

EchoStar Announces Financial Results for the Three and Twelve Months Ended December 31, 2021

February 24, 2022

ENGLEWOOD, Colo., Feb. 24, 2022 /PRNewswire/ -- EchoStar Corporation (NASDAQ: SATS) today announced its financial results for the three and twelve months ended December 31, 2021.



Three Months Ended December 31, 2021 Financial Highlights:

- Consolidated revenue of \$498.6 million.
- Net loss of \$80.1 million, consolidated net loss attributable to EchoStar common stock of \$76.3 million, and basic and diluted loss per share of \$0.88.
- Consolidated Adjusted EBITDA of \$159.5 million (see discussion and the reconciliation of GAAP to this non-GAAP measure below).

Twelve Months Ended December 31, 2021 Financial Highlights:

- Consolidated revenue of \$1,985.7 million.
- Net income of \$62.7 million, consolidated net income attributable to EchoStar common stock of \$72.9 million, and basic and diluted earnings per share of \$0.81.
- Consolidated Adjusted EBITDA of \$718.9 million (see discussion and the reconciliation of GAAP to this non-GAAP measure below).

"The EchoStar team delivered another solid performance in 2021 with year over year growth in revenue, net income, and adjusted EBITDA," commented Michael Dugan, CEO and President of EchoStar. "We remain focused on meeting our customers' needs while operating our business in an efficient manner, innovating new multi-transport technology solutions and preparing to place our next satellite, EchoStar XXIV/JUPITER 3, into service."

Three Months Ended December 31, 2021 - Additional Information:

- Consolidated revenue increased 1.9% or \$9.4 million year over year primarily driven by higher equipment sales of \$18.8 million to our domestic and international enterprise customers partially offset by lower service revenues of \$9.4 million primarily due to lower broadband consumer customers.
- Adjusted EBITDA decreased 4.3% or \$7.2 million year over year.
 - Hughes segment Adjusted EBITDA decreased \$10.2 million year over year. The decrease was driven primarily by lower gross margin due to a change in revenue mix as well as higher selling, general and administrative expenses.
 - ESS segment Adjusted EBITDA increased \$0.7 million year over year.
 - Corporate and Other segment Adjusted EBITDA increased \$2.3 million year over year. The increase was primarily due to lower corporate legal expenses partially offset by increased losses of unconsolidated affiliates, net.
- Net income decreased \$77.5 year over year. The decrease was primarily due to the impairment of our equity investment in DISH Mexico of \$55.3 million, losses on investments, net, of \$49.9 million, and unfavorable changes in foreign currency exchange rates of \$11.2 million. These items were partially offset by lower net interest expense of \$19.4 million and higher operating income of \$5.5 million.

- Hughes broadband subscribers totaled approximately 1,462,000, declining 48,000 from September 30, 2021. The decrease primarily reflects a balancing of capacity utilization with subscriber levels in areas of high bandwidth demand in both the US and Latin America.
- For the three months ended December 31, 2021, approximately 65% of Hughes segment revenue was attributable to our consumer customers with approximately 35% attributable to our enterprise customers.
- Cash, cash equivalents and current marketable investment securities were \$1.5 billion as of December 31, 2021.
- During the three months ended December 31, 2021, we purchased 1,203,821 shares of our Class A common stock in open market trades.

Set forth below is a table highlighting certain of EchoStar's segment results for the three and twelve months ended December 31, 2021 and 2020 (amounts in thousands) (all US GAAP amounts reference results from operations):

