



speedcast

Speedcast

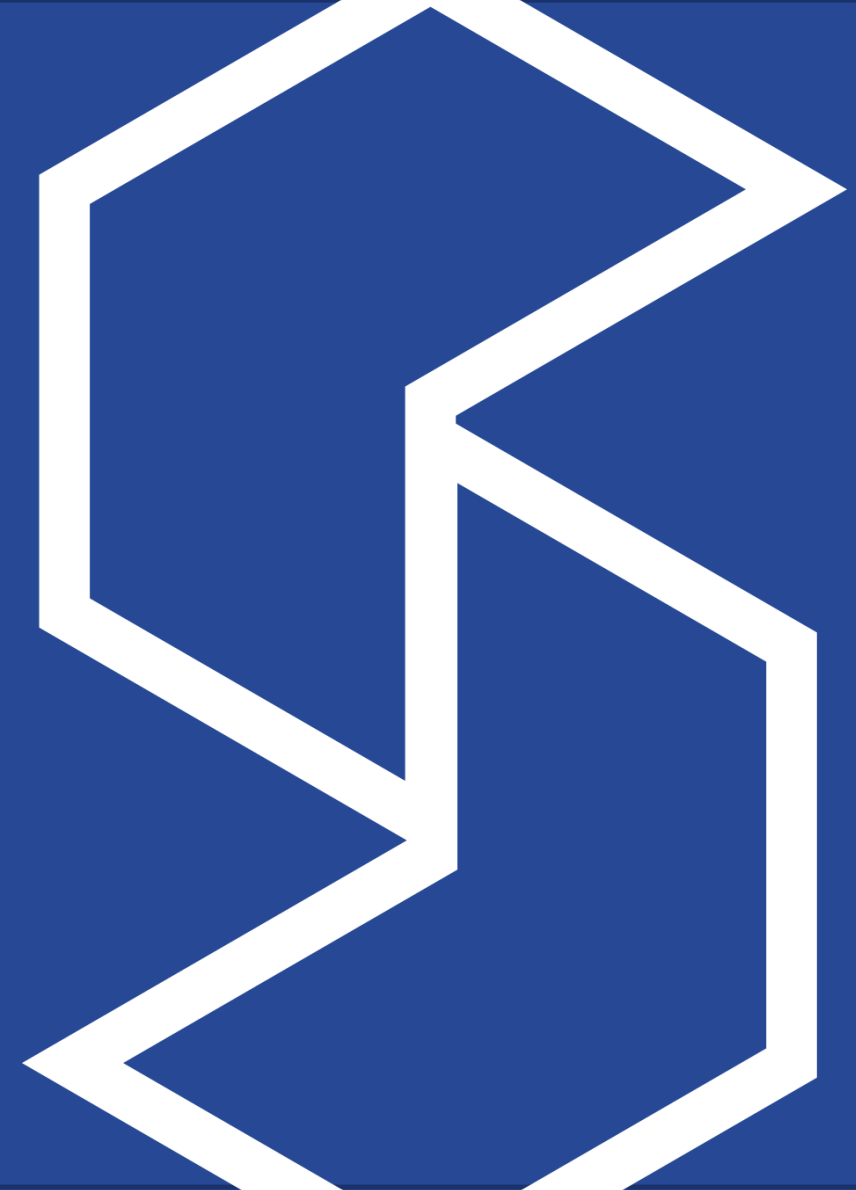
Morgan Stanley Australian

Emerging Companies Conference

Presented by Ian Baldwin

Chief Financial Officer

15 June, 2017



Agenda

- ▶ **Speedcast Overview**
- ▶ **Investment value creation - Speedcast**
- ▶ **Bandwidth supply & Operational capabilities**
- ▶ **Future growth drivers**
 - > Underlying drivers of growth across all markets
 - > Focus on 2 x strategic markets
 - Energy
 - Maritime
- ▶ **Conclusion**
- ▶ **Q&A**

► **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 maritime 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

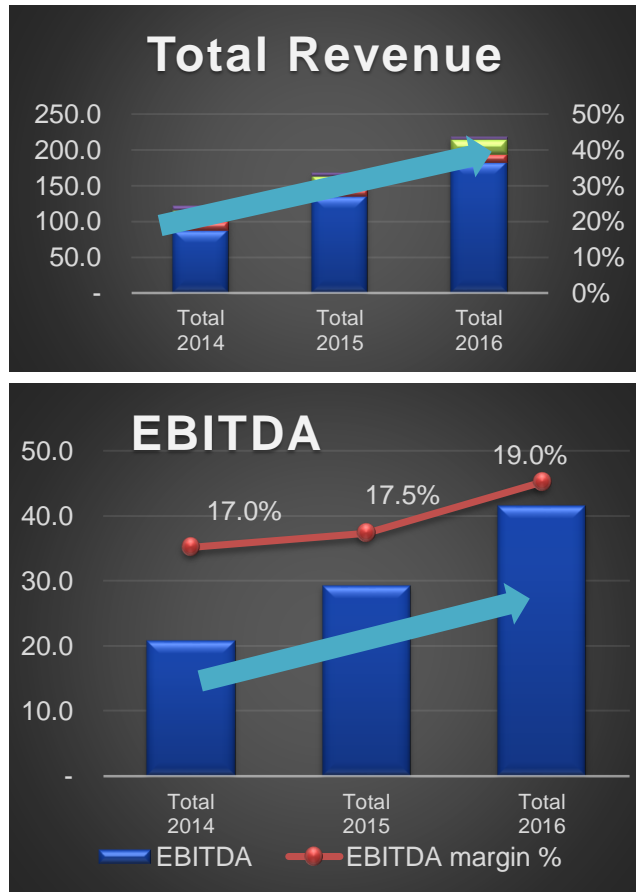
Enterprise & Emerging Markets ('EEM')



