

# THIRD QUARTER 2019-20 REVENUES

14 May 2020

# Agenda

1

**Highlights**







2

**Q3 2019-20 Performance**

3

**Outlook**

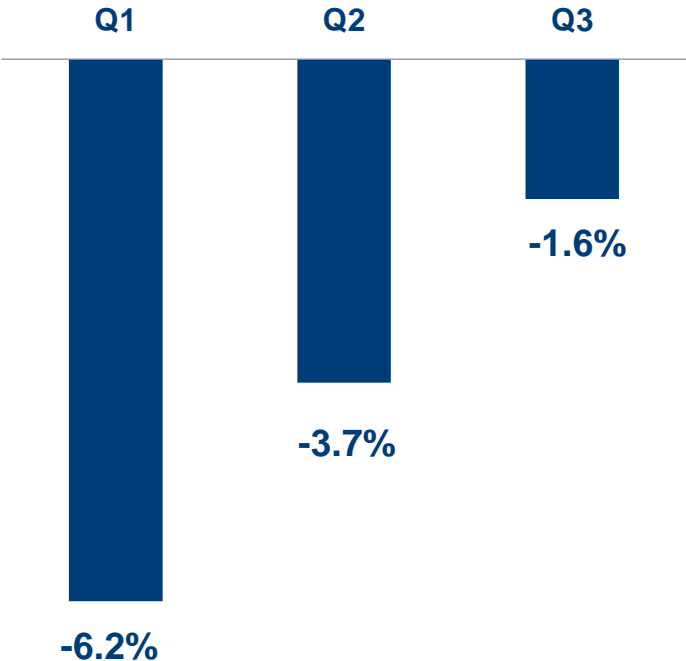
# Highlights

-  **Continued improvement in Operating Verticals trends**
-  **Resilient Broadcast; return to slight growth QoQ**
-  **Solid outcome of Spring renewal campaign with USG**
-  **New commercial win in Maritime Mobility**
-  **MoU to connect schools in DRC, highlighting the opportunity represented by government programs**
-  **Updated financial objectives confirmed**

# Continued improvement in Operating Verticals trends

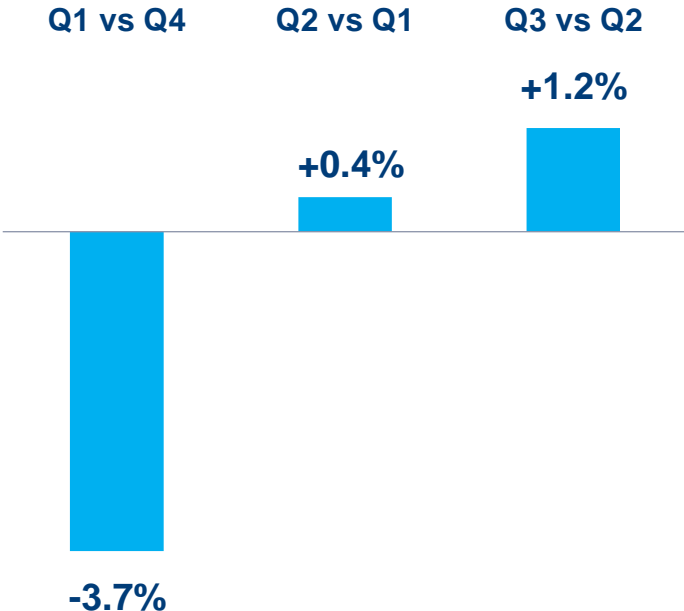
## PROGRESSIVE UPTURN OF YOY QUARTERLY TRENDS FOR OPERATING VERTICALS

