



**eUTeLSAT**

# FULL YEAR 2019-20 RESULTS

31 July 2020

# DISCLAIMER

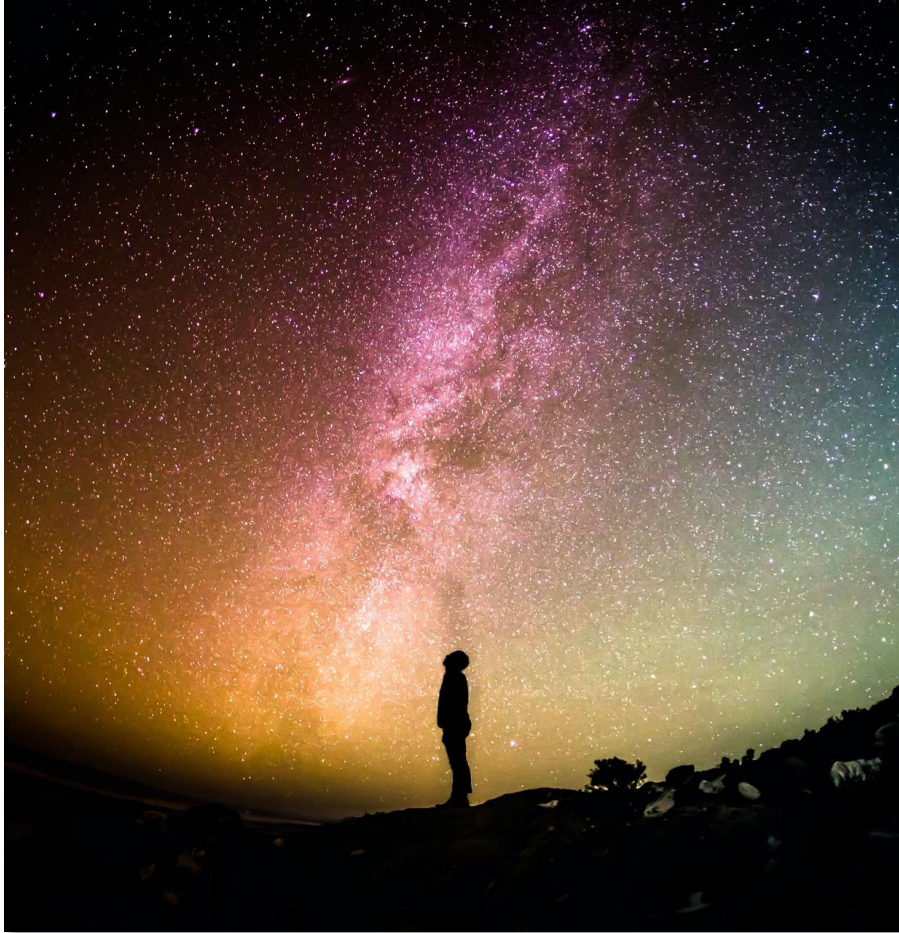
This document contains figures from audited consolidated financial statements prepared under IFRS, reviewed by the Audit Committee on 29 July 2020 and adopted by the Board of Directors of Eutelsat Communications on 30 July 2020. These accounts will be subject to the approval of shareholders of Eutelsat Communications at the Annual General Shareholders Meeting of 5 November 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.

# AGENDA

- 1. Highlights**
2. Operational performance
3. Financial performance
4. Outlook

# HIGHLIGHTS



**Resilient results** despite Covid-19 impact

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Record level of **free-cash-flow generation**

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Proposed **dividend** of €0.89 per share, 2.3 times covered by DFCF

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Ongoing robustness of core **Broadcast**

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**Commercial achievements** underpinning future performance

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Significant headway in **Fixed Broadband** growth strategy

# KEY FIGURES

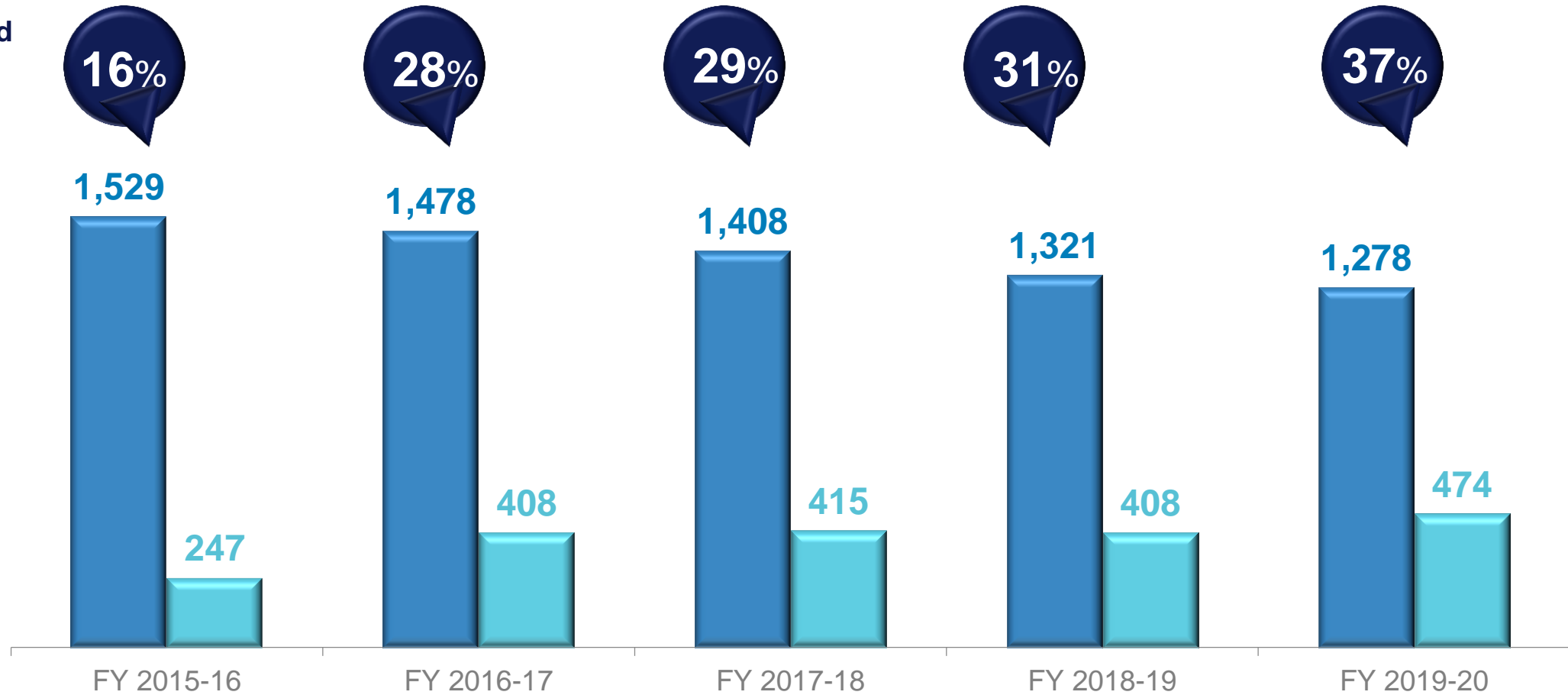
		Y-o-y change	
		Reported	As per financial objectives definition
<b>OPERATING VERTICALS REVENUES</b>	€1,276m at reported €/ \$ rate €1,261m at 1.14 €/ \$ rate	<b>-2.8%</b>	<b>-3.9%<sup>1</sup></b>
<b>EBITDA MARGIN</b>	76.8% reported 76.9% at constant currency	<b>-1.3 pts</b>	
<b>CASH CAPEX</b>	€222m	<b>-31.5%</b>	
<b>DISCRETIONARY FREE CASH FLOW</b>	€474m reported €483m adjusted (as per financial objectives) <sup>2</sup>	<b>+16.3%</b>	<b>+5.7%<sup>2</sup></b>
<b>NET DEBT / EBITDA</b>	3.05x	<b>+0.07x</b>	
<b>PROPOSED DIVIDEND</b>	€0.89	<b>-30%</b>	

