



Iridium Announces Third-Quarter 2014 Results; Company Raises 2014 Outlook

MCLEAN, Va., Oct. 30, 2014 (GLOBE NEWSWIRE) -- Iridium Communications Inc. (Nasdaq:IRDM) ("Iridium") today reported financial results for the third quarter of 2014 and raised its full-year 2014 outlook. Net income was \$20.4 million, or \$0.17 per diluted share, for the third quarter of 2014, as compared to \$16.6 million, or \$0.19 per diluted share, for the third quarter of 2013. Operational EBITDA ("OEBITDA")⁽¹⁾ for the third quarter was \$58.4 million, as compared to \$53.3 million for the prior-year period, representing a year-over-year increase of 10 percent and an OEBITDA margin⁽¹⁾ of 54 percent. OEBITDA grew largely due to higher service revenue.

Iridium reported third-quarter total revenue of \$107.5 million, which consisted of \$81.6 million of service revenue and \$25.9 million of equipment, engineering and support revenue. Total revenue increased 7 percent versus the comparable period of 2013, while service revenue grew 8 percent from the year-ago period. Service revenue, which represents primarily recurring revenue from Iridium's growing subscriber base, was 76 percent of total revenue for the third quarter of 2014.

The Company ended the quarter with 726,000 total billable subscribers, which compares to 655,000 for the year-ago period and is up from 705,000 for the quarter ended June 30, 2014. Total billable subscribers grew 11 percent year-over-year, driven by strength in machine-to-machine ("M2M") and commercial voice customers.

"We posted another good quarter today, while also raising our full-year 2014 outlook for service revenue and cash flow," said Matt Desch, CEO, Iridium. "Our M2M business continues to be the industry standard with double-digit subscriber and revenue growth, while our maritime business is again gaining ground, with Iridium OpenPort[®] revenue expanding 29 percent year-over-year. Iridium GO!™ has been an early market success, and a strong order book proves it, with more than 5,000 units already shipped. We're pleased that early indications suggest a higher ARPU for this product, showing that customers want to stay connected through their smartphones, tablets and other personal devices anywhere in the world."

Desch continued, "Our Iridium NEXT program continues to track toward its first scheduled launch in mid-2015, as we've achieved several key milestones during the last few months. The first satellite engineering model is complete and has been delivered to Iridium's Technical Support Center, enabling us to conduct a rigorous functionality and compatibility review with the entire network system. Final assembly of the first five space vehicles is underway at the Orbital Sciences factory in Arizona, and the first AireonSM payload has been delivered for testing and integration. Finally, we've completed work on our Launch & Early Operations Center, a significant piece of the ground-based infrastructure that will allow us to operate the new satellites as they become part of our mission constellation. Overall, we've had a rewarding year in both operating and strategic terms, and look ahead with confidence to our first Iridium NEXT launch."

Iridium Business Highlights

Service - Commercial

Commercial service remained the largest part of Iridium's business, representing 61 percent of the Company's total revenue during the third 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 \$65.6 million, a 7 percent increase from last year's comparable period, primarily supported by a gain in M2M data and voice subscribers and a non-recurring \$1.4 million prepaid airtime vouchers benefit.

Commercial voice and data subscribers increased 3 percent from the year-ago period to 356,000 customers. Commercial voice and data average revenue per user ("ARPU") was \$47 during the third quarter, unchanged from last year's comparable period. Commercial M2M data subscribers grew 21 percent from the year-ago period to 313,000 customers. Commercial M2M data ARPU was \$17 during the third quarter, unchanged from last year's comparable period.

Iridium's commercial business ended the quarter with 669,000 billable subscribers, which compares to 604,000 for the prior-year quarter and is up from 650,000 for the quarter ended June 30, 2014. M2M data subscribers represented 47 percent of billable commercial subscribers, an increase from 43 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 \$16.0 million, a 14 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 57,000 subscribers, which compares to 51,000 for the prior-year quarter and is up from 55,000 for the quarter ended June 30, 2014. M2M data subscribers increased 21 percent year-over-year and represented 40 percent of government subscribers, an increase from 37 percent at the end of the prior-year period.

Equipment

Equipment revenue was \$20.6 million during the third quarter, a 1 percent year-over-year gain. Revenue increased from the year-ago quarter primarily due to higher overall unit sales.

The Company's equipment revenue in 2014 is expected to be greater than it was in 2013.

Engineering & Support

Engineering and support revenue was \$5.4 million during the third quarter, up 9 percent from the prior-year period, primarily resulting from an increased scope of work for ongoing government projects.

Capital expenditures were \$36.9 million for the third quarter and primarily related to spending for the

Capital expenditures were \$600 million for the third 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 third quarter with a cash and marketable securities balance of \$523.1 million and gross debt of \$1.1 billion. Net debt was \$480.5 million.

2014 Outlook

The Company raised its full-year 2014 outlook for total service revenue growth and OEBITDA. The Company now expects:

Total service revenue growth between 5 percent and 6 percent for the full-year 2014

Full-year 2014 OEBITDA of approximately \$215 million. OEBITDA for 2013 was \$201.1 million.

