speedcast

# Speedcast International Limited

# Full Year 2018 Results Presentation

26 February 2019

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THE CRITICAL COMMUNICATIONS COMPANY

Communications | IT Solutions | Consulting

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# Agenda

**01** **FULL YEAR 2018 HIGHLIGHTS**
PJ Beylier, CEO

**02** **FULL YEAR 2018 FINANCIAL REVIEW**
Clive Cuthell, CFO

**03** **DIVISIONAL & FUNCTIONAL OVERVIEW**
PJ Beylier, CEO

**04** **OUTLOOK**
PJ Beylier, CEO

**05** **Appendices**

# Full Year 2018 Highlights

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# Increased revenue and organic growth in CY2018, but results below expectations



| Year ended 31 Dec 2018 (CY2018) | | % var. to CY2017 |
|---|---|---|
| Revenue | USD $623[1]m | 21% |
| Underlying EBITDA | USD $132m | 7% |
| Underlying NPATA | USD $48m | 5% |
| Underlying NPATA / share | USD 20.1 cents | 4% |
| Dividend / share | AUD 7.2 cents | - |

- **21% revenue growth[2] including 5.4% organic revenue growth**
- **91% cash conversion**
- **Final dividend and full-year dividend of AUD 4.8 cents/share and AUD 7.2 cents /share**, respectively
- **$60m capex in 2018** higher than previous years due to growth, one-off investment, and classification changes
- Net debt USD $581m; Net Leverage 3.5x

1. Includes $7.2m revenue from Globecomm and $0.7m from InAria
2. Pro forma 2017 acquisition UltiSat and excluding 2018 acquisitions

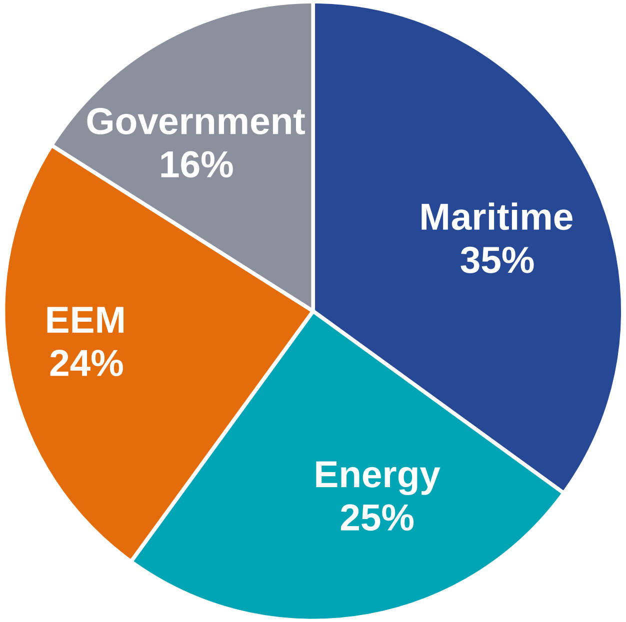
# Three divisions growing but significant drag from Energy result



## Revenue year ended 31 Dec (USD $m)

| | CY2018 | CY2017 | % var. | Drivers |
|---|---|---|---|---|
| Maritime | 220[1] | 200 | ***9.7%*** | ▶ Growth in both Commercial Shipping & Cruise |
| Energy | 158[1] | 183 | ***(13.6)%*** | ▶ Delay in Energy market recovery, in particular in deepwater offshore activity<br>▶ 2H 8% higher than 1H |
| Enterprise & Emerging Markets (EEM) | 148[1] | 117 | ***26.8%*** | ▶ Strong growth from Phase 1 of the NBN contract |
| Government | 97[1]<br>94[2] | 14<br>84[2] | *587.7%*<br>***12.0%*** | ▶ Excellent organic growth driven by airborne ISR and solutions |
| **Total** | **623** | **514** | ***21.2%*** | |