| | For the three months ended December 31, | | For the twelve months ended December 31, | |
|--|--|-------------------|---|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | |
| Hughes | \$ 491,154 | \$ 482,418 | \$ 1,956,226 | \$ 1,860,834 |
| EchoStar Satellite Services | 4,871 | 4,165 | 17,679 | 17,398 |
| Corporate and Other | 2,619 | 2,690 | 11,815 | 9,675 |
| Total revenue | <u>\$ 498,644</u> | <u>\$ 489,273</u> | <u>\$ 1,985,720</u> | <u>\$ 1,887,907</u> |
| Adjusted EBITDA | | | | |
| Hughes | \$ 178,218 | \$ 188,389 | \$ 790,469 | \$ 723,343 |
| EchoStar Satellite Services | 2,704 | 2,026 | 9,185 | 7,873 |
| Corporate & Other: | | | | |
| Corporate overhead, operating and other | (20,675) | (23,920) | (82,615) | (87,867) |
| Equity in earnings (losses) of unconsolidated affiliates, net | (723) | 226 | 1,892 | (434) |
| Total Corporate & Other | <u>(21,398)</u> | <u>(23,694)</u> | <u>(80,723)</u> | <u>(88,301)</u> |
| Total Adjusted EBITDA | <u>\$ 159,524</u> | <u>\$ 166,721</u> | <u>\$ 718,931</u> | <u>\$ 642,915</u> |
| Net income (loss) | <u>\$ (80,083)</u> | <u>\$ (2,597)</u> | <u>\$ 62,721</u> | <u>\$ (51,904)</u> |
| Expenditures for property and equipment | <u>\$ 86,427</u> | <u>\$ 113,757</u> | <u>\$ 438,430</u> | <u>\$ 408,798</u> |

Reconciliation of GAAP to Non-GAAP Measurement (amounts in thousands):

| | For the three months ended December 31, | | For the twelve months ended December 31, | |
|---|--|-------------------|---|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | \$ (80,083) | \$ (2,597) | \$ 62,721 | \$ (51,904) |
| Interest income, net | (5,887) | (6,275) | (22,801) | (39,982) |
| Interest expense, net of amounts capitalized | 15,664 | 35,469 | 95,512 | 147,927 |
| Income tax provision (benefit), net | 2,579 | 17,760 | 65,626 | 24,069 |
| Depreciation and amortization | 122,465 | 132,934 | 491,329 | 525,011 |
| Net loss (income) attributable to non-controlling interests | 3,735 | 2,714 | 10,154 | 11,754 |
| EBITDA | 58,473 | 180,005 | 702,541 | 616,875 |
| (Gains) losses on investments, net | 43,450 | (6,458) | (69,531) | 31,306 |
| Impairment of long-lived assets | — | 1,685 | 245 | 1,685 |
| Impairment loss on equity method investment | 55,266 | — | 55,266 | — |
| Litigation Expense | — | — | 16,800 | — |
| License fee dispute - India, net of non-controlling interests | (233) | 107 | (941) | (936) |
| Loss on Debt Repurchase | — | — | 1,938 | — |
| Foreign currency transaction (gains) losses, net | 2,568 | (8,618) | 12,613 | (6,015) |
| Adjusted EBITDA | <u>\$ 159,524</u> | <u>\$ 166,721</u> | <u>\$ 718,931</u> | <u>\$ 642,915</u> |

Note on Use of Non-GAAP Financial Measures

EBITDA is defined as "Net income (loss)" excluding "Interest income, net," "Interest expense, net of amounts capitalized," "Income tax benefit (provision), net," "Depreciation and amortization," and "Net income (loss) attributable to non-controlling interests."

Adjusted EBITDA is defined as EBITDA excluding Gains and losses on investments, net, Foreign currency transaction gains (losses), net, and other non-recurring or non-operational items. EBITDA and Adjusted EBITDA are not measures determined in accordance with US GAAP. EBITDA and Adjusted EBITDA are reconciled to Net income (loss) in the table above and should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with US GAAP. Our management uses EBITDA and Adjusted EBITDA as measures of our operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes that these non-GAAP measures provide meaningful supplemental information regarding the underlying operating performance of our business and are appropriate to enhance an overall understanding of our financial performance. Management also believes that EBITDA and Adjusted EBITDA are useful to investors because they are frequently used by securities analysts, investors, and other interested parties to evaluate the performance of companies in our industry.

The consolidated financial statements of EchoStar for the periods ended December 31, 2021 are attached to this press release. Detailed financial data and other information are available in EchoStar's Annual Report on Form 10-K for the period ended December 31, 2021 filed today with the Securities and Exchange Commission.

