



## Iridium Announces Second-Quarter 2023 Results; Reports Record Operational EBITDA

MCLEAN, Va., July 25, 2023 /PRNewswire/ -- Iridium Communications Inc. (Nasdaq: IRDM) ("Iridium"), a leading provider of global voice and data satellite communications, today reported financial results for the second quarter of 2023 and reiterated its full-year 2023 outlook. Net loss was \$30.7 million, or \$0.24 per diluted share, for the second quarter of 2023, as compared to net income of \$4.6 million, or \$0.04 per diluted share, for the second quarter of 2022. Operational EBITDA ("OEBITDA")<sup>(1)</sup> for the second quarter was \$115.8 million, as compared to \$105.9 million for the prior-year period, representing a year-over-year increase of 9%. The net loss was primarily the result of the write-off of Iridium's remaining ground spare satellite following the successful launch of five of its six ground spare satellites in May. This charge offset the benefits of strong revenue growth in Iridium's Commercial Service lines and an increase in Engineering and Support revenue.

Iridium reported second-quarter total revenue of \$193.1 million, which consisted of \$145.1 million of service revenue and \$48.0 million of revenue related to equipment sales and engineering and support projects. Total revenue increased 10% versus the comparable period of 2022, while service revenue grew 9% from the year-ago period. Service revenue, which represents primarily recurring revenue from Iridium's growing subscriber base, was 75% of total revenue for the second quarter of 2023.

The Company ended the quarter with 2,140,000 total billable subscribers, which compares to 1,875,000 for the year-ago period and is up from 2,051,000 for the quarter ended March 31, 2023. Total billable subscribers grew 14% year-over-year, driven by growth in commercial IoT.

"We had another great quarter of double-digit growth in subscribers and commercial service revenue, which drove record operational EBITDA," said Matt Desch, CEO, Iridium. Desch added, "Iridium's strong cash flow continues to support ongoing business investment and the return of capital to our shareholders."

### 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 \$118.6 million, up 12% from last year's comparable period due to broad-based growth across all revenue lines.
  - Commercial voice and data: Revenue was \$55.0 million, up 13% from the year-ago period. Subscribers grew 3% from the year-ago period to 405,000. Average revenue per user ("ARPU") was \$46 during the second quarter, compared to \$42 in the prior-year period, due to higher access fees.
  - Commercial IoT data: Revenue was \$34.6 million, up 13% from the year-ago period. Subscribers grew 19% from the year-ago period to 1,578,000 customers, driven by continued growth in consumer personal communications devices. ARPU was \$7.48 in the second quarter, compared to \$7.96 in last year's comparable period. The decrease in ARPU resulted primarily from shifting mix of subscribers using lower ARPU plans, including personal communications subscribers.
  - Commercial broadband: Revenue was \$14.0 million, up 16% from \$12.1 million in the year-ago period on increasing activations of Iridium Certus® broadband service. ARPU was \$296 during the second quarter, compared to \$292 in last year's comparable period, reflecting an increasing mix of broadband subscribers using Iridium Certus.
- Iridium's commercial business ended the quarter with 1,999,000 billable subscribers, which compares to 1,731,000 for the prior-year quarter and is up from 1,912,000 for the quarter ended March 31, 2023. IoT data subscribers represented 79% of billable commercial subscribers at the end of the quarter, an increase from 76% at the end of the prior-year period.

• United States and other data service revenue remained consistent at \$15.1 million in the second

- Hosted payload and other data service revenue remained consistent at \$15.1 million in the second quarter compared to the year-ago period.

## **Service - U.S. 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.

Under Iridium's Enhanced Mobile Satellite Services contract (the "EMSS Contract"), a seven-year, \$738.5 million fixed-price airtime contract with the U.S. Space Force signed in September 2019, Iridium provides specified satellite airtime services, including unlimited global standard and secure voice, paging, fax, Short Burst Data<sup>®</sup>, Iridium Burst<sup>®</sup>, RUDICS and Distributed Tactical Communications System services for an unlimited number of Department of Defense and other federal government subscribers. Iridium also provides maintenance and support work for the U.S. government's dedicated Iridium gateway under two other contracts with the U.S. Space Force. Iridium Certus airtime services are not included under these contracts and may be procured separately for an additional fee.

