



**Speedcast International Limited**

ACN 600 699 241

Preliminary Financial Report and Appendix 4E for the  
Year Ended 31 December 2018

# **Speedcast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

## Contents

Results for Announcement to the Market	1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Preliminary Financial Report	9
Corporate Information	25

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Results for Announcement to the Market

Current Reporting Period: Year ended 31 December 2018

Previous Reporting Period: Year ended 31 December 2017

The previous reporting period has been restated for the impacts of:

- Implementation of new accounting standard AASB 9 - Financial Instruments; and
- Finalisation of the Purchase Price Accounting of Ultisat inc.

The new accounting standard AASB 15 - Revenue from Contracts with Customers has been applied using the modified retrospective approach, as such 2017 figures have not been restated for the impacts of this standard rather the cumulative effect of applying the standard has been recorded on 1 January 2018.

The following information is given to the ASX under listing rule 4.3 A.

All amounts are in USD unless otherwise specified.

### Statutory Financial Performance

	2018 US\$m	2017 restated US\$m	Movement %
Revenue from ordinary activities	623.1	514.2	21%
Profit for the year before tax	4.8	7.7	(38%)
Profit for the year after tax attributable to the owners of the Company	1.9	6.0	(68%)

### Other Financial Metrics

	2018 US\$m	2017 restated US\$m	Movement %
Underlying revenue from ordinary activities	623.1	514.2	21%
Underlying earnings before interest, tax depreciation and amortisation (EBITDA)	132.0	123.3	7%
Underlying profit for the year after tax	17.3	24.5	(29%)
Underlying net profit after tax but prior to the amortisation of intangibles (net of tax effect) ("NPATA")	48.1	46.0	5%

Please refer to page 2 for the reconciliation of statutory to underlying financial performance.

### Overview of Financial Performance

Statutory revenue increased by 21% to USD 623.1 million (2017: USD 514.2 million). The revenue in 2018 includes the contributions from the two acquisitions completed in 2018 as well as the full year impact of acquisitions completed in 2017.

Statutory profit after tax for the year decreased by 68% to USD 1.9 million (2017 restated: USD 6.0 million). The statutory results include costs which are non-recurring in nature, such as acquisition-related transaction costs, integration costs, accelerated amortisation of loan establishment costs and foreign exchange gains on forward contracts undertaken in relation to acquisitions funding. The financial performance of Speedcast International Limited (the "Group" or "Speedcast") excluding these non-recurring factors has also been presented in this report and identified as being the underlying result.

Underlying net cash flows from operating activities increased 2% to USD 119.6 million (2017: USD 116.9 million). Underlying net cash flows from operating activities exclude the cash impact of non-recurring integrations and restructuring costs of USD 6.3m (2017: 10.3m)

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Results for Announcement to the Market (Continued)

#### Statutory to Underlying Reconciliations

Underlying financial results have been presented to provide a better understanding of the Group's financial performance and are intended to exclude items which are non-recurring in nature, such as acquisition-related transaction costs, integration costs and restructuring costs.

<b>Statutory to underlying reconciliation</b>	<b>2018</b>	<b>2017</b>
	<b>US\$'000</b>	<b>restated US\$'000</b>
<b>Statutory revenue</b>	<b>623,095</b>	<b>514,173</b>
<b>Statutory net profit after tax</b>	<b>1,928</b>	<b>5,992</b>
Acquisition related costs	4,354	9,212
Integration costs	4,109	4,044
Restructuring costs	2,202	6,307
Fair value loss on deferred consideration	-	550
Gain on extinguishment of interest rate hedges	(3,031)	-
Non-recurring foreign exchange (gain)/loss	2,673	73
Accelerated amortisation of capitalised facility fees on borrowings – finance cost	8,619	-
Interest on deferred consideration – finance costs	1,170	134
Unwinding of fair value adjustments – finance costs	446	650
Tax effect of non-recurring costs on underlying results	(5,151)	(2,440)
<b>Underlying NPAT</b>	<b>17,319</b>	<b>24,522</b>
Amortisation (net of tax)	30,802	21,486
<b>Underlying NPATA</b>	<b>48,121</b>	<b>46,008</b>

There was no difference between underlying and statutory revenue.

