



Press Release

YTD 2020 Results

“Solid YTD performance and value creation initiatives on track”

Luxembourg, 5 November 2020 -- SES S.A. announced financial results for the nine months ended 30 September 2020.

Solid performance with continued strong underlying growth across Networks

- Networks revenue +7.5% year-on-year^(1,2); Q3 2020 Video revenue stable quarter-on-quarter^(1,2)
- Adjusted EBITDA⁽³⁾ EUR 883 million representing 62.6% margin with recurring operating expenses reduced 3.7% year-on-year

On track to deliver on FY 2020 financial outlook

- Over 97% of group revenue outlook (EUR 1,860-1,900 million⁽⁴⁾) already contracted
- ‘Exceptional’ COVID-19 cost mitigations of around EUR 50 million underpin Adjusted EBITDA⁽³⁾ outlook (EUR 1,120-1,160 million⁽⁴⁾)

Strong progress across four key initiatives that will drive substantial long-term value

- On track to clear U.S. C-band by the stated deadlines and realise the full USD 4 billion of accelerated relocation payments
- Simplify & Amplify initiatives implemented unlocking EUR 40-50 million of annual EBITDA optimisations from 2021 onwards; having concluded its investigation, the SES Board has decided not to pursue a separation of Networks within SES at this time
- Building the multi-orbit ‘Network of the Future’ through launch and interoperability of SES-17 and O3b mPOWER. Positioned to capture growth resulting from the projected three-fold increase in addressable market⁽⁵⁾; USD 0.5 billion of contract backlog secured across the programmes with commercial traction increasing as launch approaches
- Foundational and expanded partnership with Microsoft and Azure Orbital at the heart of ‘cloud-first’ strategy to transform service delivery, expand service offerings and enhance customer experience

Steve Collar, CEO of SES, commented: “Our solid performance continued into the third quarter, despite ongoing COVID-19 headwinds, with sustained growth across Networks and stable revenue quarter-on-quarter in our Video business. We were delighted to announce a substantial extension of our relationship with Canal+ across three orbital locations and valued at over EUR 230 million, as well as a meaningful extension of our strategic partnership with Microsoft as an Azure Orbital connectivity partner and satellite partner for Azure Modular Data Centres. We took measures early in the development of the COVID-19 pandemic to protect the bottom line and the benefits of these cost-saving measures are reflected in our resilient Adjusted EBITDA performance. Execution remains the priority with the business well placed to deliver on our full year outlook.

We are executing strongly on the four transformational initiatives which, together with ongoing execution in the core of the business, will deliver substantial value for our shareholders. I am particularly pleased with the progress being made towards repurposing U.S. C-band with the transition plan fully on track, the FCC auction due to start next month and deadline for realising the first relocation payment now only 13 months away. We have fully implemented measures to focus the business, simplify operations and unlock EUR 40-50 million of annualised EBITDA savings from 2021. We have chosen not to pursue the separation of Networks within SES at this time in favour of driving strong operational focus within our Video and Networks businesses.

We are already strongly differentiated in Networks and, with the launches of SES-17 and O3b mPOWER less than a year away, we are continuing to deliver on our vision for cloud-enabled, multi-orbit, seamless, automated and flexible network services. We have already signed USD 500 million in contract backlog for SES-17 and O3b mPOWER and will report regularly on our progress as we move towards launch of our ‘Network of the Future’. An important enabler for this network is our cloud-first strategy. With SES now an Azure Orbital connectivity provider, our partnership with Microsoft has extended to co-located O3b mPOWER gateways ensuring that Azure is only ever one hop away for our customers.”

¹ Excluding periodic and other revenue (disclosed separately) that are not directly related to or otherwise distort the underlying business trends

² At constant FX which refers to comparative figures restated at the current period FX to neutralise currency variations

³ Excluding restructuring charge and operating expenses recognised in relation to U.S. C-Band repurposing (disclosed separately)

⁴ Financial outlook assumes a EUR/USD FX rate of EUR 1 = USD 1.15, nominal satellite health and launch schedule

⁵ Source: Northern Sky Research (June 2020) Networks global industry capacity revenue growth over the next 10 years (2020-2029)

Key business and financial highlights

SES regularly uses Alternative Performance Measures (APM) to present the performance of the Group and believes that these APMs are relevant to enhance understanding of the financial performance and financial position.

