



## **SpeedCast International Limited**

ACN 600 699 241

Preliminary Financial Report and Appendix 4E for the  
Year Ended 31 December 2017

## **SpeedCast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

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## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

### Results for Announcement to the Market

Current Reporting Period: Year ended 31 December 2017

Previous Reporting Period: Year ended 31 December 2016

The following information is given to the ASX under listing rule 4.3A.

All amounts are in USD unless otherwise specified.

### Statutory Financial Performance

	2017 US\$m	2016 US\$m	Movement %
Revenue from ordinary activities	514.2	218.0	136%
Profit for the year before tax	7.0	10.2	(31%)
Profit for the year after tax attributable to the owners of the Company	5.5	5.9	(7%)

### Other Financial Metrics

	2017 US\$m	2016 US\$m	Movement %
Underlying revenue from ordinary activities	514.2	218.0	136%
Underlying earnings before interest, tax depreciation and amortisation (EBITDA)	122.6	41.5	195%
Underlying profit for the year after tax attributable to the owners of the Company	24.1	11.4	111%
Underlying net profit after tax but prior to the amortisation of intangibles (net of tax effect) ("NPATA")	45.6	19.2	138%

Please refer to page 2 for the reconciliation of statutory to underlying financial performance.

### Overview of Financial Performance

Statutory revenue increased by 136% to USD 514.2 million (2016: USD 218.0 million). The revenue in 2017 includes the contributions from the two strategic acquisitions completed in 2017 as well as the full year impact of acquisitions completed in 2016.

Statutory profit after tax for the year decreased by 7% to USD 5.5 million (2016: USD 5.9 million). The statutory results include costs which are non-recurring in nature, such as acquisition-related transaction costs, integration costs, accelerated amortisation of loan establishment costs and foreign exchange gains on forward contracts undertaken in relation to acquisitions funding. The financial performance of SpeedCast International Limited (the "Group" or "Speedcast") excluding these non-recurring factors has also been presented in this report and identified as being the underlying result.

Net cash flows from operating activities increased 190% to USD 79.1 million (2016: USD 27.3 million).

## SpeedCast International Limited

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### Results for Announcement to the Market (Continued)

#### Statutory to Underlying Reconciliation

Underlying financial results have been presented to provide a better understanding of the Group's financial performance and are intended to exclude items which are non-recurring in nature, such as acquisition-related transaction costs, integration costs and restructuring costs.

Statutory to underlying reconciliation	2017 US\$'000	2016 US\$'000
Statutory revenue	514,173	217,991
Statutory net profit after tax attributable to owners of the Company	5,546	5,897
Acquisition related costs	9,212	7,001
Integration costs	4,044	961
Restructuring costs	6,307	-
Fair value loss on deferred consideration	550	610
Non-recurring foreign exchange (gain)/loss	73	(5,986)
Interest on deferred consideration – finance costs	134	275
Unwinding of fair value adjustments – finance costs	650	-
Accelerated amortisation of loan establishment costs – finance costs	-	1,161
Tax effect of non-recurring costs on underlying results	(2,440)	1,448
Underlying NPAT	24,076	11,367
Amortisation (net of tax)	21,486	7,876
Underlying NPATA	45,562	19,243

There was no difference between underlying and statutory revenue.

Non-IFRS measures, such as EBITDA and NPATA, have also been presented to provide a better understanding of the Group's financial performance.

EBITDA is defined as earnings before interest, tax, depreciation and amortisation and is used to measure the underlying performance of the Group, excluding non-cash items such as depreciation and amortisation.

NPATA is defined as net profit after tax but prior to the amortisation of acquisition related intangibles, net of tax effect.

Underlying EBITDA of USD 122.6 million was up 195% on prior year (2016: USD 41.5 million). EBITDA margins continue to improve, up from 19% to 24%, as integration synergies from acquisitions during both 2016 and 2017 are realised.

Underlying NPATA increased to USD 45.6 million compared to USD 19.2 million at 31 December 2016, an increase of 138% year on year.

## SpeedCast International Limited

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### Results for Announcement to the Market (continued)

#### Dividends

	Amount per share Cents (AUD)	Franked amount per share %
Interim dividend	2.40	100
Proposed final dividend	4.80	100

An interim dividend of AUD 5,729,000 was paid on 13 October 2017 by the Group for the six months ended 30 June 2017.

