

Eutelsat Strategy Update on the proposed combination with OneWeb

- *Two highly complementary partners to create the first combined GEO/LEO infrastructure*
- *Addressing a fast-growing global Satellite Connectivity market from a leading competitive position, capitalizing on proven technologies already serving customers*
- *Robust financial framework from day one, set to deliver double-digit revenue and EBITDA CAGR over the medium to long-term, and generate over €1.5bn in incremental synergies¹*

London, 12 October 2022 – Eutelsat Communications (Euronext Paris: ETL) today host a Strategic Update on the proposed combination with OneWeb, announced in July 2022.

Eutelsat and key OneWeb shareholders signed a Memorandum of Understanding in July 2022, with a view to combining Eutelsat and OneWeb in an all-share transaction, whereby Eutelsat and OneWeb shareholders will each hold 50% of the Eutelsat shares². The proposed combination represents a transformational transaction aimed at creating a global leader particularly well positioned to capture the fast-growing Satellite Connectivity market by offering the first global combined GEO/LEO infrastructure.

The combination represents the logical next step in Eutelsat and OneWeb's growing cooperation since Eutelsat's initial investment in OneWeb in April 2021, which paved the way for major commercial distribution partnerships and multiple joint technical initiatives, including common workstreams to shape the next generation systems for hybrid GEO/LEO infrastructure. Following completion of the combination, Eutelsat and OneWeb will begin working together on the design of OneWeb's future Gen 2 constellation.

In this context, both Eutelsat and OneWeb are convinced that the time is right to take their partnership to the next level via the proposed combination, which will:

- accelerate the commercialisation of OneWeb's fleet as it enters the final stages of its global deployment;

¹ NPV of total synergies after tax and net of implementation costs

² On the basis of the Eutelsat share capital as of 26 July 2022

- jointly address customer needs, initially through bundled services for some customers, from day one, while working together on the optimal combined solutions to address and expand future use-cases;
- capture opex savings upstream and maximise operating efficiencies at an early stage, and;
- maximise capex savings through the early, joint design of OneWeb Gen 2 as part of a combined GEO/LEO infrastructure, delivering significant savings compared to any potential LEO new entrant.

Eva Berneke, CEO of Eutelsat, and Neil Masterson, CEO of OneWeb, said: *“The proposed combination between Eutelsat and OneWeb represents a decisive leap forward for Satellite Connectivity. Eutelsat’s initial investment in OneWeb was underpinned by a strong belief that the future growth in Connectivity will be driven by both GEO and LEO capacity. This belief has intensified as Eutelsat and OneWeb’s relationship has deepened, and we are confident that moving to the next level, with a full combination, will ensure the potential of the GEO/LEO integration is fully realized, underpinned by compelling financial, strategic, and industrial logic. This ground-breaking 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”.*

Addressing a significant c. \$16bn market opportunity

The Satellite Connectivity market is poised for a period of significant growth, with barriers to adoption relating to bandwidth, latency, pricing, and terminals all reducing, thereby driving market expansion at an unprecedented rate. Between now and 2030 the Satellite Connectivity market is expected to more than triple in value from \$4.3bn to c.\$16bn.

The contribution from NGS0³ is expected to grow c.2.5x faster than the overall market to represent almost 50% of the market by 2030, mostly captured by LEO constellations. Demand growth will be spread across four key verticals: Fixed Data, Government Services, Mobility and Consumer Broadband, all of which can be most optimally addressed by a GEO/LEO combination.

Moreover, growth is expected to remain robust beyond 2030, driven by the continuing expansion of existing applications, and technology-driven new use cases.

³ Non-Geostationary-Satellite Orbit



In this context, the global LEO constellation of OneWeb represents a uniquely compelling asset in optimising Eutelsat's competitive position to address this significant market opportunity.

OneWeb: A unique NGSO asset

OneWeb is currently one of the only two global LEO broadband constellations in service, with secured priority spectrum rights, and already reaping the benefits of its early-mover advantage. Its Gen 1 fleet has already been fully funded and successfully began its entry into service.

With almost two-thirds of its launches completed, OneWeb's Gen 1 constellation is already generating revenues above the 50-degrees North latitude and requires only a further two launches to extend its coverage to 25-degrees North, well on track for full global entry into service expected by end-2023. The constellation is delivering a high-quality customer experience, with average global one-way latency of 70ms, download speeds of up to 195Mbps, user terminals adapted for each market and a suite of fully managed connectivity services.

OneWeb already has over \$600m⁴ in total contracted revenues, and a risk-weighted pipeline of up to \$1.9bn spread across its four key verticals of Enterprise, Government, Aviation and Maritime, underpinned by distribution partnerships with major players in each segment and over 150 customer trials underway. On a standalone basis, OneWeb's revenues are expected to reach €50m in FY 2023, €150 – 250m in FY 2024, €300 - 500m in FY 2025, and to exceed €600m in FY 2027⁵.

GEO/LEO combination paving the way for significant cost advantage and new revenue opportunities

As a combined entity, OneWeb and Eutelsat will work together on the conception of OneWeb's Gen 2 constellation, due to enter service by early 2028. As a follow-on constellation to Gen 1, Gen 2 will benefit from the re-use of existing ground infrastructure, the know-how developed with Gen 1, and already secured priority filings, while also being designed as part of a broader GEO/LEO structure rather than a standalone entity. The cost of Gen 2 will therefore be considerably lower than that of building a constellation from scratch.

