EchoStar Announces Financial Results for Three and Six Months Ending June 30, 2017

August 9, 2017

ENGLEWOOD, Colo., Aug. 9, 2017 /PRNewswire/ -- EchoStar Corporation (NASDAQ: SATS) today announced its financial results for the three and six months ending June 30, 2017.

Three Months Ending June 30, 2017 Financial Highlights:

- Consolidated revenues of $465 million.
- Consolidated net income from continuing operations of $6.6 million, consolidated net income attributable to EchoStar common stock of $6.9 million and diluted earnings per share of 0.07.
  - Consolidated net income from continuing operations declined compared to the three months ended June 30, 2016 primarily due to:
    - An increase of $22.3 million in interest expense from the issuance of bonds in July 2016;
    - A decrease of $13.1 million in capitalized interest relating to satellites placed into service in 2017; and
    - An increase of $24.0 million in depreciation expense primarily on those satellites;
    - Partially offset by a decrease in income tax expense of $20.7 million.
  - Consolidated EBITDA of $185 million (see reconciliation of this non-GAAP measure below).

Six Months Ended June 30, 2017 Financial Highlights:

- Consolidated revenue of $898 million.
- Consolidated net income from continuing operations of $37.4 million, consolidated net income attributable to EchoStar common stock of $45.9 million and diluted earnings per share of $0.48.
- Consolidated EBITDA of $368 million (see reconciliation of this non-GAAP measure below).

Additional Highlights:

- Approximately 1,085,000 Hughes broadband subscribers as of June 30, 2017.
- Cash, cash equivalents and current marketable investment securities of $3.27 billion as of June 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 six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands)			
Revenue				
Hughes	$ 362,762	$ 339,337	$ 692,082	$ 665,575
EchoStar Satellite Services	98,366	101,450	198,692	204,439
Corporate & Other	3,948	1,871	7,453	4,618
Total	$ 465,076	$ 442,658	$ 898,227	$ 874,632
EBITDA				
Hughes	$ 110,024	$ 117,627	$ 210,876	$ 227,983
EchoStar Satellite Services	80,465	84,284	163,528	172,924
Corporate & Other	(5,626)	(11,585)	(6,227)	(25,029)
Total	$ 184,863	$ 190,326	$ 368,177	$ 375,878
Net income (loss) attributable to EchoStar common stock	$ 6,940	$ 56,133	$ 45,864	$ 106,807
Diluted earnings per share (in dollars)	$ 0.07	$ 0.60	$ 0.48	$ 1.14
Net income from continuing operations	$ 6,591	$ 44,253	$ 37,366	$ 79,638
Expenditures for property and equipment from continuing operations	$ 128,064	$ 132,449	$ 218,014	$ 338,244

The following table reconciles total consolidated Net income to EBITDA.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands)			
Net income	$ 7,122	$ 55,909	$ 44,474	$ 104,352
Interest income and expense, net	45,417	16,387	82,522	35,593
Income tax provision	3,003	23,692	2,991	43,864
Depreciation and amortization	130,034	106,117	245,117	216,194
Net income from discontinued operations	(531)	(11,656)	(7,108)	(24,714)

Net (income) loss attributable to noncontrolling interests	(182)	(123)	181	589
EBITDA	$ 184,863	$ 190,326	$ 368,177	$ 375,878

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 June 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 June 30, 2017 filed today with the Securities and Exchange Commission.

EchoStar will host its earnings conference call on Wednesday, August 9, 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 # 63515337.