On 26 February 2018, the Board approved a final dividend of AUD 4.80 cents per share for the year ended 31 December 2017. The dividend will be paid on 23 May 2018 to all shareholders registered on the record date of 9 March 2018. The ex-dividend date for dividend entitlement will be 7 March 2018. The dividend will be fully franked for Australian taxation purposes.

No dividend reinvestment plan was in operation during the year ended 31 December 2017.

#### Net tangible asset backing

	31 December 2017 Cents (USD)	31 December 2016 Cents (USD)
Net tangible asset backing per security	(132)	50
Total asset backing per security	130	82

Net tangible assets are defined as the net assets of the Group excluding goodwill and intangibles. The number of shares on issue at 31 December 2017 was 238,992,149 (2016: 237,468,482).

A net tangible liability position exists as the Group has significant acquired goodwill and intangible assets through business combinations. Acquisitions have been partially funded through external bank debt.

## **SpeedCast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

### **Results for Announcement to the Market (continued)**

#### **Details of entities where control has been gained or lost during the year**

The Group completed two significant acquisitions in 2017:

- The acquisition of Harris CapRock, a leading provider of communications networks for remote and harsh environments, primarily in the maritime and energy markets, was completed on 1 January 2017. The acquisition funds were in escrow as at 31 December 2016.
- The acquisition of 100% of the share capital of UltiSat Inc., a provider of satellite communication predominantly to the government sector, was completed on 1 November 2017.

This information should be read in conjunction with the Annual Financial Report of SpeedCast International Limited and its controlled entities and any public announcements made in the period by SpeedCast International Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

#### **Audit Report**

This preliminary financial report is based on the financial statements which are in the process of being audited.

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 US\$'000	2016 US\$'000
Revenue from continuing operations		514,173	217,991
Cost of equipment and bandwidth services		(245,810)	(134,630)
Other gains/(losses)	2	(1,078)	8,268
Staff costs		(91,520)	(31,072)
Acquisition related costs		(9,212)	(7,001)
Integration costs		(4,044)	(961)
Restructuring costs		(6,307)	-
Other expenses	3	(53,831)	(13,647)
Depreciation of property, plant and equipment		(42,516)	(11,596)
Amortisation of intangible assets		(28,610)	(9,969)
Finance costs, net	4	(24,272)	(7,174)
<b>Profit before income tax</b>		<b>6,973</b>	<b>10,209</b>
Income tax expense	5	(1,436)	(4,312)
<b>Profit/(loss) for the year</b>		<b>5,537</b>	<b>5,897</b>
Attributable to:			
Owners of the Company		5,546	5,897
Non-controlling interests		(9)	-
<b>Other comprehensive income</b>			
Item that may be reclassified to profit and loss			
Currency translation difference		17,742	(13,052)
Change in fair value of interest rate swap cash flow hedges		1,054	-
<b>Other comprehensive income/(loss) for the year</b>		<b>18,796</b>	<b>(13,052)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>24,333</b>	<b>(7,155)</b>
Attributable to:			
Owners of the Company		24,344	(7,155)
Non-controlling interests		(11)	-

### Earnings per share

Basic profit per share (cents)	6	2.32	4.16
Diluted profit per share (cents)	6	2.30	4.12

