

# **EchoStar Corporation Investor Overview**

November 2020



# **Safe Harbor Statement**

This presentation 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 presentation, the words "believe," "anticipate," "estimate," "except," "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 year ended December 31, 2019 and EchoStar's Annual Report on Form 10-Q for the quarter ended June 30, 2020 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.

### **State of Our Business**

TTM Revenue of \$1.9b, Net Loss of \$112m, and Million HughesNet Adjusted EBITDA of \$632m subscribers Strong balance sheet with no net debt Offering consumer service S-Band Licenses over in the US and **Europe and Mexico Latin America** with terrestrial access **Diversified Enterprise Global NGSO Business with S-Band Rights** substantial backlog HTS satellite (Jupiter 3) Existing fleet of 7 owned under construction that and 3 leased Ka, Ku, and will more than double S-band payloads/satellites sellable Ka-band capacity

### **Our Global Presence**





Connecting People, Enterprises, and Things Everywhere

 Deliver essential broadband services and solutions through the largest high-throughput satellite network over the Americas at the lowest cost per bit

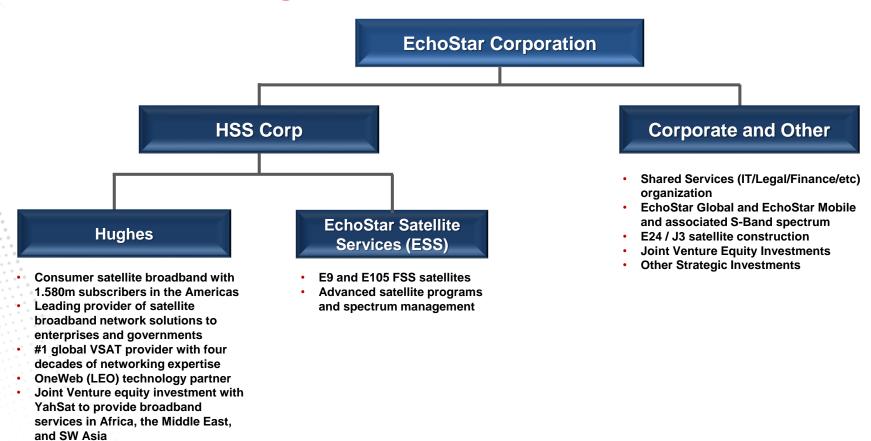
 Complement our GEO fleet with NGSO/LEO capacity and other technologies to extend coverage to our customers and significantly increase the size of the market we can address

Continue as a trusted partner for technology solutions and services globally that support ubiquitous connectivity

Develop and monetize our portfolio of spectrum assets in a variety of ways including full integration of S-band solutions into 5G networks



