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Trading update: impact of Covid-19 crisis on Eutelsat's operations and financial objectives

Paris, 9 April 2020. The Board of Directors of Eutelsat Communications (Euronext Paris: ETL) met today. The Board and management are closely monitoring the impact of Covid-19 on the company's operations and financial objectives. During this uncertain period our priorities are safeguarding the health and well-being of our employees and wider communities, working with authorities to halt the spread of Covid-19, and fully supporting our customers.

Business continuity

We have an active and capable remote working culture and we have responded quickly to ramp up our IT infrastructure to support both our employees and our operations. We have a well-rehearsed Business Continuity Plan for key workers in mission-critical posts, enabling our teleports and control centres to operate nominally and support our customers who are reliant on our services.

Impact of Covid-19 on revenues

Compared with many industries, our activity is highly resilient, characterized as it is by long-term contracts, a substantial backlog (€4.3bn as of 31 December 2019, representing 3.3 years of revenues) and the criticality of our capacity for customers. This is especially true of our core broadcast business which represents over 60% of revenues.

Overall the impact on FY 2019-20 total revenues will be limited.

Nevertheless, certain verticals or sub-verticals are feeling the effects of the current crisis, particularly since mid-March. These include:

- Occasional Use (circa 1% of Group revenues, included in the Professional Video vertical) which is impacted by the postponement or cancellation of sports and other events;
- Mobile Connectivity (6% of Group revenues) which is affected by the impact on airline and maritime traffic;
- And, to a lesser extent, Fixed Broadband (6% of Group revenues) which is experiencing a slowdown in gross adds in a context of more challenging customer gathering.

Revenues at the end of February were in line with our expectations; however, these effects will be progressively felt in the Third and Fourth quarters of the current Financial Year (2019-20), and are likely to be reflected at least into the early months of FY 2020-21, together with a more generalised slowdown in the pace of new business.

Elsewhere, the crisis is affecting the operations of other players in our supply chain, notably satellite manufacturers, launchers, and gateway installers, with the following impacts:

- The launch of EUTELSAT QUANTUM, planned for the third quarter of calendar 2020, is likely to be delayed;
- The deployment of ground gateways supporting the operations of EUTELSAT KONNECT is likely to be partially delayed.

In consequence the revenue ramp-up of these two expansion satellites will be pushed out. This will have no impact on revenues of the current fiscal year, but delays will affect our expectations for FY 2020-21.

Updated Financial outlook

In the light of the impact in the Third and Fourth Quarters, we estimate the risk to FY 2019-20 revenues resulting from the Covid-19 crisis is of the order of €20 million. In consequence we now expect revenues from the five operating verticals of around €1,250 million^[1], compared with our previous expectation of revenues in the lower end of a range of €1,270 to €1,315 million^[2]. This limited impact highlights the resilience of our overall

activities.

We continue to assess the effect of the crisis on the outer years. While this is ongoing, we are temporarily suspending our objective of Discretionary Free-Cash flow of circa €500 million^[3] in Fiscal year 2021-22, although we are confident our business will remain highly cash generative. An updated objective will be provided by the end of July.

With regard to the other elements of our financial outlook:

- Cash Capex will remain at an average not exceeding €400^[4] million per annum for the period July 2019 to June 2022;
- We will continue to implement the LEAP 2 plan, aimed at generating €20 to 25 million in annual savings by Fiscal year 2021-22;
- We maintain our objective of a sound financial structure to support our investment grade credit rating and will continue to aim at a medium-term net debt / EBITDA ratio around 3x.

As a measure of prudence and in order to preserve maximum financial flexibility during this uncertain period, we are also temporarily suspending our policy of 'a stable to progressive dividend'. The Board of Directors will recommend a dividend cut of 30% in respect of FY 2019-20 to the Annual General Shareholders' meeting in November 2020. Our policy of 'a stable to progressive dividend' will be resumed as soon as circumstances permit, based on our resilient cash-flow generation and robust financial health.

The share buyback program of at least €100 million by June 2022 was launched in March with a first tranche of €20 million by July 2020 which is well underway and will be completed in due time. The program will then be suspended until further notice.

Financial position

Eutelsat's financial profile is strong with:

- A Net Debt to EBITDA ratio of 3.2x at end-December 2019 providing substantial headroom relative to the 4.0x Debt

- covenant on non-Bond Debt;
- A well-spread refinancing schedule, with no maturities before June 2021 (€500 million Bond);
- A strong liquidity position at end December 2019 with cash of €373 million and undrawn credit lines of €798 million, of which €300 million were drawn in the course of March in order to give additional security;
- A free-cash-flow generation which will remain strong.

Rodolphe Belmer, Chief Executive Officer of Eutelsat Communications, said:
“In this unprecedented context, our focus is on the health and well-being of our employees and wider communities and on ensuring full business continuity for our customers, at a time when the demand for high quality, reliable connectivity has never been higher.

Our activity is resilient compared with many industries, in particular our core Broadcast business. However, certain verticals, notably Mobility, Professional Video and to a lesser extent Fixed Broadband are feeling the effects of the containment measures, and we are adjusting our current year revenue expectations in consequence. Pending analysis of the impact of the crisis on revenues in the outer years, we are temporarily suspending our 2022 Discretionary Free cash flow objective, and as an additional measure of prudence, we will, exceptionally, recommend a 30% cut to this years’ dividend.

Our combination of resilient heritage activities complemented by connectivity-related growth opportunities, together with our well embedded strategy of strict financial discipline, aimed at preserving a solid liquidity position and strong cash generation capacity, mean we are well placed to withstand the challenges of the current environment and to revert to our regular dividend policy as soon as circumstances permit.”

[\[1\]](#) Based on a €/ \$ rate assumption of 1.14 and current perimeter. When converted at €/ \$ rate of 1.10, this would be equivalent to €1,268 million.

[\[2\]](#) Based on a €/ \$ rate assumption of 1.14 and current perimeter.

[\[3\]](#) Based on a €/ \$ rate assumption of 1.14, excluding hedging impact and based on current perimeter.

[4] Including capital expenditure and payments under existing export credit facilities and other bank facilities financing investments as well as payments related to lease liabilities.

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. Headquartered in Paris, with offices and teleports around the globe, Eutelsat assembles 1,000 men and women from 46 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

	Media enquiries		
	Joanna Darlington	Tel.: +33 1 53 98 37 91	
	Investors		
	Joanna Darlington	Tel.: +33 1 53 98 35 30	jdarlington@eutelsat.com
	Cédric Pugni	Tel.: +33 1 53 98 35 30	cpugni@eutelsat.com
	Alexandre Enjalbert	Tel.: +33 1 53 98 35 30	aenjalbert@eutelsat.com

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