

FIRST QUARTER 2019-20 REVENUES

30 October 2019

Agenda

1

Key Events

2

Q1 2019-20 Performance

3

Outlook

Key Events

 **Positive outcome of Fall 2019 renewal campaign with USG: 90% renewal rate**

 **LEAP 2 cost-savings program underway, aiming to generate opex savings of €20m-€25m by FY22**

 **Procurement of E10B satellite with significant firm pre-commitments, highlighting robust demand in Mobility markets**

 **Progress on IoT strategy**

 **Incident on EUTELSAT 5 West B**

 **6.2%¹ decline in Q1 Operating verticals revenues not reflective of full-year trends; all financial objectives confirmed based on nominal deployment plan**

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Key Events

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Q1 2019-20 performance

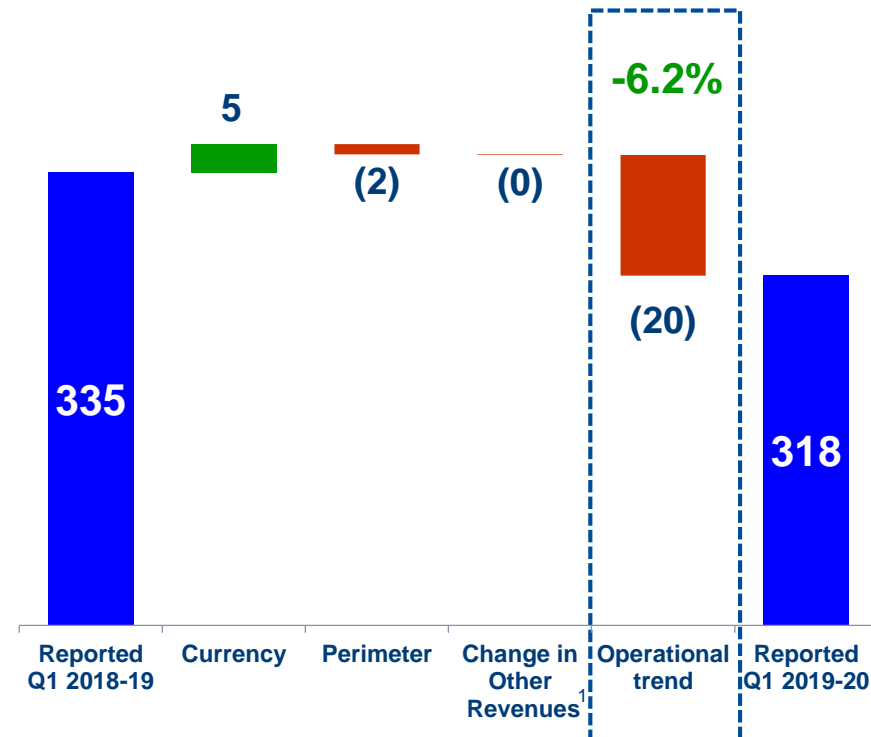
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Outlook


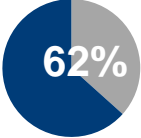

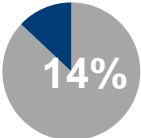

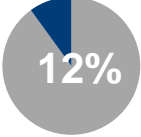

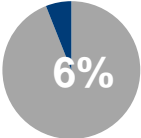

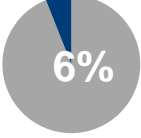
Q1 Revenues

- ▶ Revenues down 5.2% reported
- ▶ Slightly negative perimeter impact
 - Carry-forward of deconsolidation of Eutelsat 25B in August 2018
- ▶ Positive currency effect
 - •€/€ rate of 1.12 vs 1.16 last year
- ▶ Operating verticals down 6.2% like-for-like

Q1 YOY REVENUE BRIDGE (€M)