<sup>1</sup> YoY variation at constant currency and perimeter

<sup>2</sup> At constant currency, excluding Hedging, the effect of E25B disposal as well as one-off costs related to LEAP II and to the move to new headquarters

# DFCF/ REVENUE RATIO DOUBLED IN FIVE YEARS

Reported DFCF / revenue ratio



Adjusted DFCF growth<sup>1</sup>

+65%

+12%

+10%

+6%

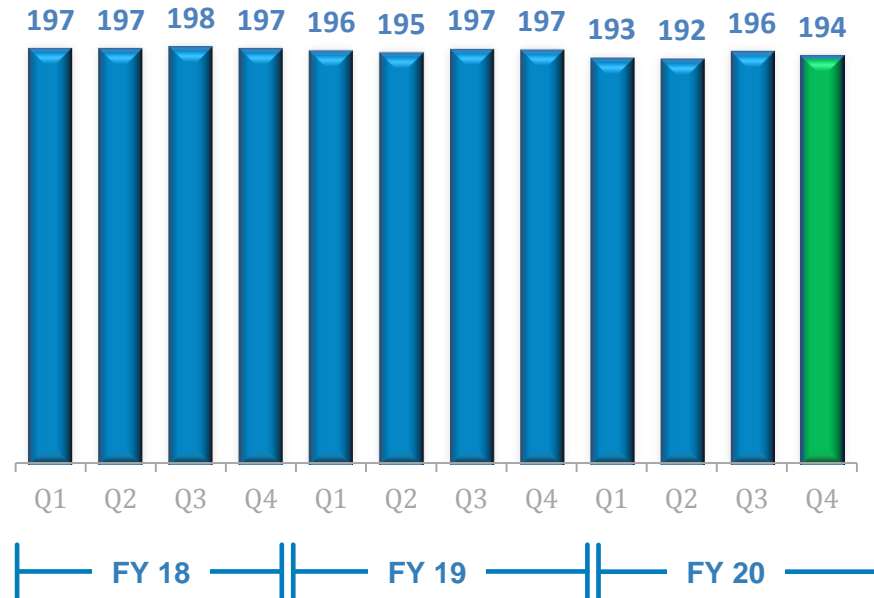
■ Total revenues

■ Reported Discretionary Free Cash Flow

# ROBUSTNESS OF CORE BROADCAST

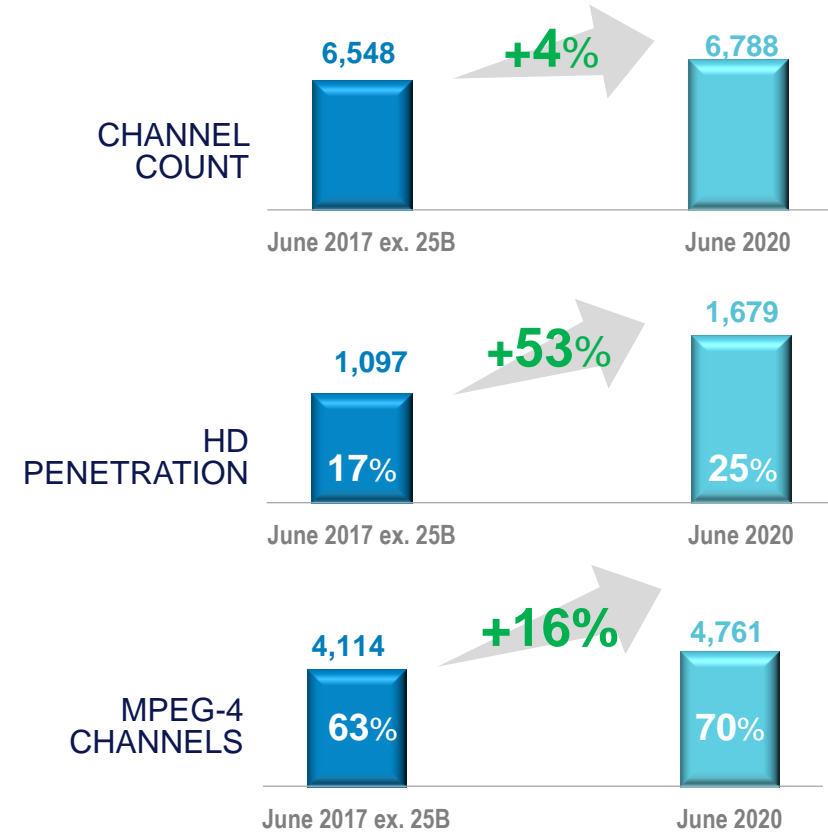
## UNDERLYING STABILITY OF CORE BROADCAST

EVOLUTION OF CORE BROADCAST REVENUES












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 KPIS LEADING TO GROWTH IN MBPS CONSUMPTION



# SATELLITE CONTINUING TO GAIN SHARE IN OUR FOOTPRINT

Expansion of satellite households in most regions

Region	Satellite HH (m)	2015-2019 CAGR	Satellite penetration	Satellite Rank
WEU 	47m	-1.5%	27% 	#2
CEU <sup>1</sup> 	40m	+0.1%	31% 	#1
MENA 	58m	+2.4%	66% 	#1
AFRICA 	24m	+11.8%	29% 	#1
EUTELSAT FOOTPRINT	169m	+1.7%	36% 	#1



# COMMERCIAL ACHIEVEMENTS SUPPORTING FUTURE PERFORMANCE

## Broadcast

- ▶ Long-term multi-transponder contract with Canal+ Ethiopia on E7C



- ▶ Several new DTH platforms highlighting dynamism of African DTH market



## Other applications

- ▶ **Fixed Data:** significant contract with MENA Telco
- ▶ **Fixed Broadband :** MoU with Schoolap to connect 3,600 schools in DRC



- ▶ **Fixed Broadband:** Agreement with Orange for entire French capacity on KONNECT



