

# FULL YEAR 2018 RESULTS

## YEAR ENDED 31 DECEMBER 2018

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27 FEBRUARY 2019 (BETZDORF, LUXEMBOURG)



# Agenda

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## **Business Highlights and Outlook**

Steve Collar  
President & CEO

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## **Video**

Ferdinand Kayser  
CEO of SES Video

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## **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

# Focus on Execution Delivers Strong Performance

## Strong Business Performance Delivered in 2018

- ▲ Revenue of EUR 2,010.3 million. **Underlying revenue up 1.9%**<sup>(1)</sup> (YOY)
- ▲ **Breakout year for SES Networks** (+15.8% YOY); growth in all 3 verticals

## Strong Focus on Cash, Efficiency and Leverage

- ▲ **Free cash flow** before financing **up 14.4%** to EUR 870.5 million
- ▲ Net debt to EBITDA 3.29x supporting **commitment to investment grade**

## Significant progress with our market-based C-band initiative

- ▲ C-Band Alliance formed & executing. **Leading solution for early 5G in U.S**

## Organisation transformation of SES is accelerating

- ▲ Flattening Organisation. Common Technology Leadership. Single Global Services Team. Bringing together Video Infrastructure and Services in 2019



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

## Delivered on 2018 Financial Outlook

EUR million	2018 Actual	2018 Outlook	
Group revenue (as reported)	<b>2,010.3</b>	<b>1,958 - 2,002</b>	
- At EUR/USD FX rate of EUR 1 = USD 1.15	2,045	1,990 - 2,035	
Video (as reported)	<b>1,306.3</b>	<b>1,303 - 1,318</b>	
- At EUR/USD FX rate of EUR 1 = USD 1.15	1,324	1,320 - 1,335	
Networks (as reported)	<b>695.7</b>	<b>645 - 674</b>	
- At EUR/USD FX rate of EUR 1 = USD 1.15	713	660 - 690	
Group EBITDA (as reported)	<b>1,255.5</b>	<b>Over 1,252</b>	
- At EUR/USD FX rate of EUR 1 = USD 1.15	1,276	Over 1,270	
Net debt / EBITDA	<b>3.29x</b>	<b>Below 3.3x</b>	

**Guidance delivered or exceeded across Video, Networks and Total Revenue, EBITDA, Leverage and Cash Flow**

# Leading the Transformation in a Rapidly Evolving Market

## Video | Industry Trends

- ▲ Broadcasters/platform operators facing accelerated disruption
- ▲ Number of linear TV channels reducing in mature markets
- ▲ Increased competition for new platforms in international markets
- ▲ Satellite remains essential for mass market/premium content

## SES | Video

- ▲ Strongest DTH neighbourhoods in mature markets
- ▲ Expanding platforms in Asia, Latin America and Eastern Europe
- ▲ Trusted partner to world's leading broadcasters/content owners
- ▲ Increasing customers' reach with OTT distribution capabilities

**... Delivering customer success in core markets**

## Networks | Industry Trends

- ▲ Demand for connectivity growing exponentially around the globe
- ▲ Cloud and mobile applications expanding across all verticals
- ▲ Economics of traditional satellite assets challenged
- ▲ Scale and Performance of traditional satellite assets limits relevance

## SES | Networks

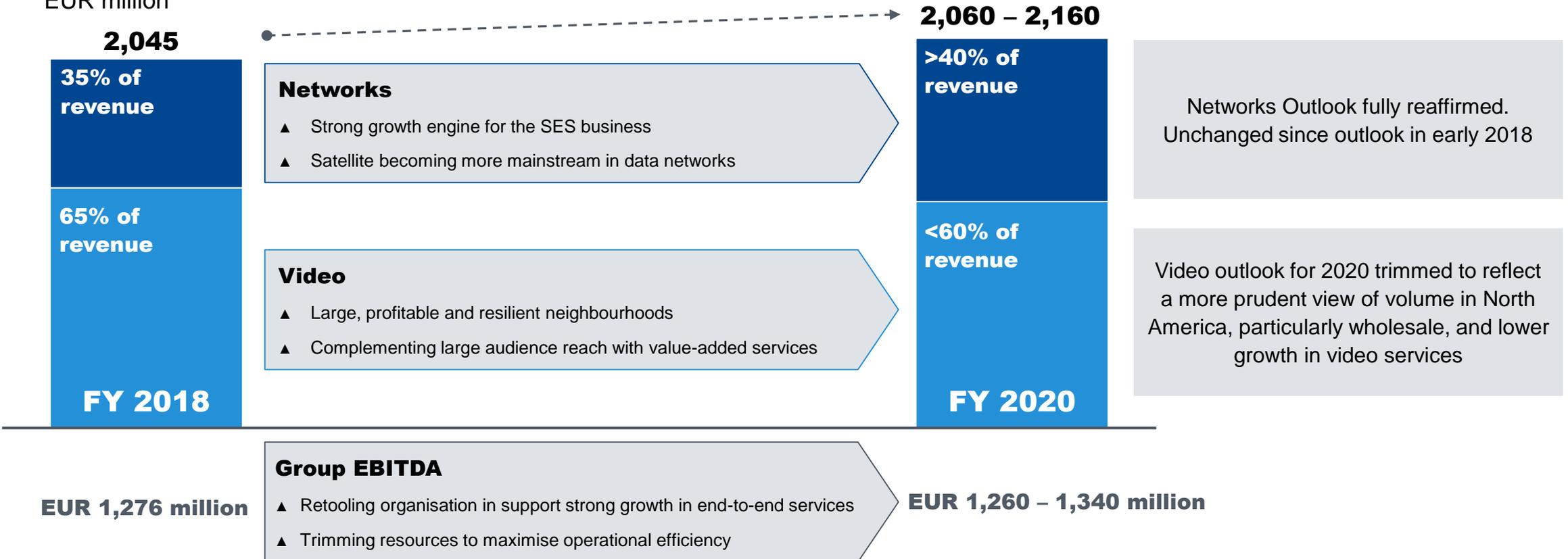
- ▲ Unique high-throughput, low-latency solutions on a global scale
- ▲ Long-term partnerships with major government/commercial clients
- ▲ Seamless integration of satellite into Telco/Cloud ecosystem
- ▲ Segment specific solutions optimising end customer experience

**... Transforming delivery of data networks over satellite**

# Our Evolving Business - Balanced Portfolio of Stability and Growth

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

EUR million



1) Financial outlook assumes EUR/USD FX rate of EUR 1 = USD 1.15, nominal launch schedule and satellite health status. Group revenue includes 'other' revenue of EUR 8 million in 2018 and approximately EUR 10 million in 2020

# Building the Future with O3b mPOWER



**Dramatically scales the industry's only commercially and operationally proven NGSO**



**Unprecedented flexibility to create differentiated user experiences and commercial models**



**Seamless, intelligent integration with existing terrestrial, MEO and GEO satellite networks**



**Reach and performance to open cloud, IoT, AI and mobile data markets everywhere**

# Significant Progress in C-Band Framework for U.S. 5G

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**Clear economic and strategic benefit of extensive and rapid 5G deployment and innovation across U.S.**

