

Intelsat S.A.  
Form 6-K  
April 30, 2019

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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 or 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934  
For the month of April, 2019  
001-35878  
(Commission File Number)

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

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

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

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

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

INTELSAT S.A.  
Quarterly Report for the three months ended March 31, 2019



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## INTRODUCTION

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

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

## FINANCIAL AND OTHER INFORMATION

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

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

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

## FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report on Form 6-K, or 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 expectations as to the impact of the loss of Intelsat 29e on our business and financial outlook; our intention to leverage our satellite launches and maximize the value of our spectrum rights, including the pursuit of partnerships to optimize new satellite business cases and the exploration of joint use of certain spectrum with the wireless sector in certain geographies; our expectations as to the potential timing of a final U.S. Federal Communications Commission (“FCC”) ruling with respect to our C-band joint-use proposal; the trends that we believe will impact our revenue and operating expenses in the future; and our expected capital expenditures in 2019 and during the next several years.

The forward-looking statements made in this Quarterly Report reflect our intentions, plans, expectations, assumptions, anticipations, projections, estimations, predictions, outlook and beliefs about future events. These forward-looking statements speak only as of the date of this Quarterly Report and are not guarantees of future performance or results and are subject to risks, uncertainties and other factors, many of which are outside of our control. These factors could cause actual results or developments to differ materially from the expectations expressed or implied in the

forward-looking statements and include known and unknown risks. Known risks include, among others, the risks discussed in Item 3D—Risk Factors in our Annual Report on Form 20-F for the year ended December 31, 2018, 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.

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

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

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

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## INTELSAT S.A.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	December 31, 2018	March 31, 2019 (unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$485,120	\$489,648
Restricted cash	22,037	22,110
Receivables, net of allowances of \$28,542 in 2018 and \$26,421 in 2019	271,393	240,999
Contract assets	45,034	55,248
Prepaid expenses and other current assets	24,075	26,285
Total current assets	847,659	834,290
Satellites and other property and equipment, net	5,511,702	5,419,410
Goodwill	2,620,627	2,620,627
Non-amortizable intangible assets	2,452,900	2,452,900
Amortizable intangible assets, net	311,103	302,515
Contract assets, net of current portion	96,108	98,308
Other assets	401,414	511,463
Total assets	\$12,241,513	\$12,239,513
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$108,101	\$102,031
Taxes payable	5,679	7,578
Employee related liabilities	29,696	27,486
Accrued interest payable	284,649	317,656
Contract liabilities	137,746	133,725
Deferred satellite performance incentives	35,261	35,775
Other current liabilities	59,080	59,535
Total current liabilities	660,212	683,786
Long-term debt, net of current portion	14,028,352	14,038,533
Contract liabilities, net of current portion	1,131,319	1,127,205
Deferred satellite performance incentives, net of current portion	210,346	202,465
Deferred income taxes	82,488	87,988
Accrued retirement benefits, net of current portion	133,735	130,620
Other long-term liabilities	77,670	170,443
Shareholders' deficit:		
Common shares; nominal value \$0.01 per share	1,380	1,406
Paid-in capital	2,551,471	2,554,384
Accumulated deficit	(6,606,426)	(6,710,857)
Accumulated other comprehensive loss	(43,430)	(59,511)
Total Intelsat S.A. shareholders' deficit	(4,097,005)	(4,214,578)
Noncontrolling interest	14,396	13,051
Total liabilities and shareholders' deficit	\$12,241,513	\$12,239,513
See accompanying notes to unaudited condensed consolidated financial statements.		





## INTELSAT S.A.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Revenue	\$543,782	\$528,449
Operating expenses:		
Direct costs of revenue (excluding depreciation and amortization)	82,571	105,405
Selling, general and administrative	60,282	51,658
Depreciation and amortization	166,457	171,094
Total operating expenses	309,310	328,157
Income from operations	234,472	200,292
Interest expense, net	282,454	316,602
Gain on early extinguishment of debt	65	—
Other income, net	4,429	1,413
Loss before income taxes	(43,488 )	(114,897 )
Provision for income taxes	22,361	5,145
Net loss	(65,849 )	(120,042 )
Net income attributable to noncontrolling interest	(952 )	(580 )
Net loss attributable to Intelsat S.A.	\$(66,801 )	\$(120,622 )
Net loss per common share attributable to Intelsat S.A.:		
Basic	\$(0.56 )	\$(0.87 )
Diluted	\$(0.56 )	\$(0.87 )
See accompanying notes to unaudited condensed consolidated financial statements.		