- ▶ **Mobility:** Multi-year contract with Telenor Maritime



# PREPARING FOR RETURN TO GROWTH IN FIXED BROADBAND

## Progress in Europe and Africa



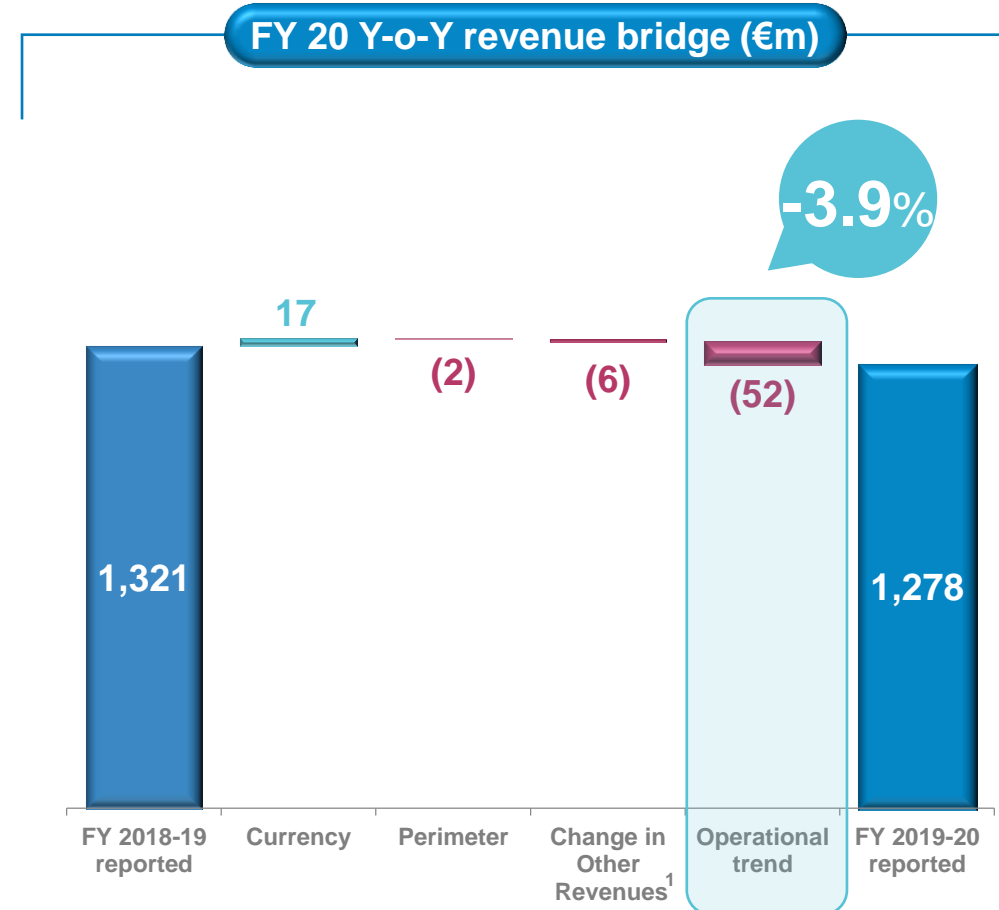
Ongoing testing of distribution models in Africa, PPP growth in Europe, optimization of CPE costs

# AGENDA

1. Highlights
- 2. Operational performance**
3. Financial performance
4. Outlook











# FY 2019-20 REVENUES

- ▶ Total revenues of €1,278m, down 3.2%
- ▶ Slightly negative perimeter impact
  - Carry-forward effect of deconsolidation of E25B
- ▶ Positive currency effect
  - €/€ rate of 1.105 vs 1.144 last year
- ▶ Negative swing of -€6m in 'Other Revenues'
  - +€9m related to hedging
  - FY 19 including a significant one-off fee
- ▶ Revenues of the Operating Verticals down 3.9% like-for-like



<sup>1</sup> Including Hedging revenues representing +€9m impact

# FY 2019-20 REVENUES BY APPLICATION

		REVENUE CONTRIBUTION <sup>1</sup>	REVENUES (€m)	LIKE-FOR-LIKE <sup>2</sup> CHANGE
	BROADCAST		785	-1.2%
	DATA & PROFESSIONAL VIDEO		175	-14.1%
	GOVERNMENT SERVICES		161	-3.3%
	FIXED BROADBAND		77	-5.6%
	MOBILE CONNECTIVITY		79	-5.1%
<b>TOTAL OPERATING VERTICALS</b>			<b>1,276</b>	<b>-3.9%</b>
OTHER REVENUES			2	-€6m <sup>3</sup>

<sup>1</sup> Share of each application as a percentage of total revenues excluding "Other Revenues".

<sup>2</sup> At constant currency and perimeter

<sup>3</sup> Of which +€9m related to hedging revenues

► **FY revenues of €785m, down 1.2% like-for-like<sup>1</sup>**

- Return of a couple of transponders in Russia
- Termination of a contract in SSA

► **Q4 revenues down 1.5% YoY and 1.4% QoQ**

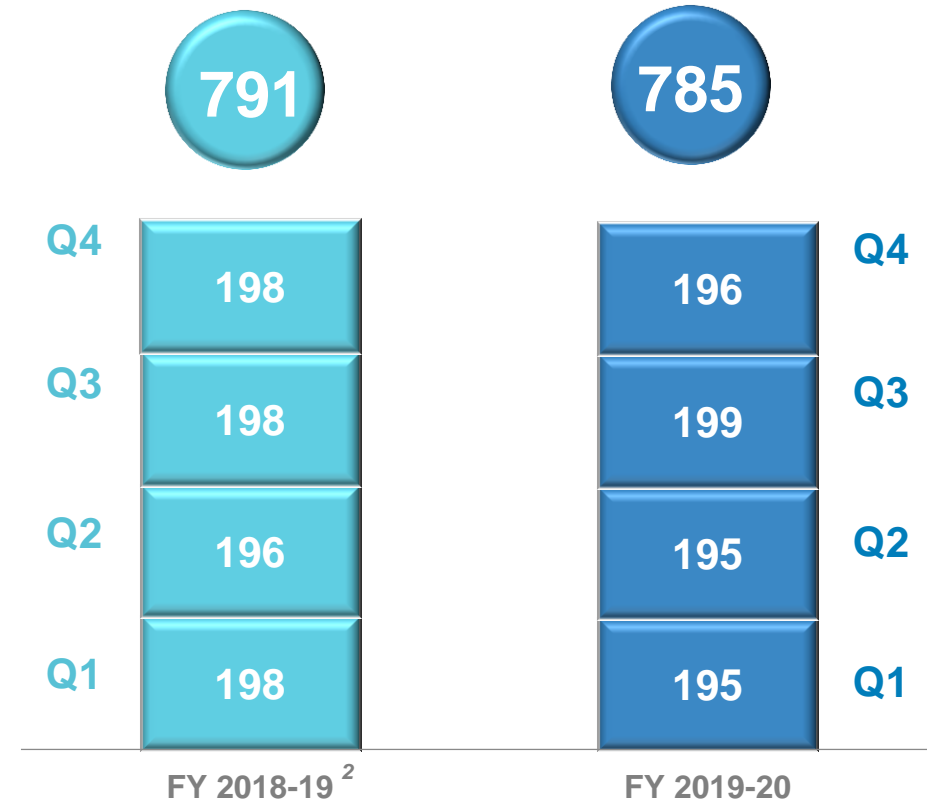
- One-offs representing most of the QoQ change

► **Channel count**

- 6,788 channels at end June 2020, down 4% YoY
- HD up from 21.9% to 24.7% implying an 8% YoY growth

► **Commercial activity**

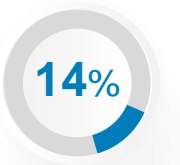
- Good dynamic in SSA
- Renegotiation of Forthnet (Greece) contract at lower levels but securing sustainability of this customer



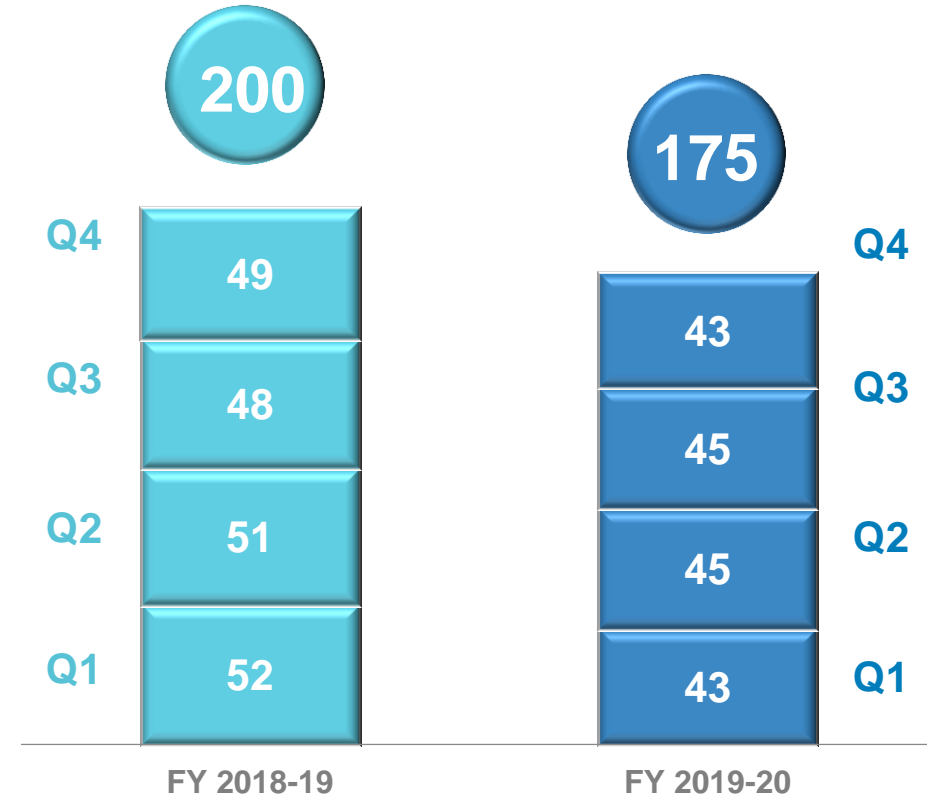
<sup>1</sup> At constant currency and perimeter

