



speedcast

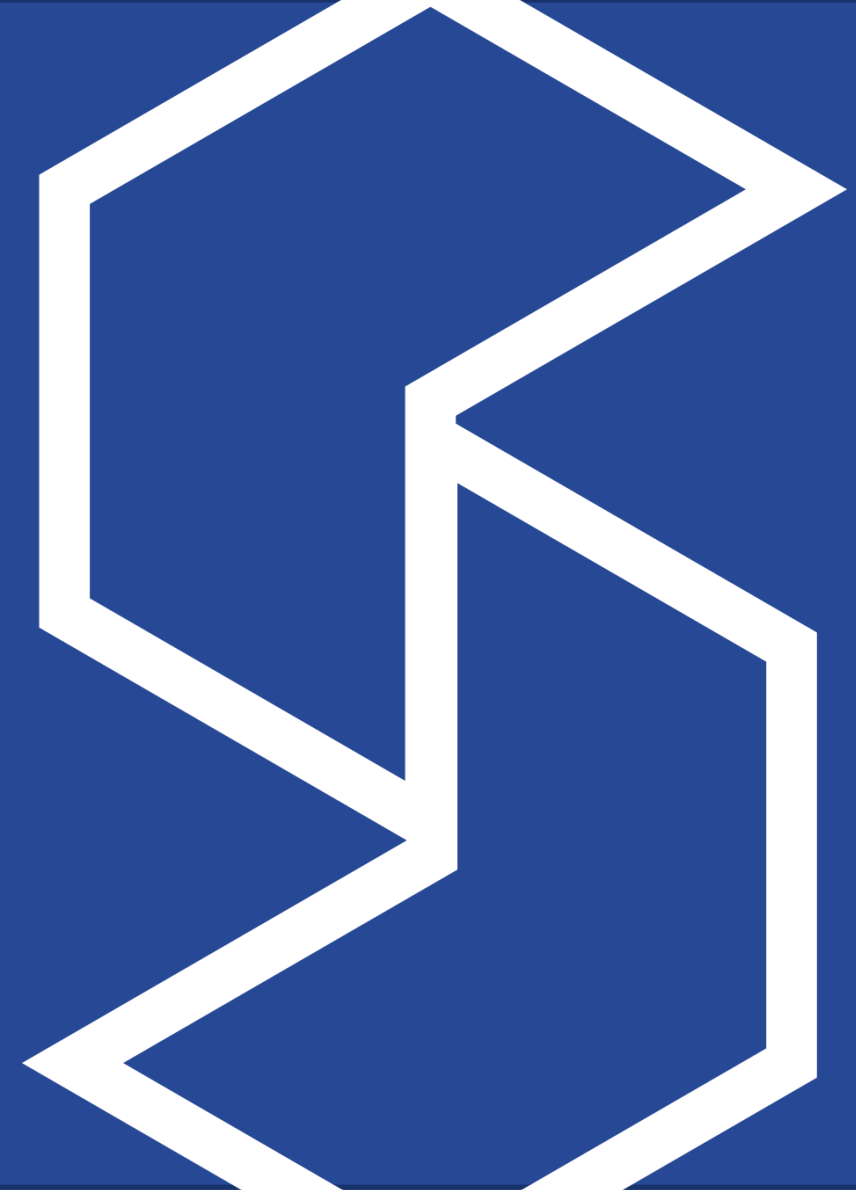
Speedcast

Macquarie Australia Conference

Presented by Ian Baldwin

Chief Financial Officer

4 May, 2017



Agenda

- ▶ **Speedcast Overview**
- ▶ **Investment value creation - earnings growth and shareholder returns**
- ▶ **Future growth drivers - 2 x strategic markets**
 - > Energy
 - > Maritime
- ▶ **Bandwidth supply & Operational capabilities**
- ▶ **Conclusion**

► **Speedcast is the world's most trusted provider of fully managed remote communication network and IT services**

- > Industry leader: extensive worldwide footprint of local support, infrastructure and coverage coupled with world-class technology and a strong safety culture
- > Innovator: able to design, integrate, secure and optimize networks tailored to customer needs
- > Customer focused: with technology agnostic solutions and support designed to meet the needs of each unique customer installation
- > Highly Skilled People make the difference in the services Speedcast provides
- > Creating value for our customers beyond connectivity to meet evolving customer needs



Energy



- ▶ Speedcast is market leader following acquisition of Harris CapRock
- ▶ Cyclical industry, currently at a low point in the cycle. Sector recovering, momentum building
- ▶ Consolidated services requirement with focus on reliability and support
- ▶ Competitors facing challenges

Maritime



- ▶ Speedcast is market leader in VSAT communications following acquisition of Harris CapRock
- ▶ VSAT penetration driving growth in merchant shipping. Bottom of cycle in that segment.
- ▶ Strong volume growth fundamentals in Cruise segment
- ▶ Market still fragmented
- ▶ Some competitors facing challenges

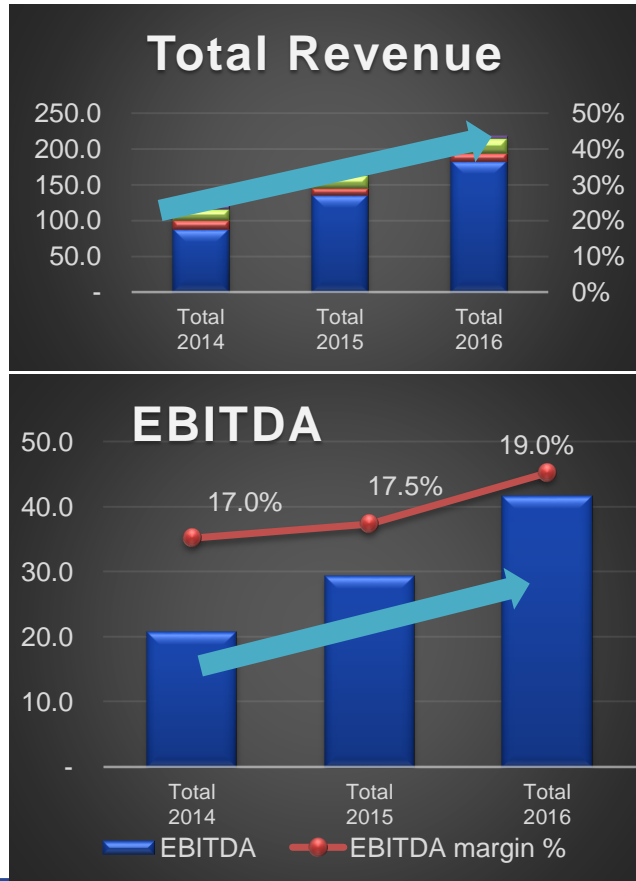
Enterprise & Emerging Markets ('EEM')



- ▶ Diversified segment. Includes Government, Telecommunications, Mining, NGOs, Media and Aviation
- ▶ Mining & Government spending expected to bottom out
- ▶ Cellular backhaul driving growth
- ▶ Fragmented industry. Limited global competitors.

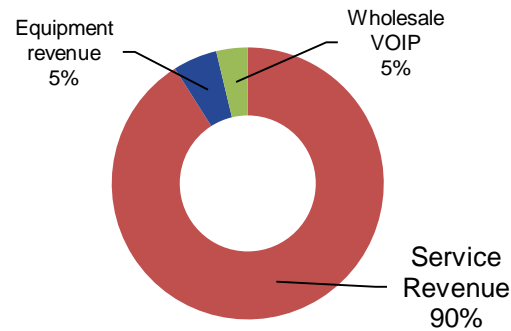
Sound underlying financial characteristics

Growth in Key Financial Metrics



Recurring revenue base

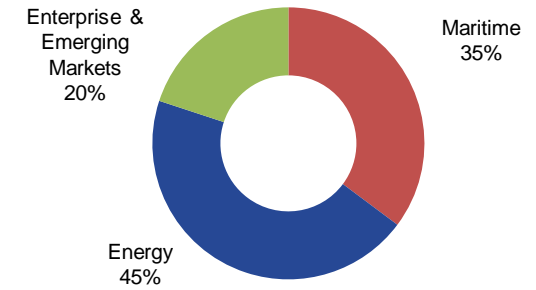
Revenue by type



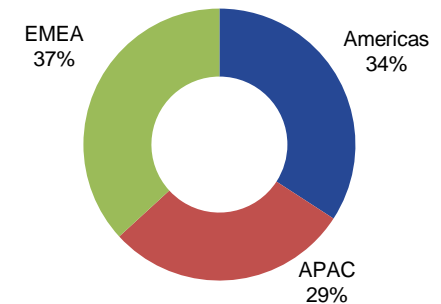
- ▶ Service revenues (c.90% of total)
- ▶ 2-3 year average contract length
- ▶ High renewal rate
- ▶ Limited Capex

Diversification across Industries and Geographically

Revenue by segment



Revenue by geography



Investment Value Creation

Speedcast



► Growth - where will it come from?

