

# Half Year 2018 Results

**SES**<sup>▲</sup>  
beyond frontiers

**Six months ended 30 June 2018**

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**27 July 2018**  
**Betzdorf, Luxembourg**

# Agenda

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## **Business Highlights**

Steve Collar

President & CEO

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## **SES Video**

Ferdinand Kayser

CEO of SES Video

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## **SES Networks**

John-Paul Hemingway

CEO of SES Networks

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## **Financial Review**

Andrew Browne

CFO

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# BUSINESS HIGHLIGHTS

Steve Collar, President & CEO

# Highlights

- ▲ **Strong Half Year results**, fully in line with our expectations
- ▲ Revenue of **EUR 981.4 million**, with underlying revenue **up 1.5%**<sup>(1)</sup>
- ▲ **Double-digit underlying growth in Networks** with important new business secured across all verticals
- ▲ **Important renewals** in core video neighbourhoods, plus new deals expanding platforms in Latin America and Eastern Europe
- ▲ Delivering group of EBITDA of **EUR 621.1 million**
- ▲ Contract backlog of **EUR 7.1 billion** with over 90% of 2018 expected revenue now secured
- ▲ Good progress towards **delivering landmark ‘win-win’ outcome in U.S. C-Band**, protecting customers while freeing up spectrum for 5G



*1) Comparative figures are restated at constant FX to neutralise currency variations. Underlying revenue excludes periodic revenue and other (disclosed separately) that are not directly related to or would distort the underlying business trends*

## Completed Internal Review of Financial Outlook

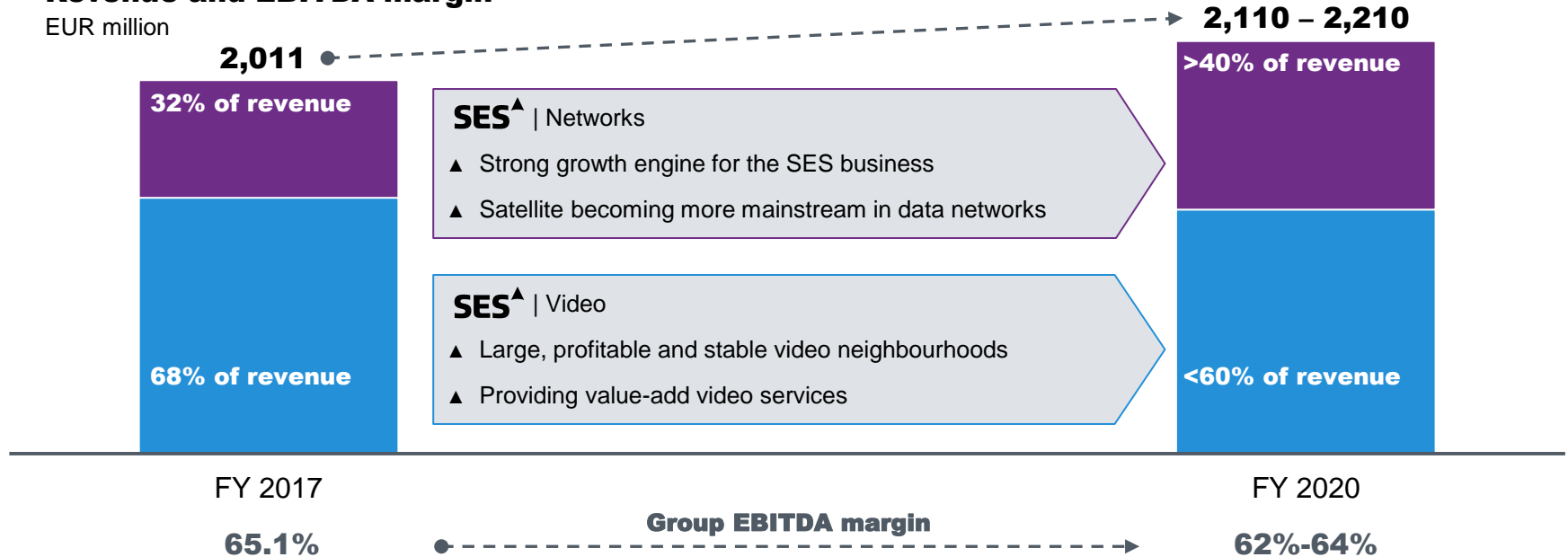
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- ▲ As committed at Q1 2018 results, completed review of the outlook
- ▲ On track to be within the top half of our 2018 revenue outlook of EUR 1,990 - 2,035 million
  - SES Video expected to deliver revenue of EUR 1,320 - 1,335 million
  - SES Networks delivering strong growth in revenue to EUR 660 - 690 million
  - Plus approximately EUR 10 million of other revenue
- ▲ On track to deliver the implied group EBITDA of over 1,270 million
  - Albeit with a modestly lower EBITDA margin (of approximately 63%)

# Growing Revenue and EBITDA Through Expansion of SES Networks

## Revenue and EBITDA margin<sup>(1)</sup>

EUR million



1) At constant EUR/USD exchange rate of 1.15; Financial outlook assumes nominal launch schedule and satellite health status. Includes Other revenue of EUR 5 million in 2017 and around EUR 10 million in 2020

