

FIRST HALF 2019-20 RESULTS

14 February 2020

Disclaimer

This document contains figures from the consolidated half-year accounts, prepared under IFRS, and subject to a limited review by the Auditors. They were reviewed by the Audit Committee on 12 February 2020 and approved by the Board of Directors of Eutelsat Communications on 13 February 2020.

EBITDA, EBITDA margin, Net debt / EBITDA ratio, Cash Capex and Discretionary Free-Cash-Flow are considered as Alternative Performance Indicators. Their definition and calculation can be found in appendix 3 of the press release.

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Operational performance

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Financial performance

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Outlook

Key financial data

€m	First Half 2019-20	Underlying performance
Operating Verticals Revenues	€636m	-4.9% ¹
EBITDA margin at constant currency	77.9% ²	-0.9 pts
Cash Capex	(€189)m	(€59)m
Discretionary Free Cash Flow	€108m	-56% ³
Net Debt / EBITDA	3.2x	+0.1x

Recent Highlights



First Half in line with expectations



Improving revenue trends for Operating Verticals in Q2 versus Q1



High profitability: EBITDA margin at 78% despite revenue decline



Launch of LEAP 2 cost-savings plan to generate €20-25m opex savings by June 2022








High level of shareholder remuneration: comfortably covered €1.27 dividend paid out in H1 and share buy-back program to start in H2



Progress on future growth levers: launch of EUTELSAT KONNECT, procurement of EUTELSAT 10B and start of IoT strategy

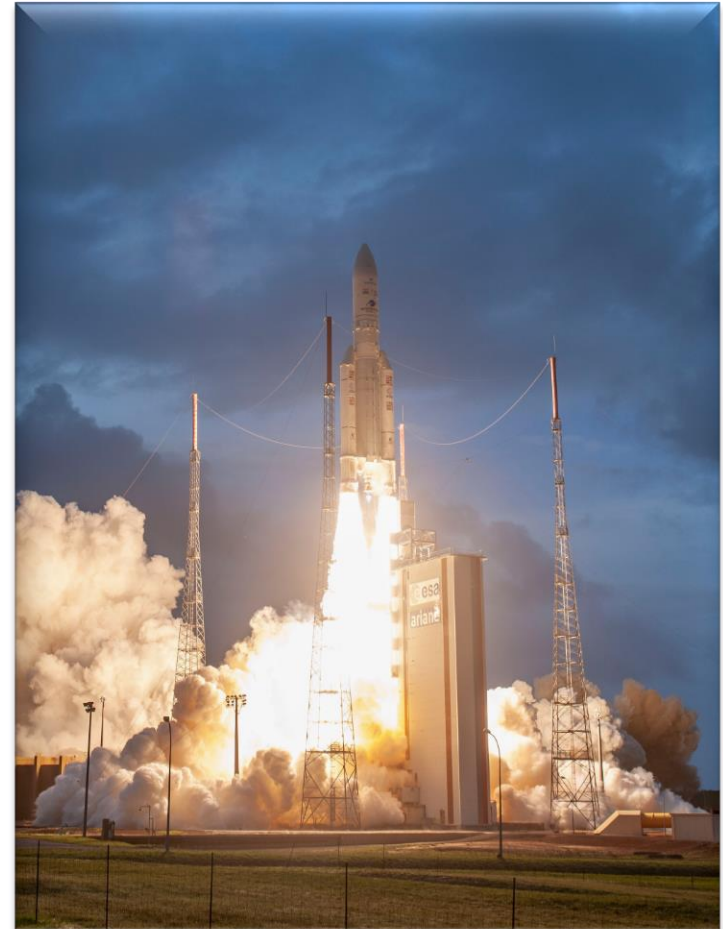
Improving trends in the Second Quarter

		Q1	Q2	
		YoY LFL ¹	YoY LFL ¹	QoQ LFL ¹
Broadcast		-1.7%	-1.5%	-0.2%
Data & Professional Video		-19.6%	-14.9%	+3.3%
Government Services		-10.7%	-4.6%	-1.7%
Fixed Broadband		-3.3%	-5.5%	-3.8%
Mobile Connectivity		-7.8%	+7.1%	+8.2%
Total Operating Verticals		-6.2%	-3.7%	+0.4%

Successful Launch of EUTELSAT KONNECT

- ▶ **Launched on January 16**
- ▶ **Entry into service in Q4 2020**
- ▶ **75 Gbps of incremental Ka-Band HTS capacity**
- ▶ **Enabling provision of high-speed Broadband services**
- ▶ **Two-fold objective:**
 - Europe: Offload congested beams in zones of high demand
 - Africa: Enhance coverage, enabling full-speed rollout of African Broadband

Key milestone of connectivity-based return to growth



Progress in Mobility and IoT

MOBILITY: PROCUREMENT OF EUTELSAT 10B WITH FIRM PRE-COMMITMENTS

- ▶ **Identified shortage of Ku-Band for mobility in EMEA**
- ▶ **Multi-payload satellite to be launched in 2022**
- ▶ **Strategically located with unmatched coverage**
- ▶ **Firm multi-year pre-commitments with major players**
 - Representing a third of HTS capacity

Panasonic



IOT: DEVELOPMENT OF TWO COMPLEMENTARY INITIATIVES ADDING A GROWTH LEVER

- ▶ **Roll-out of 'IoT FIRST'**
 - End-to-end managed service
 - Operating in Ku-band on our existing geostationary fleet
 - Addressing a complementary sub-segment of the IoT market
- ▶ **Order of first four ELO constellation nanosatellites**
 - Global coverage at a limited cost
 - Fully scalable
 - Strategic partnership with Sigfox



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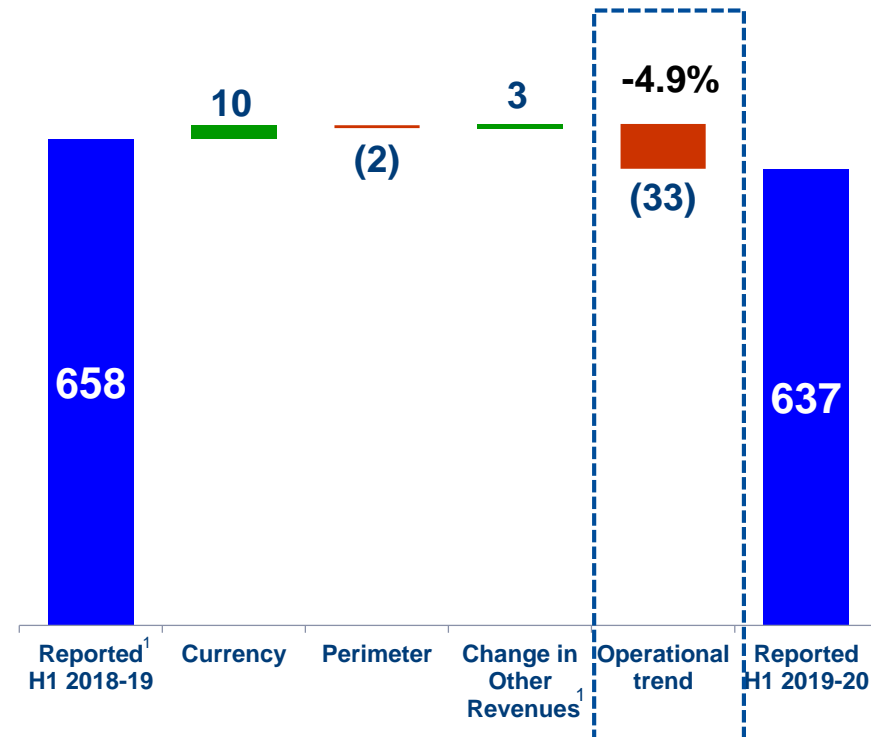
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Outlook