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2017 US\$'000	2016 US\$'000
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	7	54,844	25,341
Trade and other receivables		151,648	63,520
Inventories		15,661	5,807
Other financial assets – funds held in escrow		-	422,380
Income tax receivable		4,196	396
Total current assets		<u>226,349</u>	<u>517,444</u>
Non-current assets			
Interests in joint ventures		-	190
Property, plant and equipment		95,188	44,789
Goodwill and intangible assets		627,235	171,401
Deferred tax assets		9,782	2,808
Other receivables		2,574	813
Derivative financial instruments		1,506	-
Total non-current assets		<u>736,285</u>	<u>220,001</u>
Total assets		<u><u>962,634</u></u>	<u><u>737,445</u></u>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables		166,284	64,372
Obligations under finance leases		9	3,057
Income tax payable		5,255	5,106
Total current liabilities		<u>171,548</u>	<u>72,535</u>
Non-current liabilities			
Borrowings	8	432,213	368,310
Deferred tax liabilities		18,648	6,295
Obligations under finance leases		18	34
Other payables		29,520	18
Total non-current liabilities		<u>480,399</u>	<u>374,657</u>
Total liabilities		<u><u>651,947</u></u>	<u><u>447,192</u></u>
Net assets		<u><u>310,687</u></u>	<u><u>290,253</u></u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Contributed equity	9	364,690	361,392
Other reserves		5,756	(13,915)
Accumulated losses		(60,464)	(57,224)
Total equity attributable to owners of the Company		<u>309,982</u>	<u>290,253</u>
Non-controlling interests		705	-
Total equity		<u><u>310,687</u></u>	<u><u>290,253</u></u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**SpeedCast International Limited**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to owners of SpeedCast International Limited				Non-controlling interests US\$'000	Total equity US\$'000
	Contributed equity US\$'000	Accumulated losses US\$'000	Other reserves US\$'000	Total US\$'000		
<b>Balance at 1 January 2016</b>	84,892	(56,478)	(1,171)	27,243	-	27,243
Profit for the year	-	5,897	-	5,897	-	5,897
Other comprehensive income	-	-	(13,052)	(13,052)	-	(13,052)
<b>Total comprehensive income</b>	-	5,897	(13,052)	(7,155)	-	(7,155)
Dividends (note 10)	-	(6,643)	-	(6,643)	-	(6,643)
Issue of ordinary shares	280,228	-	-	280,228	-	280,228
Capital raising costs, net of tax	(3,876)	-	-	(3,876)	-	(3,876)
Employee share scheme – issue of shares	148	-	(148)	-	-	-
Employee share scheme – value of employee services	-	-	456	456	-	456
	276,500	(6,643)	308	270,165	-	270,165
<b>Balance at 31 December 2016</b>	361,392	(57,224)	(13,915)	290,253	-	290,253
<b>Balance at 1 January 2017</b>	361,392	(57,224)	(13,915)	290,253	-	290,253
Profit/(loss) for the year	-	5,546	-	5,546	(9)	5,537
Other comprehensive income	-	-	18,798	18,798	(2)	18,796
<b>Total comprehensive profit</b>	-	5,546	18,798	24,344	(11)	24,333
Shares issued in relation to SAIT deferred consideration (note 13)	3,150	-	-	3,150	-	3,150
Business combinations (note 12)	-	-	-	-	716	716
Dividends (note 10)	-	(8,786)	-	(8,786)	-	(8,786)
Employee share scheme – issue of shares (note 9)	148	-	(148)	-	-	-
Employee share scheme – value of employee services	-	-	1,021	1,021	-	1,021
	3,298	(8,786)	873	(4,615)	716	(3,899)
<b>Balance at 31 December 2017</b>	364,690	(60,464)	5,756	309,982	705	310,687

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	2017 US\$'000	2016 US\$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		536,963	212,531
Cash paid to suppliers		(430,331)	(174,633)
Finance costs paid		(15,859)	(5,986)
Interest received		1,090	255
Taxes paid		(12,804)	(4,865)
Net cash inflows from operating activities		79,059	27,302
<b>Cash flows from investing activities</b>			
Payments for acquisition of businesses, net of cash acquired	12	(477,891)	(84,697)
Receipt/(payment) of funds held in escrow		422,380	(422,380)
Business acquisition transaction costs		(12,028)	(7,439)
Net payments for property, plant and equipment		(23,577)	(12,409)
Payments for intangible assets		(5,558)	(2,594)
Net cash (outflows) from investing activities		(96,674)	(529,519)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		-	274,649
Transaction costs of issuance of ordinary shares		(550)	-
Proceeds from borrowings, net of transaction costs		61,945	419,447
Repayment of borrowings		(1,723)	(158,117)
Dividend paid		(8,750)	(6,643)
Repayments of obligations under finance leases		(3,065)	(5,114)
Net cash inflows from financing activities		47,857	524,222
<b>Net increase in cash and cash equivalents</b>		30,242	22,005
Cash and cash equivalents at beginning of the year		25,341	15,114
Effects of exchange rate changes on cash and cash equivalents		(739)	(11,778)
<b>Cash and cash equivalents at the end of the year</b>	7	54,844	25,341

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# Notes to the Preliminary Financial Report

## 1. Accounting policies

This report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared under the historical cost convention.

The accounting policies adopted are consistent with those of the previous financial year.