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 June 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	
	June 30, 2017	**December 31, 2016**
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,985,062	$ 2,570,365
Marketable investment securities, at fair value	280,402	522,516
Trade accounts receivable, net of allowance for doubtful accounts of $12,541 and $12,956, respectively	192,246	182,527
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	56,825	19,417
Inventory	91,265	62,620
Prepaids and deposits	52,857	43,456
Other current assets	12,035	10,862
Current assets of discontinued operations	37,814	311,524
Total current assets	3,708,506	3,723,287
Noncurrent Assets:		
Restricted cash and marketable investment securities	13,847	12,926
Property and equipment, net of accumulated depreciation of $2,661,897 and $2,598,492, respectively	3,451,362	3,398,195
Regulatory authorizations, net	544,310	544,633
Goodwill	504,173	504,173
Other intangible assets, net	66,316	80,734
Investments in unconsolidated entities	174,067	171,016
Other receivable - DISH Network	91,579	90,586
Other noncurrent assets, net	189,511	166,385
Noncurrent assets of discontinued operations	—	316,924
Total noncurrent assets	5,035,165	5,285,572
Total assets	$ 8,743,671	$ 9,008,859
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade accounts payable	$ 118,563	$ 170,297
Trade accounts payable - DISH Network	961	1,072
Current portion of long-term debt and capital lease obligations	39,229	32,984
Deferred revenue and prepayments	54,722	59,989
Accrued interest	46,280	46,487
Accrued compensation	37,978	53,454
Accrued expenses and other	106,366	95,726
Current liabilities of discontinued operations	3,071	71,429
Total current liabilities	407,170	531,438
Noncurrent Liabilities:		
Long-term debt and capital lease obligations, net of unamortized debt issuance costs	3,611,746	3,622,463
Deferred tax liabilities, net	736,100	746,667
Other noncurrent liabilities	131,931	90,785
Noncurrent liabilities of discontinued operations	—	10,701
Total noncurrent liabilities	4,479,777	4,470,616
Total liabilities	4,886,947	5,002,054
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 June 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, 53,486,261 shares issued and 47,953,943 shares outstanding at June 30, 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 June 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 June 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 June 30, 2017 and December 31, 2016	—	—
Additional paid-in capital	3,654,139	3,828,677
Accumulated other comprehensive loss	(86,068)	(124,803)
Accumulated earnings	373,410	314,247
Treasury stock, at cost	(98,162)	(98,162)
Total EchoStar stockholders' equity	3,843,420	3,920,065
Noncontrolling interest in HSS Tracking Stock	—	73,910
Other noncontrolling interests	13,304	12,830
Total stockholders' equity	3,856,724	4,006,805
Total liabilities and stockholders' equity	$ 8,743,671	$ 9,008,859

ECHOSTAR CORPORATION
Condensed Consolidated Statements of Operations
(In thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Revenue:				
Services and other revenue - DISH Network	$ 113,734	$ 115,864	$ 228,689	$ 232,313
Services and other revenue - other	285,053	273,972	554,844	543,869
Equipment revenue - DISH Network	18	2,101	49	4,870
Equipment revenue - other	66,271	50,721	114,645	93,580
Total revenue	465,076	442,658	898,227	874,632
Costs and Expenses:				
Cost of sales - services and other (exclusive of depreciation and amortization)	134,024	127,766	265,807	253,348
Cost of sales - equipment (exclusive of depreciation and amortization)	57,865	46,545	101,803	89,653
Selling, general and administrative expenses	89,826	79,237	172,817	159,782
Research and development expenses	7,437	7,562	15,142	14,494
Depreciation and amortization	130,034	106,117	245,117	216,194
Total costs and expenses	419,186	367,227	800,686	733,471
Operating income	45,890	75,431	97,541	141,161
Other Income (Expense):				
Interest income	10,039	3,502	18,330	7,467
Interest expense, net of amounts capitalized	(55,456)	(19,889)	(100,852)	(43,060)
Gains on investments, net	1,837	5,487	13,872	7,949
Other-than-temporary impairment loss on available-for-sale securities	—	—	(3,298)	—
Equity in earnings of unconsolidated affiliates, net	4,831	5,626	11,239	4,818
Other, net	2,453	(2,212)	3,525	5,167
Total other expense, net	(36,296)	(7,486)	(57,184)	(17,659)
Income from continuing operations before income taxes	9,594	67,945	40,357	123,502
Income tax provision	(3,003)	(23,692)	(2,991)	(43,864)
Net income from continuing operations	6,591	44,253	37,366	79,638
Net income from discontinued operations	531	11,656	7,108	24,714
Net income	7,122	55,909	44,474	104,352
Less: Net loss attributable to noncontrolling interest in HSS Tracking Stock	—	(188)	(655)	(1,011)
Less: Net income attributable to other noncontrolling interests	182	311	474	422
Net income attributable to EchoStar	6,940	55,786	44,655	104,941
Less: Net loss attributable to Hughes Retail Preferred Tracking Stock	—	(347)	(1,209)	(1,866)
Net income attributable to EchoStar common stock	$ 6,940	$ 56,133	$ 45,864	$ 106,807
Amounts attributable to EchoStar common stock:				
Net income from continuing operations	$ 6,409	$ 44,477	$ 38,756	$ 82,093
Net income from discontinued operations	531	11,656	7,108	24,714
Net income attributable to EchoStar common stock	$ 6,940	$ 56,133	$ 45,864	$ 106,807
Weighted-average common shares outstanding - Class A and B common stock:				
Basic	95,537	93,751	95,143	93,541
Diluted	96,785	94,330	96,451	94,090
Earnings per share - Class A and B common stock:				
Basic:				
Continuing operations	$ 0.07	$ 0.47	$ 0.41	$ 0.88
Discontinued operations	—	0.13	0.07	0.26
Total basic earnings per share	$ 0.07	$ 0.60	$ 0.48	$ 1.14
Diluted:				
Continuing operations	$ 0.07	$ 0.47	$ 0.40	$ 0.87
Discontinued operations	—	0.13	0.08	0.27
Total diluted earnings per share	$ 0.07	$ 0.60	$ 0.48	$ 1.14

