



# **WILLIAM BLAIR GROWTH STOCK CONFERENCE**

*JUNE 5, 2019*





# FORWARD LOOKING STATEMENTS

## Safe Harbor Statement

This presentation contains statements about future events and expectations known as “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Iridium Communications Inc. (“Iridium” or the “Company”) has based these statements on its current expectations and the information currently available to it.

Forward-looking statements in this presentation include statements regarding expected levered service revenue, Operational EBITDA, Operational EBITDA margin, capital expenditure and capex intensity, free cash flow, leveraged free cash flow and LFCF conversion, cash taxes and leverage levels; capital structure plans and expectations, including potential terms of a refinancing and potential returns to shareholders; expected capabilities and benefits of the new Iridium constellation; expected growth and competitive factor in the MSS industry; contracted U.S. government revenues; the market for and capabilities of new products and services, such as Iridium Certus®; the capabilities and benefits of and the market for the Aireon<sup>SM</sup> system; and the Aireon and Harris hosted payload’s financial impact on Iridium. Other 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 of 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 expected Operational EBITDA, growth in subscribers and revenue, levels of demand for mobile satellite services (MSS), the development of and market for the Aireon and Harris hosted payloads, the ability of Aireon to raise funds to pay its hosting fees, the development and demand for new products and services, including Iridium Certus broadband, and the Company’s ability to maintain the health, capacity and content of its satellite constellation, 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, 2018, filed with the SEC on February 28, 2019, 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof unless otherwise indicated. The Company undertakes no obligation to release publicly any revisions to any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.



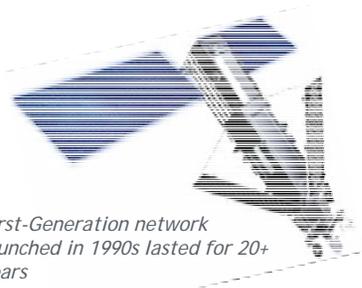
## NON-GAAP FINANCIAL MEASURES

### Non-GAAP Financial Measures

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. Beginning 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")) were no longer excluded in calculating Operational EBITDA. U.S. GAAP requires that certain of the Construction Costs be expensed. These certain Construction Costs, which beginning in 2018 principally consisted of in-orbit insurance, will continue to be excluded from the calculation of Operational EBITDA through the first quarter of 2020. 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. A reconciliation of consolidated GAAP net income to Operational EBITDA is in the attached appendix. 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 intangibles 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.



# A STARK FINANCIAL TRANSFORMATION IS UNDERWAY



First-Generation network launched in 1990s lasted for 20+ years



Iridium® NEXT Campaign Completed



Upgraded constellation fully deployed on February 5, 2019

## Business Fundamentals<sup>(1)</sup>

- Global Coverage
- One-of-a-kind Network Architecture (Unmatched by Competitors)
- Proven Track Record
  - ✓ >9% organic OEBITDA CAGR (2009 - 2018) to approximately \$300M
  - ✓ >1.1 million active users, including IoT (650k); Handsets (350k); Maritime vessels (10k)
  - ✓ Established, embedded U.S. DoD relationship
- Completed ~\$3B Iridium NEXT network replacement

## The Iridium NEXT Era



- Positioned for significant free cash flow post-Iridium NEXT "capex holiday"
  - Growth Augmented by Newly Addressable Markets
  - Hosted Payloads (Over \$1B in Value)
  - Iridium Certus® Broadband (\$700M Market Opportunity)
  - Iridium Certus Narrowband (Long-tailed Growth Platform)
  - Strongest Satellite Player in IoT Segment

(1) Reflects subscribers as of December 31, 2018.



## IRIDIUM'S NETWORK ARCHITECTURE PROVIDES A SUSTAINABLE COMPETITIVE ADVANTAGE

- A unique Low-Earth Orbit (LEO) constellation sets Iridium apart
  - LEO results in smaller antennas, lower latency and a better customer experience
- Only communications system with true global coverage
- Cross-linked and overlapping “mesh” architecture delivers superior availability, efficiency and reliability
- Upgraded Iridium satellites deliver significant improvements in quality and speeds for *specialty broadband*
- Iridium is complementary to coming, new LEO mega constellations offering *commodity broadband*



