

SpeedCast International Limited

ACN 600 699 241

Preliminary Financial Report and Appendix 4E for the
Year Ended 31 December 2016

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SpeedCast International Limited

**Preliminary Financial Report - Appendix 4E for the Year Ended
31 December 2016**

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Results for Announcement to the Market

Current Reporting Period: Year ended 31 December 2016

Previous Reporting Period: Year ended 31 December 2015

The following information is given to the ASX under listing rule 4.3A.
 All amounts are in USD unless otherwise specified.

Statutory Financial Performance	2016 \$m	2015 \$m	Movement %
Revenue from ordinary activities	218.0	167.6	30%
Profit/(Loss) for the year before tax	10.2	6.6	55%
Profit/(Loss) for the year after tax attributable to the owners of the Company	5.9	4.3	37%
Other Financial Metrics	Underlying 2016 \$m	Underlying 2015 \$m	Movement %
Underlying revenue	218.0	167.6	30%
Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA")	41.5	29.3	42%
Underlying net profit after tax	11.4	8.7	31%
Underlying net profit after tax but prior to the amortisation of acquisition related intangibles (net of tax effect) ("NPATA")	19.2	14.8	30%

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

Overview of Financial Performance

Statutory revenue increased by 30% to \$218.0 million (2015: \$167.6 million). The revenue in 2016 includes the contributions from the four strategic acquisitions completed in 2016 as well as the full year impact of acquisitions completed in 2015.

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Results for Announcement to the Market (continued)

Overview of Financial Performance (continued)

Statutory profit after tax for the year increased by 37% to \$5.9 million (2015: \$4.3 million). The statutory results include costs which are non-recurring in nature, such 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 been presented under the heading “Other Financial Metrics” below.

Net cash flows from operating activities increased 51% to \$27.0 million (2015: \$17.9 million).

Other Financial Metrics

The underlying financial results have been presented to provide a better understanding of the Group 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 profit to underlying profit reconciliation

	Underlying 2016 \$m	Underlying 2015 \$m
Statutory net profit/(loss) after tax	5.9	4.3
Acquisition related costs	7.0	3.8
Integration costs	1.0	0.3
Remeasurement loss on deferred consideration	0.6	0.4
ST Teleport consideration – finance costs	0.3	-
Accelerated amortisation of loan establishment costs	1.2	-
Foreign exchange gain on forward contracts	(6.0)	-
Tax effect of underlying adjustments	1.4	(0.1)
Underlying NPAT	11.4	8.7
Add back: Amortisation (net of tax)	7.8	6.0
Underlying NPATA	19.2	14.8

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.

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Results for Announcement to the Market (continued)

Other Financial Metrics (continued)

Underlying EBITDA of \$41.5 million was up 42% on prior year (2015: \$29.3 million). EBITDA margins continue to improve from 17.5% to 19.0% as integration synergies from acquisitions during both 2015 and 2016 are realised.

Underlying NPATA increased to \$19.2 million compared to \$14.8 million at 31 December 2015, an increase of 30% year on year.

Dividends	Amount per share Cents (AUD)	Franked amount per share %
Interim dividend	3.20	100
Proposed final dividend for 2016	2.40	100

An interim dividend of AUD4,445,999 was paid on 7 October 2016 by the Group for the six months ended 30 June 2016.

On 27 February 2017, the Board approved a final dividend of AUD2.4 cents per share for the six months ended 31 December 2016. The dividend will be paid on 11 April 2017 to all shareholders registered on the record date of 7 March 2017. The ex-dividend date for dividend entitlement will be 6 March 2017. The dividend will be fully franked for Australian taxation purposes.

No dividend reinvestment plan was in operation during the year ended 31 December 2016.

Net Tangible Asset Backing	31 December 2016 Cents (USD)	31 December 2015 Cents (USD)
Net tangible asset backing per security	50	(58)

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 2016 was 237,468,482 (2015: 120,819,213).

A net tangible liability position existed at 31 December 2015 as the Group had significant acquired goodwill and intangible assets through acquisitions. These acquisitions had been partially funded through external bank debt.

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Results for Announcement to the Market (continued)

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

On 31 March 2016, the Group completed the acquisition of NewCom International Inc. (“NewCom”), a leading satellite communications service provider specialising in the South and Central American regions, in accordance with the agreed terms of the Share Purchase agreement signed on 29 December 2015. NewCom was acquired for consideration of USD11.3 million in cash and USD2.1 million in new Speedcast shares. The Group gained control with effect from 31 March 2016.

