

EchoStar Announces First Quarter 2017 Results

May 10, 2017

ENGLEWOOD, Colo., May 10, 2017 /PRNewswire/ -- EchoStar Corporation (NASDAQ: SATS) today announced its financial results for the quarter ended March 31, 2017.



First Quarter 2017 Financial Highlights:

- Consolidated revenues of \$433 million.
- Consolidated net income from continuing operations of \$31 million
- Consolidated net income attributable to EchoStar common stock of \$39 million and diluted earnings per share of \$0.41.
- Consolidated EBITDA of \$183 million (see reconciliation of this non-GAAP measure below).
- Approximately 1,043,000 Hughes consumer broadband subscribers as of March 31, 2017.
- Cash, cash equivalents and current marketable investment securities of \$3.18 billion as of March 31, 2017

In the current quarter we changed the way we present our segments. Historically our business segments reflected an allocation of the costs of our corporate functions. Under our new presentation, these costs are no longer allocated to the operating segments and are now reported as part of the Corporate and Other segment (previously "All Other and Eliminations").

In addition, results of our EchoStar Technology segment, which was transferred to DISH Network Corporation in the Share Exchange transaction, are included in Discontinued Operations.

Set forth below is a table highlighting EchoStar's segment results for the three months ended March 31, 2017 and 2016:

	For the Three Months Ended March 31,	
	2017	2016
	(Dollars in thousands)	
Revenue		
Hughes	\$ 329,320	\$ 326,238
EchoStar Satellite Services	100,326	102,989
Corporate & Other	3,505	2,747
Total	\$ 433,151	\$ 431,974
EBITDA		
Hughes	\$ 100,852	\$ 110,356
EchoStar Satellite Services	83,063	88,640
Corporate & Other	(601)	(13,444)
Total	\$ 183,314	\$ 185,552
Net income attributable to EchoStar common stock	\$ 38,924	\$ 50,674
Diluted earnings per share (in dollars)	\$ 0.41	\$ 0.54
Net income from continuing operations	\$ 30,775	\$ 35,385
Capital expenditures for property and equipment from continuing operations	\$ 89,950	\$ 205,795

The following table reconciles total consolidated Net income to EBITDA.

	For the Three Months Ended March 31,	
	2017	2016
	(In thousands)	
Net income	\$ 37,352	\$ 48,443
Interest income and expense, net	37,105	19,206
Income tax (benefit) provision	(12)	20,172

Depreciation and amortization	115,083	110,077
Net income from discontinued operations	(6,577)	(13,058)
Net loss attributable to noncontrolling interest in HSS Tracking Stock and other noncontrolling interests	363	712
EBITDA	<u>\$ 183,314</u>	<u>\$ 185,552</u>

Note on Use of Non-GAAP Financial Measures

EBITDA is defined as "Net income" excluding "Interest expense, net of amounts capitalized," "Interest income", "Income tax benefit (provision)" and "Depreciation and amortization." EBITDA is not a measure determined in accordance with US GAAP. This non-GAAP measure is reconciled to Net income in the table above. EBITDA should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding the underlying operating performance of our business. Management also believes that EBITDA is useful to investors because it is 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 March 31, 2017 and 2016 are attached to this press release. Detailed financial data and other information are available in EchoStar's Quarterly Report on Form 10-Q for the period ended March 31, 2017 filed today with the Securities and Exchange Commission.

EchoStar will host its earnings conference call on Wednesday, May 10, 2017 at 12:00 noon Eastern Time. The call-in numbers are (877) 815-1625 (toll-free) and (716) 247-5178 (international), Conference ID # 18953417.

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," "estimate," "expect," "intend," "project," "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, 2016 and Quarterly Report on Form 10-Q for the period ended March 31, 2017, each 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
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	As of	
	March 31, 2017	December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,799,545	\$ 2,570,365
Marketable investment securities, at fair value	383,015	522,516
Trade accounts receivable, net of allowance for doubtful accounts of \$11,371 and \$12,956, respectively	167,860	182,527
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	50,284	19,417
Inventory	79,422	62,620
Prepays and deposits	45,604	43,456
Other current assets	12,495	10,862
Current assets of discontinued operations	213,191	311,524
Total current assets	<u>3,751,416</u>	<u>3,723,287</u>
Noncurrent Assets:		
Restricted cash and marketable investment securities	8,343	12,926
Property and equipment, net of accumulated depreciation of \$2,724,049 and \$2,598,492, respectively	3,425,548	3,398,195
Regulatory authorizations, net	545,620	544,633
Goodwill	504,173	504,173
Other intangible assets, net	73,006	80,734
Investments in unconsolidated entities	165,992	171,016
Other receivable - DISH Network	91,029	90,586
Other noncurrent assets, net	181,899	166,385
Noncurrent assets of discontinued operations	—	316,924
Total noncurrent assets	<u>4,995,610</u>	<u>5,285,572</u>

