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Eutelsat and OneWeb to combine: a leap forward in Satellite Connectivity

- Eutelsat and key OneWeb shareholders^[1] sign a Memorandum of Understanding with a view to combining Eutelsat and OneWeb in an all-share transaction.
- Eutelsat shareholders and OneWeb shareholders^[2] would each hold 50% of the Eutelsat shares
- Compelling financial profile with:
 - Potential for double-digit revenue and EBITDA CAGR over the medium to long term;
 - Eutelsat's strong cash flow generation providing visibility and funding to support continued

- expansion into the LEO market through OneWeb's next generation of satellites;
 - Over €1.5bn potential incremental value-creation after tax (net of implementation costs) stemming from revenue, capex and cost synergies.
- **Balanced board and governance structure, to include Eutelsat's Chairman and its CEO, OneWeb's Chairman, and a significant number of independent directors proposed by Eutelsat and OneWeb's shareholders, at Extraordinary General Meeting.**
- **Fully backed by a strong set of strategic shareholders of both entities, including Bpifrance and Fonds Stratégique de Participations who have undertaken to vote in favour of the transaction-related resolutions at this EGM, subject to usual conditions. CMA CGM, a shareholder of Eutelsat, is also supporting the combination.**
- **Representing a transformational transaction, built on the strong foundations established in April 2021 with Eutelsat's initial investment in OneWeb, this combination creates a global leader uniquely positioned to capture the Connectivity market with complementary GEO/LEO [\[3\]](#) offering.**
- **Combined entity strongly positioned to address the fast-growing global Connectivity market.**
- **The transaction values OneWeb at \$3.4bn implying a value of €12 per Eutelsat share (including the dividend, before synergies).**
- **Eutelsat to propose a €0.93 per share dividend with a scrip option in respect of FY 2021-22 at its upcoming AGM. Such dividend will not impact the exchange ratio.**
- **Eutelsat will continue to be listed on Euronext Paris and apply for admission to standard listing on the London Stock Exchange.**

Paris, London - 26 July 2022 – Eutelsat Communications (Euronext Paris: ETL) and key OneWeb shareholders have signed a Memorandum of Understanding with the objective of creating a leading global player in Connectivity through the combination of both companies in an all-share transaction. Eutelsat will combine its 36-strong fleet of GEO satellites with OneWeb's constellation of 648 Low Earth Orbit satellites, of which 428 are currently in orbit.

The transaction would be structured as an exchange of OneWeb shares by its

shareholders (other than Eutelsat) with new shares issued by Eutelsat, such that, at closing, Eutelsat would own 100% of OneWeb (excluding the 'Special Share' of the UK Government). OneWeb shareholders would receive 230 million newly issued Eutelsat shares representing 50% of the enlarged share capital[4].

The potential transaction builds on the deepening collaboration between Eutelsat and OneWeb, begun with the equity stake acquired by Eutelsat in OneWeb in April 2021, the global distribution agreement between Eutelsat and OneWeb announced in March 2022, and the new exclusive commercial partnership[5], addressing mainly the European and global cruise markets, signed today.

Commenting on the combination, **Dominique D'Hinnin, Eutelsat's Chairman** said *"I am delighted to announce this new and significant step in the collaboration between Eutelsat and OneWeb. Bringing together our two businesses will deliver a global first, combining LEO constellations and GEO assets to seize the significant growth opportunity in Connectivity, and deliver to our customers solutions to their needs across an even wider range of applications. This combination will accelerate the commercialisation of OneWeb's fleet, while enhancing the attractiveness of Eutelsat's growth profile. In addition, the combination carries significant value creation potential, anchored on a balanced mix of revenue, cost and capex synergies. The strong support of strategic shareholders of both parties is a testament to the huge opportunity that this combination offers and the value that will be created for all its stakeholders. This is truly a game changer for our industry."*