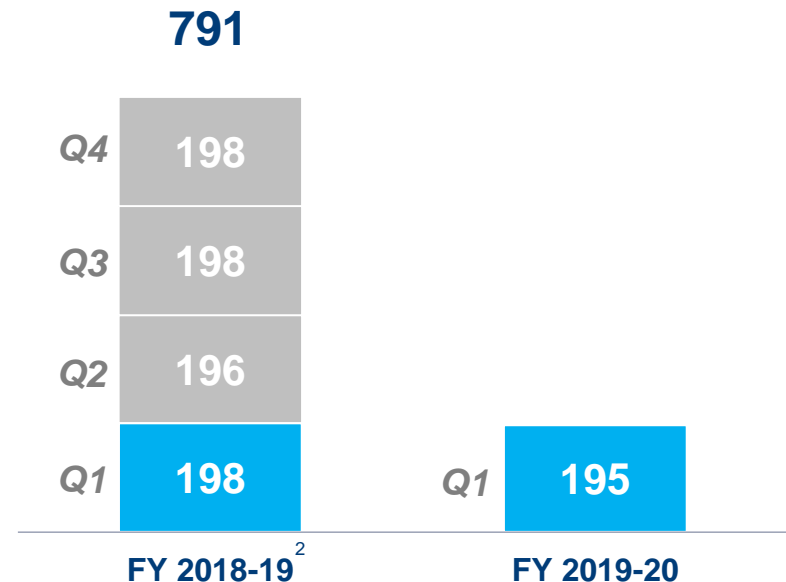
Q1 Revenues like-for-like by application

		REVENUE CONTRIBUTION ¹	REVENUES (€m)	LIKE-FOR-LIKE ² CHANGE
Broadcast			195	-1.7%
Data & Professional Video			43	-19.6%
Government Services			39	-10.7%
Fixed Broadband			20	-3.3%
Mobile Connectivity			20	-7.8%
Total Operating Verticals			317	-6.2%
Other Revenues			1	-7.6%

Broadcast

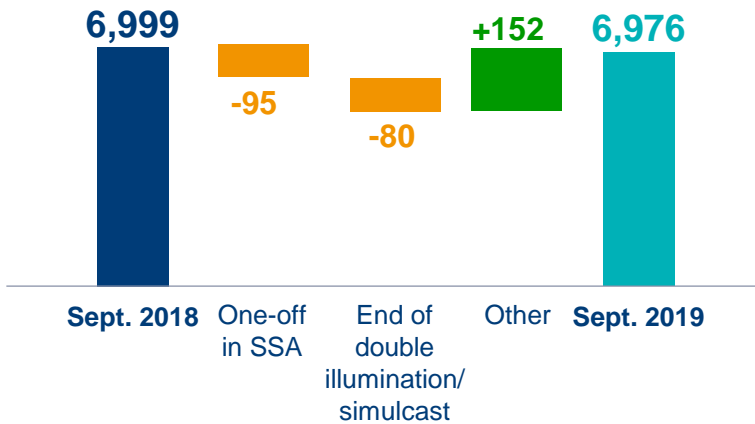
- ▶ **Revenues of €195m, down 1.7% y-o-y like-for-like¹**
 - Temporary effect of return of a couple of transponders in Russia
 - Termination of a contract in SSA
- ▶ **6,976 channels at end-Sept. 2019**
 - -0.3% y-o-y
 - HD up from 20.3% to 22.7%
- ▶ **Two multi-year, multi-transponder contracts signed with Orby TV and Ultra DTH**
- ▶ **ETL 7C to bring incremental capacity in SSA in H2**

REVENUES (€M)