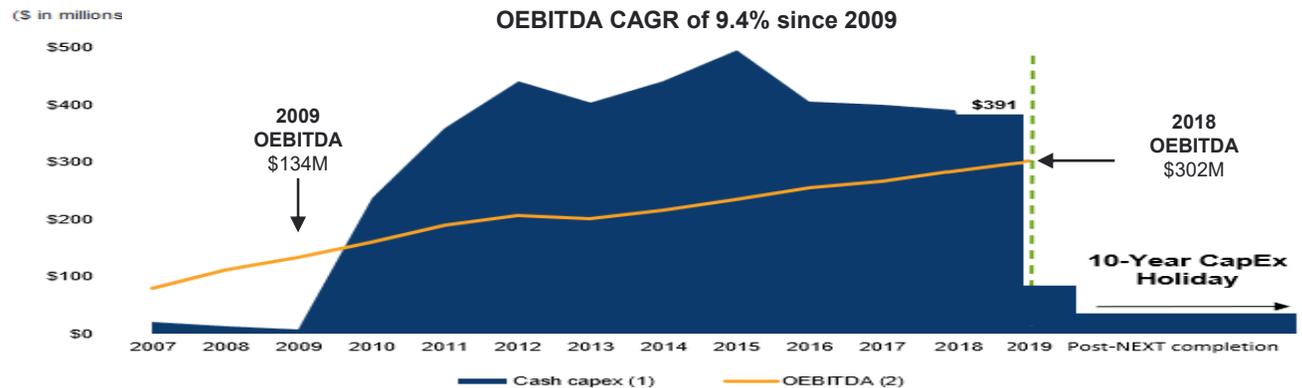
**Our satellite network provides a superior and differentiated experience for customers with true global coverage**



# UPGRADED CONSTELLATION SUPPORTS LONG-TERM GROWTH<sup>(1)</sup>

EXPECTED MATERIAL BENEFIT TO SHAREHOLDERS

**IRIDIUM NEXT**  
 Completed in February 2019  
 Design, Build and Launch of New Network Started in 2010  
 ~\$3 Billion Network Cost  
 Net Leverage Peaked in Q1'18



Note: Cash capex adjusted to exclude deferred capex / financing payments.

- (1) Guidance speaks only as of the date it was originally provided (April 23, 2019). Inclusion of guidance herein should not be interpreted as a re-affirmation by Iridium of its guidance. Iridium undertakes no obligation to update its guidance after the date it was originally provided.
- (2) 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; See OEBITDA reconciliation.



## SHIFTING DYNAMICS IN THE L-BAND MARKET FOR MOBILE SATELLITE SERVICES (MSS)

### 2018 MSS Market Share

- Total market revenue: \$1.5 billion<sup>(1)</sup>
- Iridium's Service Revenue is growing faster than rest-of-market<sup>(2)</sup>
- MSS industry revenue CAGR of 4% expected between 2017 and 2027<sup>(3)</sup>

Inmarsat  
57%

Iridium  
26%

Thuraya  
6%

Globalstar  
8%

Orbcomm  
2%

Ligado  
1%

- (1) Market share estimates from *Satellite Mobility Perspectives*, Telecom, Media & Finance Associates (October 2018)
- (2) Iridium Service Revenue 10-year CAGR was 8.2% through 2018
- (3) Sourced from Northern Sky Research (2018)



# EXPANSIVE DISTRIBUTION NETWORK DRIVES HIGH MARGINS



## 400+ Partner Ecosystem: *An Engine of Innovation*

- Wholesale distribution model lowers costs and risks
- Extensive channel of hundreds of distribution partners
- Partners develop specialty products for their customer segments
- Hundreds of applications targeting key vertical markets



# GROWING END-USER DEVICE PORTFOLIO DRIVES GROWTH





## FIRST QUARTER 2019 FINANCIAL PERFORMANCE

	Q1'19 Financial Results (\$M)	Year-Over-Year Growth (%)
Total Service Revenue	\$107.0	19%
<i>Commercial Revenue</i>	<i>\$85.0</i>	<i>25%</i>
<i>Government Revenue</i>	<i>\$22.0</i>	<i>Unchanged</i>
Equipment Revenue	\$21.0	-19%
Engineering & Support Revenue	\$5.7	58%
OEBITDA	\$78.0	14%
OEBITDA Margin	58%	vs. 57%
Total Subscribers	1,151,000	16%



## 2019 FINANCIAL GUIDANCE<sup>(1)</sup>

Metrics	2019	Year-Over-Year Change (%)
Total Service Revenue	~\$440M	Up ~8%
Operational EBITDA (OEBITDA)	\$325M – \$335M	Up 9% <sup>(3)</sup>
Cash Taxes	Negligible through approximately 2023	N/A
Net Leverage <sup>(2)</sup>	~4.5x	Down ~0.7x