<sup>2</sup> Includes one month contribution of EUTELSAT 25B (€1.7m)

# DATA & PROFESSIONAL VIDEO

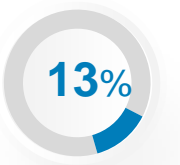


- ▶ **FY revenues of €175m, down 14.1% like-for-like<sup>1</sup>**
- ▶ **Fixed Data**
  - Ongoing pricing pressure notably in LATAM
  - Improved volume trends in H2 notably in MENA
- ▶ **Professional Video affected by suspension of live sports events in the last four months**
- ▶ **Q4 revenues down 13.6% YoY and 5.2% QoQ**



<sup>1</sup> At constant currency and perimeter

# GOVERNMENT SERVICES



▶ **FY revenues of €161m, down 3.3% like-for-like<sup>1</sup>**

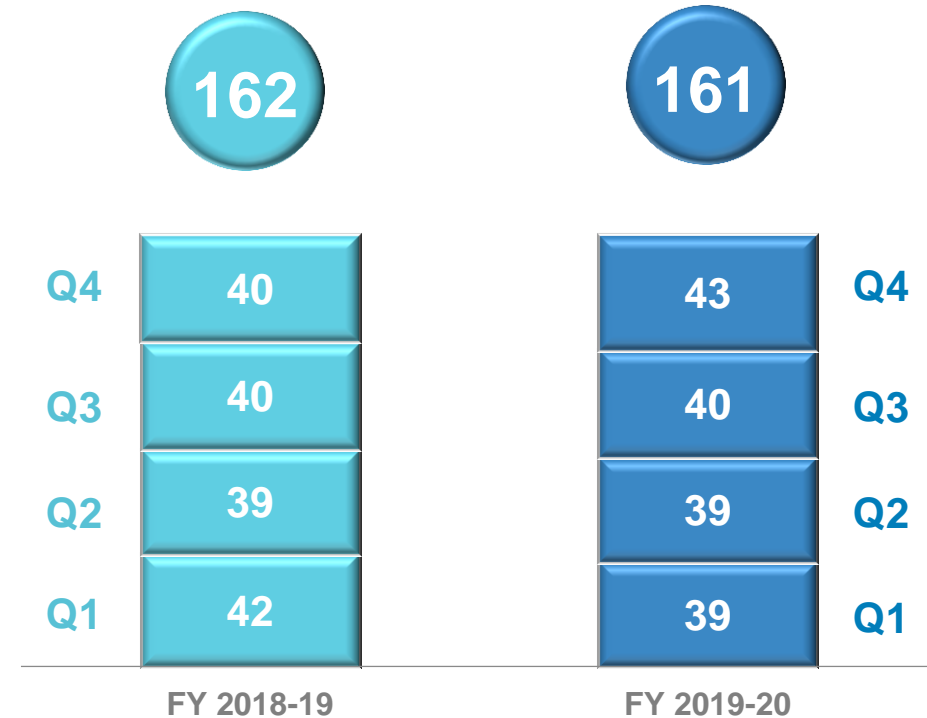
- Carry-forward effect of latest USG renewals
- Initial contribution from EGNOS since mid-Feb
- Revenues derived from temporary relocation of E7A in Q4

▶ **Q4 revenues up 5.1% YoY and 6.1% QoQ**

▶ **Entry into service of QUANTUM in H2 FY 21**

▶ **Agreement with Intelsat for QUANTUM**

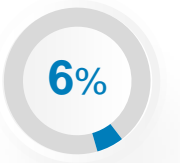
- Orbital position securing unparalleled coverage notably of the MENA region
- Maximizing commercial potential



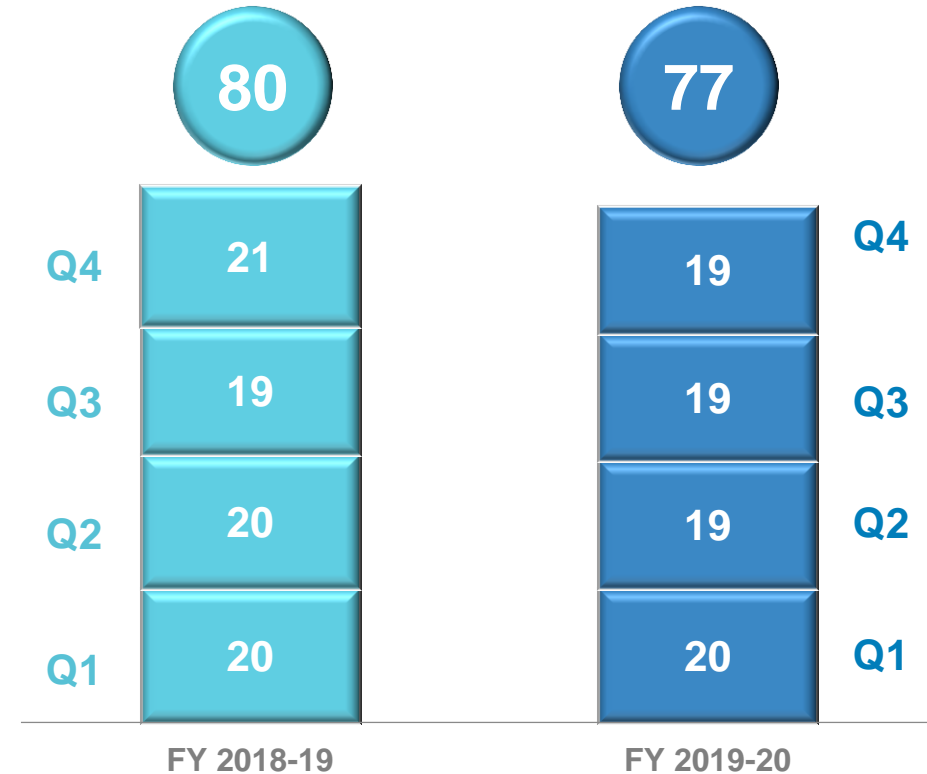
<sup>1</sup> At constant currency and perimeter



# FIXED BROADBAND

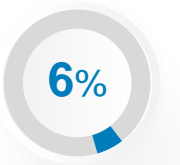


- ▶ **FY revenues of €77m, down 5.6% like-for-like<sup>1</sup>**
- ▶ **Lower revenues in Europe**
  - Lower contribution from traditional distributors
  - Ramp-up of PPP
  - Positive net adds in Q4
- ▶ **Modest contribution from Africa**
- ▶ **Q4 revenues down 10.6% YoY but stable QoQ**
- ▶ **Demand for high quality, ubiquitous and reliable connectivity boosted by Covid-19 crisis**
- ▶ **FY 21 to mark a turning point**
  - Entry into service of KONNECT
  - Significant headway in European Broadband strategy
  - Ramp-up of Schoolap In Africa