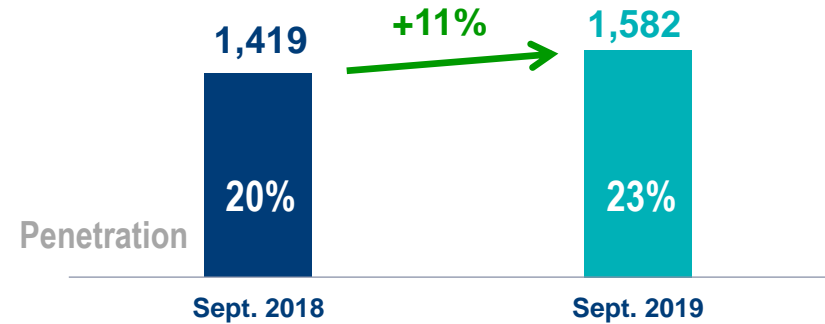


Channel count

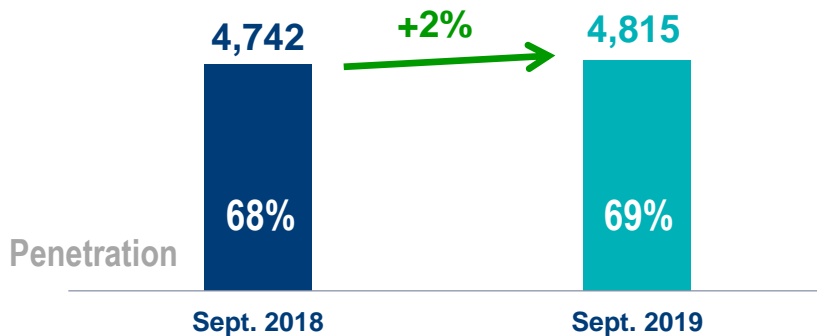
Channel count reflecting one-off in Africa and end of dual illumination/simulcast



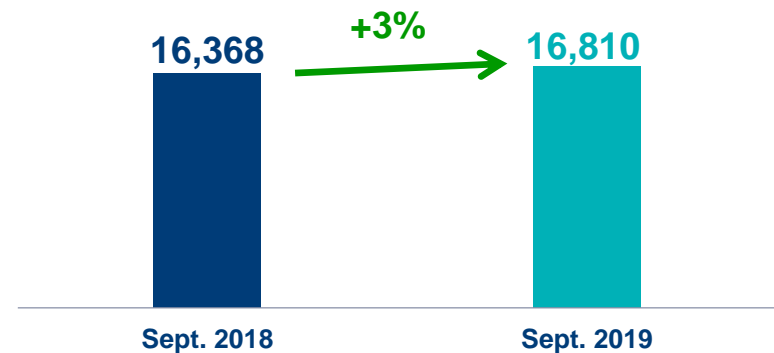
Sustained HD ramp-up



MPEG-4 more advanced than HD



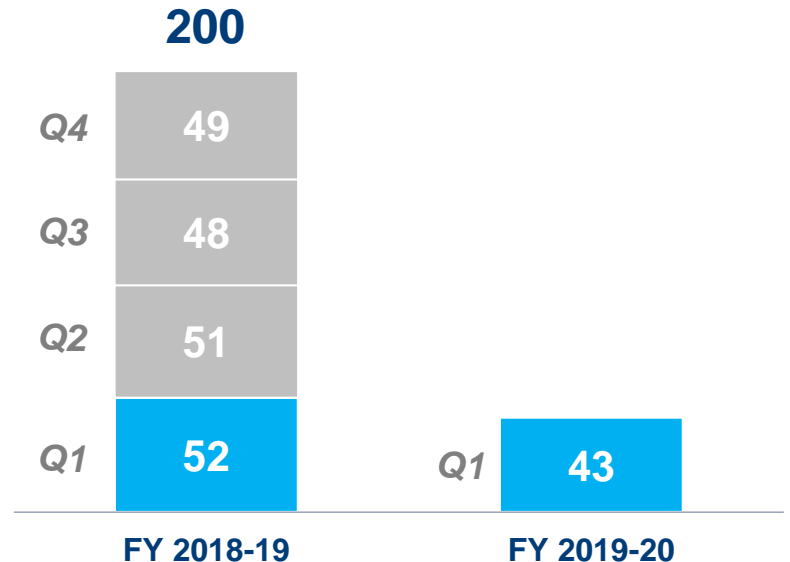
Slight rise in Mbps usage¹



Data & Professional Video

- ▶ Revenues of €43m, down 19.6% y-o-y like-for-like¹
- ▶ Continuing to reflect:
 - Highly competitive environment
 - Ongoing pricing pressure
- ▶ Volume losses in Data
- ▶ Lower occasional use in Professional Video
- ▶ Comparison basis to ease in H2