## Revenue % by Division

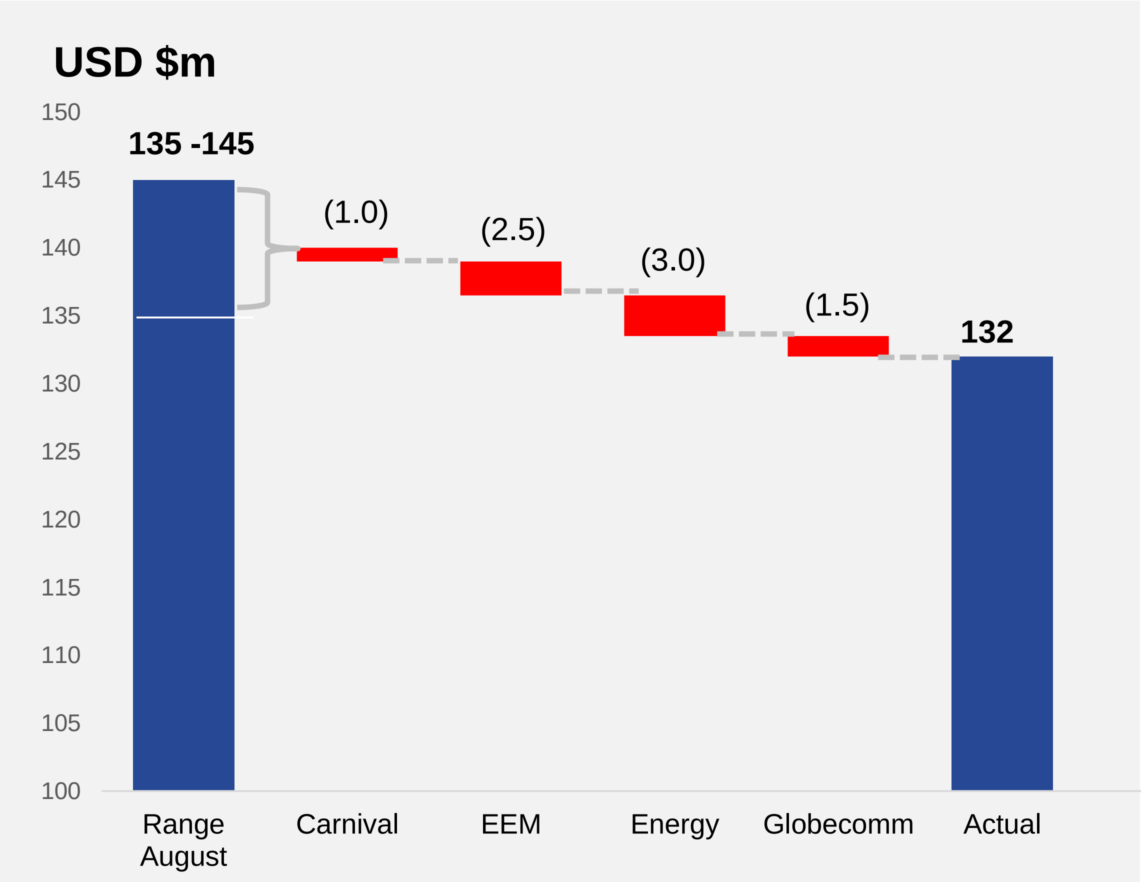



1. $7.9m revenue from Globecomm & InAria! split: Maritime $1.5m, EEM $2.6m, Energy $0.2m, Government $3.6m
2. Including Ultisat revenue, excluding Globecomm

# 2H2018 impacted by Energy market and project delays into 2019



## 2018 Underlying EBITDA guidance in August 2018 of $135-145m vs Actual CY2018




### Maritime (Carnival)

- Contract signed in Dec 2018
- Ramp up now well underway
- Negative timing impact including equipment sales

### EEM

- Slower implementation of new project wins in 2H2018
- Revenue churn in Q4 2018
- Delayed equipment sales

### Energy

- 2H performance weaker than expected due to:
  - Delay in market recovery
  - Higher than expected 2H rig count attrition

### Globecomm

- Acquisition completed on 14 December 2018, later than expected

# During this challenging year, a lot has been achieved in building a market leading platform



## Achievements

### Largest Two Contracts Ever Won

nbn Australia's broadband network

Carnival

### 3 Divisions Growing Organically

Maritime

Government

EEM

### Synergistic and Innovative Acquisitions

GLOBECOMM

InAria! NETWORKS

UltiSat a speedcast company

### Strengthened People and Systems

Management Team

Shared Services & IT Systems

Innovation Success

## Challenges

### Energy Decline

Delayed Market Recovery

Revenue Churn

### Maritime (Cruise)

Investment and Delayed Contract Renewal

Pricing Impact from 2017 Contract

### EEM

nbn Australia's broadband network

Temporary investment in working capital

Delays and churn

### IT Transformation

Transformation of IT Systems required significant investment in time and money

# Full Year 2018 Financial Review

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# NPATA per share up 4.4% despite a challenging year



| Underlying[1] USD $m | CY2018 | CY2017[2] | Var. % |
|---|---|---|---|
| **Revenue** | **623.1** | **514.2** | ***21%*** |
| **EBITDA** | **132.0** | **123.3** | ***7%*** |
| *EBITDA %* | *21.2%* | *24.0%* | *(280)bps* |
| Depreciation | (37.5) | (42.5) | *(12)%* |
| Amortisation | (40.0) | (28.6) | *40%* |
| **EBIT** | **54.5** | **52.2** | ***4%*** |
| Net finance costs | (29.2) | (23.5) | *24%* |
| Income tax expense | (8.0) | (4.2) | *90%* |
| **NPAT** | **17.3** | **24.5** | ***(29)%*** |
| **NPATA** | **48.1** | **46.0** | ***5%*** |
| **NPATA per share (US$ cents)** | **20.1** | **19.3** | ***4%*** |

- **Revenue** includes 5.4% organic growth and $7.2m contribution from 2018 acquisitions
- **EBITDA** includes :
  - 12-month contribution from Ultisat
  - Growth in Maritime & EEM; weaker Energy market
  - Globecomm $0.7m
- **EBITDA margin diluted** by lower Energy activity, one-off Cruise investment and large NBN contract, but remains industry leading
- **Depreciation & Amortisation increased** with the inclusion of UltiSat, partially offset by classification changes
- **Net finance cost increased** with additional debt to fund growth
- **Tax expense reflects** effective recurring underlying tax rate of 21%
- **Full year dividend of AUD 7.2 cents/share**

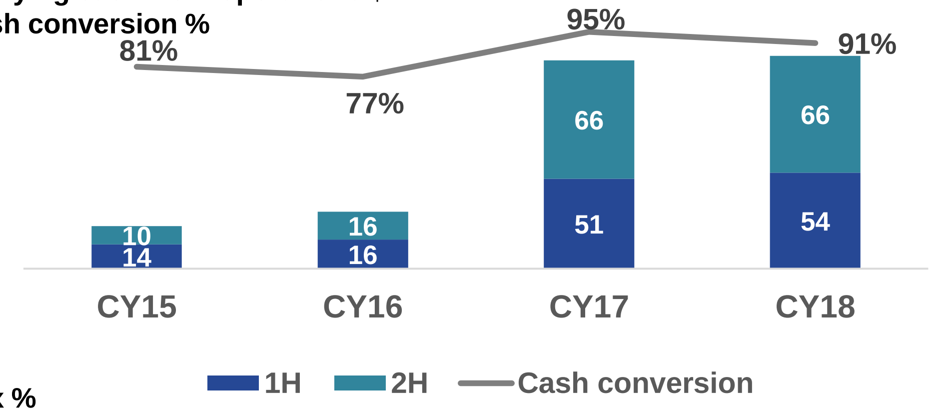
1. Underlying financial results are intended to exclude items which are non-recurring in nature, such as acquisition related transaction costs, integration costs and restructuring costs
2. 2017 restated for AASB9.