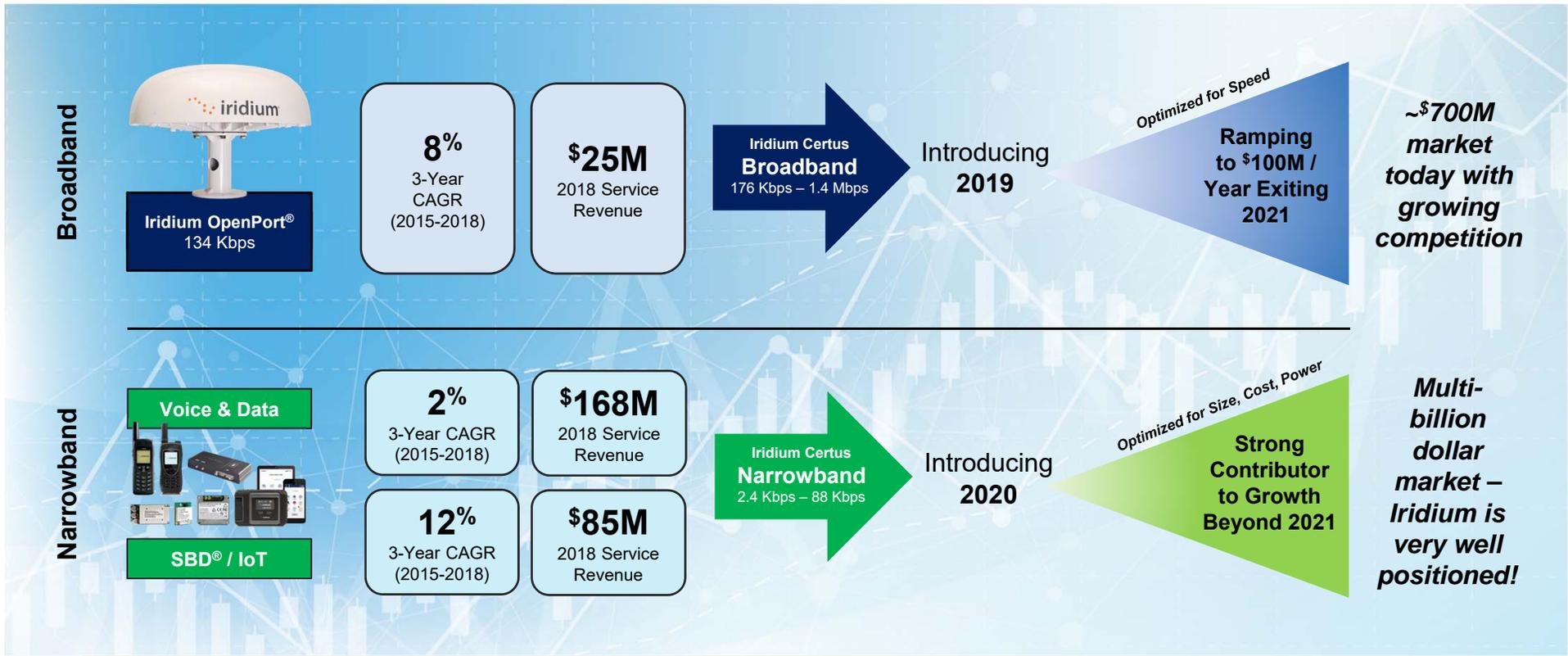
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(2) At year-end, expect ~4.75 times OEBITDA if refinancing of BPI facility is completed (as a result of transaction costs).

(3) 2019 estimates 9% growth to mid-point of guidance originally provided on April 23, 2019.