## 2. Other gains/(losses)

	2017	2016
	US\$'000	US\$'000
Foreign exchange gain on forwards contracts	-	5,986
Foreign exchange gain/(loss)	(73)	2,604
Gain/(loss) on disposal of property, plant and equipment	(455)	288
Fair value gain/(loss) on deferred consideration	(550)	(610)
	<u>(1,078)</u>	<u>8,268</u>

## 3. Other expenses

	2017	2016
	US\$'000	US\$'000
Operating lease payments	7,248	2,854
Provision for impairment of trade receivables	2,110	833
	<u>9,358</u>	<u>3,687</u>

**SpeedCast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

**Notes to the Preliminary Financial Report (continued)****4. Finance costs, net**

	2017	2016
	US\$'000	US\$'000
Finance income:		
- Interest income	1,584	255
	<u>1,584</u>	<u>255</u>
Interest expenses on:		
- borrowings	(19,024)	(4,610)
- obligations under finance leases	(10)	(7)
- deferred consideration	(134)	(275)
- amortisation of loan establishment costs	(4,917)	(1,161)
- unwinding of fair value adjustments	(650)	-
Finance charges:		
- fees on undrawn facilities	(443)	(255)
- other bank charges	(678)	(1,121)
	<u>(25,856)</u>	<u>(7,429)</u>
Finance costs	(25,856)	(7,429)
Finance costs, net	<u>(24,272)</u>	<u>(7,174)</u>

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# Notes to the Preliminary Financial Report (continued)

## 5. Income tax expense

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate prevailing in the countries in which the Group operates as follows:

	2017	2016
	US\$'000	US\$'000
Profit before income tax	6,973	10,209
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	1,546	2,702
Tax effects of:		
Expenses not deductible for tax purposes	3,726	1,271
Other assessable income	256	835
Under/(Over) provision for prior years	580	(490)
Recognition of previously unrecognised temporary difference	(534)	(6)
Effect of change in enacted tax rates	(4,138)	-
Income tax expense	1,436	4,312

The aggregate current and deferred tax arising in the reporting period which is not recognised in net profit or loss or other comprehensive income, is as follows:

	2017	2016
	US\$'000	US\$'000
Deferred tax expense debited/(credited) directly to equity	452	(53)

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

### Notes to the Preliminary Financial Report (continued)

#### 6. Earnings per share

	2017 Cents	2016 Cents
Basic profit per share attributable to ordinary equity holders of the Group	2.32	4.16
Diluted profit per share attributable to ordinary equity holders of the Group	2.30	4.12

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	238,822,243	141,629,709
Weighted average number of Restricted Management Rights and Long Term Incentive Plan Rights	2,048,935	1,348,193
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	240,871,178	142,977,902

#### 7. Cash and cash equivalents

	2017 US\$'000	2016 US\$'000
Cash at bank and in hand	54,844	25,341

Cash and cash equivalents includes USD 2,309,000 (2016: USD 1,395,000) which is restricted by legal or contractual arrangements.

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# Notes to the Preliminary Financial Report (continued)

## 8. Borrowings

On 27 December 2016, the Group entered into a new syndicated facility of USD 385 million with Credit Suisse AG and ING Bank as mandated lead arrangers. As at 31 December 2016, USD 381.2 million was drawn in USD. The balance, along with existing cash, was used to fund the acquisition of Harris CapRock Communications (Harris CapRock), which was settled in 2017.

The limit of the syndicated facility was extended on the 3 November by an accordion facility of USD 60 million. Speedcast drew down on the full amount of the accordion facility, which was used with cash flows generated from operations to fund the acquisition of UltiSat.

Refer to note 12 for further details regarding these acquisitions.

### Significant terms and conditions

The credit lines are subject to the completion of affirmative and negative covenants, including the commitment not to exceed certain financial ratios semi-annually, commencing from 30 June 2017. The covenant ratios, which are contractually defined in the agreement are as follows:

- (a) The ratio of pro forma EBITDA to net interest expenses; and
- (b) The ratio of net debt to pro forma EBITDA.

The Group has complied with these covenants during the period.

Interest payable on the new facility is subject to a floating margin rate. This exposes the Group to interest rate risk. To hedge this risk, and as a requirement of the syndicated debt facility agreement, the Group has entered into interest rate swaps in the year to 31 December 2017.