## INTELSAT S.A.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Net loss	\$(65,849)	\$(120,042)
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, net	(2 )	(626 )
Reclassification adjustment for amortization of unrecognized actuarial loss, net of tax included in other income, net	938	736
Adoption of ASU 2018-02 (see Note 14—Income Taxes)	—	(16,191 )
Marketable securities:		
Reclassification adjustment for pension assets' gains, net of tax included in other income, net	(351 )	—
Other comprehensive income (loss)	585	(16,081 )
Comprehensive loss	(65,264 )	(136,123 )
Comprehensive income attributable to noncontrolling interest	(952 )	(580 )
Comprehensive loss attributable to Intelsat S.A.	\$(66,216)	\$(136,703)
See accompanying notes to unaudited condensed consolidated financial statements.		

## INTELSAT S.A.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(in thousands, except where otherwise noted)

For the three months ended March 31,

2018

	Common		Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Intelsat	
	Shares (in millions)	Amount				S.A. Shareholders' Deficit	Noncontrolling Interest
Balance at December 31, 2017	119.6	\$ 1,196	\$2,173,367	\$(5,894,659)	\$ (87,774 )	\$(3,807,870 )	\$ 19,306
Net income (loss)	—	—	—	(66,801 )	—	(66,801 )	952
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(2,601 )
Share-based compensation	1.0	10	2,074	—	—	2,084	—
Postretirement/pension liability adjustment, net of tax	—	—	—	—	936	936	—
Other comprehensive income, net of tax of (\$0.2) million	—	—	—	—	(351 )	(351 )	—
Adoption of ASU 2014-09	—	—	—	(281,741 )	—	(281,741 )	—
Adoption of ASU 2016-16	—	—	—	169,579	—	169,579	—
Balance at March 31, 2018	120.6	\$ 1,206	\$2,175,441	\$(6,073,622)	\$ (87,189 )	\$(3,984,164 )	\$ 17,657

For the three months ended March 31,

2019

	Common		Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Intelsat	
	Shares (in millions)	Amount				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 14—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

See accompanying notes to unaudited condensed consolidated financial statements.

## INTELSAT S.A.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Cash flows from operating activities:		
Net loss	\$(65,849 )	\$(120,042 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	166,457	171,094
Provision for doubtful accounts	1,266	411
Foreign currency transaction (gain) loss	(741 )	1,030
Loss on disposal of assets	—	40
Share-based compensation	1,303	2,707
Deferred income taxes	(50 )	2,029
Amortization of discount, premium, issuance costs and related costs	12,109	10,049
Gain on early extinguishment of debt	(65 )	—
Amortization of actuarial loss and prior service credits for retirement benefits	1,224	112
Unrealized (gains) losses on derivatives and investments	(21,309 )	8,931
Sales-type lease	—	6,913
Other non-cash items	(769 )	(108 )
Changes in operating assets and liabilities:		
Receivables	(17,204 )	29,396
Prepaid expenses, contract and other assets	(7,441 )	(22,826 )
Accounts payable and accrued liabilities	14,377	2,106
Accrued interest payable	22,626	33,007
Deferred revenue and contract liabilities	(22,250 )	(8,300 )
Accrued retirement benefits	(3,444 )	(3,115 )
Other long-term liabilities	617	3,900
Net cash provided by operating activities	80,857	117,334
Cash flows from investing activities:		
Payments for satellites and other property and equipment (including capitalized interest)	(68,027 )	(93,297 )
Purchase of investments	—	(10,000 )
Capital contributions to unconsolidated affiliates	(12,129 )	(338 )
Proceeds from insurance settlements	5,709	—
Other proceeds from satellites	3,750	—
Net cash used in investing activities	(70,697 )	(103,635 )
Cash flows from financing activities:		
Repayments of long-term debt	(32,603 )	—
Principal payments on deferred satellite performance incentives	(7,109 )	(7,259 )
Dividends paid to noncontrolling interest	(2,601 )	(1,925 )
Proceeds from exercise of employee stock options	—	232
Other financing activities	1,233	297
Net cash used in financing activities	(41,080 )	(8,655 )
Effect of exchange rate changes on cash, cash equivalents and restricted cash	783	(443 )
Net change in cash, cash equivalents and restricted cash	(30,137 )	4,601
Cash, cash equivalents, and restricted cash beginning of period	541,391	507,157

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Cash, cash equivalents, and restricted cash end of period	\$511,254	\$511,758
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	\$241,008	\$238,407
Income taxes paid, net of refunds	2,174	1,936
Supplemental disclosure of non-cash investing activities:		
Accrued capital expenditures	\$14,447	\$8,595
Capitalization of deferred satellite performance incentives	28,161	—
See accompanying notes to unaudited condensed consolidated financial statements.		