**C-Band Alliance formed (SES, Intelsat, Eutelsat, Telesat) to repurpose C-Band while protecting customers**

**Leading proposal in FCC Proceeding. No serious alternative put forward**

**Win-win, market-based solution for those aligned to rapid deployment of 5G in the U.S.**

**Technically validated plan that protects 100 million households. Ready to implement on Report & Order**

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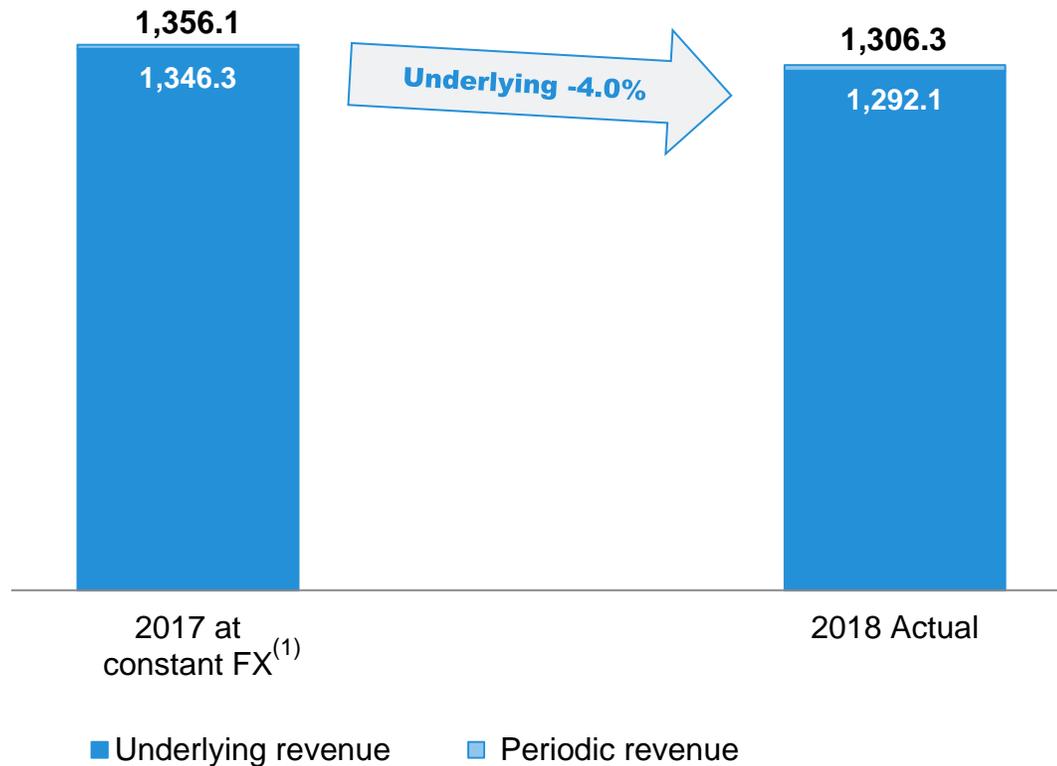
## SES VIDEO

Ferdinand Kayser, CEO of SES Video

# Delivering in Line with Expectations

## SES Video revenue

EUR million



- ▲ Delivering value in our core neighbourhoods via higher quality
  - +2% (YOY) growth in Europe and North America HD TV channels
- ▲ Expanding DTH platforms across emerging markets
  - +13% (YOY) growth in TV channels in International
- ▲ Complementing our technical reach with value-added services
  - MX1 360 solution gaining traction with linear and non-linear clients
- ▲ Significant income longevity and visibility
  - EUR 4.5 billion contract backlog; 90% of 2019 outlook secured

<sup>1)</sup> 2017: EUR 1,383.0 million as reported (including periodic revenue)

# Delivered Important Successes for Our Customers in 2018

## ACCESSING VAST AUDIENCE REACH

Important long-term renewals signed across our core video neighbourhoods, relying on highest quality TV distribution

## DELIVERING CONTENT TO NEW AUDIENCES

Direct-to-Home platform established and then expanded providing a broad range of premium content to the Caribbean

## CAPTIVATING AUDIENCES

Delivering new bouquet of high quality content to consumers across Serbia, Croatia, Bosnia, Slovenia and Montenegro

## BEYOND HIGH DEFINITION

MX1's playout solutions enabled sports fans to enjoy this year's FIFA World Cup in the highest quality

## BEYOND BREAKING NEWS

MX1 360 delivering live content everywhere for Agence-France Presse as it happens

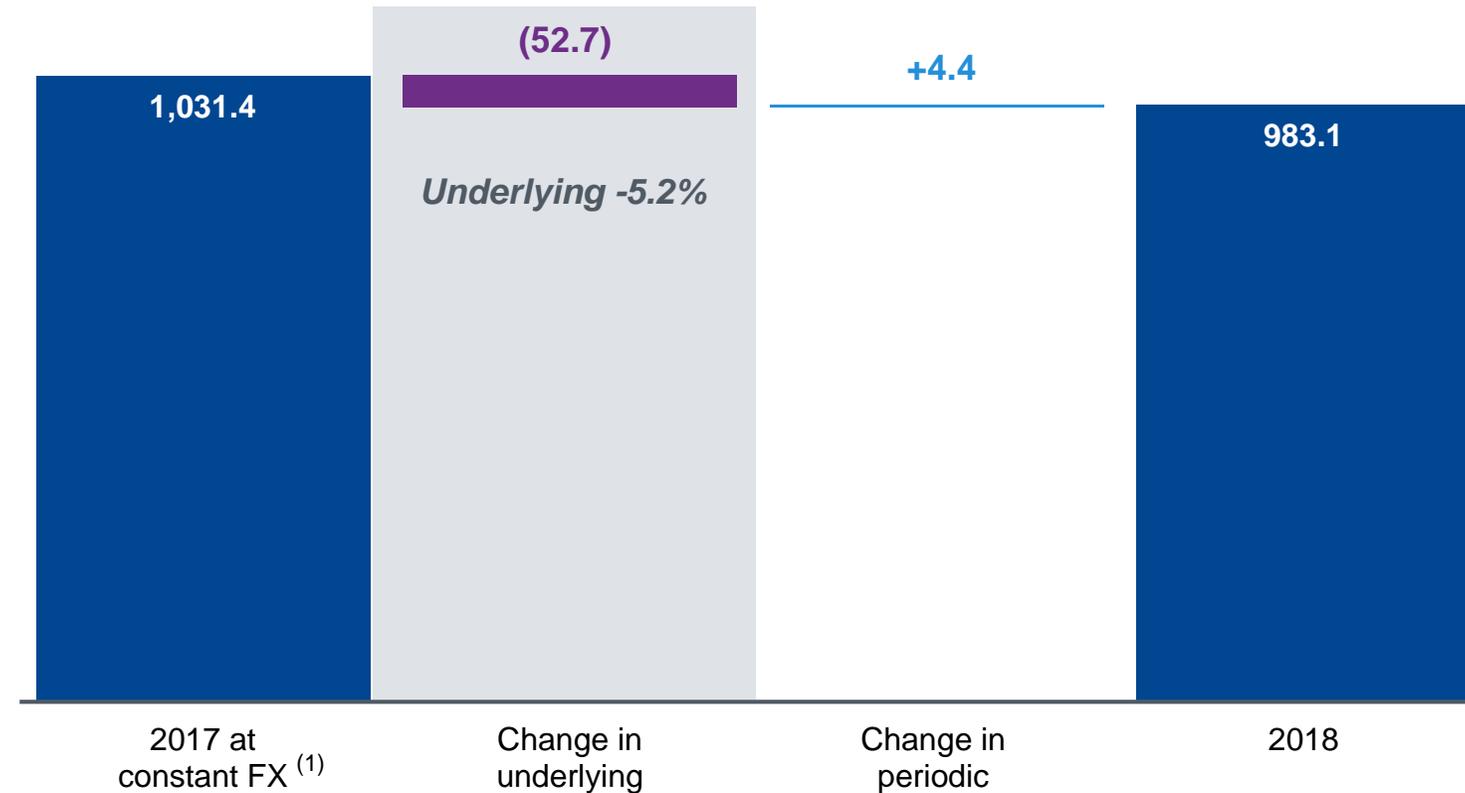
## DELIVERING HIGH QUALITY LIVE SPORTS

New Ultra HD channel launched on our HD+ platform bringing exclusive live coverage of the 2018 Formula 1™ season