# IRIDIUM CERTUS: A FLEXIBLE PLATFORM FOR GROWTH





# IRIDIUM CERTUS IS FASTER, SMALLER, LIGHTER AND LESS EXPENSIVE THAN THE COMPETING PRODUCT



## SAILOR 4300

## SAILOR 500



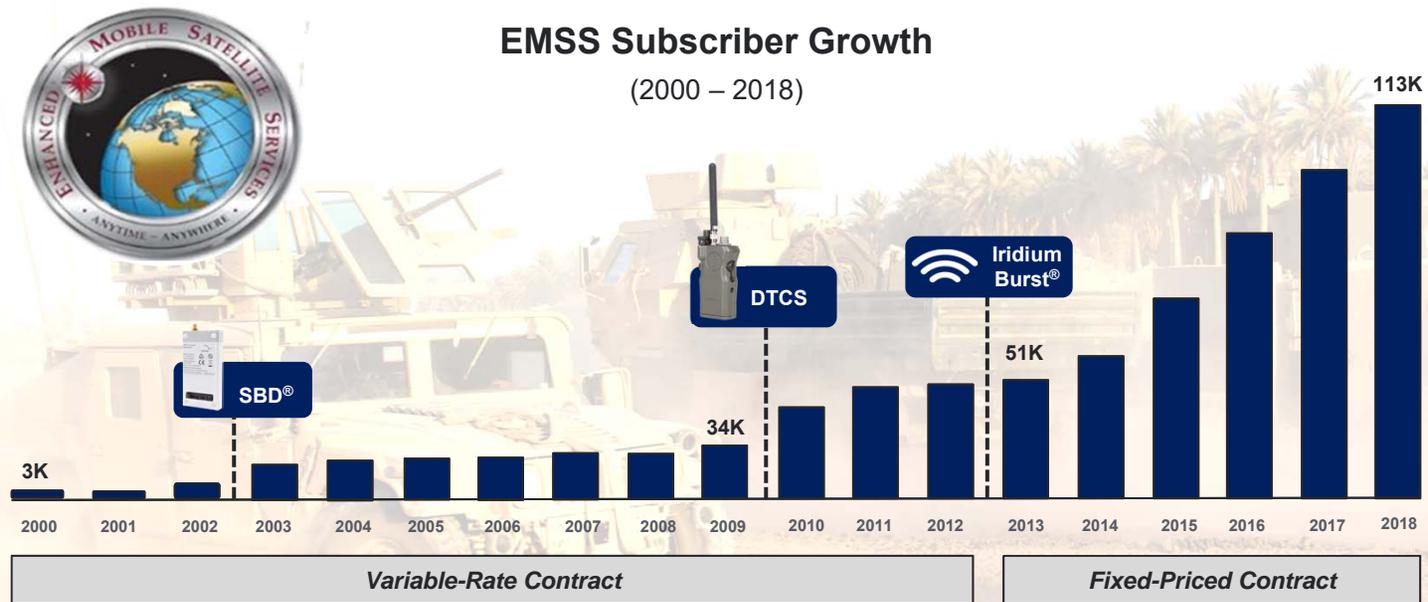
SAILOR 4300 (Iridium)	Antenna Comparison <sup>(1)</sup>	SAILOR 500 (Inmarsat)
25.3 cm	Antenna Height	79.7 cm
38 cm	Antenna Diameter	68.7 cm
8 kg	Weight	16 kg
Iridium Certus	Service Comparison <sup>(2)</sup>	FleetBroadband 500
Up to 704 Kbps	Connection Speeds	Up to 432 Kbps
True Global Coverage	Coverage	Not Global
L-Band	Spectrum	L-Band

(1) Comparison and technical specifications based upon Cobham product sheets for SAILOR 4300 (Iridium Certus) and SAILOR 500 FleetBroadband.

(2) References Iridium Certus broadband by 2019 and Inmarsat FleetBroadband 500.



# HISTORICAL GROWTH UNDER ENHANCED MOBILE SATELLITE SERVICES (EMSS)



**Steady Growth and a Proven Track Record of Success Under the EMSS Program**



# THE AIREON OPPORTUNITY



**Delivering the only real-time aircraft surveillance service – an annual addressable market opportunity approaching \$750M**

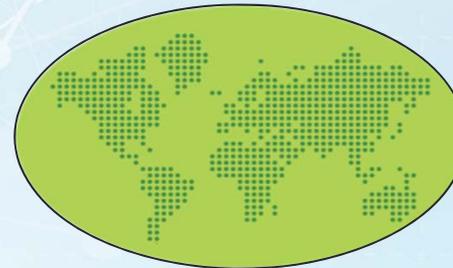
- Aireon has signed 11 long-term data service agreements with ANSPs
- Aireon has signed Memorandums of Agreement covering more than 30 countries
- Aireon's six equity investors include some of the largest ANSPs in the world