## INTELSAT S.A.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2019

## 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. The condensed consolidated balance sheet as of December 31, 2018 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. 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 20-F for the year ended December 31, 2018 on file with the U.S. Securities and Exchange Commission.

## 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.

## Cash, Cash Equivalents and Restricted Cash

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:

	As of December 31, 2018	As of March 31, 2019
Cash and cash equivalents	\$ 485,120	\$489,648
Restricted cash	22,037	22,110
Cash, cash equivalents and restricted cash	\$ 507,157	\$511,758

Restricted cash represents legally restricted amounts being held as a compensating balance for certain outstanding letters of credit.

## Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) ("ASC 842"), which supersedes the lease accounting requirements in ASC 840, Leases ("ASC 840"). The guidance in ASC 842 increases transparency and comparability by recognizing substantially all leases on the balance sheet and disclosing key information about leasing arrangements. Under the new standard, a lessee recognizes on its balance sheet a right-of-use ("ROU") asset and a lease liability for leases. The FASB issued several amendments to the standard, clarifying aspects of the guidance for both lessees and lessors and providing an alternative transition method (the "effective date method").

In March 2019, the FASB issued ASU 2019-01, Leases (Topic 842)—Codification Improvements, to increase stakeholders' awareness of the amendments the FASB made related to ASC 842 and to expedite these improvements. The amendments clarify the FASB's original intent regarding transition disclosures related to ASC 250, Accounting Changes and Error Corrections, by explicitly providing an exception to the paragraph 250-10-50-3 interim disclosure

requirements in the ASC 842 transition disclosure requirements. The amendments should be applied as of the date ASC 842 is first applied, using the same transition methodology elected. We adopted ASU 2019-01 on January 1, 2019 along with the adoption of ASC 842.

We describe below our accounting policy changes related to leases as a result of adopting ASC 842. Our accounting policies and reported amounts with respect to the fiscal year ended December 31, 2018 and prior were not affected by the adoption of ASC 842.

We adopted ASC 842 effective January 1, 2019 using the effective date method and applied the package of practical expedients included therein. Under the package of practical expedients, we did not reassess (a) whether expired or existing contracts contain a lease under the new definition of a lease, (b) lease classification for expired or existing leases, and (c) whether previously capitalized initial direct costs would qualify for capitalization under ASC 842. We also applied the practical expedients for lessees and lessors to exempt short-term leases and to combine lease and non-lease components of a contract. By applying ASC 842 at the adoption date, as opposed to at the beginning of the earliest period presented, our reporting for periods prior to January 1, 2019 continues to be in accordance with ASC 840.

We determine if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset.

Operating and finance lease ROU assets and lease liabilities are recognized based on the present value of future minimum lease payments over the expected lease term, at the commencement date. For leases in which the implicit rate is not readily determinable, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The expected lease terms include options to extend or terminate the lease when it is reasonably certain the Company will exercise such option. ROU assets include unpaid lease payments and exclude lease incentives and initial direct costs incurred. For our operating leases, we recognize lease expense for minimum lease payments on a straight-line basis over the lease term, and for our finance leases, we recognize interest expense on the lease liability using the effective interest method and amortization of the ROU assets on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are generally combined, consistent with our election of the practical expedient. For lease agreements entered into or reassessed after the adoption of ASC 842 in which the Company is the lessee, the Company accounts for the lease components (e.g. fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g. common-area maintenance costs and managed service contracts) as a single lease component for all classes of underlying assets. Leases in which the Company is the lessor are also evaluated for lease and non-lease components. In the event a sales-type lease is identified, this component is accounted for separately from lease and non-lease components that meet the practical expedient to be combined. Judgment is required in determining the allocation between lease components and also between the lease and non-lease components, as the non-lease components are the predominant components of the combined components. ASC 606 (as defined herein) is applied to the combined lease and non-lease components. Leases with an expected term of 12 months or less are not accounted for on the balance sheet and the related lease expense is recognized on a straight-line basis over the expected lease term.