Like-for-like YoY change for Operating Verticals revenues



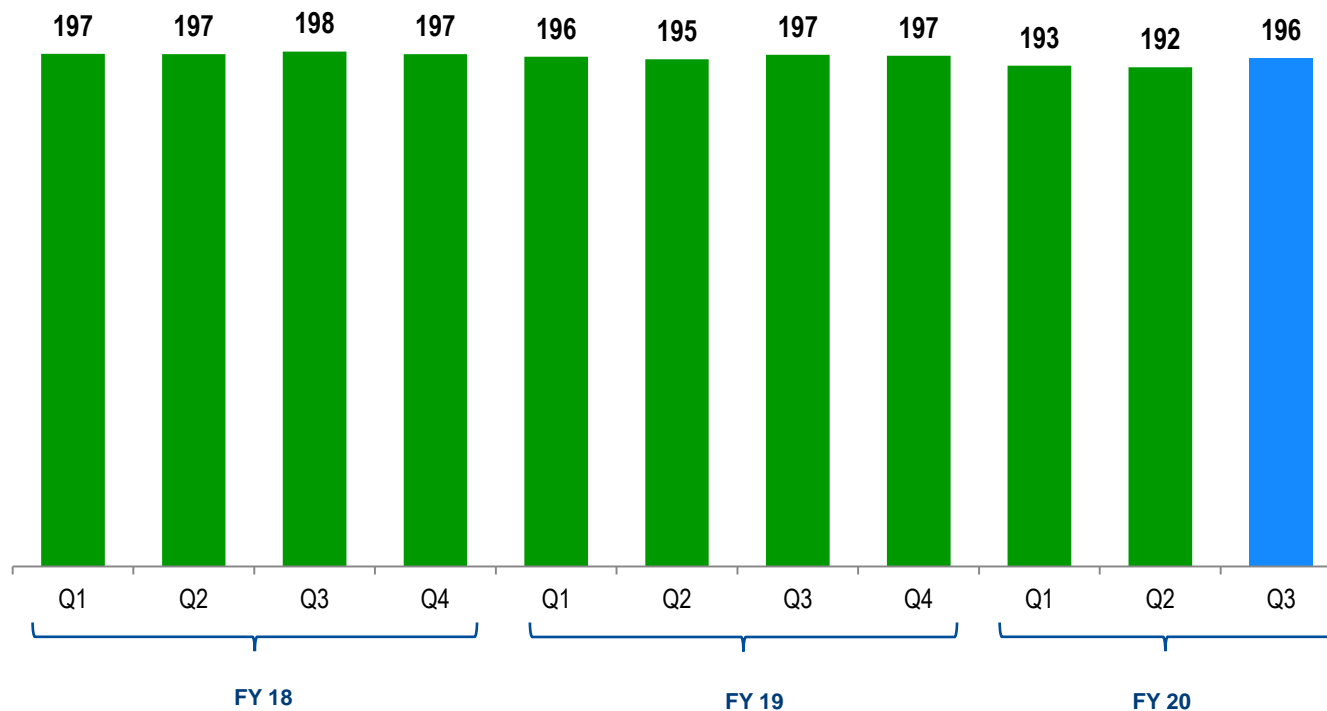
## RETURN TO SLIGHT SEQUENTIAL GROWTH

Like-for-like QoQ change for Operating Verticals revenues



# Long term resilience of Core Broadcast revenue

## 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*

# Konnnect Africa to connect thousands of schools in DRC

- ▶ **MoU to provide high speed connectivity to 3,600 schools in DRC as part of Schoolap project**
- ▶ **Access to a digital platform of high quality teaching materials provided by local partners**
- ▶ **Scope to expand in the future**
  - > 20,000 rural schools in DRC
  - Potential expansion to other countries
- ▶ **Highlights opportunity of government needs in e-education, e-agriculture, e-administration...**



