



## **Iridium Announces First-Quarter 2016 Results; Company Affirms 2016 and Long-Range Outlook**

MCLEAN, Va., April 28, 2016 (GLOBE NEWSWIRE) -- Iridium Communications Inc.

(Nasdaq:IRDM) ("Iridium") today reported financial results for the first quarter of 2016 and affirmed its full-year 2016 and long-range outlook. Net income was \$28.5 million, or \$0.23 per diluted share, for the first quarter of 2016, as compared to \$21.0 million, or \$0.17 per diluted share, for the first quarter of 2015. Operational EBITDA ("OEBITDA")<sup>(1)</sup> for the first quarter was \$60.7 million, as compared to \$52.5 million for the prior-year period, representing a year-over-year increase of 16% and an OEBITDA margin<sup>(1)</sup> of 58%. OEBITDA grew primarily due to higher government service revenue and increased sales of subscriber equipment, as well as to lower manufacturing costs on certain product lines.

Iridium reported first-quarter total revenue of \$104.2 million, which consisted of \$79.8 million of service revenue and \$24.4 million of revenue related to equipment sales and engineering and support projects. Total revenue increased 7% versus the comparable period of 2015, while service revenue grew 6% 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 first quarter of 2016.

The Company ended the quarter with 788,000 total billable subscribers, which compares to 748,000 for the year-ago period and is up from 782,000 for the quarter ended December 31, 2015. Total billable subscribers grew 5% year-over-year, driven by growth in machine-to-machine ("M2M") and government customers.

"We delivered solid revenue growth in the first quarter and reaffirmed our full-year and long-range outlook, in spite of continued macro-economic headwinds affecting our commercial business," said Matt Desch, CEO, Iridium.

Commenting on Iridium NEXT, Desch said, "With our first launch with SpaceX this summer, our primary focus remains on constellation replacement and the introduction of new business services. The first Iridium NEXT satellites are now complete, and production is ramping up well. All the pieces of our program are coming together nicely as we enter our launch campaign."

### **Iridium Business Highlights**

## **Service — Commercial**

Commercial service remained the largest part of Iridium's business, representing 55% of the Company's total revenue during the first 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 \$57.8 million, up 1% from last year's comparable period.

Commercial voice and data subscribers decreased 1% from the year-ago period to 348,000 customers. Commercial voice and data average revenue per user ("ARPU") was unchanged from last year's comparable period at \$40. Commercial M2M data subscribers grew 9% from the year-ago period to 365,000 customers. Commercial M2M data ARPU was \$14 during the first quarter, compared to \$15 in last year's comparable period.

Iridium's commercial business ended the quarter with 713,000 billable subscribers, which compares to 685,000 for the year-ago period and is up from 710,000 for the quarter ended December 31, 2015. M2M data subscribers represented 51% of billable commercial subscribers at the end of the quarter, an increase from 49% 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 ("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, a 22% increase from the prior-year period, driven by the Company's airtime services contract with DISA.

Iridium's government business ended the quarter with 75,000 subscribers, which compares to 63,000 for the year-ago period and is up from 72,000 for the quarter ended December 31, 2015. Government

voice and data subscribers increased 14% from the year-ago period to 41,000 as of March 31, 2016. M2M data subscribers increased 26% year-over-year and represented 45% of government subscribers, an increase from 43% at the end of the prior-year period.

## **Equipment**

Equipment revenue was \$17.6 million during the first quarter, a 6% rise from the prior-year period. The Company does not expect equipment revenue to grow in 2016.

## **Engineering & Support**

Engineering and support revenue was \$6.8 million during the first quarter, compared to \$5.0 million in the prior-year's quarter, primarily due to an increase in government-sponsored projects.

Capital expenditures were \$75.8 million for the first quarter and primarily related to spending for the Company's next-generation satellite constellation, Iridium NEXT. The Company ended the first quarter with a cash and marketable securities balance of \$412.1 million and gross debt of \$1.6 billion. Net debt was \$1.1 billion, calculated as \$1.6 billion of gross debt, less \$0.4 billion of cash and marketable securities, as well as \$0.1 billion in restricted cash.

The Company's Credit Facility, net balance was \$1.5 billion in its Form 10-Q filing for the period ended March 31, 2016. This amount differed from the \$1.6 billion drawn against the Credit Facility through March 31, 2016 as a result of an update from the Financial Accounting Standards Board. Effective January 1, 2016, the Company adopted the new accounting standard requiring a company's debt balance be presented net of related debt issuance costs. As of March 31, 2016, the Company's debt issuance costs totaled approximately \$0.1 billion, decreasing the net Credit Facility balance to \$1.5 billion for purposes of presentation in the Company's balance sheet.

## **2016 Outlook**

The Company affirmed its full-year 2016 outlook for total service revenue growth and OEBITDA. The Company continues to expect:

Total service revenue growth between 4% and 6% for the full-year 2016.

Full-year 2016 OEBITDA between \$245 million and \$255 million. OEBITDA for 2015 was \$234.0 million.

	<b>2016 Outlook (February 2016)</b>
<b>Total Service Revenue Growth</b>	4% to 6%
<b>Operational EBITDA (OEBITDA)</b>	\$245 million to \$255 million

### Long-Range Outlook

The Company affirmed its long-range outlook for total service revenue growth, OEBITDA margin, cash taxes, peak net leverage and 2018 net leverage. Given the expected 2017 Iridium NEXT system completion, the Company continues to expect:

Total service revenue between \$420 million and \$465 million for the full-year 2018, an increase from \$317.0 million for the full-year 2015.