The adoption of ASC 842 and related amendments resulted in the recording of ROU assets, current lease liabilities and long-term lease liabilities of approximately \$88.7 million, \$11.4 million and \$103.0 million, respectively, as of January 1, 2019, which are included in other assets, other current liabilities and other long-term liabilities, respectively, on our condensed consolidated balance sheets. The difference between the additional ROU assets and lease liabilities, net of the deferred tax impact, was related to unamortized lease incentives received and accrued lease payments outstanding as of January 1, 2019. The standard did not have a material impact on our condensed consolidated statements of operations and statements of cash flows.

Refer to Note 13—Leases, for the required disclosures related to leases.

We adopted ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220)—Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, in the first quarter of 2019. See Note 14—Income Taxes.

Recently Issued Accounting Pronouncements



In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, 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. The scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost, includes financial assets measured at amortized cost basis, including net investments in leases arising from sales-type and direct financing leases. The scope does not specifically address receivables arising from operating leases. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses to clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842. Both ASU 2016-13 and ASU 2018-19 are effective for interim and annual periods beginning after December 15, 2019 for public business entities that are SEC filers, on a modified retrospective basis. Early adoption is permitted for interim and annual periods beginning after December 15, 2018. We are in the

process of evaluating the impact that ASU 2016-13 and ASU 2018-19 will have on our consolidated financial statements and associated disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, 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. ASU 2017-04 will be effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019 for public business entities, on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. When adopted, we will measure impairment using the difference between the carrying amount and the fair value of the reporting unit, if required.

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, as part of its disclosure framework project to improve the effectiveness of disclosures in the notes to financial statements. ASU 2018-13 modifies disclosure requirements on fair value measurements in ASC 820, Fair Value Measurement, and is effective for all entities for interim and annual periods beginning after December 15, 2019. The amendments on 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 should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is allowed for any removed or modified disclosures upon issuance of ASU 2018-13 and delayed adoption for the additional disclosures until their effective date. We are in the process of evaluating the impact that ASU 2018-13 will have on our consolidated financial statements and associated disclosures.

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, 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 including the weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates, an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period, the projected benefit obligation ("PBO") and fair value of plan assets for plans with PBOs in excess of plan assets, and the accumulated benefit obligation ("ABO") and fair value of plan assets for plans with ABOs in excess of plan assets. ASU 2018-14 is effective for public business entities for fiscal years ending after December 15, 2020, on a retrospective basis to all periods presented with early adoption allowed. We are in the process of evaluating the impact that ASU 2018-14 will have on our consolidated financial statements and associated disclosures.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, to improve current U.S. GAAP by clarifying the accounting for implementation costs of a hosting arrangement that is a service contract. The amendments align the requirements for capitalizing implementation costs incurred in a cloud computing arrangement (hosting arrangement) that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The amendments require costs for implementation activities in the application development stage to be capitalized depending on the nature of the costs, and costs incurred during the preliminary project and post-implementation stages to be expensed as the activities are performed. ASU 2018-15 also requires the entity (customer) to expense capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, and the entity (customer) to present the expense related to the

capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement, as well as to classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. ASU 2018-15 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. ASU 2018-15 can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption, with early adoption allowed. We are in the process of evaluating the impact that ASU 2018-15 will have on our consolidated financial statements and associated disclosures.

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808)—Clarifying the Interaction between Topic 808 and Topic 606, to clarify the interaction between ASC 808, Collaborative Arrangements ("ASC 808") and ASC 606, Revenue from Contracts with Customers ("ASC 606"). ASU 2018-18 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption allowed. ASU 2018-18 can be applied retrospectively to the date of initial application of ASC 606, with cumulative effect of initially applying the amendments in this update adjusted to the opening balance of retained earnings of the later of the earliest annual period presented and the annual period that includes the date of the entity's initial application of ASC 606. The amendments in ASU 2018-18 can be applied to all contracts or only to contracts that are not completed at the date of initial application of ASC 606. We are in the process of evaluating the impact that ASU 2018-18 will have on our consolidated financial statements and associated disclosures.

## Note 2 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 March 31, 2019, there were 140.6 million common shares issued and outstanding.