# High cash conversion used to fund future growth



- **Strong cash conversion[1] at 91%**
- **Operating cash flows $68m, down $11m due to:**
  - Temporary working capital investment in NBN ~$10m
  - Higher finance costs from Ultisat and Globecomm acquisitions
- **2018 total capex at 10% of revenue higher than historical levels due to**
  - Growth Investment towards stronger organic revenue growth– $39m primarily Maritime & Energy
  - Corporate platform Investment - $8m mostly in IT systems
  - Maintenance - $7m (1.1% of Revenue)
  - Classification changes - $6m from accounting standard AASB15

**Underlying cash from operations $m & Cash conversion %**




**Capex % of revenue** 5% 7% 6% 10%

## Key Cash Flows

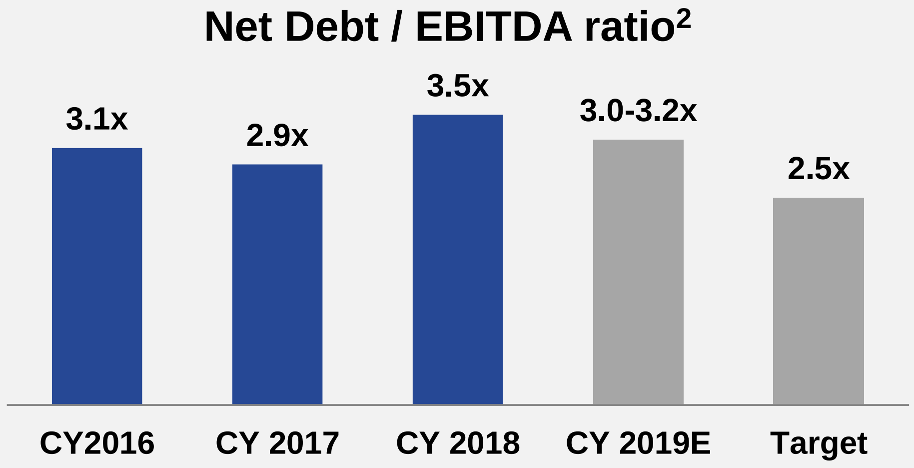
| USD $m | CY2018 | CY2017 |
|---|---|---|
| Cash generated in operations | 113.3 | 106.6 |
| Net finance costs | (30.4) | (14.8) |
| Tax paid | (14.8) | (12.8) |
| **Net cash inflow from operating activities** | **68.1** | **79.0** |
| Capital expenditure, net | (60.3) | (29.2) |
| Acquisitions & transaction costs | (157.8) | (489.9) |
| Receipts from Escrow | - | 422.4 |
| **Net cash outflow from investing activities** | **(218.2)** | **(96.7)** |
| **Net cash inflow from financing activities** | **176.3** | **47.9** |
| **Net increase/(decrease) in cash & cash equiv.** | **26.2** | **30.2** |

1. Cash conversion represents Underlying Cash Generated in Operations (cash generated in operations adjusted for restructuring and integration) divided by Underlying EBITDA.

# Strong focus on and clear path to deleveraging



- **Net Debt at Dec 2018 $581m, up from $388m in 2017**
  - Globecomm acquisition and incremental debt
  - Capex $60m
  - UltiSat outperformance earnout $20m
- **Covenant-lite loan facilities**
  - Revolving Credit Facility includes a maintenance covenant of maximum 4x Pro Forma EBITDA if the RCF >30% drawn
- **Liquidity discipline - formal policy of minimum $50m available liquidity ensures strong funding risk management**
- **Interest cover[1] > 3.5x:**
  - Current weighted average cost of debt ~5.70% p.a.
  - ~70% of Term Loan B interest rate now fixed
- **Aim to de-lever to ~3.0-3.2x by end of 2019**
- **Continued commitment to de-lever to < 2.5x on a like for like basis over time**

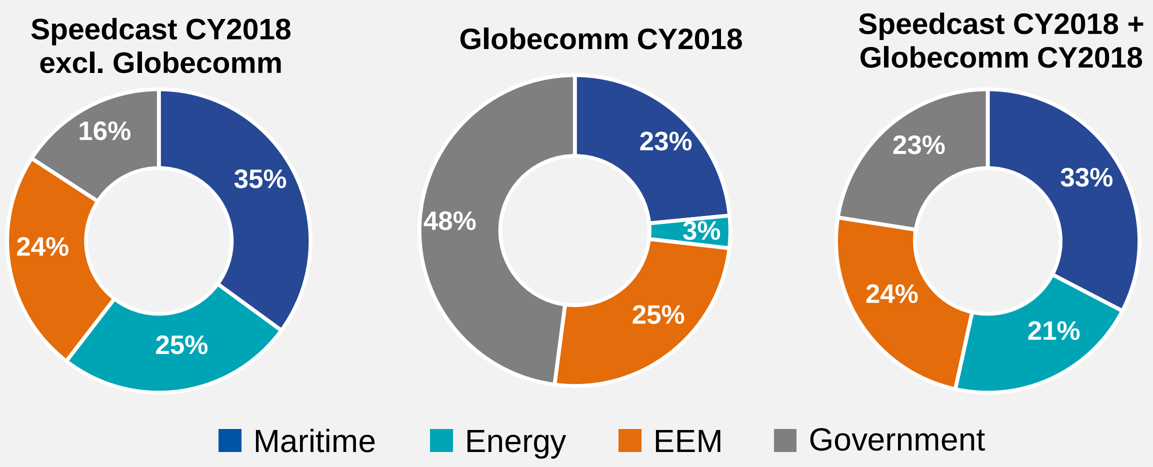




1. Underlying EBITDA/net cash interest. Note that this is not a covenant.
2. 2018 Net Debt/EBITDA calculated based on LTM December 2018 Consolidated EBITDA including the Pro Forma impact of Globecomm EBITDA and identified cost synergies (acquired on 14 December 2018)

