



FOR IMMEDIATE RELEASE

1 November 2016

## SpeedCast announces Harris CapRock acquisition and equity raising

### Key highlights

- Agreement to acquire 100% of Harris CapRock for total upfront consideration of USD 425M<sup>1</sup> (**Acquisition**)
- Acquisition of Harris CapRock represents an implied transaction multiple of 7.0x Jun-16 EV / EBITDA (before synergies) and 5.0x Jun-16 EV / EBITDA (pro-forma for USD 24M of cost synergies anticipated to be achieved in years 1 and 2)
- Highly strategic acquisition at an attractive valuation:
  - Creation of a global and diversified industry leader
  - Expansion of the maritime business with global leadership in maritime broadband services
  - A global leader in the energy sector, well positioned for future growth
  - Significant operational and economic benefits of scale
- Anticipated annual cost synergies estimated at USD 24M delivered over the 24 month period post acquisition, with USD 15M expected to be achieved within the first full year post acquisition
- On a pro forma full year basis, the Acquisition is expected to be double digit EPS accretive in 2017 before synergies, and in excess of 40% EPS accretive pro-forma for the USD 15M of cost-synergies anticipated to be achieved in year 1<sup>2</sup>
- The Acquisition will be funded via a fully underwritten ~AUD 295M Accelerated Renounceable Entitlement Offer (“Entitlement Offer”), with the balance to be funded by a fully-underwritten syndicated debt facility

SpeedCast International Limited (ASX:SDA) (**SpeedCast**), a leading global satellite communications and network services provider, today announces the acquisition of Harris CapRock from Harris Corporation for USD 425M (~AUD 560M)<sup>1</sup>, subject to customary closing adjustments.

Harris CapRock is a leading provider of communications networks for remote and harsh environments. Harris CapRock primarily serves customers in maritime and energy markets and in the 12 months to 30 June 2016 generated revenue of USD 363M and pro-forma EBITDA of USD 60M.

SpeedCast’s new global footprint, scale, global network and product offering will enable new revenue opportunities. The combination of Harris CapRock capabilities and SpeedCast’s customer

<sup>1</sup> Based on AUD|USD of 0.76. Excludes transaction costs of approximately USD 27 million (including debt refinancing costs and raising costs) and is subject to customary closing adjustments.

<sup>2</sup> EPS accretion (NPATA basis which excludes the impact of costs to achieve synergies) is calculated in accordance with AASB 133 considering a bonus factor reflecting the proposed discount on TERP for the rights issue.

focused culture will create a strong global and diversified industry leader. The Acquisition also expands SpeedCast's product offering to a more global customer base with improved quality and choice, increased R&D and innovative new services.

SpeedCast's Chief Executive Officer, Pierre-Jean Beylier, commented that "the acquisition of Harris CapRock is a transformational opportunity for SpeedCast. SpeedCast will become one of the largest purchasers of satellite capacity globally and create a diversified industry leader with a strong global network. SpeedCast has demonstrated success of integrating acquisitions and believes SpeedCast has the right team in place to continue SpeedCast's momentum of integration. "

"I am also excited about how the combination of SpeedCast and Harris CapRock enables us to accelerate our position in the cruise sector, building on our acquisition of WINS Limited earlier in the year. SpeedCast will also become a leader in the energy sector and inherit an attractive customer base forming a platform for future growth, at an attractive stage in the market cycle."

SpeedCast estimates it will generate ~USD 24M in annual cost synergies within the first two years after the Acquisition. The cost synergies are expected to be generated through footprint rationalisation, including the combining of offices in 6 locations, downsizing corporate costs and network improvements including the merging of terrestrial networks, teleport consolidation and improved procurement. SpeedCast expects that it will incur one-time costs associated with achieving these synergies of ~USD 4.3M.

### Entitlement Offer details

The Acquisition will be partly funded by a fully underwritten equity raising comprising of an approximately ~AUD 295M 2-for-3 accelerated renounceable entitlement offer of new SpeedCast ordinary shares (**New Shares**). This Entitlement Offer comprises an accelerated institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**).

The Offer Price of A\$3.10 represents a 21.1% discount to SpeedCast's last closing price of AUD 3.93 per share on 1 November 2016 and a 13.8% discount to the theoretical ex-rights price (**TERP**)<sup>3</sup>.

