



## **Iridium Announces Second-Quarter 2018 Results; Company Raises 2018 Outlook**

- Accelerating Growth Propels Total Subscribers to 1.05 Million**
- 2018 Outlook for Service Revenue Growth Raised to 12% to 14%**
- 2018 Outlook for OEBITDA Raised to \$290 to \$300 Million**

MCLEAN, Va., July 31, 2018 /[PRNewswire](#)/ -- Iridium Communications Inc. (Nasdaq: IRDM) ("Iridium") today reported financial results for the second quarter of 2018 and raised its full-year 2018 outlook. Net loss was \$4.4 million, or \$0.06 per diluted share, for the second quarter of 2018, as compared to net income of \$24.8 million, or \$0.20 per diluted share, for the second quarter of 2017. This decrease in net income was primarily the result of a \$30.3 million increase in depreciation and amortization expense from the year-ago period, reflecting an increased number of Iridium NEXT satellites in service, and a one-time \$8.7 million, non-cash charge related to a state income tax law change that was enacted during the second quarter. Operational EBITDA ("OEBITDA")<sup>(1)</sup> for the second quarter was \$78.7 million, as compared to \$65.8 million for the prior-year period, representing a year-over-year increase of 20% and an OEBITDA margin<sup>(1)</sup> of 58%. OEBITDA benefitted from higher commercial service revenue and continued strength in equipment sales.

Iridium reported second-quarter total revenue of \$134.9 million, which consisted of \$104.0 million of service revenue and \$31.0 million of revenue related to equipment sales and engineering and support projects. Total revenue increased 21% versus the comparable period of 2017, while service revenue grew by 20% from the year-ago period. Service revenue, which represents primarily recurring revenue from Iridium's growing subscriber base, was 77% of total revenue for the second quarter of 2018.

The Company ended the quarter with 1,047,000 total billable subscribers, which compares to 913,000 for the year-ago period and is up from 996,000 for the quarter ended March 31, 2018. Total billable subscribers grew 15% year-over-year, driven by growth in IoT and government customers.

"We delivered another strong quarter with excellent subscriber additions and revenue growth across all commercial revenue lines," said Matt Desch, CEO, Iridium. Desch continued, "based upon sales momentum and the strong subscriber trends in the first half of the year, we are raising our full-year guidance for total service revenue and operational EBITDA."

Commenting on Iridium<sup>®</sup> NEXT, Desch said, "With three successful launches this year, we now have 65 Iridium NEXT satellites in orbit and expect to complete the launch program in the coming months. We anticipate that the new constellation will be fully deployed this year and begin delivering superior L-band broadband through our new Iridium Certus<sup>SM</sup> service."

### **Iridium Business Highlights**

#### **Service - Commercial**

Commercial service remained the largest part of Iridium's business, representing 61% of the Company's total revenue during the second 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 \$82.0 million, up 27% from last year's comparable period.
- Commercial voice and data subscribers were up 1% from the year-ago period to 364,000 customers. Commercial voice and data average revenue per user ("ARPU") increased during the second quarter to \$45 as a result of the rollout of new pricing plans. Commercial IoT data subscribers grew 25% from the year-ago period to 576,000 customers as a result of continued strength in consumer personal communications and tracking devices. Commercial IoT data ARPU declined to \$12 during the second quarter based upon the higher volume of lower ARPU plans.
- Iridium's commercial business ended the quarter with 940,000 billable subscribers, which compares to 821,000 for the year-ago period and is up from 892,000 for the quarter ended March 31, 2018. IoT data subscribers represented 61% of billable commercial subscribers at the end of the quarter, an increase from 56% at the end of the prior-year period.

- Hosted payload and other data service revenue increased by \$10.5 million, or 549%, from the prior year primarily due to increased hosting and data services and an increase in Satellite Timing and Location ("STL") services.

## **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 under two Defense Information Systems Agency ("DISA") contracts, which include a \$400 million, five-year, fixed-price agreement for satellite communications services and a \$38 million multi-year contract to support and maintain the Department of Defense's ("DoD") dedicated gateway.