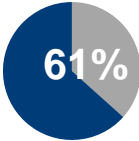

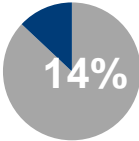

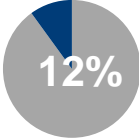

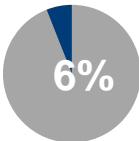

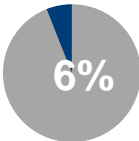
First Half 2019-20 revenues

- ▶ Total revenues of €637m, down 3.3%
- ▶ Slightly negative perimeter impact
 - Carry-forward of deconsolidation of ETL 25B in August 2018
- ▶ Positive currency effect
 - €/€ rate of 1.11 vs 1.16 last year
- ▶ Revenues from the Operating Verticals down 4.9% like-for-like

H1 20 Y-O-Y REVENUE BRIDGE (€M)

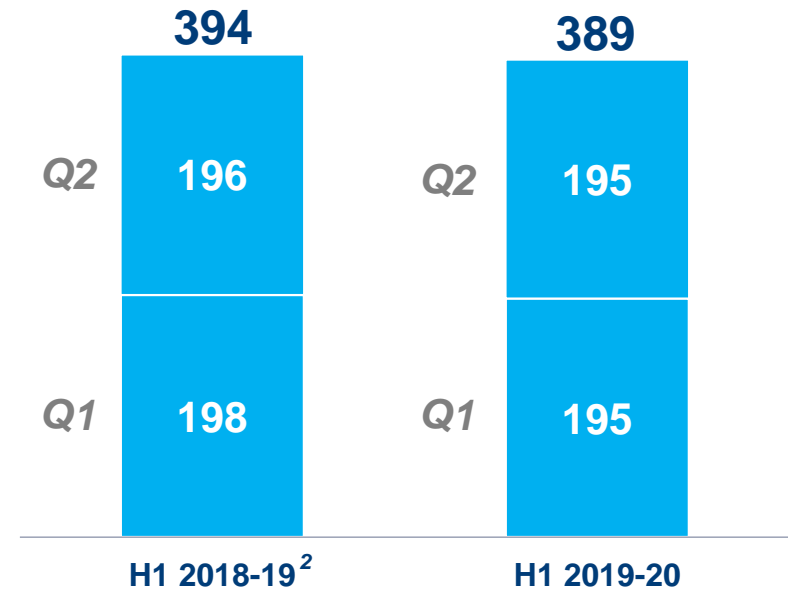


H1 2019-20 revenues by application

		REVENUE CONTRIBUTION ¹	REVENUES (€m)	LIKE-FOR-LIKE ² CHANGE
Broadcast			389	-1.6%
Data & Professional Video			88	-17.3%
Government Services			78	-7.8%
Fixed Broadband			39	-4.4%
Mobile Connectivity			41	-0.6%
Total Operating Verticals			636	-4.9%
Other Revenues			1	+€3m³

- ▶ **H1 Revenues of €389m, down 1.6% like-for-like¹**
 - Return of a couple of transponders in Russia
 - Contract termination in SSA
- ▶ **Q2 revenues stable Q-o-Q**
- ▶ **Commercial highlights**
 - Multi-year capacity contract at Hotbird to broadcast RTVE content
 - Multi-year contracts at 7°East with Orao Telecom Congo and AfricaXP
- ▶ **H2 to reflect**
 - Entry into service of ETL 7C
 - Expected impact of loss of capacity on ETL 5WB

REVENUES (€M)



Long term resilience of Core Broadcast revenue

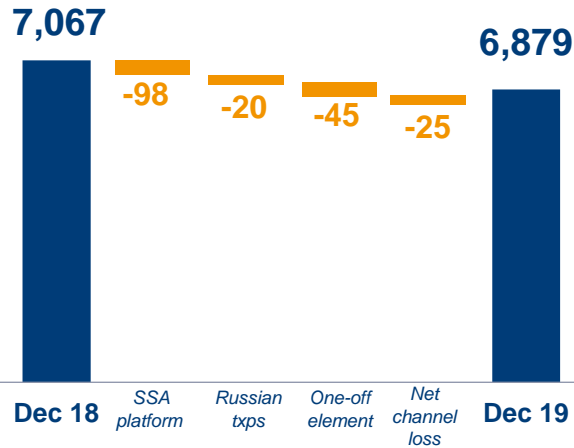
Core Broadcast quarterly revenues (€m)



At constant currency and accounting standards
Excluding Fransat
Converted at FY19 €/€ rate of 1.14
Excluding ETL 25B and Q1 FY18 data proforma for Noorsat integration

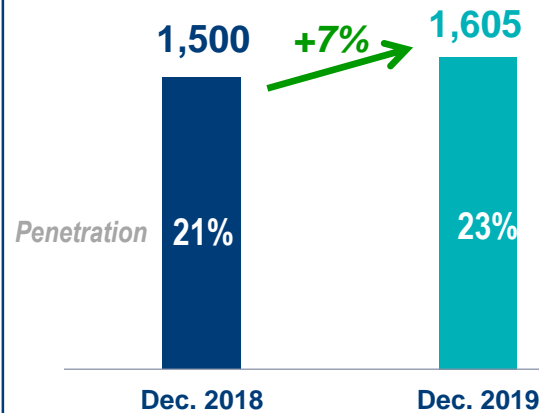
Channel count

CHANNEL COUNT



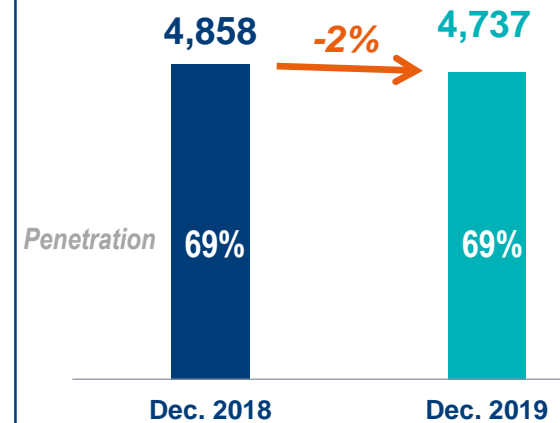
- ▶ Channel count reflecting African platform and Russian transponders loss as well as a negative one-off