2014 Outlook (July 2014)			
Total Service Revenue Growth	2% to 4%		
2014 Operational EBITDA (OEBITDA)	\$205 million to \$215 million		Approximately \$

Long-Range Outlook

The Company affirmed its long-range outlook for compound annual service revenue growth, OEBITDA margin, cash taxes, peak net leverage and 2018 net leverage. The Company continues to expect:

Compound annual service revenue growth between 8 percent and 12 percent between 2014 and 2018

OEBITDA margin of approximately 60 percent in 2018

Negligible cash taxes from 2014 to approximately 2020

Peak net leverage of approximately 6.5x OEBITDA in 2015

Net leverage of approximately 4x OEBITDA in 2018

Long-Range Outlook (July 2014)	
Compound Annual Service Revenue Growth	8% to 12% between 2014 and 2018
Operational EBITDA (OEBITDA) Margin	Approximately 60% in 2018
Cash Taxes	Negligible cash taxes from 2014 to approximately 2020
Peak Net Leverage	Approximately 6.5x OEBITDA in 2015

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 (which was previously included with Iridium NEXT revenue and expenses), 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 (which was previously included with Iridium NEXT revenue and expenses), 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 and 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

Iridium Communications Inc.			
	For the Three Months Ended September 30,		For the N
	2014	2013	2014
(In thousands)			
GAAP net income	\$20,388	\$16,585	\$51,950
Interest expense	388	142	792
Interest income	(1,650)	(699)	(3,416)
Income taxes	12,068	10,436	32,827
Depreciation and amortization	19,677	19,377	59,615

Iridium NEXT expenses, net	5,108	4,492	13,305
Loss from investment in Aireon	161	876	4,296
Share-based compensation	2,533	2,274	6,098
Non-cash purchase accounting	(250)	(157)	(750)
Operational EBITDA	\$58,423	\$53,326	\$164,717

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, October 30, 2014. 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 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, October 30, 2014 through Thursday, November 6, 2014 at Iridium's Investor Relations webpage. Callers can also dial (855) 859-2056 (U.S. only) or (404) 537-3406, Access Code 85590277, 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 2014; compound annual service revenue growth, OEBITDA margin, cash taxes and leverage over the longer-term; the 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 and M2M 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-Q for the quarter ended March 31, 2014, filed with the Securities and Exchange Commission on May 1, 2014, 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 September 30,	
	2014	2013
Revenue:		
Service revenue		
Commercial	\$ 65,568	\$ 61,339
Government	16,000	14,042
Total service revenue	81,568	75,381
Subscriber equipment	20,550	20,253
Engineering and support service	5,375	4,935
Total revenue	107,493	100,569
Operating expenses:		
Cost of services (exclusive of depreciation and amortization)	16,372	14,776
Cost of subscriber equipment sales	15,244	15,550
Research and development	4,910	3,125
Selling, general and administrative	18,277	18,290
Depreciation and amortization	19,677	19,377
Total operating expenses	74,480	71,118
Operating profit (loss)	33,013	29,451
Other (expense) income:		
Interest income (expense), net	1,262	557
Undrawn credit facility fees	(1,454)	(1,886)
Other (expense) income, net	(365)	(1,101)
Total other (expense) income	(557)	(2,430)
Earnings (loss) before income taxes	32,456	27,021
Benefit from (provision for) income taxes	(12,068)	(10,436)
Net income (loss)	20,388	16,585
Series A Preferred Stock dividends	1,750	1,750

Total engineering and support	5,375	4,935	9%	
Total Revenue	\$ 107,493	\$ 100,569	7%	\$ 3
<u>Operational EBITDA</u>				
Operational EBITDA	\$ 58,423	\$ 53,326	10%	\$ 3
<u>Other</u>				
Capital expenditures ⁽⁵⁾	\$ 36,856	\$ 111,757		\$ 3
Net debt ⁽⁶⁾	\$ 480,460	\$ 584,968		
Cash, cash equivalents, and marketable securities	\$ 523,080	\$ 270,322		
Credit Facility	\$ 1,089,540	\$ 936,290		
(1) Service revenue consists of primarily subscription-based services which often generate a long-term recurring				
(2) M2M data service provides a two-way short burst data transmission between Iridium Communications Inc.'s 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 agency prime contracts or subcontracts.				
(4) Engineering and support includes maintenance services to the U.S. government's dedicated gateway in Hawaii 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 equivalents debt service reserve for the credit facility.				
Iridium Communications Inc.				
Subscriber Highlights				
<u>Billable Subscribers</u> ⁽¹⁾	As of September 30,		% Change	
	2014	2013		
(In thousands, except ARPU)				
Commercial				
Voice and M2M data service				
Voice and data	356	345	3%	

M2M data	313	259	21%
Total commercial voice and M2M data service	669	604	11%

Government			
Voice and M2M data service			
Voice and data	34	32	6%
M2M data	23	19	21%
Total government voice and M2M data service	57	51	12%
Total billable subscribers	726	655	11%

	Three Months Ended September 30,		% Change	Nine Mon
	2014	2013		2013
	(In thousands, except ARPU)			(In thousands, except ARPU)

<u>Net Subscriber Additions</u>				
Commercial				
Voice and M2M data service				
Voice and data	4	2	100%	
M2M data	15	6	150%	
Total commercial voice and M2M data service	19	8	138%	
Government				
Voice and M2M data service				
Voice and data	1	(1)	200%	
M2M data	1	1	0%	
Total government voice and M2M data service	2	--	NM	
Total billable subscribers	21	8	163%	

<u>ARPU⁽²⁾</u>	Three Months Ended September 30,		% Change	Nine Mon
Commercial	2014	2013		2013
Voice and data	\$ 47	\$ 47	0%	
M2M data	\$ 17	\$ 17	0%	

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

(2) ARPU is calculated by dividing the revenue in the respective period by the average of billable subscribers at the end of the period and then dividing the results by the months in the period. Historical ARPU is 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 relevant metric.

NM - not meaningful

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