PRE-AIREON  
GLOBAL  
SURVEILLANCE  
COVERAGE  
30%

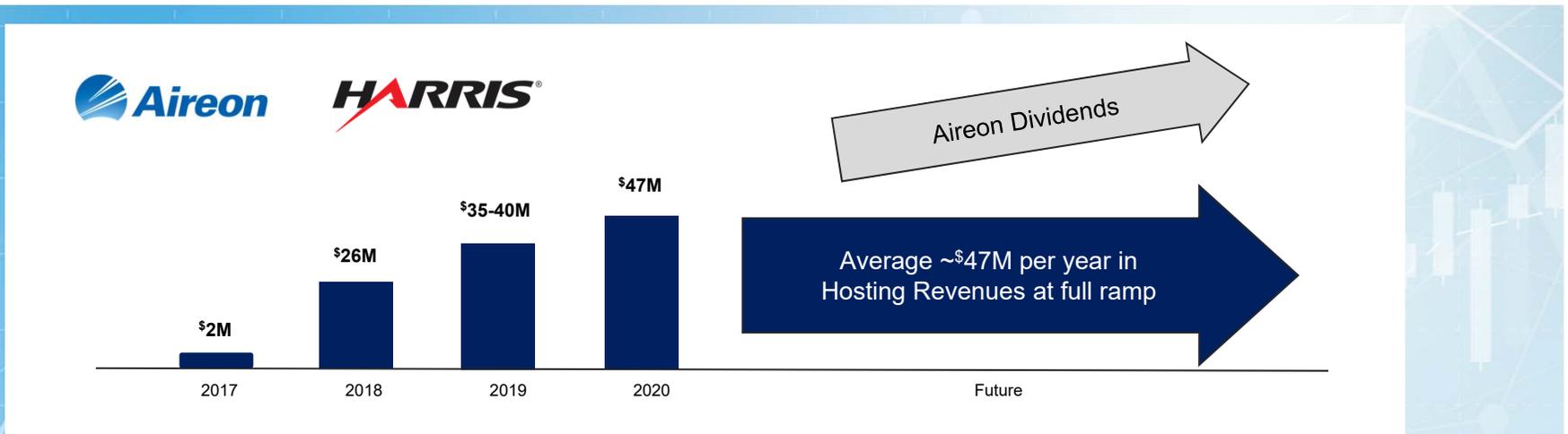


AIREON  
GLOBAL  
COVERAGE  
100%





## HOSTED PAYLOAD: HISTORICAL PERFORMANCE & FUTURE PROSPECTS



- Expect Aireon to pay material dividends no later than 2024
- Eventually Aireon annual dividends are projected to exceed Aireon hosting revenues
- Iridium will own approximately 22% of Aireon post-redemption of \$120M equity
- Aireon Total Addressable Market of \$750M and EBITDA margins projected to exceed Iridium's over the long term



# IRIDIUM CAPITAL STRUCTURE ROAD MAP



(1) HY references 10.25% high yield notes.



## COMPARISON OF TERMS

**Exploring refinance of BPIAE facility (export credit), pending market conditions, with a pre-determined accordion to refinance the HY bond<sup>(1)</sup> in spring 2020 (post non-call period)**

- Potential Term Loan B: approximately \$1.5B for 7-year term
- Revolver: approximately \$100M for 5-year term
- Accordion provides added capacity to take out high-yield debt
- 1% annual amortization with bullet at maturity

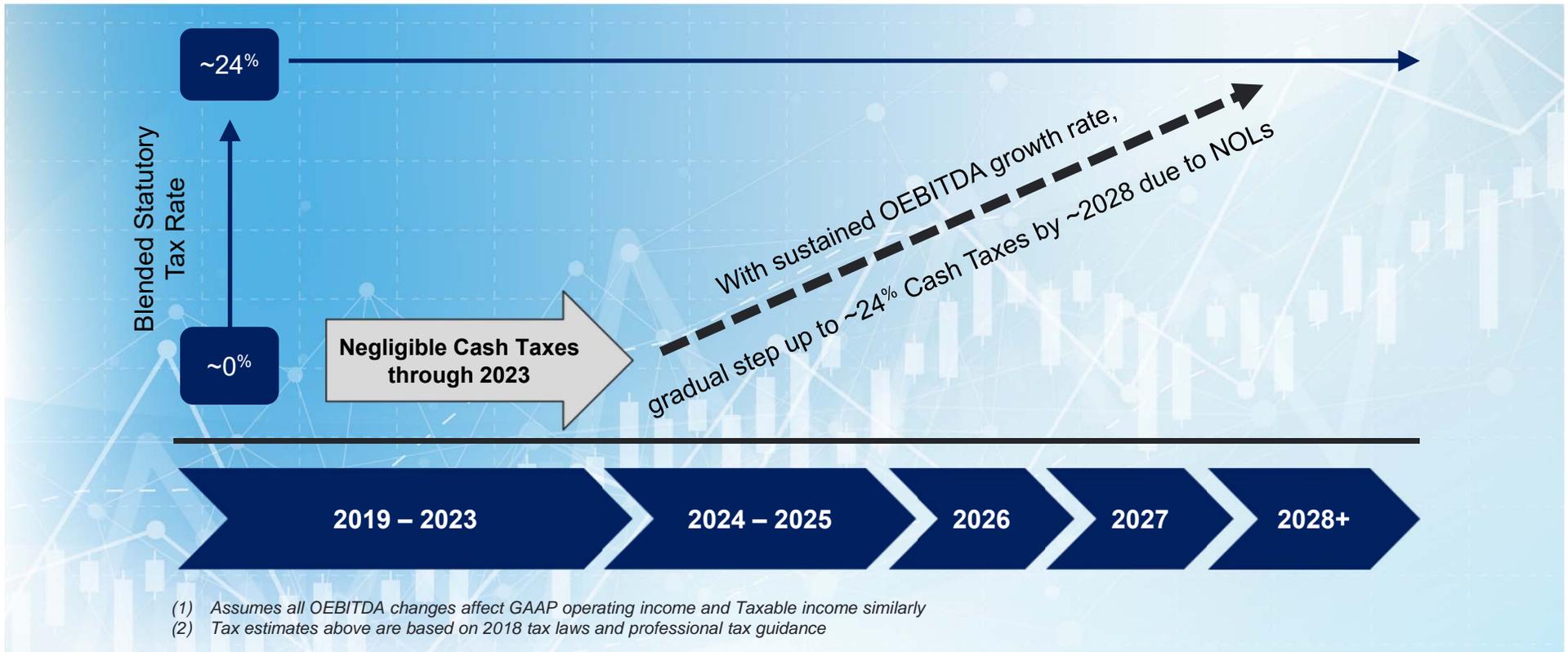
	Existing BPIAE	Potential Term Loan B
Amortization	2019 – 7%   2020 – 12% 2021 – 17%   2022 – 17%   2023 – 20% 2024 – 23%	1% per year; bullet at maturity
Financial Maintenance Covenants	7.64x net leverage stepping to 2.0x; 1.25x to 1.5x DSCR	N/A - Covenant-lite
Restricted Payments/ Dividends	Minimal Flexibility	Carve-Outs for Restricted Payments