Non-IFRS measures, such as EBITDA and NPATA, have also been presented to provide a better understanding of the Group's financial performance.

EBITDA is defined as earnings before interest, tax, depreciation and amortisation and is used to measure the underlying performance of the Group, excluding non-cash items such as depreciation and amortisation.

NPATA is defined as net profit after tax but prior to the amortisation of intangibles, net of tax effect.

Underlying EBITDA of USD 132.0 million was up 7% on prior year (2017: USD 123.3 million).

Underlying NPATA increased to USD 48.1 million compared to USD 46.0 million at 31 December 2017, an increase of 5% year on year.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

Results for Announcement to the Market (continued)

Statutory to Underlying Reconciliations (continued)

	2018 US\$'000	2017 restated US\$'000	Change (%)
<b>Total Revenue</b>	<b>623,095</b>	<b>514,173</b>	<b>21%</b>
<b>Underlying EBITDA</b>	<b>132,032</b>	<b>123,332</b>	<b>7%</b>
Depreciation	(37,513)	(42,516)	(12%)
Amortisation	(40,003)	(28,610)	40%
<b>Underlying EBIT</b>	<b>54,516</b>	<b>52,206</b>	<b>4%</b>
Underlying finance costs, net	(29,210)	(23,488)	24%
Underlying income tax expense	(7,987)	(4,196)	90%
<b>Underlying NPAT</b>	<b>17,319</b>	<b>24,522</b>	<b>(29%)</b>
Add back: Amortisation (net of tax)	30,802	21,486	43%
<b>Underlying NPATA</b>	<b>48,121</b>	<b>46,008</b>	<b>5%</b>

## Dividends

	Amount per share Cents (AUD)	Franked amount per share %
<b>Interim dividend</b>	2.40	100
<b>Proposed final dividend</b>	4.80	0

An interim dividend of USD 4,252,000 was paid on 13 October 2018 by the Group for the six months ended 30 June 2018.

On 25 February 2019, the Board approved a final dividend of AUD 4.80 cents per share for the year ended 31 December 2018. The dividend will be paid on 23 May 2019 to all shareholders registered on the record date of 8 March 2019. The ex-dividend date for dividend entitlement will be 7 March 2019.

No dividend reinvestment plan was in operation during the year ended 31 December 2017.

## Net tangible asset backing

	31 December 2018 Cents (USD)	31 December 2017 restated Cents (USD)
<b>Net tangible asset backing per security</b>	(178)	(134)
<b>Total asset backing per security</b>	119	127

Net tangible assets are defined as the net assets of the Group excluding goodwill and intangibles. The number of shares on issue at 31 December 2018 was 239,426,631 (2017: 238,992,149).

A net tangible liability position exists as the Group has significant acquired goodwill and intangible assets through business combinations. Acquisitions have been partially funded through external bank debt.

## **Speedcast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### **Results for Announcement to the Market (continued)**

#### **Details of entities where control has been gained or lost during the year**

The Group completed two acquisitions in 2018:

- The acquisition of Globecomm through the purchase of 100% of the share capital of HCT Acquisition LLC, the parent entity of the Globecomm group. Globecomm is a leading provider of remote communications and multi-network infrastructure. The acquisition strengthens Speedcast's global leadership with enhanced competitive positions in Government, Maritime and Enterprise.
- The acquisition of 20% of the share capital of In Aria! Limited. Control is exercised through the substantive rights to acquire the remaining 80% of the company for a price that is not prohibitive. The acquisition enhanced Speedcast's overall product line in protected video transmission, it also added to the Group's capabilities in providing services to the Media industry.

