



**SpeedCast International Limited**

ACN 600 699 241

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

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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<br>US\$m | 2016<br>US\$m | Movement<br>% |
|---|---------------|---------------|---------------|
| 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<br>US\$m | 2016<br>US\$m | Movement<br>% |
|--|---------------|---------------|---------------|
| 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<br>US\$'000 | 2016<br>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<br>Cents (AUD) | Franked amount per<br>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<br>Cents (USD) | 31 December 2016<br>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**

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### **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.

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**SpeedCast International Limited**

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|   | Note | 2017<br>US\$'000 | 2016<br>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.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|  | Note | 2017<br>US\$'000      | 2016<br>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.



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|  | Attributable to owners of SpeedCast International Limited |                                |                            |                   | Non-controlling interests<br>US\$'000 | Total equity<br>US\$'000 |
|--|---|--------------------------------|----------------------------|-------------------|---------------------------------------|--------------------------|
|  | Contributed equity<br>US\$'000                            | Accumulated losses<br>US\$'000 | Other reserves<br>US\$'000 | Total<br>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.

**SpeedCast International Limited**

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

|   | Note | 2017<br>US\$'000 | 2016<br>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<br>US\$'000 | 2016<br>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<br>US\$'000 | 2016<br>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>     |

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**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                              | <u>(25,856)</u> | <u>(7,429)</u> |
| Finance costs, net                         | <u>(24,272)</u> | <u>(7,174)</u> |

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### 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

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

#### 6. Earnings per share

|   | 2017<br>Cents | 2016<br>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<br>Number | 2016<br>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<br>US\$'000 | 2016<br>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

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# 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<br>US\$'000 | 2016<br>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<br>US\$'000 | 2016<br>US\$'000 |
|--|------------------|------------------|
| <b>Dividends declared during the year</b>  |                  |                  |
| Interim dividend paid for the year ended<br>(2017: AUD 2.40 cents, 2016: AUD 3.20 cents) | 4,494            | 3,351            |
| Final dividend paid for the year ended<br>(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<br>US\$'000 | Australia<br>US\$'000 | Pacific<br>Islands<br>US\$'000 | EMEA and<br>other<br>US\$'000 | Asia<br>US\$'000 | Americas<br>US\$'000 | Total<br>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<br>US\$'000 | Australia<br>US\$'000 | Pacific<br>Islands<br>US\$'000 | EMEA and<br>other<br>US\$'000 | Asia<br>US\$'000 | Americas<br>US\$'000 | Total<br>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.

**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     |
|   | <hr/> <hr/> |

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      |
|   | <hr/> <hr/> |

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