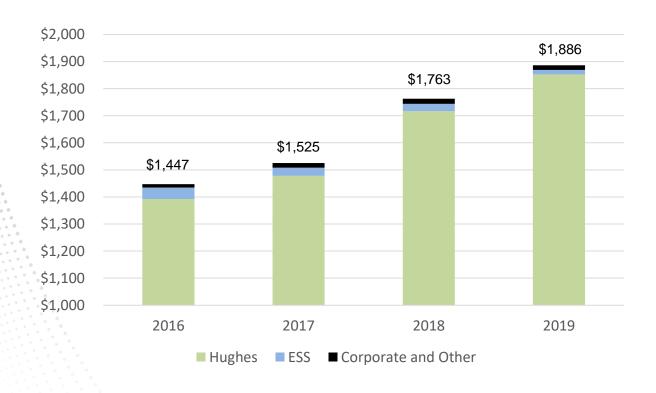
# **Our Business Segments**



# **Recent Highlights**

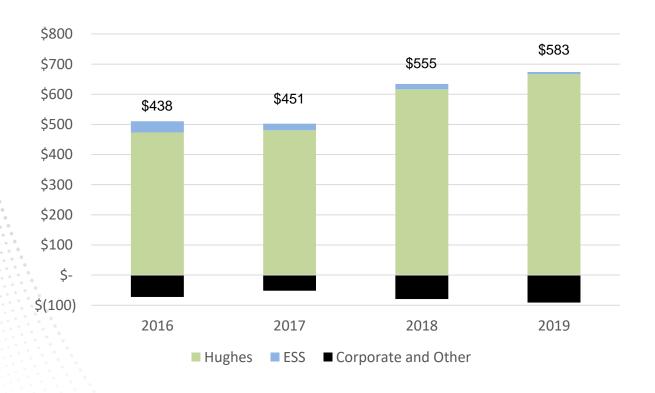
- Revenue of \$474m in Q3-20 and \$1,399m YTD
- Net Income of \$23m in Q3-20 and Net Loss of \$49m YTD
- Adjusted EBITDA of \$167m in Q3-20 and \$476m YTD
- Free Cash Flow, defined as Adjusted EBITDA minus Capital Expenditures, of \$69m in Q3-20 and \$181m YTD-20
- Q3-20 net subscriber additions of 38,000 driven by LatAm markets
- Strong balance sheet Cash and Marketable securities of \$2.5b with net debt of zero
- Agreed in principle to invest in OneWeb (LEO) and continue as technology and distribution partner
- Filed application to participate in Federal Communications Commission Rural Digital
   Opportunity Fund (RDOF)
- Strategic collaboration with Inmarsat for inflight connectivity

# Revenue (\$m)



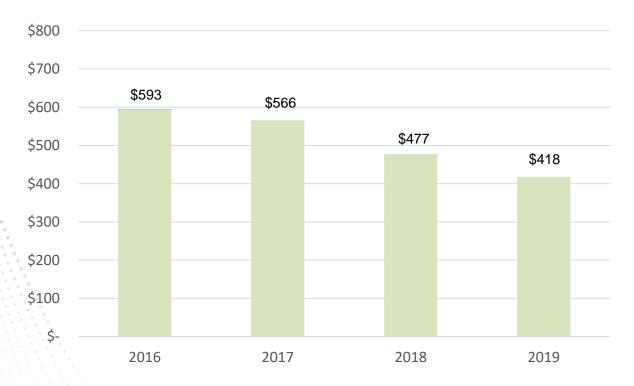
- 9% 3-Year CAGR (2016 2019) for consolidated EchoStar
- 10% 3-Year CAGR for Hughes segment (2016 – 2019)
- EchoStar 17/ Jupiter 2 in service Q2-17

# Adjusted EBITDA (\$m)



- 10% 3-year CAGR (2016 2019) for consolidated EchoStar
- 12% 3-year CAGR for Hughes segment (2016 – 2019)
- EchoStar 17/ Jupiter 2 in service Q1-17
- Corporate and Other includes equity of unconsolidated affiliates which causes some variability

# **Capital Expenditures (\$m)**



 Main categories of capital expenditures include consumer premise, new satellites and associated infrastructure, enterprise solutions, and other corporate needs

2016 estimated for continuing operations post BSS transaction which was completed in 2019

# Free Cash Flow (\$m)



 Free Cash Flow defined as Adjusted EBITDA less capital expenditures

# **Liquidity and Leverage (\$m)**

	HSS	Echo
	Corp	Corp
Cash and Marketable Securites	\$ 1,862	\$ 2,506
Debt		
Sr. Unsecured 7.625% Due 2021	\$ 900	\$ 900
Sr. Secured 5.25% Due 2026	\$ 750	\$ 750
Sr. Unsecured 6.625% Due 2026	\$ 750	\$ 750
In-Orbit Incentives, Cap Lease, Other *	\$ 33	\$ 57
	\$ 2,433	\$ 2,457
Net Debt	\$ 571	\$ (49)
Indebtedness to Cash Flow *		
Gross - Secured	1.1x	
Gross - Total	3.5x	
Net	0.8x	

- All public debt resides at HSS Corporation
- HSSC Covenants:
  - ✓ Secured is 3.5x
  - ✓ Total is 5.5x
- Intent is to repay \$900m of Sr. Unsecured 7.625% due June of 2021
- Data as of 9/30/20

\* HSS Corp based on covenant definitions



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# **Hughes Segment**



# **Hughes**

Hughes

#### Consumer

- ~ 71% of revenues in Q3-20
- 1.216m US subscribers as of 9/30/20
- 364k subscribers in Brazil, Colombia, Peru, Ecuador, Chile, and Mexico
- High incremental margins driven by owner economics on satellites
- Community Wi-Fi with Facebook
- US constrained until J3 launch but available LatAm capacity expected to drive growth
- Brazil operations 80% ownership of JV with YahSat