This information should be read in conjunction with the previous Annual Financial Report of Speedcast International Limited and its controlled entities and any public announcements made in the period by Speedcast International Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

#### **Audit Report**

This preliminary financial report is based on the financial statements which are in the process of being audited.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2018	2017
	Note	US\$'000	restated US\$'000
Revenue from continuing operations	2	623,095	514,173
Cost of equipment and bandwidth services		(336,931)	(245,810)
Other gains/(losses)	3	619	(1,078)
Staff costs		(95,709)	(91,520)
Acquisition related costs		(4,354)	(9,212)
Integration costs		(4,109)	(4,044)
Restructuring costs		(2,202)	(6,307)
Other expenses	4	(58,683)	(53,056)
Depreciation of property, plant and equipment		(37,513)	(42,516)
Amortisation of intangible assets		(40,003)	(28,610)
Finance costs, net	5	(39,446)	(24,272)
<b>Profit before income tax</b>		<b>4,764</b>	<b>7,748</b>
Income tax expense		(2,836)	(1,756)
<b>Profit for the year</b>		<b>1,928</b>	<b>5,992</b>
Attributable to:			
Owners of the Company		1,847	6,001
Non-controlling interests		81	(9)
<b>Other comprehensive income</b>			
Item that may be reclassified to profit and loss			
Currency translation difference		(3,844)	13,176
Change in fair value of interest rate swap cash flow hedges		(3,272)	1,054
Item that may not be reclassified to profit and loss			
Change in fair value of cancelled interest rate swap cash flow hedges		(2,121)	-
<b>Other comprehensive income/(loss) for the year</b>		<b>(9,237)</b>	<b>14,230</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>(7,309)</b>	<b>20,222</b>
Attributable to:			
Owners of the Company		(7,405)	20,233
Non-controlling interests		96	(11)
<b>Earnings per share</b>			
Basic profit per share (cents)	6	0.77	2.51
Diluted profit per share (cents)	6	0.76	2.49

