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Speedcast International Limited Announces Financial Results for Half Year 2018 and Agreement to Acquire Globecomm

Sydney, Australia, 28 August 2018 – [Speedcast International Limited](#) (ASX: SDA), the world's most trusted provider of remote communication and IT solutions, today announced its financial results for the six-month period ended 30 June 2018 (1H 2018), with group revenues of US\$304.9 million, a 24% period-on-period increase.

1H 2018 Financial Highlights

- Group revenue grew 24% to US\$304.9 million (1H 2017: US\$246.3 million)
- Underlying EBITDA grew 14% to US\$60.4 million (1H 2017: US\$53.2 million)
- EBITDA margin impacted by 180 basis points to 19.8% (1H 2017: 21.6%) due to dilution from the UltiSat acquisition in November 2017, phase 1 of the NBN contract, a one-time investment in a key Cruise customer relationship in 1H 2018, and the delay in recovery of the Energy market
- Underlying NPATA grew 37% to US\$21.1 million (1H 2017: US\$15.4 million)
- Strong operating cash flows (89% of Underlying EBITDA) generated as a result of improved working capital discipline
- Net debt increased from US\$388 million at 31 December 2017 to US\$430 million at 30 June 2018 as a result of investment in growth including debt refinancing costs and US\$20 million for the UltiSat acquisition earnout
- The Board declared a fully franked interim dividend of AU\$2.40 cents per share for the six-month period ended 30 June 2018

“We are pleased with the organic growth we achieved in the first half of 2018 across Maritime, Government, and EEM. Disappointingly, the Energy sector suffered from delays in the market recovery, but we remain bullish about our ability to significantly benefit from the Energy sector's recovery, which we believe will be stronger than previously forecasted. We have a diversified business and will continue to invest in market segments where we are confident we can deliver strong organic growth,” said Pierre-Jean Beylier, Chief Executive Officer of Speedcast.

1H 2018 Operational and Divisional Highlights

- Maritime division revenue grew 10% to US\$106 million in 1H 2018 from US\$97 million in 1H 2017. This strong organic increase was driven primarily by high growth in Commercial Shipping from increased VSAT activations and some bandwidth growth in Cruise.

- Energy division revenue in 1H 2018 was down 17% to US\$76 million from US\$92 million in 1H 2017 due to the delayed recovery in the Offshore Energy sector, which caused higher than expected industry churn (rig count attrition) and pricing pressure, delays in certain projects, and one time customer effects
- EEM revenue grew organically by 29% in 1H 2018 to US\$75 million from US\$58 million in 1H 2017. This strong growth included the first phase of the NBN contract in Australia and growth in wholesale voice activity
- Government division revenue from the Ultisat acquisition was US\$47 million during the period. This acquisition closed in November 2017 and was not included in the results for the half year to 30 June 2017. On a pro forma basis, revenue increased 17%. This growth was driven primarily by increased US defence spending

Full Year 2018 earnings outlook

The Company expects Underlying EBITDA for the full year 2018 to be in the range of US\$135 million to US\$145 million. This reflects the following:

- A positive outlook for Maritime with strong backlog and pipeline in Commercial Shipping and in Cruise as customers connectivity needs continue to grow
- Full year 2018 Energy revenue expected to be down 10% compared to full year 2017, with 2H 2018 revenue recovery based on the existing backlog and pipeline. While delayed, the recovery in the offshore energy market is now expected to be stronger than previously forecasted. Speedcast's market share, and strong customer base, position it well to participate in the market recovery. This is expected to drive growth in 2019 and beyond
- The Company expects continued growth in the EEM division driven by the NBN contract, a strong win rate during 1H 2018 and a robust pipeline in Latin America, South East Asia and Africa
- Government revenue growth is expected to continue in 2H 2018

Acquisition of Globecomm

- Speedcast separately announced today that it has entered into a definitive agreement to acquire Globecomm Systems Inc. ("Globecomm") from affiliates of HPS Investment Partners, LLC and Tennenbaum Capital Partners, LLC for an estimated net purchase consideration of US\$135 million¹, on a cash & debt free basis
- The acquisition, which is expected to close in Q4 2018, strengthens Speedcast's global position in Government, Maritime and Enterprise and it strongly

¹ The purchase price of US\$135M is net of the total proceeds from the sale and leaseback of Globecomm's Hauppauge facility of ~US\$20M, 50% of which will be payable to the Vendors and the remaining 50% to be retained by Speedcast, and other estimated purchase price adjustments.

complements last year's acquisition of UltiSat. This will double Speedcast's revenue in Government, and add more scale, visibility and capabilities in this strategic growth market

- Speedcast estimates it will generate over US\$15 million in annual cost synergies within 18 months after the acquisition
- The acquisition will be funded by a fully underwritten US\$175 million add-on to Speedcast's existing 7-year senior secured credit facility (due 2025) from the US institutional term loan market. This will also be used to repay a portion of Speedcast's Revolving Credit Facility and enhance Speedcast's liquidity and cash reserves

"The acquisition of Globecomm is fully in line with our strategy to consolidate our market and thus build competitive advantages based on scale and capabilities. Globecomm is particularly complementary to UltiSat as it strengthens Speedcast's position serving Government customers at a time when government spending globally is expected to rise. I am excited to have the Globecomm team joining Speedcast. They will strengthen our innovation capabilities with new solutions and strong engineering experience, as well as enhancing our system integration propositions." said Pierre-Jean Beylier, Chief Executive Officer of Speedcast

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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