### Improved Flexibility via Capital Structure Migration

(1) HY references 10.25% high yield notes.



# ESTIMATED CASH TAXES



(1) Assumes all OEBITDA changes affect GAAP operating income and Taxable income similarly  
(2) Tax estimates above are based on 2018 tax laws and professional tax guidance



# INVESTMENT HIGHLIGHTS<sup>(1)</sup>



## Superior Operating Performance

- OEBITDA CAGR >9% since 2009
- Monetizing new capabilities enabled by upgraded constellation
- Capitalizing on IoT opportunities



## Strong Cash Flow Conversion

- 10+ year CapEx holiday
- Negligible cash taxes through 2023 and gradual step-up thereafter due to NOLs



## Flexible Allocation of Capital

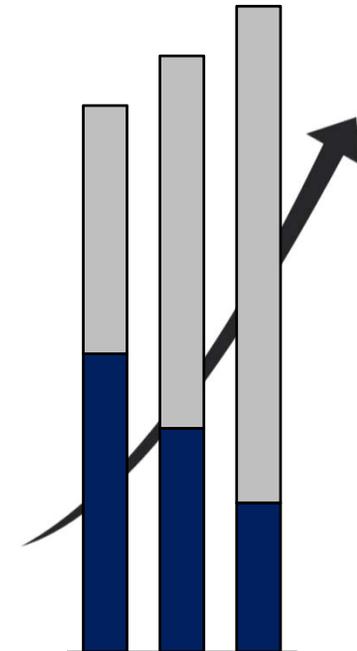
- Continued deleveraging
- Return capital to shareholders
- 2.5x – 3.5x target net leverage



## Maximizing Shareholder Returns

- **Path to ~\$2B in capital returns through 2025**
- ~61% of current market cap<sup>(2)</sup> *pro forma for conversion of preferred*

**Rare Combination of Growth and Levered Free Cash Flow**



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(2) *Market capitalization as of 3/31/19.*



## LEVERED FREE CASH FLOW 2019 NORMALIZED & FUTURE GROWTH

(\$ Millions, Except per Share)	2019 Normalized Outlook
OEBITDA (2019 Guidance Midpoint)	\$330
Iridium CapEx (Non-Iridium NEXT)	(\$35)
Working Capital (expected \$5M to \$10M annual range)	(\$8)
Interest <sup>(1)</sup>	(\$120)
Cash Taxes	\$0
LFCF	\$165 - 170
LFCF/Share <sup>(2)</sup>	\$1.23 - \$1.27
LFCF Yield <sup>(3)</sup>	~5%
LFCF Conversion	>50%

**With CapEx holiday and cash tax profile, LFCF grows materially faster than OEBITDA**

(1) Cash Interest based on currently outstanding debt

(2) Per share data based on ~134M Fully-Diluted Common Shares Outstanding (pro forma for 3/31/19 conversion of Preferred, Options and RSUs)

(3) Yield based on \$26.44 Iridium (IRDM) share price at 3/31/19 less ~\$2 value per share from Aireon



