP Amendment No. 1 to the DIP Credit Agreement, in connection with the Gogo Transaction (see Note 1—General—*Gogo Inc. Transaction* for additional information). DIP Amendment No. 1 was approved by the Bankruptcy Court on August 31, 2020.

The foregoing descriptions of the DIP Credit Agreement and DIP Amendment No. 1 do not purport to be complete and are qualified in their entirety by reference to the full text of the DIP Credit Agreement and DIP Amendment No. 1, as applicable.

Intelsat Jackson Senior Secured Credit Agreement and the Company and Certain of its Subsidiaries' Indentures

The commencement of the Chapter 11 Cases constituted an immediate event of default under Intelsat Jackson's secured credit agreement, dated as of January 12, 2011 (as amended, the "Intelsat Jackson Secured Credit Agreement"), as well as under the indentures governing certain of the Company and its subsidiaries' senior secured notes and senior notes, resulting in the automatic and immediate acceleration of substantially all of our outstanding debt. Any efforts to enforce payment obligations related to the acceleration of our debt have been automatically stayed as a result of the filing of the Chapter 11 Cases, and the creditors' rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

In addition, in April 2020, our LIBOR loans under the Intelsat Jackson Secured Credit Agreement were converted to Alternate Base Rate ("ABR") loans. We expect to pay interest on the floating rate term loans under the Intelsat Jackson Secured Credit Agreement at the rate applicable to ABR loans.

Contracted Backlog

We have historically had, and currently have, a substantial contracted backlog, which provides some assurance regarding our future revenue expectations. Contracted backlog is our expected future revenue under customer contracts and includes both cancelable and non-cancelable contracts. Approximately 91% of our total contracted backlog as of September 30, 2020 related to contracts that were non-cancelable and approximately 8% related to contracts that were cancelable subject to substantial termination fees. In certain cases of breach for non-payment or customer bankruptcy, we may not be able to recover the full value of certain contracts or termination fees. Our contracted backlog as of September 30, 2020 was approximately $6.2 billion. We believe this backlog and associated revenues result in more predictable cash flows in the FSS sector as compared to that of typical companies outside our industry.

Capital Expenditures

Our capital expenditures depend on our business strategies and reflect our commercial responses to opportunities and trends in our industry. Our actual capital expenditures may differ from our expected capital expenditures if, among other things, we enter into any currently unplanned strategic transactions. Levels of capital spending from one year to the next are also influenced by the nature of the satellite life cycle and by the capital-intensive nature of the satellite industry. For example, we incur significant capital expenditures during the years in which satellites are under construction. We typically procure a new satellite within a timeframe that would allow the satellite to be deployed at least one year prior to the end of the service life of the satellite to be replaced. As a result, we frequently experience significant variances in our capital expenditures from year to year. Further, following the Company's filing of its final C-band spectrum transition plan with the FCC on August 14, 2020, we expect to incur significant upfront expenses for clearing activities well in advance of receiving reimbursement payments. Payments for satellites and other property and equipment during the nine months ended September 30, 2020 were $420.0 million. However, subject to the satisfaction of certain deadlines and other conditions set forth in the FCC Final Order, the Company is eligible to receive Acceleration Payments in an aggregate total amount of approximately $4.9 billion over the next 3 years.

We intend to fund our capital expenditure requirements from cash on hand, cash provided from operating activities and the DIP Facility; however, our ability to fund capital expenditures in the ordinary course is, to some extent, subject to obtaining certain approvals from the Bankruptcy Court in connection with our Chapter 11 proceedings. On August 31, 2020 the Bankruptcy Court approved our intention to fund the Purchase Price of the Gogo Transaction with proceeds from our existing DIP Facility and cash on hand.

Off-Balance Sheet Arrangements

We have revenue sharing agreements with JSAT related to services sold on the Horizons 1, Horizons 2 and Horizons 3 satellites. We are responsible for billing and collection for such services and we remit 50% of the revenue, less applicable fees and commissions, to JSAT. Refer to Item 1, Note 9—Investments for disclosures relating to the revenue sharing agreements with JSAT.

Contractual Obligations

Other than as disclosed elsewhere in this report with respect to the filing of the Chapter 11 Cases and the acceleration of substantially all of our debt as a result, there have been no material changes outside the ordinary course of business to the information provided with respect to our contractual obligations as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 20, 2020 (the "2019 Annual Report").