# Markets are Challenging but Our Core Neighbourhoods are Supported by Long-term Commitments

## Video Distribution revenue walk

EUR million



- ▲ Underlying revenue -5.2% (YOY)
  - Knock-on impact of the expiration of certain short-term capacity contracts in Q3 2018, led to slightly lower revenue in Europe
  - Lower volume in North America resulting in lower revenue
  - International markets continue to be challenging with business focused on building commercial pipeline
- ▲ Underlying revenue of EUR 244.1 million (-6.4% YOY) in Q4 2018

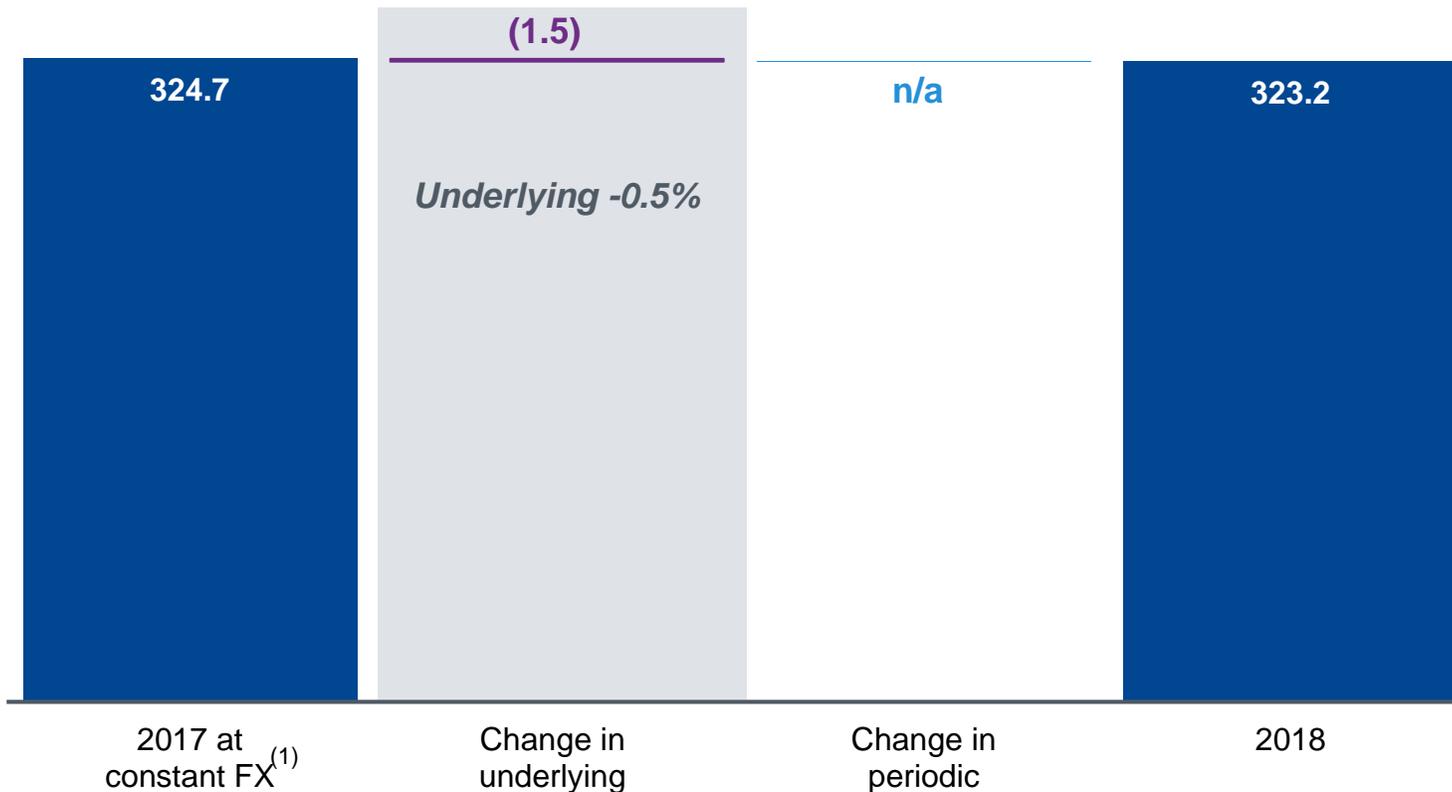
1) 2017: EUR 1,053.8 million as reported

# Video Services Allowing Us to Deliver a Broader Range of Services to Our Customers



## Video Services revenue walk

EUR million



- ▲ Underlying revenue -0.5% (YOY)
  - HD+ growth supported by Q2 2017 price increase
  - Non-renewal of certain low margin, legacy services in Q4 2018 contributing to slight reduction in MX1
- ▲ Q4 (YOY) comparison reflects an exceptional Q4 2017
- ▲ In 2019, we intend to combine our infrastructure and services to create synergy for our core customers

1) 2017: EUR 329.2 million as reported

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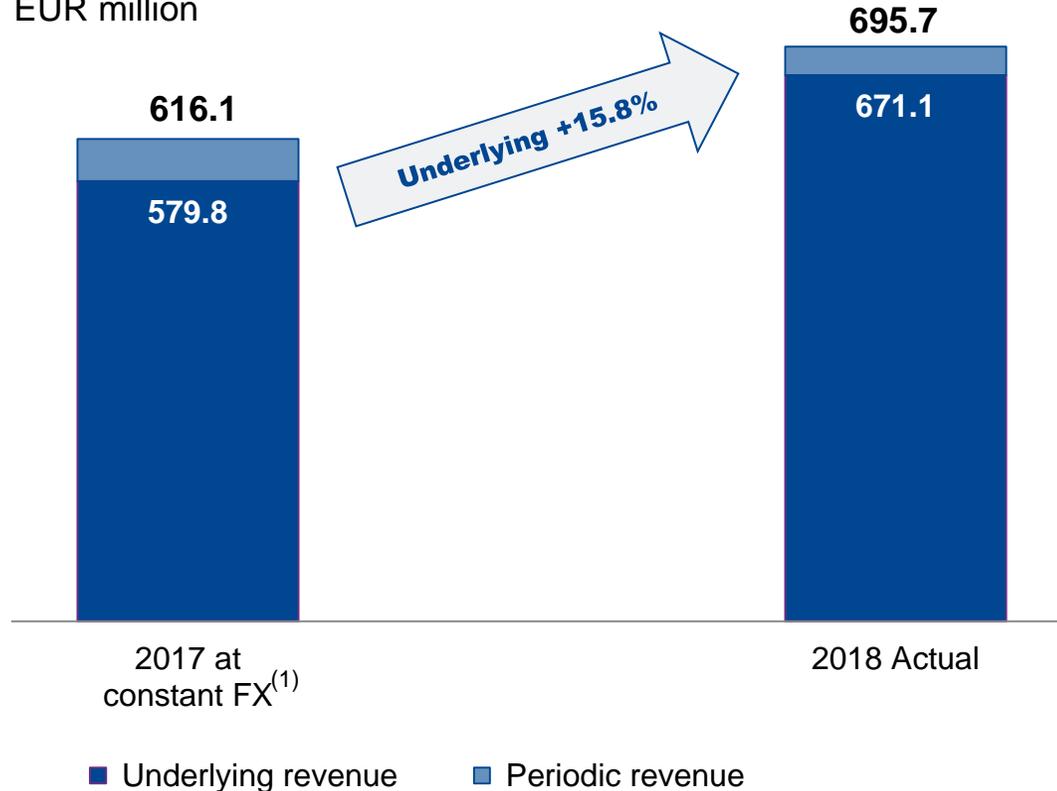
# SES NETWORKS