Sunil Bharti Mittal, OneWeb's Executive Chairman said *"Having played a pioneering role in providing connectivity in the emerging world, I am excited about the possibilities of connecting the unconnected. The combination of Eutelsat and OneWeb represents a significant development in that direction as well as a unique GEO/LEO combination. The positive early results of our service together with our strong pipeline represent a very exciting opportunity in the fast-growing satellite connectivity segment, especially for customers requiring a high speed, low latency experience. Our customers are actively seeking a combined GEO/LEO offering leading us towards this important step. Bharti, as the lead shareholder of OneWeb, along with other key shareholders, is looking forward to playing a meaningful role in providing expanded connectivity through the combination of OneWeb and Eutelsat."*

Eva Berneke, Eutelsat's Chief Executive Officer said *“Our initial investment in OneWeb was underpinned by our strong belief that the future growth in Connectivity will be driven by both GEO and LEO capacity. This belief has intensified as our relationship with OneWeb has deepened, first by raising our stake in the company, and then with the global distribution agreement signed a few months ago. We are now moving to the next level, with a full combination that will ensure the potential of the GEO/LEO integration is fully realized, supported by compelling financial, strategic, and industrial logic. This groundbreaking combination will create a powerful global player with the financial strength and technical expertise to accelerate both OneWeb’s commercial deployment, and Eutelsat’s pivot to Connectivity. The combined entity will be geared towards profitable growth, with strong medium-term cash flow generation and a rapid deleveraging driven by strong forecast EBITDA growth. The benefits for our customers and strategic partners, who are at the center of our strategy, are both significant and unique. This is also a very exciting opportunity for our employees who will be key to the success of this transformation.”*

Neil Masterson, OneWeb's Chief Executive Officer said *“Just 20 months ago, OneWeb resumed its mission to connect the unconnected and remove the barriers to connectivity that hold back many of the world’s underserved economies and communities. Since then, we have turned this vision into reality and become the second largest low Earth orbit satellite operator in the world. Today’s announcement is another bold step in OneWeb’s remarkable journey. It is testament to the resilience, execution and innovation of our teams, the strong demand we have seen since launching our commercial services, and the close collaboration we have forged with our partners to provide high-speed, low latency connectivity for governments, businesses, and communities. This combination accelerates our mission to deliver connectivity that will change lives at scale and create a fast growing, well-funded company which will continue to create significant value for our shareholders.”*

A compelling market opportunity

Eutelsat and OneWeb will address the considerable Connectivity market opportunity, which is fueled by the growing needs of customers in both the B2B and B2C segments for consistent, reliable connectivity. These market segments are forecast to grow by three and five times respectively over the next decade, to reach a combined value of circa \$16bn by 2030, with growth being served by both GEO HTS and LEO capacity[\[6\]](#).

Moreover, the combination of the network density, compelling economics and high throughput of GEO with the low latency and ubiquity of LEO, creates the optimal solution to address an even wider range of customer needs, thereby expanding the addressable market.

A powerful combination, representing a game-changer in the industry

The operations of Eutelsat and OneWeb are highly complementary. A clear roadmap has been designed to develop over time a complementary GEO/LEO service including a common platform, hybrid terminals and a fully mutualized network creating a one-stop shop solution for customers, providing them with a unique offering and a seamless user experience.

Tapping into significant revenue, cost and capex synergies

The combination of Eutelsat with OneWeb is forecast to generate substantial value:

Average annual revenue synergies are estimated at circa €150m after four years, with hybrid GEO/LEO offerings providing a premium service to customers as well as improving the fill rate.

Synergies from joining organizational forces are expected to generate annual run-rate savings of over €80m pre-tax after five years, mostly through cost duplication avoidance.

Capex optimization is expected to generate average savings estimated at circa €80m per annum, from year one. This would be achieved by leveraging the hybrid GEO/LEO satellite infrastructure and through the improved purchasing power of the combined entity.

These sources of incremental value creation represent a balanced split between revenues, costs and capex. Taken together they equate to a net present value of over €1.5bn after tax (net of implementation costs).

Value-creative pathway to robust, profitable growth

The transaction provides a platform for both entities to create value while

transforming their respective growth profiles and cash generation potential.

Combined entity would have revenues of circa €1.2bn and EBITDA of circa €0.7bn in FY22-23.

Revenues are forecast to grow at low double-digit CAGR over the next decade.

EBITDA is expected to grow at a mid-teen CAGR over the medium to long term, outpacing sales growth, with EBITDA margin levels moving gradually back in line with best-in-class GEO standards.

