

EchoStar Announces Financial Results for Three and Nine Months Ending September 30, 2017

November 8, 2017

ENGLEWOOD, Colo., Nov. 8, 2017 /PRNewswire/ -- EchoStar Corporation (NASDAQ: SATS) today announced its financial results for the three and nine months ending September 30, 2017.



Three Months Ending September 30, 2017 Financial Highlights:

- Consolidated revenues of \$481 million.
- Consolidated net income from continuing operations of \$35.9 million, consolidated net income attributable to EchoStar common stock of \$34.7 million and diluted earnings per share of \$0.36.
- Consolidated EBITDA of \$220 million (see reconciliation of this non-GAAP measure below).

Nine Months Ended September 30, 2017 Financial Highlights:

- Consolidated revenue of \$1.38 billion.
- Consolidated net income from continuing operations of \$73.2 million, consolidated net income attributable to EchoStar common stock of \$80.5 million and diluted earnings per share of \$0.83.
- Consolidated EBITDA of \$588 million (see reconciliation of this non-GAAP measure below).

Additional Highlights:

- Approximately 1,140,000 Hughes broadband subscribers as of September 30, 2017.
- Cash, cash equivalents and current marketable investment securities of \$3.28 billion as of September 30, 2017

Starting with the quarter that ended March 31, 2017, we changed the way we present our segments. Previously, 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 certain of EchoStar's segment results for the three and nine months ended September 30, 2017 and 2016:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|-------------------|--|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (Dollars in thousands) | | | |
| Revenue | | | | |
| Hughes | \$ 380,061 | \$ 355,876 | \$ 1,072,143 | \$ 1,021,451 |
| EchoStar Satellite Services | 97,093 | 101,480 | 295,785 | 305,919 |
| Corporate & Other | 4,079 | 2,690 | 11,532 | 7,308 |
| Total | \$ 481,233 | \$ 460,046 | \$ 1,379,460 | \$ 1,334,678 |
| EBITDA | | | | |
| Hughes | \$ 131,817 | \$ 125,522 | \$ 342,693 | \$ 353,505 |
| EchoStar Satellite Services | 78,345 | 84,257 | 241,873 | 257,181 |
| Corporate & Other | 9,699 | (20,477) | 3,472 | (45,506) |
| Total | \$ 219,861 | \$ 189,302 | \$ 588,038 | \$ 565,180 |
| Net income (loss) attributable to EchoStar common stock | \$ 34,669 | \$ 36,644 | \$ 80,533 | \$ 143,451 |
| Diluted earnings per share (in dollars) | \$ 0.36 | \$ 0.39 | \$ 0.83 | \$ 1.52 |
| Net income from continuing operations | \$ 35,855 | \$ 32,911 | \$ 73,221 | \$ 112,549 |
| Capital expenditures from continuing operations | \$ 192,131 | \$ 139,574 | \$ 410,145 | \$ 477,818 |

The following table reconciles total consolidated Net income to EBITDA.

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|------------|---|-----------|--|------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (Dollars in thousands) | | | |
| Net income | \$ 35,201 | \$ 37,410 | \$ 79,675 | \$ 141,762 |

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Interest income and expense, net | 43,634 | 31,057 | 126,156 | 66,650 |
| Income tax provision | 6,082 | 17,394 | 9,073 | 61,258 |
| Depreciation and amortization | 134,822 | 108,549 | 379,939 | 324,743 |
| Net (income) loss from discontinued operations | 654 | (4,499) | (6,454) | (29,213) |
| Net income attributable to noncontrolling interests | (532) | (609) | (351) | (20) |
| EBITDA | <u>\$ 219,861</u> | <u>\$ 189,302</u> | <u>\$ 588,038</u> | <u>\$ 565,180</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 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 September 30, 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 September 30, 2017 filed today with the Securities and Exchange Commission.

EchoStar will host its earnings conference call on Wednesday, November 8, 2017 at 11:00 a.m. Eastern Time. The call-in numbers are (877) 815-1625 (toll-free) and (716) 247-5178 (international), Conference ID # 5279369.