**WE** **konnnect** It's that simple.

**Strong potential of government-backed digital inclusion programs in SSA**

# Agenda

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**Highlights**

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**Q3 2019-20 performance**

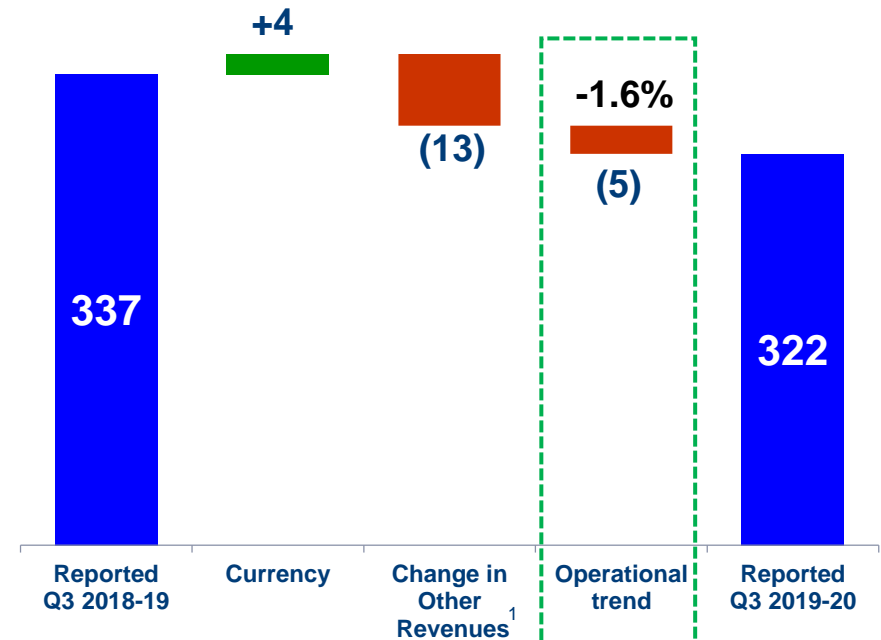
3

**Outlook**

# Q3 2019-20 revenues


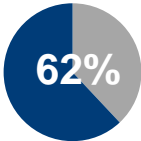

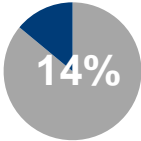

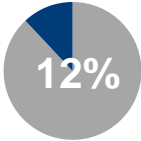

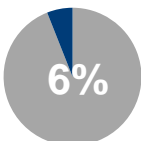

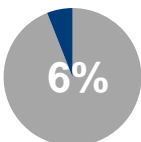
- ▶ **Total revenues of €322m, down 4.4%**
- ▶ **Lower Other revenues**
  - Positive one-off last fiscal year
- ▶ **Positive currency effect**
  - €/ \$ rate of 1.10 vs 1.14 last year
- ▶ **No perimeter impact**
- ▶ **Revenues from the Operating Verticals down 1.6% like-for-like**