EUR million	YTD 2020	YTD 2019	Δ as Reported	Δ at constant FX
Average EUR/USD exchange rate	1.12	1.13		
Revenue	1,410	1,452	-2.9%	-2.9%
Adjusted EBITDA	883	904	-2.3%	-2.5%
Net profit	154	250	-38.3%	-38.1%

- Group revenue of EUR 1,410 million included EUR 9 million of periodic and other revenue (YTD 2019: EUR 18 million). Underlying revenue (excluding periodic and other) declined by 2.3% (year-on-year at constant FX) to EUR 1,401 million.
- Video underlying revenue of EUR 832 million (-8.1% at constant FX) reflected the combination of lower Distribution revenue (-7.3%), from 'right-sizing' of capacity by customers in mature markets, and lower Services revenue (-10.3%) due to reduced exposure to low margin activities and the impact of COVID-19 on Sports & Events revenue. Q3 2020 underlying revenue (EUR 273 million) was in line with the previous quarter at constant FX.
- Networks underlying revenue grew, for the third consecutive year, by 7.5% at constant FX to EUR 569 million with double-digit growth in Mobility (+17.9%) and a return to growth in Fixed Data (+6.4%), while Government (+1.3%) benefited from new business secured since Q2 2020 and which contributed to sequential growth in overall Networks revenue to EUR 189 million in Q3 2020.
- Adjusted EBITDA of EUR 883 million represented an Adjusted EBITDA margin of 62.6% (YTD 2019: 62.3%). YTD 2020 operating expenses (excluding restructuring and C-Band) were 3.7% lower year-on-year at EUR 527 million.
- Adjusted EBITDA excludes a restructuring charge of EUR 28 million in relation to the Simplify & Amplify transformation programme (YTD 2019: EUR 14 million) and EUR 21 million (YTD 2019: nil) of operating expenses associated with the accelerated repurposing of U.S. C-band spectrum.
- Depreciation and amortisation expense of EUR 537 million was 3.7% lower (year-on-year) as the impact of new satellites was more than offset by other satellites reaching the end of their depreciable life, as well as increases in the depreciable life of certain assets.
- The reduction in net profit to EUR 154 million in YTD 2020 mainly reflected the combination of the lower reported EBITDA (including the restructuring and C-band expenses noted above) and net foreign exchange losses compared to YTD 2019, which also included an income tax benefit of EUR 16 million. These items offset the positive contribution from lower depreciation, amortisation and net interest expenses.
- The Adjusted Net Debt to Adjusted EBITDA ratio of 3.2 times (including 50% of the hybrid bonds as debt, per the rating agency methodology) was lower (YTD 2019: 3.4 times).
- Fully protected contract backlog at 30 September 2020 was EUR 5.8 billion (gross backlog of EUR 6.3 billion when including backlog subject to contractual break clauses). This includes USD 0.5 billion of future total revenue secured across SES-17 and O3b mPOWER which remain on track to begin commercial service during the second half of 2022.
- The outlook for FY 2020 revenue and Adjusted EBITDA, as well as the forecast for capital expenditure (representing net cash absorbed by investing activities excluding acquisitions and financial investments), presented with the H1 2020 results, are all on track.