- > Organic revenue growth from increasing demand for connectivity and positive underlying fundamentals in industries served by Speedcast
- > Revenue synergies from acquisitions (new markets/services)

► Margins expansion from operating leverage & scale

- > EBITDA margins have grown from 11% in 2011 to 19% in 2016
- > Increasing scale has improved group's negotiating power with suppliers
- > Operating leverage critical mass now reached leading to economies of scale; opex expected to grow at a slower rate than revenues in future years
- > Satellite industry entering period of oversupply; Speedcast to leverage its competitive position to optimise benefits for shareholders and customers

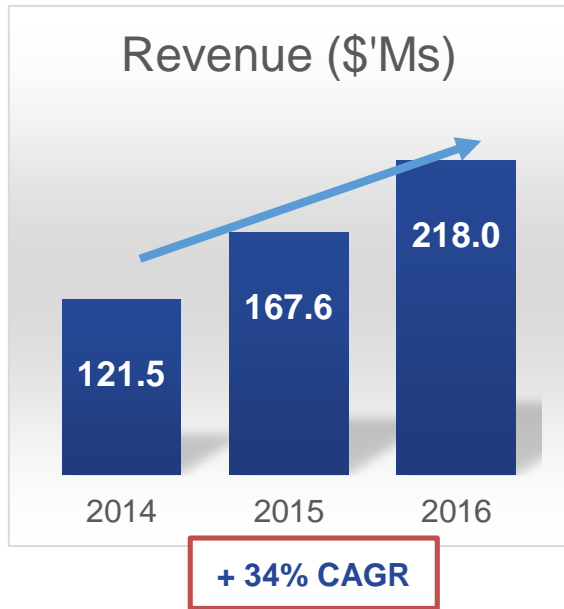
► Returns

- > EPS growth from margin % expansion, strong cash flows and revenue growth
- > Strong cash flow generation (FCF > EPS);
- > Low capex requirements; ~\$5M of maintenance capex p.a.
- > Capex < Depreciation & amortisation
- > Ability to de-leverage balance sheet quickly
- > Opportunities for further accretive M&A transactions in fragmented market

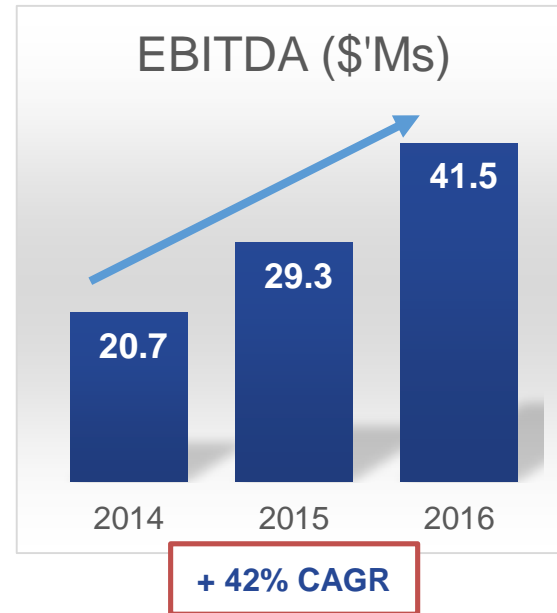


History of growth

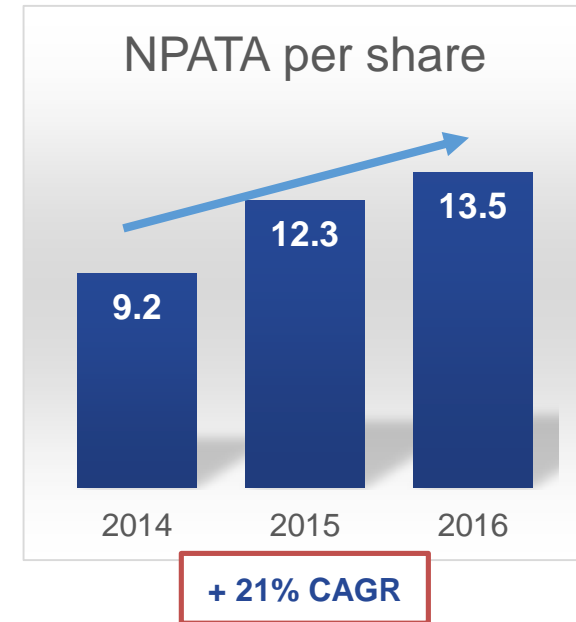
Since IPO.....



- ▶ Growth in revenues from dual strategy of combining organic and acquisitive growth

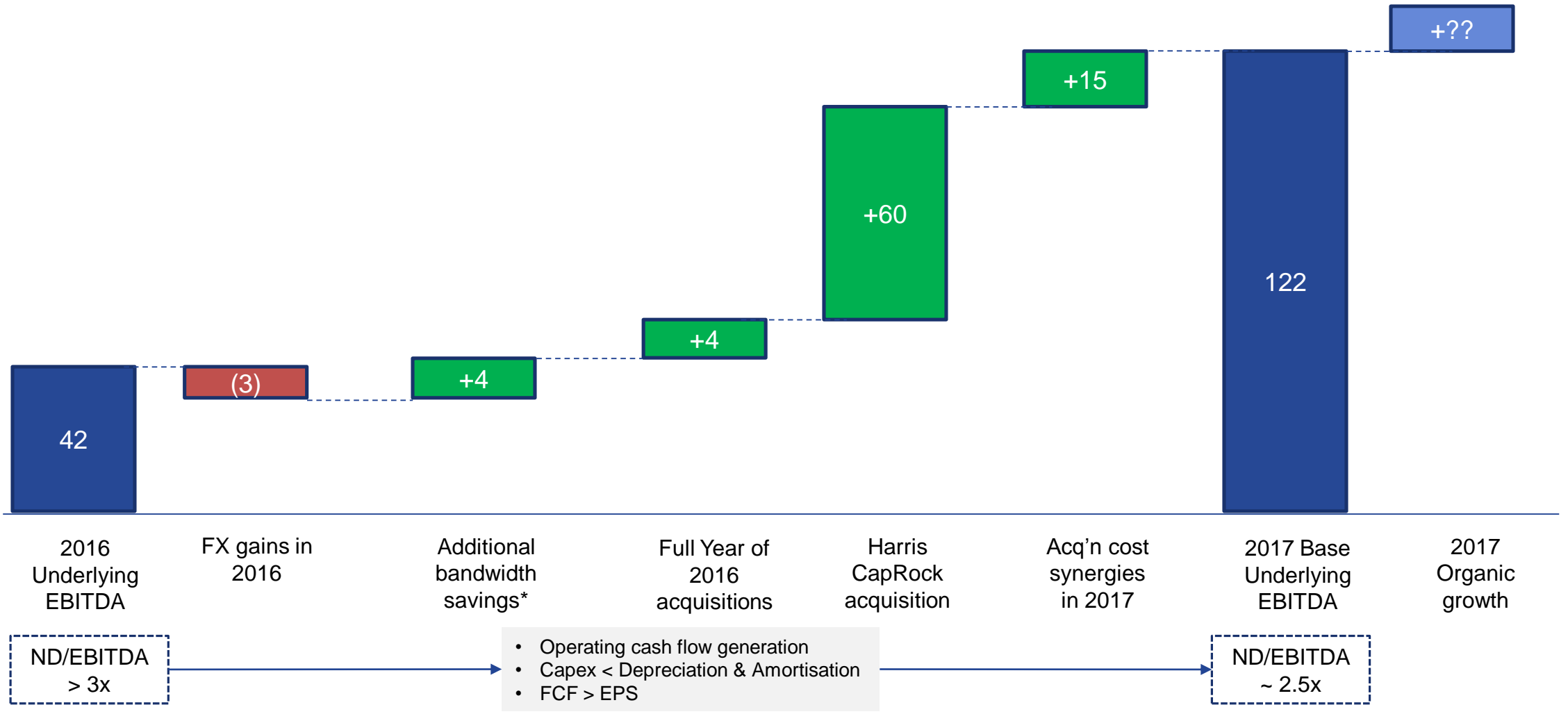


- ▶ EBITDA growth > Revenue
- ▶ Scale and operating leverage driving EBITDA margin % expansion, despite initial dilution of acquisitions on margins
- ▶ Realisation of acquisition synergies