- ▶ 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.

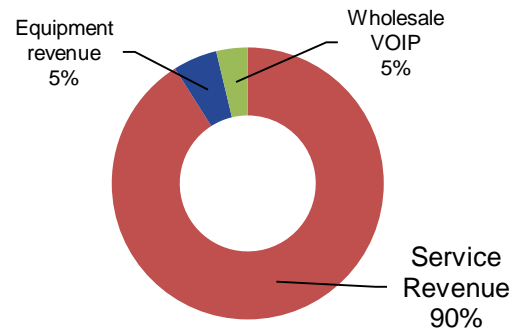
Sound underlying financial characteristics

Growth in Key Financial Metrics



Recurring revenue base

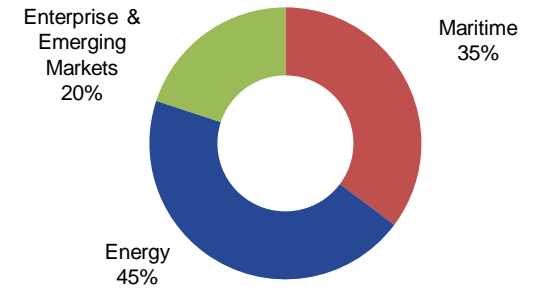
Revenue by type



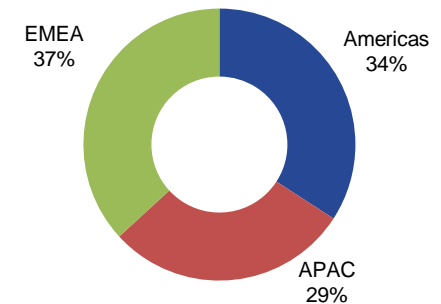
- ▶ Service revenues (c.90% of total)
- ▶ 2-3 year average contract length
- ▶ High renewal rate
- ▶ Limited Capex