EchoStar will host a conference call to discuss its earnings on Thursday, February 24, 2022 at 3:00 p.m. Eastern Time. The conference call will be broadcast live in listen-only mode on EchoStar's investor relations website at ir.echostar.com. To ask a question, the dial in numbers are (833) 562-0124 (toll-free) and (661) 567-1102 (international), Conference ID 4197436.

About EchoStar Corporation

EchoStar Corporation (NASDAQ: SATS) is a premier global provider of satellite communications solutions. Headquartered in Englewood, Colo., and conducting business around the globe, EchoStar is a pioneer in secure communications technologies through its Hughes Network Systems and EchoStar Satellite Services business segments.

Safe Harbor Statement under the US Private Securities Litigation Reform Act of 1995

This press release may contain statements that are forward looking, as that term is defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. When used in this release, the words "believe," "anticipate," "goal," "seek," "estimate," "expect," "intend," "project," "continue," "future," "will," "would," "can," "may," "plans," and similar expressions and the use of future dates are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no responsibility for the accuracy of forward-looking statements or information or for updating forward-looking information or statements. These statements are subject to certain risks, uncertainties, and assumptions. See "Risk Factors" in EchoStar's Annual Report on Form 10-K for the period ended December 31, 2021 as filed with the Securities and Exchange Commission and in the other documents EchoStar files with the Securities and Exchange Commission from time to time.

ECHOSTAR CORPORATION Consolidated Balance Sheets (Amounts in thousands, except share and per share amounts)

| | As of December 31, | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 535,894 | \$ 896,005 |
| Marketable investment securities | 1,010,496 | 1,638,271 |
| Trade accounts receivable and contract assets, net | 182,063 | 183,989 |
| Other current assets, net | 198,444 | 189,821 |
| Total current assets | 1,926,897 | 2,908,086 |
| Non-current assets: | | |
| Property and equipment, net | 2,338,285 | 2,390,313 |
| Operating lease right-of-use assets | 149,198 | 128,303 |
| Goodwill | 511,086 | 511,597 |
| Regulatory authorizations, net | 469,766 | 478,762 |
| Other intangible assets, net | 13,984 | 18,433 |
| Other investments, net | 297,747 | 284,937 |
| Other non-current assets, net | 338,241 | 352,921 |
| Total non-current assets | 4,118,307 | 4,165,266 |
| Total assets | \$ 6,045,204 | \$ 7,073,352 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 109,338 | \$ 122,366 |
| Current portion of long-term debt, net | — | 898,237 |

| | | |
|--|------------------|------------------|
| Contract liabilities | 141,343 | 104,569 |
| Accrued expenses and other current liabilities | 209,442 | 299,999 |
| Total current liabilities | 460,123 | 1,425,171 |
| Non-current liabilities: | | |
| Long-term debt, net | 1,495,994 | 1,495,256 |
| Deferred tax liabilities, net | 403,684 | 359,896 |
| Operating lease liabilities | 134,897 | 114,886 |
| Other non-current liabilities | 136,426 | 70,893 |
| Total non-current liabilities | 2,171,001 | 2,040,931 |
| Total liabilities | 2,631,124 | 3,466,102 |

Commitments and contingencies

ECHOSTAR CORPORATION
Consolidated Balance Sheets
(Amounts in thousands, except share and per share amounts)

Stockholders' equity:

Preferred stock, \$0.001 par value, 20,000,000 shares authorized, none issued and outstanding at both December 31, 2021 and December 31, 2020

— —

Common stock, \$0.001 par value, 4,000,000,000 shares authorized:

Class A common stock, \$0.001 par value, 1,600,000,000 shares authorized, 58,059,622 shares issued and 38,726,923 shares outstanding at December 31, 2021 and 57,254,201 shares issued and 48,863,374 shares outstanding at December 31, 2020

58 57

Class B convertible common stock, \$0.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at both December 31, 2021 and December 31, 2020