John-Paul Hemingway, CEO of SES Networks

# Delivering Double-digit Growth, Well Ahead of Expectations

## SES Networks revenue

EUR million



- ▲ Growing the role of satellite within existing customer segments
  - Growing in all 3 verticals (Government, Fixed Data and Mobility)
- ▲ Integrating satellite within the global network ecosystem
  - New partnerships incorporating our network into the Cloud
- ▲ Commercialising our new network capabilities
  - 7 satellites (3 GEO and 4 MEO) brought into commercial service
- ▲ Driving the growth engine of the SES business
  - EUR 2.3 billion of contract backlog; 80% of 2019 outlook secured

<sup>1)</sup> 2017: EUR 646.1 million as reported (including periodic revenue)

# Delivered Important Successes for Our Customers in 2018

## FIBRE LIKE NETWORKS ANYTIME, ANYWHERE

Blanket Purchase Agreement with the U.S. Department of Defense securing access to low latency connectivity services

## BROADENING DIGITAL ACCESS

6Gbps of reliable, low latency connectivity delivered in PNG to supporting venues and delegates during the APEC forum

## STAYING CONNECTED AT CRUISING ALTITUDE

SES-15 and SES-14 delivering an enhanced passenger connectivity experience across the Americas with our partners

## RELIABLE AND SECURE COMMUNICATIONS

GovSat-1 now delivering important services supporting the Governments of Luxembourg, France and Belgium

## ENABLING GLOBAL CLOUD ADOPTION

Partnership empowering customers to reach new markets and support new applications on the IBM Cloud

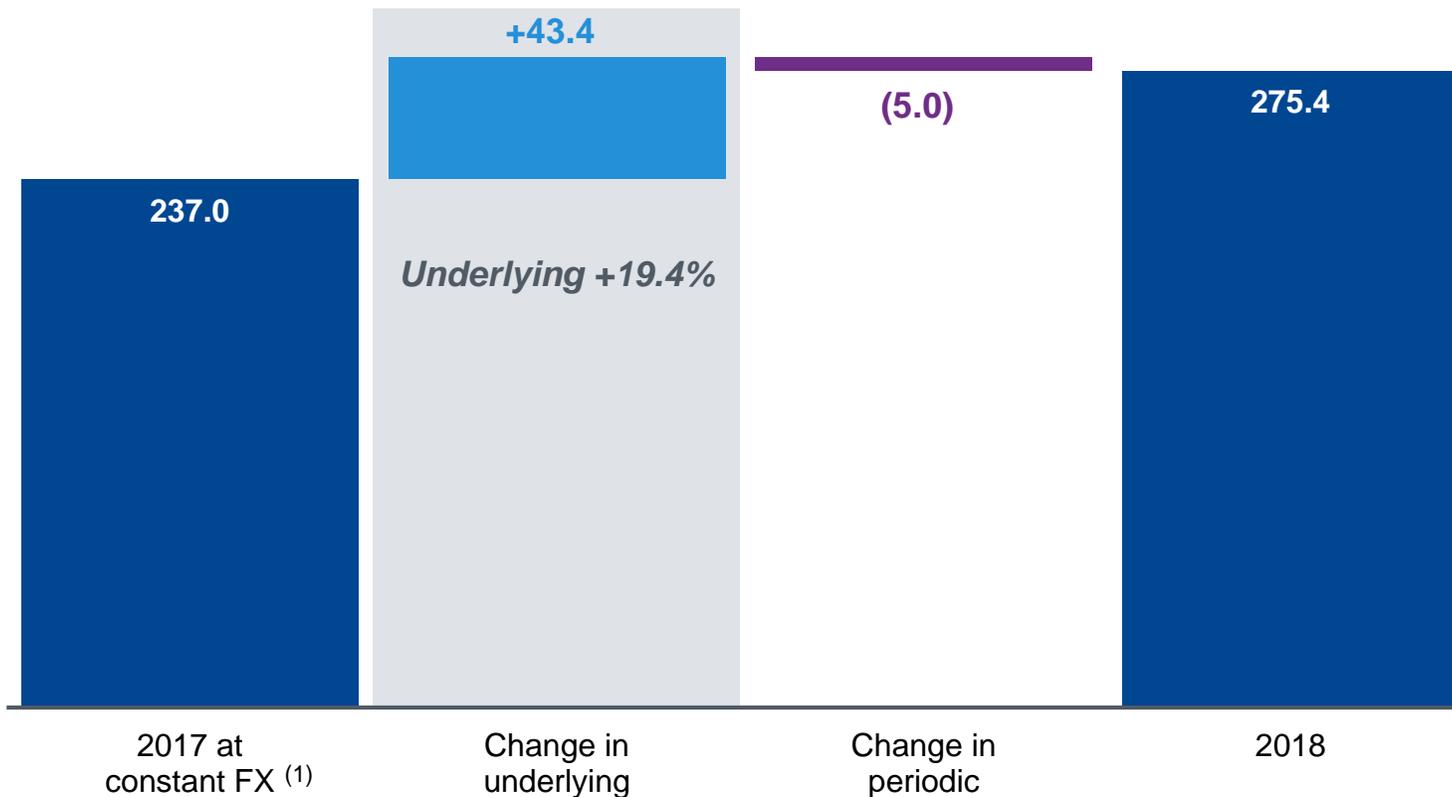
## CONNECTED CRUISES

Powering extraordinary guest experiences with superior connectivity, coverage and service on new cruise contracts

# Driving Momentum in U.S. and Global Government

## Government revenue walk

EUR million



▲ Underlying revenue +19.4% (YOY)

- Significant incremental adoption of MEO driving growth in U.S. government, complemented by strong execution in GEO renewals and new business wins
- Strong growth in Global Government fueled by expansion of existing services and start of services on GovSat-1 (from Q2 2018)