- Government service revenue remained flat at \$26.5 million in the second quarter, reflecting the contractual rate in the EMSS Contract.
- Iridium's U.S. government business ended the quarter with 141,000 subscribers, which compares to 144,000 for the prior-year quarter and 139,000 for the quarter ended March 31, 2023. Government voice and data subscribers decreased 3% from the year-ago period to 60,000 as of June 30, 2023. Government IoT data subscribers decreased 1% year-over-year and represented 57% of government subscribers at quarter-end.

## **Equipment**

- Equipment revenue was \$27.4 million in the second quarter, down 19% compared to \$33.8 million in the prior-year quarter.
- For full year 2023, the Company expects equipment sales in line with 2022's record level.

## **Engineering & Support**

- Engineering and support revenue was \$20.6 million during the second quarter, compared to \$8.3 million in the prior-year quarter, due to a rise in both government and commercial activity.
- The Company expects Engineering and Support revenue in 2023 to be higher than 2022 primarily due to the full year impact of the Space Development Agency contract, which was granted in mid-2022.

Capital expenditures were \$22.4 million for the second quarter, including \$1.3 million in capitalized interest. In May, Iridium successfully launched five of its remaining ground spares to enhance the redundancy of its global satellite network. Capital expenditures associated with this launch were less than \$40 million, including about \$6.0 million in the second quarter. The Company ended the second quarter with gross debt of \$1.5 billion and a cash and cash equivalents balance of \$103.5 million, for a net debt balance of \$1.4 billion, representing net leverage of 3.1 times OEBITDA.

Iridium paid its second dividend of \$0.13 per common share on June 30, 2023. Dividends through the second quarter of 2023 have resulted in \$32.7 million in payments to stockholders.

During the quarter, the Company repurchased approximately 1.1 million shares of its common stock under its previously announced share repurchase program at a total purchase price of \$66.1 million. As of June 30, 2023, \$60.4 million remained available and authorized for repurchase under this program through December 31, 2023.

## **2023 Outlook**

The Company reiterated its full-year 2023 outlook:

- Total service revenue growth between 9% and 11% for full-year 2023. Total service revenue for 2022 was \$534.7 million.
- Full-year 2023 OEBITDA between \$455 million and \$465 million. OEBITDA for 2022 was \$424.0 million.
- Negligible cash taxes in 2023. Cash taxes are expected to be negligible through approximately 2024.
- Net leverage of between 2.5 and 3.5 times OEBITDA at the end of 2023, assuming the completion of the Company's total \$600.0 million share repurchase authorization and the payment of four

quarters of dividends. Net leverage was 3.2 times OEBITDA at December 31, 2022.

## (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, which is a non-GAAP financial measure, as a supplemental measure to help investors evaluate the Company's fundamental operational performance. Operational EBITDA represents earnings before interest, income taxes, depreciation and amortization, income (loss) on equity method investments, net, and share-based compensation expenses. Such charges are incidental to, but not reflective of, the Company's day-to-day operating performance. Operational EBITDA does not represent, and should not be considered, an alternative to U.S. GAAP measurements such as net income or loss. In addition, there is no standardized measurement of Operational EBITDA, and the Company's calculations thereof may not be comparable to similarly titled measures reported by other companies. The Company believes Operational EBITDA 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. 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. 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 (loss), 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 2023 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 (Loss) to Operational EBITDA  
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
GAAP net income (loss)	\$ (30,741)	\$ 4,557	\$ (20,966)	\$ 7,381
Interest expense, net	18,723	14,780	36,613	29,357
Income tax (benefit) expense	(5,211)	1,242	(10,664)	3,066
Depreciation and amortization	114,569	75,681	190,388	151,342
Share-based compensation	16,795	9,685	29,557	18,005
Loss on equity method investments	1,677	—	2,832	—
Operational EBITDA	<u>\$ 115,812</u>	<u>\$ 105,945</u>	<u>\$ 227,760</u>	<u>\$ 209,151</u>

## Conference Call Information

As previously announced, the Company will host a conference call to discuss its results at 8:30 a.m. Eastern Time on Tuesday, July 25, 2023. Callers should dial 1-412-902-6740 to access the call. The conference call will also be simultaneously webcast on Iridium's Investor Relations webpage at [www.iridium.com](http://www.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. In 2019, the company completed a generational upgrade of its satellite network and launched its new specialty broadband service, Iridium Certus. 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).