Critical Accounting Policies and Estimates

The preparation of these condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of these condensed consolidated financial statements, the reported amounts of revenues and expenses during the reporting periods, and the disclosures of contingent liabilities.

The Company's significant accounting policies are described in Note 1—Background and Summary of Significant Accounting Policies in our 2019 Annual Report. The Company's critical accounting estimates are described in Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report and are further described below.

Bankruptcy Accounting

Our condensed consolidated financial statements included herein have been prepared as if we are a going concern and reflect the application of ASC 852, *Reorganizations* ("ASC 852"). ASC 852 requires the financial statements, for periods subsequent to the commencement of the Chapter 11 proceedings, to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, we classify liabilities and obligations whose treatment and satisfaction are dependent on the outcome of the reorganization under the Chapter 11 proceedings as liabilities subject to compromise on our condensed consolidated balance sheets. In addition, we classify all income, expenses, gains or losses that are incurred or realized as a result of the Chapter 11 proceedings as reorganization items in our condensed consolidated statements of operations (see Item 1, Note 2—Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters).

Asset Impairment Assessments

We account for goodwill and other non-amortizable intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*, and have deemed these assets to have indefinite lives. Therefore, these assets are not amortized but are tested on an annual basis for impairment during the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. We review our long-lived and amortizable intangible assets to assess whether an impairment has occurred in accordance with the guidance provided under ASC 360—*Property, Plant and Equipment*, whenever events or changes in circumstances indicate, in our judgment, that the carrying amount of an asset may not be recoverable.

During the first quarter of 2020, the price of our common shares and trading values of our debt securities experienced sustained reductions. We also witnessed certain declines in financial performance as compared to previously prepared internal budget and forecast projections. Among the impacts of the COVID-19 pandemic were a reduction of revenue and a decreased likelihood of collection from certain mobility customers. Based on our examination of these and other qualitative factors, we concluded that further testing of goodwill and other non-amortizable assets as well as long-lived and amortizable intangible assets was required.

Goodwill. For the analysis of goodwill, we applied ASU 2017-04, which is further described in Item 1, Note 1—General. Intelsat has only one reporting unit for purposes of the analysis of goodwill, and accordingly, the analysis is undertaken at the enterprise level. We determined the estimated fair value of our reporting unit using a discounted cash flow analysis, along with independent source data related to comparative market multiples and, when available, recent transactions, each of which is considered a Level 3 input within the fair value hierarchy under ASC 820, *Fair Value Measurements and Disclosure* ("ASC 820"). The discounted cash flows were derived from a five-year projection of cash flows plus a residual value, with the resulting projected cash flows discounted at an appropriate weighted average cost of capital.

In estimating the undiscounted cash flows, we primarily used our internally prepared budgets and forecast information. The key assumptions included in our model were projected growth rates, cost of capital, effective tax rates, and industry and economic trends, along with the C-band Acceleration Payments expected to be received subject to the satisfaction of certain deadlines and other conditions set forth in the FCC Final Order and the discount rate applied to those cash flows. A change in estimated future cash flows or other assumptions could change our estimated fair values and result in future impairments. The conclusion of our analysis was that the fair value of our reporting unit was greater than its carrying value, resulting in no impairment of goodwill.

Orbital Locations. We determined the estimated fair value of our rights to operate at orbital locations by using the build-up method to determine cash flows for the income approach, with the resulting projected cash flows discounted at an appropriate weighted average cost of capital. Under the build-up approach, the amount a reasonable investor would be willing to pay for the right to operate a satellite business using orbital locations is calculated by first estimating the cash flows that typical market participants might assume could be available from the right to operate satellites using the subject location in a similar market. It is assumed that rather than acquiring such a business as a going concern, the buyer would hypothetically start with the right to operate satellites at orbital locations and build a new business with similar attributes from the beginning. Thus, the buyer is assumed to incur the start-up costs and losses typically associated with the going concern value and pay for all other tangible and intangible assets.

The key assumptions used in estimating the fair values of our rights to operate at our orbital locations included the following: (i) market penetration leading to revenue growth, (ii) profit margin, (iii) duration and profile of the build-up period, (iv) estimated start-up costs and losses incurred during the build-up period and (v) weighted average cost of capital.

We completed our analysis of the estimated fair value of our rights to operate at certain orbital locations in connection with the analysis of goodwill described above and concluded that the fair value was greater than the carrying value, resulting in no impairment.