## Q3 2019-20 Y-O-Y REVENUE BRIDGE (€M)



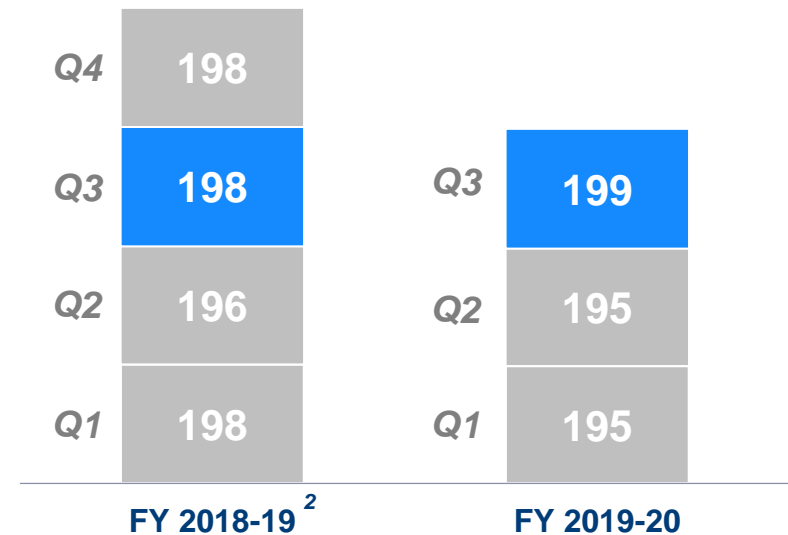


# Q3 2019-20 revenues by application

		REVENUE CONTRIBUTION <sup>1</sup>	REVENUES (€m)	LIKE-FOR-LIKE <sup>2</sup> CHANGE	
				YoY	QoQ
Broadcast			199	-0.2%	+2.1%
Data & Professional Video			45	-7.6%	+0.2%
Government Services			40	-2.4%	+2.3%
Fixed Broadband			19	-2.6%	-2.3%
Mobile Connectivity			21	+2.0%	-3.5%
<b>Total Operating Verticals</b>			<b>323</b>	<b>-1.6%</b>	<b>+1.2%</b>
Other revenues			(1) <sup>3</sup>	-€13m	-€1m

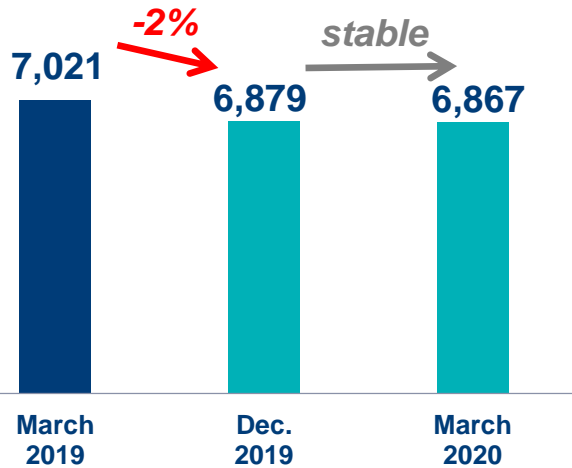
- ▶ **Revenues of €199m, stable like-for-like<sup>1</sup> on a y-o-y basis**
  - Return of a couple of transponders in Russia
  - Higher revenues in MENA and at 28.5° East
- ▶ **Revenues up 2.1% Q-o-Q**
  - Positive one-off for circa €1m
- ▶ **Robust commercial activity**
  - New DTH platform in SSA
  - Renewal and expansion of business in Western Balkans at 16° East
- ▶ **Entry into service of Eutelsat 7C**
  - 19 Incremental transponders in SSA
- ▶ **Eutelsat 5 WB replacing Eutelsat 5WA**

## REVENUES (€M)



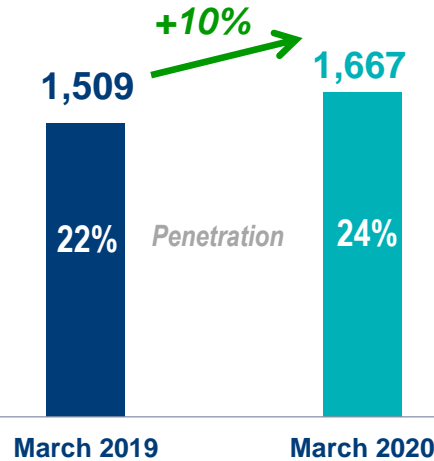
# Channel count stable QoQ

## CHANNEL COUNT



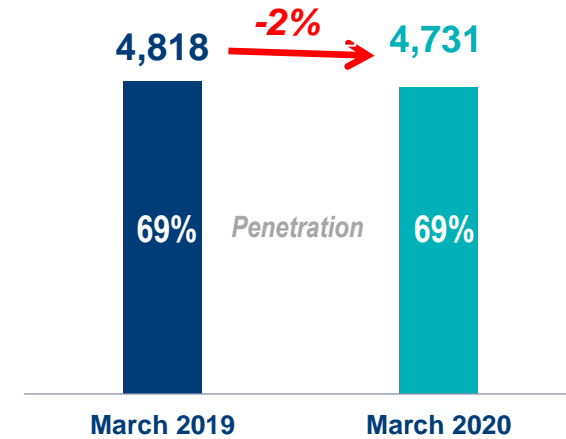
- ▶ Half of YoY channel count decline reflecting African platform and negative one-off
- ▶ Channel count stable QoQ