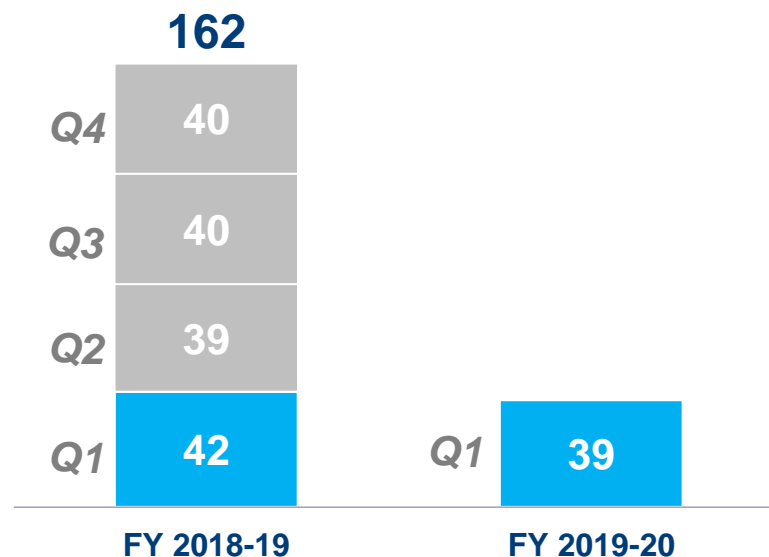
REVENUES (€M)



Government Services

- ▶ Revenues of €39m, down 10.7% y-o-y like-for-like¹
 - Carry forward effect of Fall 2018 USG renewal campaign
- ▶ USG renewal rate of c.90% in value in Fall round
- ▶ Contribution of EGNOS in the second half subject to availability of the payload

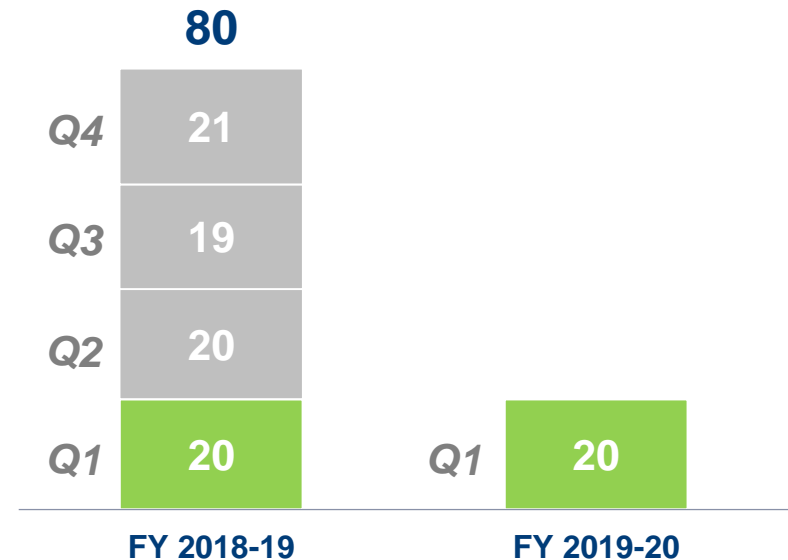
REVENUES (€M)



Fixed Broadband

- ▶ Revenues of €20m, down 3.3% y-o-y like-for-like¹
- ▶ Revenue trends improving in Europe
 - Continued progression of PPP program
 - Extension to new countries underway
- ▶ Modest contribution from African Broadband at this stage
 - Expected to ramp up throughout the year

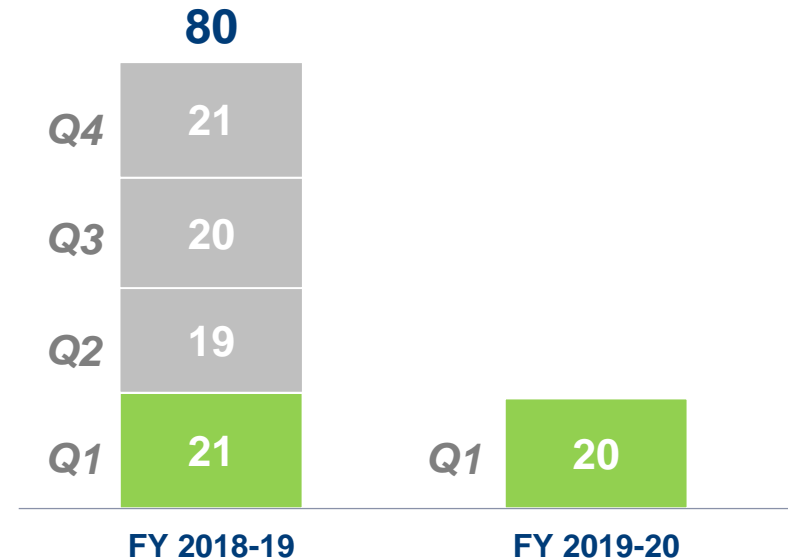
REVENUES (€M)