HD PENETRATION



- ▶ HD continuing to grow

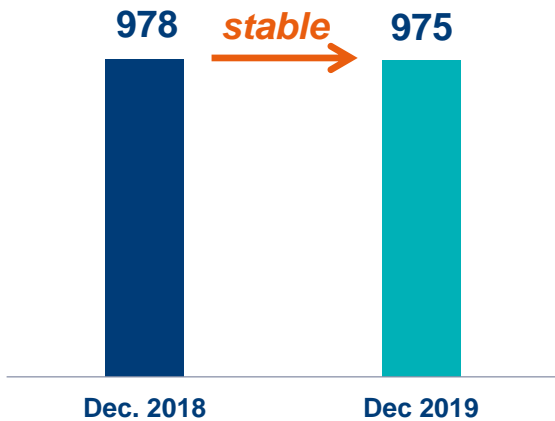
MPEG-4



- ▶ MPEG-4 considerably more advanced than HD

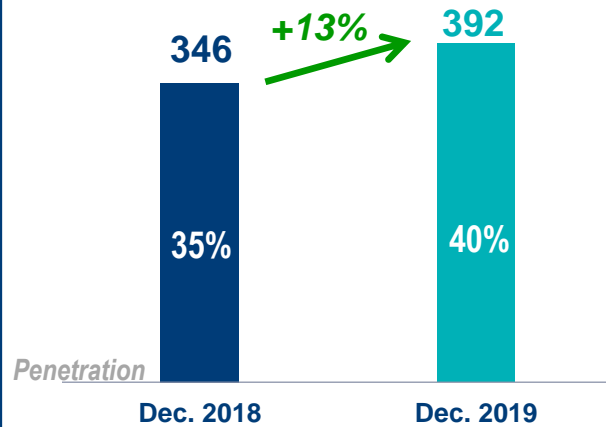
HOTBIRD channel count

CHANNEL COUNT



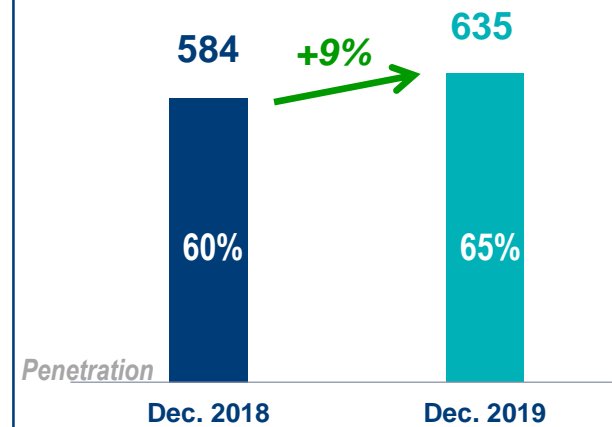
- ▶ Stable channel count

HD PENETRATION



- ▶ HD ramp-up outpacing MPEG-4 adoption

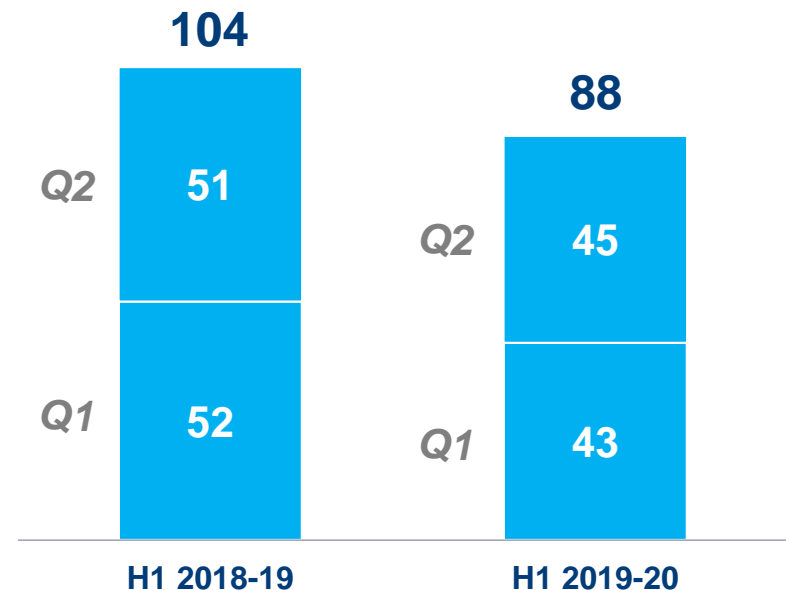
MPEG-4



- ▶ MPEG-4 considerably more advanced than HD

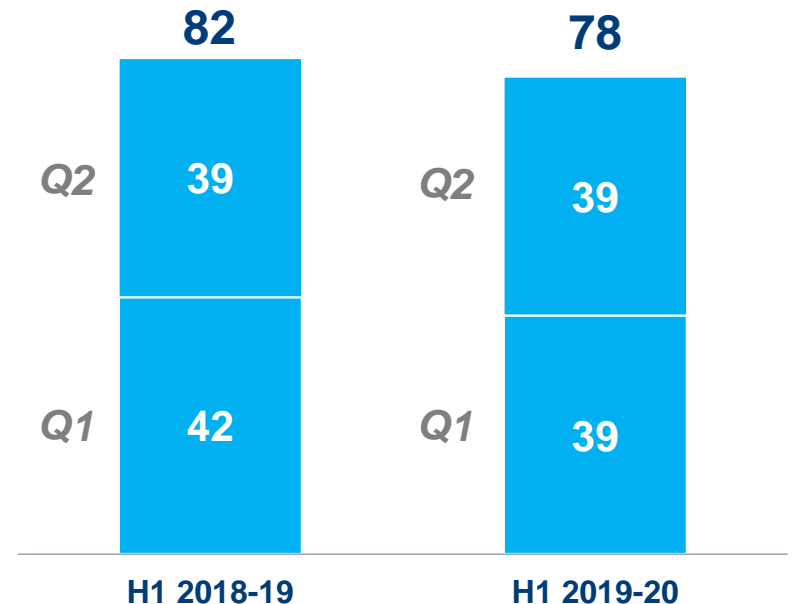
- ▶ **H1 Revenues of €88m, down 17.3% like-for-like¹**
- ▶ **Continuing to reflect:**
 - Highly competitive environment
 - Ongoing pricing pressure
- ▶ **Data volume losses in Q1 in LATAM**
- ▶ **Improving volume trends in Q2**
- ▶ **Comparison basis to ease in H2**

REVENUES (€M)



