



Iridium Announces Fourth-Quarter and Full-Year 2014 Results; Company Issues 2015 Outlook

MCLEAN, Va., Feb. 26, 2015 (GLOBE NEWSWIRE) -- Iridium Communications Inc. (Nasdaq:IRDM) ("Iridium") today reported financial results for the fourth quarter of 2014 and issued its full-year 2015 and long-range outlook. Net income was \$23.0 million, or \$0.19 per diluted share, for the fourth quarter of 2014, as compared to \$15.6 million, or \$0.18 per diluted share, for the fourth quarter of 2013. Operational EBITDA ("OEBITDA")⁽¹⁾ for the fourth quarter was \$51.8 million, as compared to \$49.8 million for the prior-year period, representing a year-over-year increase of 4 percent and an OEBITDA margin⁽¹⁾ of 52 percent. OEBITDA grew largely due to higher service revenue.

Iridium reported fourth-quarter total revenue of \$100.5 million, which consisted of \$78.2 million of service revenue and \$22.3 million of equipment, engineering and support revenue. Total revenue increased 2 percent versus the comparable period of 2013, while service revenue also grew 2 percent from the year-ago period. Service revenue, which represents primarily recurring revenue from Iridium's growing subscriber base, was 78 percent of total revenue for the fourth quarter of 2014.

The Company ended the quarter with 739,000 total billable subscribers, which compares to 664,000 for the year-ago period and is up from 726,000 for the quarter ended September 30, 2014. Total billable subscribers grew 11 percent year-over-year, driven by strength in machine-to-machine ("M2M") and commercial voice customers.

"2014 was a strong year for Iridium, as we achieved many of our strategic objectives and exceeded our financial targets," said Matt Desch, CEO, Iridium. "We reached significant milestones in the Iridium NEXT program including successful qualification of most hardware components, testing our satellite platform software and completing the upgrade of our ground infrastructure around the world. We also successfully amended our credit facility and completed the related capital raise, strengthening our funding profile and giving us the needed flexibility to execute our operating plan. Our commercial M2M business grew service revenue and subscribers 19%, while our maritime business also performed well, with Iridium OpenPort[®] revenue expanding 12% year-over-year. These are all important steps as we look ahead to 2018 and the transformational change we expect in our cash flow profile."

Desch continued, "As we assess our prospects in 2015, we're excited to be entering the launch phase for our next-generation constellation. Our Iridium NEXT build remains on budget, and we have reconfirmed with our suppliers that the system is on track to be fully deployed in 2017. However, we've moved our first planned launch from June 2015 to October 2015, as our partner, Thales Alenia Space, needs the additional time to fully test the payload software before flight."

Desch concluded, "When evaluating our 2015 financial outlook, we expect continued solid growth in our M2M, maritime and aviation business lines, but see pressure in our legacy voice business. We believe a strong dollar has softened handset sales in many places outside the U.S. in the last few months. Our long-range guidance remains unchanged, as future contributions from our U.S. Government business, the value of our Aireon joint venture, new products and the potential of Iridium NEXT broadband services all support a healthy service revenue trajectory. Overall, we have excellent long-term growth prospects and expect to execute against the key targets that ensure our success."

For the full year, Iridium reported net income of \$75.0 million, or \$0.69 per diluted share, as compared to net income of \$62.5 million, or \$0.71 per diluted share, for 2013. The Company reported 2014 total revenue of \$408.6 million, which was up 7 percent from the year-ago period. Total revenue included \$309.4 million of service revenue and \$99.1 million of equipment, engineering and support revenue. OEBITDA for 2014 was \$216.5 million, an 8 percent increase from \$201.1 million in the prior-year, representing an OEBITDA margin of 53 percent. Capital expenditures were \$441.1 million for the full-year 2014.

Fourth-Quarter Iridium Business Highlights

Service - Commercial

Commercial service remained the largest part of Iridium's business, representing 60 percent of the Company's total revenue during the fourth quarter. The Company's commercial customer base is diverse and includes markets such as maritime, aviation, oil and gas, mining, recreation, forestry, construction, transportation and emergency services. These customers rely on Iridium's products and services as critical to their daily operations and integral to their communications and business infrastructure.

Commercial service revenue was \$60.7 million, unchanged from last year's comparable period. The year-ago quarter benefited from a change in the Company's prepaid airtime policy.