Trade Name. We have implemented the relief from royalty method to determine the estimated fair value of the Intelsat trade name. The relief from royalty analysis is comprised of two major steps: (i) a determination of the hypothetical royalty rate, and (ii) the subsequent application of the royalty rate to projected revenue. In determining the hypothetical royalty rate utilized in the relief from royalty approach, we considered comparable license agreements, an excess earnings analysis to determine aggregate intangible asset earnings, and other qualitative factors, each of which is considered a Level 3 input within the fair value hierarchy under ASC 820.

The key assumptions used in our model to estimate the fair value of the Intelsat trade name included forecasted revenues, the royalty rate, the tax rate and the discount rate. We completed our analysis of the estimated fair value of the Intelsat trade name in connection with the analysis of goodwill described above and it resulted in an impairment of our trade name intangible asset of $12.2 million, which is included within impairment of non-amortizable intangible and other assets in the condensed consolidated statements of operations.

Long-Lived and Amortizable Intangible Assets. The Company evaluated the assets for potential impairment using internal projections of undiscounted cash flows expected to result from the use and eventual disposal of the assets. The key assumptions included in our model were projected growth rates, cost of capital, effective tax rates, and industry and economic trends. A change in estimated future cash flows or other assumptions could change our estimated undiscounted cash flows and result in future impairments. The conclusion of our analysis was that the undiscounted cash flows of the asset group was greater than its carrying value, resulting in no impairment.

Recently Issued Accounting Pronouncements

For disclosures related to recently issued accounting pronouncements, see Item 1, Note 1—General—*Recently Issued Accounting Pronouncements.*

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except as set forth below, there have been no material changes to the Company’s disclosures about market risk made in Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk of the Company’s 2019 Annual Report.

Interest Rate Risk

As discussed in Item 1, Note 2—Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters, the filing of the Chapter 11 Cases constituted an event of default that accelerated substantially all of our obligations under the documents governing the prepetition existing indebtedness of Intelsat S.A., Intelsat Luxembourg, Intelsat Connect and Intelsat Jackson. As such, we have reclassified all such debt obligations, other than debt subject to compromise, to current portion of long-term debt on our condensed consolidated balance sheet as of September 30, 2020. While the Chapter 11 Cases are pending, the Debtors do not anticipate making interest payments due under their respective unsecured debt instruments; however, the Debtors expect to make monthly interest payments on their senior secured debt instruments pursuant to the adequate protection requirements under the DIP Order.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act), as of the quarter ended September 30, 2020. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting for the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Chapter 11 Cases

On May 13, 2020, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in Bankruptcy Court. The information contained in Item 1, Note 2—Chapter 11 Proceedings, Ability to Continue as a Going Concern and Other Related Matters—*Voluntary Reorganization under Chapter 11* of the notes to the condensed consolidated financial statements is incorporated herein by reference. As a result of such bankruptcy filings, substantially all proceedings pending against the Debtors have been stayed. These matters will be subject to resolution in accordance with the Bankruptcy Code and applicable orders of the Bankruptcy Court.

As part of the Chapter 11 Cases, parties believing that they have claims or causes of action against the Debtors could file proofs of claim evidencing such claims. Pursuant to an order entered by the Bankruptcy Court, all proofs of claim were to be filed with the Bankruptcy Court by September 9, 2020, except for claims by governmental units. Governmental units must file proofs of claim by November 16, 2020. As claims are filed, the claims will be reconciled to amounts recorded in liabilities subject to compromise in our condensed consolidated balance sheet. The Debtors may ask the Bankruptcy Court to disallow claims that the Debtors believe are duplicative, have been later amended or superseded, are without merit, are overstated or should be disallowed for other reasons. In addition, as a result of this process, the Debtors may identify additional liabilities that will need to be recorded or reclassified to liabilities subject to compromise. In light of the substantial number of claims filed, and expected to be filed, the claims resolution process may take considerable time to complete and likely will continue after the Debtors emerge from bankruptcy.