## Our Strategic Priorities



### SES<sup>^</sup> | Video

- ▲ Develop and reinforce our core video neighbourhoods
- ▲ Develop differentiated global value-added services capabilities
- ▲ Build hybrid satellite and terrestrial network capabilities



### SES<sup>^</sup> | Networks

- ▲ Optimising services across our unique GEO-MEO-terrestrial infrastructure
- ▲ Enabling cloud adoption on a global scale, through partners and customers
- ▲ Changing the game on user experience over satellite-enabled services

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## SES VIDEO

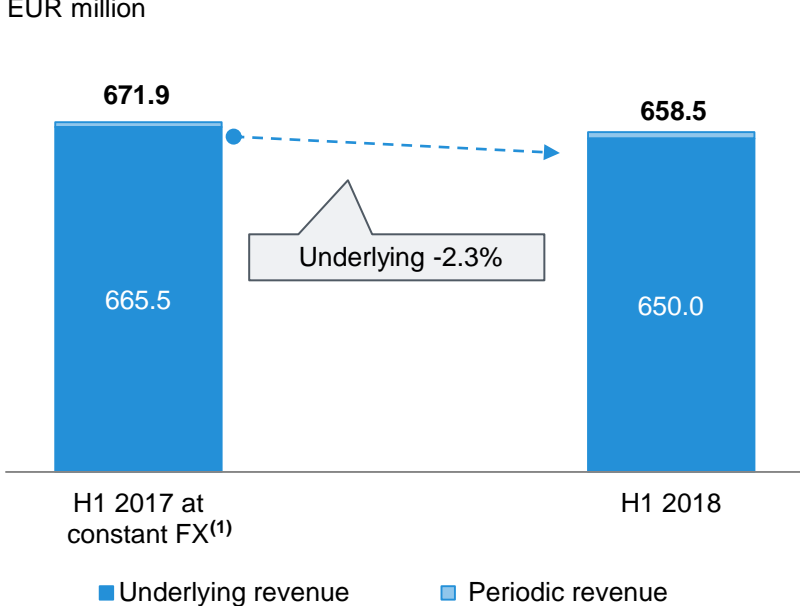
Ferdinand Kayser, CEO of SES Video



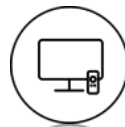
## Strong Fundamentals Underpin Resilient, Profitable Neighbourhoods

### SES Video revenue

EUR million



Nearly **95%** of 2018 expected revenue now secured (Q4 2017: over 85%)



**7,941** total TV channels; **+3%** (YOY)



**2,765** HDTV channels; **+7%** (YOY)



**38** UHD TV channels; **+90%** (YOY)

1) H1 2017: EUR 699.7 million as reported

## Supporting Clients With Quality Experience and Differentiated Services



Delivering FIFA World Cup in UHD to audiences of Canal Digitaal



**HD +** viewers enjoying Formula 1™ in UHD on RTL



IPBC used **MX1** 4K HDR ployout solution for live World Cup matches



Important contract extension to serve viewers in Germany, Austria and the U.K.