Mobile Connectivity

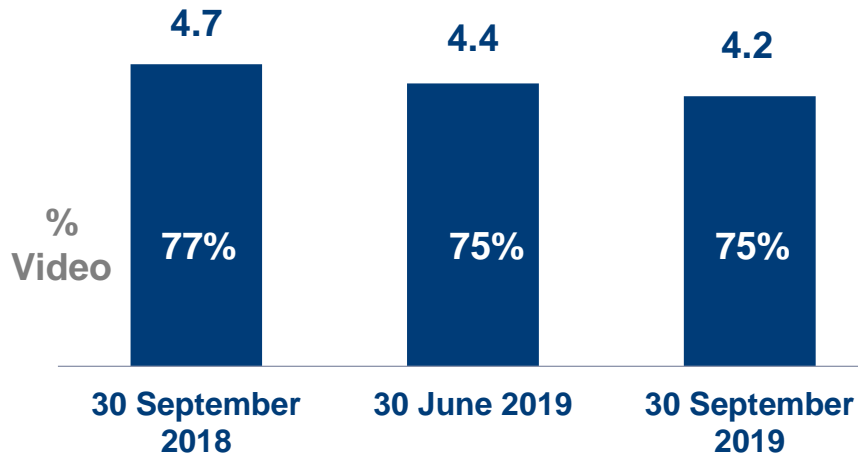
- ▶ **Revenues of €20m, down 7.8% y-o-y like-for-like¹**
 - Negative one-off of circa €1m to be caught up in Q2
 - Carry-forward of the end of a temporary wide-beam contract on EUTELSAT 172B in FY 19
 - Contribution of contract with UnicomAirNet from January 19
- ▶ **Further business to come**
 - Pipeline of opportunities
 - Ramp-up of Maritime
- ▶ **Pre-commitments on EUTELSAT 10B reflecting robust demand in mobile connectivity**

REVENUES (€M)



Backlog and Fill Rate

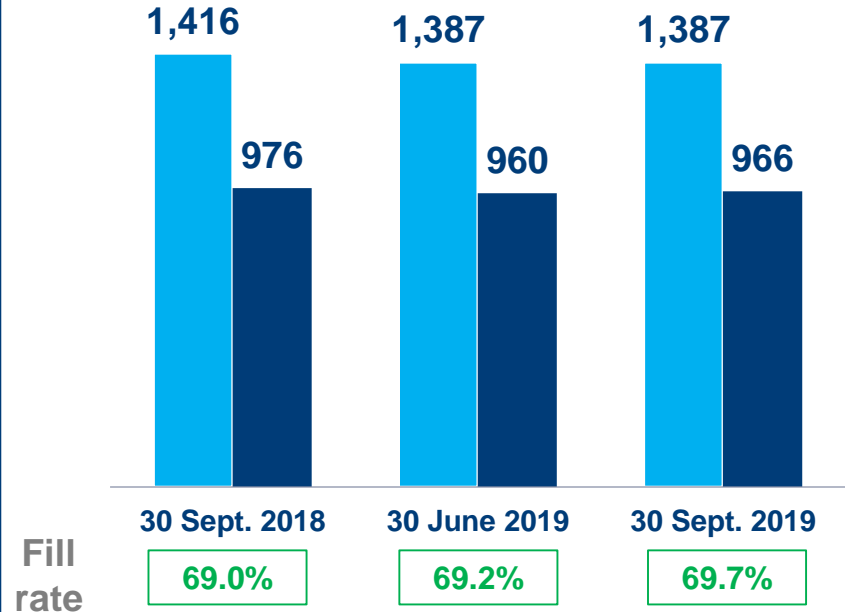
BACKLOG (€BN)