- Government service revenue was \$22 million, consistent with the prior-year period, as the final step up in the fixed fee under the Company's airtime services contract with DISA occurred in 2015.
- Iridium's government business ended the quarter with 107,000 subscribers, which compares to 92,000 for the year-ago period and is up from 104,000 for the quarter ended March 31, 2018. Government voice and data subscribers increased 13% from the year-ago period to 54,000 as of June 30, 2018. IoT data subscribers increased 20% year-over-year and represented 50% of government subscribers, an increase from 48% at the end of the prior-year period.

## **Equipment**

- Equipment revenue was \$25.9 million during the second quarter, up 37% from the prior-year period.
- In light of continued strong demand for equipment in the first half of 2018, the Company now expects full-year equipment sales to exceed 2017 levels.

## **Engineering & Support**

- Engineering and support revenue was \$5.1 million during the second quarter, compared to \$6.1 million in the prior-year's quarter, primarily due to the episodic nature of commercial and government-sponsored projects.

Capital expenditures were \$132.1 million for the second quarter and primarily related to spending for the Company's next-generation satellite constellation, Iridium NEXT. The Company ended the second quarter with credit facility gross debt of \$1.8 billion and a cash and marketable securities balance of \$375.9 million. Net debt was \$1.6 billion, calculated as \$1.8 billion of credit facility gross debt and \$360.0 million of gross unsecured notes, less \$375.9 million of cash and marketable securities, as well as \$189.7 million in restricted cash.

## **2018 Outlook**

The Company raised its full-year 2018 outlook for total service revenue growth and OEBITDA. The Company now expects:

- Total service revenue growth between 12% and 14% for the full-year 2018 (previous outlook was between 10% and 12%).
- Full-year 2018 OEBITDA between \$290 million and \$300 million (previous outlook was between \$280 million and \$290 million). OEBITDA for 2017 was \$265.6 million.

## **Long-Range Outlook**

The Company updated its long-range outlook for peak net leverage, while affirming its guidance for total service revenue growth, OEBITDA margin, cash taxes and 2019 net leverage. Based on the expected 2018 Iridium NEXT system completion, the Company expects:

- Total service revenue of approximately \$440 million for the full-year 2019.
- OEBITDA margin of approximately 60% in 2019.
- Negligible cash taxes through approximately 2020.
- Peak net leverage of approximately 6.0x OEBITDA in 2018.
- Net leverage of approximately 4.5x OEBITDA in 2019.

## **(1) Non-GAAP Financial Measures & Definitions**

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, the impact of purchase accounting, and non-cash gain from the Boeing transaction. Iridium NEXT revenue and expenses were excluded from Operational EBITDA through 2017. In 2018, Iridium NEXT revenues and recurring Iridium NEXT expenses (recurring Iridium NEXT expenses are not part of the approximately \$3 billion construction cost of Iridium NEXT (the "Construction Costs")) will no longer be excluded in calculating Operational EBITDA. U.S. GAAP requires that certain of the Construction Costs be expensed. These Construction Costs, which beginning in 2018 principally consist of in-orbit insurance, will continue to be excluded from the calculation of Operational EBITDA through 2019. 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, the impact of purchase accounting, and non-cash gain from the Boeing transaction, 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](http://www.iridium.com) for a discussion and reconciliation of this and other non-GAAP financial measures. We do not provide a forward-looking reconciliation of expected full-year 2018 Operational EBITDA guidance as the amount and significance of special items required to develop meaningful comparable GAAP financial measures cannot be estimated at this time without unreasonable efforts.