# Globecomm adds scale & capabilities in high growth market segments

- Acquisition completed 14 Dec 2018 for net consideration of $134m
- CY2018 Revenue $162m, Underlying EBITDA $15m, Depreciation $9m - **in line with expectations**
- $175m incremental debt raised to fund acquisition and partly repay the Revolving Credit Facility
- Temporary increase to leverage immediately post transaction, with clear path to deleverage
- **~$18-$20m annual cost synergies** identified to be achieved by 2020
- **Accretive** to Underlying NPATA/share in 2019

## Revenue split by Division




## Cost Synergy Update

| Updated identified annual cost synergies | Cost synergies implemented to date | Expected realised cost synergies in 2019 |
|---|---|---|
| ~$18-20m | ~$8m | ~$10-12m |

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# Divisional & Functional Update

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# Maritime – continued strong organic growth in our largest division

| USD $m | CY2018 | CY2017 | % var. |
|---|---|---|---|
| **Revenue** | **219.7** | **200.2** | ***9.7%*** |
| Services | 194.3 | 181.1 | *7.3%* |
| Equipment & Installation | 25.4 | 19.1 | *33.0%* |

| At Dec | 2018 | 2017 |
|---|---|---|
| **Commercial Shipping** | | |
| VSAT vessels | 2,352 | 1,589 |
| with Globecomm | 3,046 | |
| L-Band Terminals | 10,969 | 10,489 |
| with Globecomm | 13,308 | |
| **Cruise** | | |
| Cruise ships | 215 | 198 |
| Ferries | 121 | 115 |

## 2018

- **Strong growth in Commercial Shipping** driven by continued increase in VSAT activations - **net 763 additions** in 2018
- **Good revenue growth in Cruise** driven by bandwidth growth and new wins, but significant one-time investment into key customer program

## Outlook

- **Targeting mid to high single digit organic revenue growth in 2019**
- **Commercial Shipping**
  - Backlog of >520 VSAT vessels at 31 Dec 2018
  - Large contract with satellite operator to which Speedcast was providing Ku-band services will create $6m revenue churn as services will be discontinued
  - Potential to accelerate migration of Globecomm L-band vessels to VSAT
- **Cruise & Ferry**
  - Promising medium-term organic growth from much higher bandwidth for both guests and crew, and digital transformation projects
  - Carnival renewed for 3 years in Dec 2018 - Speedcast's largest customer
  - 36 new ships won during 2018 with 28 already activated will underpin growth in 2019

# Carnival - largest commercial VSAT contract was renewed in 2018



3 years

Contract started in Dec 2018

~3,000 to ~5,500 people

Aboard at a time

860+ ports

In 90 destinations

8-9%

of 2019 Total Group revenue

Speedcast TrueBeam

~100 ships

Serviced in 2019

24/7 365 days

Seamless operations

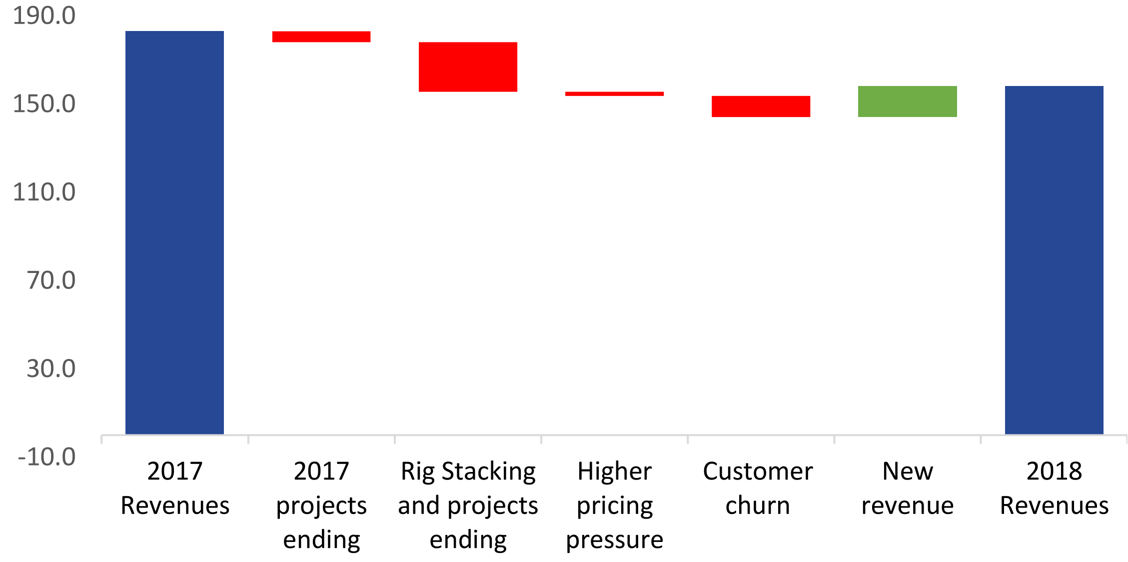
Revenue and EBITDA growth

# Energy – impacted by delay in market recovery in 2018 but positive outlook for 2019



| USD $m | CY2018 | CY2017 | % var. |
|---|---|---|---|
| **Total Revenue** | **158.3** | **183.2** | ***(13.6)%*** |
| Services | 148.2 | 174.9 | *(15.3)%* |
| Equipment & Installation | 10.1 | 8.3 | *21.5%* |