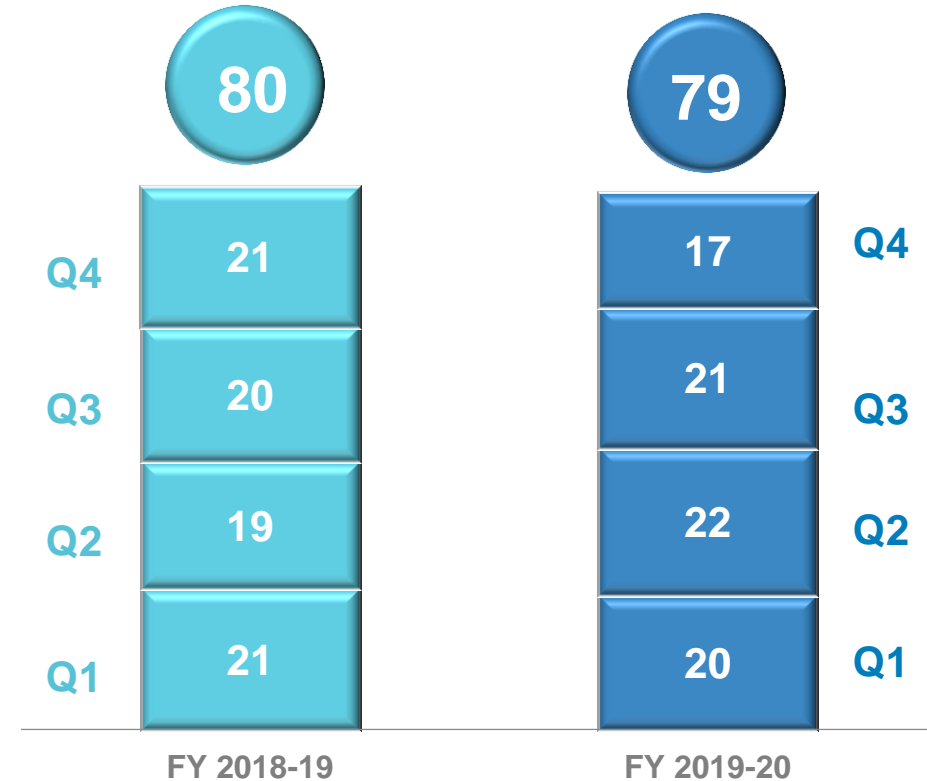


<sup>1</sup> At constant currency and perimeter

# MOBILE CONNECTIVITY



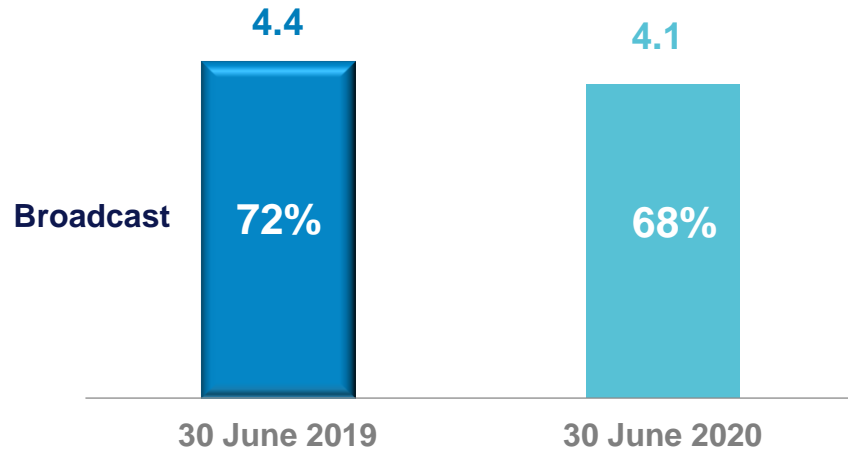
- ▶ **FY revenues of €79m, down 5.1% like-for-like<sup>1</sup>**
- ▶ **Stable revenues over the first Nine Months**
- ▶ **Q4 reflecting impact of Covid-19 crisis**
  - Absence of airtime-related revenues on KA-SAT
  - Lower revenues from certain service providers
  - Revenues down 20.7% YoY and 20.5% QoQ
- ▶ **Extension of maritime mobility activity**
  - Ramp-up of contracts signed in previous years
  - Significant market share gains in past years
  - New multi-year contract with Telenor Maritime



<sup>1</sup> At constant currency and perimeter

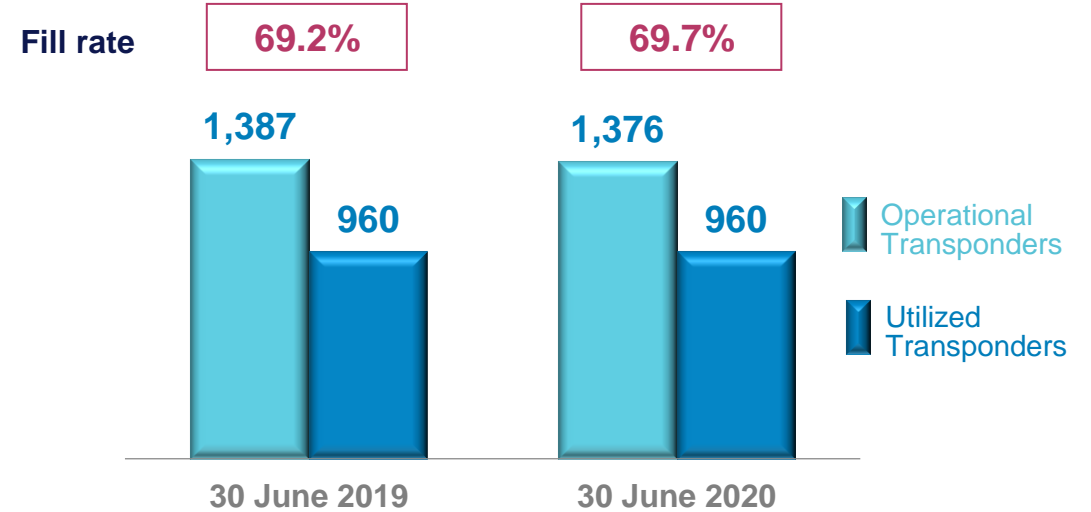
# BACKLOG & FILL RATE

## BACKLOG (€BN)



- 3.2 years of revenues
- Broadcast accounting for 68%
- No material video renewals in FY20

## OPERATIONAL & UTILIZED TRANSPONDERS



- Operating TPE down 11 units / utilized TPE stable
- Lower capacity at 5°West
- Entry into service of E7C
- Maritime ramp-up
- Fill rate continuing its slight progression at 70%

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# PROFITABILITY

▶ **FY 20 EBITDA margin of 76.9% at constant currency<sup>1</sup> down 1.2 points YoY**