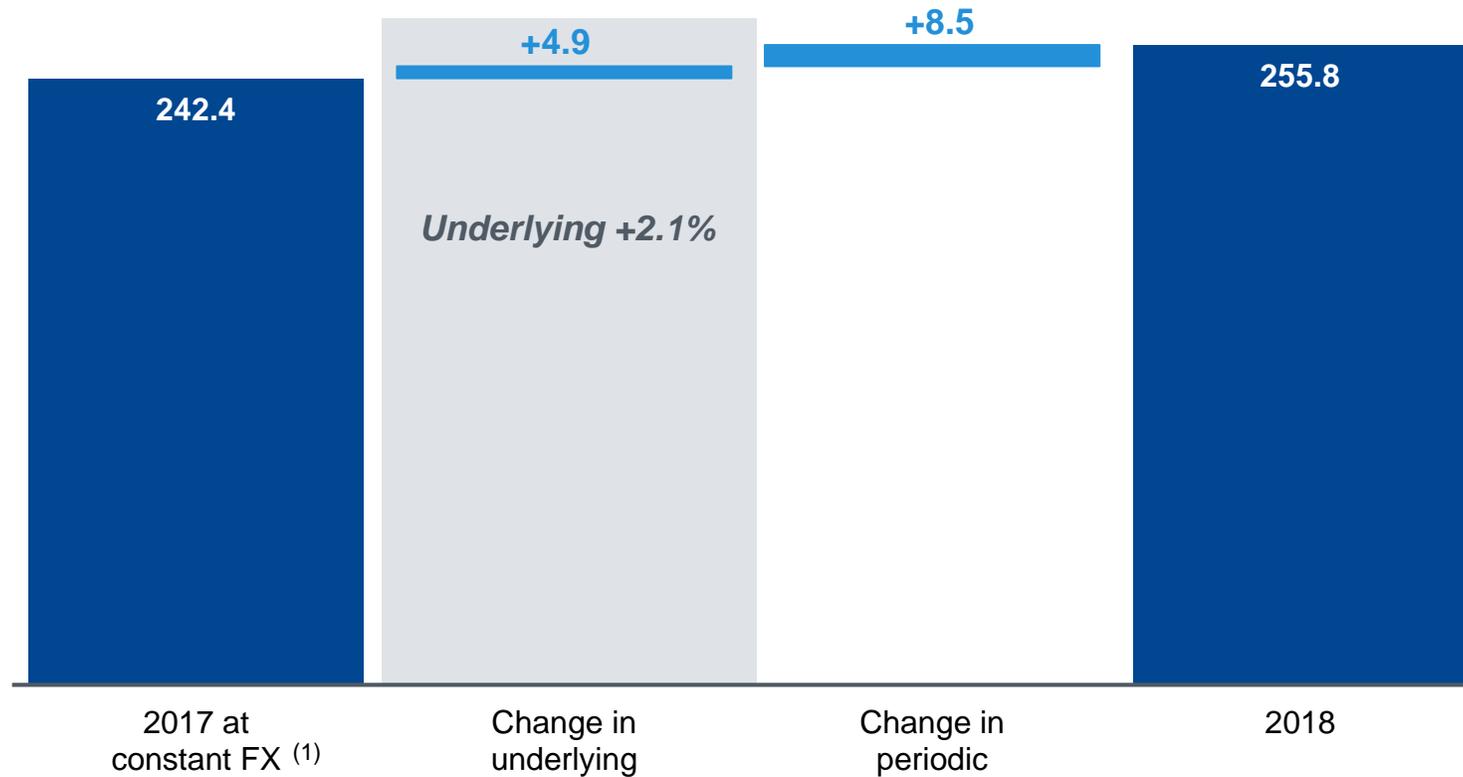
▲ Underlying revenue of EUR 74.8 million (+15.4% YOY) in Q4 2018

1) 2017: EUR 245.9 million as reported

# Delivering Growth in Fixed Data Against Industry Trend

## Fixed Data revenue walk

EUR million



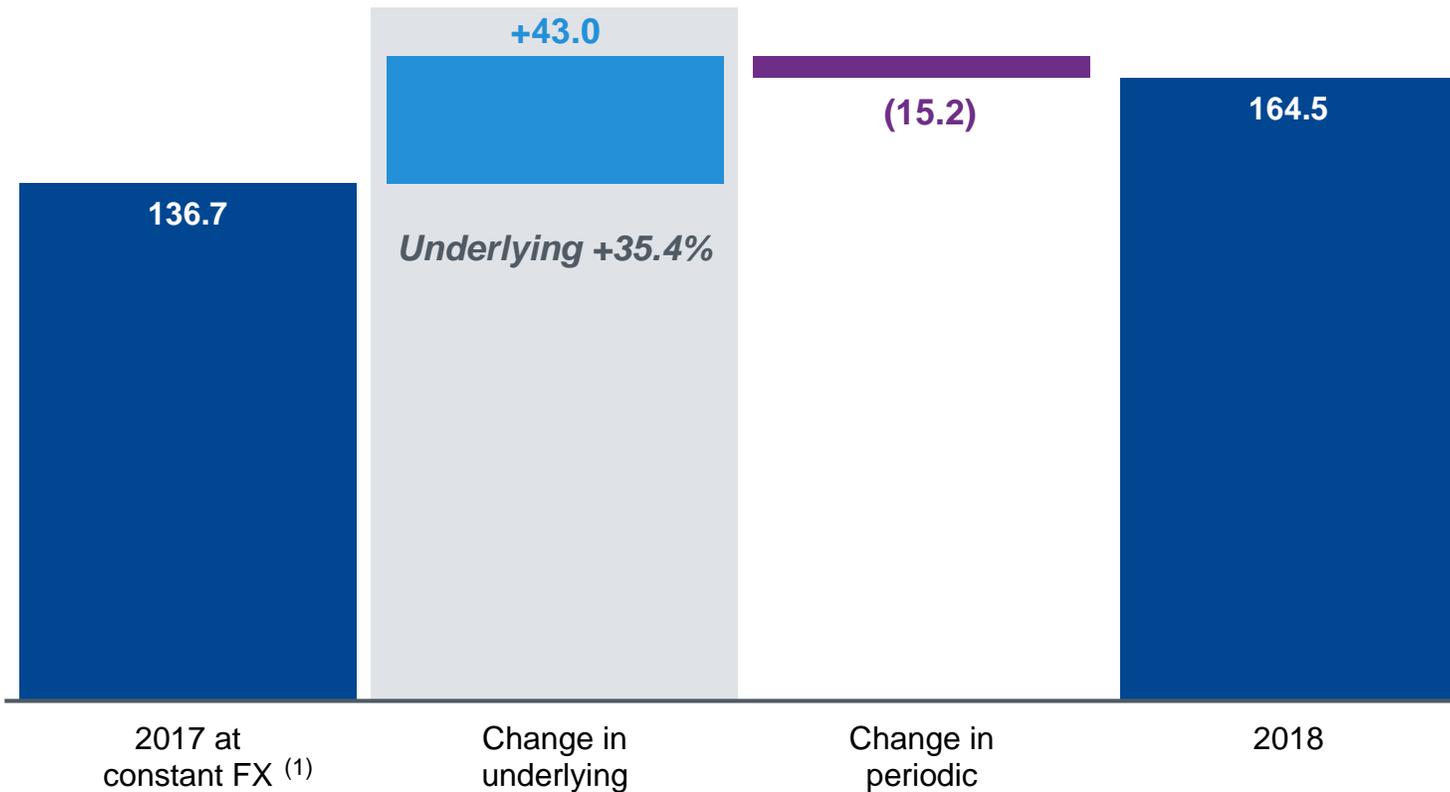
- ▲ Underlying revenue +2.1% (YOY)
  - Deployment of new managed connectivity services in Asia and Americas driving growth (YOY)
- ▲ Underlying revenue of EUR 72.5 million (+17.0% YOY) in Q4 2018