Expanding reach for high-value content in Latin America

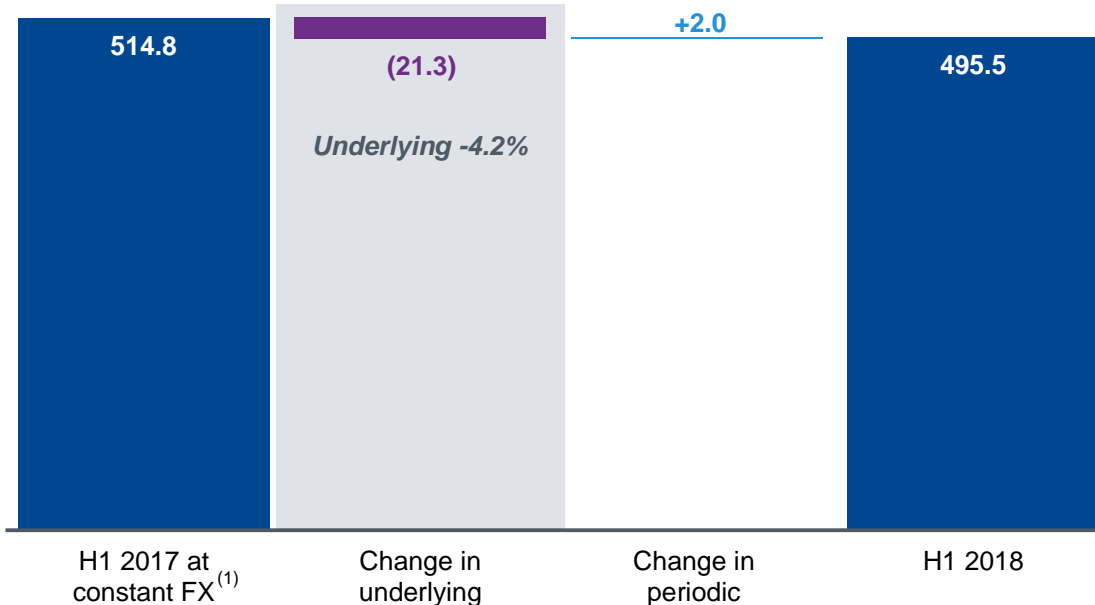


**MX1** and **VUBIQUITY** delivering mobile Video offering in South Africa

# Video Distribution – Prime European Neighbourhoods Remain Resilient

## Video Distribution revenue walk

EUR million



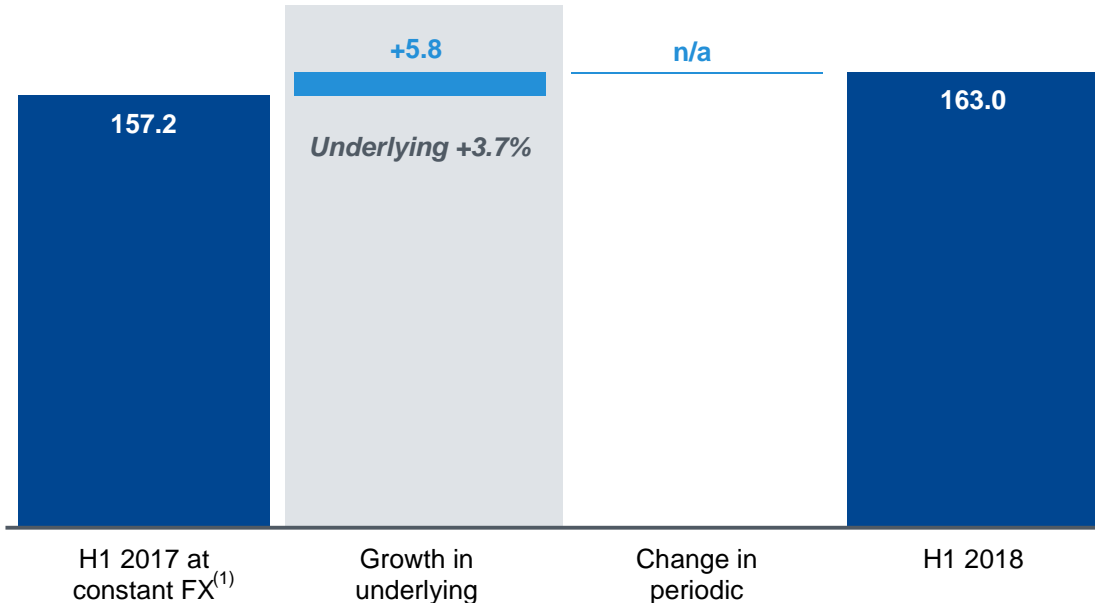
- ▲ Underlying revenue -4.2% (YOY)
  - Europe stable with long-term renewals signed at like-for-like pricing
  - North America lower due to volume reductions and fleet optimisation
  - International lower as gradual ramp-up of new capacity offset by near-term challenging market conditions
- ▲ Q2 2018 underlying revenue of EUR 242.7 million (-4.2% YOY)

1) H1 2017: EUR 537.5 million as reported

# Video Services – MX1 Stability Complementing HD+ Growth

## Video Services revenue walk

EUR million



▲ Underlying revenue +3.7% (YOY)

- Increase in HD+ annual fee (at start of Q2 2017) driving growth and supporting expansion of customer offering
- MX1 stable as new revenue (bundling capacity and services) now offsetting non-renewal of 'legacy' contracts

▲ Q2 2018 underlying revenue of EUR 85.8 million

- Including IFRS 15 transitional adjustment (EUR 10.4 million)

1) H1 2017: EUR 162.2 million as reported

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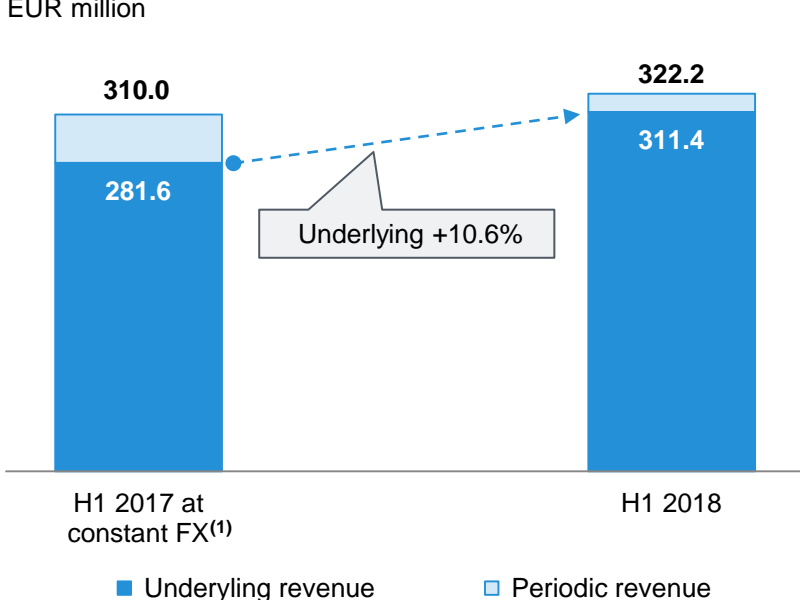
## SES NETWORKS