Commercial voice and data subscribers increased 4 percent from the year-ago period to 354,000 customers. Commercial voice and data average revenue per user ("ARPU") was \$43 during the fourth quarter, down 9 percent from last year's comparable period. Voice and data ARPU declined primarily due to a one-time benefit of \$3.6 million in the fourth quarter of 2013 related to a change in the Company's prepaid airtime policy that did not have the same impact in the fourth quarter of 2014. Commercial M2M data subscribers grew 19 percent from the year-ago period to 325,000 customers. Commercial M2M data ARPU was \$16 during the fourth quarter, unchanged from last year's comparable period.

Iridium's commercial business ended the quarter with 679,000 billable subscribers, which compares to 613,000 for the prior-year quarter and is up from 669,000 for the quarter ended September 30, 2014. M2M data subscribers represented 48 percent of billable commercial subscribers, an increase from 45 percent at the end of the prior-year period.

Service - Government

Iridium's voice and data solutions improve situational awareness for military personnel and track critical assets in tough environments around the globe, providing a unique value proposition that is not easily duplicated. The Company operates through two Defense Information Systems Agency contracts, which include a \$400 million, five-year, fixed-price agreement for satellite communications services and a \$38 million contract to support and maintain the Department of Defense's ("DoD") dedicated gateway.

Government service revenue was \$17.5 million, a 12 percent increase from the prior-year period, driven by the Company's airtime services contract with the DoD.

Iridium's government business ended the quarter with 60,000 subscribers, which compares to 51,000 for the prior-year quarter and is up from 57,000 for the quarter ended September 30, 2014. M2M data subscribers increased 25 percent year-over-year and represented 42 percent of government subscribers, an increase from 39 percent at the end of the prior-year period.

Equipment

Equipment revenue was \$17.1 million during the fourth quarter, an 8 percent year-over-year gain. Revenue increased from the year-ago quarter primarily due to higher Iridium GO!® and L-band transceiver unit sales. The Company does not expect equipment revenue to grow in 2015, primarily due to a reduction in commercial handset sales as a result of the recent pronounced increase in the strength of the U.S. dollar.

Engineering & Support

Engineering and support revenue was \$5.2 million during the fourth quarter, down 10 percent from the prior-year period, primarily resulting from a decreased scope of work for ongoing government projects.

Capital expenditures were \$296.1 million for the fourth quarter and primarily related to spending for the Company's next-generation satellite constellation, Iridium NEXT, and upgraded ground network infrastructure at its commercial gateway. The Company ended the fourth quarter with a cash and marketable securities balance of \$472.4 million and gross debt of \$1.3 billion. Net debt was \$733.0 million.

2015 Outlook

The Company issued its full-year 2015 outlook for total service revenue growth and OEBITDA. The Company expects:

Total service revenue growth between 3 percent and 6 percent for the full-year 2015
Full-year 2015 OEBITDA between \$230 million and \$240 million. OEBITDA for 2014 was \$216.5 million.

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Total Service Revenue Growth	
2015 Operational EBITDA (OEBITDA)	\$230 mi

Long-Range Outlook

The Company affirmed its long-range outlook for total service revenue growth, OEBITDA margin, cash taxes and 2018 net leverage. The Company revised its guidance for peak net leverage in consideration of updated expectations for the timing of milestone payments to Thales Alenia Space related to Iridium NEXT. The Company expects:

Total service revenue between \$420 million and \$485 million for the full-year 2018, an increase from \$309.4 million for the full-year 2014, representing a compound annual growth rate between 8 percent and 12 percent.
OEBITDA margin of approximately 60 percent in 2018
Negligible cash taxes from 2015 to approximately 2020
Peak net leverage of 6.0x to 6.5x OEBITDA in 2016
Peak net leverage of 6.0x to 6.5x OEBITDA in 2016

Long-Range Outlook (October 2014)		
Total Service Revenue	8% to 12% CAGR between 2014 and 2018	\$420 million
Operational EBITDA (OEBITDA) Margin	Approximately 60% in 2018	
Cash Taxes	Negligible cash taxes from 2015 to approximately 2020	
Peak Net Leverage	Approximately 6.5x OEBITDA in 2015	6
2018 Net Leverage	Approximately 4x OEBITDA in 2018	

