



Iridium Announces Second-Quarter 2014 Results; Company Affirms 2014 and Long-Range Outlook

MCLEAN, Va., July 31, 2014 (GLOBE NEWSWIRE) -- Iridium Communications Inc. (Nasdaq:IRDM) ("Iridium") today reported financial results for the second quarter of 2014 and affirmed its full-year 2014 and long-range outlook. Net income was \$15.0 million, or \$0.14 per diluted share, for the second quarter of 2014, as compared to \$15.4 million, or \$0.18 per diluted share, for the second quarter of 2013. Operational EBITDA ("OEBITDA")⁽¹⁾ for the second quarter was \$54.7 million, as compared to \$51.1 million for the prior-year period, representing a year-over-year increase of 7 percent and an OEBITDA margin⁽¹⁾ of 53 percent. OEBITDA grew largely due to higher service revenue.

Iridium reported second-quarter total revenue of \$102.5 million, which consisted of \$76.2 million of service revenue and \$26.3 million of equipment, engineering and support revenue. Total revenue increased 8 percent versus the comparable period of 2013, while service revenue grew 7 percent from the year-ago period. Service revenue, which represents primarily recurring revenue from Iridium's growing subscriber base, was 74 percent of total revenue for the second quarter of 2014.

The Company ended the quarter with 705,000 total billable subscribers, which compares to 647,000 for the year-ago period and is up from 674,000 for the quarter ended March 31, 2014. Total billable subscribers grew 9 percent year-over-year, driven by strength in machine-to-machine ("M2M") and commercial voice customers.

"This was another good quarter across the board," said Matt Desch, CEO, Iridium. "It comes on top of achieving our most significant financial objective for 2014 with our credit facility amendment and related capital raise. We again have a strong funding profile during the peak spending years for our Iridium NEXT program, and the needed flexibility to execute our operating plan with less than a year to go before our first scheduled launch in 2015. I thank our lenders and shareholders for supporting a successful transaction and look forward to the transformational change we expect in our cash flow profile."

Desch continued, "We've made progress in key strategic areas, with both the Iridium NEXT build and our Aireon joint venture having reached important milestones. For example, our first test call using Iridium NEXT hardware was successfully conducted earlier this month, while the highly sophisticated main mission antennas ("MMAs") were completed for the first five satellites, allowing our prime contractor, Thales Alenia Space, to move forward with high-volume production for all 81 space vehicles. Our primary launch services provider, SpaceX, also successfully completed dispenser qualification testing for the Iridium NEXT constellation, marking an important step in ensuring that the new satellites are safely delivered into low-earth orbit. As for Aireon, I'm pleased that it met the requirements for additional investments from NAV CANADA and its European partners, respectively. With milestones complete for nearly \$200 million of its \$270 million total funding commitment from its other investors, Aireon is demonstrating continued momentum in deploying the world's first near real-time global aircraft surveillance system."

Desch concluded, "From an operating standpoint, we affirmed our 2014 and long-range outlook for all key metrics today. Total service revenue grew 7 percent versus last year, with our M2M business line leading the way posting 17 percent year-over-year growth. Iridium GO!™ is now shipping, and we're pleased with the volume of initial orders. We're also seeing renewed growth with Iridium OpenPort®, which is an important barometer of our prospects in the aviation and maritime markets."

Service - Commercial

Commercial service remained the largest part of Iridium's business, representing 59 percent 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 \$60.2 million, a 6 percent increase from last year's comparable period, primarily supported by a gain in M2M data and voice subscribers.

Commercial voice and data subscribers increased 3 percent from the year-ago period to 352,000 customers. Commercial voice and data average revenue per user ("ARPU") was \$44 during the second quarter, unchanged from last year's comparable period. Commercial M2M data subscribers grew 18 percent from the year-ago period to 298,000 customers. Commercial M2M data ARPU was \$17 during the second quarter, unchanged from last year's comparable period.

Iridium's commercial business ended the quarter with 650,000 billable subscribers, which compares to 596,000 for the prior-year quarter and is up from 621,000 for the quarter ended March 31, 2014. M2M data subscribers represented 46 percent of billable commercial subscribers, an increase from 42 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 deal to support and maintain the Department of Defense's ("DoD") dedicated gateway.