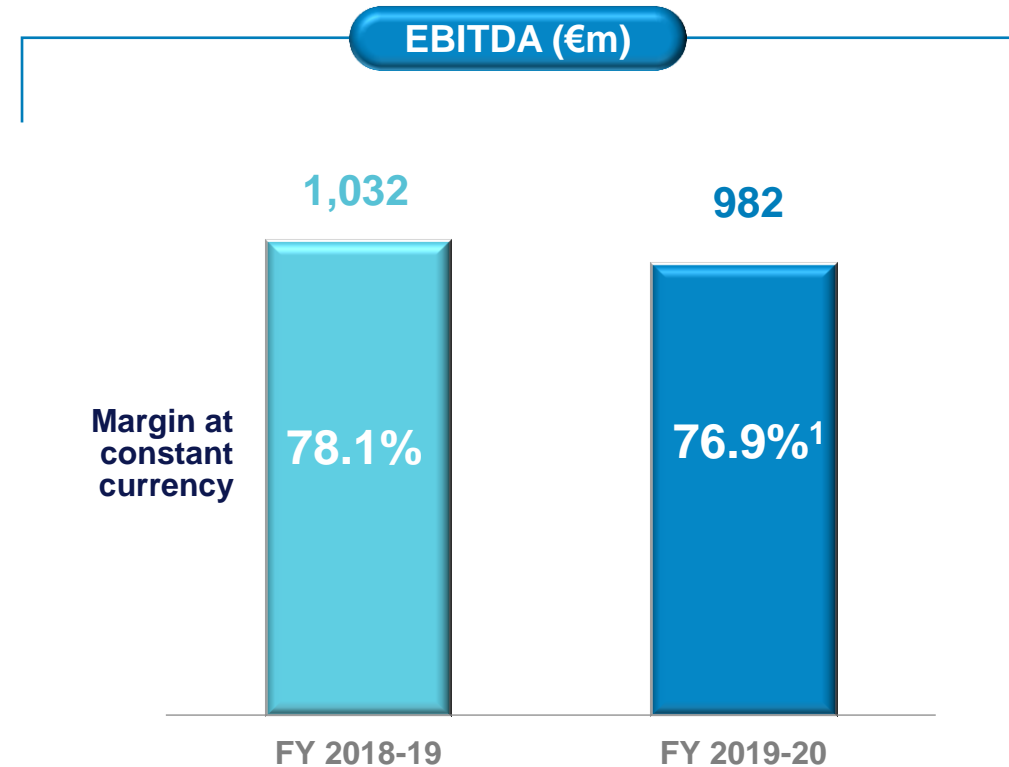
- Lower revenues
- Higher costs for Broadband activity
- Higher Bad Debt reflecting challenging cash collection

▶ **Remains high, albeit below record level achieved in FY 19**

- Ongoing rigorous cost control
- Start of LEAP 2 programme

▶ **Follows three consecutive years of increase**

- EBITDA margin up from 76.2% in FY 16 to 78.1% in FY 19

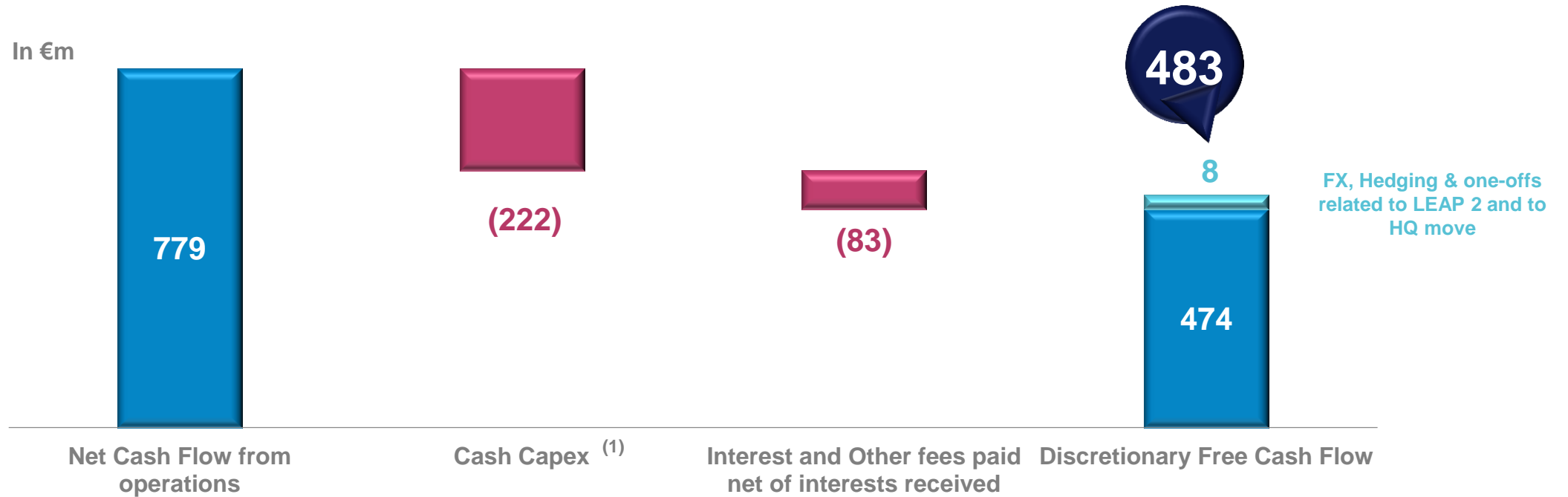


# NET INCOME

Extracts from the consolidated income statement in €m <sup>1</sup>	FY 2018-19	FY 2019-20	CHANGE
<b>Revenues</b>	1,321	1,278	-3.2%
<b>EBITDA<sup>2</sup></b>	1,032	982	-4.9%
<b>Operating income</b>	526	487	-7.4%
<b>Financial result</b>	(92)	(81)	-12.0%
<b>Income tax</b>	(76)	(94)	+23.7%
<b>Group share of net income</b>	340	298	-12.6%

- ▶ Slightly higher D&A on the back of new capacity
- ▶ E5WB insurance indemnity
- ▶ Impairment of assets
- ▶ Positive impact of refinancing of Bonds redeemed in 2019
- ▶ Tax Rate of 23% vs 18% last year
- ▶ Negative impact of non-cash variation of Satmex deferred tax assets and liabilities
- ▶ Net margin of 23% versus 26% last year