Non-GAAP Financial Measures & Definitions

(1) In addition to disclosing financial results that are determined in accordance with U.S. GAAP, the Company provides Operational EBITDA and Operational EBITDA margin, which are non-GAAP financial measures, as supplemental measures to help investors evaluate the Company's fundamental operational performance. Operational EBITDA represents earnings before interest, income taxes, depreciation and amortization, Iridium NEXT revenue and expenses (for periods prior to the deployment of Iridium NEXT only), loss from investment in Aireon, share-based compensation expenses, and the impact of purchase accounting. The Company also presents Operational EBITDA expressed as a percentage of GAAP revenue, or Operational EBITDA margin. Operational EBITDA, along with its related measure, Operational EBITDA margin, does not represent, and should not be considered, an alternative to U.S. GAAP measurements such as net income or loss, and the Company's calculations thereof may not be comparable to similarly titled measures reported by other companies. By eliminating interest, income taxes, depreciation and amortization, Iridium NEXT revenue and expenses (for periods prior to the deployment of Iridium NEXT only), loss from investment in Aireon, share-based compensation expenses, and the impact of purchase accounting, the Company believes the result is a useful measure across time in evaluating its fundamental core operating performance. Management also uses Operational EBITDA to manage the business, including in preparing its annual operating budget, debt covenant compliance, financial projections and compensation plans. The Company believes that Operational EBITDA is also useful to investors because similar measures are frequently used by securities analysts, investors and other interested parties in their evaluation of companies in similar industries. However, there is no standardized measurement of Operational EBITDA, and Operational EBITDA as the Company presents it may not be comparable with similarly titled non-GAAP financial measures used by other companies. As indicated, Operational EBITDA does not include interest expense on borrowed money, the payment of income taxes, amortization of the Company's definite-lived intangible assets, or depreciation expense on the Company's capital assets, which are necessary elements of the Company's operations. It also excludes expenses in connection with the development, deployment and financing of Iridium NEXT and the loss from investment in Aireon. Since Operational EBITDA does not account for these and other expenses, its utility as a measure of the Company's operating performance has material limitations. Due to these limitations, the Company's management does not view Operational EBITDA in isolation but also uses other measurements, such as net income, revenues and operating profit, to measure operating performance. Please refer to the schedule below for a reconciliation of consolidated GAAP net income to Operational EBITDA and Iridium's Investor Relations webpage at www.iridium.com for a discussion and reconciliation of this and other non-GAAP financial measures.

Supplemental Reconciliation of GAAP Net Income to Operational EBITDA

	2014	2013
		(In thousands)
GAAP net income	\$23,039	\$15,585
Interest expense	162	202
Interest income	(1,178)	(643)
Income taxes	8,636	18,776
Depreciation and amortization	13,154	18,775
Iridium NEXT expenses (income), net	4,759	(3,956)
Loss from investment in Aireon	--	393
Share-based compensation	3,461	358
Non-cash purchase accounting	(250)	334
Operational EBITDA	\$51,783	\$49,824

Conference Call Information

As previously announced, the Company will host a conference call to discuss its results at 8:30 a.m. ET on Thursday, February 26, 2015. Callers should dial (877) 334-1964 (U.S. only) or (631) 291-4574 (from outside the U.S.) to access the call. The conference call ID is 35019804. The conference call will also be simultaneously webcast on Iridium's Investor Relations webpage at www.iridium.com. A replay of the conference call will be available beginning Thursday, February 26, 2015 through Thursday, March 5, 2015 at Iridium's Investor Relations webpage. Callers can also dial (855) 859-2056 (U.S. only) or (404) 537-3406, Access Code 35019804, for an audio replay of the conference call.

About Iridium Communications Inc.

Iridium® is the only mobile voice and data satellite communications network that spans the entire globe. Iridium enables connections between people, organizations and assets to and from anywhere, in real time. Together with its ecosystem of partner companies, Iridium delivers an innovative and rich portfolio of reliable solutions for markets that require truly global communications. The company has a major development program underway for its next-generation network - Iridium NEXT. Iridium Communications Inc. is headquartered in McLean, Va., U.S.A., and its common stock trades on the NASDAQ Global Select Market under the ticker symbol IRDM. For more information about Iridium products, services and partner solutions, visit www.iridium.com. IRDM-F

Forward-Looking Statements

Statements in this press release that are not purely historical facts may constitute forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding Iridium's expectations with respect to total service revenue growth and OEBITDA for the full-year 2015; compound annual service revenue growth, OEBITDA margin, cash taxes and leverage over the longer-term; the adequacy of funding for, development of and timing for launch of Iridium NEXT; anticipated equipment revenue; expected revenue from Iridium's contracts with the U.S. Department of Defense; and prospects for our maritime, M2M, aviation and commercial handset businesses. Forward-looking statements can be identified by the words "anticipates," "may," "can," "believes," "expects," "projects," "intends," "likely," "will," "to be" and other expressions that are predictions or indicate future events, trends or prospects. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause

the actual results, performance or achievements of Iridium to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, uncertainties regarding increases in customer demand for Iridium's products and services, including demand from the U.S. Government; Iridium's ability to maintain the health, capacity and content of its current satellite constellation; the development of and transition to Iridium NEXT, and the development of and market for Iridium's products and services, as well as general industry and economic conditions, and competitive, legal, governmental and technological factors. Other factors that could cause actual results to differ materially from those indicated by the forward-looking statements include those factors listed under the caption "Risk Factors" in the Company's Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission on February 26, 2015, as well as other filings Iridium makes with the SEC from time to time. There is no assurance that Iridium's expectations will be realized. If one or more of these risks or uncertainties materialize, or if Iridium's underlying assumptions prove incorrect, actual results may vary materially from those expected, estimated or projected. Iridium's forward-looking statements speak only as of the date of this press release, and Iridium undertakes no obligation to update forward-looking statements.

Iridium Communications Inc.			
Consolidated Statements of Operations			
(In thousands)			
	Three Months Ended December 31,		Not
	2014	2013	TI
Revenue:			
Service revenue			
Commercial	\$ 60,661	\$ 60,893	
Government	17,548	15,630	
Total service revenue	78,209	76,523	
Subscriber equipment	17,112	15,904	
Engineering and support service	5,190	5,780	
Total revenue	100,511	98,207	
Operating expenses:			
Cost of services (exclusive of depreciation and amortization)	14,780	15,888	
Cost of subscriber equipment sales	12,145	12,499	
Research and development	5,911	4,624	
Selling, general and administrative	22,680	20,164	
Depreciation and amortization	13,154	18,775	
Total operating expenses	68,670	71,950	
Operating profit (loss)	31,841	26,257	
Other (expense) income:			
Interest income (expense), net	1,016	441	

Undrawn credit facility fees	(1,412)	(1,706)
Other (expense) income, net	230	9,369
Total other (expense) income	(166)	8,104
Earnings (loss) before income taxes	31,675	34,361
Benefit from (provision for) income taxes	(8,636)	(18,776)
Net income (loss)	23,039	15,585
Series A Preferred Stock dividends	1,750	1,750
Series B Preferred Stock dividends	2,109	--
Net income attributable to common stockholders	\$ 19,180	\$ 13,835
Operational EBITDA	\$ 51,783	\$ 49,824

(1) The impact of purchase accounting on the carrying value of inventory, favorable lease assets, property and accruals of Iridium Communications Inc., was an increase of approximately \$19.8 million, \$0.2 million, \$348.2 million respectively, compared to Iridium Holdings LLC's balance sheet as of September 29, 2009. Similarly, Iridium Holdings LLC decreased by \$7.4 million. As a result of the effect of the purchase accounting, the decrease in the carrying value of inventory, the decrease in revenue, the impact of which was fully realized by December 31, 2013. In addition, the increase in the cost of services (exclusive of depreciation and amortization), which we expect will continue into future periods. The increase in equipment and intangible assets had the effect of increasing depreciation and amortization expense, which we expect will continue into future periods. The increase in favorable lease assets and related amortization thereof had the effect of increasing selling expense, which we expect will continue into future periods.

Iridium Communications Inc.			
Consolidated Statements of Operations			
(In thousands)			
	Year Ended December 31,		Non
	2014	2013	
Revenue:			
Service revenue			
Commercial	\$ 243,876	\$ 232,928	
Government	65,548	59,164	
Total service revenue	309,424	292,092	
Subscriber equipment	78,152	73,303	
Engineering and support service	20,981	17,254	
Total revenue	408,557	382,649	
Operating expenses:			
Cost of services (exclusive of depreciation and amortization)	62,085	59,346	
Cost of subscriber equipment sales	54,569	52,062	
Research and development	17,587	11,149	

Selling, general and administrative	78,636	75,218
Depreciation and amortization	72,769	74,980
Total operating expenses	285,646	272,755
Operating profit (loss)	122,911	109,894
Other (expense) income:		
Interest income (expense), net	3,640	2,276
Undrawn credit facility fees	(5,825)	(7,708)
Other (expense) income, net	(4,274)	6,003
Total other (expense) income	(6,459)	571
Earnings (loss) before income taxes	116,452	110,465
Benefit from (provision for) income taxes	(41,463)	(47,948)
Net income (loss)	74,989	62,517
Series A Preferred Stock dividends	7,000	7,000
Series B Preferred Stock dividends	5,320	--
Net income attributable to common stockholders	\$ 62,669	\$ 55,517
Operational EBITDA	\$ 216,500	\$ 201,086

