

ASX ANNOUNCEMENT

Speedcast International Limited Announces Preliminary Financial Results for Full Year 2018

Sydney, Australia, 26 February 2019 – [Speedcast International Limited](#) (ASX: SDA), the world's most trusted provider of remote communication and IT solutions, today announced its preliminary financial results for the twelve-month period ended 31 December 2018 (CY2018).

CY2018 Financial Highlights

- Group revenue grew 21% to US\$623 million (CY2017: US\$514 million)
- Underlying EBITDA grew 7% to US\$132 million (CY2017: US\$123 million)
- EBITDA margin reduced by 280 basis points to 21.2% (CY2017: 24.0%) due to dilution from the UltiSat acquisition closed in November 2017, phase 1 of the NBN contract, and the mix effect of reduced earnings in the Energy division
- Underlying NPATA grew 5% to US\$48 million (CY2017: US\$46 million)
- Strong operating cash flows with cash conversion of 91% of Underlying EBITDA. (CY2017: 95% of Underlying EBITDA) - lower than in CY2017 primarily due to a temporary working capital investment in the NBN project
- Net debt increased from US\$388 million at 31 December 2017 to US\$581 million at 31 December 2018 primarily as a result of the additional debt incurred in connection with the Globecom acquisition in December 2018, as well as the US\$20 million payment for the UltiSat acquisition earnout in 2018.
- The Board declared an unfranked final dividend of AU\$ 4.8 cents per share for the year ended 31 December 2018

“2018 was a challenging year for Speedcast. Although we delivered strong organic growth across three of our divisions (Maritime, Government, and EEM), our Energy division revenue continued to decline due to ongoing delays in the offshore energy market recovery.

Despite a challenging year we had several significant achievements:

- signing our two biggest contracts ever;
- completing the strategic Globecom acquisition at an attractive valuation and doubling revenue in our high growth Government division, and
- establishing our shared service centre model including transitioning to a common ERP system.

“As we look to 2019 and beyond, we are confident in our ability to take advantage of our market leading position and unique scale and capabilities to deliver organic growth. Our increasingly diversified business provides numerous growth opportunities which will create long term value for shareholders,” said Pierre-Jean Beylier, Chief Executive Officer of Speedcast.

CY2018 Operational and Divisional Highlights

- **Maritime:** Revenue grew 9.7% to US\$220 million in CY2018 from US\$200 million in CY2017. This growth was driven primarily by VSAT activations in Commercial Shipping and bandwidth growth and customer wins in Cruise.
- **Energy:** Revenue in CY2018 was down 13.6% to US\$158 million from US\$183 million in CY2017 due to continued delays in the recovery of the offshore energy sector. However, 2H2018 revenues were 8% higher than 1H2018 revenues.
- **EEM:** Revenue grew 26.8% in CY2018 to US\$148 million from US\$117 million in CY2017. This strong growth was driven by the first phase of the NBN contract in Australia as well as growth in wholesale voice activity.
- **Government:** Revenue was US\$97 million in CY2018. This represents a 16% increase, driven primarily by growth in intelligence, surveillance and reconnaissance services and increased US defence spending.

Balance sheet and cash flows

Cash generated in operations increased US\$6 million to US\$113 million for CY2018, driven by continued working capital management, offset by temporary investment in working capital in Phase 1 of the NBN project. Cash conversion¹ remained strong at 91%.

Capital expenditure of US\$60 million in CY2018 compared to US\$29 million in CY2017. Capital expenditure in CY2018 comprised investment in growth projects across the divisions of US\$39 million, US\$8 million in corporate platform improvements (primarily IT systems) for the group, and US\$7 million ongoing maintenance capital expenditure. In addition, items previously classified as expenses (US\$6 million) were reclassified to capital expenditure as a result of AASB 15 accounting changes.

Net debt as at 31 December 2018 was US\$581 million, up from US\$388 million as at 31 December 2017. The increase was primarily driven by the additional debt incurred in connection with the Globecom acquisition as well as the increase in capital expenditure and the US\$20 million earnout payment for the UltiSat acquisition paid in April 2018.

In line with the Group’s dividend policy, the Board has declared a final dividend of AU\$ 4.8 cents per share, unfranked.

¹ Cash from operations adjusted for restructuring and integration expenses as a percentage of Underlying EBITDA.

Outlook

For 2019, the Company expects to deliver moderate organic revenue growth and Underlying EBITDA in the range of US\$160 million to US\$171 million. This reflects:

- A positive outlook for Maritime with strong backlog and pipeline in Commercial Shipping and in Cruise as customers' connectivity needs continue to grow
- Although the timing of the Energy market recovery is uncertain, Speedcast's market share and strong customer base position it well to benefit from the anticipated market recovery
- A reduction in revenue in EEM from the transition into Phase 2 of the NBN contract is expected to be partially offset by organic growth in the rest of the division
- Government revenue is expected to continue to grow strongly in 2019 albeit at a lower rate than in 2018

EBITDA margin is expected to be slightly diluted due to the Globecom acquisition.

Cash flow is expected to increase in 2019 as a result of a better working capital position with NBN, lower cash tax payments, and capital expenditure of approximately US\$50-60 million.

About Speedcast International Limited

Speedcast International Ltd (ASX: SDA) is the largest provider of remote communications and IT services in the world. Speedcast's fully-managed service is delivered via a leading global, multi-access technology, multi-band and multi-orbit network of 70+ satellites and an interconnecting global terrestrial network, bolstered by extensive on-the-ground local support from 40+ countries. This global "network of networks" allows customers to fully rely on the most robust, integrated infrastructure available in the market for their mission critical applications. Speedcast is uniquely positioned as a strategic business partner, tailoring communications, IT and digital solutions to meet unique customer needs and enable business transformation. Speedcast extends its managed services through differentiated technology offerings including cyber-security, crew welfare, content solutions, data and voice applications, and network systems integration services. With a passionate customer focus and a strong safety culture, Speedcast serves more than 2,000 customers in more than 140 countries in sectors such as Maritime, Energy, Mining, Enterprise, Media, Cruise, NGOs and Government. Learn more at www.speedcast.com.

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