John-Paul Hemingway, CEO of SES Networks

## Differentiated Services Driving Double-digit Underlying Growth

### SES Networks revenue

EUR million



Over **90%** of 2018 expected revenue now secured (Q4 2017: over 75%)



**4 launches** successfully executed in H1 completing 2018 schedule



High double-digit growth in **government** and **mobility**



Expanding **telco and MNO** networks by providing managed services

1) H1 2017: EUR 343.5 million as reported

# SES | Networks

## Continuing to Build Commercial Momentum



Cellular backhaul services to leading mobile network operators in Pakistan



Expanding low-latency connectivity solutions to oil rigs



Providing the industry's most-advanced connectivity solution to mega-ships



Blanket Purchase Agreement with U.S. DoD for O3b services



Burkina Faso

Expanding use of MEO managed services for hospitals, schools and government offices

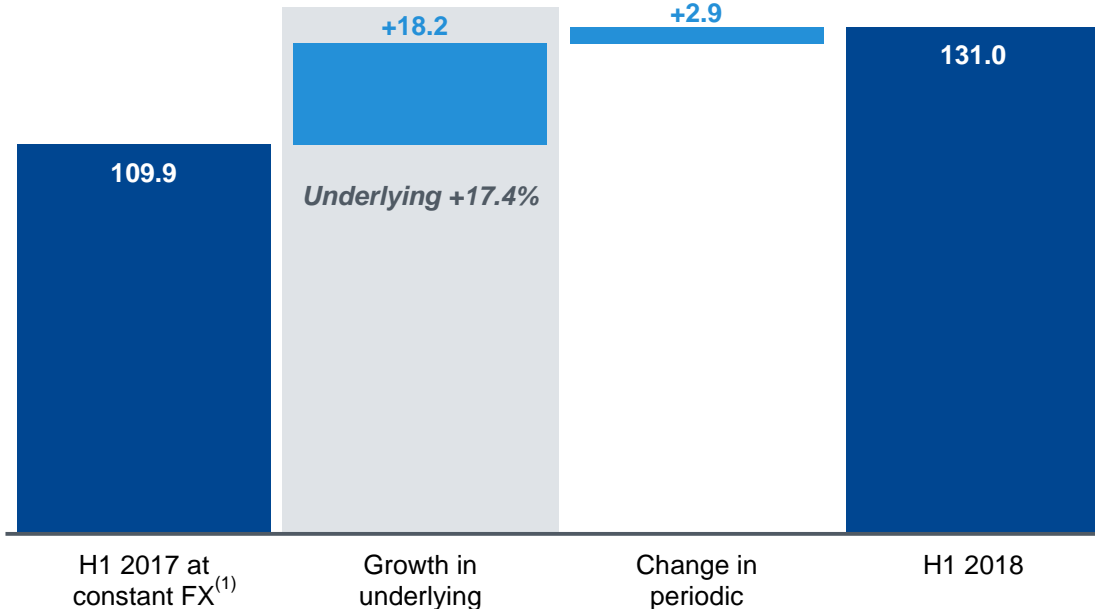


Leading consortium to develop satellite-based cybersecurity

## Government – U.S. and Global Government Gaining Momentum

### Government revenue walk

EUR million



▲ Underlying revenue +17.4% (YOY)

- Significant incremental adoption of MEO by U.S. DoD driving growth
- Strong growth in Global Government, notably in Europe and Africa
- SES-16/GovSat-1 in operation since the end of March 2018

▲ Q2 2018 underlying revenue of EUR 63.8 million (+21.7%)

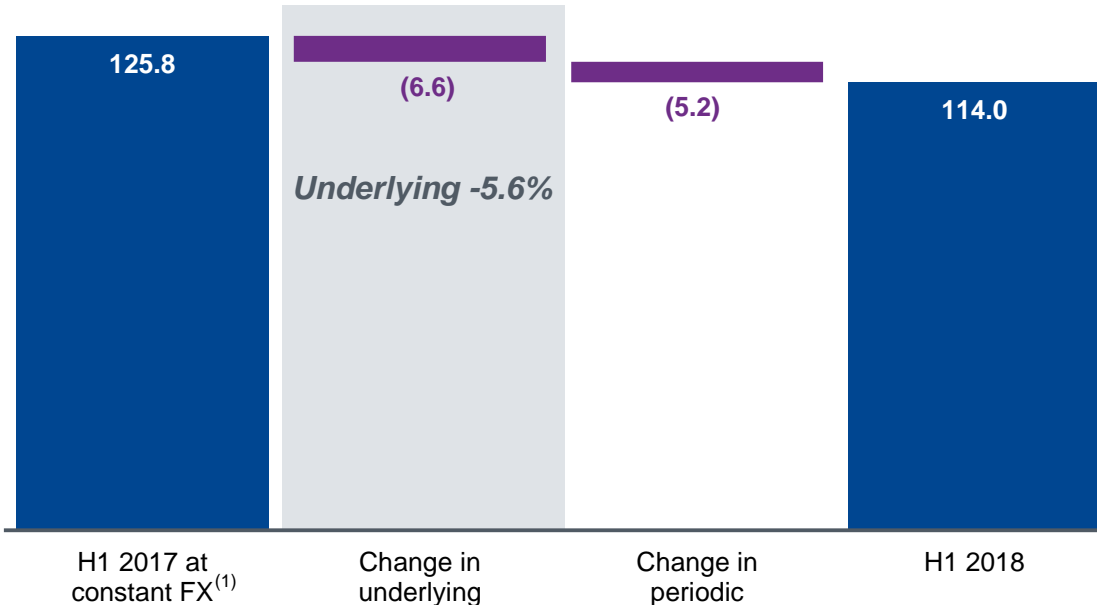
1) H1 2017: EUR 120.1 million as reported