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 September 30, 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 (Dollars in thousands, except per-share amounts)

| | As of | |
|--|-----------------------|----------------------|
| | September 30, 2017 | December 31, 2016 |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 2,798,359 | \$ 2,570,365 |
| Marketable investment securities, at fair value | 485,035 | 522,516 |
| Trade accounts receivable, net of allowance for doubtful accounts of \$13,211 and \$12,956, respectively | 192,387 | 182,527 |
| Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero | 52,512 | 19,417 |
| Inventory | 91,232 | 62,620 |
| Prepays and deposits | 53,536 | 43,456 |
| Other current assets | 12,746 | 10,862 |
| Current assets of discontinued operations | 145 | 311,524 |
| Total current assets | <u>3,685,952</u> | <u>3,723,287</u> |
| Noncurrent Assets: | | |
| Restricted cash and marketable investment securities | 13,736 | 12,926 |
| Property and equipment, net of accumulated depreciation of \$2,551,678 and \$2,598,492, respectively | 3,530,459 | 3,398,195 |
| Regulatory authorizations, net | 545,557 | 544,633 |
| Goodwill | 504,173 | 504,173 |
| Other intangible assets, net | 62,635 | 80,734 |
| Investments in unconsolidated entities | 165,290 | 171,016 |
| Other receivable - DISH Network | 92,133 | 90,586 |
| Other noncurrent assets, net | 207,221 | 166,385 |
| Noncurrent assets of discontinued operations | — | 316,924 |
| Total noncurrent assets | <u>5,121,204</u> | <u>5,285,572</u> |
| Total assets | <u>\$ 8,807,156</u> | <u>\$ 9,008,859</u> |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Trade accounts payable | \$ 120,436 | \$ 170,297 |
| Trade accounts payable - DISH Network | 6,556 | 1,072 |
| Current portion of long-term debt and capital lease obligations | 38,407 | 32,984 |
| Deferred revenue and prepayments | 56,285 | 59,989 |
| Accrued interest | 57,837 | 46,487 |
| Accrued compensation | 37,096 | 53,454 |
| Accrued expenses and other | 110,872 | 95,726 |

| | | |
|---|---------------------|---------------------|
| Current liabilities of discontinued operations | 542 | 71,429 |
| Total current liabilities | <u>428,031</u> | <u>531,438</u> |
| Noncurrent Liabilities: | | |
| Long-term debt and capital lease obligations, net of unamortized debt issuance costs | 3,605,715 | 3,622,463 |
| Deferred tax liabilities, net | 745,965 | 746,667 |
| Other noncurrent liabilities | 131,626 | 90,785 |
| Noncurrent liabilities of discontinued operations | — | 10,701 |
| Total noncurrent liabilities | <u>4,483,306</u> | <u>4,470,616</u> |
| Total liabilities | <u>4,911,337</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 September 30, 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, 53,564,095 shares issued and 48,031,777 shares outstanding at September 30, 2017 and 52,243,465 shares issued and 46,711,147 shares outstanding at December 31, 2016 | 54 | 52 |
| Class B common stock, \$.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at each of September 30, 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 September 30, 2017 and December 31, 2016 | — | — |
| Class D common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of September 30, 2017 and December 31, 2016 | — | — |
| Additional paid-in capital | 3,660,696 | 3,828,677 |
| Accumulated other comprehensive loss | (88,732) | (124,803) |
| Accumulated earnings | 408,079 | 314,247 |
| Treasury stock, at cost | <u>(98,162)</u> | <u>(98,162)</u> |
| Total EchoStar stockholders' equity | 3,881,983 | 3,920,065 |
| Noncontrolling interest in HSS Tracking Stock | — | 73,910 |
| Other noncontrolling interests | <u>13,836</u> | <u>12,830</u> |
| Total stockholders' equity | <u>3,895,819</u> | <u>4,006,805</u> |
| Total liabilities and stockholders' equity | <u>\$ 8,807,156</u> | <u>\$ 9,008,859</u> |