Total assets		<u>\$ 8,747,026</u>	<u>\$ 9,008,859</u>
	Liabilities and Stockholders' Equity		
Current Liabilities:			
Trade accounts payable		\$ 134,461	\$ 170,297
Trade accounts payable - DISH Network		3,691	1,072
Current portion of long-term debt and capital lease obligations		37,270	32,984
Deferred revenue and prepayments		54,596	59,989
Accrued interest		57,012	46,487
Accrued compensation		30,013	53,454
Accrued expenses and other		106,391	95,726
Current liabilities of discontinued operations		311	71,429
Total current liabilities		<u>423,745</u>	<u>531,438</u>
Noncurrent Liabilities:			
Long-term debt and capital lease obligations, net of unamortized debt issuance costs		3,620,044	3,622,463
Deferred tax liabilities, net		736,186	746,667
Other noncurrent liabilities		121,341	90,785
Noncurrent liabilities of discontinued operations		—	10,701
Total noncurrent liabilities		<u>4,477,571</u>	<u>4,470,616</u>
Total liabilities		<u>4,901,316</u>	<u>5,002,054</u>
Commitments and Contingencies (Note 14)			
Stockholders' Equity:			
Preferred Stock, \$.001 par value, 20,000,000 shares authorized:			
Hughes Retail Preferred Tracking Stock, \$.001 par value, zero authorized, issued and outstanding at March 31, 2017 and 13,000,000 shares authorized and 6,290,499 issued and outstanding at December 31, 2016		—	6
Common stock, \$.001 par value, 4,000,000,000 shares authorized:			
Class A common stock, \$.001 par value, 1,600,000,000 shares authorized, 53,320,812 shares issued and 47,788,494 shares outstanding at March 31, 2017 and 52,243,465 shares issued and 46,711,147 shares outstanding at December 31, 2016		53	52
Class B common stock, \$.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at each of March 31, 2017 and December 31, 2016		48	48
Class C common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of March 31, 2017 and December 31, 2016		—	—
Class D common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of March 31, 2017 and December 31, 2016		—	—
Additional paid-in capital		3,644,370	3,828,677
Accumulated other comprehensive loss		(80,191)	(124,803)
Accumulated earnings		366,470	314,247
Treasury stock, at cost		(98,162)	(98,162)
Total EchoStar stockholders' equity		<u>3,832,588</u>	<u>3,920,065</u>
Noncontrolling interest in HSS Tracking Stock		—	73,910
Other noncontrolling interests		13,122	12,830
Total stockholders' equity		<u>3,845,710</u>	<u>4,006,805</u>
Total liabilities and stockholders' equity		<u>\$ 8,747,026</u>	<u>\$ 9,008,859</u>

ECHOSTAR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended March 31,	
	<u>2017</u>	<u>2016</u>
Revenue:		
Services and other revenue - DISH Network	\$ 114,955	\$ 116,449
Services and other revenue - other	269,791	269,897
Equipment revenue - DISH Network	31	2,769
Equipment revenue - other	48,374	42,859
Total revenue	<u>433,151</u>	<u>431,974</u>
Costs and Expenses:		
Cost of sales - services and other (exclusive of depreciation and amortization)	131,783	125,582
Cost of sales - equipment (exclusive of depreciation and amortization)	43,938	43,108
Selling, general and administrative expenses	82,991	80,545
Research and development expenses	7,705	6,932
Depreciation and amortization	115,083	110,077
Total costs and expenses	<u>381,500</u>	<u>366,244</u>
Operating income	<u>51,651</u>	<u>65,730</u>
Other Income (Expense):		