Diversified across Industries and Geographically

Revenue by segment

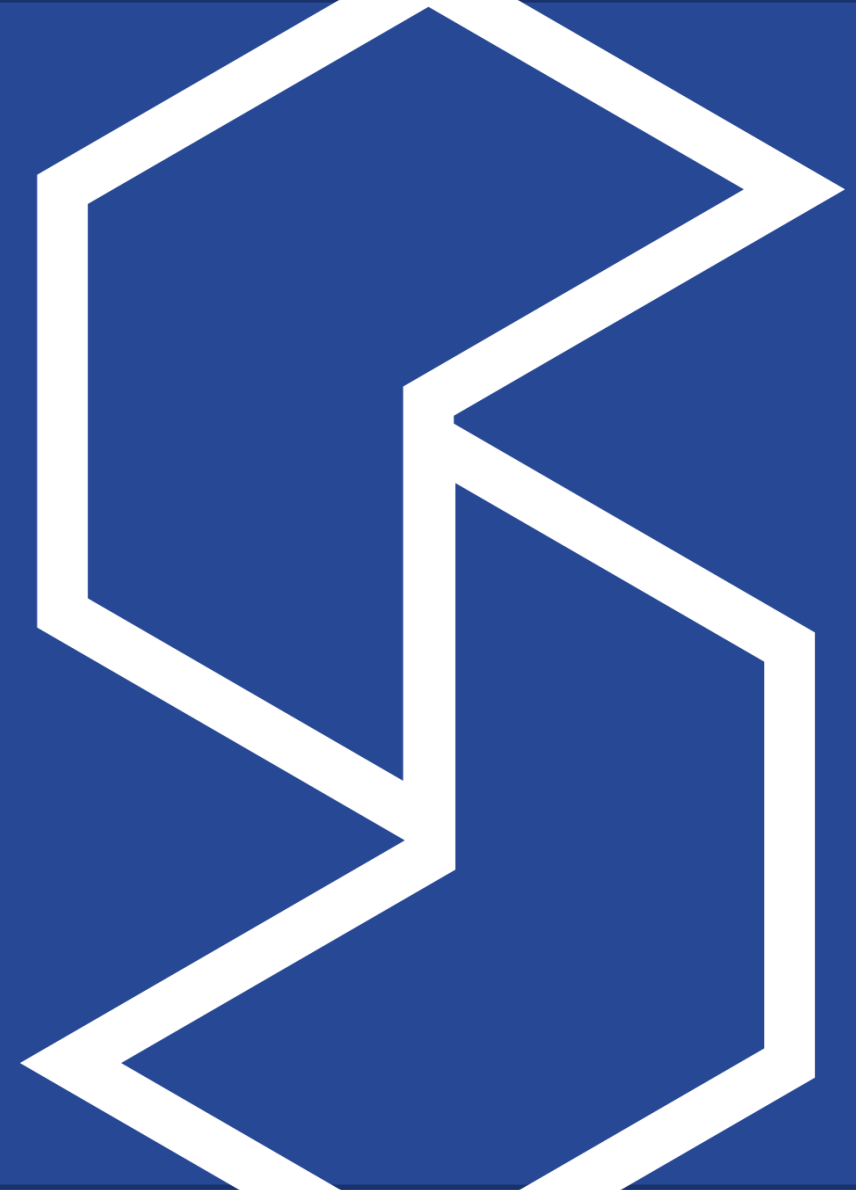


Revenue by geography



Investment Value Creation

Speedcast



Focus on earnings growth and shareholder returns

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► Growth - where will it come from?

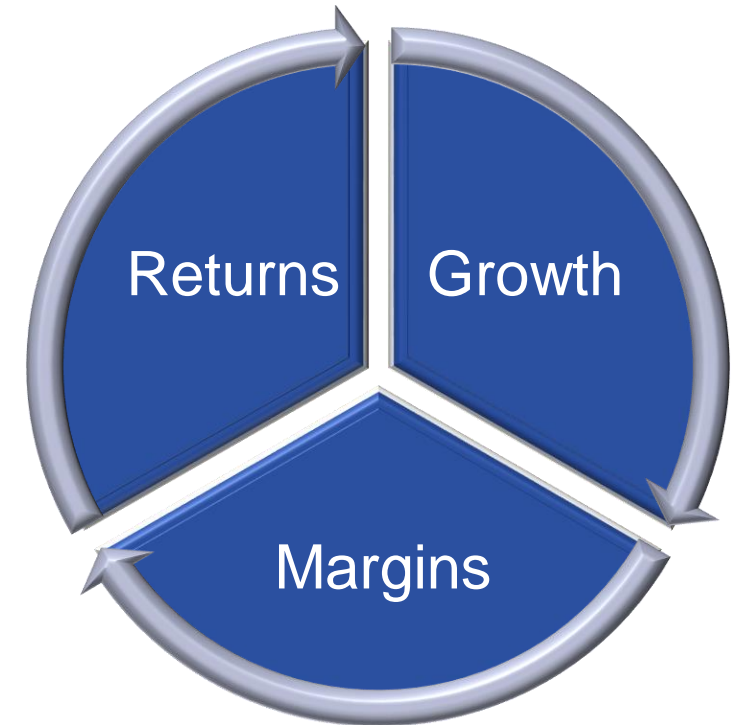
- > Organic revenue growth from increasing demand for connectivity and positive underlying fundamentals in industries served by Speedcast
- > Revenue synergies from acquisitions (new markets/services)

► 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 as 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