# Fixed Data – Telcos and MNOs Expanding Managed Services

## Fixed Data revenue walk

EUR million



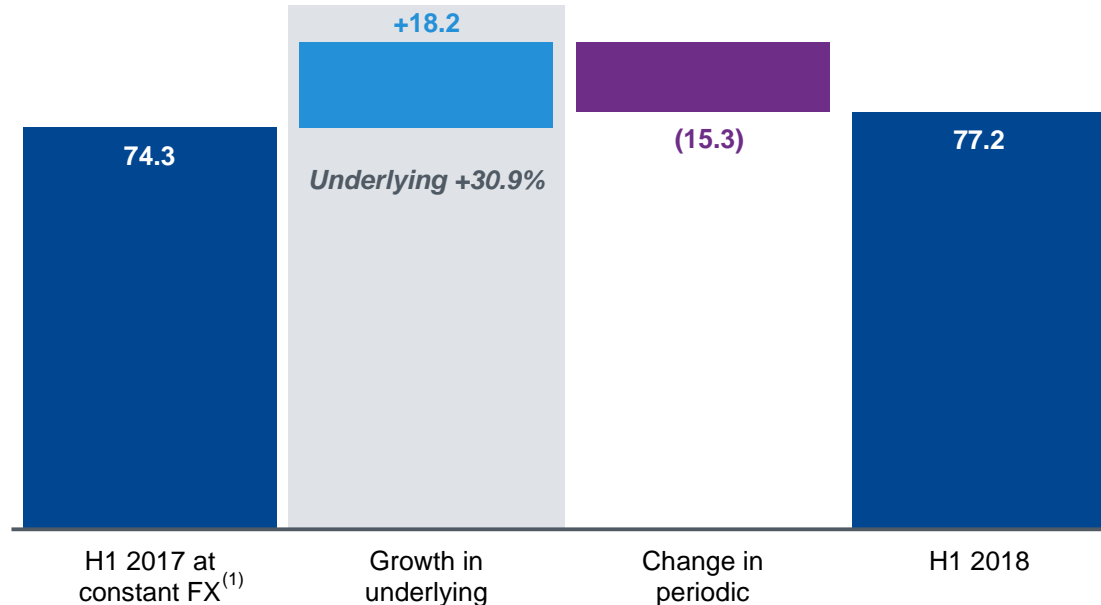
- ▲ Underlying revenue -5.6% (YOY)
  - Lower wholesale capacity revenue, notably in EMEA
- ▲ Growing managed services with Telcos and MNOs, notably in Latin America and Asia-Pacific
- ▲ Q2 2018 underlying revenue of EUR 54.8 million (-5.3%)

1) H1 2017: EUR 139.6 million as reported

# Mobility – Strong Underlying Growth in Aero with Progress in Maritime

## Mobility revenue walk

EUR million



- ▲ Comparison with 2017 affected by periodic revenue in H1 2017 from sale of transponders to GEE
- ▲ Underlying revenue +30.9% (YOY)
  - Strong growth in Aeronautical, with benefit of SES-15 contribution
  - Good progress in cruise during H1 2018
- ▲ Q2 2018 underlying revenue of EUR 39.8 million (+31.3%)

1) H1 2017: EUR 83.8 million as reported

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# FINANCIAL REVIEW

Andrew Browne, CFO

## Financial Overview (1/2)

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- ▲ **Revenue of EUR 981.4 million** including 1.5% growth in underlying revenue compared with H1 2017
  - Total revenue down 6.4% as reported and down 0.5% at constant FX reflecting higher periodic and other revenue in H1 2017
  - IFRS 15 implementation now expected to have no impact as the standard makes an allowance for a transitional adjustment, therefore EUR 10.4 million has been recorded as revenue in H1 2018
  - 2018 outlook is restated accordingly, adding back EUR 15-20 million
- ▲ **EBITDA of EUR 621.1 million** (-9.6% as reported and -4.4% at constant FX)
  - EBITDA margin of 63.3% (H1 2017: 65.5%) or 64.1% excluding EUR 8.4 million restructuring charge related to optimisation programme
- ▲ **Operating profit of EUR 277.7 million** (H1 2017: EUR 306.0 million) represents a margin of 28.3%, compared with 29.2% in H1 2017
- ▲ **Net profit attributable to SES shareholders of EUR 227.7 million** (H1 2017: EUR 275.5 million)
- ▲ **Free cash flow before financing of EUR 438.7 million** increased by 16.9% compared with H1 2018
- ▲ **CapEx outlook remains unchanged**