Interest income	8,291	3,965
Interest expense, net of amounts capitalized	(45,396)	(23,171)
Gains on investments, net	12,035	2,462
Other-than-temporary impairment loss on available-for-sale securities	(3,298)	—
Equity in earnings (losses) of unconsolidated affiliates, net	6,408	(808)
Other, net	1,072	7,379
Total other expense, net	<u>(20,888)</u>	<u>(10,173)</u>
Income from continuing operations before income taxes	30,763	55,557
Income tax benefit (provision)	12	(20,172)
Net income from continuing operations	30,775	35,385
Net income from discontinued operations	6,577	13,058
Net income	37,352	48,443
Less: Net loss attributable to noncontrolling interest in HSS Tracking Stock	(655)	(823)
Less: Net income attributable to other noncontrolling interests	292	111
Net income attributable to EchoStar	37,715	49,155
Less: Net loss attributable to Hughes Retail Preferred Tracking Stock	(1,209)	(1,519)
Net income attributable to EchoStar common stock	<u>\$ 38,924</u>	<u>\$ 50,674</u>

Amounts attributable to EchoStar common stock:

Net income from continuing operations	\$ 32,347	\$ 37,616
Net income from discontinued operations	6,577	13,058
Net income attributable to EchoStar common stock	<u>\$ 38,924</u>	<u>\$ 50,674</u>

Weighted-average common shares outstanding - Class A and B common stock:

Basic	94,745	93,331
Diluted	95,893	93,852

Earnings per share - Class A and B common stock:

Basic:		
Continuing operations	\$ 0.34	\$ 0.40
Discontinued operations	0.07	0.14
Total basic earnings per share	<u>\$ 0.41</u>	<u>\$ 0.54</u>
Diluted:		
Continuing operations	\$ 0.34	\$ 0.40
Discontinued operations	0.07	0.14
Total diluted earnings per share	<u>\$ 0.41</u>	<u>\$ 0.54</u>

ECHOSTAR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	For the Three Months Ended March 31,	
	2017	2016
Cash Flows from Operating Activities:		
Net income	\$ 37,352	\$ 48,443
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	126,742	126,734
Equity in losses (earnings) of unconsolidated affiliates, net	(5,249)	963
Gain and impairment on investments, net	(8,737)	(2,462)
Stock-based compensation	956	4,384
Deferred tax provision	343	25,684
Dividends received from unconsolidated entity	7,500	—
Changes in current assets and current liabilities, net	(13,857)	(18,184)
Changes in noncurrent assets and noncurrent liabilities, net	(6,003)	3,388
Other, net	2,308	3,899
Net cash flows from operating activities	<u>141,355</u>	<u>192,849</u>
Cash Flows from Investing Activities:		
Purchases of marketable investment securities	(45,905)	(321,892)
Sales and maturities of marketable investment securities	205,296	323,889
Expenditures for property and equipment	(102,463)	(235,223)
Refunds and other receipts related to capital expenditures	—	24,087
Changes in restricted cash and marketable investment securities	4,583	(662)
Sale of investment in unconsolidated entity	17,781	—
Expenditures for externally marketed software	(10,832)	(5,959)
Other, net	—	1,460
Net cash flows from investing activities	<u>68,460</u>	<u>(214,300)</u>

Cash Flows from Financing Activities:		
Repayment of debt and capital lease obligations	(8,736)	(10,542)
Net proceeds from Class A common stock options exercised	26,325	2,315
Net proceeds from Class A common stock issued under the Employee Stock Purchase Plan	2,409	4,020
Cash exchanged for Tracking Stock	(651)	—
Other, net	(1,475)	(302)
Net cash flows from financing activities	<u>17,872</u>	<u>(4,509)</u>
Effect of exchange rates on cash and cash equivalents	715	536
Net increase (decrease) in cash and cash equivalents	228,402	(25,424)
Cash and cash equivalents, beginning of period	2,571,143	924,240
Cash and cash equivalents, end of period	<u>\$ 2,799,545</u>	<u>\$ 898,816</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest (including capitalized interest)	\$ 54,053	\$ 10,476
Capitalized interest	\$ 21,824	\$ 22,021
Cash paid for income taxes	\$ 1,035	\$ 2,586
Employee benefits paid in Class A common stock	\$ 11,199	\$ 11,126
Property and equipment financed under capital lease obligations	\$ 7,485	\$ 2,351
Increase (decrease) in capital expenditures included in accounts payable, net	\$ (6,315)	\$ 3,670
Capitalized in-orbit incentive obligations	\$ 31,000	\$ —
Noncash net assets exchanged for Tracking Stock	\$ 299,425	\$ —

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