- ▶ EPS growth underpinned by a combination of
 - > Organic growth in the business
 - > EBITDA margin expansion
 - > Accretive acquisitions

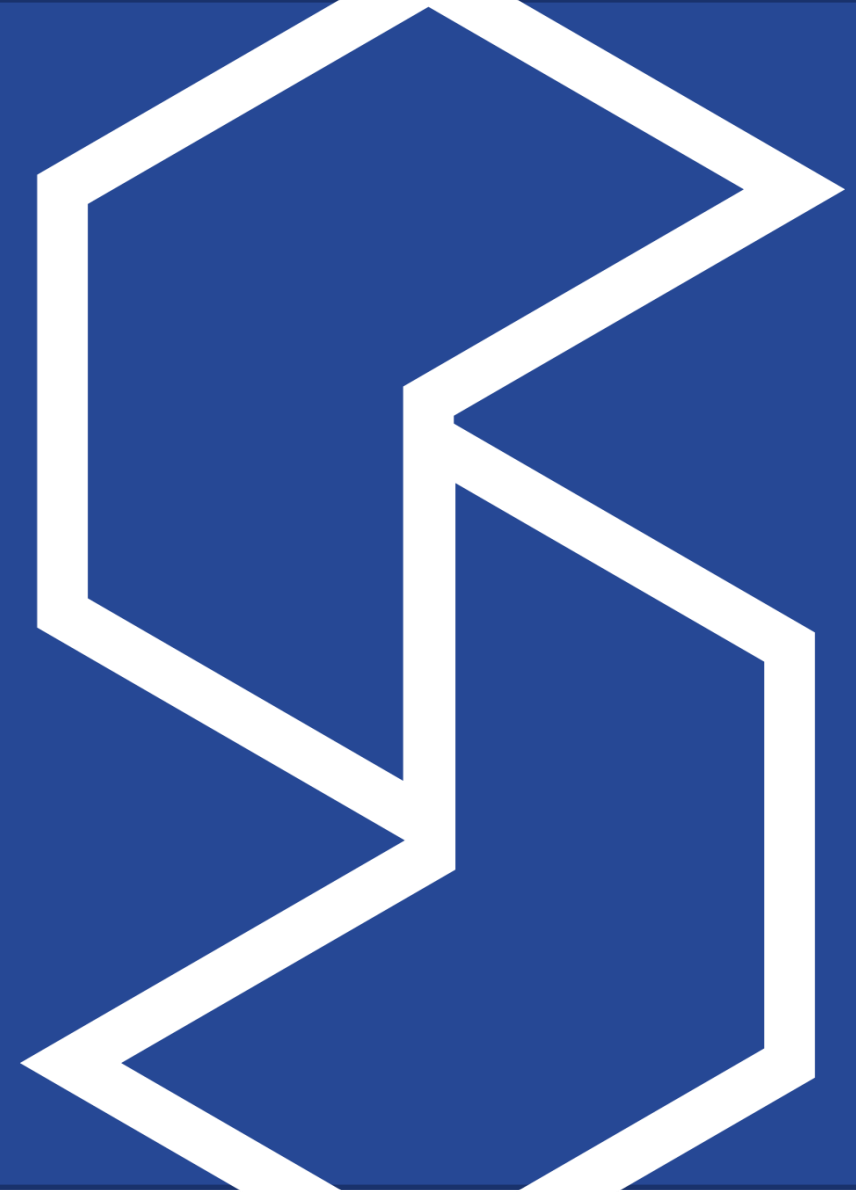
2017 EBITDA & leverage bridge



* Net impact on 2017 EBITDA of reclassification of bandwidth costs for previously disclosed renegotiated contract entered into during 2016

Future growth drivers

Energy & Maritime



Increasing demand for connectivity

► Business Needs

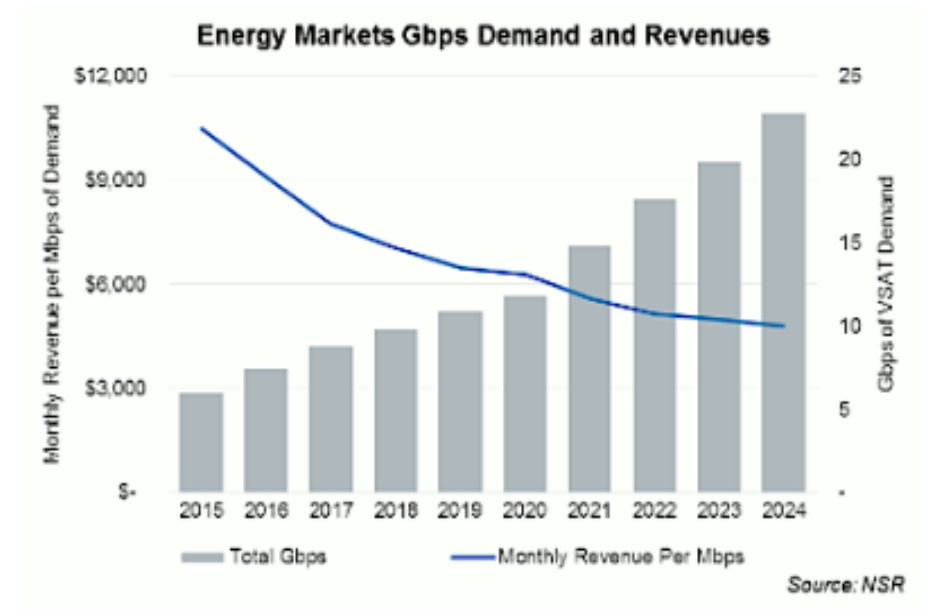
- > Condition monitoring
- > Analytics
- > Remote Access
- > Navigation
- > Regulatory Compliance

► Crew & Passenger Needs

- > News & Entertainment
- > Training
- > Communication: Email, Voice, Video
- > Social Media

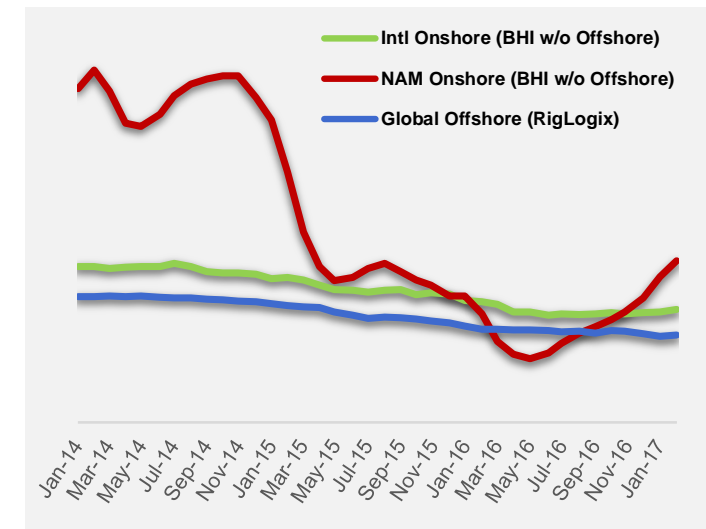


- ▶ Digitalisation of the oil field driving bandwidth increases
- ▶ Bandwidth demand is expected to more than treble over the next 8 years
- ▶ Energy end-users focused on delivering operational cost savings and improvements in efficiencies
- ▶ Price per Mbps is forecasted to decline gradually due to capacity oversupply and demand expansion