On 12 November 2015, the Group entered into a definitive agreement to acquire 100% of the shares of ST Teleport Pte. Ltd., a leading satellite communications provider based in Singapore, for consideration of SGD18.5 million in cash. The Group gained control on 10 May 2016, being the date approval for the transaction was received from the Info-Communications Development Authority of Singapore. Completion of the transaction occurred on 1 July 2016.

On 8 August 2016, the Group announced the acquisition of WINS Limited (“WINS”), a leading Europe-based provider of innovative maritime broadband satellite communications and IT solutions, from Eutelsat Communications and Maltasat for an all-cash consideration of EUR54.5 million. The Group completed the acquisition on 31 August 2016 and gained control on that date.

As at the date of this report, verifications of individual assets or liabilities of the acquired businesses are in progress and the Group has not finalised the fair value assessments.

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.

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Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the Year Ended 31 December 2016

	Note	2016 US\$'000	2015 US\$'000
Revenue from continuing operations		217,991	167,591
Cost of equipment and bandwidth services		(134,630)	(103,754)
Other gains	2	9,243	208
Staff costs	3	(31,072)	(23,524)
Depreciation of property, plant and equipment		(11,596)	(7,417)
Amortisation of intangible assets		(9,969)	(7,694)
Transaction related costs		(7,001)	(3,844)
Integration costs		(961)	(296)
Other expenses	4	(14,012)	(11,254)
Finance costs, net	5	(7,784)	(3,563)
Share of profit from interest in joint venture		-	145
Profit/(Loss) before tax		10,209	6,598
Income tax expense	6	(4,312)	(2,279)
Profit/(Loss) for the year attributable to owners of the Company		5,897	4,319
Other comprehensive income			
Item that may be reclassified to profit and loss			
- Currency translation difference		(13,052)	(743)
Total comprehensive Profit/(Loss) for the year attributable to members of the entity		(7,155)	3,576
Earnings per share			
		Cents	Cents
- Basic Profit per share	7	4.16	3.59
- Diluted Profit per share		4.12	3.54

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

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Consolidated Statement of Financial Position
as at 31 December 2016

	Note	2016 US\$'000	2015 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	25,341	15,114
Trade and other receivables		77,196	43,288
Inventories		5,807	5,171
Other financial assets – funds held in escrow		422,380	-
Total current assets		530,724	63,573
Non-current assets			
Interests in joint ventures		190	190
Property, plant and equipment		44,789	26,238
Goodwill and intangible assets		171,401	96,723
Deferred tax assets		5,688	3,088
Total non-current assets		222,068	126,239
Total assets		752,792	189,812
LIABILITIES			
Current liabilities			
Trade and other payables		64,372	50,692
Obligations under finance leases		3,057	46
Derivative financial instruments		-	6
Income tax payable		5,310	2,691
Total current liabilities		72,739	53,435
Non-current liabilities			
Borrowings	11	381,173	99,354
Deferred tax liabilities		8,575	6,164
Obligations under finance leases		34	21
Other payables		18	3,595
Total non-current liabilities		389,800	109,134
Total liabilities		462,539	162,569
Net assets		290,253	27,243
EQUITY			
Equity attributable to owners of the Company			
Contributed equity	9	361,392	84,892
Other reserves		(13,915)	(1,171)
Accumulated losses		(57,224)	(56,478)
Total equity		290,253	27,243

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

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Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2016

	Attributable to owners of SpeedCast International Limited			Total US\$'000
	Contributed equity US\$'000	Accumulated losses US\$'000	Other reserves US\$'000	
Balance at 1 January 2015	84,126	(55,040)	(487)	28,599
Profit for the year	-	4,319	-	4,319
Other comprehensive income	-	-	(743)	(743)
Total comprehensive income/(loss) for the year	-	4,319	(743)	3,576
Dividends (note 10)	-	(5,757)	-	(5,757)
Transfer from share based payment reserve for vested performance shares	207	-	(207)	-
Issue of ordinary shares	602	-	-	602
Capital raising costs, net of tax	(43)	-	-	(43)
Employee share scheme – value of employee services	-	-	266	266
	766	(5,757)	59	(4,932)
Balance at 31 December 2015	84,892	(56,478)	(1,171)	27,243
Profit for the year	-	5,897	-	5,897
Other comprehensive income	-	-	(13,052)	(13,052)
Total comprehensive income/(loss) for the year	-	5,897	(13,052)	(7,155)
Dividends	-	(6,643)	-	(6,643)
Issue of ordinary shares	280,228	-	-	280,228
Capital raising costs, net of tax	(3,876)	-	-	(3,876)
Transfer from share based payment reserve for vested performance shares	148	-	(148)	-
Employee share scheme – value of employee services	-	-	456	456
	276,500	(6,643)	308	270,165
Balance at 31 December 2016	361,392	(57,224)	(13,915)	290,253