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

	For the Six Months Ended June 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net income	$ 44,474	$ 104,352
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	256,776	247,239
Equity in earnings of unconsolidated affiliates, net	(10,080)	(6,017)
Gain and impairment on investments, net	(10,574)	(7,949)
Stock-based compensation	3,908	8,328
Deferred tax provision	673	53,091
Dividends received from unconsolidated entity	7,500	10,000
Proceeds from sale of trading securities	8,922	7,140
Changes in current assets and current liabilities, net	87,305	(73,916)
Changes in noncurrent assets and noncurrent liabilities, net	(11,763)	2,859
Other, net	5,738	10,507
Net cash flows from operating activities	382,879	355,634
Cash Flows from Investing Activities:		
Purchases of marketable investment securities	(46,533)	(641,358)
Sales and maturities of marketable investment securities	291,944	500,775
Expenditures for property and equipment	(230,530)	(376,856)
Refunds and other receipts related to capital expenditures	—	24,087
Changes in restricted cash and marketable investment securities	(921)	(1,689)
Investments in unconsolidated entities	—	(1,636)
Sale of investment in unconsolidated entity	17,781	—
Expenditures for externally marketed software	(17,119)	(12,299)
Other, net	—	1,462
Net cash flows from investing activities	14,622	(507,514)
Cash Flows from Financing Activities:		
Repayment of debt and capital lease obligations	(17,718)	(20,433)
Net proceeds from Class A common stock options exercised	31,992	2,975
Net proceeds from Class A common stock issued under the Employee Stock Purchase Plan	4,540	7,530
Cash exchanged for Tracking Stock	(651)	—
Other, net	(2,712)	(1,320)
Net cash flows from financing activities	15,451	(11,248)
Effect of exchange rates on cash and cash equivalents	967	728
Net increase (decrease) in cash and cash equivalents	413,919	(162,400)
Cash and cash equivalents, beginning of period	2,571,143	924,240
Cash and cash equivalents, end of period	$ 2,985,062	$ 761,840
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest (including capitalized interest)	$ 130,231	$ 87,213
Capitalized interest	$ 33,768	$ 47,093
Cash paid for income taxes	$ 9,369	$ 6,199
Employee benefits paid in Class A common stock	$ 11,200	$ 11,126
Property and equipment financed under capital lease obligations	$ 8,189	$ 6,857
Increase (decrease) in capital expenditures included in accounts payable, net	$ (3,404)	$ 8,238
Capitalized in-orbit incentive obligations	$ 43,890	$ —
Noncash net assets exchanged for Tracking Stock	$ 299,425	$ —

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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