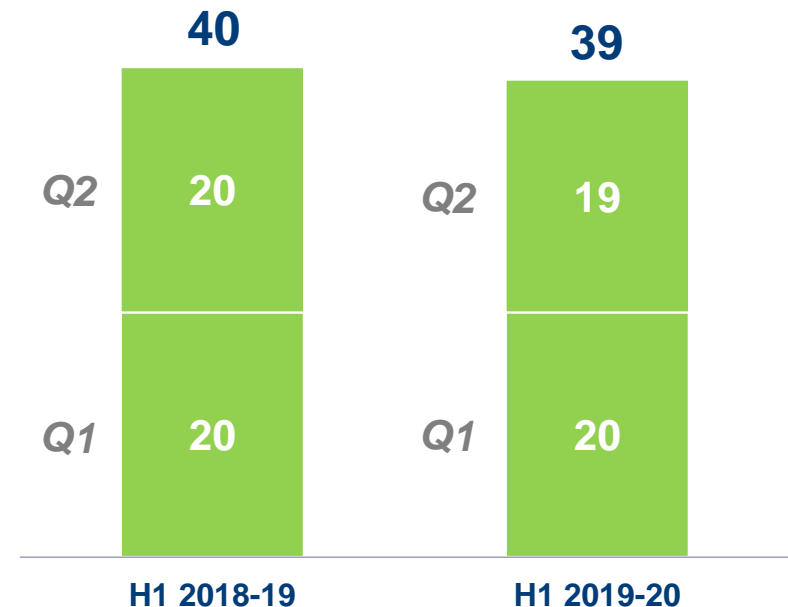
- ▶ **H1 Revenues of €78m, down 7.8% like-for-like¹**
- ▶ **Carry forward impact of USG renewal campaigns of past 18 months**
- ▶ **H2 to benefit from:**
 - The contribution of the EGNOS payload on ETL 5 West B
 - The relocation of EUTELSAT 7A

REVENUES (€M)



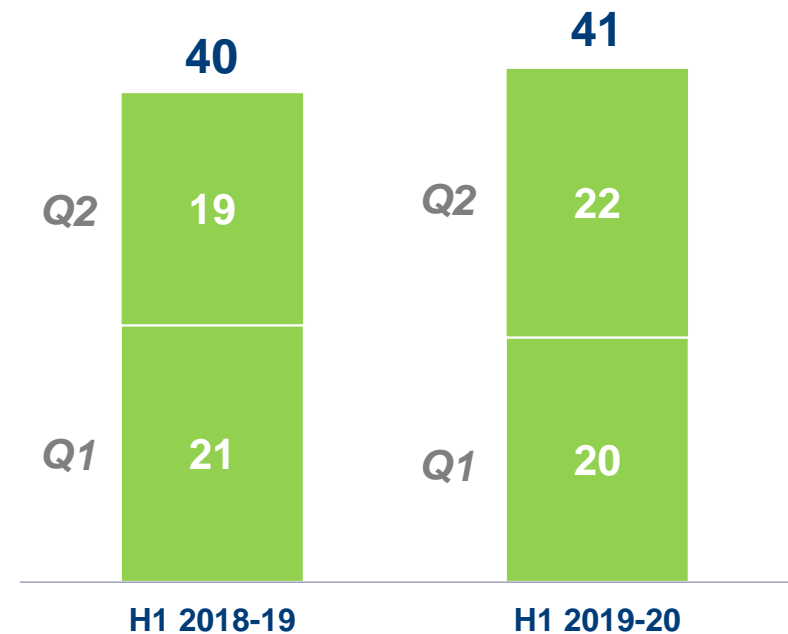
- ▶ **H1 Revenues of €39m, down 4.4% like-for-like¹**
- ▶ **Mixed trends in Europe**
 - Continued ramp-up of PPP, gradually extended to new countries
 - Business constrained by lack of capacity in high demand markets
- ▶ **Still modest contribution from African Broadband**
 - Emphasis remains on testing distribution models in a limited number of countries
- ▶ **Entry into service of KONNECT to unlock African Broadband potential and provide much-needed incremental capacity in Europe**

REVENUES (€M)



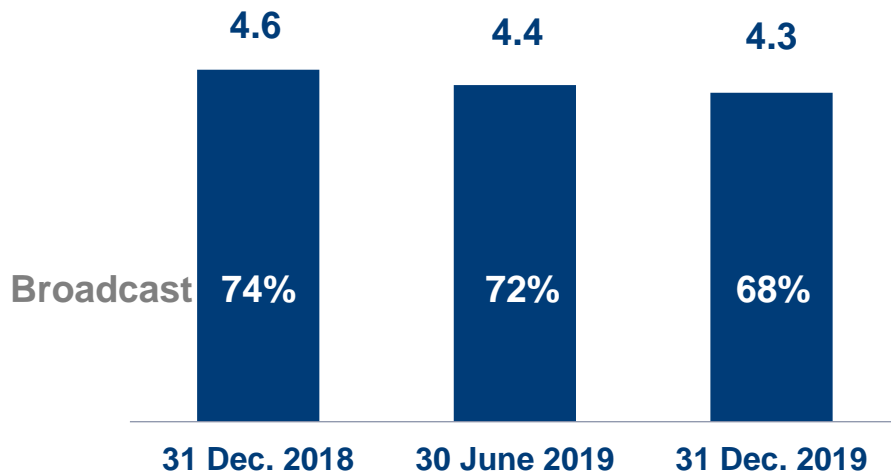
- ▶ **Revenues of €41m, down 0.6% like-for-like¹ reflecting:**
 - Carry-forward of the end of a temporary wide-beam contract on ETL 172B in FY 19
 - Contribution of UnicomAirNet from January 2019
 - Ongoing ramp up of capacity contracts on KA-SAT and maritime business
- ▶ **Second Half revenues to benefit from materialization of pipeline**

REVENUES (€M)



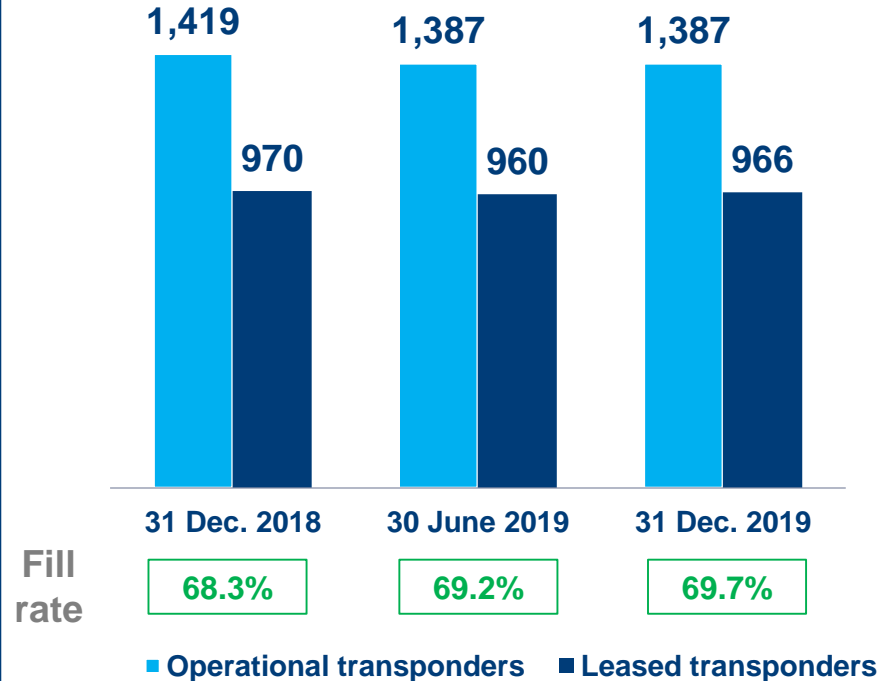
Backlog and Fill Rate

BACKLOG (€BN)