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
for the Year Ended 31 December 2016

	Note	2016 US\$'000	2015 US\$'000
Cash flows from operating activities			
Cash generated from operations		37,898	23,577
Interest paid		(5,986)	(3,193)
Taxes paid		(4,865)	(2,461)
Net cash inflow from operating activities		27,047	17,923
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	13(f)	(84,697)	(57,510)
Business acquisitions and transaction costs		(7,439)	(4,178)
Payments for property, plant and equipment		(12,960)	(7,318)
Payments for intangible assets		(2,594)	(629)
Proceeds from disposal of property, plant and equipment		551	426
Interest received		255	32
Escrow payment for acquisition not yet complete		(422,380)	-
Net cash (outflow) from investing activities		(529,264)	(69,177)
Cash flows from financing activities			
Proceeds from capital raisings, net of costs		274,649	-
Proceeds from borrowings		419,447	61,611
Repayment of borrowings		(158,117)	-
Dividends	10	(6,643)	(5,757)
Repayments of obligations under finance leases		(5,114)	(42)
Net cash inflow from financing activities		524,222	55,812
Net increase/(decrease) change in cash and cash equivalents			
		22,005	4,558
Cash and cash equivalents at beginning of the year		15,114	10,079
Effects of exchange rate changes on cash and cash equivalents		(11,778)	477
Cash and cash equivalents at the end of the year	8	25,341	15,114

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

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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

	2016 US\$'000	2015 US\$'000
Foreign exchange gain on forward contracts	5,986	-
Foreign exchange gain	2,604	204
Gain on disposal of property, plant and equipment	288	-
Other gains	365	4
	<u>9,243</u>	<u>208</u>

3. Staff costs

	2016 US\$'000	2015 US\$'000
Salaries and allowances	29,356	22,893
Contributions to defined contribution plans	1,260	365
Share-based payment expense	456	266
	<u>31,072</u>	<u>23,524</u>

4. Other expenses

	2016 US\$'000	2015 US\$'000
Operating lease payments in respect of office premises, property and equipment	2,854	1,959
Provision for impairment of trade receivables	833	645
	<u>3,687</u>	<u>2,604</u>

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Notes to the Preliminary Financial Report (continued)

5. Finance costs, net

	2016 US\$'000	2015 US\$'000
Finance income:		
Interest income from bank deposits	255	32
	<u>255</u>	<u>32</u>
Finance charges on:		
Obligations under finance leases	(7)	(3)
Accelerated amortisation of loan establishment costs	(1,161)	-
Interest on deferred consideration	(275)	-
Fair value loss on deferred consideration	(610)	(409)
Interest expenses on:		
Borrowings	(4,610)	(2,543)
Fees on undrawn facility	(255)	(133)
Other bank charges	(1,121)	(507)
	<u>(8,039)</u>	<u>(3,595)</u>
Finance costs	(8,039)	(3,595)
Finance costs, net	<u>(7,784)</u>	<u>(3,563)</u>

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SpeedCast International Limited**Preliminary Financial Report - Appendix 4E for the Year Ended 31 December 2016****Notes to the Preliminary Financial Report (continued)****6. Income tax expense**

	2016 US\$'000	2015 US\$'000
Current tax	5,394	4,499
Under/(Over) provision in prior years	(490)	(124)
Deferred income tax	(591)	(2,096)
	<u>4,312</u>	<u>2,279</u>
Total income tax expense	<u>4,312</u>	<u>2,279</u>

Reconciliation between profit/(loss) before tax and income tax expense

	2016 US\$'000	2015 US\$'000
Profit/(Loss) before tax	<u>10,209</u>	<u>6,598</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,702	1,155
Tax effects of:		
Expenses not deductible for tax purposes	1,271	1,358
Income not subject to tax	-	(6)
Other assessable income	835	146
Under/(Over) provision for prior years	(490)	(124)
Recognition of previously unrecognised temporary differences	(6)	(250)
	<u>4,312</u>	<u>2,279</u>
Income tax expense	<u>4,312</u>	<u>2,279</u>

