

## Speedcast Updates Expectations for 1H 2019 and Full Year 2019 Underlying EBITDA

**SYDNEY, July 2, 2019** – [Speedcast International Limited](#) (ASX: SDA), the world's most trusted provider of remote communication and IT solutions, today announced it expects Underlying EBITDA for 1H 2019 of approximately US\$60 to US\$64 million and revised its expectation for Underlying EBITDA for full year 2019 to approximately US\$140 million to US\$150 million.

### 1H 2019

Speedcast expects Underlying EBITDA for 1H 2019 of approximately US\$60 to US\$64 million, including US\$8 to US\$10 million from the Globecomm acquisition which completed in December 2018.

Speedcast's expectations for 1H 2019 and full year 2019 have changed since our recent 2019 outlook at our AGM in May due to evolving market conditions and more recent commercial developments. The key factors expected to impact 1H 2019 include:

- Weaker market conditions in EEM as well as slower implementation of existing backlog
- Delays to some expected revenue under Phase 2 of the NBN project as well as lower profitability through additional resources being added during Q2 2019 to ensure the successful delivery of the project
- Increased churn from a major Commercial Maritime contract that was highlighted during full year results, slower than expected implementation of the backlog of VSAT vessels
- Continued technical difficulties causing further delays in the ramp up of the Carnival contract
- Globecomm's expected contribution to EBITDA of US\$8 million to US\$10 million in 1H 2019 is lower than previously expected of c.US\$12 million mainly due to delays in Government systems integration projects, lower revenue in Maritime as a result of higher churn, and delayed new business wins. This includes the contribution of cost synergies, expected to be approximately US\$4 million, in line with original expectations
- Slightly lower revenue than expected in Energy due to the timing of systems integration revenue being delayed to 2H 2019, and possibly further into 2020 with some social unrest in Mozambique

Together, these factors, mostly non-structural, have contributed to lower Underlying EBITDA in 1H 2019 than previously expected and to an anticipated decline in Speedcast (excluding Globecomm) Underlying EBITDA for 1H 2019 compared to the prior corresponding period.

Proforma net leverage at June 30, 2019 is expected to be stable at c.3.5 – 3.6x, compared to 31 December 2018 of 3.5x, and within Speedcast's Senior Secured Facility covenant of 4.0x.<sup>1</sup>

### **Full year 2019**

Based on the performance year to date and revised expectations for 1H 2019, Speedcast currently expects Underlying EBITDA for full year 2019 of approximately US\$140 million to US\$150 million. Speedcast's previously communicated expectation for Underlying EBITDA for full year 2019 was US\$160 million to US\$171 million.

Globecomm Underlying EBITDA is expected to be approximately US\$21 million in full year 2019, US\$5 million lower than previously expected. With respect to cost synergies from the Globecomm acquisition, Speedcast is on track to achieve approximately US\$11 million in 2019 in line with previous guidance.

Speedcast remains excited about the growth potential in the Globecomm business post integration as market fundamentals continue to be strong in Government and Maritime, and the company is pursuing attractive revenue synergy opportunities in various markets, including but not limited to IOT, media, cellular services, and Government.

The revised expectation for the full year 2019 (excluding Globecomm impact) is based on the following:

- Maritime is expected to deliver modest growth (below 5%) due to Commercial Maritime underperformance. The major contract churn described above is a key factor to explain this year's abnormal performance.
- EEM (excluding NBN) is forecasted to experience lower than expected revenue growth, as a result of a weaker 1H 2019 performance
- Energy revenue is expected to grow around 5% in line with previous guidance, as the market has stabilised
- Government revenue is expected to grow mid-single digit percent with a moderate change in the service/equipment revenue mix towards equipment revenue
- The company launched a re-organisation initiative in June to further leverage its scale, deliver operational leverage and increase sales productivity. This is expected to deliver US\$5 to US\$10 million benefits in 2H 2019 and US\$20 million in full year 2020. This program includes consolidation activities and procurement and other cost rationalisation initiatives across the organisation.

---

<sup>1</sup> Proforma net leverage is Net Debt / EBITDA calculated based on last twelve months Underlying EBITDA, including the proforma impact of Globecomm for twelve months including identified cost synergies, plus the impact of the Speedcast re-organisation initiative.

Speedcast is highly confident that it can achieve this revised full year guidance for 2019. This implies a larger increase to Underlying EBITDA from 1H to 2H than seen in previous years, which will be driven by the ramp up of expected cost synergies from the Globecom acquisition and the Speedcast re-organisation benefits, combined with usual seasonality.

As a result of the change in full year expectations, proforma net leverage is expected to be higher than the previously communicated target of 3.0x to 3.2x at the end of 2019, but within the covenant level of the company's Senior Secured Facility.

Over the medium term, Speedcast continues to expect healthy growth in Maritime - both in commercial shipping once this year's churn event is digested and in Cruise where bandwidth needs continue to grow, and also in Government - with continued increase in defense spending and revenue synergies from the Globecom integration expected in 2020 and beyond. Energy's return to growth will provide an uplift in Underlying EBITDA margin and whilst EEM remains in a challenging environment, Speedcast expects to return to growth due to market share gains as scale matters more and more.

Investors and analysts are invited to join a conference call followed by Q&A hosted by CEO, PJ Beylier and CFO, Clive Cuthell at 11:00am AEST on 2 July 2019.

Dial in details for the conference call are as follows:

Conference ID: **2291247**

Australia: 1800 123 296 / +61 2 8038 5221

HK: 800 908 865

UK: 0808 234 0757

Singapore: 800 616 2288

India: 1800 2666 836

USA: 1855 293 1544

New Zealand: 0800 452 782

Canada: 1855 5616 766

China: 4001 203 085

Japan: 0120 994 669

Speedcast will provide further detailed commentary on 1H 2019 performance and the outlook for full year 2019 as part of its 1H 2019 results announcement, scheduled for 27 August 2019.

### **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 over 140 countries in sectors such as Maritime, Energy, Mining, Enterprise, Media, Cruise, NGOs and Government. Learn more at [www.speedcast.com](http://www.speedcast.com).

Social Media: [Twitter](#) | [LinkedIn](#) | [Facebook](#)

Speedcast® is a trademark and registered trademark of Speedcast International Limited. All other brand names, product names, or trademarks belong to their respective owners.

© 2019 Speedcast International Limited. All rights reserved.

Contact Information:

**Vanessa Cardonnel**

SVP, Investor Relations and Corporate Development

[vanessa.cardonnel@speedcast.com](mailto:vanessa.cardonnel@speedcast.com)

+852 3919 6833

For personal use only