## 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, OEBITDA, net leverage and cash taxes for 2023; cash taxes over the longer-term; anticipated equipment sales and engineering and support service revenue for 2023; amount and timing of share repurchases, the payment of dividends, and expected revenues from its EMSS contract with the U.S. government. 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 satellite constellation, 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, 2022, filed with the Securities and Exchange Commission ("SEC") on February 16, 2023, 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,	
	2023	2022
<b>Revenue</b>		
Service revenue		
Commercial	\$ 118,642	\$ 106,361
Government	26,500	26,500
Total service revenue	145,142	132,861
Subscriber equipment	27,376	33,759
Engineering and support service	20,590	8,299
Total revenue	193,108	174,919
<b>Operating expenses</b>		
Cost of services (exclusive of depreciation and amortization)	35,432	25,320
Cost of subscriber equipment sales	16,113	21,471
Research and development	5,626	2,986
Selling, general and administrative	37,339	28,662
Depreciation and amortization	114,569	75,681
Total operating expenses	209,079	154,120
Operating income (loss)	(15,971)	20,799
<b>Other expense, net</b>		
Interest expense, net	(18,723)	(14,780)
Other income (expense), net	419	(220)
Total other expense, net	(18,304)	(15,000)
Income (loss) before income taxes	(34,275)	5,799
Income tax benefit (expense)	5,211	(1,242)
Loss on equity method investments	(1,677)	—
Net income (loss)	\$ (30,741)	\$ 4,557
Operational EBITDA	\$ 115,812	\$ 105,945

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

	Six Months Ended June 30,	
	2023	2022
<b>Revenue</b>		
Service revenue		
Commercial	\$ 231,491	\$ 205,970
Government	53,000	53,000
Total service revenue	284,491	258,970
Subscriber equipment	69,052	67,503
Engineering and support service	44,838	16,665
Total revenue	398,381	343,138
<b>Operating expenses</b>		
Cost of services (exclusive of depreciation and amortization)	72,037	49,418
Cost of subscriber equipment sales	43,252	41,976
Research and development	9,504	5,605
Selling, general and administrative	76,023	54,765
Depreciation and amortization	190,388	151,342
Total operating expenses	391,204	303,106
Operating income	7,177	40,032
<b>Other expense, net</b>		
Interest expense, net	(36,613)	(29,357)
Other income (expense), net	638	(228)
Total other expense, net	(35,975)	(29,585)
Income (loss) before income taxes	(28,798)	10,447
Income tax benefit (expense)	10,664	(3,066)
Loss on equity method investments	(2,832)	—
Net income (loss)	(20,966)	7,381
Operational EBITDA	\$ 227,760	\$ 209,151

Iridium Communications Inc.  
Summary Revenue and OEBITDA Highlights  
(In thousands)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Char
<b>Revenue</b>						
Service revenue <sup>(1)</sup>						
Commercial service revenue						
Voice and data	\$ 54,957	\$ 48,482	13 %	\$ 107,405	\$ 93,365	15
IoT data <sup>(2)</sup>	34,561	30,630	13 %	66,511	59,071	13
Broadband <sup>(3)</sup>	14,028	12,097	16 %	27,476	23,611	16
Hosted payload and other data service <sup>(4)</sup>	15,096	15,152	0 %	30,099	29,923	1
Total commercial service revenue	118,642	106,361	12 %	231,491	205,970	12
Government service revenue <sup>(5)</sup>	26,500	26,500	— %	53,000	53,000	0
Total service revenue	145,142	132,861	9 %	284,491	258,970	10
Subscriber equipment	27,376	33,759	-19 %	69,052	67,503	2
Engineering and support <sup>(6)</sup>						
Commercial	1,737	1,386	25 %	7,423	2,497	197
Government	18,853	6,913	173 %	37,415	14,168	164
Total engineering and support	20,590	8,299	148 %	44,838	16,665	169
Total revenue	\$ 193,108	\$ 174,919	10 %	\$ 398,381	\$ 343,138	16
<b>Operational EBITDA</b>	\$ 155,618	\$ 158,617	2 %	\$ 322,558	\$ 300,155	7