SES Claim

On July 14, 2020, SES Americom, Inc. ("SES") filed a proof of claim in the Bankruptcy Court in the amount of $1.8 billion against each of the Debtors. SES asserts that the Debtors owe money (or will owe money) to SES pursuant to certain contractual and fiduciary obligations made in the context of the consortium agreement between Debtor Intelsat US LLC, SES, and other satellite operators (the "Consortium Agreement"). SES believes it is entitled to 50% of the combined payments that may eventually be payable to the Debtors and SES pursuant to the FCC Final Order, which provides for Acceleration Payments subject to the satisfaction of certain deadlines and other conditions set forth therein. SES's proof of claim alleges that the Debtors breached the Consortium Agreement by taking the position that the Debtors are not required to split Acceleration Payments with SES and the other members of the consortium. The proof of claim also alleges breach of fiduciary duties and unjust enrichment and seeks monetary and punitive damages. We dispute the allegations in the proof of claim and on October 19, 2020, filed an objection to the claim, which we intend to litigate vigorously. To the extent that any portion of SES's claim is allowed, we have asked the Bankruptcy Court to 'equitably subordinate' such claim based on SES's conduct in matters related to the Consortium Agreement. While the ultimate resolution of the claim is not currently predictable, if there is an adverse ruling, the ruling could constitute a material adverse outcome on our future consolidated financial condition.

Other Litigation Matters

We are subject to litigation in the ordinary course of business, but management does not believe that the resolution of any of those pending proceedings would have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes or additions to the risk factors previously disclosed in Part I—Item 1A—Risk Factors of our 2019 Annual Report, as supplemented by Part II—Item 1A—Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, filed with the SEC on June 4, 2020 and Part II—Item 1A—Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, filed with the SEC on August 6, 2020.

Intelsat may fail to realize all of the anticipated benefits of the potential Gogo Transaction or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating Gogo's commercial aviation business.

Our ability to realize the anticipated benefits of the potential Gogo Transaction will depend, to a large extent, on our ability to integrate Gogo's commercial aviation business. The combination of two independent businesses is a complex, costly and time-consuming process, particularly while we are undergoing the Chapter 11 proceedings. Further, the restrictions posed by the agreements governing our DIP Facility may limit our ability to integrate the two businesses. As a result, we will be required to devote significant management attention and resources to integrate the business practices and operations of Intelsat and Gogo's commercial aviation business. The integration process may disrupt the businesses and, if implemented ineffectively, would restrict the realization of the full expected benefits. The failure to meet the challenges involved in integrating the two businesses and to realize the anticipated benefits of the potential transaction could cause an interruption of, or a loss of momentum in, the activities of the combined businesses and could adversely affect the results of operations of the combined businesses.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customers and other business relationships, and diversion of management's attention. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the combination;
- difficulties in the integration of operations and systems;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the two companies;
- difficulties in the assimilation of employees;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in keeping existing customers and obtaining new customers;
- challenges in attracting and retaining key personnel; and
- coordinating a geographically dispersed organization, particularly due to the effects of the COVID-19 pandemic.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of the combined company. In addition, even if Gogo's commercial aviation business operations are integrated successfully, the full benefits of the potential transaction and other pending acquisitions may not be realized, including the synergies, cost savings or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of the businesses. As a result, it cannot be assured that the potential Gogo Transaction will result in the realization of the full benefits anticipated from such transaction.

Item 6. Exhibits

Exhibit No.	Document Description
2.1	Purchase and Sale Agreement, dated as of August 31, 2020, between Gogo Inc. and Intelsat Jackson Holdings S.A. (incorporated by reference to Exhibit 2.1 of Intelsat S.A.'s Current Report on Form 8-K, File No. 001-35878, filed on September 1, 2020).
10.1	Joinder Agreement No. 1, dated as of August 7, 2020, to Superpriority Secured Debtor In Possession Credit Agreement, dated as of June 17, 2020, by and among Intelsat Velocity Holdings LLC, as New Guarantor, Intelsat Invoice Services LLC, as New Guarantor, and Credit Suisse AG, Cayman Islands Branch as Administrative Agent.*
10.2	Amendment No. 1, dated as of August 24, 2020, to Superpriority Secured Debtor In Possession Credit Agreement, dated as of June 17, 2020, by and among Intelsat Jackson Holdings S.A., as borrower, the guarantor parties thereto, Credit Suisse AG, as administrative agent and collateral agent, and the lender parties thereto.*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Loss, (iv) Consolidated Statements of Changes in Shareholders' Deficit, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.*
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Filed herewith.

The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filing of Intelsat S.A. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTELSAT S.A.

Date: November 5, 2020	By	/s/ STEPHEN SPENGLER
		Stephen Spengler
		Chief Executive Officer
Date: November 5, 2020	By	/s/ DAVID TOLLEY
		David Tolley
		Executive Vice President and Chief Financial Officer