48 48

Class C convertible common stock, \$0.001 par value, 800,000,000 shares authorized, none issued and outstanding at both December 31, 2021 and December 31, 2020

— —

Class D common stock, \$0.001 par value, 800,000,000 shares authorized, none issued and outstanding at both December 31, 2021 and December 31, 2020

— —

Additional paid-in capital

3,345,878 3,321,426

Accumulated other comprehensive income (loss)

(212,102) (187,876)

Accumulated earnings (losses)

656,466 583,591

Treasury shares, at cost

(436,521) (174,912)

Total EchoStar Corporation stockholders' equity

3,353,827 3,542,334

Non-controlling interests

60,253 64,916

Total stockholders' equity

3,414,080 3,607,250

Total liabilities and stockholders' equity

\$ 6,045,204 \$ 7,073,352

ECHOSTAR CORPORATION
Consolidated Statements of Operations
(Amounts in thousands, except per share amounts)

| | For the years ended December 31, | | |
|---|----------------------------------|--------------|--------------|
| | 2021 | 2020 | 2019 |
| Revenue: | | | |
| Services and other revenue | \$ 1,715,287 | \$ 1,682,304 | \$ 1,619,271 |
| Equipment revenue | 270,433 | 205,603 | 266,810 |
| Total revenue | 1,985,720 | 1,887,907 | 1,886,081 |
| Costs and expenses: | | | |
| Cost of sales - services and other (exclusive of depreciation and amortization) | 551,679 | 577,943 | 561,353 |
| Cost of sales - equipment (exclusive of depreciation and amortization) | 231,975 | 166,435 | 226,002 |
| Selling, general and administrative expenses | 461,705 | 474,912 | 509,145 |
| Research and development expenses | 31,777 | 29,448 | 25,739 |
| Depreciation and amortization | 491,329 | 525,011 | 490,765 |
| Impairment of long-lived assets | 245 | 1,685 | — |
| Total costs and expenses | 1,768,710 | 1,775,434 | 1,813,004 |
| Operating income (loss) | 217,010 | 112,473 | 73,077 |

Other income (expense):

| | | | |
|---|-----------|-------------|-------------|
| Interest income, net | 22,801 | 39,982 | 82,352 |
| Interest expense, net of amounts capitalized | (95,512) | (147,927) | (251,016) |
| Gains (losses) on investments, net | 69,531 | (31,306) | 28,912 |
| Equity in earnings (losses) of unconsolidated affiliates, net | (5,170) | (7,267) | (14,734) |
| Foreign currency transaction gains (losses), net | (12,613) | 6,015 | (11,590) |
| Other-than-temporary impairment losses on equity method investments | (55,266) | — | — |
| Other, net | (12,434) | 195 | (166) |
| Total other income (expense), net | (88,663) | (140,308) | (166,242) |
| Income (loss) from continuing operations before income taxes | 128,347 | (27,835) | (93,165) |
| Income tax benefit (provision), net | (65,626) | (24,069) | (20,488) |
| Net income (loss) from continuing operations | 62,721 | (51,904) | (113,653) |
| Net income (loss) from discontinued operations | — | — | 39,401 |
| Net income (loss) | 62,721 | (51,904) | (74,252) |
| Less: Net loss (income) attributable to non-controlling interests | 10,154 | 11,754 | 11,335 |
| Net income (loss) attributable to EchoStar Corporation common stock | \$ 72,875 | \$ (40,150) | \$ (62,917) |

Earnings (losses) per share - Class A and B common stock:

| | | | |
|--|---------|-----------|-----------|
| Basic and diluted earnings (losses) from continuing operations per share | \$ 0.81 | \$ (0.41) | \$ (1.06) |
| Total basic and diluted earnings (losses) per share | \$ 0.81 | \$ (0.41) | \$ (0.65) |