## HD PENETRATION



- ▶ HD continuing to grow
- ▶ Penetration still only 24%

## MPEG-4

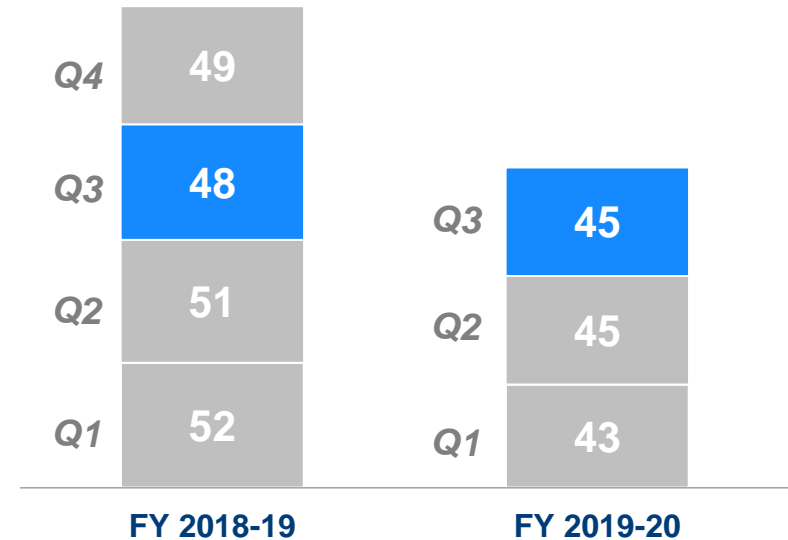


- ▶ MPEG-4 considerably more advanced than HD

# Data & Professional Video

- ▶ Revenues of €45m, down 7.6% y-o-y like-for-like<sup>1</sup>
- ▶ Revenues stable Q-o-Q
- ▶ Environment remains highly competitive
- ▶ Ongoing pricing pressure
- ▶ Improving trends vs H1
  - Better volumes
  - Easing comparison basis
- ▶ Professional Video affected by Covid-19 in March; deeper impact expected in Q4

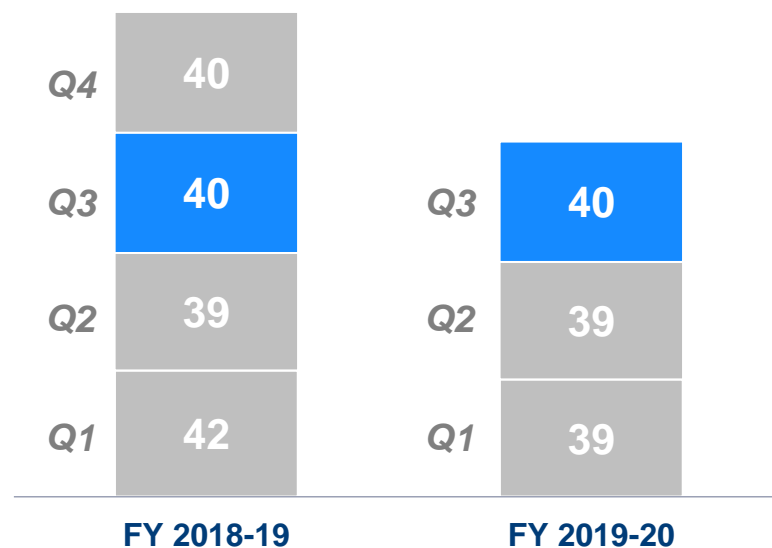
## REVENUES (€M)