## CY2017 to CY2018 Energy revenue bridge (USD $m)




## 2018

- Total revenue for CY2018 down 13.6%, lower than Aug 2018 expectation
- **2H2018 revenue 8% higher than 1H2018** in line with Dec 2018 guidance and despite $2m of equipment and systems integration revenue delayed to Q1 2019, and further rig stacking
- 2H2018 growth supported by good activity levels onshore, transitioning Noble rigs and growth in systems integration revenue
- **Activations exceeded churn in 2H**, unlike 1H
- Strong equipment sales a lead indicator for future service revenue growth

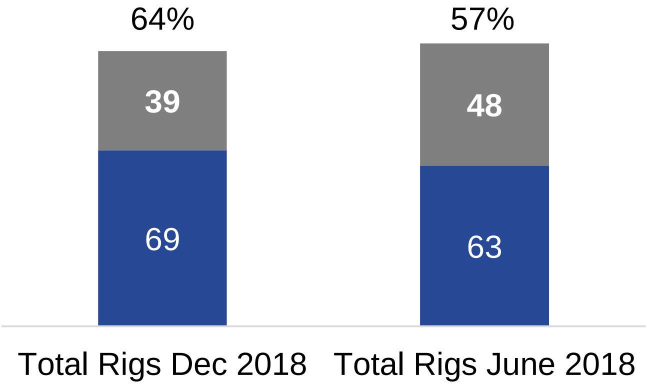
## Outlook

- **Mid to high single-digit growth** expected in 2019, accelerating in 2020
- Positive net activations in Jan 2019 continuing 2H18 trend and revenue **churn is expected to gradually slow down during 2019**
- >$14m contracted annual backlog at 31 Dec 2018
- **Stronger and more diversified pipeline** across various segments (onshore, offshore, LNG) and a wider offering of new services (IT services, crew wifi…)
- Systems integration revenue expected to more than double in 2019 to $10m on the back of new large production projects
- Low market share of jack-up rigs represents a growth opportunity
- **Revenue synergy** potential with Globecomm around IOT

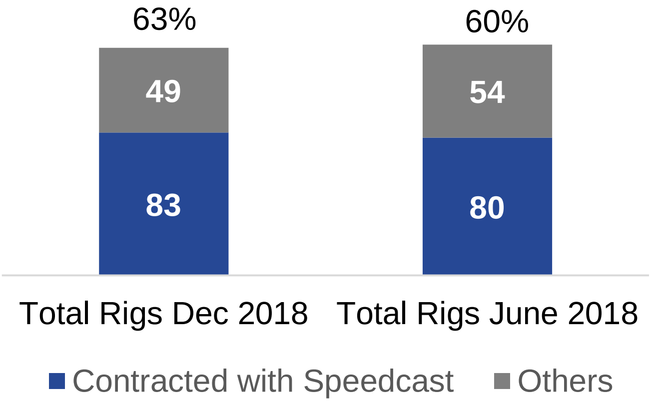
# As market leader in deepwater drilling, Speedcast is well positioned for growth as the market starts recovering



Drillships market share




Semi-submersibles market share




- Total number of Speedcast deepwater active rigs at Dec 2018 was 73, down from 82 in June 2018 due to rig stacking particularly in semi-submersibles.
- Speedcast had 79 stacked rigs at Dec 2018, up from 61 in June 2018
  - Rig data is market information at a point in time. Stacked rigs includes rigs in transit which have full service but no add-on
  - Indicative revenue potential from warm stacked rigs under contract becoming active when the market recovers is >$65m
- Positive commentary in Q4 results from drillers and oil services companies indicates 2019 activity will be higher than 2018:

*“While oil prices remain volatile, … current customer conversations suggest that FIDs in 2019 could increase materially over last year.” Jeremy Thigpen, CEO Transocean Fourth Quarter 2018 Results Press Release*

*“…experiencing steady improvement in fleet activity, with utilization of both our floating and jackup fleets completing the fourth quarter of 2018 at their highest levels for the year. …." Julie J. Robertson, CEO Noble Corporation plc Fourth Quarter Results Press Release*

- See also: RigZone "Oil and gas stepping up its exploration game“ and Offshore Support Journal "Anticipating arecovery in the offshore rig market"

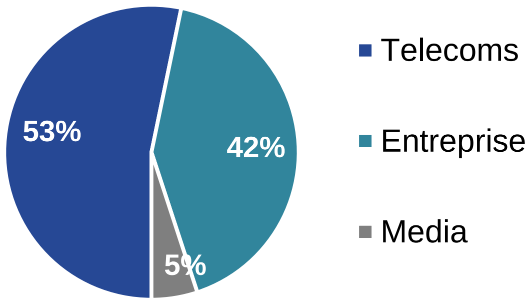
1. Source: Bassoe Analytics and company information

# EEM – NBN drives strong organic growth in 2018

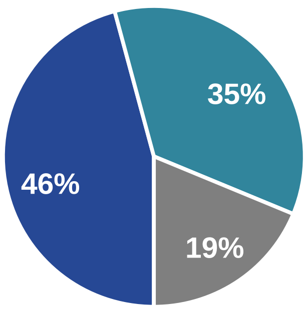


| USD $m | CY2018 | CY2017 | % var. |
|---|---|---|---|
| **Revenue** | **147.9** | **116.6** | ***26.8%*** |
| Services | 86.2 | 88.5 | *(2.5)%* |
| Wholesale Voice | 24.0 | 20.3 | *18.0%* |
| Equipment & Installation | 37.7 | 7.9 | *378.5%* |