Iridium Communications Inc.  
Supplemental Reconciliation of GAAP Net Income to Operational EBITDA  
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
GAAP net income (loss)	\$ (4,418)	\$ 24,778	\$ 7,054	\$ 6
Interest (income) expense, net	12,985	(831)	17,150	(1)
Income tax expense	7,843	11,740	11,682	3
Depreciation and amortization	50,491	20,201	88,956	3
Iridium NEXT expenses, net	8,593	5,687	15,169	
Share-based compensation	3,187	4,257	7,145	
Non-cash gain on Boeing transaction	-	-	-	(1)
Operational EBITDA	\$ 78,681	\$ 65,832	\$ 147,156	\$ 1

## Conference Call Information

As previously announced, the Company will host a conference call to discuss its results at 8:30 a.m. ET on Tuesday, July 31, 2018. Participants should dial (412) 317-5413 and ask to access the Iridium call. The conference call will also be simultaneously webcast on Iridium's Investor Relations webpage at <http://investor.iridium.com>. An archive of the webcast will be available following the live 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](http://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 2018; service revenue, OEBITDA margin, cash taxes and leverage over the longer-term; the timing of Iridium NEXT launches and the introduction of related services, including Iridium Certus, and anticipated equipment revenue. 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 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 manufacture and launch 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, 2017, filed with the Securities and Exchange Commission ("SEC") on February 22, 2018, and in the Company's Form 10-Q for the quarter ended June 30, 2018, filed with the SEC on July 31, 2018, 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 are based on information available to it as of the date of this press release and speak only as of the date of this press release, and Iridium undertakes no obligation to update forward-looking statements. ###*

Iridium Communications Inc.

Condensed Consolidated Statements of Operations

(In thousands)

	Three Months Ended June 30,	
	2018	2017
<b>Revenue</b>		
Service revenue		
	\$	\$
Commercial	81,966	64,623
Government	22,000	22,000
Total service revenue	103,966	86,623
Subscriber equipment	25,865	18,844
Engineering and support service	5,100	6,137
Total revenue	134,931	111,604
<b>Operating expenses</b>		
Cost of services (exclusive of depreciation and amortization)	22,644	21,368

Cost of subscriber equipment sales	15,619	10,868
Research and development	5,566	3,014
Selling, general and administrative	24,266	20,411
Depreciation and amortization	50,491	20,201
Total operating expenses	118,586	75,862
Operating income	16,345	35,742

**Other income (expense)**

Interest income (expense), net	(12,985)	832
Other income (expense), net	65	(56)
Total other income (expense), net	(12,920)	776

Income before income taxes	3,425	36,518
Income tax expense	(7,843)	(11,740)
Net income (loss)	(4,418)	24,778
Series A preferred stock dividends, undeclared	-	1,750
Series B preferred stock dividends, undeclared	2,109	2,109
	\$	\$
Net income (loss) attributable to common stockholders	(6,527)	20,919
	\$	\$
Operational EBITDA	78,681	65,832

Iridium Communications Inc.  
Condensed Consolidated Statements of Operations  
(In thousands)

	Six Months Ended June 30,	
	2018	2017
<b>Revenue</b>		
Service revenue		
Commercial	\$ 149,708	\$ 124,396
Government	44,000	44,000
Total service revenue	193,708	168,396
Subscriber equipment	51,647	35,958
Engineering and support service	8,724	11,676
Total revenue	254,079	216,030
<b>Operating expenses</b>		
Cost of services (exclusive of depreciation and amortization)	41,596	38,326
Cost of subscriber equipment sales	30,833	20,972
Research and development	10,149	6,241
Selling, general and administrative	46,761	39,628
Depreciation and amortization	88,956	33,708
Total operating expenses	218,295	138,875
Gain on Boeing transaction	-	14,189
Operating income	35,784	91,344
<b>Other income (expense)</b>		
Interest income (expense), net	(17,150)	1,665
Other income (expense), net	102	(143)
Total other income (expense), net	(17,048)	1,522
Income before income taxes	18,736	92,866
Income tax expense	(11,682)	(30,140)
Net income	7,054	62,726
Series A preferred stock dividends declared and paid excluding cumulative		

Series A preferred stock dividends, declared and paid excluding cumulative dividends	1,750	1,750
Series B preferred stock dividends, declared and paid excluding cumulative dividends	2,109	2,109
Series A preferred stock dividends, undeclared	-	1,750
Series B preferred stock dividends, undeclared	2,109	2,109
	<u>\$ 1,086</u>	<u>\$ 55,008</u>
Net income attributable to common stockholders		
	\$ 147,156	\$ 130,172
Operational EBITDA		

Iridium Communications Inc.