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Notes to the Preliminary Financial Report (continued)

7. Earnings per share

Earnings and weighted average number of ordinary shares used in calculating basic and diluted earnings per share are:

	2016 US\$'000	
Profit for the year after tax attributable to the owners of the Company	5,897	
		Number
Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	141,629,709	
Add effect of dilution – share options	<u>1,348,193</u>	
Weighted average number of ordinary shares for diluted earnings per share	<u>142,977,902</u>	

8. Cash and cash equivalents

	2016 US\$'000	2015 US\$'000
Cash at bank and in hand	<u>25,341</u>	<u>15,114</u>

9. Contributed equity

Movement in contributed equity as follows:

	No. of Shares	US\$'000
As at 1 January 2016	120,819,213	84,892
Conversion of restricted management rights to ordinary shares	265,876	148
Issue of Ordinary Shares	115,764,549	278,147
Issue of Ordinary Shares - Acquisition of NewCom International Inc.	618,844	2,081
Capital raising and share issue costs	-	(3,876)
As at 31 December 2016	<u>237,468,482</u>	<u>361,392</u>

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Notes to the Preliminary Financial Report (continued)

10. Dividends

	2016 US\$'000	2015 US\$'000
Interim dividend paid for the year ended (2016: AUD3.20 cents, 2015: AUD3.00 cents)	3,351	2,630
Final dividend paid for the year ended (2015: AUD3.65 cents 2014: AUD3.36 cents)	3,292	3,127
	<u>6,643</u>	<u>5,757</u>

On 27 February 2017, the Directors approved the payment of a dividend of AUD2.4 cents per share which will be fully franked.

11. Borrowings

	31 December 2016 US\$'000	31 December 2015 US\$'000
Current		
Bank loans	-	-
	<u>-</u>	<u>-</u>
Non-current		
Bank loans	381,173	99,354
	<u>381,173</u>	<u>99,354</u>
Bank loans	<u>381,173</u>	<u>99,354</u>

On 27 December 2016, the Group entered into a new syndicated facility of USD385 million with Credit Suisse AG and ING Bank. As at 31 December 2016, USD381.2 million was drawn in USD. The balance of the bank loan was held in escrow as at balance date, along with additional cash raised to fund the acquisition of Harris Caprock, which was settled in 2017. Refer to Note 15 for further details regarding this acquisition.

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 covenants include the following ratios, which are contractually defined in the agreement: Interest Cover Ratio (underlying EBITDA / underlying net interest expense) and Net Leverage Ratio (net debt/underlying EBITDA).

Interest payable on the new facility is subject to a floating margin component. This exposes the Group to interest rate risk. To hedge this risk and as a requirement of the agreement, the Group intends to enter into interest rate swaps post balance date.

In addition, under the new facility agreement, a significant portion of the Group's assets are pledged as security.

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Notes to the Preliminary Financial Report (continued)

12. Segment reporting

Identification of reportable segments

The Group has identified its operating segment based on the reports reviewed by the Chief Executive Officer (“CEO”) that are used to make strategic decisions. The Group consists of one operating segment being the sale of satellite network services in various geographic markets.

(a) Segment Performance

	Satellite network services	
	2016	2015
	US\$'000	US\$'000
Revenue		
Revenue from external customers	217,991	167,591
Underlying EBITDA	41,534	29,267
Transaction related costs	(7,001)	(3,844)
Integration costs	(961)	(296)
Depreciation of property, plant and equipment	(11,596)	(7,417)
Amortisation of intangible assets	(9,969)	(7,694)
Finance costs, net	(7,784)	(3,563)
Foreign exchange gains on forward contract	5,986	-
Share of profits from interests in joint venture	-	145
Income tax expense	(4,312)	(2,279)
Total net profit/(loss) after tax	5,897	4,319

(b) Segment assets and liabilities

	2016	2015
	US\$'000	US\$'000
Segment assets – total assets other than deferred tax assets	747,104	186,724
Segment liabilities – total liabilities other than derivative financial instruments and deferred tax liabilities	453,964	156,399

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Notes to the Preliminary Financial Report (continued)

12. Segment reporting (continued)

(c) Geographical information

Under one operating segment, the table below presents geographical information of total revenue based on customers' geography.

	Maritime	Australia	Pacific Islands	EMEA and other (ex-Afghanistan)	Afghanistan	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Year ended 31 December 2016	73,122	37,309	37,561	66,831	3,168	217,991
Year ended 31 December 2015	45,238	40,648	32,506	45,140	4,059	167,591

The table below presents geographical information of the Group's non-current assets.