Government service revenue was \$16.0 million, an 11 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 55,000 subscribers, which compares to 51,000 for the prior-year quarter and is up from 53,000 for the quarter ended March 31, 2014. M2M data subscribers increased 22 percent year-over-year and represented 40 percent of government subscribers, an increase from 35 percent at the end of the prior-year period.

Equipment

Equipment revenue was \$20.3 million during the second quarter, a 3 percent year-over-year increase. Revenue grew 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 due to higher overall unit sales.

Engineering & Support

Engineering and support revenue was \$6.0 million during the second quarter, up 72 percent from the prior-year period, primarily resulting from an increased scope of work for ongoing government projects.

Capital expenditures were \$49.6 million for the second 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 second quarter with a cash and marketable securities balance of \$500.5 million and gross debt of \$1.1 billion. Net debt was \$500.4 million.

2014 Outlook

The Company affirmed its full-year 2014 outlook for total service revenue growth and OEBITDA. The Company continues to expect:

Total service revenue growth between 2 percent and 4 percent for the full-year 2014

Full-year 2014 OEBITDA between \$205 million and \$215 million. OEBITDA for 2013 was \$201.1 million.

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

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 (May 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
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

Supplemental measures to help investors evaluate the Company's management operations and 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 June 30,		For
	2014	2013	2012
	(In thousands)		
GAAP net income	\$15,019	\$15,413	
Interest expense	304	174	
Interest income	(1,029)	(815)	
Income taxes	10,170	11,187	
Depreciation and amortization	19,672	18,597	
Iridium NEXT expenses, net	5,057	3,968	
Loss from investment in Aireon	3,827	560	
Share-based compensation	1,895	2,179	
Non-cash purchase accounting	(250)	(176)	
Operational EBITDA	\$54,665	\$51,087	

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, July 31, 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, July 31, 2014 through Thursday, August 7, 2014 at Iridium's Investor Relations webpage. Callers can also dial (855) 859-2056 (U.S. only) or (404) 537-3406, Access Code 53094284, 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 and cash taxes in 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; projected cash needs and cash flow changes; introduction of new products and prospects for our maritime and M2M businesses; Aireon funding tranches; and the deployment and expected benefits of the Aireon system. 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, including expanded capacity and features; the completion of funding milestones for, and the development and deployment of, the Aireon system, 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 June 30,	
	2014	2013
Revenue:		
Service revenue		
Commercial	\$ 60,217	\$ 56,996
Government	16,000	14,405
Total service revenue	76,217	71,401
Subscriber equipment	20,333	19,815
Engineering and support service	5,971	3,468
Total revenue	102,521	94,684
Operating expenses:		
Cost of services (exclusive of depreciation and amortization)	16,730	14,206
Cost of subscriber equipment sales	13,268	12,893
Research and development	4,645	1,741
Selling, general and administrative	18,493	18,399
Depreciation and amortization	19,672	18,597
Total operating expenses	72,808	65,836
Operating profit (loss)	29,713	28,848
Other (expense) income:		
Interest income (expense), net	725	641
Undrawn credit facility fees	(1,460)	(2,020)
Other (expense) income, net	(3,789)	(869)
Total other (expense) income	(4,524)	(2,248)
Earnings (loss) before income taxes	25,189	26,600
Benefit from (provision for) income taxes	(10,170)	(11,187)
Net income (loss)	15,019	15,413
Series A Preferred Stock dividends	1,750	1,750
Series B Preferred Stock dividends	1,102	--
Net income attributable to common stockholders	\$ 12,167	\$ 13,663
Operational EBITDA	\$ 54,665	\$ 51,087

(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. 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)		
	Six Months Ended June 30,	
	2014	2013
Revenue:		
Service revenue		
Commercial	\$ 117,647	\$ 110,696
Government	32,000	29,492
Total service revenue	149,647	140,188
Subscriber equipment	40,490	37,146
Engineering and support service	10,416	6,539
Total revenue	200,553	183,873
Operating expenses:		
Cost of services (exclusive of depreciation and amortization)	30,933	28,682
Cost of subscriber equipment sales	27,180	24,013
Research and development	6,766	3,400
Selling, general and administrative	37,679	36,764
Depreciation and amortization	39,938	36,828
Total operating expenses	142,496	129,687
Operating profit (loss)	58,057	54,186
Other (expense) income:		
Interest income (expense), net	1,362	1,278
Undrawn credit facility fees	(2,959)	(4,116)
Other (expense) income, net	(4,139)	(2,265)
Total other (expense) income	(5,736)	(5,103)