- ▶ 3.3 years of revenues
- ▶ Total backlog stable sequentially
- ▶ Broadcast accounting for 68%

OPERATIONAL AND UTILIZED TRANSPONDERS



- ▶ YoY change reflecting E12WB eol
- ▶ Leased txp up 6 units vs. end June
- ▶ Fill rate of 69.7%

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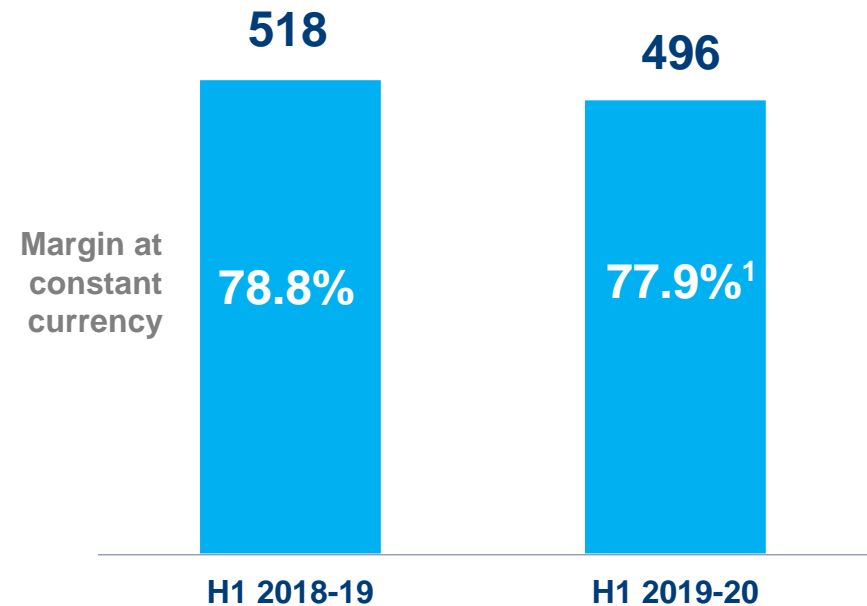
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Outlook

► **EBITDA margin of 77.9% at constant currency vs. 78.8% in H1 2018-19**

- Lower revenues
- Higher costs associated with Broadband activities
- Strong cost discipline in core businesses
- No 'LEAP 2' benefits at this stage

EBITDA (€M)



Net income

Extracts from the consolidated income statement in €m¹

	H1 2018-19	H1 2019-20	Change
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Revenues	658	637	-3.3%
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EBITDA ²	518	496	-4.4%
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Operating income	297	225	-24.0%
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- ▶ Capital gain related to EUTELSAT 25B disposal in FY 19

Financial result	(53)	(41)	-22.2%
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- ▶ Reflecting the benefit of the refinancing realized last year

Income tax	(85)	(34)	-60.4%
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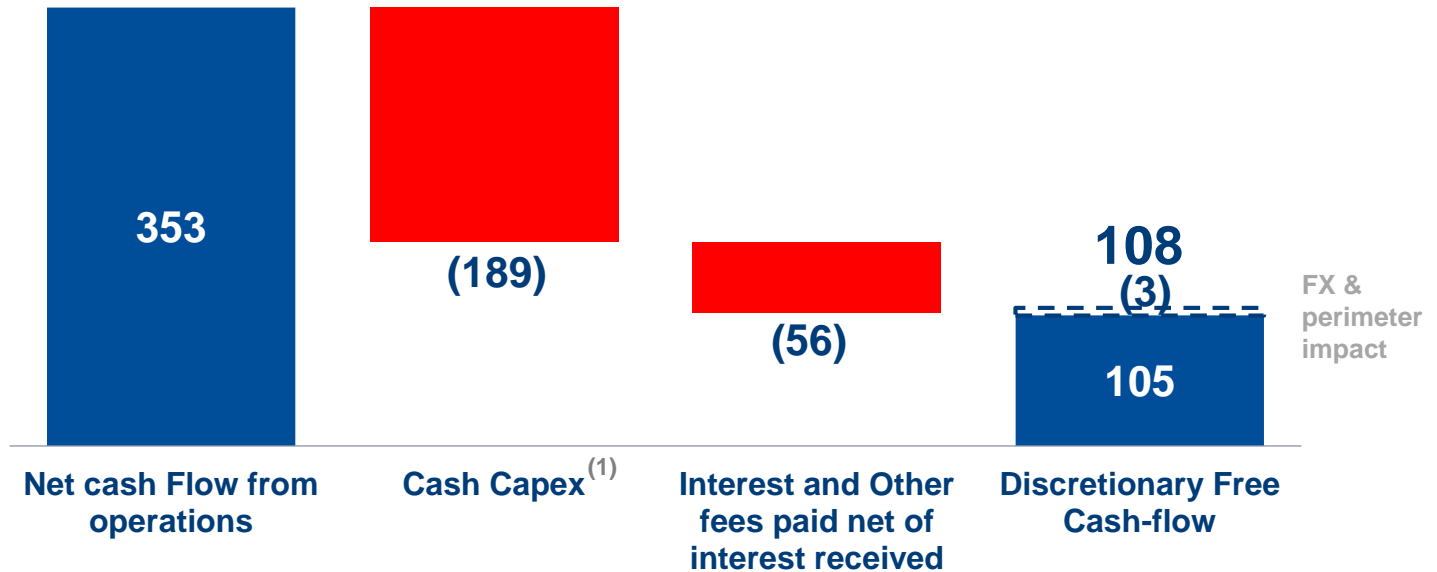
- ▶ Tax Rate of 18% vs 35% last year
- ▶ Impact of the change in Tax territoriality treatment in France

Group share of net income	150	141	-6.4%
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- ▶ Net margin of 22%