At 31 December 2017, interest-bearing bank loans and overdrafts were due for payment as follows:

	2017	2016
	US\$'000	US\$'000
Portion of bank loans due for repayment within one year	-	-
After 1 year but within 2 years	-	-
After 2 years but within 5 years	443,080	381,173
Less: Prepaid facility fees	(10,867)	(12,863)
	<u>432,213</u>	<u>368,310</u>

## SpeedCast International Limited

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# Notes to the Preliminary Financial Report (continued)

## 9. Contributed equity

	2017		2016	
	No. of shares	US\$'000	No. of shares	US\$'000
<b>Contributed equity</b>				
Share capital as at 1 January	237,468,482	361,392	120,819,213	84,892
Conversion of Restricted Management Rights to ordinary shares	265,876	148	265,876	148
Issue of ordinary Shares	-	-	115,764,549	278,147
Issue of ordinary shares – acquisitions	1,257,791	3,150	618,844	2,081
Capital raising costs	-	-	-	(3,876)
	<u>238,992,149</u>	<u>364,690</u>	<u>237,468,482</u>	<u>361,392</u>

The Group does not have a limited amount of authorised capital or par value in respect of its shares.

## 10. Dividends

	2017	2016
	US\$'000	US\$'000
<b>Dividends declared during the year</b>		
Interim dividend paid for the year ended (2017: AUD 2.40 cents, 2016: AUD 3.20 cents)	4,494	3,351
Final dividend paid for the year ended (2016: AUD 2.40 cents 2015: AUD 3.65 cents)	4,292	3,292
	<u>8,786</u>	<u>6,643</u>

On 26 February 2018, the Directors approved the payment of a dividend of AUD 4.80 cents per share which will be fully franked.

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# Notes to the Preliminary Financial Report (continued)

## 11. Segment reporting

### Identification of reportable segments

The Group has identified its operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions. All of the entities within the Group generate income from the provision of broadband access services in various geographic markets. The Group has two operating segments, UltiSat, which operates under a proxy board, and the rest of the Group. These segments meet the criteria for aggregation and as such are combined in the results given below into one disclosable segment.

### Geographical information

The table below presents geographical information of total revenue based on customers' geography, where that relates to a vessel revenue is included in the Maritime category.

	Maritime US\$'000	Australia US\$'000	Pacific Islands US\$'000	EMEA and other US\$'000	Asia US\$'000	Americas US\$'000	Total US\$'000
Year ended 31 December 2017	200,885	60,465	38,471	67,683	36,727	109,942	514,173
Year ended 31 December 2016	73,122	37,309	37,561	35,902	25,772	8,325	217,991

The table below presents geographical information of the Group's property plant and equipment

	Maritime US\$'000	Australia US\$'000	Pacific Islands US\$'000	EMEA and other US\$'000	Asia US\$'000	Americas US\$'000	Total US\$'000
As at 31 December 2017	13,871	11,366	892	13,747	23,832	31,480	95,188
As at 31 December 2016	3,232	8,823	1,044	4,412	25,786	1,492	44,789

### Major customers

There are no individual customers who contributed more than 10% of the total revenue in 2017 or 2016.

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# Notes to the Preliminary Financial Report (continued)

## 12. Business combinations

### Harris CapRock

On 1 November 2016, the Group entered into a definitive agreement to acquire 100% of the businesses of Harris CapRock, a leading provider of communications networks for remote and harsh environments, primarily in the maritime and energy markets.

The initial close was completed on 1 January 2017. The acquisition was funded via a fully-underwritten AUD 295 million Accelerated Renounceable Entitlement Offer, with the balance funded by a fully-underwritten syndicated debt facility.

	US\$'000
Consideration:	
Cash	417,091
Deferred contingent consideration	2,134
	<hr/>
Total consideration	419,225
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	4,044
Trade and other receivables	61,199
Inventory	3,737
Property, plant and equipment	66,818
Intangible assets	81,759
Trade and other payables	(63,530)
Fair value of bandwidth supply contracts	(15,165)
Deferred tax liabilities	(1,216)
Non-controlling interests	(716)
	<hr/>
Total identified net assets	136,930
	<hr/>
Goodwill	282,295
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The goodwill was attributable to the expected future profitability and expertise of Harris CapRock, as well as the synergies expected to be achieved from integrating the business into the Group. Goodwill of approximately USD 180 million is expected to be deductible for tax purposes.

Harris CapRock's business has been successfully integrated into Speedcast's operating and cost structure. In addition there has been significant rationalisation of entities and transfer of sales contracts where Speedcast had a legacy entity operating in the same jurisdiction, as such it is not possible to disclose the revenue or profit contribution for the period.