The capex of the combined entity is estimated in average at some €725m to €875m, per annum, over the period FY23-24 - FY29-30.

Well-funded investment programme and rapid deleveraging

Eutelsat's strong cash flow generation will provide both visibility and funding to develop OneWeb's fleet at minimal risk. Combined EBITDA – CAPEX, standing at circa -€0.2bn in FY22-23 is expected to be back in positive territory by FY24-25 - FY25-26 (depending on Gen-2 capex phasing).

Eutelsat will temporarily suspend its dividend, and cash flow will be focused on the deployment of the Gen 2 constellation while maintaining a strong balance sheet.

Leverage, which would stand at circa 4x net debt / EBITDA post transaction, is expected to be reduced on the back of strong EBITDA growth, backed by a disciplined financial policy, with an objective of leverage of circa 3x in the medium term.

Eutelsat will pay its dividend in respect of FY21-22 with a scrip option. Thereafter, the dividend will be suspended for FY22-23 and FY23-24.

Structure of the transaction

The transaction would be structured as an exchange of OneWeb shares for newly issued Eutelsat shares. This excludes the 'Special Share' in OneWeb

which is retained by the UK Government together with the existing rights associated therewith. OneWeb shareholders would receive 230million newly issued Eutelsat shares, representing 50% of Eutelsat's enlarged share capital^[7].

The number of new Eutelsat shares to be received by existing OneWeb shareholders would not be affected by the payment of the €0.93 per share dividend with a scrip option for FY 21-22 to be proposed at the upcoming AGM of Eutelsat.

Trading under its existing name, OneWeb will continue to operate the LEO business, with OneWeb's headquarters remaining in the UK.

Eutelsat will continue to be headquartered and domiciled in France, listed on Euronext Paris and would apply for admission to the standard segment of the UK Official List of the UK Financial Conduct Authority and to trading on the London Stock Exchange (subject to meeting the applicable eligibility requirements and the approval of the UK Financial Conduct Authority).

A new balanced ownership and governance

The combined entity will have a balanced ownership structure with a substantial free float alongside anchor public shareholders and supportive private investors.

The Board of Directors of the combined group would consist of 15 members including ten independent directors. Seven directors, in addition to the CEO of Eutelsat, would be proposed by Eutelsat and its key shareholders and seven directors would be proposed by OneWeb and its key shareholders (the number of directors proposed by each of key Eutelsat and OneWeb shareholders being commensurate to their shareholding in Eutelsat post transaction).

It is contemplated that, post-closing, a shareholder agreement between Eutelsat key shareholders and OneWeb key shareholders which does not qualify as a concerted action be in place. It would in substance provide for the right for each party to propose 1 director (if its shareholding is at least 7.5%) and 2 directors (if its shareholding is at least 15%), as well as a 6-month lock up period.

Dominique D’Hinnin would be proposed as Chairman of the combined entity and Sunil Bharti Mittal as Co-Chairman (Vice-Président). Eva Berneke would continue as CEO of the combined entity.

Indicative timetable and next steps

The Memorandum of Understanding has been unanimously approved by each of Eutelsat’s and OneWeb’s board of directors and the envisaged transaction is fully supported by both parties’ long-term investors, namely Bpifrance, Fonds Stratégique de Participations, Bharti, HMG, SoftBank and Hanwha. CMA CGM, a shareholder of Eutelsat, is also supporting the proposed combination. It will be submitted to the French Eutelsat Works Council information and consultation process.

The Memorandum of Understanding provides for customary exclusivity commitments by Eutelsat and key Eutelsat and OneWeb shareholders.

The transaction will be subject to clearance from relevant regulatory authorities.

The transaction will also be conditional on approval by Eutelsat’s shareholders at an Extraordinary General Meeting (EGM) of Eutelsat, to take place by end of first half 2023. Bpifrance and Fonds Stratégique de Participations have undertaken to vote in favour of the transaction-related resolutions at this EGM, subject to usual conditions.

The transaction is expected to close by the end of first half of 2023.

Advisors

Eutelsat is assisted by d’Angelin & Co., Perella Weinberg Partners and Rothschild & Co as financial advisors. Eutelsat is advised by Weil Gotshal & Manges (Paris and London) for all legal aspects of this transaction.