- ▶ 3.2 years of revenues
- ▶ Video accounting for 75%
- ▶ Absence of material video renewals
- ▶ E10B commitments not yet included



OPERATIONAL AND LEASED TRANSPONDERS



■ Operational transponders ■ leased transponders

- ▶ YoY change reflecting E12WB eol
- ▶ Leased txp up 6 units Q-o-Q
- ▶ Fill rate of 69.7%

¹ Based on 36 MHz-equivalent transponders (TPE), excluding HTS capacity

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Outlook

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**



Launch of 'LEAP 2' cost savings program

- ▶ **Objective of €20 to 25m savings by FY 22 confirmed**
- ▶ **Multiple measures addressing mainly staff costs**
 - Reduction of c.100 in headcount outside of France
 - Global hiring freeze in the legacy businesses
 - Austerity measures within France
 - Including a global compensation freeze over three years
- ▶ **Savings destined to support deployment in Connectivity while preserving the EBITDA margin**
- ▶ **Project to be presented to relevant staff representative bodies**

Seizing mobility opportunity with EUTELSAT 10B procurement

MATERIAL GROWTH OPPORTUNITY IN MOBILITY

- ▶ **Strategically located with unmatched coverage**
- ▶ **Growing demand for mobility, both Aero and Maritime**
- ▶ **Shortage of Ku-Band for mobility in the region**
- ▶ **Firm multi-year pre-commitments with major providers**
- ▶ **Interest from other potential customers**



MULTI-PAYLOAD SATELLITE COMBINING COMPLEMENTARY MISSIONS AT COMPETITIVE COST

- ▶ **Continuity for customers on EUTELSAT 10A**
 - Regular capacity reduced by 60% to adjust to market demand
- ▶ **HTS payloads providing optimal mix of throughput and coverage**
 - Powerful HTS payloads addressing high density areas
 - Global Spots ensuring continuity of service on Air/maritime routes
 - Total throughput of c. 35 Gbps
- ▶ **To be launched in 2022**

Testing market traction in IoT to add a future growth lever to Connectivity

SIGNIFICANT MARKET OPPORTUNITY

- ▶ **Strong growth in demand**
 - Connected objects to represent 10s of billions of units by 2030
- ▶ **Diverse applications**
 - Agriculture, Oil & Gas and Industry / logistics offering
- ▶ **Insufficiency of terrestrial networks**
 - Coverage of just 15% of the Earth and 50% of the land

Satellite an ideal complement providing ubiquitous coverage

ELO: AN UNMATCHED VALUE PROPOSITION

- ▶ **Nano-satellite constellation offering global coverage**
- ▶ **Low latency at full-speed**
 - Less than 1h to receive emitted message
- ▶ **Compelling commercial offer**
 - A few \$s per chipset; single-digit price per annum
- ▶ **Strategic partnership with market leader, Sigfox**

Seamless integration with terrestrial networks

COMPELLING RISK / RETURN PROFILE

- ▶ **Fully scalable**
 - First batch of four commercial satellites in FY 2020-21 with extension subject to test outcomes
 - Up to 25 sats in service by end-22 to provide viable commercial proposition
- ▶ **Limited cost**
 - Capex: <€1m / sat
 - Opex: Mid-single digit €m per annum at full speed
 - Already included in our capex envelope