ECHOSTAR CORPORATION
Condensed Consolidated Statements of Operations
(In thousands)

| | For the Three Months | | For the Nine Months | |
|---|-----------------------------|------------------|----------------------------|-------------------|
| | Ended September 30, | | Ended September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Revenue: | | | | |
| Services and other revenue - DISH Network | \$ 111,135 | \$ 115,127 | \$ 339,824 | \$ 347,440 |
| Services and other revenue - other | 310,973 | 276,280 | 865,817 | 820,149 |
| Equipment revenue - DISH Network | 126 | 2,138 | 175 | 7,008 |
| Equipment revenue - other | 58,999 | 66,501 | 173,644 | 160,081 |
| Total revenue | <u>481,233</u> | <u>460,046</u> | <u>1,379,460</u> | <u>1,334,678</u> |
| Costs and Expenses: | | | | |
| Cost of sales - services and other (exclusive of depreciation and amortization) | 138,641 | 131,594 | 404,448 | 384,942 |
| Cost of sales - equipment (exclusive of depreciation and amortization) | 52,051 | 53,599 | 153,854 | 143,252 |
| Selling, general and administrative expenses | 91,003 | 80,672 | 263,820 | 240,454 |
| Research and development expenses | 8,302 | 9,030 | 23,444 | 23,524 |
| Depreciation and amortization | <u>134,822</u> | <u>108,549</u> | <u>379,939</u> | <u>324,743</u> |
| Total costs and expenses | <u>424,819</u> | <u>383,444</u> | <u>1,225,505</u> | <u>1,116,915</u> |
| Operating income | <u>56,414</u> | <u>76,602</u> | <u>153,955</u> | <u>217,763</u> |
| Other Income (Expense): | | | | |
| Interest income | 12,012 | 6,259 | 30,342 | 13,726 |
| Interest expense, net of amounts capitalized | (55,646) | (37,316) | (156,498) | (80,376) |
| Gains on investments, net | 20,090 | 230 | 33,962 | 8,179 |
| Other-than-temporary impairment loss on available-for-sale securities | — | — | (3,298) | — |
| Equity in earnings of unconsolidated affiliates, net | 4,381 | 4,166 | 15,620 | 8,984 |
| Other, net | <u>4,686</u> | <u>364</u> | <u>8,211</u> | <u>5,531</u> |
| Total other expense, net | <u>(14,477)</u> | <u>(26,297)</u> | <u>(71,661)</u> | <u>(43,956)</u> |
| Income from continuing operations before income taxes | 41,937 | 50,305 | 82,294 | 173,807 |
| Income tax provision | <u>(6,082)</u> | <u>(17,394)</u> | <u>(9,073)</u> | <u>(61,258)</u> |
| Net income from continuing operations | 35,855 | 32,911 | 73,221 | 112,549 |
| Net income (loss) from discontinued operations | <u>(654)</u> | <u>4,499</u> | <u>6,454</u> | <u>29,213</u> |
| Net income | 35,201 | 37,410 | 79,675 | 141,762 |
| Less: Net income (loss) attributable to noncontrolling interest in HSS Tracking Stock | — | 85 | (655) | (926) |
| Less: Net income attributable to other noncontrolling interests | 532 | 524 | 1,006 | 946 |
| Net income attributable to EchoStar | <u>34,669</u> | <u>36,801</u> | <u>79,324</u> | <u>141,742</u> |
| Less: Net income (loss) attributable to Hughes Retail Preferred Tracking Stock | — | 157 | (1,209) | (1,709) |
| Net income attributable to EchoStar common stock | <u>\$ 34,669</u> | <u>\$ 36,644</u> | <u>\$ 80,533</u> | <u>\$ 143,451</u> |
| Amounts attributable to EchoStar common stock: | | | | |
| Net income from continuing operations | \$ 35,323 | \$ 32,145 | \$ 74,079 | \$ 114,238 |
| Net income (loss) from discontinued operations | <u>(654)</u> | <u>4,499</u> | <u>6,454</u> | <u>29,213</u> |
| Net income attributable to EchoStar common stock | <u>\$ 34,669</u> | <u>\$ 36,644</u> | <u>\$ 80,533</u> | <u>\$ 143,451</u> |

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

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Basic | <u>95,656</u> | <u>93,898</u> | <u>95,316</u> | <u>93,661</u> |
| Diluted | <u>96,890</u> | <u>94,401</u> | <u>96,626</u> | <u>94,189</u> |
| Earnings (loss) per share - Class A and B common stock: | | | | |
| Basic: | | | | |
| Continuing operations | \$ 0.37 | \$ 0.34 | \$ 0.78 | \$ 1.22 |
| Discontinued operations | <u>(0.01)</u> | <u>0.05</u> | <u>0.06</u> | <u>0.31</u> |
| Total basic earnings per share | <u>\$ 0.36</u> | <u>\$ 0.39</u> | <u>\$ 0.84</u> | <u>\$ 1.53</u> |
| Diluted: | | | | |
| Continuing operations | \$ 0.36 | \$ 0.34 | \$ 0.77 | \$ 1.21 |
| Discontinued operations | <u>—</u> | <u>0.05</u> | <u>0.06</u> | <u>0.31</u> |
| Total diluted earnings per share | <u>\$ 0.36</u> | <u>\$ 0.39</u> | <u>\$ 0.83</u> | <u>\$ 1.52</u> |