#### **Enterprise**

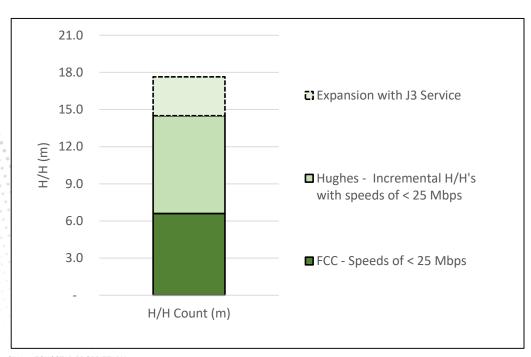
- ~ 29% of revenues in Q3-20
- Backlog of \$1.1 billion as of 9/30/20
- Managed service provider for Enterprises and Governments on a global basis
- Operating service entities in the US, Brazil (80%), Europe, and India (85%)
- Equipment and Infrastructure sales in more than 100 countries
- OneWeb LEO technology partner
- Mobile Satellite services group focused on IOT and mobility applications

#### Other

- JV with YahSat to provide satellite broadband services across Africa, the Middle East, and SW Asia. 20% ownership included in equity in unconsolidated affiliates
- 43% ownership in
  Hughes Systique, a
  provider of R&D
  software services,
  included in consolidated
  results

# **Hughes Consumer – US Addressable Market**

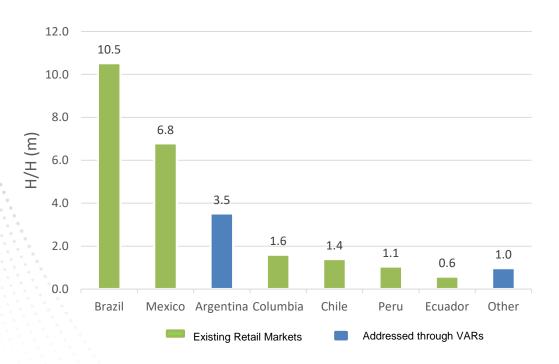
- 138m Households (H/H) in the United States: ~ 14.5m currently included in addressable market
- By only requiring low cost CPE to be installed at the service location, Hughes provides broadband services to areas that are financially unattractive to other technologies



- FCC 477 file represents 6.7m H/H have no access or access to speeds <25 Mbps
- We estimate an additional 7.9m H/H that have access to speeds <25 Mbps based on internal estimates and third party research
- We anticipate an expansion of our addressable market with the J3 launch due to the ability to better compete with 3m DSL H/H that have access to service between 25 and 50 Mbps

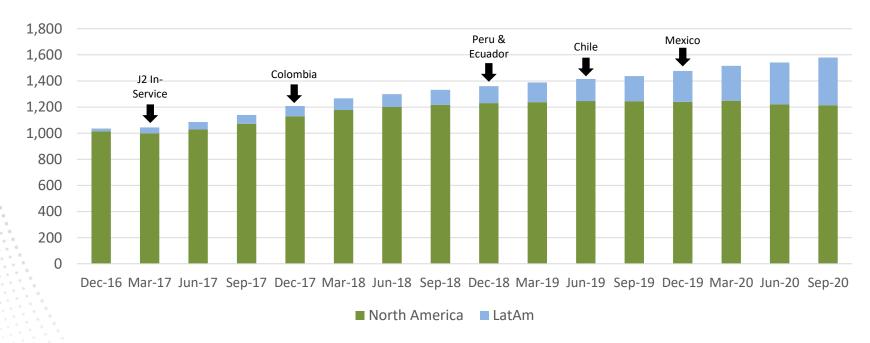
# **Hughes Consumer – LatAm Addressable Market**

- ~ 179m households (H/H) in the major Latin America countries by 2021
- 26m upper income households are in unserved and underserved areas



- Retail consumer services in Brazil, Mexico, Columbia, Chile, Peru, and Ecuador
- Other markets addressed through VARs
- Brazil accounts for 40% of addressable market of 26m
- Satellite is not only rural. Sao Paulo, Brazil, with extensive infrastructure, is the largest source of HughesNet Brazil subscribers. Other countries have similar characteristics

# **Hughes Consumer – Subscriber Trends (000)**



- US nationwide service with 25 Mbps download speeds (FCC recognized) plus voice
- Supported by Jupiter 1 (E17), Jupiter 2 (E19), SPACEWAY 3, AI Yah 3, Eutelsat 65WA and Telesat T19V
- Jupiter 3, once in service, will more than double our sellable Ka capacity