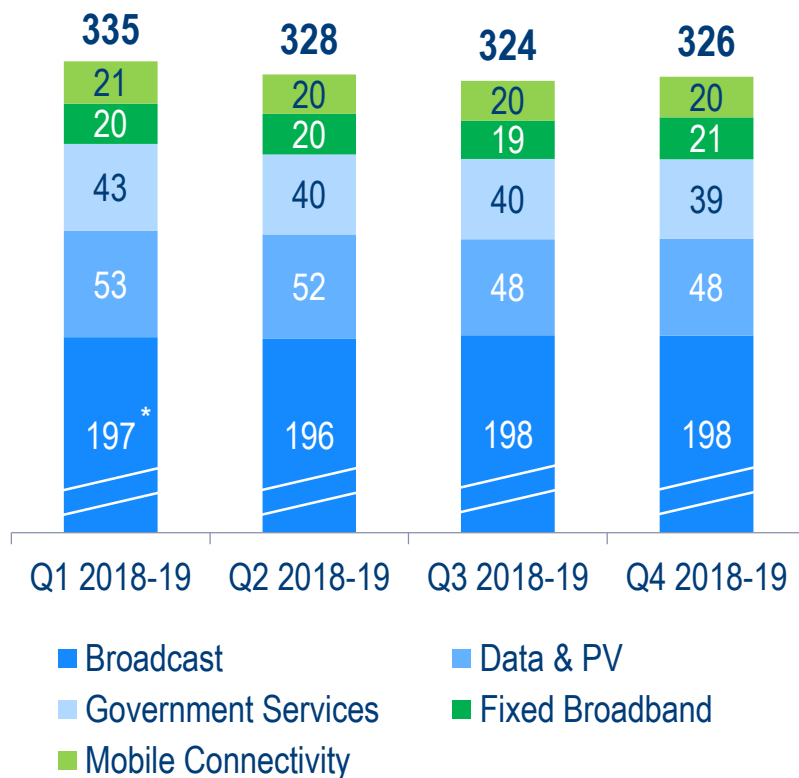
Low risk given Opex/Capex flexibility

FY 20 outlook: Revenue trends to improve in coming quarters

EASING COMPS IN GOVERNEMENT SERVICES AND DATA & PV

SEVERAL TAILWINDS TO SUPPORT H2 PERFORMANCE

FY 19 quarterly revenues at 1.14 €/ \$ rate



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

- ▶ Incremental capacity on ETL 7C in SSA
- ▶ Ramp-up of Konnect Africa
- ▶ Further business in the pipeline in several applications notably Mobility
- ▶ EGNOS Payload on E5WB subject to availability

EUTELSAT 5 West B status

- ▶ **Investigating incident on one of the two solar arrays**
- ▶ **Assessment of the potential impact on the performance**
- ▶ **Satellite mission consisting of**
 - E5WA replacement
 - EGNOS payload
- ▶ **Main customers at 5°W include French and Italian DTT and Fransat**
 - c. €30m of revenues generated in FY 19
- ▶ **Potential mitigation actions to be assessed subject to final assessment of satellite performance**
- ▶ **Satellite fully insured by a launch-plus-one-year insurance for up to €173m**

Financial outlook confirmed based on nominal deployment plan

OPERATING VERTICALS REVENUES¹

- ▶ **FY 2019-20: between €1,280m and €1,320m**

CASH CAPEX

- ▶ **FY 2019-20 to FY 2021-22: average of €400m² per year**

DISCRETIONARY FREE CASH FLOW³

- ▶ **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**

To sum up

-  **No change to our mid-term view on Broadcast as a fundamentally resilient business**
-  **Full year revenue objectives confirmed, but with increased likelihood of landing in lower half of the range**
-  **All other elements of our financial objectives also confirmed**
-  **Ongoing focus on cash-generation levers, with launch of 'LEAP 2' cost-savings program**
-  **Cost-savings will be reinvested in future growth verticals while preserving our EBITDA margin**

APPENDIX

Future launches

Name	KONNECT		KONNECT VHTS	EUTELSAT HOTBIRD 13F	EUTELSAT HOTBIRD 13G	EUTELSAT 10B
Orbital Position	TBD	TBD	TBD	13° East	13° East	10° East
Launch date ¹	Q1 2020	Q3 2020	H2 2021	H2 2021	H2 2021	2022
Manufacturer						
Launcher			TBD	TBD	TBD	TBD
Coverage	SSA Europe	Flexible	Europe	Europe	Europe	EMEA, Atlantic & Indian Ocean
Applications	Connectivity	Government Services	Connectivity Government	Video	Video	Mobile Connectivity
Total Capacity (TPE/Spotbeams)	65 Ka / 75 Gbps	N/A	~230 Ka / 500 Gbps	73 Ku ³	73 Ku ³	12 Ku / 20 C / c. 35 Gbps
o/w Expansion ²	65 Ka / 75 Gbps	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."

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