# Government Services

- ▶ **Revenues of €40m, down 2.4% y-o-y like-for-like<sup>1</sup>**
  - Carry-forward effect of 2019 renewals rates (85% in Spring and 90% in Fall)
  - Contribution of EGNOS since mid-February
- ▶ **Revenues up 2.3% Q-o-Q**
- ▶ **USG renewal rate above 85% in Spring campaign**
- ▶ **Q4 to benefit from**
  - Full quarter contribution of EGNOS
  - Relocation of ETL 7A

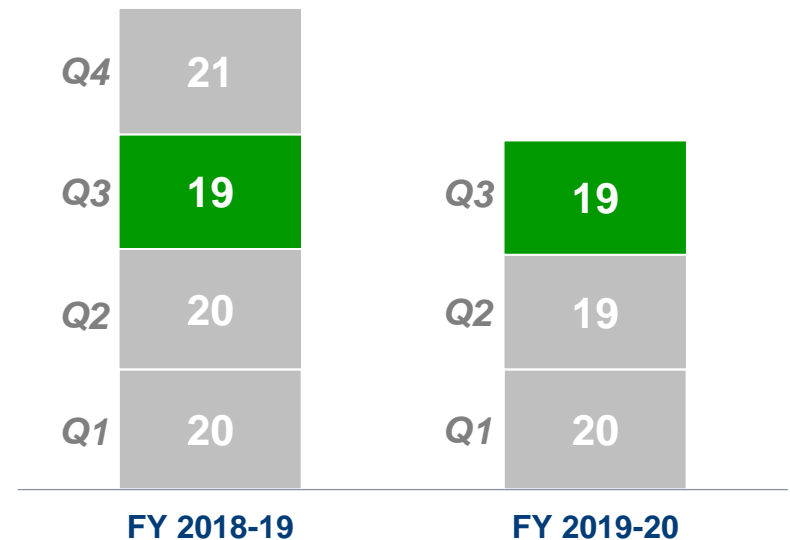
## REVENUES (€M)



# Fixed Broadband

- ▶ Revenues of €19m, down 2.6% y-o-y like-for-like<sup>1</sup>
- ▶ **Broadband Europe**
  - Lack of capacity
  - Lower contribution from traditional distributors
  - Growth of PPP
- ▶ **Broadband Africa**
  - Modest revenues
  - Focus to remain on trialling distribution models on a limited scale
  - MoU to provide high speed connectivity to schools in DRC

## REVENUES (€M)

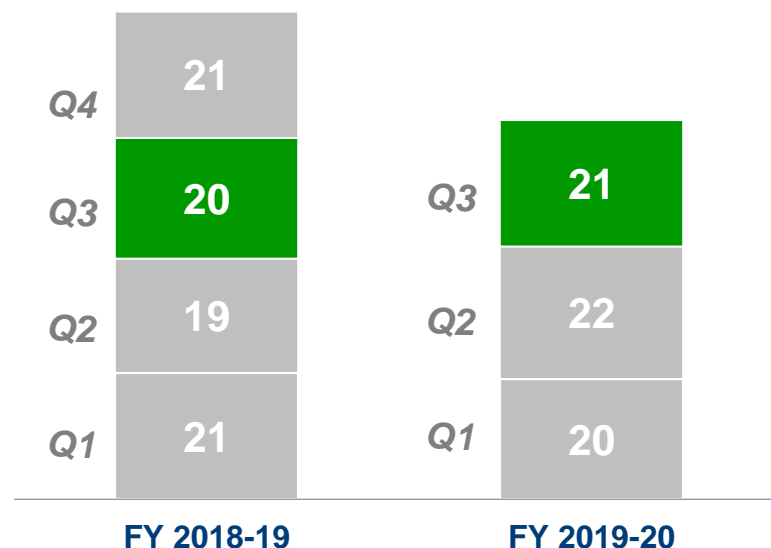


# Mobile Connectivity

- ▶ **Revenues of €21m, up 2.0% y-o-y like-for-like<sup>1</sup>**
  - Continued ramp-up of Maritime
- ▶ **Revenues down 3.5% Q-o-Q**
  - Reflecting a positive one-off in Q2
- ▶ **Effect of Covid-19**
  - Limited to a slowdown of capacity contracts on KA-SAT in March so far
  - Impact of lower airline and maritime traffic more pronounced in Q4
- ▶ **Commercial win in Maritime**
  - Ku coverage on a regional basis for selected sailing areas
  - First reference customer for Konnect VHTS in Mobility