# **Hughes Enterprise**

Enterprise

#### **Managed Service Provider**

- Leading provider to US large blue chip and medium/small enterprises as well internationally in Brazil, India, and across Europe
- Diversified portfolio of customers
   across a range of industries including
   Lottery, Retail, Hospitality, Restaurant,
   Finance and Banking, and Oil and Gas
- Utilize a variety of communication technologies including terrestrial

#### **Equipment Sales**

- Leading global supplier of satellite ground infrastructure and terminals
- #1 global VSAT provider with 50% VSAT market share
- Scalable systems allowing growth from startup to massive consumer buildouts
- Industry leading technology providing increased efficiency and profitability
- Equipment in use on more than 1,100 aircraft worldwide

#### Other

- OneWeb (LEO) technology partner
- Support service to IFC providers
- Government programs including Defense
- MobileSat Solutions Group

### **GEO versus LEO**

- GEO and LEO systems are expected to be complementary, and as new systems come on-line and mature, the optimal solution will be a hybrid of both
- GEO provides targeted high capacity at a low cost per bit while LEO provides ubiquitous coverage and supports low latency applications
- EchoStar agreed in principle to invest in OneWeb (LEO) and to continue as technology and distribution partner

#### **GEO**

- 100% of capacity in areas where there are customers
- Provides speed and bandwidth at an attractive price
- The #1 use of internet is video which is well suited for GEO
- Successful track record

#### **LEO**

- Capacity is evenly distributed across the Earth's surface ~ 70% covered by water
- Well suited for enterprise verticals including government and mobility applications like aeronautical and maritime
- Cost of phased-array antenna not suited for consumer application
- Modern LEO systems in testing phase
- Regulatory / Orbital debris and collision risk

### Government Subsidies / Rural Digital Opportunity Fund (RDOF)

#### Program:

- ✓ The FCC has established RDOF, a 10-year, \$20.4 billon subsidy effort to help close the digital divide
- ✓ Phase 1 of the program is \$16 billion or \$1.6 billion per year in subsidy funding
- ✓ Phase 1 is focused on ~ 6m households.
- ✓ Build out requirements are 40% by end of Year 3, with 20% per year after that

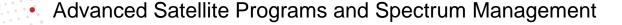
#### EchoStar:

- Filed an application to participate in Phase 1 bidding
- Currently in auction quiet period
- ✓ RDOF rules provide preference to fiber and to a lesser extent fixed wireless. Because of this, RDOF will cover far fewer H/H as the high cost to deploy fiber consumes the budget
- ✓ We do not anticipate any negative material impact to our target market due to its size and the cost challenges of serving the low density areas where the majority of our subscribers reside
- ✓ We see potential upside if we can ultimately secure funding



# **EchoStar Satellite Services (ESS)**

- Fixed Satellite Services (FSS)
  - ✓ Full and part-time Ku-band transponder capacity
  - Enterprise, broadcast, and government services applications
  - Fleet consists of two FSS Satellites:
    - EchoStar 105: Pre-paid lease with SES. Launched in 2017 and resides in the 105 degree west slot
    - EchoStar 9: Owned satellite. Launched in 2003 and resides in the 121 degree west slot







# **Corporate and Other Segment**

**Corporate and Other** 

#### **EchoStar Global**

- Portfolio of attractive global spectrum
- Goal to deploy a hybrid GEO/NGSO satellite infrastructure that will support service provision on a global basis
- Support future communication standards including 3GPP/5G and narrowband applications such as IOT
- Launched two satellites in Q3-20 expected to bring rights into use

#### **EchoStar Mobile**

- Operates a mobile satellite network with complementary ground component providing connectivity services to businesses across Europe and the North and Mediterranean Seas
- Target market is for applications in connected vehicle, industrial, fisheries, resource extraction, and environmental and Smart-Grid monitoring
- Licenses for 30 MHz of 2GHz MSS spectrum with covering 500m POP's
- Support provided by the EchoStar 21 satellite and Eutelsat 10A S-Band payload

#### Other

- Shared Services
   Organization (IT/Legal/etc)
- Dish Mexico Joint Venture equity investment (49%)
- Deluxe Joint Venture equity investment (50%)
- Other Strategic Investments
- EchoStar 24 / Jupiter 3 satellite construction