**CY18 Revenue pre Globecomm (excl. NBN)**




**CY18 Revenue PF Globecomm (excl. NBN)**




## 2018

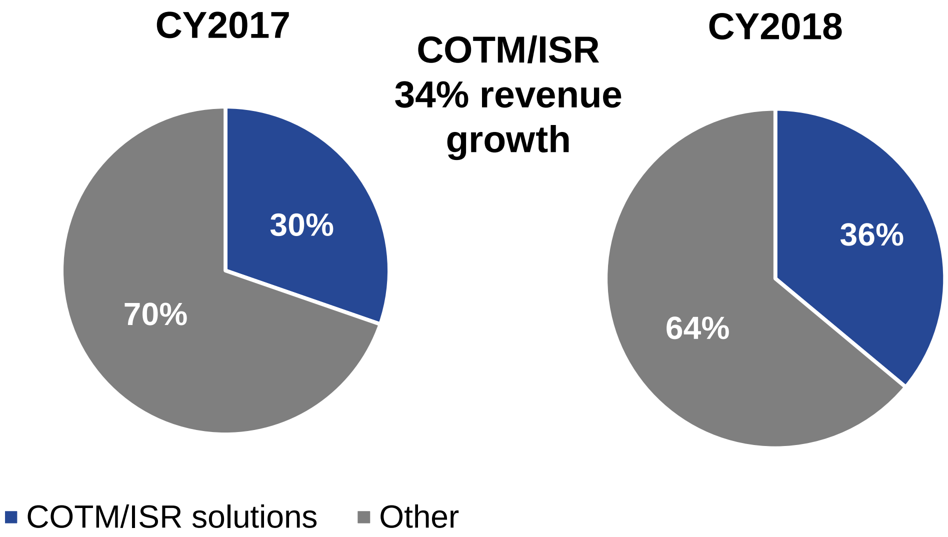
- **Strong 27% revenue growth**, largely organic, driven by first phase of NBN project
- Decline in services due to the full year impact of 2017 churn, in particular with an Aviation service provider and Transfield
- Cellular backhaul and Wholesale Voice growing
- Globecomm brings interesting **IoT capabilities** with ~16,000 devices connected at end of Dec 2018, versus ~200 at end of Dec 2017

## Outlook

- **Overall low double-digit revenue decline** expected in 2019 due to the transition into Phase 2 of the NBN project which will result in a revenue decrease of $20-25m, and will not be fully offset by service revenue growth
- Several large projects implemented in Dec 2018 and the contracted backlog will offset service revenue churn experienced in Q4 2018
- **More limited churn expected in 2019** with less significant renewals
- **Scale and capabilities advantage** expected to result in market share gains
- Cellular backhaul to remain a key growth area with positive momentum in Latin America and South East Asia
- **Revenue synergies with Globecomm** expected in IOT (growth in the number of connected devices), media and systems integration

# Government – strong double-digit organic growth

| USD $m | CY2018 | CY2017[1] | % var. |
|---|---|---|---|
| **Revenue** | **97.3** | **83.9** | ***16.0%*** |
| Services | 90.8 | 80.2 | *13.2%* |
| Equipment & Installation | 6.5 | 3.7 | *75.7%* |




1. Including Ultisat for the full twelve months of CY2017, excluding Globecomm
2. 2018 vs. 2017. Source: Office of the Under Secretary of the Department of Defense (Comptroller)

## 2018

- **12% organic growth** (excl. Globecomm) driven by increased network services, professional services and equipment sales across the customer base
- Equipment sales growth underpinning future network and professional service revenue growth
- Increased US defense budget of approximately 10%[2]

## Outlook

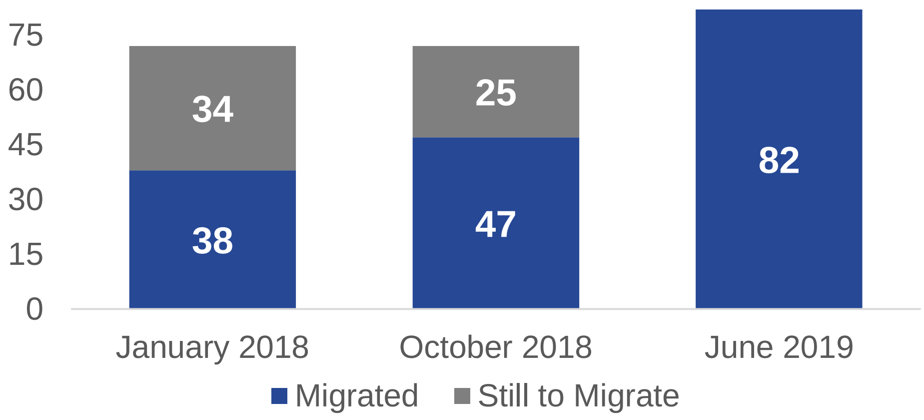
- **Organic growth expected to continue in 2019**, consistent with US Government satcom market, albeit slower than in 2018
- **Stronger market position** following Globecomm acquisition, closed in Dec 2018, which doubles our US Government revenue - revenue synergies to contribute to growth over the next three years through cross-selling and increased win rates
- More aggressive push into Global Government, in step with growing defense budgets of NATO coalition partners
- Contracted backlog at Dec 31 2018 of $28m (excl. Globecomm)
- **Important wins in late 2018 and early 2019** validate the significant growth opportunity for Speedcast in the Government segment