OneWeb is assisted by Barclays as financial advisor. OneWeb is advised by Herbert Smith Freehills LLP as its legal advisor for all aspects of this transaction.

Webcast Audio / Video

A webcast will be held on Tuesday 26th of July 2022 at 8:30am CET.

To connect to the live call, please dial:

- +33 (0)1 70 73 03 39 (from France)
- +44 (0)330 165 4012 (from the U.K)
- +1 720-452-7989 (from the United States)

Access code: 3285948#

Click [here](#) to access the webcast presentation

Replay information: available from July 26th, 12:30 to August 02, 12:30 CET by dialling:

- +33 (0) 1 70 48 00 94 (from France)
- +44 (0)20 3859 5407 (from the UK)
- +1 719-457-0820 (from the USA)

Access code: 3285948#

In addition, the Full Year 2021-22 results press release is available on <https://www.eutelsat.com/en/news/press.html#/>

[1] Representing circa 74% of the share capital of OneWeb.

[2] Other than Eutelsat.

[3] Geostationary Orbit / Low Earth Orbit.

[4] On the basis of the Eutelsat share capital as of today.

[5] Eutelsat FY 21-22's press release available at www.eutelsat.com

[6] Source : Euroconsult Satellite Connectivity and Video Market, September 2021.

[7] On the basis of the Eutelsat share capital as of today.

About Eutelsat Communications

Founded in 1977, Eutelsat Communications is one of the world's leading satellite operators. With a global fleet of satellites and associated ground infrastructure, Eutelsat enables clients across Video, Data, Government, Fixed and Mobile Broadband markets to communicate effectively to their customers, irrespective of their location. Around 7,000 television channels operated by leading media groups are broadcast by Eutelsat to one billion viewers equipped for DTH reception or connected to terrestrial networks. Committed to promoting all facets of sustainable development across its business activities, Eutelsat leverages its in-orbit resources to help bridge the digital divide while maintaining a safe and uncluttered space environment. As an attractive and socially responsible employer, Eutelsat assembles 1,200 men and women from 50 countries who are dedicated to delivering the highest quality of service.

Eutelsat Communications is listed on the Euronext Paris Stock Exchange (ticker: ETL).

For more about Eutelsat go to www.eutelsat.com

About OneWeb

OneWeb is a global communications network powered from space, headquartered in London, enabling connectivity for governments, businesses, and communities. It is implementing a constellation of Low Earth Orbit satellites with a network of global gateway stations and a range of user terminals to provide an affordable, fast, high-speed and low-latency communications service, connected to the IoT future and a pathway to 5G.

www.oneweb.net

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Communications and OneWeb.

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The forward-looking statements included herein are for illustrative purposes only and are based on management's current views and assumptions and current available information. Such forward-looking statements involve known and unknown risks. For illustrative purposes only, such risks include but are not limited to: postponement of any ground or in-orbit investments and launches including but not limited to delays of future launches of satellites; impact of financial crisis on customers and suppliers; trends in Fixed Satellite Services markets; development of Digital Terrestrial Television and High Definition television; development of satellite broadband services; Eutelsat Communications' ability to develop and market value-added services and meet market demand; the effects of competing technologies developed and expected intense competition generally in its main markets; profitability of its expansion strategy; partial or total loss of a satellite at launch or in-orbit; supply conditions of satellites and launch systems; satellite or third-party launch failures affecting launch schedules of future satellites; litigation; ability to establish and maintain strategic relationships in its major businesses; and the effect of future acquisitions and investments.

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Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Additional information

In connection with the proposed transaction, Eutelsat Communications intends to file with the AMF an information document in connection with the listing of its shares to be issued in exchange for the contribution by OneWeb key shareholders of part of the OneWeb shares. Investors are urged to carefully read all relevant documents filed with the AMF, including the information document when it becomes available, because they will contain important information about the proposed transaction. Investors may obtain free of charge a copy of the information document as well as other documents filed with the AMF (when they become available) on the AMF's website at www.amf-france.org. Those documents, when filed, may also be obtained free of charge on Eutelsat Communications' website at <https://eutelsat.com>.