## Financial Overview (2/2)

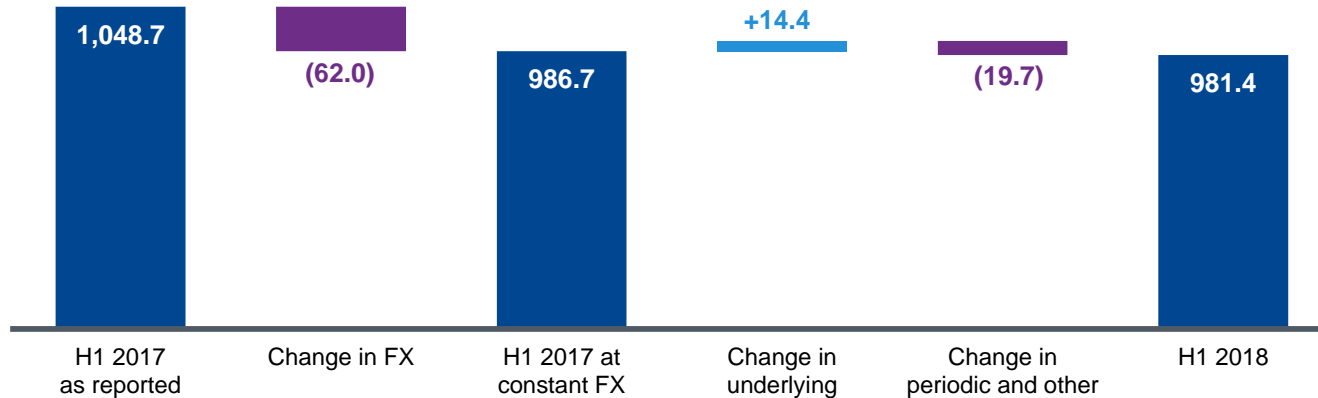
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- ▲ **Net debt to EBITDA of 3.53x** (H1 2017: 3.24x) is expected to be below 3.30x at end-2018
  - H1 2018 ratio reflects effect of higher proportion of CapEx, interest and dividend payments in H1 2018 on lower 12-month rolling EBITDA
- ▲ **Reaffirming revenue and EBITDA outlook for 2018** with revenue expected within the top half of the range and supporting the previously implied EBITDA of over EUR 1,270 million, albeit at modestly lower EBITDA margin
- ▲ **Reaffirming 2020 revenue outlook for SES Networks** with a more prudent forecast for SES Video
- ▲ **Updated 2020 EBITDA margin better reflects business mix** going forward, with growing contribution of Networks and lower expectation for Video

## Positive Underlying Revenue Growth

### Revenue walk

EUR million

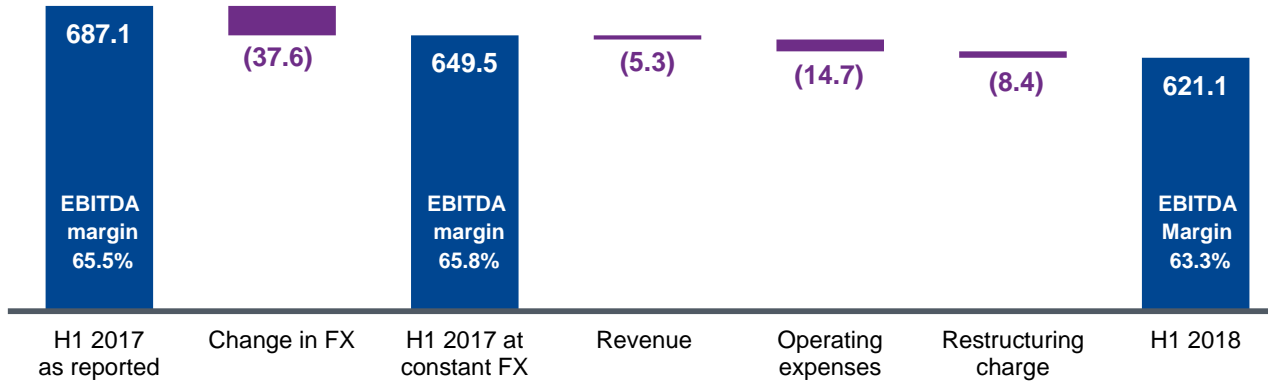


- ▲ Underlying revenue up EUR 14.4 million (or 1.5%) at constant FX compared H1 2017
- ▲ Total revenue lower due to change in FX, as well as higher periodic and other revenue