Discretionary Free Cash-Flow reflecting capex phasing

In €m

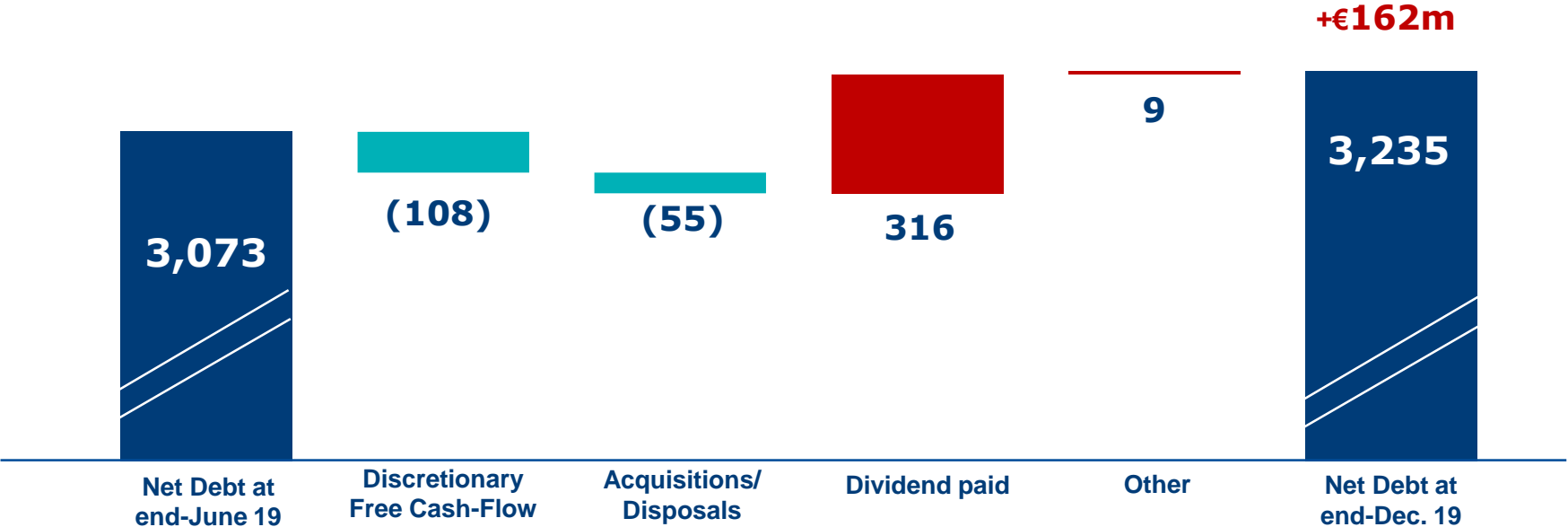


Change at constant FX & perimeter	(39)	(59)	(33)	(132)
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<i>Reported change</i>	<i>(25)</i>	<i>(59)</i>	<i>(33)</i>	<i>(117)</i>
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Evolution of Net Debt

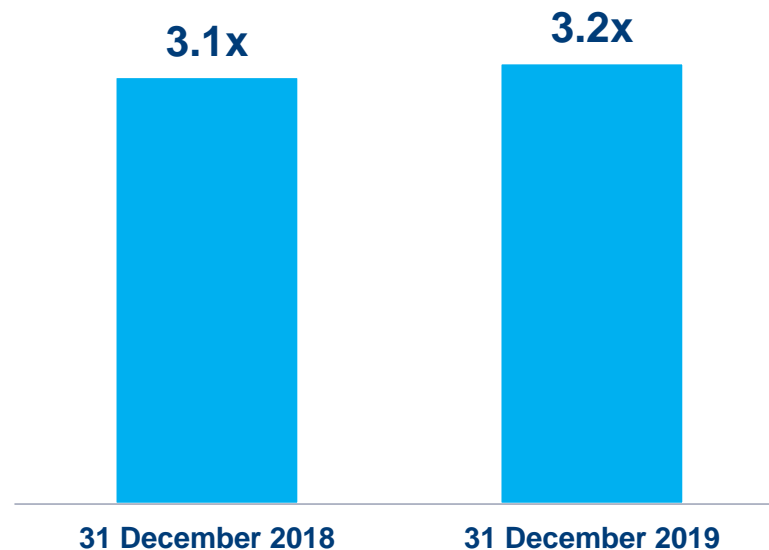
In €m



Financial structure

- ▶ **Net Debt/EBITDA ratio at 3.2x**
 - vs 3.1x at 31 Dec 2018
- ▶ **Average cost of debt after hedging reduced to 2.4%**
 - vs 2.8% in H1 2018-19
- ▶ **Average weighted maturity of 4.2 years**
 - vs 2.7 years at 31 Dec 2018
- ▶ **Strong liquidity**
 - €373m cash
 - €798m undrawn credit lines

NET DEBT / EBITDA RATIO¹



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Reminder: Our strategic roadmap

Step 1

**MAXIMIZE
FREE CASH-FLOW
GENERATION**



Step 2: return to growth

**EXTRACT VALUE
FROM THE
BROADCAST
BUSINESS**



**CAPTURE THE
CONNECTIVITY
OPPORTUNITY**



Update on our key priorities for FY 2019-20

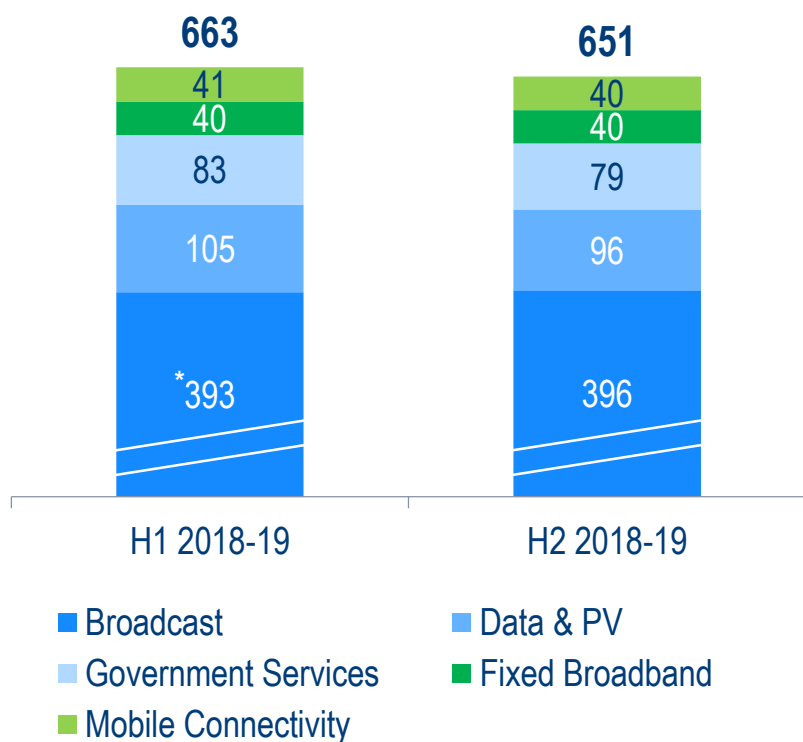
Maximize cash generation	Execute on LEAP 2		Launched November 2019
	Relocate Paris HQ		On track to move in June 2020
	Maintain all levers of FCF generation under tension		Full materialization of cash interest and tax savings
Extract value from Broadcast	Exploit growth pockets		Entry into service of EUTELSAT 7C
	Upsell incremental services		First Eutelsat CIRRUS contract in Africa
Capture Connectivity opportunity	Maintain momentum in Mobility		Procurement of E10B with firm commitments
	Prepare for return to growth in Fixed Broadband		Launch of EUTELSAT KONNECT
	Prepare for the IoT opportunity		Progress on ELO constellation Roll-out of IoT FIRST managed services