# MORE COMPARABLE TO FIBER & TOWER SECTORS THAN SATELLITE PEERS



## Factors Affecting Valuation in Each Sector

- ✓ Traditionally high CapEx creates barriers to entry
- ✓ Generally high margins reflect wholesale model focused on reselling capacity, including long-term contracts with customers
- ✗ Competition from terrestrial providers
- ✗ Commodity bandwidth pricing pressure
- ✗ Declining demand in largest revenue segment - video

- ✓ Recurring revenue
- ✓ High capital requirements and regulatory oversight create high barriers to entry
- ✓ Strong industry growth and increased demand

- ✓ Recurring revenue
- ✓ Significant cash flow generation driven by high growth, operating leverage, growing margins and low CapEx and taxes
- ✓ High barriers to entry
- ✓ Significant and growing market potential

- ✓ Long-term contractual revenues (including escalator)
- ✓ High cash flow conversion due in part to the REIT status
- ✓ High capital requirements and regulatory oversight create high barriers to entry
- ✓ Demand for mobility data creating favorable industry tailwinds

(1) EBITDA multiples represent Enterprise values as of 4/25/19 divided by 2019 projected EBITDA; IRDM enterprise value based on ~134M fully-diluted shares outstanding (proforma for conversion of Preferred, Options & RSU's as of 3/31/19) and excludes ~\$2 per share value from Aireon



# IRIDIUM'S ATTRACTIVE FINANCIAL PROFILE

	Other Satellite Services	Fiber	 iridium	Tower REITs
2018/2019 EBITDA Growth <sup>(a)</sup>	(-1%)	6%	9%	3%
2018 EBITDA Margins <sup>(b)</sup>	60%	44%	>57% (and expanding)	64%
CapEx Intensity <sup>(c)</sup>	29%	19%	<7% (and contracting)	18%
LFCF Yield <sup>(d) (e)</sup>	5%	3%	~5%	4%
LFCF Conversion (LFCF / EBITDA) <sup>(d)</sup>	21%	32%	50%+ (and expanding)	43%

Notes: Comps = Avg. for sector: Satellite includes SATS, I, SES, ETL, ISAT; Tower REITs include AMT, CCI, SBAC; Fiber includes ZAYO and CCOI.

(a) IRDM OEBITDA growth based on 2019 guidance midpoint.

(b) IRDM 2018 OEBITDA Margin.

(c) IRDM CapEx intensity = normalized Non-Iridium NEXT CapEx of \$35M (during CapEx holiday) / 2018 Revenue; Comps = projected 2019 CapEx (avg. 2019-21 CapEx for Satellite Services comps) / projected 2019 revenue.

(d) IRDM LFCF = 2019 midpoint OEBITDA less \$35M normalized Non-Iridium NEXT Capex less \$8M working capital less \$120M projected interest expense based on currently outstanding debt; Comps LFCF = estimated consensus 2019 Operating Cash Flow less 2019 CapEx (avg. 2019-21 CapEx for Satellite Services comps).