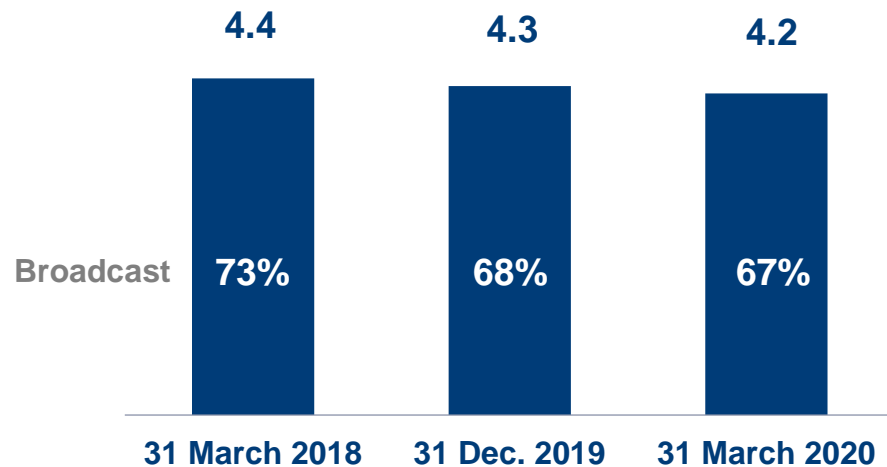


## REVENUES (€M)



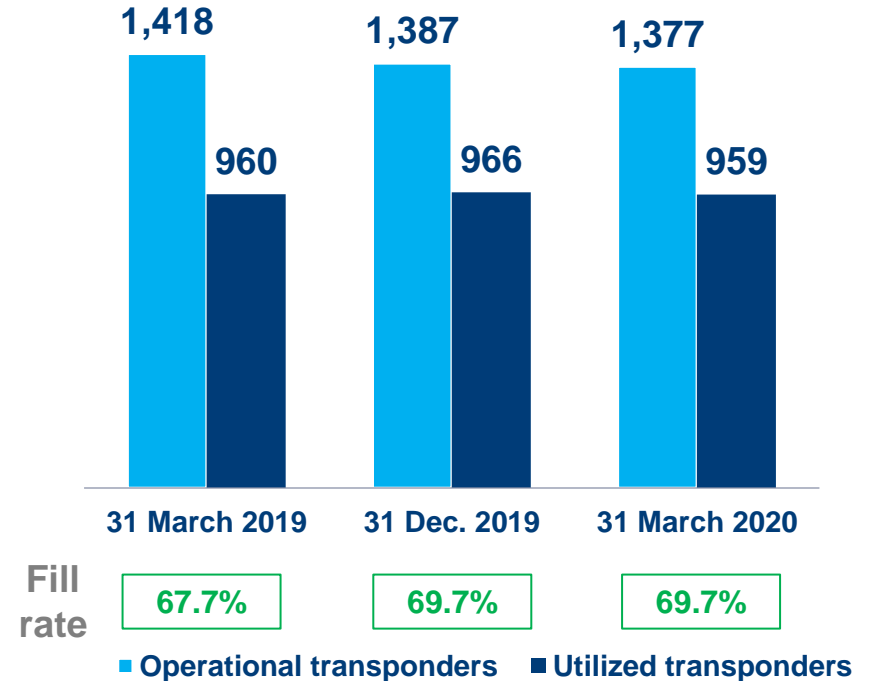
# Backlog and Fill Rate

## BACKLOG (€BN)



- ▶ 3.2 years of revenues
- ▶ Total backlog of €4.2m
- ▶ No significant Broadcast renewals
- ▶ Broadcast accounting for 67%