## Note 3 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 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 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, 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 protection 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 March 31, 2018 and 2019, we recognized revenue of \$78.3 million and \$90.3 million that was included in the contract liability balances as of January 1, 2018 and 2019, respectively. In addition, the total amount of consideration included in contract assets as of January 1, 2018 and 2019 that became unconditional for the three months ended March 31, 2018 and 2019 was \$11.0 million and \$6.2 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 \$1.5 million and \$1.9 million for our sales incentive program and amortized \$1.2 million and \$1.8 million for the three months ended March 31, 2018 and 2019, respectively.

#### 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 Intelsat's 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 606-10-25-25. 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, which we refer to as contracted backlog, is our expected future revenue under existing customer contracts and includes both cancelable and non-cancelable contracts. Our remaining performance obligation was approximately \$7.9 billion as of March 31, 2019, approximately 88% of which related to contracts that were non-cancelable and approximately 11% 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 March 31, 2019, the weighted average remaining customer contract life was approximately 4.4 years. Approximately 35%, 23%, and 42% of our total remaining performance obligation as of March 31, 2019 is expected to be recognized as revenue during 2019 and 2020, 2021 and 2022, and 2023 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 United States.

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

Three Months	Three Months
Ended	Ended



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	March 31, 2018			March 31, 2019		
North America	\$278,656	51 %		\$268,370	51 %	
Europe	64,616	12 %		61,276	12 %	
Latin America and Caribbean	71,070	13 %		65,477	12 %	
Africa and Middle East	70,740	13 %		62,420	12 %	
Asia-Pacific	58,700	11 %		70,906	13 %	
Total	\$543,782	100 %		\$528,449	100 %	

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

	Three Months Ended March 31, 2018			Three Months Ended March 31, 2019		
On-Network Revenues						
Transponder services	\$395,696	73	%	\$377,284	71	%
Managed services	100,682	19	%	93,201	18	%
Channel	1,184	—	%	691	—	%
Total on-network revenues	497,562	92	%	471,176	89	%
Off-Network and Other Revenues						
Transponder, MSS and other off-network services	34,983	6	%	49,858	9	%
Satellite-related services	11,237	2	%	7,415	1	%
Total off-network and other revenues	46,220	8	%	57,273	11	%
Total	\$543,782	100	%	\$528,449	100	%

By customer application, our revenues from network services, media, government and satellite-related services for the three months ended March 31, 2018 were \$198.6 million, \$239.3 million, \$97.3 million, and \$8.6 million, respectively, as compared to \$204.3 million, \$226.0 million, \$93.2 million, and \$4.9 million, respectively, for the three months ended March 31, 2019.

Approximately 11% and 14% of our revenue was derived from our largest customer during each of the three months ended March 31, 2018 and 2019, respectively. Our ten largest customers accounted for approximately 37% and 41% of our revenue during the three months ended March 31, 2018 and 2019, respectively.

#### Note 4 Net Loss per Share

Basic earnings per share ("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.

The following table sets forth the computation of basic and diluted net loss per share attributable to Intelsat S.A.:

	(in thousands, except per share data or where otherwise noted)		
	Three Months Ended March 31, 2018		Three Months Ended March 31, 2019
Numerator:			
Net loss	\$ (65,849	)	\$ (120,042
Net income attributable to noncontrolling interest	(952	)	(580
Net loss attributable to Intelsat S.A.	(66,801	)	(120,622
Net loss attributable to common shareholders	(66,801	)	(120,622
Numerator for Basic EPS - loss available to common shareholders	(66,801	)	(120,622
Numerator for Diluted EPS	(66,801	)	(120,622
Denominator:			
Basic weighted average shares outstanding (in millions)	119.9		138.9
Diluted weighted average shares outstanding (in millions)	119.9		138.9
Basic net loss per common share attributable to Intelsat S.A.	\$ (0.56	)	\$ (0.87
Diluted net loss per common share attributable to Intelsat S.A.	\$ (0.56	)	\$ (0.87

In June 2018, Intelsat S.A. completed an offering of \$402.5 million aggregate principal amount of its 4.5% Convertible Senior Notes due 2025 (the "2025 Convertible Notes"). We do not expect to settle the principal amount of the 2025 Convertible Notes in cash, and we therefore use the if-converted method for calculating any potential dilutive effect of the conversion on diluted net income per share, if applicable. 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 governing the 2025 Convertible Notes (the "2025 Indenture") until December 15, 2024, and thereafter without regard to any conditions. See Note 11—Long-Term Debt for additional information on the conversion

conditions.