Operational performance and commentary

REVENUE BY BUSINESS UNIT

EUR million	Revenue (at reported FX)				Change (year-on-year) at constant FX			
	Q1 2020	Q2 2020	Q3 2020	YTD 2020	Q1 2020	Q2 2020	Q3 2020	YTD 2020
Average EUR/USD FX rate	1.11	1.10	1.17	1.12				
Video Distribution	212	211	205	628	-8.5%	-6.6%	-7.7%	-7.6%
- Underlying	212	211	205	628	-8.2%	-6.6%	-7.1%	-7.3%
Video Services	70	66	68	204	-6.7%	-12.5%	-11.7%	-10.3%
- Underlying	70	66	68	204	-6.7%	-12.5%	-11.7%	-10.3%
Video (total)	282	277	273	832	-8.1%	-8.1%	-8.7%	-8.3%
- Underlying	282	277	273	832	-7.8%	-8.1%	-8.3%	-8.1%
Government	70	72	74	216	-0.5%	-3.8%	+6.2%	+0.5%
- Underlying	70	72	74	216	-0.5%	-1.5%	+6.2%	+1.3%
Fixed Data	69	62	60	191	+14.3%	+4.9%	+0.5%	+6.6%
- Underlying	61	62	60	183	+1.6%	+7.9%	+10.3%	+6.4%
- Periodic	8	--	--	8	n/m	n/m	n/m	n/m
Mobility	58	57	55	170	+13.6%	+16.9%	+9.3%	+13.2%
- Underlying	58	57	55	170	+28.8%	+16.9%	+9.3%	+17.9%
Networks (total)	197	191	189	577	+8.4%	+4.6%	+5.2%	+6.0%
- Underlying	189	191	189	569	+7.7%	+6.5%	+8.4%	+7.5%
- Periodic	8	--	--	8	n/m	n/m	n/m	n/m
Sub-total	479	468	462	1,409	-2.0%	-3.3%	-3.5%	-2.9%
- Underlying	471	468	462	1,401	-2.2%	-2.6%	-2.1%	-2.3%
- Periodic	8	--	--	8	n/m	n/m	n/m	n/m
Other	--	1	--	1	n/m	n/m	n/m	n/m
Group Total	479	469	462	1,410	-1.9%	-3.3%	-3.5%	-2.9%

"Underlying" revenue represents the core business of capacity sales, as well as associated services and equipment. This revenue may be impacted by changes in launch schedule and satellite health status. "Periodic" revenue separates revenues that are not directly related to or would distort the underlying business trends on a quarterly basis. Periodic revenue includes: the outright sale of transponders or transponder equivalents; accelerated revenue from hosted payloads during construction; termination fees; insurance proceeds; certain interim satellite missions and other such items when material. "Other" includes revenue not directly applicable to Video or Networks

Video: 59% of group revenue (YTD 2019: 62%)

At 30 September 2020, SES carried a total of 8,157 TV channels to viewers around the world including 2,964 channels in High Definition and Ultra High Definition (up 1% year-on-year). 69% of total TV channels are now broadcast in MPEG-4 with an additional 4% in HEVC.

Video Distribution

In Europe, modest volume reductions on some long-term renewals secured in late 2019 led to lower year-on-year revenue, albeit utilisation rates across SES' industry-leading European Video neighbourhoods remained strong. North American development was impacted by ongoing 'right-sizing' of volume across U.S. cable neighbourhoods and the reduction in the wholesale business, resulting in lower overall year-on-year revenue. In the International markets, the contribution of new revenue secured is yet to fully offset the impact of challenging trading environments, leading to a modest revenue reduction (year-on-year).

Video Services

The decision to reduce exposure to low margin services activities, and postponement or cancellation of sports and events in H1 2020 due to COVID-19, led to lower year-on-year revenue. HD+ revenue was lower (year-on-year) due to reduced hardware sales as part of the ongoing shift to software solutions in partnership with TV set manufacturers and a modest reduction in the number of paying subscribers compared with Q3 2019, although the number of paying HD+ subscribers has improved over the last nine months.



Networks: 41% of group revenue (YTD 2019: 38%)

Government

Strong contributions from new business in both the U.S. Government and Global Government businesses during the third quarter led to overall growth (year-on-year) in YTD 2020 underlying revenue. U.S. Government revenue was ahead (year-on-year) benefiting from the contribution of new business signed in the first half of 2020 for both additional MEO- and GEO-enabled network solutions. In Global Government, YTD 2020 revenue was stable overall, with an improved revenue run-rate compensating for the additional revenue in the prior period related to the completion of certain milestone-driven institutional projects.