The record date under the Entitlement Offer is 7.00pm (AEST) on 4 November 2016 (**Record Date**).

The Entitlement Offer is fully underwritten by the joint lead managers Credit Suisse (Australia) Limited (**Credit Suisse**) and UBS AG, Australia Branch (**UBS**) (together, the **Underwriters**). Canaccord is acting as a co-lead manager.

Approximately 95 million new SpeedCast shares will be issued under the Entitlement Offer. At the time of allotment, New Shares issued under the Entitlement Offer will rank equally with existing SpeedCast shares.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 2 new fully paid New Shares for every 3 existing fully paid ordinary shares in SpeedCast (**Entitlement**) held as at 7.00pm (AEST) on the Record Date.

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<sup>3</sup> The theoretical ex-rights price (**TERP**) is the theoretical price at which SpeedCast shares should theoretically trade immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which SpeedCast shares trade immediately after the ex-date for the Entitlement Offer may vary from TERP. TERP is calculated by reference to SpeedCast's closing price of AUD 3.93 per share on 1 November 2016, being the last trading day prior to the announcement of the Entitlement Offer.

## Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which will take place from 2 November 2016 to 3 November 2016.

Eligible institutional shareholders can choose to take up their Entitlement in whole, in part or not at all. Entitlements cannot be sold on ASX. As the Entitlement Offer is renounceable, Entitlements not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer, and Entitlements of ineligible institutional shareholders, will be offered for sale through an institutional shortfall bookbuild to be conducted on Thursday, 3 November 2016 (**Institutional Shortfall Bookbuild**). Any proceeds from the sale of Entitlements under the Institutional Shortfall Bookbuild in excess of the Offer Price will be remitted proportionally to those institutional shareholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those institutional shareholders.

SpeedCast shares have been placed in trading halt while the Institutional Entitlement Offer and Institutional Shortfall Bookbuild are completed.

## Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in a Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Wednesday, 9 November 2016 and close at 5.00pm (AEST) on Friday, 18 November 2016.

Eligible retail shareholders can choose to take up all, part of none of their Entitlement. Entitlements cannot be traded on the ASX. Entitlements which are not taken up by eligible retail shareholders by the close of the Retail Entitlement Offer and Entitlements that would otherwise have been offered to ineligible retail shareholders will be sold through the retail bookbuild on Wednesday, 23 November 2016 (**Retail Bookbuild**). Any proceeds from the sale of Entitlements under the Retail Bookbuild in excess of the Offer Price will be remitted proportionally to those retail shareholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those retail shareholders.

Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the retail offer booklet and accompanying personalised entitlement and acceptance form which are expected to be dispatched on Wednesday, 9 November 2016.

## Entitlement Offer Timetable

Event	Date
Trading halt and announcement of Acquisition and Entitlement Offer	Wednesday, 2 November 2016
Institutional Entitlement Offer opens	Wednesday, 2 November 2016
Institutional Entitlement Offer closes	Thursday, 3 November 2016
Institutional shortfall bookbuild	Thursday, 3 November 2016
SpeedCast Shares recommence trading	Friday, 4 November 2016

Entitlement Offer record date, 7pm Sydney time	Friday, 4 November 2016
Retail Entitlement Offer opens	Wednesday, 9 November 2016
Retail Offer Booklet, Entitlement and Acceptance Forms despatched to Eligible Retail Shareholders	Wednesday, 9 November 2016
Settlement of New Shares issued under the Institutional Entitlement Offer	Thursday, 10 November 2016
Allotment and commencement of trading of New Shares issued under the Institutional Entitlement Offer	Friday, 11 November 2016
Retail Entitlement Offer closes, 5pm Sydney time	Friday, 18 November 2016
Retail shortfall bookbuild	Wednesday, 23 November 2016
Settlement of New Shares issued under the Retail Entitlement Offer	Monday, 28 November 2016
Allotment of New Shares issued under the Retail Entitlement Offer	Tuesday, 29 November 2016
Normal trading of New Shares issued under the Retail Entitlement Offer	Wednesday, 30 November 2016
Despatch of holding statements and payments (if any) with respect to Retail Entitlement Offer	Wednesday, 30 November 2016

The above timetable is indicative only and subject to change. All dates and times are to AEST. SpeedCast reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