As at 31 December 2016	Maritime	Australia	Pacific Islands	EMEA and other (ex-Afghanistan)	Afghanistan	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Property, plant and equipment	3,232	8,823	1,044	31,690	-	44,789
Goodwill and intangible assets	79,148	14,314	17,288	60,651	-	171,401
Interests in joint ventures	-	-	-	190	-	190
	82,380	23,137	18,332	92,531	-	216,380
As at 31 December 2015	Maritime	Australia	Pacific Islands	EMEA and other (ex-Afghanistan)	Afghanistan	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Property, plant and equipment	901	8,935	2,303	14,099	-	26,238
Goodwill and intangible assets	20,648	13,855	18,701	43,519	-	96,723
Interests in joint ventures	-	-	-	190	-	190
	21,549	22,790	21,004	57,808	-	123,151

(d) Major Customers

There are no individual customers who contributed more than 10% of the total revenue in 2016 or 2015.

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Notes to the Preliminary Financial Report (continued)

13. Business combinations

The fair value of the acquired identifiable intangible assets was determined using income based approach based on the valuations performed by Roma Appraisals Limited, an independent professional valuer.

(a) United Satellite Group Pty Ltd

On 15 January 2016, SpeedCast International Limited, via its 100% owned subsidiary SpeedCast Australia Pty Ltd, purchased 100% of the “Business Assets” of United Satellite Group Pty Ltd (“USAT”). The “Business Assets” were defined in the Sale & Purchase Agreement (“SPA”) as selected contracts, intellectual property rights, and equipment at remote sites. The acquisition has been assessed to be a business combination for accounting purposes.

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

Consideration	USD\$'000
- Cash	1,080
Total Purchase Consideration	<u>1,080</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	261
Intangible assets	176
Deferred tax liabilities	<u>(53)</u>
Total identified net assets	<u>384</u>
Goodwill	<u><u>696</u></u>

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Notes to the Preliminary Financial Report (continued)

13. Business combinations (continued)

(b) NewCom International Inc.

On 31 March 2016, the Group completed the acquisition of NewCom International Inc. ("NewCom"), a leading satellite communications service provider specialising in the South and Central American regions, in accordance with the agreed terms of the Share Purchase agreement signed on 29 December 2015. NewCom was acquired for consideration of USD11.3 million in cash and USD2.1 million in new Speedcast shares. The Group gained control with effect from 31 March 2016.

Goodwill of USD12.2 million arises principally from the new growth frontier in the South and Central American regions, where satellite is widely used and SpeedCast does not have a direct presence.

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

Consideration:	USD\$'000
- Cash	11,313
- Shares	2,081
Total Purchase Consideration	<u>13,394</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	398
Trade and other receivables	1,133
Inventory	387
Property, plant and equipment	1,097
Intangible assets	1,209
Trade and other payables	<u>(3,078)</u>
Total identified net assets	<u>1,146</u>
Goodwill	<u><u>12,248</u></u>

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Notes to the Preliminary Financial Report (continued)

13. Business combinations (continued)

(c) ST Teleport Pte Ltd

On 4 July 2016, the Group completed the acquisition of ST Teleport Pte Ltd (“STT”), a leading satellite communications provider based in Singapore, for SGD18.5 million in cash following the definitive agreement announced on 13 November 2015. The acquisition includes ST Teleport’s world class teleport facilities and data centre infrastructure in Singapore, a major hub in Asia for global maritime and oil & gas customers.

Goodwill of USD8.5 million arises principally from the strengthening of the Group’s position in the Asia-Pacific region and in both the maritime and energy sectors.

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

Consideration	USD\$’000
- Cash	14,016
Total Purchase Consideration	<u>14,016</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	329
Trade and other receivables	3,899
Inventory	84
Property, plant and equipment	7,799
Intangible assets	328
Trade and other payables	(4,338)
Obligations under finance lease	(111)
Borrowings	(1,611)
Deferred tax liabilities	<u>(924)</u>
Total identified net assets	<u>5,455</u>
Goodwill	<u><u>8,561</u></u>

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Notes to the Preliminary Financial Report (continued)

13. Business combinations (continued)

(d) WINS Limited

On 8 August 2016, the Group announced the acquisition of WINS Limited (“WINS”), a leading Europe-based provider of innovative maritime broadband satellite communications and IT solutions, from Eutelsat Communications and Maltasat.