(1) The impact of purchase accounting on the carrying value of inventory, favorable lease assets, property and accruals of Iridium Communications Inc., was an increase of approximately \$19.8 million, \$0.2 million, \$348.2 million respectively, compared to Iridium Holdings LLC's balance sheet as of September 29, 2009. Similarly, Iridium Holdings LLC's balance sheet decreased by \$7.4 million. As a result of the effect of the purchase accounting, the decrease in the carrying value of inventory, the decrease in revenue, the impact of which was fully realized by December 31, 2013. In addition, the increase in the cost of services (exclusive of depreciation and amortization), which we expect will continue into future periods. Equipment and intangible assets had the effect of increasing depreciation and amortization expense, which we expect will continue into future periods. The increase in favorable lease assets and related amortization thereof had the effect of increasing selling expense, which we expect will continue into future periods.

Iridium Communications Inc.

Summary Revenue and OEBITDA Highlights

	Three Months Ended December 31,		% Change	Year
	2014	2013		
	(In thousands)			
Revenue				
Service revenue ⁽¹⁾				
Commercial				
Voice and M2M data service				
Voice and data	\$ 45,695	\$ 48,378	-6%	
M2M data ⁽²⁾	14,966	12,515	20%	
Total commercial voice and M2M data service	60,661	60,893	0%	

Government service revenue ⁽³⁾	17,548	15,630	12%
Total service revenue	78,209	76,523	2%
Subscriber equipment	17,112	15,904	8%
Engineering and support ⁽⁴⁾			
Government	4,638	5,436	-15%
Commercial	552	344	60%
Total engineering and support	5,190	5,780	-10%
Total Revenue	\$ 100,511	\$ 98,207	2%
Operational EBITDA			
Operational EBITDA	\$ 51,783	\$ 49,824	4%
Other			
Capital expenditures ⁽⁵⁾	\$ 296,136	\$ 140,102	
Net debt ⁽⁶⁾	\$ 733,016	\$ 695,214	
Cash, cash equivalents, and marketable securities	\$ 472,385	\$ 262,989	
Credit Facility	\$ 1,291,401	\$ 1,039,203	

(1) Service revenue consists of primarily subscription-based services which often generate a long-term recurring revenue stream.

(2) M2M data service provides a two-way short burst data transmission between Iridium Communications Inc.'s customers and their devices. Customers may be located, for example, on a container in transit or a buoy monitoring oceanographic conditions.

(3) Government service revenue consists of voice and M2M data subscription-based services provided to agencies under direct prime contracts or subcontracts.

(4) Engineering and support includes maintenance services to the U.S. government's dedicated gateway in Hawaii and other customers in developing new technologies for use on Iridium Communications Inc.'s satellite system.

(5) Capital expenditures based on cash spent in the respective period.

(6) Net debt is calculated by taking the sum of the short term and long term debt less cash and cash equivalent and debt service reserve for the credit facility.

Iridium Communications Inc.

Subscriber Highlights

Billable Subscribers ⁽¹⁾	As of December 31,		% Change
	2014	2013	
	(In thousands, except ARPU)		
Commercial			
Voice and M2M data service			
Voice and data	354	340	4%
M2M data	325	273	19%
Total commercial voice and M2M data service	679	613	11%
Government			
Voice and M2M data service			
Voice and data	35	31	13%
M2M data	25	20	25%
Total government voice and M2M data service	60	51	18%
Total billable subscribers	739	664	11%

	Three Months Ended December 31,		% Change	Year
	2014	2013		
	(In thousands, except ARPU)			(In thousands)

Net Subscriber Additions

Commercial			
Voice and M2M data service			
Voice and data	(2)	(5)	60%
M2M data	12	14	-14%
Total commercial voice and M2M data service	10	9	11%
Government			
Voice and M2M data service			
Voice and data	1	(1)	200%
M2M data	2	1	100%
Total government voice and M2M data service	3	--	NM
Total billable subscribers	13	9	44%

ARPU ⁽²⁾	Three Months Ended December 31,		% Change	Year
	2014	2013		
Commercial				
Voice and data	\$ 43	\$ 47	-9%	
M2M data	\$ 16	\$ 16	0%	

(1) Subscribers as of the end of the respective period.

(2) ARPU is calculated as total revenue divided by the number of billable subscribers.

(2) ARPU is calculated by dividing the revenue in the respective period by the average of billable subscribers at billable subscribers at the end of the period and then dividing the results by the months in the period. Historical driven by changes in subscriber count or ARPU, however under the terms of the new EMSS contract, government unlimited subscribers. For this and future comparative periods, ARPU will not be presented, as it is no longer a metric.

NM - not meaningful

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