Fixed Data

Positive outturns across the Americas and Asia-Pacific regions, as well as from new business in energy and cloud, more than offset lower wholesale revenue in Europe and contributed to overall growth (year-on-year) in Fixed Data. Growth in the Americas was supported by new and incremental managed services to tier one telecommunications companies and Mobile Networks Operators to deploy 4G networks and government funded rural WiFi projects. The successful deployment of broadband access and mobile connectivity services to rural communities on behalf of SES' customers, notably using SES-12 and MEO-enabled high throughput capabilities contributed to growth in Asia-Pacific.

Mobility

Double-digit growth (year-on-year) in the Aeronautical segment reflected the full year contribution of new business signed with several service providers during 2019. Similarly, in the Maritime segment, the full revenue contribution of expanded services with key cruise customers signed in 2019 and a good trajectory in commercial shipping over the last 12 months led to double-digit growth (year-on-year) in revenue.

As the vast majority of SES' commercial contracts, including in Mobility, are fixed, the performance was largely unaffected by the impact of COVID-19 on customers and end markets served by SES in the Cruise and Commercial Aviation segments. Nevertheless, it is expected that the development of both existing revenue and pace of new business will continue to be impacted by COVID-19 in the near term.

Future satellite launches

Satellite	Region	Application	Launch Date
SES-17	Americas	Fixed Data, Mobility, Government	Q3 2021
O3b mPOWER (satellites 1-3)	Global	Fixed Data, Mobility, Government	Q3 2021
O3b mPOWER (satellites 4-6)	Global	Fixed Data, Mobility, Government	Q1 2022
O3b mPOWER (satellites 7-9)	Global	Fixed Data, Mobility, Government	H2 2022
SES-18 & SES-19	North America	Video (U.S. C-band accelerated clearing)	H2 2022
SES-20 & SES-21	North America	Video (U.S. C-band accelerated clearing)	H2 2022
O3b mPOWER (satellites 10-11)	Global	Fixed Data, Mobility, Government	H2 2024

CONSOLIDATED INCOME STATEMENT

Nine months ended 30 September

EUR million	2020	2019
Revenue	1,410	1,452
Operating expenses	(576)	(562)
EBITDA	834	890
Depreciation and impairment expense	(472)	(491)
Amortisation expense	(65)	(66)
Operating profit	297	333
Net financing costs	(135)	(115)
Profit before tax	162	218
Income tax expense	(14)	16
Profit after tax	148	234
Non-controlling interests	6	16
Net profit	154	250
Earnings per share (in EUR) ⁽²⁾		
Class A shares	0.26	0.47
Class B shares	0.10	0.19

1) Net profit attributable to owners of the parent

2) Earnings per share is calculated as profit attributable to owners of the parent divided by the weighted average number of shares outstanding during the year, as adjusted to reflect the economic rights of each class of share. For the purposes of the EPS calculation only, the net profit for the year attributable to ordinary shareholders has been adjusted to include the assumed coupon, net of tax, on the perpetual bonds of EUR 36.5 million (YTD Sept 2019: EUR 36.5 million). Fully diluted earnings per share are not significantly different from basic earnings per share.

EUR million	2020	2019
Adjusted EBITDA	883	904
C-Band operating expenses	(21)	-
Restructuring expenses	(28)	(14)
EBITDA	834	890

QUARTERLY INCOME STATEMENT (AS REPORTED)