The combination of OneWeb's LEO constellation with Eutelsat's GEO fleet will create a leading infrastructure which will provide best-in-class solutions across a wide range of applications, while

⁴ Including \$275m related to commercial partnerships with Eutelsat

⁵ All figures in €m at June year-end figures with €/€ parity

gradually paving the way for new revenue opportunities. Eutelsat and OneWeb have a clear roadmap for the integration of their respective in-orbit and on-ground assets, culminating in a fully integrated GEO/LEO network with the entry into service of OneWeb's Gen 2 by early 2028.

Implemented in several stages, it will start by building on the distribution agreements already in place to accelerate up-selling and cross-selling opportunities and offer GEO/LEO packages through a one-stop-shop addressing a range of customer requirements. It will then gradually converge towards a full mutualization of networks enabling an integrated offer with automated routing and a single terminal, for a completely seamless, high-performance experience for customers in the key verticals of Mobility, Government, Enterprise and Consumer Broadband.

A combination delivering significant synergies

The proposed combination of Eutelsat and OneWeb will generate substantial value, tapping into significant revenue, cost, and capex synergies:

- **Average annual revenue synergies of c. €150m by year 4**, thanks to the acceleration of OneWeb's commercial ramp-up, the speeding-up of time-to-market for OneWeb products with combined GEO/LEO bundle offers and a one-stop-shop experience for customers, and the development of new integrated offers, with single hybrid terminals, a flexible service catalogue and a seamless unified customer experience, unique in the industry.
- **Annual run-rate pre-tax cost synergies over €80m by year 5**, thanks to Opex optimization coming mostly from avoidance of cost ramp up and cost duplication between the two entities. Synergies will include personnel as well as non-personnel costs, although no layoffs are required to achieve the target.
- **Average annual capex synergies of c.€80m from year 1**, through:
 - The rightsizing of OneWeb's Gen 2 constellation by leveraging the hybrid GEO/LEO satellite infrastructure compared to a standalone plan, with a hybrid infrastructure requiring fewer and/or smaller satellites.
 - The rationalization of Eutelsat's long-term GEO fleet by focusing on Video hotspots and ad-hoc complements to LEO capacity with the traffic from legacy GEO connectivity assets migrated to LEO.
 - On-ground rationalization, with the mutualization of ground infrastructure (operation centers, teleports, baseband, fibers), the convergence of IT systems, and synergies on infrastructure development costs.
 - Scale impact, with greater purchasing efficiency linked to larger procurement volumes of both satellite manufacturing and launch services.



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.

Paving the way for double digit, profitable growth

The proposed transaction provides a platform for both entities to create value while transforming their respective growth profiles and cash generation potential.

The combined entity is expected to have revenues of circa c. €1.2bn for FY 2023. From this base, revenues are expected to grow at a double-digit revenue CAGR over the medium to long-term, reaching €1.35-1.45bn in FY 2024, €1.55-1.75bn in FY 2025, and c. €2.0bn in FY 2027. EBITDA for the combined entity is expected to grow at a double digit CAGR over the same period, outpacing revenues growth, rising from c. €700m in FY 2023⁶ to a range of €750m to €850m in FY 2024, €900m to €1.1bn in FY 2025, and c. €1.4bn in FY 2027.

Disciplined financial policy focused on growth and deleveraging

Including synergies, the capex of the combined group (after synergies) is estimated at €725m to €875m per annum on average, over the period FY 2024 to FY 2030, with a front-end loaded profile. Beyond 2030, Capex is expected to decrease significantly, as the upgrade, replacement and maintenance of the fleet will be gradual rather than generational.

Eutelsat's strong cash flow generation will provide both visibility and funding to develop OneWeb's fleet at minimal risk. Combined EBITDA-Capex is expected to return in positive territory by FY 2025 or FY 2026, depending on the capex phasing of Gen 2.

Eutelsat will suspend its dividend for the coming three fiscal years with cash flow focused on the deployment of the Gen 2 constellation while maintaining a strong balance sheet.

Leverage, which would stand at c. 4x net debt / EBITDA pro forma end of June 2023⁵, is expected to be reduced on the back of strong EBITDA growth, backed by a disciplined financial policy, with an objective of leverage of c. 3x in the medium term.

Webcast Audio / Video

A webcast will be held on Wednesday 12th of October 2022 at 10:00am BST.

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

The presentation will also be available on the website of the company.

⁶ OneWeb FY23 EBITDA contribution based on annualization of Q4 23 estimated EBITDA

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.

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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-bandwidth and low-latency communications service, connected to the IoT future and a pathway to 5G for everyone, everywhere. Find out more at <https://www.oneweb.net>



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The financial information relating to OneWeb relating to pipeline and contracted revenues is provided on an unaudited basis and based on OneWeb management's reasonable assumptions and adjustments. Such financial information is presented as at the date of this communication and does not purport to represent what OneWeb 's financial results will be on an audited basis or in any future periods.

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There can be no assurance that the proposed combination between Eutelsat Communications and OneWeb will be consummated or that the anticipated benefits will be realised. In particular, the proposed combination is subject to various regulatory approvals and the fulfilment of certain conditions, including the approval by the general meeting of shareholders Eutelsat Communications of the contribution of OneWeb ordinary shares to Eutelsat Communications, in consideration for newly issued shares of Eutelsat Communications. There can be no assurance that any such approvals will be obtained and/or such conditions will be met.

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In connection with the proposed transaction, Eutelsat Communications intends to file with the AMF and publish an information document in connection with the listing of its shares to be issued in exchange for the contribution by OneWeb shareholders of part of the OneWeb shares. Investors are urged to carefully read all relevant documents published in connection with the proposed combination, 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 Eutelsat Communications’ website (at <https://eutelsat.com>) and, where relevant, on the AMF’s website at www.amf-france.org.