Business update - Energy

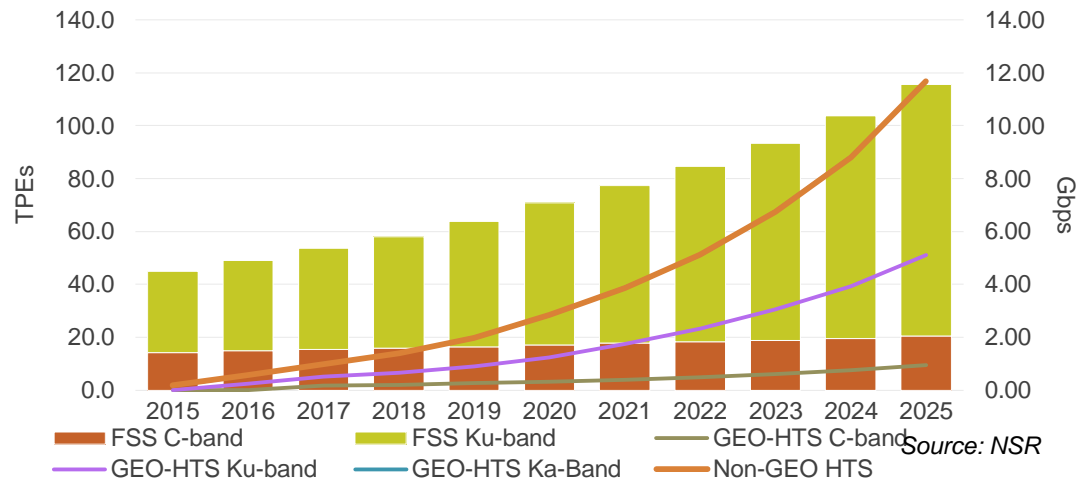
- ▶ Rig count up in North America, translating into bandwidth orders and additional managed services
- ▶ Increase in demand for bandwidth among existing customers as activity picks up
- ▶ Customers are again discussing projects and capex and requesting proposals - significant increase in Sales Engineering activity
- ▶ Systems integration wins and pipeline growing - momentum building
- ▶ Positive feedback from our customers on Harris CapRock/Speedcast combination
- ▶ 100% Renewal rate for Q1 2017 - price pressure on long term contract renewals, partially offset by a wider scope of services provided. Bandwidth growth expected to kick in as the sector recovers.
- ▶ Revenues levelling out - 3 months of consistent revenues in Q1
- ▶ Energy customers transformed to operate with less staff, leading to outsourcing opportunities in professional services
- ▶ Some competitors in turmoil



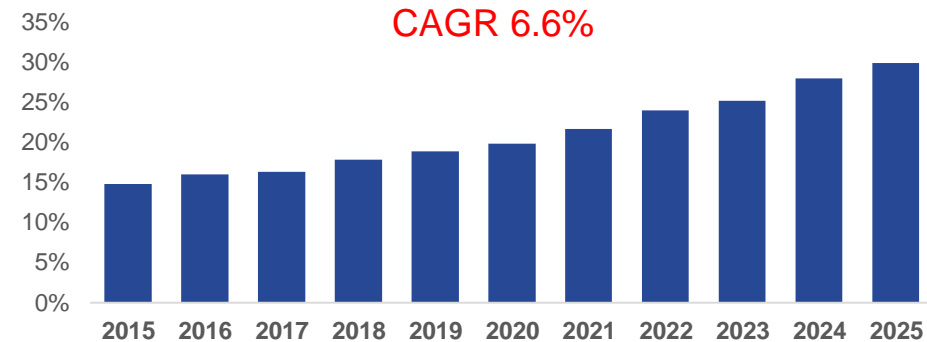
Offshore Rigs: Marketed Active Rigs (Drillships; Jack-ups, Submersibles, Semisubs, Platform rigs) Source - RigLogix
Onshore Rigs: Source - Baker Hughes (BHI)

Merchant maritime – continuous gradual growth

Merchant Capacity Demand



Merchant VSAT Penetration (Adoption rate)



VAS Opportunities:

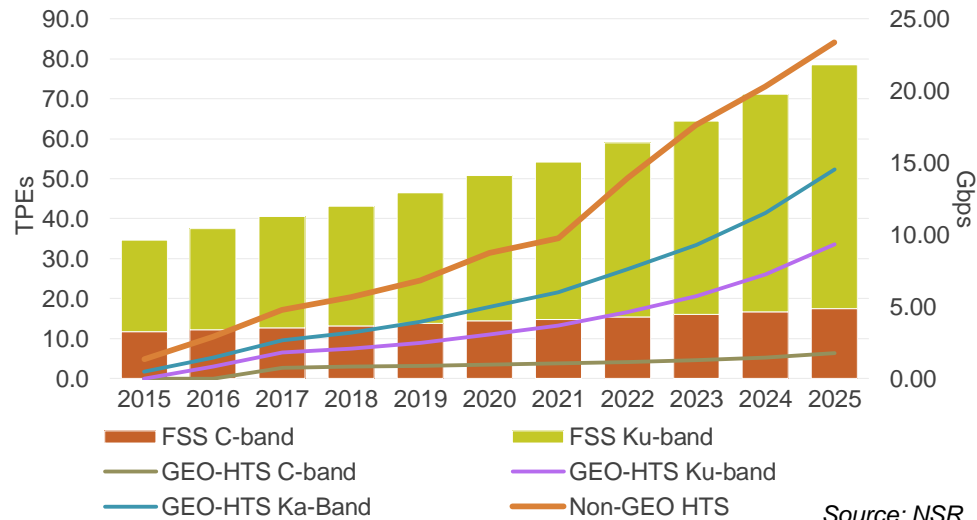
- Live TV
- E-Learning
- VOD
- Crew Calling
- Crew Internet
- Condition Monitoring
- Cybersecurity

- ▶ Merchant Maritime - increasing opportunity for upgrade from L-band to VSAT Broadband connectivity
- ▶ L-band communication remains dominant
- ▶ Downwards pressure on ARPU
- ▶ A shift towards more “apps” and “outsourced” activities on board the vessel

Source: NSR - Maritime Satcom Markets; 4th Edition, June 2016

Passenger market – strong growth ahead

Passenger Capacity Demand



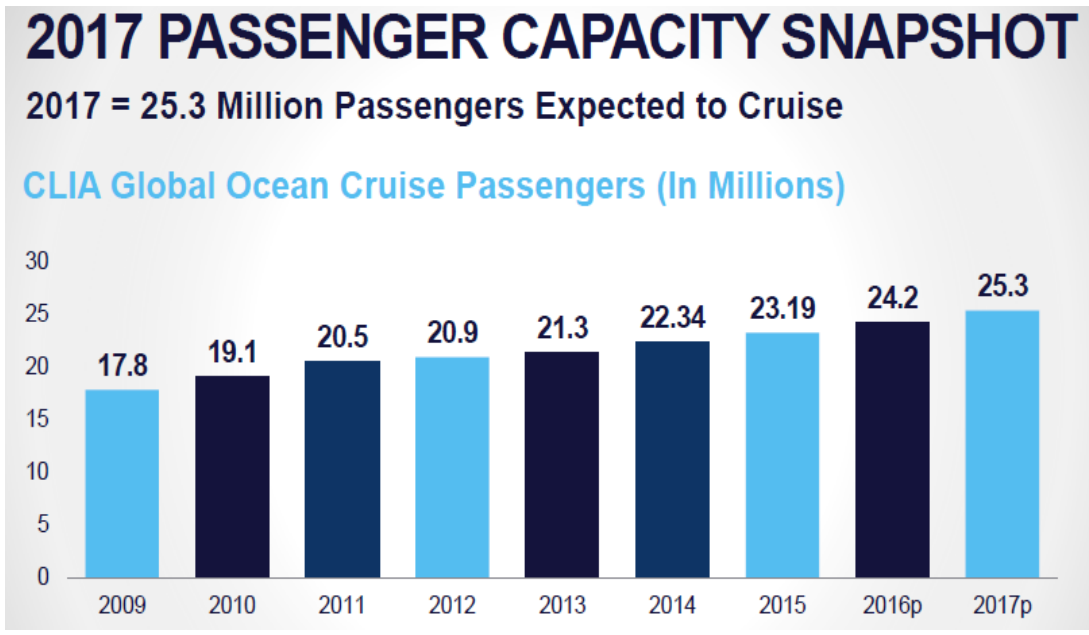
VAS Opportunities:

- Streaming Media
- Live TV
- E-Learning
- Content
- VOD
- Crew Calling
- Crew Internet
- Weather / Telemetry
- Network Optimization
- Cybersecurity

- ▶ High VSAT adoption rate (76%)
- ▶ Fastest growing segment for per-vessel bandwidth
- ▶ Opportunities for non-connectivity services
- ▶ Cruise industry experiencing growth with addition of new vessels
- ▶ Ferry market remains strong with good level of new vessels additions per year
- ▶ Pressure on price amidst satellite capacity oversupply, but bandwidth growth will far outweigh unit price decline

Source: NSR - Maritime Satcom Markets; 4th Edition, June 2016

Cruise industry in a growth cycle



- ▶ 448 cruise Ships in 2016
- ▶ 26 new Ocean, River and Specialty Ships Scheduled to debut in 2017
- ▶ Demand for Cruising increased 62% from 2005 to 2015 and expected to remain strong in 2017

2017 NEW SHIPS

26 New Ships on Order (as of December 2016)

Total Investment of More than \$6.8 Billion in New Ocean Vessels in 2017

Year	Ocean	River	Ships Ordered	New Capacity
2017	13	13	26	30,006
2018	15	2	17	29,448
2019	20	2	22	51,824
2020 – 2026	32	0	32	119,510
Total	80	17	97	230,788