1) 2017: EUR 254.8 million as reported

# Significant Expansion in Aero and Maritime

## Mobility revenue walk

EUR million



- ▲ Underlying revenue +35.4% (YOY)
  - Significant aeronautical growth, notably in North America (SES-15) and now also in Latin America (SES-14)
  - Growing in Maritime driven by important progress achieved in cruise
- ▲ Underlying revenue of EUR 45.7 million (+43.1% YOY) in Q4 2018

1) 2017: EUR 145.4 million as reported

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# FINANCIAL REVIEW

Andrew Browne, CFO

## Financial Highlights (1/2)

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- ▲ **Revenue of EUR 2,010.3 million** including growth in underlying revenue of 1.9% (YOY)
  - Group revenue -1.2% as reported including impact of weaker U.S. Dollar; and +1.7% at constant FX including periodic and other revenue
- ▲ **EBITDA of EUR 1,255.5 million** (-5.2% as reported and -2.6% at constant FX compared with 2017)
  - EBITDA margin of 62.5% (2017: 65.1%); or 63.0% excluding EUR 11.1 million restructuring charge related to optimisation programme
- ▲ **Net profit attributable to SES shareholders of EUR 292.4 million** (2017: EUR 596.1 million)
  - Depreciation and amortisation includes EUR 156.4 million of impairment expenses (2017: EUR 40.3 million) reflecting more prudent outlook
  - Year-on-year comparison reflected exceptionally high income tax benefit in 2017
- ▲ **Free Cash Flow before financing activities at EUR 870.5 million up 14.4%** compared with 2017
  - Investing activities reduced by 34.6% (YOY) and high cash conversion ratio (94.9% of EBITDA)
  - 2018 CapEx (EUR 321 million) was 30% less than original forecast reflecting strong focus on cash flow and leverage, underpinned by disciplined spending

## Financial Highlights (2/2)

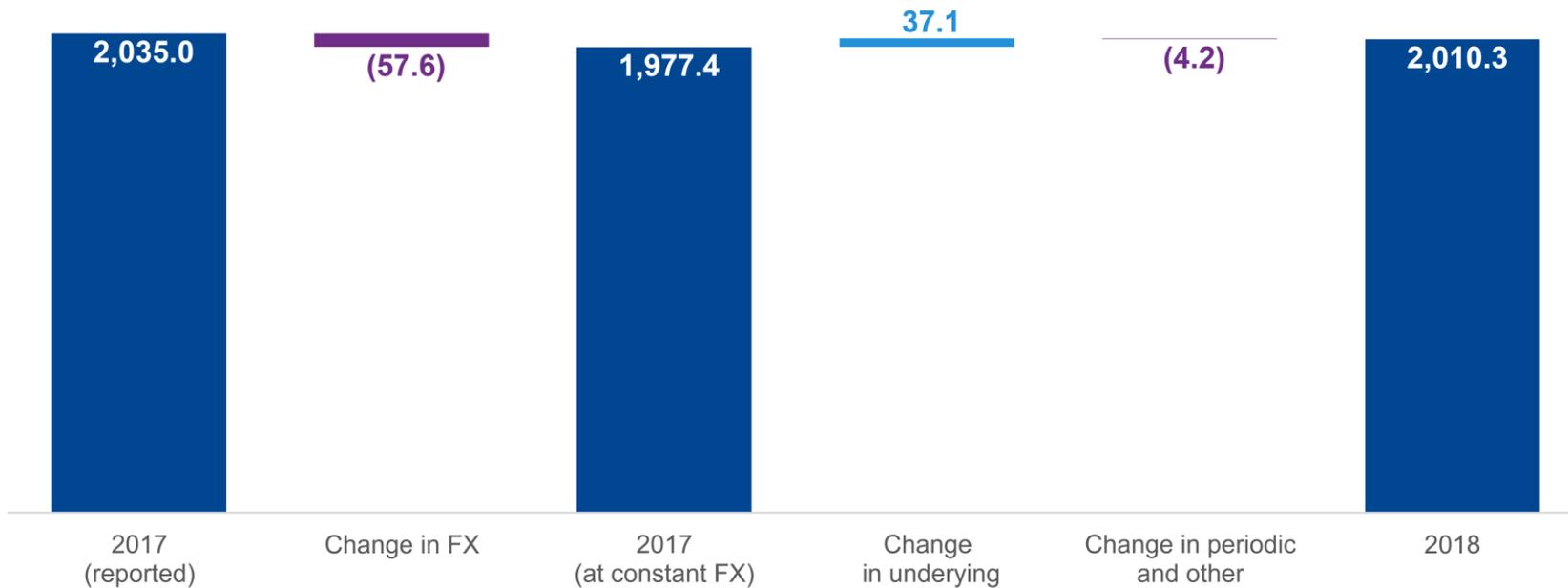
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- ▲ **Net debt to EBITDA ratio 3.29x**, compared with 3.27x at 31 December 2017, including 5.5% net debt reduction
  - EUR 900 million of financing completed in 2018 with no further senior debt maturities to be refinanced until early 2020
  - Investment grade status recently re-affirmed by Moody's and S&P
- ▲ **CapEx** outlook in line with previous expectations
  - Including important investments in O3b mPOWER and SES-17, both launching in 2021
  - 4 out of the next 5 years with CapEx of EUR 450 million or lower; nearly 10% lower than the average of 2014-2018
- ▲ **Financial outlook updated** to reflect additional prudence in the forecast for Video revenue, while Networks growth re-affirmed
  - Over 85% of the 2019 group revenue outlook already secured
  - 2019 outlook reflects continued growth expected in underlying revenue and includes lower level of periodic revenue (EUR 47 million in 2018)
  - 2020 outlook updated with Networks outlook unchanged and driving growth in group revenue and EBITDA
- ▲ SES Board of Directors is proposing a **dividend per A share of EUR 0.80**

