

ASX ANNOUNCEMENT

(All \$ amounts in US\$ unless otherwise stated)

Results for the six months ended 30 June 2019

Sydney, Australia, 27 August 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 six months ended 30 June 2019 (H1 2019).

H1 2019 overview

- Group revenue up 17.3% to \$357.6 million (H1 2018: \$304.8 million)
- Statutory NPAT loss of \$175.5 million included a small positive impact due to AASB 16 and a \$154.8 million negative impact from the impairment of goodwill relating to the performance of the non-Government operating segment
- Underlying results better reflect the true performance of the business and exclude the impact of the goodwill impairment:
 - EBITDA, excluding \$4.6 million impact of AASB 16, up 3.0% to \$62.2 million (H1 2018: \$60.4 million)
 - NPATA of \$14.7 million (H1 2018: \$21.1 million)
- Operating cash flow of \$23.9 million with cash conversion of 36% of Underlying EBITDA (H1 2018: 89%) due to working capital deterioration and non-recurring expenses
- Net debt increased to \$625 million at 30 June 2019 (31 December 2018: \$586 million) due to non-recurring acquisition and Globecomm integration costs, negative working capital (that is expected to reverse in H2 2019) and payment of the final 2018 dividend
- Continue to target Leverage Ratio (net debt: proforma EBITDA) to be below 4.0x at the end of 2019.

Commenting on the H1 2019 results, Speedcast CEO Pierre-Jean Beylier said: "The first half of this financial year was a very challenging six months for Speedcast. The Board and management are disappointed with the Company's financial performance, the lower than anticipated contribution from Globecomm and slower organic growth. Significant steps have been taken to address our operational performance and return Speedcast to growth."

"We have substantial opportunities across our operating divisions to drive organic growth and deliver strong future outcomes for our customers, staff, suppliers, and shareholders. We have enhanced the flexibility in our debt facilities while having a stronger focus on more tightly managing working capital and capital expenditure to support a positive turnaround in cash flows in the second half of this year," added Mr. Beylier.

H1 2019 Divisional performance

- **Maritime:** Total revenue was up 12.0% to \$119.3 million (H1 2018: \$106.5 million) driven by the contribution from Globecomm. Excluding Globecomm, Maritime total revenue was down 1.7% to \$104.7 million while within this Service revenue was up 3.1% to \$97.0 million.

- **Enterprise and Emerging Markets:** Total revenue was up 6.8% to \$79.6 million (H1 2018: \$74.5 million) driven by the contribution from Globecomm. Excluding Globecomm, Enterprise and Emerging Markets' revenue was down 21.4% to \$58.6 million, mainly due to the phasing of the nbn project. This Division's performance is now improving with service revenue stabilised and good momentum in several markets.
- **Government:** Total revenue was up 69.3% to \$80.4 million (H1 2018: \$47.5 million) driven by the contribution from Globecomm, with underlying organic revenue flat. However, new customer programs are expected to drive growth in services revenue once the implementation cycle is complete in H2 2019.
- **Energy:** Total revenue was up 2.6% to \$78.3 million (H1 2018: \$76.3 million) mainly due to the contribution from Globecomm, with underlying organic revenue up 0.2%. The oil & gas sector and our Energy business have stabilised. A stronger H2 2019 is expected driven by Systems Integration revenue, continued growth in onshore oil services and slight pick-up in offshore drilling activity.

Commenting on the performance of Speedcast's operating divisions over H1 2019, Mr. Beylier said: "Industry and operating challenges over the first half have led to subdued organic growth which, combined with the underperformance of Globecomm, led to the disappointing financial performance. We are responding to the market challenges and have undertaken a thorough analysis of our business to put in place an operating plan to address the issues faced. Having commenced rolling out our plans, we have seen early positive results that we believe support our expectations for the second half of 2019."

"The strength of our product and service offering, and approach to supporting our customers, can be seen in the continued strong demand we have experienced for our services. Over 20 new and extended contracts were announced in the first half, representing a small part of our overall wins during the period, and we have a strong pipeline to drive further growth. Our strategic initiatives focused on operational improvements and systems and processes integration will provide the right structure to deliver the organic revenue and earnings growth in the second half of 2019 and beyond, while also reducing our cost base in a manageable way," added Mr. Beylier.

Balance sheet – within Leverage Ratio covenant

Speedcast's cash balance of \$54.6 million at 30 June 2018 was impacted by capital investment and one-off expenses including non-recurring expenses related to the acquisition of Globecomm. Cash conversion was 36%, and the Company expects a second half cash flow performance more in line with historical averages of above 80% given fewer one-off cash expenses and a positive working capital movement.

Net Debt of \$625 million was up \$39 million (31 December 2018: \$586 million) reflecting non-recurring cash outflows of \$13 million associated with M&A activity and Globecomm integration, the \$8 million dividend payment and \$42 million negative movement in working capital.

The Board has not declared a dividend for H1 2019 and does not intend to declare a dividend for H2 2019. The Company will reconsider future dividend payments in light of its objectives to reduce debt and also invest in organic growth opportunities.

Outlook

Over the medium term, Speedcast continues to expect healthy growth in Maritime – both in commercial shipping and in cruise – where bandwidth needs continue to grow. Government is expected to grow with continued increase in defense spending and revenue synergies from the Globecomm integration expected in 2020 and beyond. Energy's return to growth will provide an uplift in Underlying EBITDA margin, and while market conditions in Enterprise and Emerging Markets remain challenging, Speedcast expects to return to growth in this sector due to market share gains and scale.

Speedcast reaffirms its previous guidance for 2019 full year EBITDA in the range between \$150 million to \$160 million (including \$10 million of Leasing reclassification benefit).

In addition, for the 2019 full year, the Company expects:

- Moderate organic growth in H2
- Globecomm underlying EBITDA expected to be ~\$21 million, including cost synergies of ~\$11 million ex Leasing reclassification benefit
 - Expecting \$18-20 million of Globecomm cost synergies in 2020
- Expected cost savings of \$10 million in H2, equating to \$20 million of annualised savings
- Targeting \$50 million of capex
- No dividend to be declared for H2
- Leverage Ratio target below 4.0x at end of 2019.

An investor call will be held at 10:30am AEST today

For those wishing to dial into the call, please register through the following link:

<https://s1.c-conf.com/DiamondPass/speedcastlimited-10001491-invite.html>

Alternatively, please dial your respective local number below and provide the **conference ID 10001491** to the operator:

AUSTRALIA TOLL/INTERNATIONAL	+61 02 9007 3187
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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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