#### Summary Revenue and OEBITDA Highlights

(In thousands)

	Three Months Ended June 30,	
	2018	2017
<b>Revenue</b>		
Service revenue <sup>(1)</sup>		
Commercial		
Voice and data and IoT data service		
Voice and data	\$ 48,712	\$ 44,203
IoT data <sup>(2)</sup>	20,835	18,505
Hosted payload and other data service <sup>(3)</sup>	12,419	1,915
Total commercial data service	81,966	64,623
Government service revenue <sup>(4)</sup>	22,000	22,000
Total service revenue	103,966	86,623
Subscriber equipment	25,865	18,844
Engineering and support <sup>(5)</sup>		
Commercial	114	736
Government	4,986	5,401
Total engineering and support	5,100	6,137
Total revenue	<u>\$ 134,931</u>	<u>\$ 111,604</u>
<b>Operational EBITDA</b>		
Operational EBITDA	\$ 78,681	\$ 65,832
<b>Other</b>		
Capital expenditures <sup>(6)</sup>	\$ 132,070	\$ 119,228
Net debt <sup>(7)</sup>	\$ 1,568,197	\$ 1,308,479
Cash, cash equivalents, and marketable securities	\$ 375,944	\$ 356,521
Credit facility	\$ 1,773,869	\$ 1,800,000
Deferred financing costs	(94,204)	(111,580)
Credit facility, net	<u>\$ 1,679,665</u>	<u>\$ 1,688,420</u>

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

(2) IoT data service provides a two-way short burst data transmission between Iridium Communications Inc.'s network and a telemetry unit, which may

(3) Hosted payload and other services consist primarily of services that do not have traditional billable subscribers. Hosted payload services consist of primarily Iridium Communications Inc.'s one-way satellite timing, location, and authentication services (STL) which provides position, navigation and timing

- (4) Government service revenue consists of voice and IoT data subscription-based services provided to agencies of the U.S. government through prime
- (5) Engineering and support includes maintenance services to the U.S. government's dedicated gateway in Hawaii and engineering services to assist cu system.
- (6) Capital expenditures based on cash spent in the respective period.
- (7) Net debt is calculated by taking the sum of the gross credit facility and gross high yield notes, less cash and cash equivalents, marketable securities

Iridium Communications Inc.  
Subscriber Highlights  
(In thousands, except ARPU)

	As of June 30,			
	2018	2017	% Change	
<b>Billable Subscribers (1) (2)</b>				
Commercial				
Voice and data and IoT data service				
Voice and data	364	360	1%	
IoT data	576	461	25%	
Total commercial voice and data and IoT data service	940	821	14%	
Government				
Voice and data and IoT data service				
Voice and data	54	48	13%	
IoT data	53	44	20%	
Total government voice and data and IoT data service	107	92	16%	
Total billable subscribers	1,047	913	15%	
	Three Months Ended June 30,			Six Months Ended June 30,
	2018	2017	% Change	2018
<b>Net Billable Subscriber Additions From Prior Quarter</b>				
Commercial				
Voice and data and IoT data service				
Voice and data	10	9	11%	5
IoT data	38	29	31%	66
Total commercial voice and data and IoT data service	48	38	26%	71
Government				
Voice and data and IoT data service				
Voice and data	1	3	-67%	2
IoT data	2	3	-33%	5
Total government voice and data and IoT data service	3	6	-50%	7
Total net billable subscriber additions	51	44	16%	78
	Three Months Ended June 30,			Six Months Ended June 30,
	2018	2017	% Change	2018
<b>ARPU (2) (3)</b>				
Commercial				
Voice and data	\$ 45	\$ 41	10%	\$ 43
IoT data	12	14	-11%	12

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

(2) Billable subscriber and ARPU data is not applicable for Hosted payload and other data service revenue items and is excluded from presentation above.  
(3) Average monthly revenue per unit, or ARPU, is calculated by dividing revenue in the respective period by the average of the number of billable subs and the number of billable subscribers at the end of the period and then dividing the result by the number of months in the period.

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