# DISCRETIONARY FREE CASH FLOW



Change as per financial objectives

**+26**

Reported change

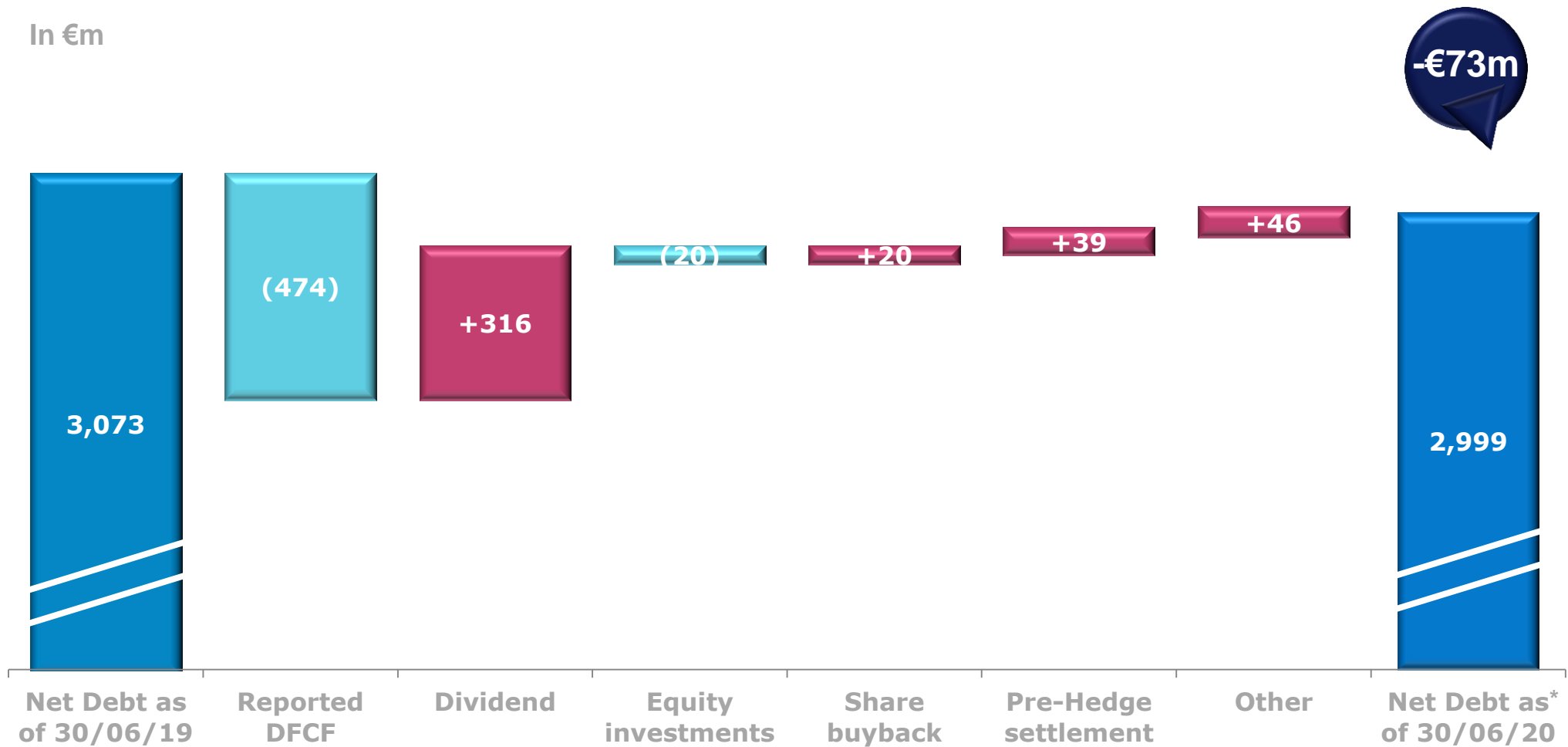
**(69)**

**+102**

**+34**

**+67**

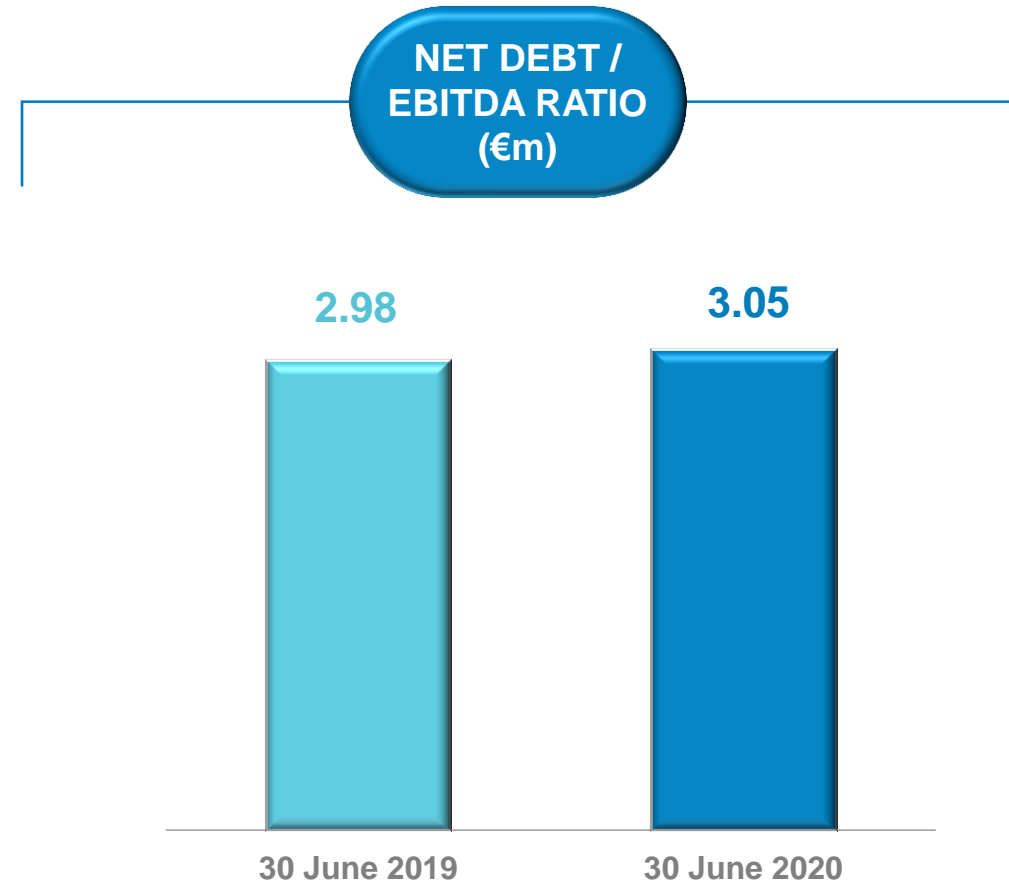
# FURTHER DECREASE IN NET DEBT





# FINANCIAL STRUCTURE

- ▶ **Net Debt/EBITDA ratio of 3.05x**
  - vs. 2.98x as of 30 June 2019
- ▶ **Average cost of debt after hedging reduced to 2.4%**
  - Vs. 2.6% in FY 19 and 2.9% in FY 18
- ▶ **Average weighted maturity of 3.4 years**
  - vs 3.6 y at 30 Jun 2019 and 2.2 y at 30 June 2018
- ▶ **Strong liquidity**
  - Cash and undrawn credit lines of > €1.2bn
- ▶ **Investment grade ratings confirmed post-Covid**



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# REMINDER: OUR STRATEGIC ROADMAP

## STEP 1



**MAXIMIZE  
FREE CASH-FLOW  
GENERATION**

## STEP 2: RETURN TO GROWTH



**EXTRACT VALUE  
FROM THE CORE  
VIDEO BUSINESS**



**CAPTURE  
THE CONNECTIVITY  
OPPORTUNITY**

# KEY PRIORITIES FOR FY 2020-21



## MAXIMIZE FREE CASH-FLOW GENERATION

- ▶ Execute on LEAP 2 cost savings plan
- ▶ Improve WCR
- ▶ Maintain all other levers of free cash flow generation under tension
- ▶ Deliver the C-Band clearing



## EXTRACT VALUE FROM THE CORE VIDEO BUSINESS

- ▶ Maximize yield in heritage markets
  - Secure renewals in the long-term
  - Optimize pricing at key hotspots
- ▶ Tap growth pockets
  - Ramp-up capacity on E7C
  - Stimulate HD/UHD



## CAPTURE THE CONNECTIVITY OPPORTUNITY

- ▶ Assure ramp-up of EUTELSAT KONNECT in Europe and Africa
- ▶ Further exploit the Business-to-Government opportunity
- ▶ Further develop wholesale partnerships
- ▶ Pursue growth in maritime mobility
- ▶ Prepare the ground for Quantum, KONNECT VHTS and E10B

# STRUCTURING EUROPEAN BROADBAND STRATEGY

## Launch of KONNECT

- Gradually operating from Fall 2020
- Fully in service in early 2021
- Bringing capacity in high-demand areas
- Improved end-user experience
- Superior economics and flexibility

## Agreement with Orange on KONNECT

- Major wholesale agreement
- Firm commitment for distribution of the entire French capacity
- Anticipating the agreement on KONNECT VHTS
- Discussions with other European players underway

## Acquisition of BBB European business<sup>1</sup>

- Direct distribution essential to quickly grow the base
- Immediate access to an efficient and scalable retail platform with proven track record across Europe
- Enabling maximisation of customer value over time

**Preparing for the ramp-up of KONNECT and KONNECT VHTS**

# ACQUISITION OF EUROPEAN ACTIVITIES OF BIGBLU BROADBAND<sup>1</sup>

## BBB IN A SNAPSHOT

Largest distributor in Europe with proven track record

- ▶ Strong success of PPP since 2019

~50k subs across expanding pan-European footprint<sup>2</sup>

Unique network of installers and resellers

Scalable platform for direct sales

- ▶ Digital marketing platforms, Multi-lingual call centers, billing systems, CRM....