Operational EBITDA	\$ 115,812	\$ 105,945	9 %	\$ 221,760	\$ 209,151	9
<b>Other</b>						
Capital expenditures <sup>(7)</sup>	\$ 22,382	\$ 17,450		\$ 45,287	\$ 31,018	
Net debt <sup>(8)</sup>	\$ 1,392,919	\$ 1,385,678				
Cash, cash equivalents and marketable securities	\$ 103,456	\$ 227,197				
Term Loan, gross	\$ 1,496,375	\$ 1,612,875				
Deferred financing costs	(15,339)	(20,866)				
Term Loan, net	<u>\$ 1,481,036</u>	<u>\$ 1,592,009</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 be located, for example, on a container in transit or a buoy monitoring oceanographic conditions.
- (3) Broadband is comprised of Iridium OpenPort® and Iridium Certus.
- (4) Hosted payload and other services consist primarily of services that do not have traditional billable subscribers. Hosted payload services consist of hosting and data services to our payload customers, Aireon and Harris. Other services include primarily Iridium Communications Inc.'s one-way satellite timing, location, and authentication services (STL) which provides position, navigation and timing technology.
- (5) Government service revenue consists of voice and IoT data subscription-based services provided to agencies of the U.S. government through prime contracts.
- (6) Engineering and support includes maintenance services to the U.S. government's dedicated gateway and engineering services to assist customers in developing new technologies for use on Iridium Communications Inc.'s satellite system.
- (7) Capital expenditures based on cash spent in the respective period.
- (8) Net debt is calculated by taking the sum of the gross Term Loan and gross drawn Revolving Facility, less cash, cash equivalents and marketable securities.

Iridium Communications Inc.

#### Subscriber Highlights

(In thousands, except ARPU)

	As of June 30,		% Change		
	2023	2022		2023	2022
<b>Billable Subscribers <sup>(1) (2)</sup></b>					
Commercial					
Voice and data, IoT data and Broadband service					
Voice and data	405	394	3 %		
IoT data	1,578	1,323	19 %		
Broadband <sup>(3)</sup>	16.1	14.1	14 %		
Total commercial voice and data, IoT data and Broadband service	1,999	1,731	15 %		
Government					
Voice and data and IoT data service					
Voice and data	60	62	-3 %		
IoT data	81	82	-1 %		
Total government voice and data and IoT data service	141	144	-2 %		
Total billable subscribers	2,140	1,875	14 %		
	Three Months Ended June 30,		% Change	Six Months Ended June 30	
	2023	2022		2023	2022
<b>Net Billable Subscriber Additions</b>					
Commercial					
Voice and data, IoT data and Broadband service					
Voice and data	10	16	-38 %	8	1
IoT data	77	80	-4 %	130	1
Broadband	0.6	0.6	— %	1.1	0
Total commercial voice and data, IoT data and Broadband service	88	97	-9 %	139	1
Government					
Voice and data and IoT data service					
Voice and data	—	(3)	100 %	—	
IoT data	2	1	100 %	2	
Total government voice and data and IoT data service	2	(2)	200 %	2	
Total net billable subscriber additions	90	95	-5 %	141	1
Three Months Ended June 30,			Six Months Ended June 30		

**ARPU (2) (4)**

## Commercial

	2023	2022	% Change	2023	2022
Voice and data	\$ 46	\$ 42	10 %	\$ 45	\$
IoT data	\$ 7.48	\$ 7.96	-6 %	\$ 7.33	\$ 7.
Broadband	\$ 296	\$ 292	1 %	\$ 294	\$ 2

(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) Broadband is comprised of Iridium OpenPort® and Iridium Certus.

(4) Average monthly revenue per unit, or ARPU, is calculated by dividing revenue in the respective period by the average of the number of billable subscribers at the beginning of the period 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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