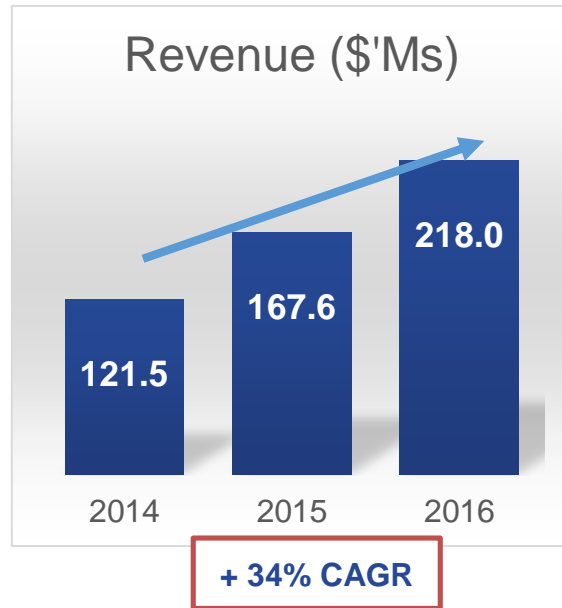
► Returns

- > 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

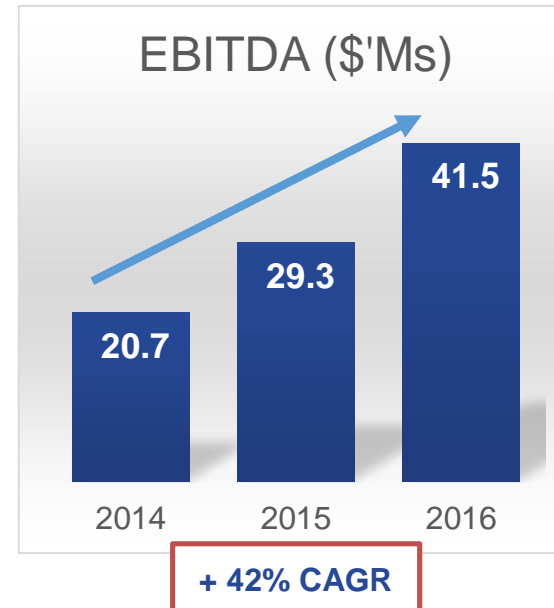


History of growth and value creation

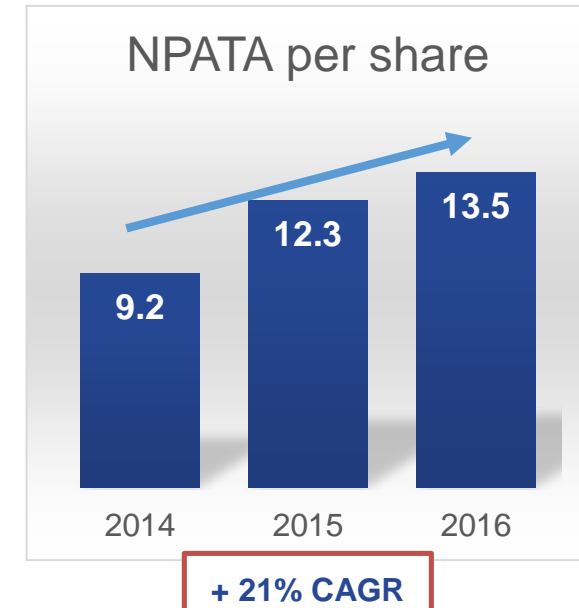
Since IPO.....



- ▶ 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 effect of acquisitions on margin
- ▶ Realisation of acquisition synergies



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

2016 - tough year but delivered growth

| 10

- ▶ 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 double digit earnings growth (in both EBITDA and NPATA per share)
- ▶ SDA has delivered organic service revenue growth since IPO, 10%¹ in 2015 and 2%¹ in 2016, as well as additional EBITDA growth from scale benefits & synergies
- ▶ **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

- ▶ Integration of Harris Caprock continues to progress well
- ▶ 15 x work-streams initially established covering all areas
- ▶ 2 x work-streams completed in full (HR / Organisation)
- ▶ A further 5 are expected to be completed at the end of June
- ▶ Approximately 85% of milestones expected to be achieved by 30 June
- ▶ External project management and support will be minimal from 30 June onwards; internal integration team will continue to drive remaining integration activities, which we anticipate to be mostly completed by end of the year
- ▶ On track to deliver acquisition case bottom line synergy savings of \$15M in 2017 and \$24M in 2018. Identifying opportunities to exceed target synergies.