## OPERATIONAL AND UTILIZED TRANSPONDERS



### ▶ Impact of changes in the fleet

- E12WB in inclined orbit
- Entry into service of E7C
- Transfer of services from E5WA to E5WB



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**Key Highlights**

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**Q3 2019-20 performance**

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**Outlook**

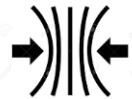
# Eutelsat is well positioned to weather Covid-19 crisis



## ▶ Nominal operations allowing full business continuity

## ▶ Highly resilient activity

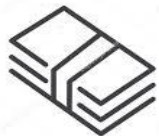
- Long-term contracts
- Substantial backlog representing 3.2 years of revenues
- Criticality of our capacity for customers



## ▶ Business to remain highly cash generative

## ▶ Robust financial health

- Headroom relative to the 4.0x covenant on non-Bond Debt
- Well-spread refinancing schedule; no maturities before June 2021
- Strong liquidity position comfortably above €1bn at end-March<sup>1</sup>



# Impact of Covid-19 on revenues: highly resilient activity

## LIMITED IMPACT ON FY 20

- ▶ Resilience of core broadcast (>60% of revenues)
- ▶ Professional Video, in particular Occasional Use (c.1%) impacted by cancellation of sport events
- ▶ Mobile Connectivity (6% of revs.) affected by lower traffic
- ▶ Fixed Broadband (6% of revs.) facing more challenging customer gathering

Limited impact of c.€20m  
on FY 20 revenues

## FY 21 IMPACT UNDER ASSESSMENT

- ▶ FY 20 effects likely to be reflected at least into early FY 21
- ▶ Likely delays in deployment plan pushing out revenues
  - Rollout of Ground gateways of KONNECT
  - Launch of EUTELSAT QUANTUM
- ▶ Generalised slowdown in the pace of new business

Assessment of FY 21  
impact underway

# Financial outlook adjusted on April 9 is confirmed

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

- ▶ FY 2019-20: around €1,250m

## CASH CAPEX

- ▶ FY 2019-20 to FY 2021-22: not exceeding average of €400m<sup>2</sup> per year

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

- ▶ Temporary suspension of objective pending assessment of Covid-19 crisis impact on future years

## LEVERAGE

- ▶ Maintain investment grade credit rating
- ▶ Aiming at medium-term net debt / EBITDA around 3x

## DISTRIBUTION

- ▶ FY 2019- 20 dividend reduced by 30%<sup>4</sup>
  - 'Stable to progressive' dividend policy to be restored once circumstances permit
- ▶ Suspension of Share Buy-Back program

# To Sum Up



**Continued underlying improvement in revenue trends as expected**



**Resilient Broadcast, with return to slight growth QoQ**



**Solid financial position with strong cash generation capacity, even in an environment of lower growth**










**High level of shareholder remuneration even after 30% dividend cut**



**Well-positioned to face Covid-19 thanks to resilient businesses, high backlog, strong financial position and high level of cash-generation**

# APPENDIX

# Nominal deployment plan under review as assessment of COVID-19 impact is underway

Name		<b>KONNECT VHTS</b>	<b>EUTELSAT HOTBIRD 13F</b>	<b>EUTELSAT HOTBIRD 13G</b>	<b>EUTELSAT 10B</b>
Orbital Position	TBD	TBD	13° East	13° East	10° East
Launch date <sup>1</sup>	Q3 2020 <sup>3</sup>	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>4</sup>	73 Ku <sup>4</sup>	12 Ku / 20 C / c. 35 Gbps
o/w Expansion <sup>2</sup>	N/A	~230 Ka / 500 Gbps	-	-	-48 Ku c. 35 Gbps

<sup>1</sup> Calendar year

<sup>2</sup> Excludes unannounced redeployments

<sup>3</sup> Likely to be delayed due to the Covid-19. Impact under assessment

<sup>4</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."

 Electrical propulsion

 HTS Payload

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