# Investment and progress towards a more efficient data-driven organisation

## Major IT projects underway

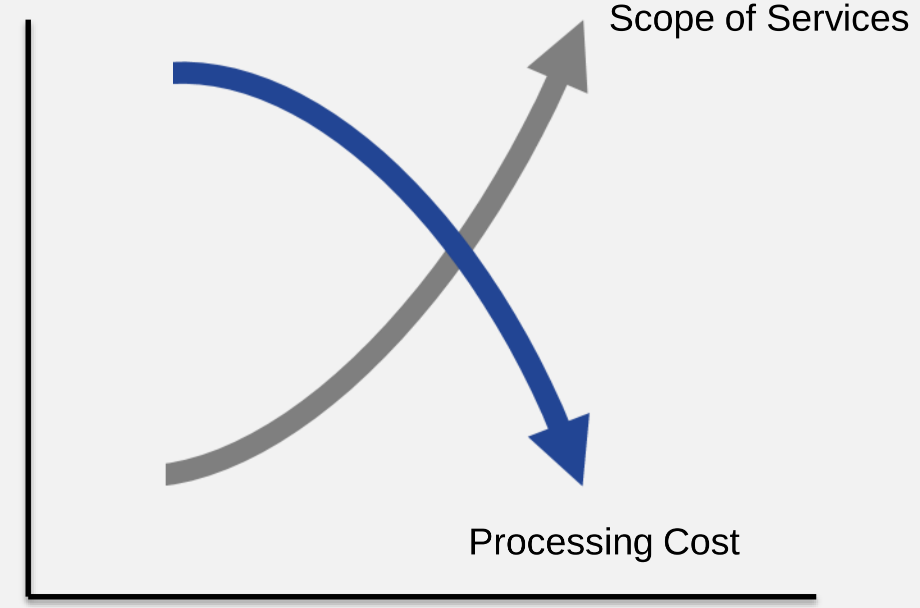
- Enterprise Resource Planning (ERP)
- Operational Systems and Services (OSS)
- Cybersecurity
- Network and cloud optimization
- Improved analysis and reporting capability

## Number of entities migrated to new common ERP




## Using technology and automation to drive down costs and improve our operating model

**Speedcast Shared Services**



# Innovation - a priority with several key successes in 2018

**SIGMA Gateway Xtreme**
DatacciоConnect Conference Infrastructure Innovation Award Winner

**IoT Platform**
2018 Satellite Show MSUA Top IoT/M2M Mobility Satcom Innovation Award Winner

**TrueBeam**
Intelligent automation system deployed for Carnival's global fleet of cruise ships

**FieldVision**
Cloud-based platform to connect, protect and monitor both people and assets

**Tempo**
Interactive cloud-based content delivery and distance learning platform

**Hosted Switch**
Carrier-grade cellular switching services

**Kymeta flat panel antennas**
Innovative electronically-steered, flat-panel Ku-band antenna

# Outlook

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# Industry fundamentals create tailwinds for Speedcast



## Secular trends driving exponential data growth and increasing connectivity needs

- Growth in data connectivity needs
- Need for managed services globally
- High quality, diversified end-markets
- Scope for consolidation
- Strong capacity supply

# Speedcast Vision



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| 1999 - 2012 | 2013 - 2018 | 2019+ |
| --- | --- | --- |
| Managed Connectivity Service Provider | Managed Network Service Provider | Managed Information Service Provider |

**Sustained revenue & EBITDA growth**
**Target ~$1bn revenue & ~25% EBITDA Margin in 2021**

# Our approach to long-term value creation



## Speedcast Values

- Customer Focused
- Agile & Responsive
- Success Through People & Safety
- Team Spirit

## Strategy

- Drive accelerating organic growth in our core market segments through scale and capabilities, which provide competitive advantages
- Expand our scope of services with innovation
- Generate operational efficiencies from scale and automation
- Maximise cash flows to fund profitable growth

## Capital Allocation

- Investing in:
  - existing and new customers to drive organic growth
  - new technologies / capabilities
- Minimum return thresholds:
  - Target 25% IRR
  - Payback in 50% of contract period
- Disciplined investment in strategic value-accretive acquisitions

# 2019 Outlook – stronger service revenue growth and cash generation



- Expecting to deliver **moderate organic revenue growth** despite the negative 2019 impact of the NBN contract
- **Strong EBITDA growth**
  - Resulting from Globecomm contribution, cost synergies and organic growth
  - Temporary 2019 margin dilution due primarily to Globecomm, expected to improve over time with cost synergy realisation & Energy recovery
- **Cash flow generation to increase** in 2019
  - Completion of key milestones under NBN contract
  - Continued lower cash tax payments - effective recurring underlying tax rate expected to continue at 20-21%
  - Capex expected to be ~$50-60m, ~7% of revenue
- **Deleveraging is a priority**, with net leverage expected to be **3.0-3.2x** by the end of 2019 on a like for like basis
  - 2019 dividend may be adjusted in consideration of deleveraging priority

| Outlook<br>Underlying EBITDA | USD $m |
|---|---|
| **Speedcast CY2018** | **132** |
| Cruise investment 2018 | 3 |
| Globecomm 2018 | (1) |
| EEM projects | (3) |
| Globecomm 2019 | 16 |
| Cost synergy realisation | 10 – 12 |
| Organic Growth | 3 – 12 |
| **CY2019 Outlook** | **160 - 171** |

# Appendices

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# Reconciliation of Statutory to Underlying results



| USD $m | Underlying CY2018 | Underlying CY2017 (Restated) |
|---|---|---|
| **Statutory NPAT** | **1.9** | **6.0** |
| Acquisition related costs | 4.4 | 9.2 |
| Integration costs | 4.1 | 4.0 |
| Restructuring costs | 2.2 | 6.3 |
| Fair value loss on deferred consideration | - | 0.6 |
| (Gain) on extinguishment of interest rate hedges | (3.0) | - |
| Foreign exchange loss | 2.7 | 0.1 |
| Accelerated amortisation of capitalised facility fees on borrowing – finance cost | 8.6 | - |
| Interest expense on deferred consideration – finance cost | 1.2 | 0.1 |
| Unwinding of fair value adjustments on acquisitions – finance cost | 0.5 | 0.7 |
| Tax effect of above items | (5.2) | (2.4) |
| **Underlying NPAT** | **17.3** | **24.5** |
| Add back: Amortisation (net of tax) | 30.8 | 21.5 |
| **Underlying NPATA** | **48.1** | **46.0** |