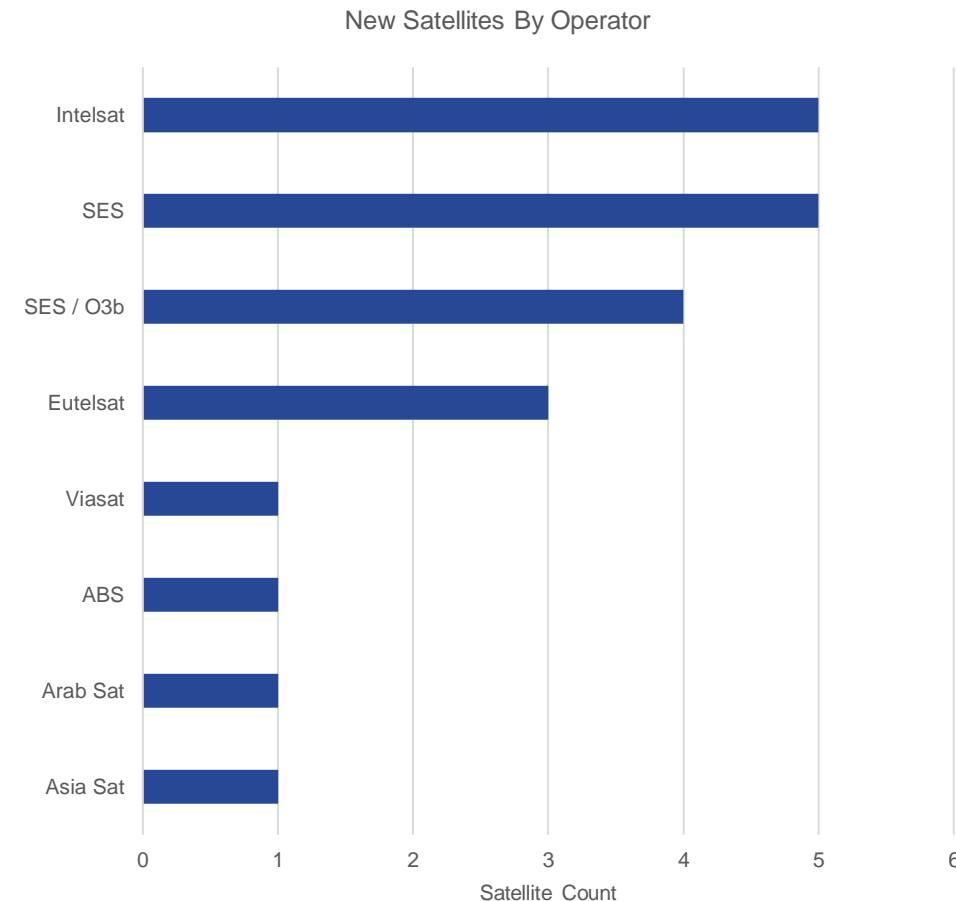


Bandwidth supply & operations

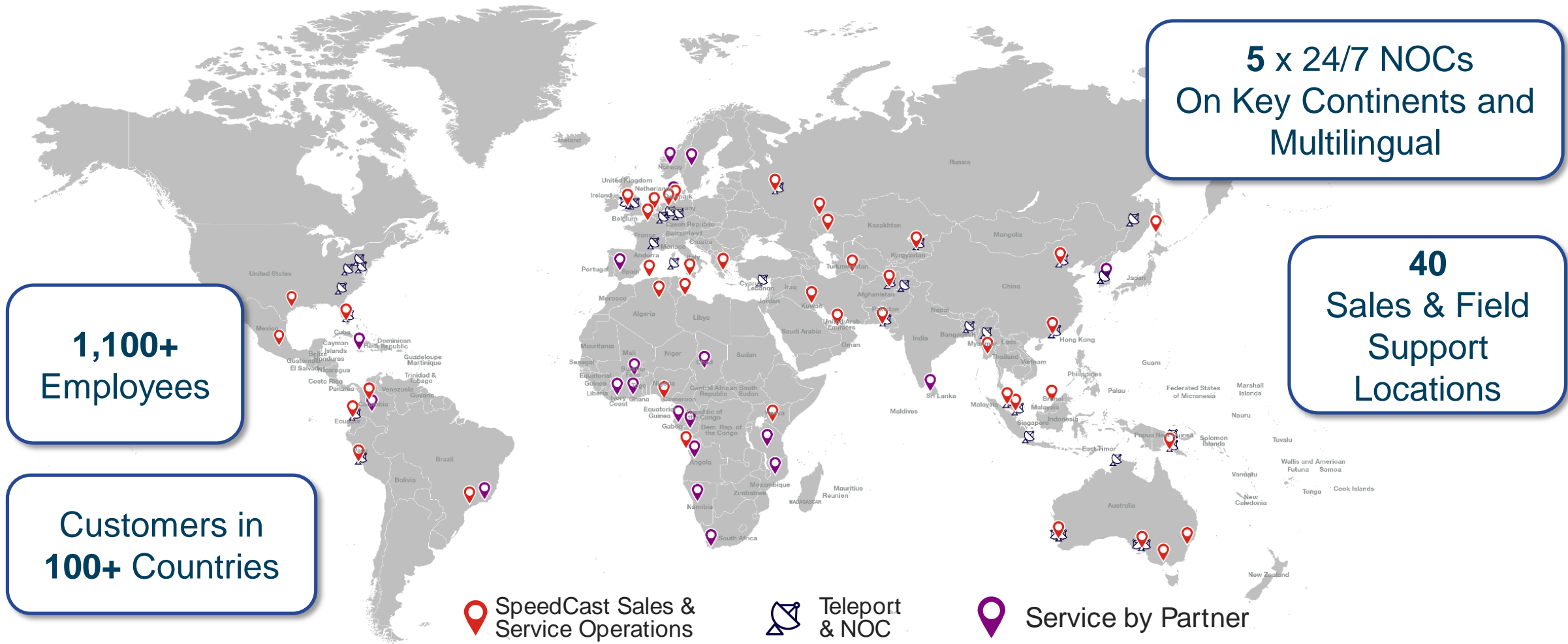