H2 to benefit from easing revenues comps and identified tailwinds

EASING COMPS IN GOVERNEMENT SERVICES AND DATA & PV

SEVERAL TAILWINDS TO SUPPORT H2 PERFORMANCE

Half-Year revenues at 1.14 €/€ rate



**Excluding revenue of EUTELSAT 25B which has been sold in August 2018*

- ▶ Incremental capacity on ETL 7C in SSA
- ▶ EGNOS Payload on E5WB
- ▶ Relocation of EUTELSAT 7A with secured business in Government
- ▶ Further business in the pipeline in several applications, notably Mobility

Financial outlook confirmed

OPERATING VERTICALS REVENUES¹

- ▶ **FY 2019-20: between €1,270m and €1,315m²**

CASH CAPEX

- ▶ **FY 2019-20 to FY 2021-22: average of €400m³ per year**

DISCRETIONARY FREE CASH FLOW⁴

- ▶ **FY 2021-22: around €500m**

LEVERAGE

- ▶ **Maintain investment grade rating**
- ▶ **Net debt / EBITDA below 3.0x**

DISTRIBUTION

- ▶ **Stable to progressing dividend**
- ▶ **At least €100m shares repurchased by June 2022**



¹ Based on current perimeter and € / \$ rate of 1.14;

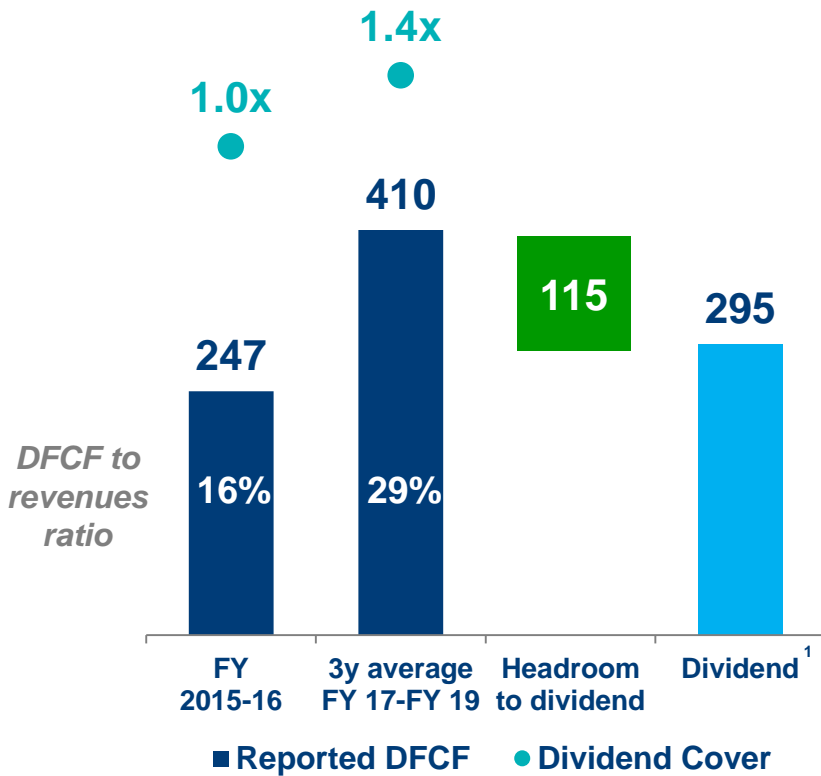
² This range includes the impact of the 5 to 10 million euros mechanical adjustment communicated in January related to the loss of capacity on EUTELSAT 5 West B.

³ Inc. cash outflows related to ECA loan repayments and capital lease payments;

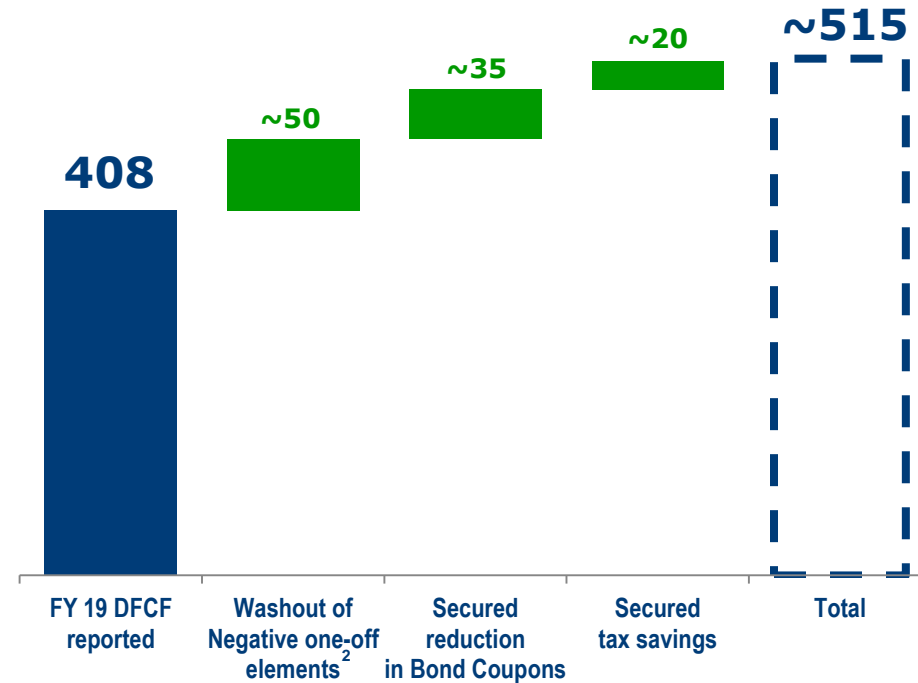
⁴ Net cash flow from operating activities less Cash Capex less Interest and Other fees paid net of interest received. Based on a €/\$ rate assumption of 1.14, excluding hedging impact and based on current perimeter.