- ▶ Younger generations (Millennials and Gen-X) will embrace cruise travel more
- ▶ River Cruises demand increases (13 ships on order in 2017 - 7% increase)
- ▶ Cruise itineraries – more private islands and expedition cruises

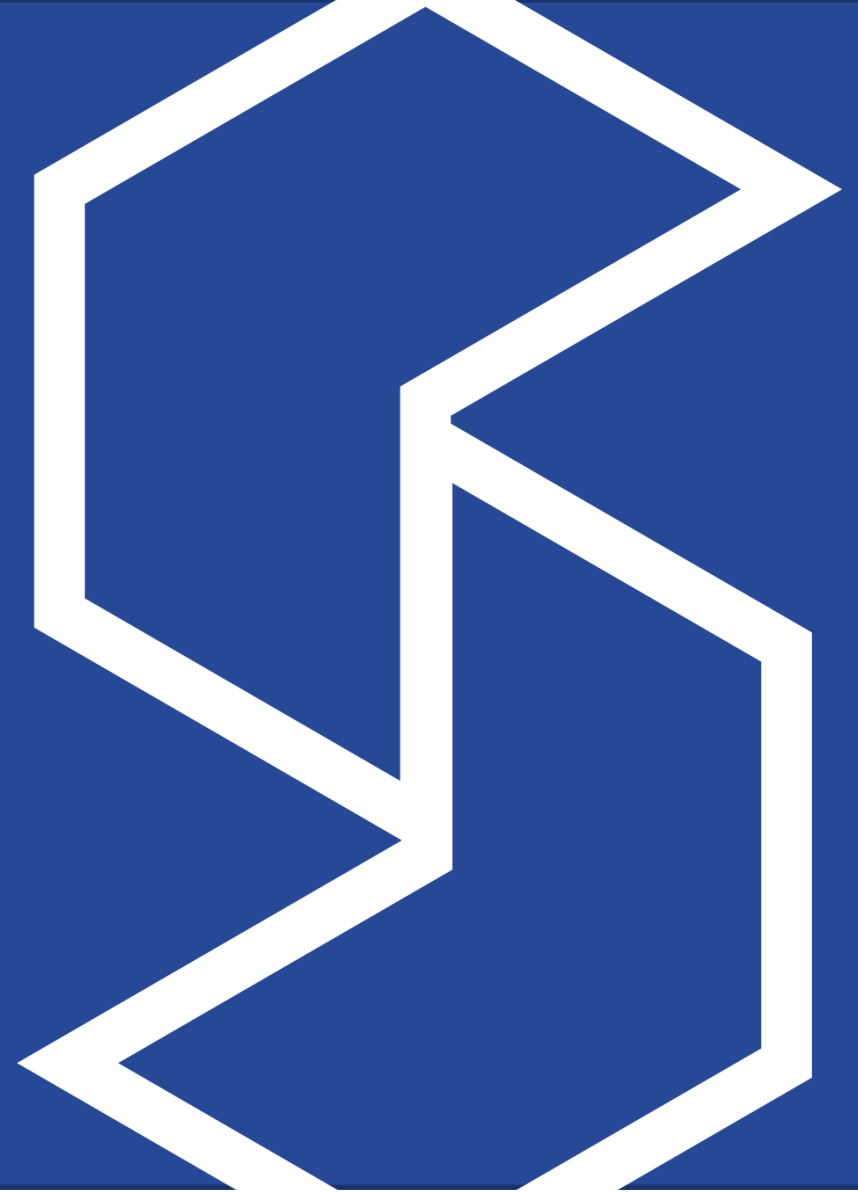
Source: CLIA – 2017 Cruise Industry Outlook, December 2016

Business update - Maritime

- ▶ **Maritime continues to be a growth engine for Speedcast**
- ▶ **Cruise customers adding bandwidth to improve customer experience - additional vessels being built will also contribute to future growth**
- ▶ **Merchant maritime presents an increasing opportunity for upgrade from L-band to VSAT broadband connectivity**
- ▶ **Offshore service vessels expected to remain soft through 2017**
- ▶ **Pressure on price amidst satellite capacity oversupply, but we expect bandwidth growth to outweigh unit price decline**