ECHOSTAR CORPORATION
Condensed Consolidated Statements of Cash Flows
(In thousands)

| | For the Nine Months Ended September 30, | |
|--|--|---------------------|
| | 2017 | 2016 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 79,675 | \$ 141,762 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation and amortization | 391,598 | 370,872 |
| Equity in earnings of unconsolidated affiliates, net | (14,461) | (11,181) |
| Gain and impairment on investments, net | (30,664) | (8,179) |
| Stock-based compensation | 7,169 | 11,953 |
| Deferred tax provision | 7,924 | 71,422 |
| Dividends received from unconsolidated entities | 15,000 | 15,000 |
| Proceeds from sale of trading securities | 8,922 | 7,140 |
| Changes in current assets and current liabilities, net | 144,677 | (47,013) |
| Changes in noncurrent assets and noncurrent liabilities, net | (23,474) | 8,097 |
| Other, net | 5,570 | 14,836 |
| Net cash flows from operating activities | <u>591,936</u> | <u>574,709</u> |
| Cash Flows from Investing Activities: | | |
| Purchases of marketable investment securities | (319,912) | (883,288) |
| Sales and maturities of marketable investment securities | 376,648 | 643,865 |
| Expenditures for property and equipment | (422,661) | (533,669) |
| Refunds and other receipts related to capital expenditures | — | 24,087 |
| Changes in restricted cash and marketable investment securities | (810) | 7,351 |
| Investments in unconsolidated entities | — | (1,636) |
| Sale of investment in unconsolidated entity | 17,781 | — |
| Expenditures for externally marketed software | (25,447) | (17,991) |
| Other, net | — | 1,462 |
| Net cash flows from investing activities | <u>(374,401)</u> | <u>(759,819)</u> |
| Cash Flows from Financing Activities: | | |
| Proceeds from issuance of long-term debt | — | 1,500,000 |
| Payments of debt issuance costs | (414) | (6,275) |
| Repayment of debt and capital lease obligations | (26,394) | (30,615) |
| Net proceeds from Class A common stock options exercised | 33,156 | 4,679 |
| Net proceeds from Class A common stock issued under the Employee Stock Purchase Plan | 6,938 | 11,478 |
| Cash exchanged for Tracking Stock | (651) | — |
| Other, net | (3,968) | (3,373) |
| Net cash flows from financing activities | <u>8,667</u> | <u>1,475,894</u> |
| Effect of exchange rates on cash and cash equivalents | 1,014 | 684 |
| Net increase in cash and cash equivalents | 227,216 | 1,291,468 |
| Cash and cash equivalents, beginning of period | 2,571,143 | 924,240 |
| Cash and cash equivalents, end of period | <u>\$ 2,798,359</u> | <u>\$ 2,215,708</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest (including capitalized interest) | <u>\$ 183,451</u> | <u>\$ 97,044</u> |
| Capitalized interest | <u>\$ 45,496</u> | <u>\$ 70,386</u> |
| Cash paid for income taxes | <u>\$ 10,071</u> | <u>\$ 9,187</u> |
| Employee benefits paid in Class A common stock | <u>\$ 11,200</u> | <u>\$ 11,126</u> |
| Property and equipment financed under capital lease obligations | <u>\$ 8,423</u> | <u>\$ 7,172</u> |
| Increase (decrease) in capital expenditures included in accounts payable, net | <u>\$ (3,494)</u> | <u>\$ 21,951</u> |
| Capitalized in-orbit incentive obligations | <u>\$ 43,890</u> | <u>\$ —</u> |
| Noncash net assets exchanged for Tracking Stock | <u>\$ 299,425</u> | <u>\$ —</u> |

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EchoStar Investor Relations, Deepak V. Dutt, Phone: +1 301-428-1686, Email: deepak.dutt@echostar.com; EchoStar Media Relations, Doug Gunster, Phone: +1 301-428-2785, Email: doug.gunster@echostar.com