## SpeedCast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# Notes to the Preliminary Financial Report (continued)

## 12. Business combinations (continued)

### UltiSat Inc.

On 23 July 2017, Speedcast entered into an agreement to acquire 100% of the share capital of UltiSat Inc., a leading provider of remote communications and professional services to Governments and to International Government Organisations and Non-Governmental Organisations. The acquisition closed on 1 November 2017 and the results of UltiSat Inc. are included in the Group's results from this date.

The following table summarises the consideration paid, the estimated fair value of assets and liabilities acquired at the acquisition date.

	US\$'000
Consideration:	
Cash	63,696
Deferred contingent consideration	39,534
	<hr/>
Total Purchase Consideration	103,230
Provisional fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,000
Trade and other receivables	16,331
Inventory	1,745
Property, plant and equipment	2,342
Intangible assets	40,475
Current tax receivable	2,554
Trade and other payables	(9,341)
Deferred tax liabilities	(13,532)
	<hr/>
Total identified net assets	42,574
	<hr/>
Goodwill	60,656
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The purchase price allocation remains provisional as at 31 December 2017 due to the proximity of the acquisition to the year end.

The goodwill is attributable to the expected future profitability and expertise of UltiSat in the government sector, as well as the synergies expected to be achieved with the Group subject to the confines of the Proxy Agreement. No goodwill is expected to be deductible for tax purposes.

UltiSat Inc. contributed revenues of USD 14,143,000 and profit of USD 112,000 to the Group from the acquisition date to the end of the year ended 31 December 2017 after making adjustments for the acquisition in accordance with AASB 3 *Business combinations*.

### Additional information

Acquisition related costs of USD 9,212,000 (2016: USD 7,001,000) have been charged to transaction related costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017.

## **SpeedCast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# **Notes to the Preliminary Financial Report (continued)**

## **13. Contingencies**

### **SAIT Communications earn-out**

On 28 July 2015, the Group acquired 100% of the share capital of SAIT Communications Limited ("SAIT"), a leading supplier of L-band satellite service in the Southern European maritime market. Part of the total consideration was deferred and contingent on the achievement of certain revenue targets in 2016.

The final contingent consideration due became payable on 1 January 2017 and 1,257,791 shares to be issued with a market value of USD 3,150,000 on that date were reclassified from a financial liability to equity. The shares have subsequently been issued. Cash of USD 1,500,000 was also payable on achieving the targets of which, USD 1,014,000 has been paid and the balance of USD 486,000 is held as a financial liability.

### **UltiSat earn-out**

A short term liability of USD 4,486,000 is held representing working capital adjustments that are expected to be paid subject to the successful recoverability of assets held on the opening balance sheet. Additional potential consideration of up to USD 35,000,000 is payable dependent on the underlying performance of the business. USD 20,000,000 has become payable on the achievement of underlying EBITDA targets for the year to 31 December 2017. These balances are disclosed as current liabilities – other payables

A maximum of USD 7,500,000 is payable on achieving revenue targets and a further maximum of USD 7,500,000 is payable on achieving certain gross margin targets in the year to 31 December 2018. An amount of USD 13,879,000 representing the FV of this deferred contingent consideration, is included as non-current liabilities – other payables.

### **Outstanding legal cases arising from acquisition of Harris CapRock**

The entities acquired as part of the Harris CapRock acquisition were subject to certain legal cases most significantly in relation to employment law in Brazil and Angola. Adequate provision has been included in the financial statements to cover any exposure to the Group that is not subject to indemnity by Harris Corporation.

Other than as noted above the Group did not have any other material contingent assets or liabilities as at 31 December 2017.

## **14. Post balance date events**

There have been no material post balance sheet events since 31 December 2017.

## **SpeedCast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2017

# **Corporate Information**

## **Directors**

Mr. John Angus Mackay (Chairman)  
Mr. Pierre-Jean Joseph Andre Beylier  
Mr. Michael Stuart Berk  
Mr. Grant Scott Ferguson  
Mr. Peter Edward Jackson  
Mr. Michael Malone  
Mr. Edward Francis Sippel

## **Company Secretary**

Mr. Andrew Metcalfe

## **Registered Office**

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## **Share Registry**

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SpeedCast International Limited shares are listed on the Australian Securities Exchange (ASX) under the ASX code SDA.