Earnings (loss) before income taxes	52,321	49,083
Benefit from (provision for) income taxes	(20,759)	(18,736)
Net income (loss)	31,562	30,347
Series A Preferred Stock dividends	3,500	3,500
Series B Preferred Stock dividends	1,102	--
Net income attributable to common stockholders	\$ 26,960	\$ 26,847
Operational EBITDA	\$ 106,294	\$ 97,936

(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 as of September 29, 2009 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 and administrative expense, which we expect will continue into future periods.

Iridium Communications Inc.

Summary Revenue and OEBITDA Highlights

	Three Months Ended June 30,		% Change	Six Months Ended June 30,
	2014	2013		2014
	(In thousands)			(In thousands)

Revenue

Service revenue⁽¹⁾

Commercial

Voice and M2M data service

Voice and data	\$ 45,711	\$ 44,648	2%	\$ 89,359
M2M data ⁽²⁾	14,506	12,348	17%	26,854
Total commercial voice and M2M data service	60,217	56,996	6%	116,213

Government service revenue ⁽³⁾	16,000	14,405	11%	30,405
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Total service revenue	76,217	71,401	7%	146,618
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Subscriber equipment	20,333	19,815	3%	39,148
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Engineering and support⁽⁴⁾

Government	5,524	2,767	100%	
Commercial	447	701	-36%	
Total engineering and support	5,971	3,468	72%	1
Total Revenue	\$ 102,521	\$ 94,684	8%	\$ 20

Operational EBITDA

Operational EBITDA	\$ 54,665	\$ 51,087	7%	\$ 10
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Other

Capital expenditures ⁽⁵⁾	\$ 49,554	\$ 132,444		\$ 10
Net debt ⁽⁶⁾	\$ 500,438	\$ 510,363		
Cash, cash equivalents, and marketable securities	\$ 500,487	\$ 275,689		
Credit Facility	\$ 1,084,425	\$ 853,552		

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

(2) M2M data service provides a two-way short burst data transmission between Iridium Communications Inc.'s satellite system and ground stations which 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 and customers through prime contracts or subcontracts.

(4) Engineering and support includes maintenance services to the U.S. government's dedicated gateway in Hawaii and assistance to assist 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 and the debt service reserve for the credit facility.

Iridium Communications Inc.

Subscriber Highlights

<u>Billable Subscribers ⁽¹⁾</u>	As of June 30,		% Change
	2014	2013	
(In thousands, except ARPU)			

(In thousands, except ARPU)			
Commercial			
Voice and M2M data service			
Voice and data	352	343	3%
M2M data	298	253	18%
Total commercial voice and M2M data service	650	596	9%
Government			
Voice and M2M data service			
Voice and data	33	33	0%
M2M data	22	18	22%
Total government voice and M2M data service	55	51	8%
Total billable subscribers	705	647	9%

	Three Months Ended June 30,		% Change	Six Months Ended
	2014	2013		2014
	(In thousands, except ARPU)			(In thousands, except ARPU)

Net Subscriber Additions

Commercial				
Voice and M2M data service				
Voice and data	14	11	27%	12
M2M data	15	15	0%	25
Total commercial voice and M2M data service	29	26	12%	37
Government				
Voice and M2M data service				
Voice and data	1	(1)	-200%	2
M2M data	1	1	0%	2
Total government voice and M2M data service	2	--	NM	4
Total billable subscribers	31	26	19%	41

<u>ARPU⁽²⁾</u>	Three Months Ended June 30,		% Change	Six Months Ended
	2014	2013		2014
Commercial				
Voice and data	\$ 44	\$ 44	0%	\$ 43
M2M data	\$ 17	\$ 17	0%	\$ 16

(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 period and billable subscribers at the end of the period and then dividing the results by the months in the period. Service revenue was driven by changes in subscriber count or ARPU, however under the terms of the new FMSS

service revenue was driven by changes in subscriber counts of ARPU; however, under the terms of the new price service revenue is a fixed-price for unlimited subscribers. For this and future comparative periods, ARPU will not longer a relevant government service revenue metric.

NM - not meaningful

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