Satellite capacity supply – strong growth

- ▶ **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

 SpeedCast Sales & Service Operations

 Teleport & NOC

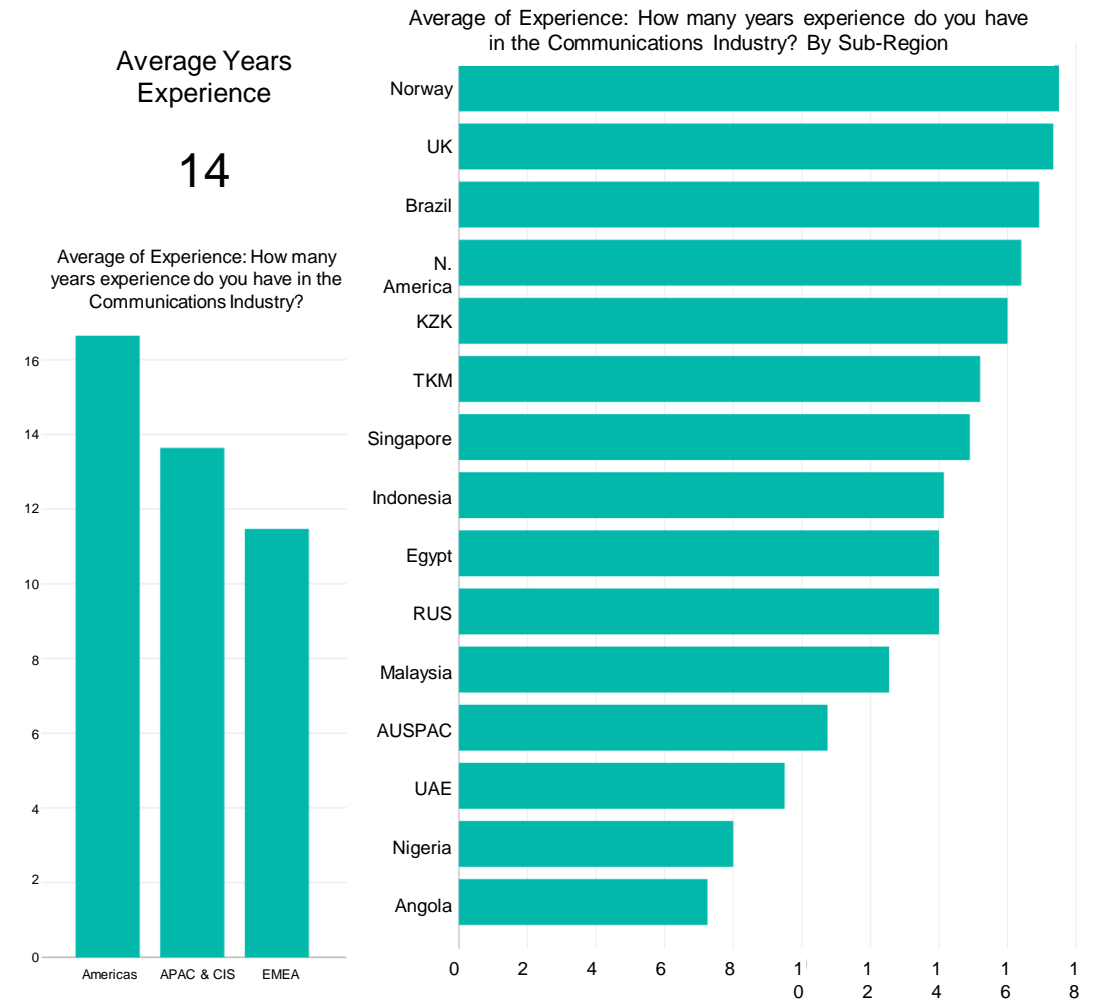
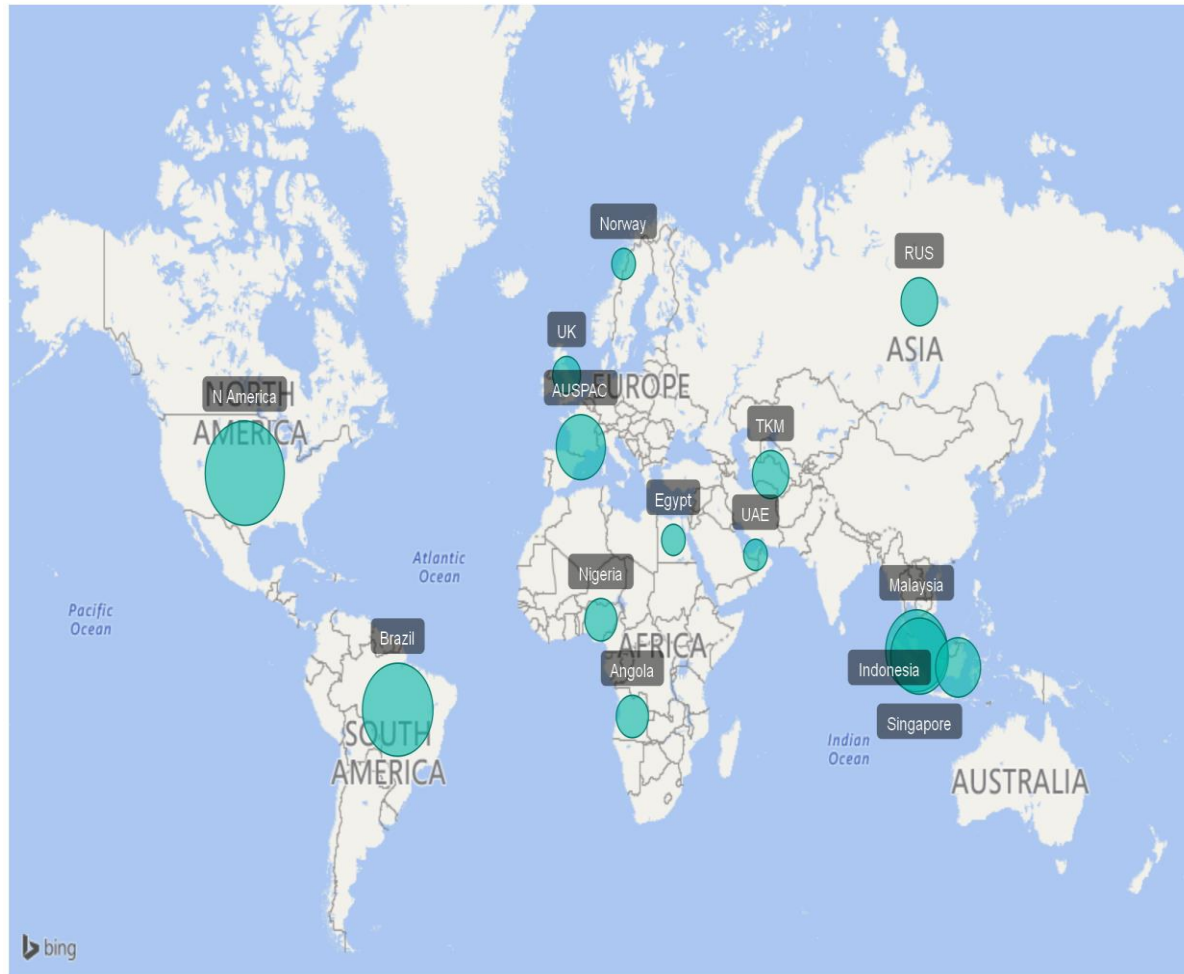
 Service by Partner