# EBITDA Development Reflecting Expansion of SES Networks

## EBITDA walk

EUR million



- ▲ SES Networks underlying increasing from 29.7% of total revenue in H1 2017 to 31.7% in H1 2018
- ▲ Additional recurring OpEx (EUR 14.7 million) mainly due to investment to support expansion in SES Networks
- ▲ EBITDA margin of 64.1% excluding restructuring charge of EUR 8.4 million

## Net Profit of EUR 227.7 million (H1 2017: EUR 275.5 million)

EUR million	H1 2018	H1 2017	
<b>EBITDA</b>	<b>621.1</b>	<b>687.1</b>	
Depreciation, impairment and amortisation expense	(343.4)	(381.1)	EUR 12.1 million lower (constant FX) than H1 2017 which included EUR 38.4 million impairment charge for AMC-9
<b>Operating profit</b>	<b>277.7</b>	<b>306.0</b>	
- <b>Operating profit margin</b>	<b>28.3%</b>	<b>29.2%</b>	
Net financing costs	(75.2)	(68.6)	Lower net interest expense more than offset by lower capitalised interest and lower FX gain
Income tax benefit/(expense)	40.9	40.1	Recognition of deferred tax asset for SES-16/GovSat-1 (Q1 2018), and transfer of O3b Jersey business to Luxembourg (Q2 2018)
- <i>Effective tax rate (normalised)<sup>(1)</sup></i>	<i>27.3%</i>	<i>13.1%</i>	
Non-controlling interests	(15.7)	(2.0)	Corresponding impact on non-controlling interests line as SES-16/GovSat-1 owned by GovSat (a 50/50 public private partnership between SES and Luxembourg Government)
<b>Net profit attributable to SES shareholders</b>	<b>227.7</b>	<b>275.5</b>	

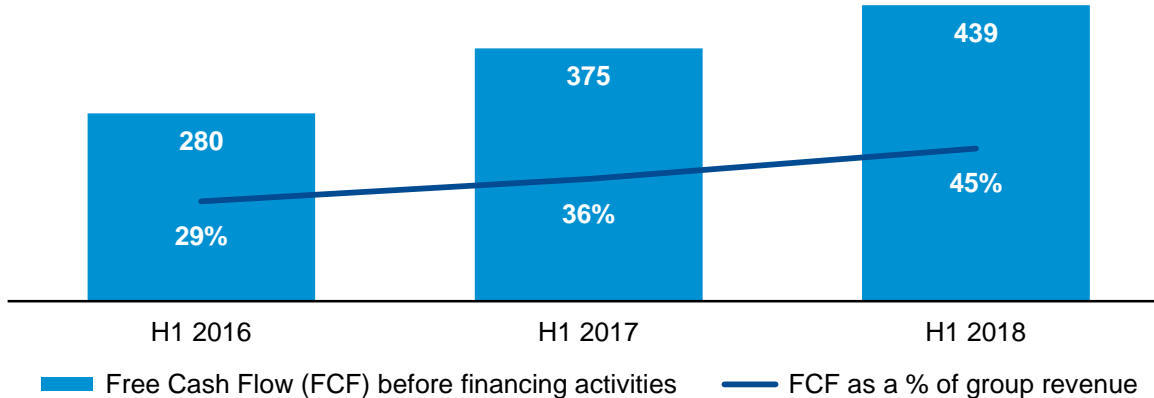
1) Excluding non-recurring tax items



## Free Cash Flow Before Financing Activities up 16.9%

### Free cash flow (FCF) before financing activities

EUR million

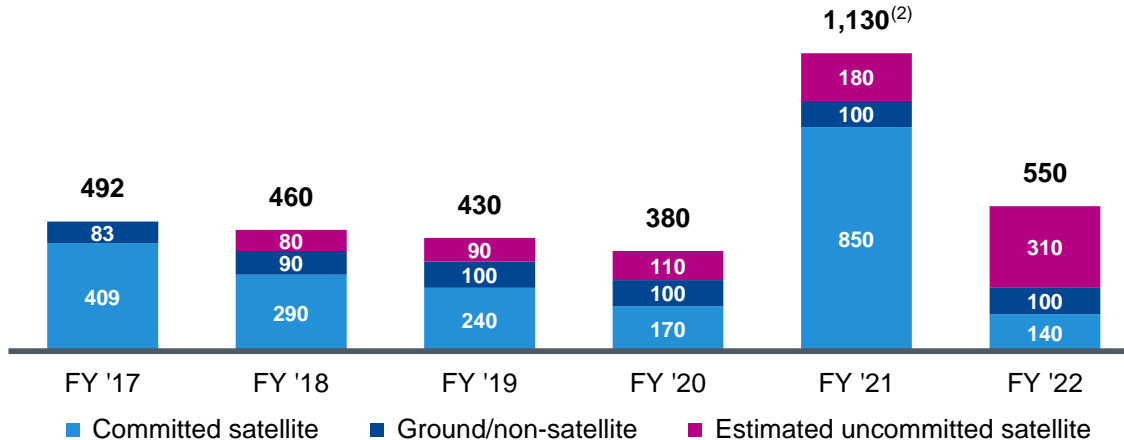


- ▲ Increase in net operating cash flow of 8.3% and lower investing activities leading to improvement in FCF before financing
- ▲ FCF before financing representing 45% of revenue; up from 36% in H1 2017 and 29% in H1 2016