EUR million	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Average EUR/USD FX rate	1.15	1.12	1.12	1.10	1.11	1.10	1.17
Revenue	481	481	490	532	479	469	462
Operating expenses	(191)	(186)	(185)	(205)	(194)	(207)	(175)
EBITDA	290	295	305	327	285	262	287
Depreciation and impairment expense	(156)	(167)	(168)	(206)	(158)	(161)	(153)
Amortisation and impairment expense	(21)	(25)	(20)	(89)	(23)	(21)	(21)
Operating profit	113	103	117	32	104	80	113
Operating profit margin	23.6%	21.4%	23.7%	6.2%	21.8%	17.0%	24.4%
Net financing costs	(38)	(44)	(33)	(50)	(46)	(45)	(44)
Profit before tax	75	59	84	(18)	58	35	69
Income tax benefit/(expense)	(7)	30	(7)	60	(9)	(1)	(4)
Non-controlling interests	4	8	4	4	2	2	2
Net Profit	72	97	81	46	51	36	67
Earnings per share (in EUR) ⁽¹⁾							
Class A shares	0.13	0.19	0.15	0.07	0.09	0.05	0.12
Class B shares	0.05	0.07	0.07	0.03	0.03	0.02	0.05
Adjusted EBITDA	298	297	308	333	288	294	301
Adjusted EBITDA margin	62.1%	61.9%	62.8%	62.7%	60.1%	62.8%	65.1%
C-Band operating expenses	-	-	-	-	-	(14)	(7)
Restructuring expenses	(8)	(3)	(3)	(6)	(3)	(18)	(7)
EBITDA	290	294	305	327	285	262	287

1) Earnings per share is calculated as profit attributable to owners of the parent divided by the weighted average number of shares outstanding during the year, as adjusted to reflect the economic rights of each class of share. For the purposes of the EPS calculation only, the net profit for the year attributable to ordinary shareholders has been adjusted to include the coupon, net of tax, on the perpetual bonds. Fully diluted earnings per share are not significantly different from basic earnings per share.

QUARTERLY OPERATING PROFIT (AT CONSTANT FX)

EUR million	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Average EUR/USD FX rate	1.17	1.17	1.17	1.17	1.17	1.17	1.17
Revenue	476	471	480	515	466	455	462
Operating expenses	(188)	(181)	(180)	(196)	(187)	(198)	(175)
EBITDA	288	290	300	319	279	257	287
Depreciation and impairment expense	(154)	(162)	(164)	(198)	(153)	(155)	(153)
Amortisation and impairment expense	(21)	(25)	(20)	(84)	(22)	(21)	(21)
Operating profit	113	103	116	37	104	81	113
Adjusted EBITDA	296	293	303	325	282	288	301
C-Band operating expenses	-	-	-	-	-	(13)	(7)
Restructuring expenses	(8)	(3)	(3)	(6)	(3)	(18)	(7)
EBITDA	288	290	300	319	279	257	287



ALTERNATIVE PERFORMANCE MEASURES

SES regularly uses Alternative Performance Measures ('APM') to present the performance of the Group and believes that these APMs are relevant to enhance understanding of the financial performance and financial position. These measures may not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles, and thus should not be considered substitutes for the information contained in the Group's financial statements.

Alternative Performance Measure	Definition
Adjusted EBITDA	EBITDA adjusted to exclude material exceptional and non-recurring items. In 2020 the primary exceptional and non-recurring items are restructuring charges announced in the framework of SES' 'Simplify and Amplify' programme, and the net impact of the repurposing of U.S. C-Band spectrum.
Adjusted Net debt to Adjusted EBITDA	Adjusted net debt to Adjusted EBITDA, represents the ratio of net debt plus 50% of the group's hybrid bonds (per the rating agency methodology) divided by the last 12 months' (rolling) Adjusted EBITDA.

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Presentation of Results:

A presentation of the results for investors and analysts will be hosted at 9.30 CET on 5 November 2020 and will be broadcast via [webcast](#) and conference call. The details for the conference call and webcast are as follows:

U.K. (Standard International Access): +44 (0) 20 3003 2666
France: +33 (0) 1 7037 7166
Germany: +49 (0) 30 3001 90612
U.S.A.: +1 212 999 6659

Confirmation code: **SES**

Webcast registration: https://channel.royalcast.com/webcast/ses/20201105_1/

The presentation is available for download from <https://www.ses.com/investors> and a replay will be available shortly after the conclusion of the presentation.



About SES

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