### **Debt facilities and pro forma leverage**

In conjunction with the Acquisition, SpeedCast has refinanced the group's debt facilities through fully underwritten syndicated facilities totaling USD 385M (~AUD 507M). The debt facilities comprise a USD 365M (~AUD 480M) 3-year term loan, fully drawn at completion, and a USD 20M (~AUD 26M) undrawn revolving multi-currency facility

Following the Acquisition and completion of the Entitlement Offer, SpeedCast anticipates pro-forma LTM net debt / EBITDA of 3.0x for Dec-16 (pro-forma for Harris CapRock contribution to EBITDA and anticipated year-1 synergies of USD 15M). Strong deleveraging is expected to result in actual reported net debt / EBITDA ratio as at Jun-17 of c.3.0x and as at Dec-17 of less than 2.5x in each case pro-forma for the impact of historical acquisitions and reflective of anticipated realisation of actual Harris CapRock synergies.

Credit Suisse acted as Lead Financial Advisor to SpeedCast. ING also provided SpeedCast with certain financial advice. Goodwin Procter LLP served as International Legal Counsel to SpeedCast and Allens and DLA Piper acted as Australian counsel on the financing.

### **Trading update / Guidance**

SpeedCast has today released a trading update:

**Despite weaker macro-economic conditions across several key end-markets, our dual pronged strategy of organic growth and acquisitions is delivering results**

- All FY16 key financial metrics expected to grow strongly compared to 2015

**Organic revenue growth has slowed in FY16 compared with double digit growth in FY15**

- High energy churn in 1H
- Delays in customer purchasing decisions, particularly in the Energy sector, impacting both service revenues and equipment sales

#### **Strong EBITDA growth versus 1H16 with FY16 EBITDA expected at USD 40M**

- 2H EBITDA expected to grow to USD 23M vs 1H EBITDA of USD 17M
- Churn back to near historical levels, including Energy
- Strong integration synergies and cost savings, including the renegotiation of a material capacity contract in Q4<sup>4</sup>
- Key project delays include the previously disclosed Central American Government contract together with another material contract in the Americas
- Aggregate impact to 2H EBITDA of USD 1.3M anticipated relative to prior guidance, with both contracts expected to contribute to 2017 EBITDA

#### **Overall satisfying performance from acquired companies**

- WINS performance in line with expectations
- NewCom impacted by the delays in two material contracts; gaining market share in Q4 against smaller competitors thanks to SpeedCast global scale and capabilities
- SAIT growing well
- NewSat fully integrated into SpeedCast Australia and delivering ahead of expectations
- ST Teleport infrastructure supporting growth across all verticals

#### **About SpeedCast International Limited**

SpeedCast International Limited (ASX: SDA) is a leading global satellite communications and network service provider, offering high-quality managed network services in over 90 countries and a global maritime network serving customers worldwide. With a worldwide network of 40 sales and support offices and 39 teleport operations, SpeedCast has a unique infrastructure to serve the requirements of customers globally. With over 5,000 links on land and at sea supporting mission critical applications, SpeedCast has distinguished itself with a strong operational expertise and a highly efficient support organization. For more information, visit [www.speedcast.com](http://www.speedcast.com).

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<sup>4</sup> The renegotiation is expected to benefit NPATA in FY16 and FY17 by USD 0.3M and USD 1M respectively. In FY16 bandwidth costs will decrease by USD 1.9M as a result of this renegotiation. The capital nature of this agreement means the value of payments made under this agreement will be capitalised and amortised over the life of the lease which will require a depreciation charge of USD 1.5M in FY16. In FY17 the impact is expected to reduce bandwidth costs by USD 7.8M and increase depreciation by c. USD 6M.

## **IMPORTANT NOTICES**

*This announcement is not financial product or investment advice, a recommendation to acquire New Shares or accounting, legal or tax advice. It does not constitute an invitation or offer to apply for New Shares. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. SpeedCast is not licensed to provide financial product advice in respect of an investment in shares.*

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### **WARNING IN RELATION TO FORWARD LOOKING STATEMENTS**

*This announcement contains certain "forward-looking statements". The words "will", "expect", "forecast", "propose", "continue", and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of SpeedCast that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this announcement and SpeedCast assumes no obligation to update such information.*