# Investing in Future Growth; CapEx Remains Unchanged

## GEO-MEO Capital Expenditure (growth and replacement)<sup>(1)</sup>

EUR million



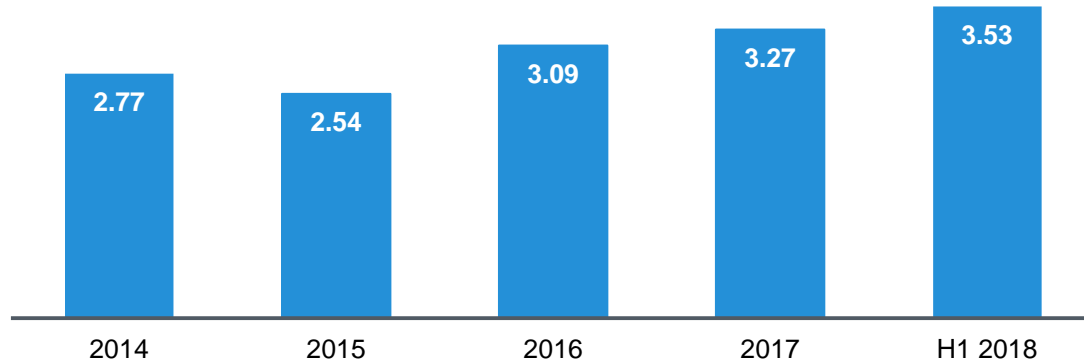
1) Cash CapEx including payload, launcher, capitalised interest and excluding financial or intangible investments (based on EUR/USD FX rate of 1.15 as of FY '18). CapEx includes capitalised interest as follows: 2017: EUR 47 million, 2018: EUR 35 million, 2019: EUR 15 million, 2020: EUR 20 million, 2021: EUR 50 million and 2022: EUR 25 million

2) Includes O3b mPOWER, for which SES has the right to acquire the satellites directly at the end of the construction period (shown above as base case assumption), or enter into a leasing agreement that would result in a deferred payment plan, or to direct the sale of these assets to a third party

# First Half 2018 Leverage Development

## Net debt to EBITDA

Times<sup>(1)</sup>



- ▲ Net debt to EBITDA increase reflects lower 12-month rolling EBITDA and higher proportion of CapEx, interest and dividend payment in H1 2018; net debt to EBITDA expected to be below 3.30 times by year end 2018
- ▲ Weighted average interest cost improved from 3.79% (FY 2017) to 3.56% at H1 2018

1) Based on rating agency methodology (treats hybrid bonds as 50% debt and 50% equity)

# Financial Outlook

	FY 2018 <sup>(1)</sup>	FY 2020
SES Video revenue	EUR 1,320 - 1,335 million <sup>(1)</sup>	EUR 1,250 - 1,300 million <i>(from over EUR 1,350 million)</i>
SES Networks revenue	EUR 660 - 690 million	EUR 850 - 900 million <i>(from over EUR 875 million)</i>
Other revenue	Approximately EUR 10 million	Approximately EUR 10 million
Group revenue	EUR 1,990 - 2,035 million <i>(within top half of range)</i>	EUR 2,110 - 2,210 million <i>(from over EUR 2,235 million)</i>
EBITDA margin	Approximately 63% <i>(from 64%-64.5%)</i>	62% - 64% <i>(from over 65%)</i>
Implied Group EBITDA	Over EUR 1,270 million <sup>(2)</sup>	EUR 1,340 - 1,410 million <i>(from over EUR 1,450 million)</i>

- ▲ 2018 revenue expected to be within the top half of the range; supporting previously implied group EBITDA, albeit with modestly lower margin
- ▲ SES Networks revenue outlook for 2020 reaffirmed with a more prudent forecast for SES Video
- ▲ Updated 2020 EBITDA margin better reflects business mix going forward with growing Networks contribution and lower expectation for Video

*Financial outlook assumes EUR/USD exchange rate of 1.15, nominal launch schedule and satellite health status*

*1) FY 2018 financial outlook has been restated to reflect the group's updated expectation that there will be no impact from the changes to IFRS 15 on SES Video revenue, as compared with the previous outlook of a reduction of EUR 15 - 20 million*

*2) FY 2018 implied Group EBITDA is calculated based on total revenue of EUR 2,010 million (being the mid-point of the range), or above, and the updated EBITDA margin of around 63%. Previously implied Group EBITDA was calculated based on total restated revenue of EUR 1,990 million (being the low end of the range) and an EBITDA margin of 64%*

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**Richard Whiteing**  
Investor Relations

[richard.whiteing@ses.com](mailto:richard.whiteing@ses.com)

T +352 710 725 261

M +352 691 898 956



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