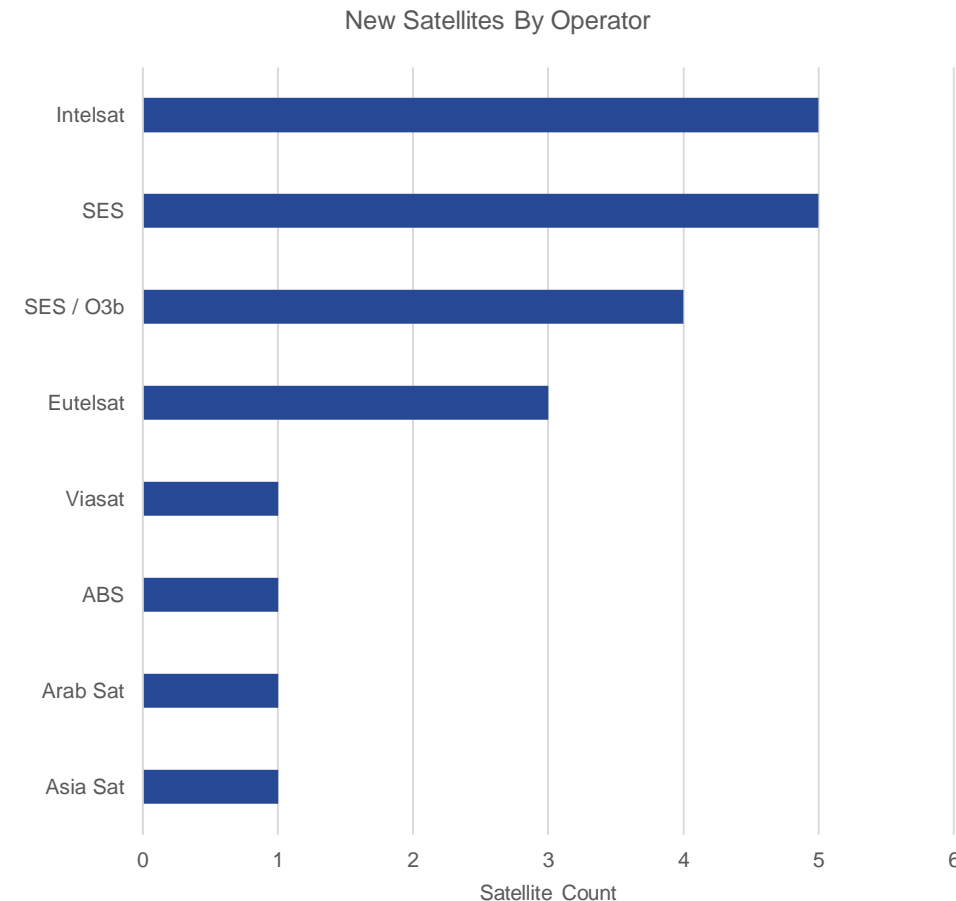


Bandwidth supply & operations

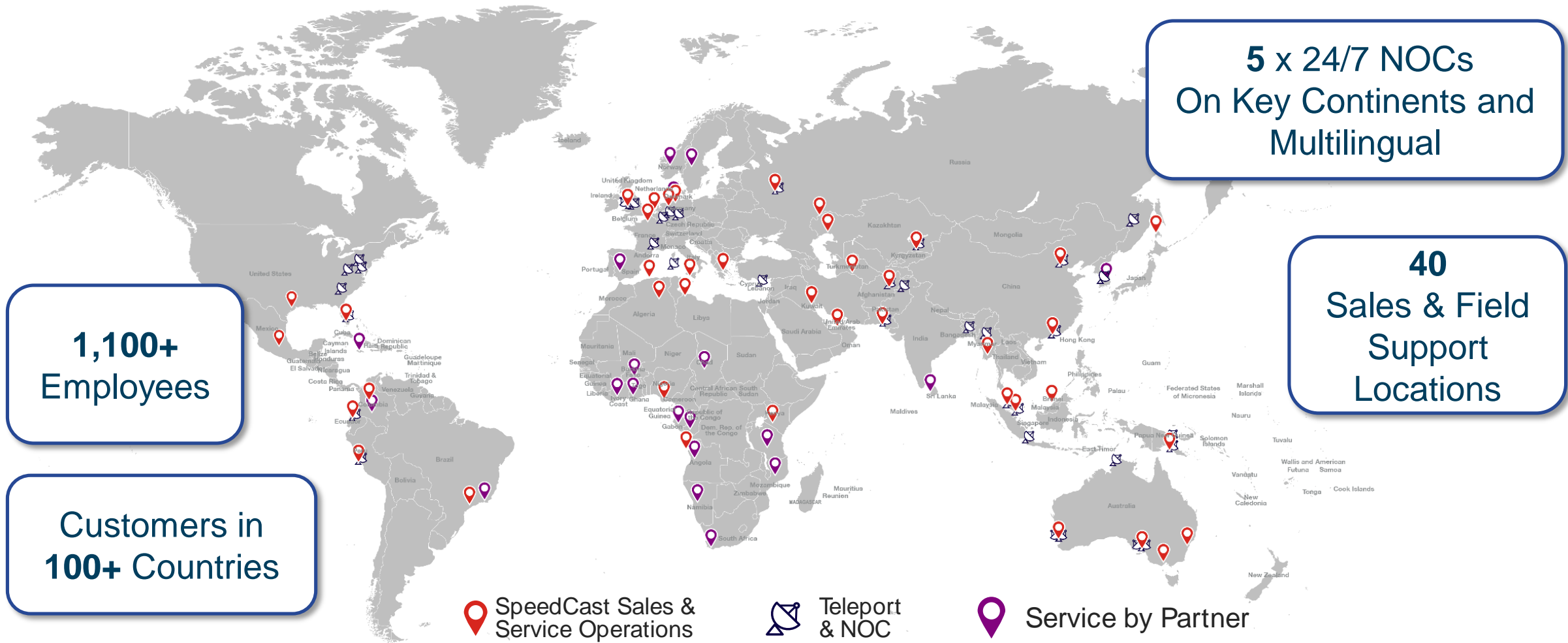


Satellite capacity supply growth

- ▶ **21 new satellites in 2017/18**
- ▶ **9 with High Throughput Satellite (HTS) capabilities**
- ▶ **492 TPE in additional GEO-KU Band transponders**
- ▶ **232 TPE in additional GEO-C Band Transponders**
- ▶ **~ 350 Gb of GEO-Ka capacity**
- ▶ **~ 64 Gb of MEO-Ka capacity**
- ▶ **Overall 500Gb increase in available capacity: 22% growth**



Service & support wherever you need it – Speedcast @ January '17



1,100+
Employees

Customers in
100+ Countries

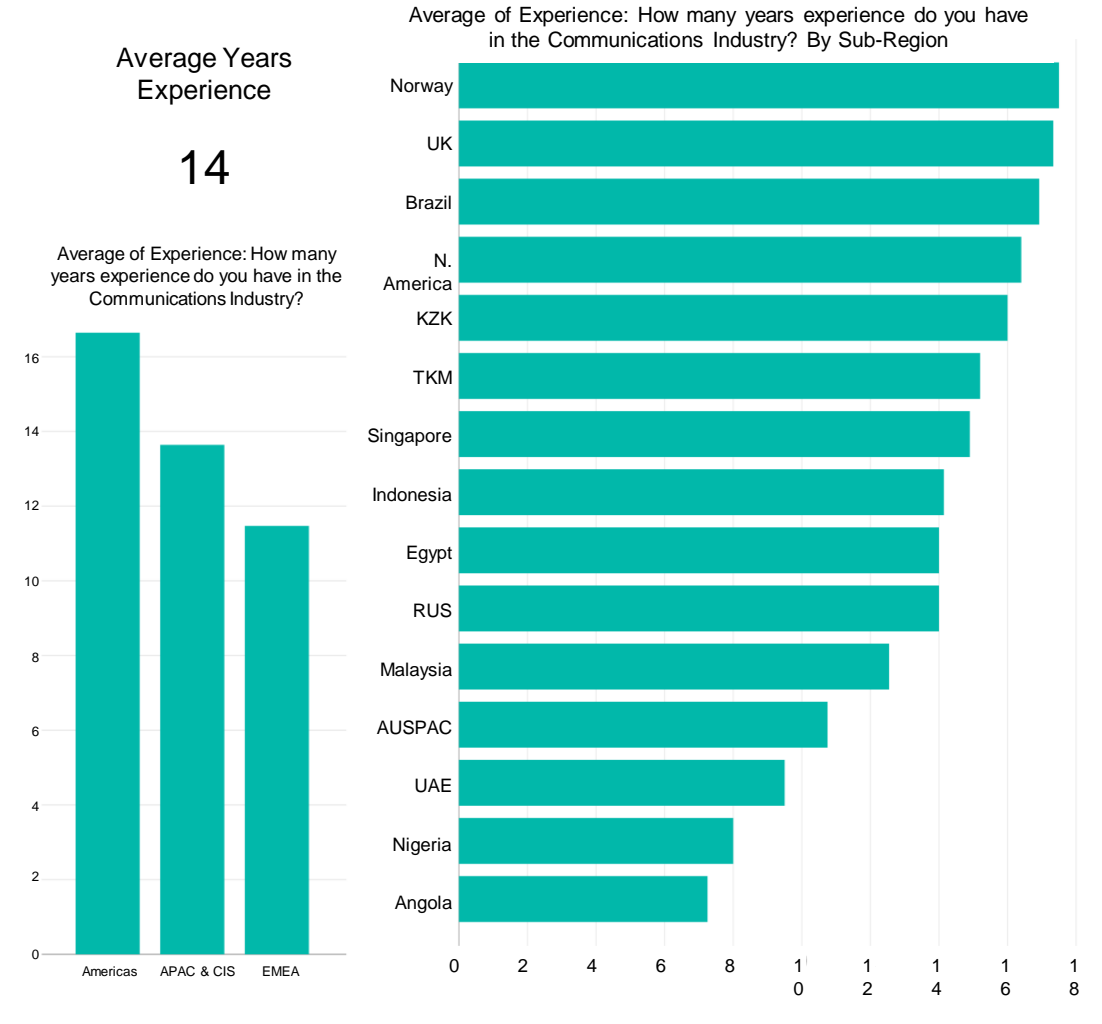
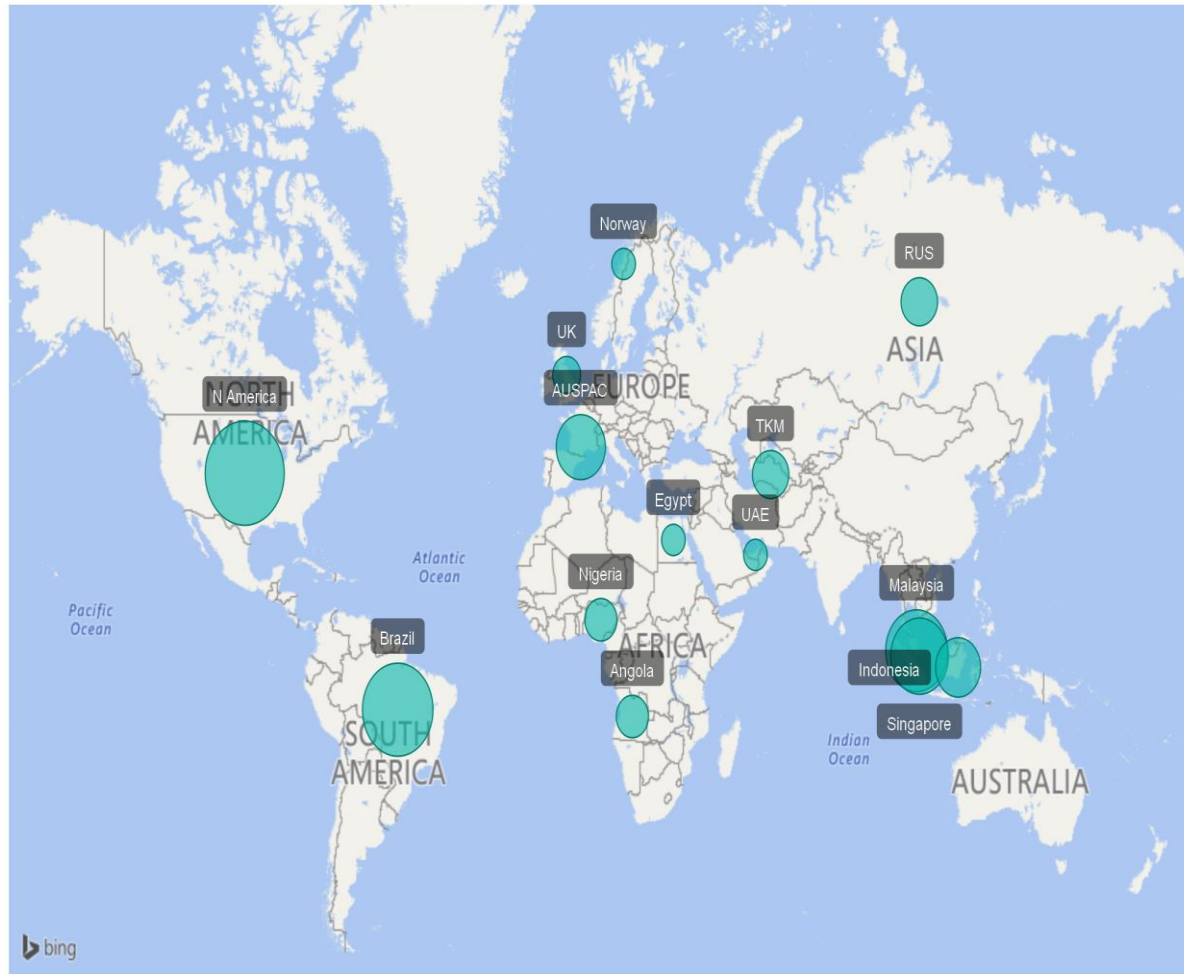
5 x 24/7 NOCs
On Key Continents and
Multilingual

