

DESK NOTE

19.06.2025

Eutelsat Communications (ETL FP) – *European* *Starlink - The Only Game In Town*

Conclusive Summary: We recommend **buying ETL FP at current levels**, as the stock offers **compelling upside driven by strategic positioning, decent fundamentals, and strong EU government support**.

Eutelsat remains the only global competitor to SpaceX's Starlink, uniquely positioned to serve Europe's digital sovereignty and defense objectives. The recently secured **€1 billion, 10-year contract with the French Armed Forces** underscores its growing role in critical infrastructure and government-grade communications. In 3Q25, connectivity revenues rose +2.7% YoY, driven by LEO momentum and double-digit growth in government services, while **video still accounts for 50% of revenues**, providing resilient cash flows despite a -6.4% YoY decline. The company reaffirmed full-year revenue and EBITDA guidance, signaling operational stability. While the proposed **€1.5 billion capital raise** poses dilution risk (up to 60–70%), we view a full equity deal as unlikely. A hybrid structure would strengthen the balance sheet, currently guided at ~3x leverage, and could prompt **credit rating upgrades**. Investor concerns around legacy video are overshadowing Eutelsat's transition into a multi-orbit operator, with a **€3.6 billion backlog** increasingly skewed toward connectivity (57%). We believe this disconnect presents an attractive risk/reward entry point at current prices.

Competitive Position: Eutelsat stands out as the **only European satellite operator with a fully integrated GEO-LEO network**, enabling hybrid solutions that combine wide coverage with low-latency connectivity. It maintains a leading position in video broadcasting across EMEA while expanding in mobility, enterprise, and government services. Unlike consumer-focused players like Starlink, Eutelsat follows a capital-light, **B2B model through wholesale partnerships**. Its **growing presence in emerging markets and non-U.S. government contracts** further supports differentiation. Key challenges include a shrinking video segment, limited U.S. defense exposure, and a smaller LEO footprint versus peers.

Valuation: Using a combination of multiple and DCF valuations, **we reach a target price of €4.90, representing a +74% upside** from current prices. ETL FP is trading about one standard deviations below its 5-year mean multiples (EV/Sales, EV/EBITDA and P/BV). After the acquisition of OneWeb, the company has seen its multiples drop due to heavy CAPEX and profitability deterioration. **Due to the material upside for the stock we suggest buying ETL FP at current prices.**

Ticker: ETL FP

Previous day close price: €2.48

Price range (52w.): €1.15 - €9.30

Reason for note: Initiation

Target price: €4.90 (+74% Upside)

Recommendation: **Buy @ Current**

Description: Eutelsat Communications is a global satellite operator providing connectivity and broadcasting services through a hybrid fleet of geostationary (GEO) and low-earth orbit (LEO) satellites. Following its 2023 merger with OneWeb, Eutelsat became the world's first fully integrated GEO-LEO operator, enabling both wide coverage and low-latency communications. Revenue is generated across the following segments:

- **Video:** Broadcasts over 6,500 TV channels via GEO satellites to 160M+ homes, primarily in Europe, MENA, and Sub-Saharan Africa (~45% of FY24 Revenue).
- **Fixed Connectivity:** Broadband access and enterprise connectivity solutions, enhanced by the Konnect VHTS satellite in Europe (~25%).
- **Mobile Connectivity:** Maritime and inflight broadband services supported by HTS payloads and expanding LEO network (~15%).
- **Government Services:** Secure communications to public sector and defense clients globally, with LEO satellites improving reach and resiliency (~15%).

Geographically, revenue is diversified with significant exposure to EMEA, while Russia contributed ~6.0% in FY24. North America contributed exceptional one-time revenue through the FCC's C-band clearance process.

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Target Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Sales	3.5	1,289	4,512	2,532	1,979	474.7	€4.17
EV/EBITDA	6.4	704	4,508	2,532	1,975	474.7	€4.16
P/BV	0.8	3,455			2,658	474.7	€5.60
Avg. Multiple Price							€4.64
Avg. DCF Price							€5.19
Avg. Multiple & DCF Price							€4.92

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