## STRATEGIC RATIONALE

Limitations of previous indirect model

- ▶ Fragmented base of subscale partners lacking means

Better access to end-user

- ▶ Strengthened ability to pilot retention and upsell initiatives optimizing yield and churn

Direct control of product definition and price

- ▶ Faster alignment with market needs

Control of distribution levers

- ▶ Salesforces incentives, communication and promotion

## TERMS & FINANCIAL IMPACT

Acquisition price of c£38m

Implied 10x EBITDA multiple

FY 19 revenues of c. £35m, rapidly growing

Low double-digit EBITDA margin

Contribution to revenues and EBITDA not material

Obviating the necessity to invest in our own retail channel

Closing expected by October 2020

# FY 2020-21: REVENUE TRENDS BY APPLICATION



## BROADCAST



Continued dynamism in SSA



Limited available capacity in other geographies



Forthnet specific renegotiation in Greece



## DATA & PROFESSIONAL VIDEO



Continued double-digit price decline in Fixed Data



Improving volume trends in Fixed Data



Gradual recovery in Occasional Use



## GOVERNMENT SERVICES



Full-year contribution of EGNOS



Initial contribution of Quantum in Q4



Negative carry-forward of FY 20 renewals and wash-out of E7A temporary relocation



## FIXED BROADBAND



KONNECT satellite fully in-service in early 2021



Wholesale agreement with Orange and addition of a retail pillar in Europe



Schoolap contract in Africa



## MOBILE CONNECTIVITY



Ongoing effect of Covid-19 crisis on In-flight mobility market



Ramp-up of maritime business



Timing of recovery uncertain

# FINANCIAL OUTLOOK



## OPERATING VERTICALS REVENUES<sup>1</sup>

- ▶ Between €1,180m and €1220m in FY 2020-21

## CASH CAPEX

- ▶ Not exceeding average of €400m<sup>2</sup> per year for the period July 2020 to June 2022

## ADJUSTED DISCRETIONARY FREE CASH FLOW<sup>3</sup>

- ▶ Between €420m and €450m in FY 2021-22

## LEVERAGE

- ▶ Maintain investment grade rating
- ▶ Medium-term net debt / EBITDA ratio of c. 3x

## DISTRIBUTION

- ▶ €0.89 per share proposed to the AGM for FY 2019-20
- ▶ Stable to progressive dividend

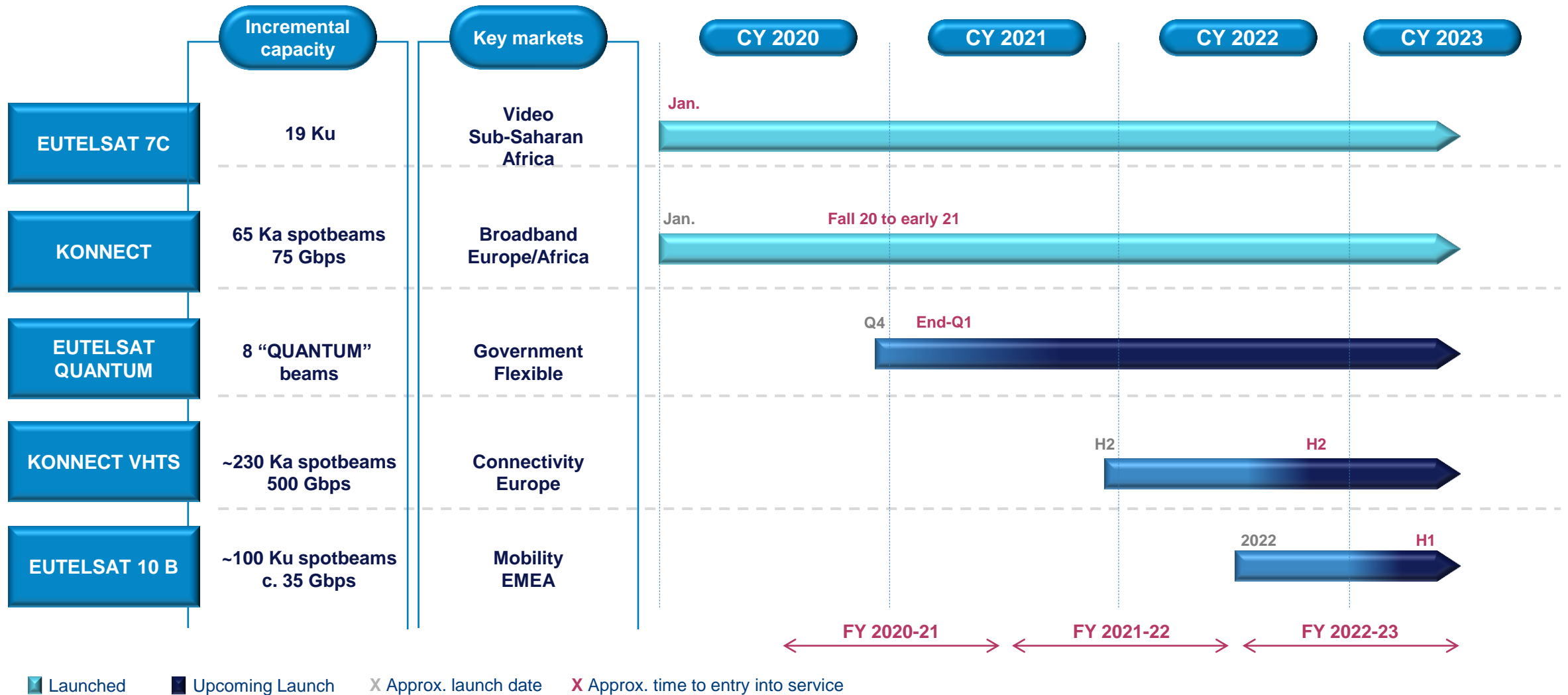
<sup>1</sup> Based on current perimeter and € / \$ rate of 1.14;

<sup>2</sup> Inc. capital expenditure and payments under existing ECAs and other bank facilities financing investments as well as payments related to lease liabilities.

<sup>3</sup> 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 one-off impacts such as Hedging, effects of changes in perimeter when relevant, and one-off costs related to specific projects in particular to the LEAP 2 program and to the move to new headquarters



# TARGETED GROWTH CAPACITY TO PROGRESSIVELY SUPPORT TOPLINE



# TO SUM UP



High level of **free-cash-flow generation**, despite Covid-19 crisis effect

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Recommended **Dividend per share** of €0.89 per share, 2.3 times covered by DFCF

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Continued resilience of core **Broadcast**

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FY 21 representing a turning point in **Fixed Broadband** strategy, with the arrival of long-awaited incremental assets, and the conditions in place to maximise their ramp-up

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Incremental capacity coming on-stream in the next three years which is set to **reverse the declining topline trend** since 2016

# APPENDIX

# FUTURE LAUNCHES

NAME		KONNECT VHTS	EUTELSAT HOTBIRD 13F	EUTELSAT HOTBIRD 13G	EUTELSAT 10B
Orbital Position	48° East	TBD	13° East	13° East	10° East
Launch date <sup>1</sup>	Q4 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 <sup>3</sup>	73 Ku <sup>3</sup>	12 Ku / 20C / c.35 Gbps
o/w Expansion <sup>2</sup>	N/A	~230 Ka / 500 Gbps	-	-	-48 Ku c.35 Gbps

 Electrical propulsion

**HTS Payload**

<sup>1</sup> Calendar year | <sup>2</sup> Excludes unannounced redeployments

<sup>3</sup> "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."