THE CRITICAL COMMUNICATIONS COMPANY

Connectivity | IT Services | Consulting

Unique field engineering experience



- ▶ **Extensive expertise in all major disciplines (long tenure of most key employees in all market segments and all technologies)**
- ▶ **Local presence – significant people, assets, and facilities close to customer field operations**
- ▶ **Global reach – All encompassing coverage for all aspects of customer service and delivery across continents**
- ▶ **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**
- ▶ **People - ability to attract and retain talent given market leadership position**

Future growth drivers

Energy & Maritime



Increasing demand for connectivity

► Business Needs

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

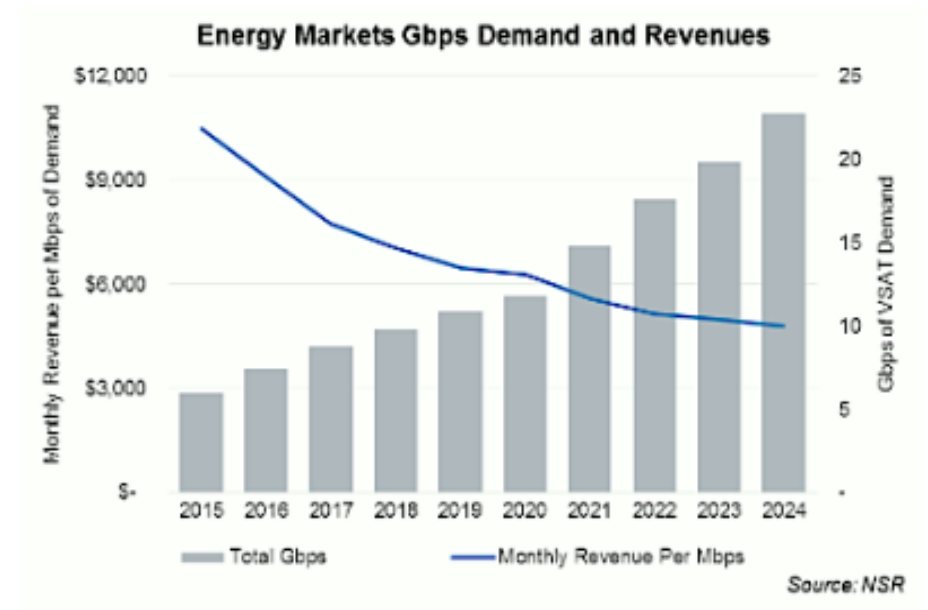
► Crew & Passenger Needs

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



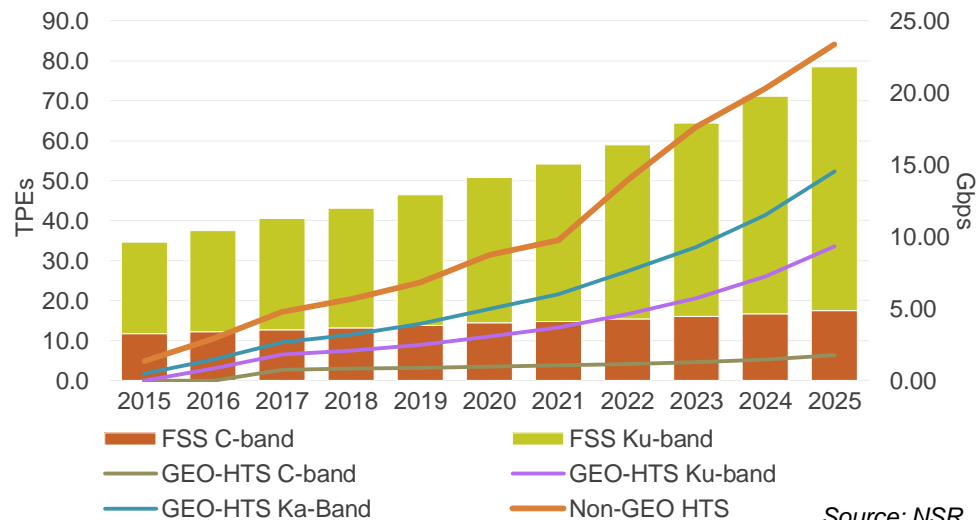
Energy bandwidth demand dynamics

- ▶ 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
- ▶ Speedcast is market leader in the Energy sector, following acquisition of Harris Caprock (completed 1 January 2017)



Passenger market – strong growth ahead

Passenger Capacity Demand



Source: NSR

VAS Opportunities:

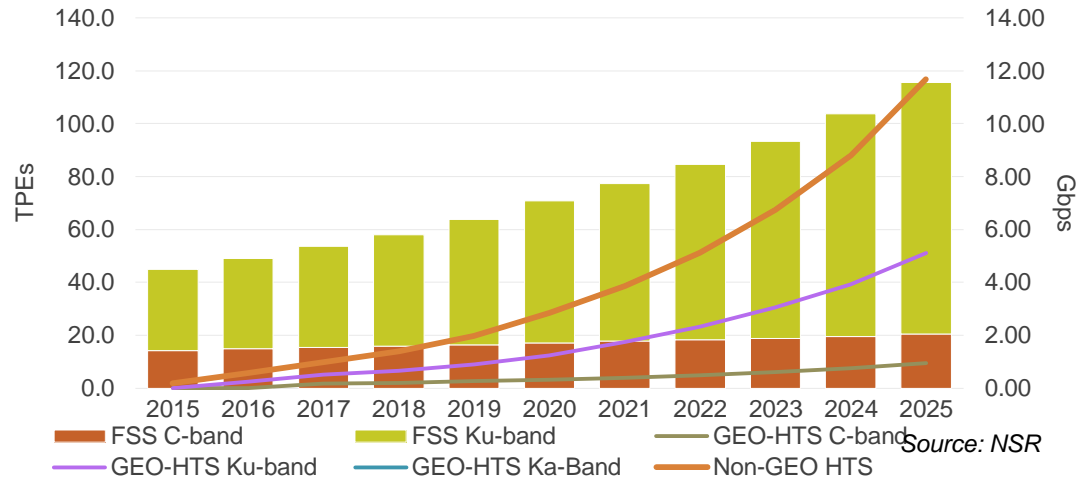
- Streaming Media
- Live TV
- E-Learning
- Content
- VOD
- Crew Calling
- Crew Internet
- Weather / Telemetry
- Network Optimization
- Cybersecurity

- ▶ 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
- ▶ Speedcast has a strong market leadership position

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

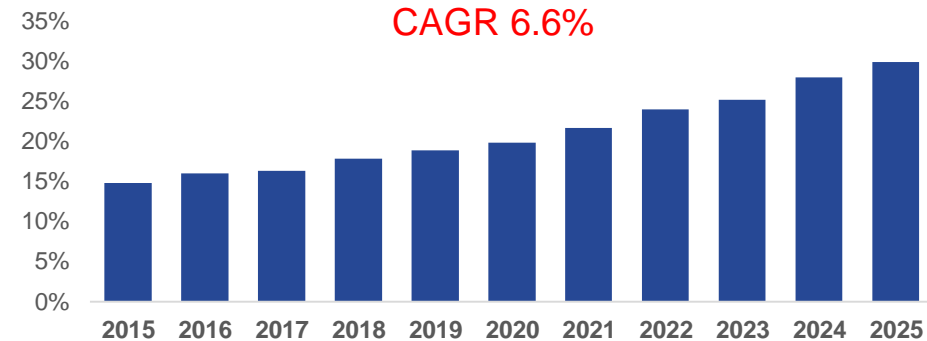
Merchant maritime – continuous gradual growth²

Merchant Capacity Demand



- ▶ **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**

Merchant VSAT Penetration (Adoption rate)



VAS Opportunities:

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

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

Conclusion



Our Values



C

customer
focused

A

agile &
responsive

S

success through
people & safety

T

team
spirit

The underlying values driving our performance culture

Speedcast is well positioned for future growth | 24

- ▶ **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
- ▶ **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
- ▶ **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

Thank You!





www.speedcast.com