40
Sales & Field
Support
Locations

Operations – competitive advantages

- ▶ **Extensive expertise in all major disciplines (long tenure of all key employees in all market segments and all technologies)**
- ▶ **Local presence – significant people, assets, and facilities close to all customer field operations**
- ▶ **Global reach – All encompassing coverage for all aspects of customer service and delivery**
- ▶ **Expertise to support systems integration, remote IT and other value added services**
- ▶ **Platform to rollout large scale products on a global basis**
- ▶ **Scale and strategic relationships with all major vendors**
 - > Antennas, routers, bandwidth (8500Mhz), etc.
- ▶ **Network of owned teleports – control over quality/reliability of service and additional flexibility**
- ▶ **Sizeable global MPLS network**
- ▶ **Ability to attract talent given market leadership position**

Unique field engineering experience



Conclusion



Speedcast is well positioned for future growth | 25

- ▶ **Dual strategy delivered strong growth in 2016 across all key financial metrics**
- ▶ **Strong underlying financial characteristics to drive earnings growth and increased shareholder returns**
- ▶ **Increasing demand for connectivity will underpin long-term growth**, supported by technology developments and satellite capacity availability
- ▶ **Acquisition of Harris Caprock has positioned Speedcast as the global leader in remote communications and IT services** with unique scale and capabilities, at a time when some of our key competitors are facing significant challenges
- ▶ **Leadership positions in key growth markets** - Energy sector expected to recover; Cruise to lead maritime growth
- ▶ **Competitive advantages to gain market share** - Scale; Unique capabilities and experience; Strong culture; Reputation and track record; Great customer base
- ▶ **Innovation to lead to new revenue opportunities** ; Expertise to expand our offering into non-connectivity services

APPENDIX

Speedcast additional information



2016 - tough year; strategy delivered growth

| 27

- ▶ **2016 was tough year for industry, many competitors saw declines in their financial results, both revenue and EBITDA**
- ▶ **Speedcast outperformed vs peers, growing the business and completing a transformational acquisition**
- ▶ **Dual growth strategy delivered both EBITDA and NPATA per share growth in 2016 despite tougher trading conditions**
- ▶ **SDA has delivered organic service revenue growth since IPO, 10%¹ in 2015 and 2%¹ in 2016**
- ▶ **Growing faster than the market**
 - > Increasing market share in strategic markets (Energy & Maritime)
 - > Room for more growth....only 10-15% of overall market revenues

¹ Constant FX rates



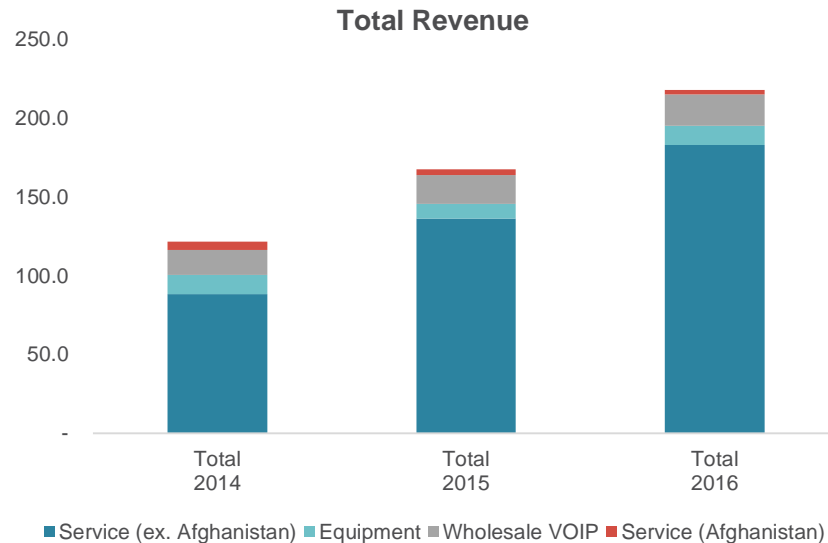
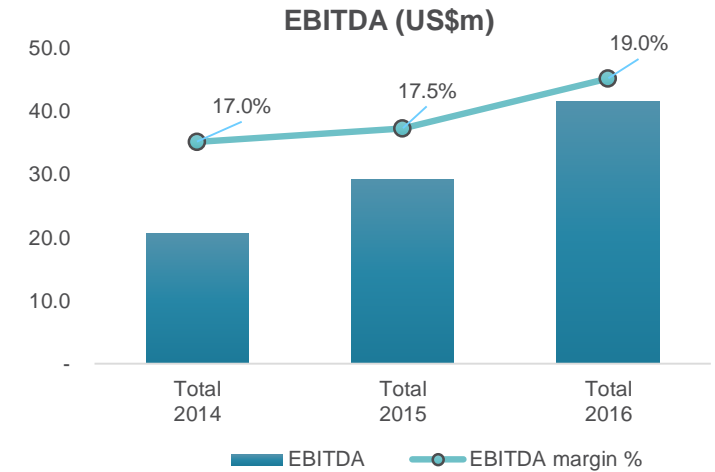
2016 Financial Highlights - sustained growth