- The underlying financial results have been presented to provide a better understanding of Speecast's financial performance in the period.
- 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.
- The table opposite reconciles Statutory NPAT to Underlying NPAT and NPATA
  - Acquisition related costs of $4.4m include due diligence, consultants and legal fees, including in relation to UltiSat and Globecomm.
  - Integration and restructuring costs (totalling $6.3m) principally relate to the Harris CapRock and Globecomm acquisitions.
  - The $3.0m Gain on extinguishment of interest rate hedges arose on the termination of interest rate swaps in connection with the refinancing in 1H2018.
  - Foreign exchange losses of $2.7m arose on non trading balances in various countries and have been excluded from the underlying result.
  - Accelerated amortisation of capitalised facility fees of $8.6m resulted from the refinancing that occurred in 1H2018.
  - The collective tax impact of the adjustments is a credit of $5.2m

# Impact of Changes in Accounting Standards, Policies & Classifications



| USD $m | 2017 As Reported | 2017 AASB9 impact[1] | 2017 Restated[1] | Other Changes impacting class'n[2] | Base Adjusted 2017 | Base Adjusted 2018[3] | 2018 AASB15 impact[3] | Reported 2018 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 514.2 | - | 514.2 | - | 514.2 | 621.6 | 1.5 | 623.1 |
| Costs | (391.6) | 0.8 | (390.8) | (6.1) | (396.9) | (343.2) | 6.3 | (336,9) |
| **Underlying EBITDA** | **122.6** | **0.8** | **123.3** | **(6.1)** | **117.2** | **124.2** | **7.8** | **132.0** |
| D&A | (71.2) | - | (71.2) | 6.1 | (65.1) | (71.7) | (5.8) | (77.5) |
| **Underlying EBIT** | **51.4** | **0.8** | **52.2** | **-** | **52.1** | **52.5** | **2.0** | **54.5** |

- During 2018, changes to AASB9 and AASB15 were implemented, in line with the requirements. The table shows the impact of the changes in classification.

1. The ASX Appendix 4E includes the restated amounts and a detailed note showing the impact of the AASB9 restatement
2. A classification change arose because in Dec 2017, the company ceased depreciating an acquired near-end-of-life transponder, and instead in 2018 reverted to purchasing bandwidth. This incurred a Cost of Sale in 2018, rather than the $6.1m depreciation recorded in 2017. 2017 has been restated to ensure comparability with 2018.
3. Because of the acquisition of Harris CapRock and other factors, it is not possible to determine the 2017 impact of implementing AASB 15. To assist users, the 2018 impact is shown.

# Balance Sheet overview – 31 Dec 2018



| USD $m | 31 Dec 2018 | 31 Dec 2017 (Restated) |
|---|---|---|
| Cash | 79.7 | 54.8 |
| Trade & other receivables | 237.0 | 147.6 |
| Inventories | 28.9 | 14.9 |
| Income tax receivable | 4.0 | 4.2 |
| **Total current assets** | **349.6** | **221.6** |
| PP&E | 140.2 | 95.2 |
| Deferred Tax Assets | 22.5 | 9.7 |
| Intangibles (including Goodwill) | 710.2 | 623.9 |
| Other Non-current assets (including Derivative Financial Instruments) | 2.5 | 4.1 |
| **Total Assets** | **1,224.9** | **954.5** |
| Trade and other payables | 257.3 | 165.7 |
| Borrowings (Current) | 6.0 | - |
| Income tax payable | 1.1 | 5.3 |
| **Total Current liabilities** | **264.4** | **171.0** |
| Borrowings (Non-Current) | 625.4 | 432.2 |
| Deferred Tax Liabilities | 19.4 | 18.7 |
| Other Non Current Liabilities (including Derivative Non Financial Instrument) | 30.7 | 29.5 |
| **Total Liabilities** | **939.9** | **651.4** |
| **Net Assets** | **285.0** | **303.1** |

- Net Working Capital, including Trade & Other Receivables, Inventories, and Trade and Other Payables are discussed in more detail on slide 32.
- Intangibles increased from $624m to $710m mainly because of the acquisition of Globecomm in Dec 2018.
- Current and Non Current Borrowings total $631m at 31 Dec. 2018. These include gross drawn debt of US645m (Dec 2017: US$443m) offset by prepaid facility fees of $13m (Dec 2017: $11m).
- Net debt increased by $193m from $388m at 31 Dec 2017 to $581m at 31 Dec 2018. Net debt includes Borrowings (excluding prepaid facility fees), Unrestricted Cash and Derivative Financial Instruments. The increase reflects:
  - Globecomm acquisition and incremental debt
  - Capex $60m & UltiSat outperformance earnout $20m

# Balance Sheet – Working Capital



| USD $m | CY2018 | CY2017 |
|---|---|---|
| **Inventories** | **28.9** | **14.9** |
| **Trade and other receivables** | **239.5** | **150.2** |
| **Trade and other payables** | **(282.0)** | **(195.3)** |
| **Sub total** | **(13.6)** | **(30.2)** |
| Add back Deferred consideration on Acquisitions | 14.9 | 40.2 |
| **Net Working Capital** | **1.3** | **10.0** |

- Inventories includes Equipment, Spares and Work in Progress.
- Trade and other receivables includes (Current & Non current) trade receivable balances, deposits & prepayments and other receivables.
- Trade and other payables includes (Current & Non current) trade payable balances, Accrued Charges & Other Creditors, Employee Provisions, Customer Deposits, Deferred Revenue and Deferred Consideration on Acquisitions.

- The balance of Deferred Consideration on Acquisitions has been excluded from the calculation of Net Working Capital.
- The decrease in Net Working Capital was caused by:
  - The acquisition of Globecomm in Dec 2018, which reduced Net Working Capital by $10.3m.
  - The acquisition of In Aria!, in Oct 2018, which reduced Net Working Capital by $1.3m
  - An increase in Net Working Capital invested in the NBN project by $10.2m
  - Other improvements in working capital, mainly receivables and payables through diligent working capital management

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