Goodwill of USD57.3 million arises principally from the strengthening of the Group’s position in Germany within the important growth engine of the maritime sector, which SpeedCast expects to underpin long-term organic growth.

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

Consideration	USD\$’000
- Cash	59,433
- Cash payable	1,140
Total Purchase Consideration	<u>60,573</u>
 Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	417
Trade and other receivables	9,316
Inventory	710
Property, plant and equipment	3,078
Intangible assets	6,715
Deferred tax assets	1,200
Trade and other payables	(8,895)
Tax payable	(1,013)
Borrowings	(5,945)
Deferred tax liabilities	<u>(2,294)</u>
 Total identified net assets	 <u>3,289</u>
 Goodwill	 <u><u>57,284</u></u>

(e) Harris CapRock

On 1 November 2016 the Group entered into a definitive agreement to acquire 100% of Harris Caprock. Refer to Note 15 for further details regarding this acquisition.

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Notes to the Preliminary Financial Report (continued)

13. Business combinations (continued)

(f) Additional Information

Acquisition-related costs of USD7.0 million (2015: USD3.8 million) have been charged to transactions related costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016.

In the Consolidated Statement of Cash Flows, payment for acquisition of these businesses comprises:

	USAT US\$'000 (Note 13(a))	NewCom US\$'000 (Note 13(b))	ST Teleport US\$'000 (Note 13(c))	WINS US\$'000 (Note 13(d))	Total US\$'000
Outflow of cash to acquire subsidiaries					
- Cash consideration paid	1,080	11,313	14,016	59,433	85,842
- Cash and cash equivalents of subsidiaries acquired	-	(398)	(329)	(418)	(1,145)
Cash outflow on acquisition of subsidiaries, net of cash acquired					84,697

The total revenue included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income since the dates of the above acquisitions contributed USD24.7 million and a total profit of USD554,000 for the year ended 31 December 2016.

Due to financial, legal and operational integration activities completed since the acquisition date, it is impracticable to disclose either the profit or loss of the combined entities as though the acquisitions dates had been 1 January 2016, or the amount of the acquired entities' profit or loss since the acquisition included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016.

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Notes to the Preliminary Financial Report (continued)

14. Contingencies

SAIT Communications earn-out

Additional potential consideration comprising an earn-out of up to USD7.5 million is payable in relation to the acquisition of SAIT Communications Limited if certain revenue growth targets were reached in 2016, starting at USD1.5 million (split between cash of USD0.5 million and ordinary shares of USD1.0 million) for the achievement of USD23 million of revenue in 2016 and increasing progressively with revenue growth. The total amount potentially payable is capped at an amount of USD7.5 million for significant outperformance split into cash consideration of USD4.5 million and SpeedCast ordinary shares of USD3.0 million.

The potential consideration is required to be re-measured to fair value at each balance date. At 31 December 2015, the fair value of the potential consideration was USD3.5 million. During the period, the fair value of the potential consideration has increased to USD4.1 million. This change in fair value has been charged to the income statement in accordance with Accounting Standards.

NewCom International earn-out

Additional potential consideration of up to USD19 million (75% cash and 25% SpeedCast ordinary shares) is payable in relation to the acquisition of Newcom International Inc. if ambitious EBITDA growth targets were achieved in 2016. Management's assessment is that these growth targets have not been met and no liability has been recognised.

Other than as noted above the Group did not have any other material contingent assets or liabilities as at 31 December 2016.

SpeedCast International Limited

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15. Post balance sheet events

On 1 November 2016, the Group announced it had entered into a definitive agreement to acquire 100% of Harris Caprock for total upfront consideration of USD425 million. Harris Caprock is 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 AUD295 million Accelerated Renounceable Entitlement Offer, with the balance funded by a fully-underwritten syndicated debt facility. The syndicated debt facility was drawn down prior to balance date as described in Note 11.

The financial effects of this transaction have not been recognised at 31 December 2016. The operating results and assets and liabilities of Harris Caprock will be consolidated from 1 January 2017.

The fair values of the assets and liabilities of Harris Caprock as at the date of acquisition are currently being determined by the Group's valuer and have not yet been finalised.

USD5.1 million of acquisition related costs have been recognised in relation to this transaction in the current financial year. We expect USD7.8million of acquisition-related costs will be included in profit or loss in the reporting period ending 31 December 2017.

Other than the above, there have been no other material post balance sheet events since 31 December 2016.

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Preliminary Financial Report - Appendix 4E for the Year Ended 31 December 2016

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

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