Due to a net loss for the three months ended March 31, 2018 and 2019, there were no dilutive securities, and therefore, basic and diluted EPS were the same. The weighted average number of shares that could potentially dilute basic EPS in the future was 4.6

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million (consisting of common shares issuable pursuant to share-based compensation plans) and 27.3 million (consisting of common shares issuable pursuant to share-based compensation plans and the conversion of the 2025 Convertible Notes) for the three months ended March 31, 2018 and 2019, respectively.

#### Note 5 Share-Based and Other Compensation Plans

In April 2013, our board of directors adopted the amended and restated Intelsat Global, Ltd. 2008 Share Incentive Plan (as amended, the “2008 Equity Plan”). Also in April 2013, our board of directors adopted the Intelsat S.A. 2013 Equity Incentive Plan (the “2013 Equity Plan”). No new awards may be granted under the 2008 Equity Plan.

The 2013 Equity Plan provides for a variety of equity-based awards, including incentive stock options (within the meaning of Section 422 of the United States Internal Revenue Service Tax Code), restricted shares, restricted share units (“RSUs”), other share-based awards and performance compensation awards. Effective June 16, 2016, we increased the aggregate number of common shares authorized for issuance under the 2013 Equity Plan to 20.0 million common shares.

For all share-based awards, we recognize the compensation costs over the vesting period during which the employee provides service in exchange for the award. During the three months ended March 31, 2018 and 2019, compensation expense was \$1.3 million and \$2.7 million, respectively.

#### Time-based RSUs

We granted 0.5 million time-based RSUs during the three months ended March 31, 2019. The majority of these RSUs vest over three years from the date of grant in equal annual installments. The fair value of time-based RSUs is deemed to be the market price of common shares on the date of grant. The weighted average grant date fair value of time-based RSUs granted during the three months ended March 31, 2019 was \$22.26 per RSU.

#### Performance-based RSUs

We granted 0.3 million performance-based RSUs during the three months ended March 31, 2019. These RSUs vest after three years from the date of grant upon achievement of an adjusted EBITDA target and achievement of a relative shareholder return, which is based on our relative shareholder return percentile ranking versus the S&P 900 Index as defined in the grant agreement. We measure the fair value of performance-based RSUs at the date of grant using the market price of our common shares. The weighted average grant date fair value of performance-based RSUs granted during the three months ended March 31, 2019 was \$26.04 per RSU.

#### 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.

We have identified investments in marketable securities, interest rate financial derivative instruments and a warrant instrument as items that meet the criteria of the disclosure requirements and fair value framework of ASC 820.

The following tables 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), excluding long-term debt (see Note 11—Long-Term Debt). No transfers between Level 1, Level 2 and Level 3 fair value measurements occurred during the three months ended March 31, 2019.

Description	As of December 31, 2018	Fair Value Measurements at December 31, 2018		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Inputs (Level 3)
Assets				
Marketable securities <sup>(1)</sup>	\$ 4,700	\$4,700	\$ —	\$ —
Undesignated interest rate cap contracts <sup>(2)</sup>	33,086	—	33,086	—
Preferred stock warrant <sup>(3)</sup>	4,100	—	—	4,100
Total assets	\$ 41,886	\$4,700	\$ 33,086	\$ 4,100

Description	As of March 31, 2019	Fair Value Measurements at March 31, 2019		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Inputs (Level 3)
Assets				
Marketable securities <sup>(1)</sup>	\$ 5,081	\$5,081	\$ —	\$ —
Undesignated interest rate cap contracts <sup>(2)</sup>	20,837	—	20,837	—
Preferred stock warrant <sup>(3)</sup>	3,192	—	—	3,192
Total assets	\$ 29,110	\$5,081	\$ 20,837	\$ 3,192

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 \$4.6 million at December 31, 2018 and \$4.5 million at March 31, 2019. We sold marketable securities with a cost basis of \$0.3 million during the three months ended March 31, 2019, and recorded a nominal loss on the sale, which was included within other income, net in our condensed consolidated statement of operations.

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 our derivative valuations in their entirety are classified within Level 2 of the fair value hierarchy.

We valued the 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 was classified as Level 3 within the fair value hierarchy.

Note 7 Retirement Plans and Other Retiree Benefits

(a) Pension and Other Postretirement Benefits