ECHOSTAR CORPORATION
Consolidated Statements of Cash Flows
(Amounts in thousands)

| | For the years ended December 31, | | |
|--|----------------------------------|----------------|----------------|
| | 2021 | 2020 | 2019 |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ 62,721 | \$ (51,904) | \$ (74,252) |
| Adjustments to reconcile net income (loss) to cash flows provided by (used for) operating activities: | | | |
| Depreciation and amortization | 491,329 | 525,011 | 588,200 |
| Impairment of long-lived assets | 245 | 1,685 | — |
| Losses (gains) on investments, net | (69,531) | 31,306 | (28,912) |
| Equity in losses (earnings) of unconsolidated affiliates, net | 5,170 | 7,267 | 14,734 |
| Foreign currency transaction losses (gains), net | 12,613 | (6,015) | 11,590 |
| Deferred tax provision (benefit), net | 37,664 | 18,147 | 32,542 |
| Stock-based compensation | 7,699 | 8,887 | 9,353 |
| Amortization of debt issuance costs | 2,381 | 4,324 | 5,912 |
| Dividends received from unconsolidated affiliates | — | — | 2,716 |
| Other-than-temporary impairment losses on equity method investments | 55,266 | — | — |
| Other, net | 19,740 | (12,501) | 6,297 |
| Changes in assets and liabilities, net: | | | |
| Trade accounts receivable and contract assets, net | (2,334) | 2,237 | 8,289 |
| Other current assets, net | (7,303) | (12,984) | (39,190) |
| Trade accounts payable | (15,599) | (12,339) | 13,149 |
| Contract liabilities | 36,774 | 3,509 | 26,376 |
| Accrued expenses and other current liabilities | (84,621) | 42,822 | 66,352 |
| Non-current assets and non-current liabilities, net | 80,012 | (15,064) | 13,166 |
| Net cash provided by (used for) operating activities | 632,226 | 534,388 | 656,322 |
| Cash flows from investing activities: | | | |
| Purchases of marketable investment securities | (1,651,608) | (2,799,838) | (993,369) |

| | | | |
|--|--------------------|--------------------|---------------------|
| Sales and maturities of marketable investment securities | 2,321,560 | 2,110,336 | 2,391,220 |
| Expenditures for property and equipment | (438,430) | (408,798) | (418,584) |
| Expenditures for externally marketed software | (33,543) | (38,655) | (29,310) |
| Purchase of other investments | (50,000) | (5,500) | (93,687) |
| Sales of other investments | 10,951 | — | — |
| Investments in unconsolidated affiliates | — | — | (2,149) |
| Purchases of regulatory authorizations | — | — | (34,447) |
| Dividend received from unconsolidated affiliate | — | — | 2,284 |
| Net cash provided by (used for) investing activities | 158,930 | (1,142,455) | 821,958 |
| Cash flows from financing activities: | | | |
| Repurchase and maturity of the 2019 Senior Secured Notes | — | — | (920,923) |
| Repurchase and maturity of the 2021 Senior Unsecured Notes | (901,818) | — | — |
| Payment of finance lease obligations | (670) | (811) | (29,347) |
| Payment of in-orbit incentive obligations | (2,214) | (1,554) | (5,447) |
| Proceeds from Class A common stock options exercised | 408 | 855 | 67,337 |
| Proceeds from Class A common stock issued under the Employee Stock Purchase Plan | 9,471 | 10,109 | 9,779 |
| Treasury share repurchase | (261,436) | (43,458) | — |
| Contribution by non-controlling interest holder | 9,880 | 18,241 | — |
| Purchase of non-controlling interest | — | — | (7,313) |
| Other, net | (966) | 998 | 603 |
| Net cash provided by (used for) financing activities | (1,147,345) | (15,620) | (885,311) |
| Effect of exchange rates on cash and cash equivalents | (3,749) | (1,390) | (575) |
| Net increase (decrease) in cash and cash equivalents | (359,938) | (625,077) | 592,394 |
| Cash and cash equivalents, including restricted amounts, beginning of period | 896,812 | 1,521,889 | 929,495 |
| Cash and cash equivalents, including restricted amounts, end of period | <u>\$ 536,874</u> | <u>\$ 896,812</u> | <u>\$ 1,521,889</u> |

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SOURCE EchoStar Corporation

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