# **Corporate and Other – S-band Strategy**

- Developing a unique portfolio of global S-band spectrum rights, including rights to develop hybrid next-gen mobile satellite services integrated with complementary terrestrial rights; developing similar rights in other attractive frequency bands
- ITU priority to utilize up to 75 MHz of S-band globally for new 5G NGSO network; New networks will leverage/integrate in-orbit GEO assets and priority filings covering the Americas, Europe, Middle East and Africa
- Planned network features include:
  - ✓ Global 5G connectivity with seamless terrestrial integration
  - ✓ Fully cloud integrated open/standards-based ecosystem
  - ✓ Application focused; embedded with OEMs
- High value emerging vertical markets include:
  - ✓ Consumer 5G services
  - ✓ Aero and UAV (urban air mobility and autonomous delivery)
  - ✓ Ubiquitous 5G automotive connectivity
  - ✓ Public protection and disaster Relief
  - Health monitoring





# **Summary**

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### Outlook

Strong core business delivering essential broadband services and solutions

 Jupiter 3 satellite, which will more than double sellable Ka capacity, expected to drive robust growth in consumer markets as well as provide additional enterprise opportunities including cellular backhaul and Wi-Fi hotspots

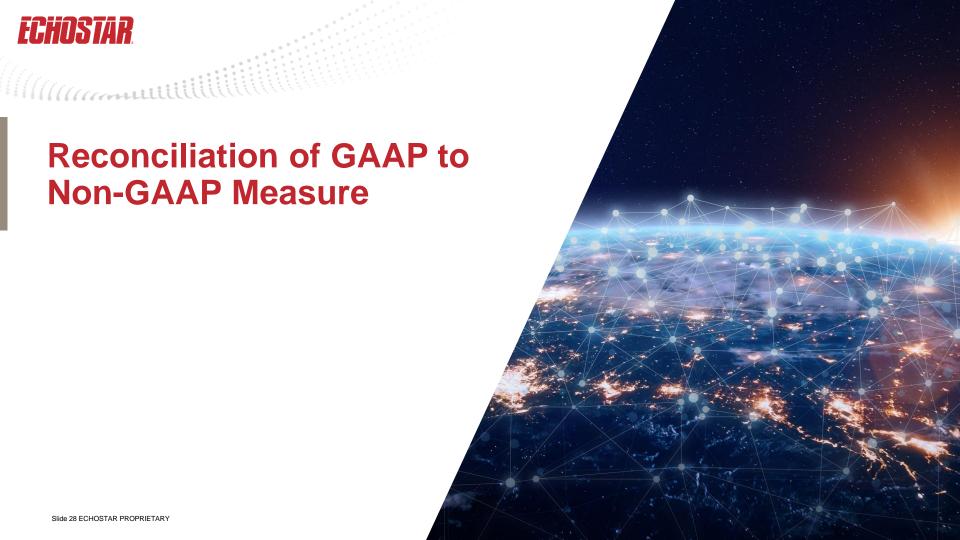
Engineering expertise and technology innovator

 Evolving complex hybrid networks anticipated to increase the size of our addressable market significantly

 Well positioned with S-band assets to participate in the evolution of 5G and IOT focused markets

 Strong balance sheet; continue to seek opportunities to deploy cash for both organic and inorganic growth





# **Adjusted EBITDA Reconciliation (\$m)**

	2	016	2	2017	2	2018	20	019	TTM
Net income (loss)	\$	181	\$	393	\$	(39)	\$	(74) \$	(112)
Interest income and expense, net		67		140		139		169	155
Income tax provision, net		33		(155)		7		20	14
Depreciation and amortization		304		386		457		491	521
Net income (loss) from discontinued operations		(136)		(271)		(94)		(39)	7
Net income (loss) attributable to noncontrolling interests		(1)		(1)		(2)		11	19
EBITDA	\$	447	\$	492	\$	469	\$	578 \$	604
(Gains) losses on investments, net		(10)		(53)		13		(29)	37
Impairment of long-lived assets		-		11		65		-	-
Litigation expense		-		3		3		26	(1)
Foreign currency transaction (gains) losses, net		1		(1)		16		12	(0)
License fee dispute - India, net of noncontrolling interests		-		-		-		(3)	(8)
Vendor settlement		-		-		(10)		-	<u> </u>
Adjusted EBITDA	\$	438	\$	451	\$	555	\$	583 \$	632