Highly secured dividend

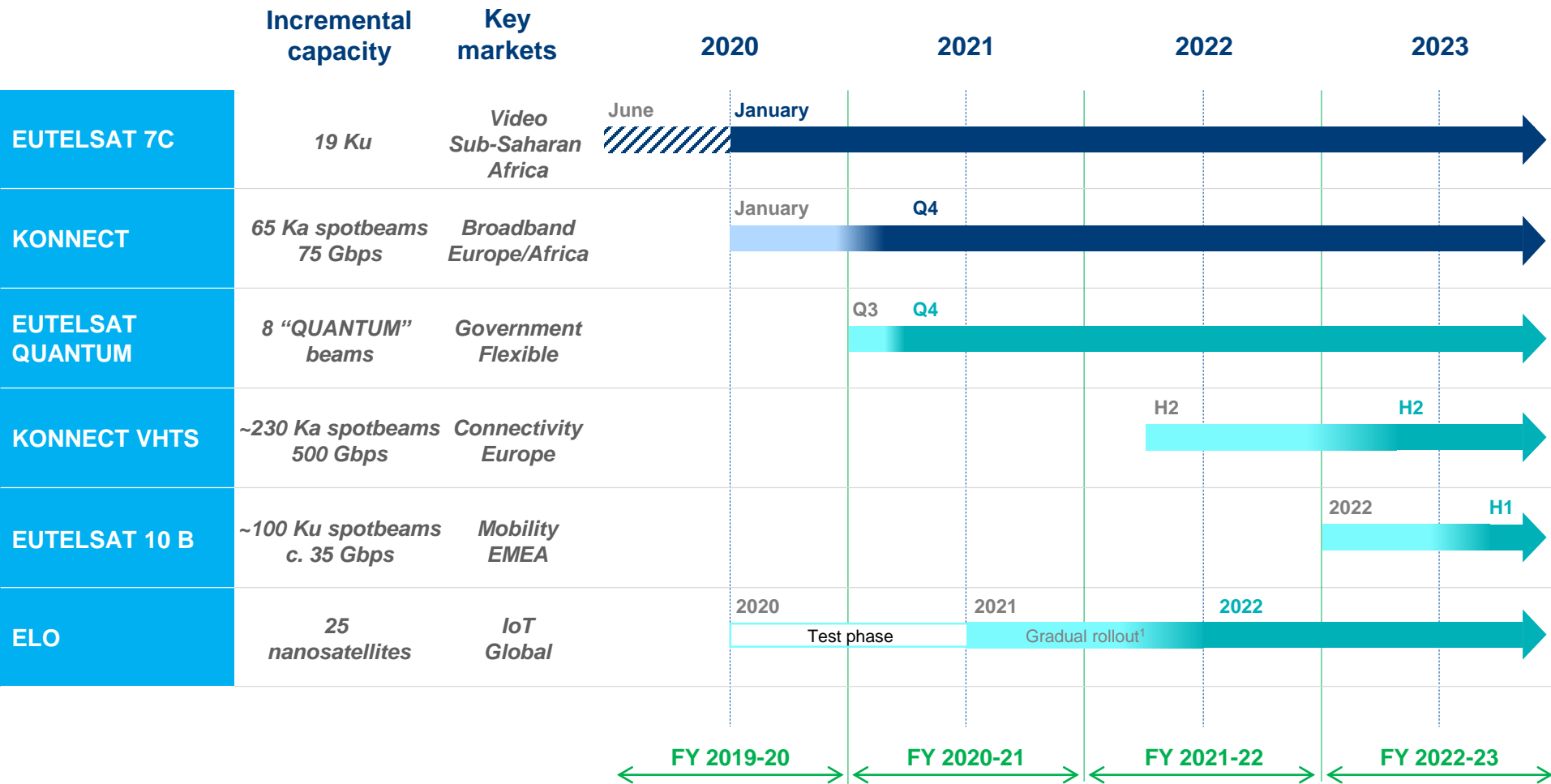
SUBSTANTIAL HEADROOM TO DIVIDEND COVER



SECURED ELEMENTS UNDERPINNING FY 22 DFCF OBJECTIVE OF c. €500M



Targeted growth capacity to progressively support topline trends



■ Launched
 ■ Upcoming Launch
 X Approx. launch date
 X Approx. time to entry into service

Limited maintenance capex requirement beyond FY 22 providing flexibility to further support cash generation

- ▶ 15 heritage orbital positions generating c.90% of total revenues
- ▶ Replacement of most positions completed by end FY-22
- ▶ Only four require a launch between FY 23 and 28
- ▶ Design-to-cost generating additional productivity gains



Average maintenance capex requirement limited to c.€220m p.a. for FY 23–28

TOP 15 ORBITAL POSITIONS BY FY 19 REVENUE








Orbital position	Launch between FY 23 and FY 28
13°E (Hotbird)	No
36°E	Yes
7°W	Yes
8°W	No
9°E	No
7°E	No
16°E	Yes
117°W	No
3°E	No
10°E	No
70°E	No
172°E	No
21°E	No
113°W	Yes
5°W	No

To Sum Up

- ✓ **Second Quarter fully in line with expectations and showing improving revenue trends**
- ✓ **Sequential stability of Broadcast**
- ✓ **Robust EBITDA margin despite lower revenues and higher Broadband Costs**
- ✓ **Confirmation of Financial Objectives for FY2020 and beyond**
- ✓ **Secured DFCF providing substantial headroom to cover dividend**
- ✓ **Targeted expansion capacity to support topline trends in coming years**
- ✓ **Maintenance capex requirement limited beyond FY 22**

APPENDIX

Future launches

Name		KONNECT VHTS	EUTELSAT HOTBIRD 13F	EUTELSAT HOTBIRD 13G	EUTELSAT 10B
Orbital Position	TBD	TBD	13° East	13° East	10° East
Launch date ¹	Q3 2020	H2 2021	H2 2021	H2 2021	2022
Manufacturer					
Launcher		TBD	TBD	TBD	TBD
Coverage	Flexible	Europe	Europe	Europe	EMEA, Atlantic & Indian Ocean
Applications	Government Services	Connectivity Government	Video	Video	Mobile Connectivity
Total Capacity (TPE/Spotbeams)	N/A	~230 Ka / 500 Gbps	73 Ku ³	73 Ku ³	12 Ku / 20 C / c. 35 Gbps
o/w Expansion ²	N/A	~230 Ka / 500 Gbps	-	-	-48 Ku c. 35 Gbps

¹ Calendar year

² Excludes unannounced redeployments

³ "Nominal capacity corresponding to the specifications of the satellites. Total operational capacity at the HOTBIRD orbital position will remain unchanged with 102 physical transponders (95 TPE), once regulatory, technical and operational constraints are taken into account."

 Electrical propulsion

HTS Payload

Key Financial Data

Key Financial Data	6M to Dec. 2018	6M to Dec. 2019	Change
P&L			
Revenues - €m	658.1	636.6	-3.3%
“Operating Verticals” revenues - €m	660.4	635.8	-3.7%
“Operating Verticals” revenues at constant currency and perimeter - €m	658.7	626.1	-4.9%
EBITDA ¹ - €m	518.4	495.5	-4.4%
EBITDA margin - %	78.8	77.8	-1.0 pts
EBITDA margin at constant currency - %	78.8	77.9	-0.9 pts
Group share of net income - €m	150.4	140.7	-6.4%
Financial structure			
Discretionary Free-Cash-Flow ² - €m	225.3	107.9	-52.1%
Discretionary Free-Cash-Flow as per financial objectives - €m	236.1	104.5	-55.7%
Net debt - €m	3,304.3	3,234.8	-€69.5m
Net debt/EBITDA - X	3.1x	3.2x	+0.1 pts
Backlog – €bn	4.6	4.3	-5.7%

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