OEBITDA margin of approximately 60% in 2018.

Negligible cash taxes from 2016 to approximately 2020.

Peak net leverage of 6.0x to 6.5x OEBITDA in 2016.

Net leverage of approximately 4x OEBITDA in 2018.

	<b>Long-Range Outlook (February 2016)</b>
<b>Total Service Revenue</b>	\$420 million to \$465 million for the full-year 2018
<b>Operational EBITDA (OEBITDA) Margin</b>	Approximately 60% in 2018
<b>Cash Taxes</b>	Negligible cash taxes from 2016 to approximately 2020
<b>Peak Net Leverage</b>	6.0x - 6.5x OEBITDA in 2016
<b>2018 Net Leverage</b>	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. Iridium NEXT revenue and expenses are expected to be excluded from Operational EBITDA through 2016. In 2017, Iridium NEXT revenues are expected to exceed recurring Iridium NEXT expenses (recurring Iridium NEXT expenses are not part of the approximately \$3 billion construction cost of Iridium NEXT (the "Construction Costs")). Accordingly, the Company expects that beginning in 2017, Iridium NEXT revenues and these recurring expenses will no longer be excluded in calculating Operational EBITDA. U.S. GAAP requires that certain of the Construction Costs be expensed. These certain Construction Costs, which in 2017 and later will principally consist of in-orbit insurance, will continue to be excluded from the calculation of Operational EBITDA through 2018. 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](http://www.iridium.com) for a discussion and reconciliation of this and other non-GAAP financial measures.

	Supplemental Re	
	2016	
GAAP net income	\$	28,52
Interest expense		48
Interest income		(1,24
Income taxes		15,00
Depreciation and amortization		12,93
Iridium NEXT expenses, net		3,02
Share-based compensation		2,19
Non-cash purchase accounting		(20€
Operational EBITDA	\$	60,70€

### 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, April 28, 2016. Callers should dial (800) 708-4540 (U.S. only) or (847) 619-6397 (from outside the U.S.) to access the call. The conference call ID is 42146573. The conference call will also be simultaneously webcast on Iridium's Investor Relations webpage

at [www.iridium.com](http://www.iridium.com). An archived of the webcast will be available following the live conference call.

#### **About Iridium Communications Inc.**

Iridium<sup>®</sup> 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 2016; service revenue, OEBITDA margin, cash taxes and leverage over the longer-term; the development of and timing for launch and completion of Iridium NEXT; anticipated equipment revenue; and expected revenue from Iridium's contracts with the U.S. Department of Defense. 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 development 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, 2015, filed with the Securities and Exchange Commission ("SEC") on February 25, 2016, 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.

Consolidated Statements of Operations

(Dollars in thousands)

**Revenue**

Service revenue

Commercial

Government

Total service revenue

Subscriber equipment

Engineering and support service

Total revenue

**Operating expenses**

Cost of services (exclusive of depreciation and amortization)

Cost of subscriber equipment sales

Research and development

Selling, general and administrative

Depreciation and amortization

Total operating expenses

Operating income

**Other income (expense)**



**Other income (expense)**

Interest income, net
Undrawn credit facility fees
Other expense, net
Total other income
Income before income taxes
Provision for income taxes
Net income
Series A Preferred Stock dividends
Series B Preferred Stock dividends
Net income attributable to common stockholders

Operational EBITDA
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Iridium Communications Inc.  
Summary Revenue and OEBITDA Highlights  
(Dollars in thousands)


**Revenue**

Service revenue <sup>(1)</sup>
Commercial
Voice and M2M data service
Voice and data
M2M data <sup>(2)</sup>
Total commercial voice and M2M data service

Government service revenue <sup>(3)</sup>	
Total service revenue	
Subscriber equipment	
Engineering and support <sup>(4)</sup>	
Government	
Commercial	
Total engineering and support	
Total Revenue	\$
<b>Operational EBITDA</b>	
Operational EBITDA	\$
<b>Other</b>	
Capital expenditures <sup>(5)</sup>	\$
Net debt <sup>(6)</sup>	\$
Cash, cash equivalents, and marketable securities	\$
Credit facility	\$
Deferred financing costs	
Credit facility, net	\$

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

(2) M2M data service provides a two-way short burst data transmission between Iridium Communications Inc.'s network ; buoy monitoring oceanographic conditions.

(3) Government service revenue consists of voice and M2M data subscription-based services provided to agencies of the

(4) Engineering and support includes maintenance services to the U.S. government's dedicated gateway in Hawaii and e 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 credit facility, less cash and cash equivalents, marketable securities, a

Iridium Communications Inc.

Subscriber Highlights

(In thousands, except ARPU)

**Billable Subscribers (1)**

Commercial

Voice and M2M data service

Voice and data

M2M data

Total commercial voice and M2M data service

Government

Voice and M2M data service

Voice and data

M2M data

Total government voice and M2M data service

Total billable subscribers

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## Net Subscriber Additions

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### Commercial

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Voice and M2M data service

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Voice and data

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M2M data

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Total commercial voice and M2M data service

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### Government

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Voice and M2M data service

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Voice and data

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M2M data

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Total government voice and M2M data service

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Total billable subscribers

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## ARPU(2)

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### Commercial

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Voice and data

\$

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M2M data

\$

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(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 beginning and end of the period, then dividing the result by the months in the period. Non-subscriber generated revenue is excluded from the ARPU calculation. Historically, however, under the terms of the EMSS contract, government service revenue is a fixed-price for unlimited subscribers. For relevant government service revenue metric.

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