Group Revenue
US\$218.0m **↑30%**

Service Revenue¹
US\$182.7m **↑34%**

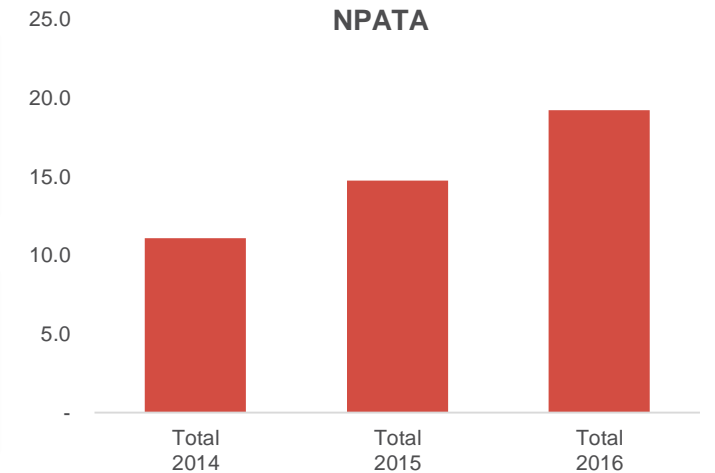
EBITDA²
US\$41.5m **↑42%**

EBITDA Margin²
↑150 bps



NPATA²
US\$19.2m **↑30%**

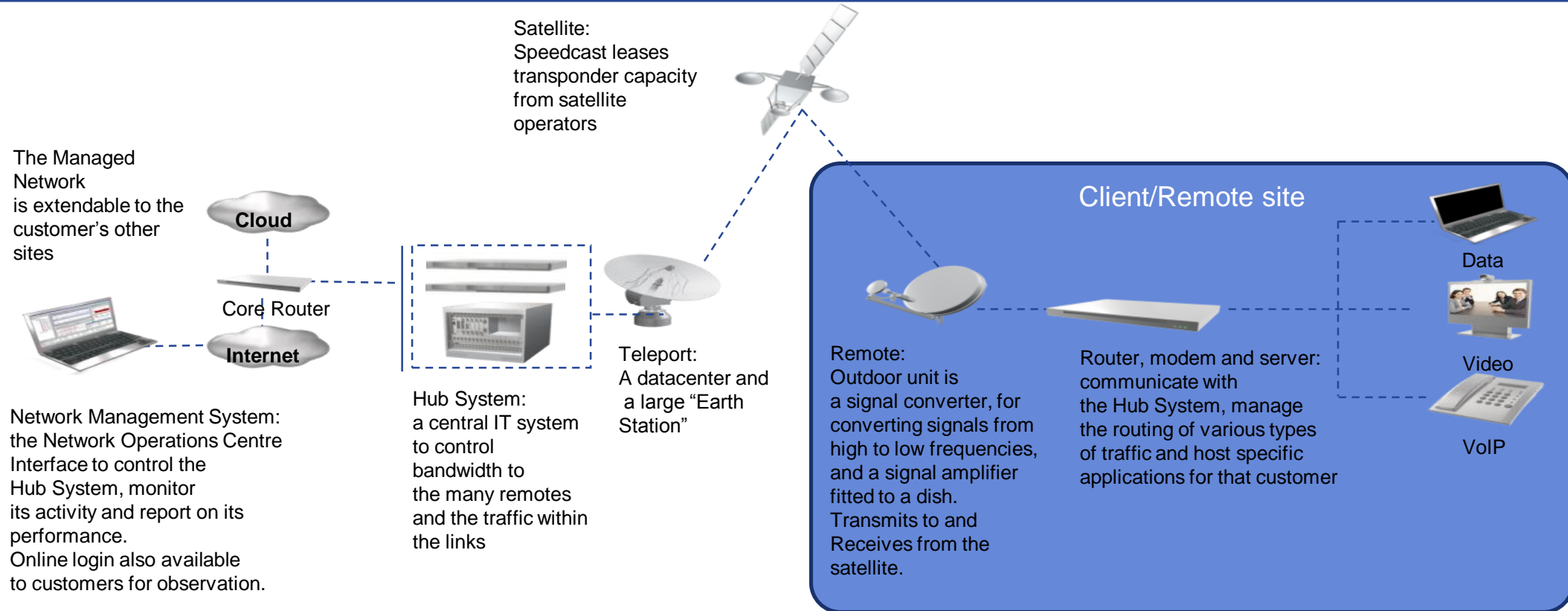
NPATA per Share²
13.5 cps **↑9%**



¹ Service Revenue excludes Afghanistan. ² Underlying. Underlying financial results are intended to exclude items which are non-recurring in nature, such as acquisition-related transaction costs, integration costs and restructuring costs.

Speedcast provides the necessary infrastructure and capabilities to turn satellite capacity into a useful network service for a wide range of end users | 29

Illustrative Speedcast VSAT network setup



▶ **Service Revenue**

- > 2-3 year contracts
- > Mostly recurring revenue
- > High retention rate
- > Highest gross margins
- > Includes L-band revenues at lower GM%

▶ **Equipment revenue**

- > Depends on customer contracting model therefore lumpy revenues
- > Lower margin

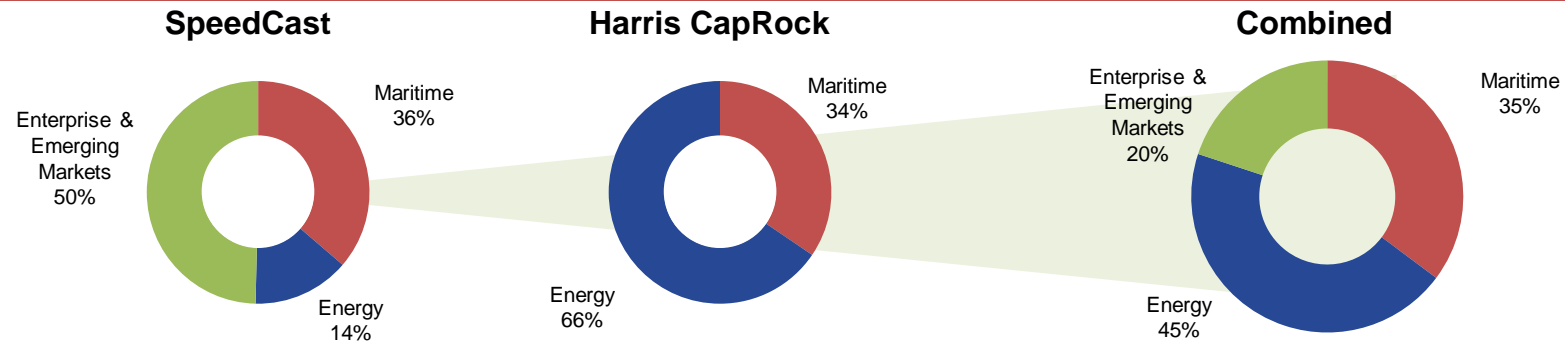
▶ **Wholesale VOIP**

- > Recurring revenue, low margin
- > Specific market related (Pacific Region); reached peak levels, limited future growth

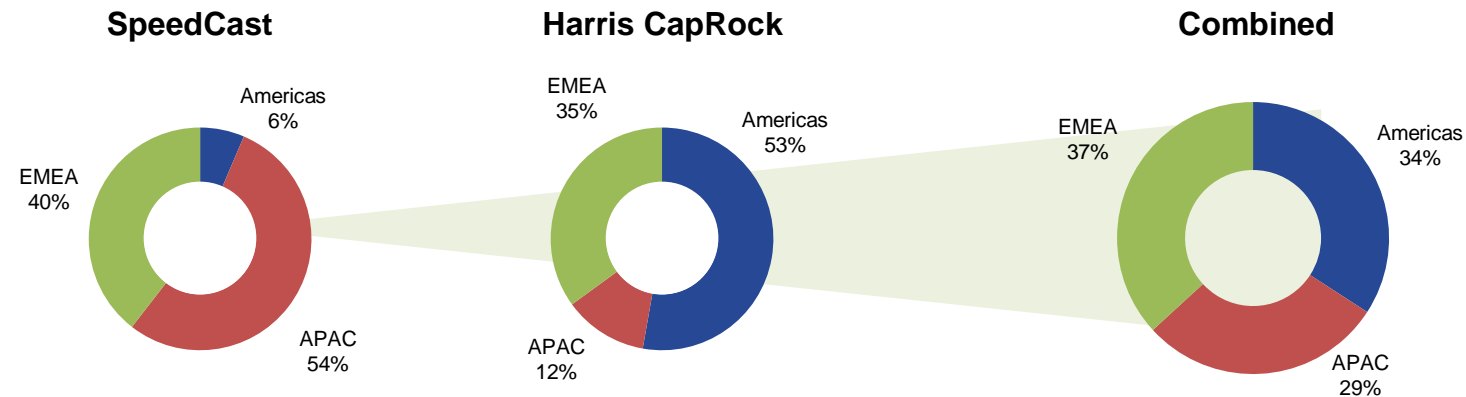
Creation of a global and diversified leader

Pro-forma earnings mix as at 30 June 2016

Revenue by segment



Revenue by geography



1

Creation of a global and diversified industry leader

- Expands global footprint and infrastructure with strong geographic complementarity – gives SpeedCast an immediate geographic presence that it currently lacks in North America, Brazil, Norway and parts of Africa
- Acquisition enhances diversification across end-markets and geographies

2

Expansion of the maritime business with global leadership in maritime broadband services

- Strengthens maritime offering, which is additive to the recent WINS acquisition and a key growth segment
- Leading provider globally to the fast growing and bandwidth hungry cruise segment
- Attractive scale of the combined group enables greater competitiveness
 - SpeedCast's maritime business has more than doubled in terms of revenue

3

A global leader in the Energy sector, well positioned for future growth

- Market leader in Energy, with complementary geographical overlap with SpeedCast
- Strong service and technology offering, creating upsell opportunities to SpeedCast customers
- Acquisition at an attractive stage in the cycle

4

Significant operational and economic benefits of scale

- One of the largest commercial buyers of satellite capacity globally
- Increased operational leverage
- Significant R&D capabilities
- Significant synergies expected, resulting in a high margin combined business

- ▶ **Growth in data connectivity needs**
 - > Digitalisation, IOT
- ▶ **Strong satellite capacity supply leading to price deflation**
 - > Volume growth will offset price decline
- ▶ **Growing technological complexity requires scale**
 - > LEO, MEO satellites
 - > All-round technological expertise required for managed services and value added services
- ▶ **Consolidation of the industry ongoing**
 - > Global scale more important than ever

Our Values



C

customer
focused

A

agile &
responsive

S

success through
people & safety

T

team
spirit

The underlying values driving our performance culture



www.speedcast.com