# Underlying Business Driving Revenue Growth At Constant FX

## Revenue walk

EUR million

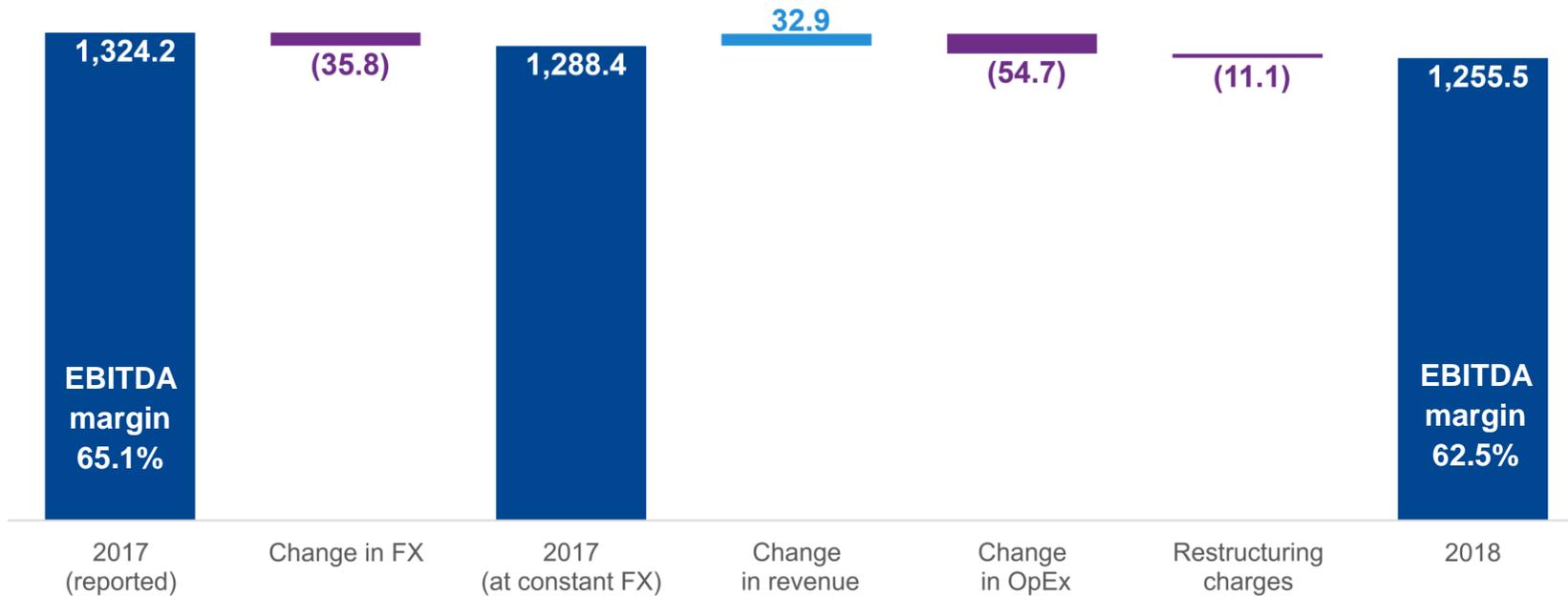


- ▲ Underlying revenue up EUR 37.1 million (or 1.9%) at constant FX compared with the prior year
- ▲ Total revenue included EUR 47.1 million of periodic and other revenue (2017: EUR 55.2 million)

# EBITDA Development Reflects Investment in Fast-growing Networks

## EBITDA walk

EUR million



- ▲ Change in recurring OpEx (EUR 54.7 million) principally reflects investment in expanding capabilities across the Networks' business
- ▲ EBITDA margin 63.0% excluding the EUR 11.1 million restructuring provision related to on-going optimisation programme

# Net Profit of EUR 292.4 million

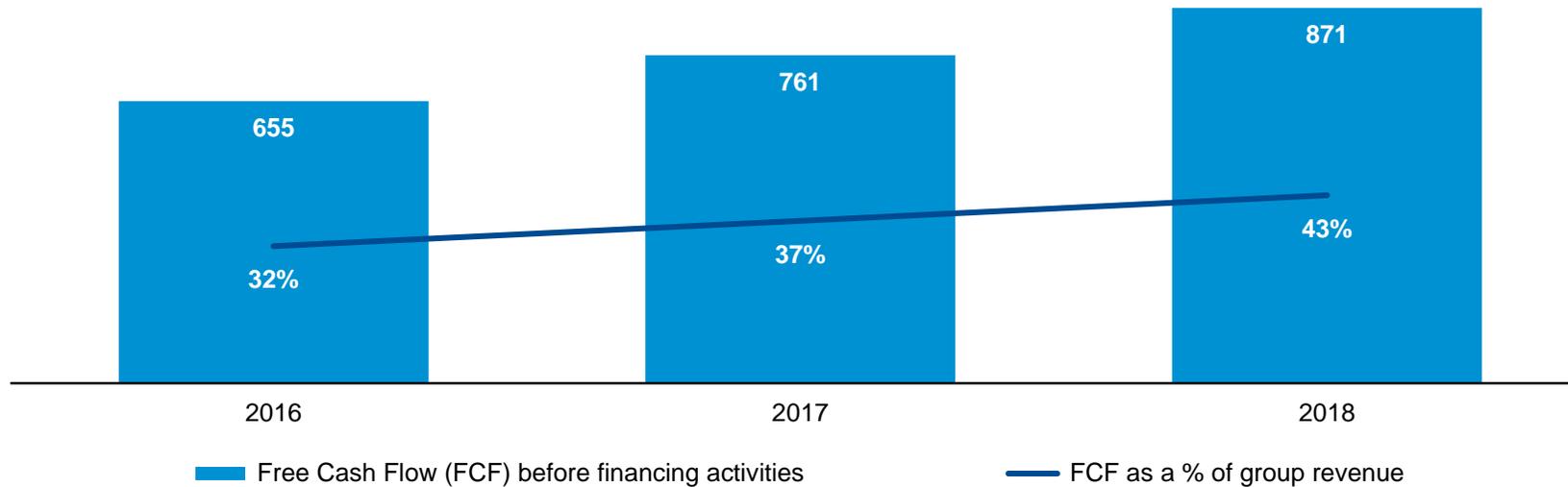
EUR million	2018	2017	
<b>EBITDA</b>	<b>1,255.5</b>	<b>1,324.2</b>	
Depreciation, impairment and amortisation expense	(864.4)	(713.6)	← 2018 higher (YOY) reflecting the entry into service of new satellites and EUR 156.4 million impairment expenses (1% of total assets)
<b>Operating profit</b>	<b>391.1</b>	<b>610.6</b>	← 2018 operating profit margin of 27.8% excluding the restructuring charge and impairment expenses
- <i>Operating profit margin</i>	<b>19.5%</b>	<b>30.0%</b>	
Net financing costs	(146.3)	(143.3)	← Lower capitalised interest (compared with 2017) offset by reduction in net interest expense and positive net FX gains
Income tax benefit/(expense)	41.9	130.6	← Including deferred tax asset relating to GovSat-1 <sup>(1)</sup> , transfer of O3b Jersey business to Luxembourg in 2018 and impact of Dutch tax reform
Non-controlling interests	5.7	(1.8)	← Mainly relating to share of impairment expenses not attributable to SES
<b>Net profit attributable to SES shareholders</b>	<b>292.4</b>	<b>596.1</b>	

1) Owned by GovSat, a 50/50 public private partnership between SES and the Government of Luxembourg