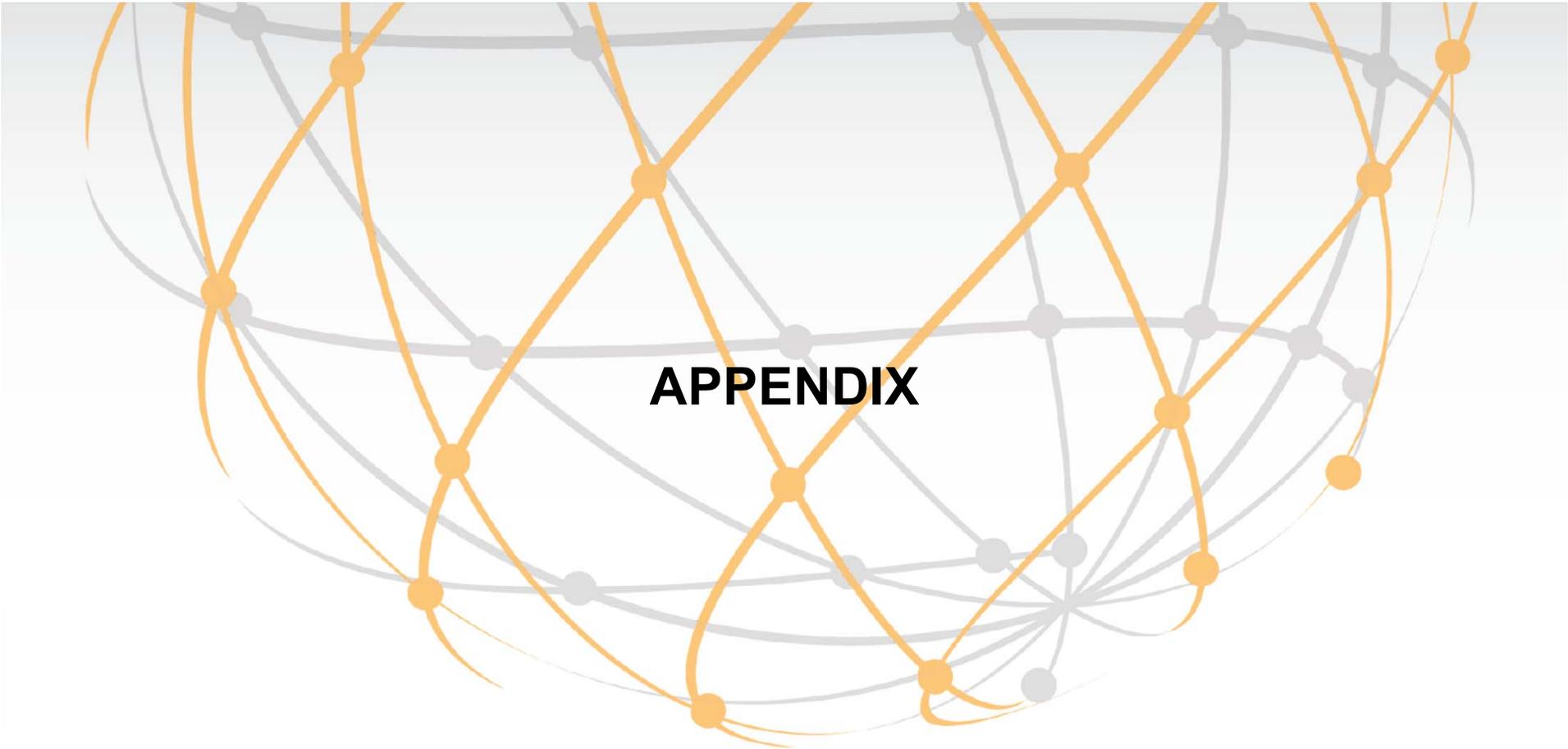
(e) IRDM LFCF Yield = IRDM LFCF per share (at 134M FDSO proforma for conversion of preferred) / \$26.44 share price at 3/31/19 less \$2 / share attributable to Aireon stake; Comps= projected 2019 OCF less 2019 CapEx (avg. 2019-21 CapEx for Satellite Services comps) / 3/31/19 market capitalization; Represents AFFO yield for Tower REITs.

Source: Wall Street Research, FactSet



## WELL POSITIONED FOR GROWTH AND SHAREHOLDER RETURNS

- Unique network architecture and L-band spectrum sustain position in a market with high barriers to entry
- Strong business fundamentals and new revenue streams drive top- and bottom-line growth
  - 78% of total revenue is recurring service revenue
- Poised to capture market share with new satellite network and 2019 launch of fastest broadband L-band service in industry
- Global ecosystem of distribution partners drives subscriber growth and margin expansion in wholesale business
- Capex holiday creates growing free cash flow and potential benefit for shareholders



# APPENDIX



## NON-GAAP FINANCIAL MEASURES

**Iridium Communications Inc.**  
Reconciliation of GAAP Net Income to Operational EBITDA  
*(\$ in thousands)*

	For the Year Ended December 31,				
	2014	2015	2016	2017	2018
GAAP net income	\$ 74,989	\$ 7,123	\$ 111,032	\$ 233,856	\$ (13,384)
Impairment of goodwill	-	87,039	-	-	-
Adjusted net income	74,989	94,162	111,032	233,856	(13,384)
Interest income, net	(3,640)	(3,069)	(2,934)	(4,328)	62,441
Income taxes	41,463	65,992	67,133	(114,284)	(7,265)
Depreciation and amortization	72,769	51,834	49,394	122,266	218,207
EBITDA	185,581	208,919	224,625	237,510	259,999
Iridium NEXT expenses, net	18,064	17,296	16,732	23,316	27,606
Loss from investment in Aireon	4,296	-	-	-	-
Share-based compensation	9,559	8,602	13,689	15,806	14,408
Purchase accounting adjustments	(1,000)	(775)	(825)	-	-
Gain on Boeing transaction	-	-	-	(11,003)	-
Operational EBITDA	<u>\$ 216,500</u>	<u>\$ 234,042</u>	<u>\$ 254,221</u>	<u>\$ 265,629</u>	<u>\$ 302,013</u>



# **IRIDIUM COMMUNICATIONS INC.**

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