# Free Cash Flow Before Financing Activities up 14.4% (YOY)

## Free cash flow (FCF) before financing activities

EUR million



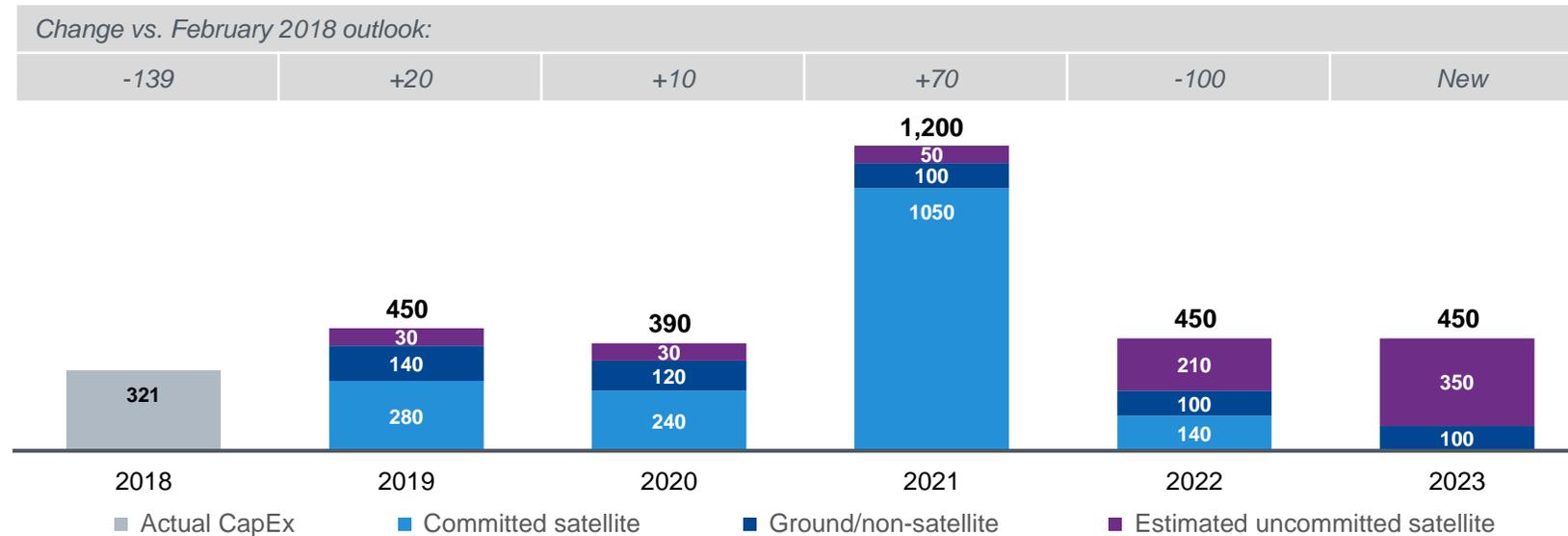
- ▲ Net cash generated by operating activities of EUR 1,191.3 million representing a cash conversion ratio<sup>(1)</sup> of 94.9%
- ▲ 34.6% reduction in cash absorbed by investing activities contributing to 14.4% growth (YOY) in free cash flow before financing activities
- ▲ FCF before financing activities representing 43% of revenue, compared with 37% in 2017 and 32% in 2016

<sup>1)</sup> Ratio of net cash generated by operating activities to EBITDA

# Reducing CapEx while also Investing in Growth

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

EUR million



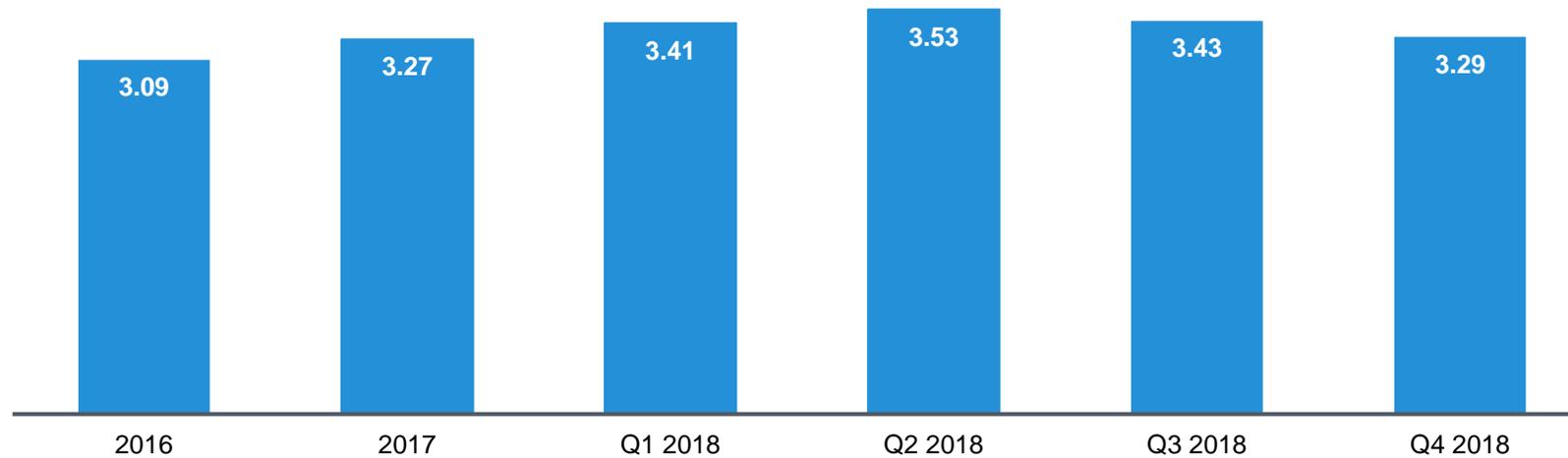
- ▲ Strong focus on cash flow and leverage, underpinned by disciplined spending with 2018 CapEx EUR 139 million (or 30%) lower than forecasted
- ▲ Average annual CapEx investment of EUR 590 million over the next 5 years (2019-2023) including O3b mPOWER and SES-17 (both launching in 2021)
- ▲ CapEx in 4 of the next 5 years of EUR 450 million or lower (nearly 10% lower than the average for the period 2014-2018 of EUR 490 million)

<sup>1)</sup> 2019-2023 assumes EUR/USD FX rate of EUR 1 = USD 1.15. CapEx includes payload, launcher, insurance and intangible investments (not previously included) but excludes capitalised interest (previously included) and financial investments

# Leverage Development in Line with Expectations

## Net debt to EBITDA

Times<sup>(1)</sup>



- ▲ Net debt reduced by 5.5% (YOY) to EUR 3,475.8 million reflecting 14.4% (YOY) improvement in free cash flow before financing
- ▲ EUR 900 million of successful refinancing improving average cost of debt from 3.66% to 3.57%; no senior debt maturities until March 2020
- ▲ Net debt to EBITDA ratio below 3.3x in line with SES' commitment to investment grade

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

# Financial Outlook

	FY 2019	FY 2020
<i>Financial outlook assumes EUR/USD FX rate of EUR 1 = USD 1.15, nominal launch schedule and satellite health status</i>		
Video revenue	EUR 1,225 – 1,255 million	EUR 1,200 – 1,250 million <i>(was EUR 1,250 -1,300 million)</i>
Networks revenue	EUR 740 – 775 million	EUR 850 – 900 million
Group revenue <sup>(1)</sup>	EUR 1,975 – 2,040 million	EUR 2,060 – 2,160 million <i>(was EUR 2,110 -2,210 million)</i>
Group EBITDA	EUR 1,220 – 1,265 million <sup>(2)</sup>	EUR 1,260 – 1,340 million <i>(was EUR 1,340 -1,410 million)</i>

- ▲ 85% of 2019 revenue outlook is already secured with growth in underlying revenue offset by lower periodic and other revenue (EUR 47 million in 2018)
- ▲ Restructuring organisation in response to strong growth in end-to-end services and maximising operational efficiency across the business
- ▲ 2020 outlook updated with additional prudence in Video while Networks outlook is unchanged and driving growth in group revenue and EBITDA

1) Group revenue includes approximately EUR 10 million of Other revenue

2) Group EBITDA excluding EUR 25 - 30 million of restructuring charges

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# CONCLUSION

Steve Collar, President & CEO

## Conclusion

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Strong business execution, delivering on all aspects of the 2018 financial outlook; focus on execution paramount in 2019

Balanced portfolio of high-growing Networks and sustained, highly profitable Video business through 2020 and ahead of the launch of our next generation network - O3b mPOWER

Transforming the organisation inside and out to deliver exceptional customer experience

Strong focus on cash flow, costs and leverage

Strongly positioned to repurpose C-band, protect customers and neighbourhoods and deliver win-win market-based solution for 5G in the U.S.

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