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2018	2017
	Note	US\$'000	restated US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	79,654	54,844
Trade and other receivables		236,983	147,609
Inventories		28,923	14,930
Income tax receivable		4,025	4,196
<b>Total current assets</b>		<u>349,585</u>	<u>221,579</u>
<b>Non-current assets</b>			
Property, plant and equipment		140,208	95,188
Goodwill and intangible assets		710,159	623,944
Deferred tax assets		22,457	9,739
Other receivables		2,489	2,574
Derivative financial instruments		-	1,506
<b>Total non-current assets</b>		<u>875,313</u>	<u>732,951</u>
<b>Total assets</b>		<u>1,224,898</u>	<u>954,530</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		257,347	165,729
Borrowings	8	6,004	-
Income tax payable		1,087	5,255
<b>Total current liabilities</b>		<u>264,438</u>	<u>170,984</u>
<b>Non-current liabilities</b>			
Borrowings	8	625,391	432,213
Trade and other payables		24,469	29,538
Derivative financial instruments		6,199	-
Deferred tax liabilities		19,353	18,707
<b>Total non-current liabilities</b>		<u>675,412</u>	<u>480,458</u>
<b>Total liabilities</b>		<u>939,850</u>	<u>651,442</u>
<b>Net assets</b>		<u>285,048</u>	<u>303,088</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Contributed equity	9	365,128	364,690
Other reserves		(7,042)	1,190
Accumulated losses		(76,475)	(63,497)
<b>Total equity attributable to owners of the Company</b>		<u>281,611</u>	<u>302,383</u>
Non-controlling interests		3,437	705
<b>Total equity</b>		<u>285,048</u>	<u>303,088</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of Speedcast International Limited				Non-controlling interests US\$'000	Total equity US\$'000
	Contributed equity US\$'000	Accumulated losses US\$'000	Other reserves US\$'000	Total US\$'000		
<b>Balance at 1 January 2017</b>	361,392	(57,224)	(13,915)	290,253	-	290,253
Impact of applying AASB 9 (note 15)	-	(3,488)	-	(3,488)	-	(3,488)
<b>Balance at 1 January 2017 (restated)</b>	361,392	(60,712)	(13,915)	286,765	-	286,765
Profit for the year (restated)	-	6,001	-	6,001	(9)	5,992
Other comprehensive income	-	-	14,232	14,232	(2)	14,230
<b>Total comprehensive income</b>	-	6,001	14,232	20,233	(11)	20,222
Dividends (note 10)	-	(8,786)	-	(8,786)	-	(8,786)
Shares issued in relation to SAIT deferred consideration	3,150	-	-	3,150	-	3,150
Business combinations (note 12)	-	-	-	-	716	716
Employee share scheme – issue of shares	148	-	(148)	-	-	-
Employee share scheme – value of employee services	-	-	1,021	1,021	-	1,021
	3,298	(8,786)	873	(4,615)	716	(3,899)
<b>Balance at 31 December 2017 (restated)</b>	364,690	(63,497)	1,190	302,383	705	303,088
Impact of applying AASB 15 (note 15)	-	(1,291)	-	(1,291)	-	(1,291)
<b>Balance at 1 January 2018 (restated)</b>	364,690	(64,788)	1,190	301,092	705	301,797
Profit/(loss) for the year	-	1,847	-	1,847	81	1,928
Other comprehensive income	-	-	(9,252)	(9,252)	15	(9,237)
<b>Total comprehensive income</b>	-	1,847	(9,252)	(7,405)	96	(7,309)
Dividends (note 10)	-	(13,534)	-	(13,534)	-	(13,534)
Business combinations (note 12)	-	-	-	-	2,636	2,636
Employee share scheme – issue of shares	438	-	(438)	-	-	-
Employee share scheme – value of employee services	-	-	1,458	1,458	-	1,458
	438	(13,534)	1,020	(12,076)	2,636	(9,440)
<b>Balance at 31 December 2018</b>	365,128	(76,475)	(7,042)	281,611	3,437	285,048

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 US\$'000	2017 US\$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		640,166	536,963
Cash paid to suppliers		(526,896)	(430,331)
Finance costs paid		(30,693)	(15,859)
Interest received		316	1,090
Taxes paid		(14,774)	(12,804)
Net cash inflows from operating activities		68,119	79,059
<b>Cash flows from investing activities</b>			
Payments for acquisition of businesses, net of cash acquired		(154,059)	(477,891)
Receipt of funds held in escrow		-	422,380
Business acquisition transaction costs		(3,796)	(12,028)
Net payments for property, plant and equipment		(47,773)	(23,577)
Payments for intangible assets		(12,575)	(5,558)
Net cash (outflows) from investing activities		(218,203)	(96,674)
<b>Cash flows from financing activities</b>			
Transaction costs of issuance of ordinary shares		-	(550)
Proceeds from borrowings, net of transaction costs		629,325	61,945
Repayment of borrowings		(443,080)	(1,723)
Dividend paid		(12,768)	(8,750)
Proceeds from cancellation of interest rate swap		3,031	-
Repayments of obligations under finance leases		(224)	(3,065)
Net cash inflows from financing activities		176,284	47,857
<b>Net increase in cash and cash equivalents</b>		26,200	30,242
Cash and cash equivalents at beginning of the year		54,844	25,341
Effects of exchange rate changes on cash and cash equivalents		(1,390)	(739)
<b>Cash and cash equivalents at the end of the year</b>	7	79,654	54,844

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report

#### 1. Accounting policies

This report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared under the historical cost convention.

The accounting policies adopted are consistent with the previous financial year with the exception of those stated in note 15.

#### 2. Revenue from continuing operations

	Maritime US\$'000	Energy US\$'000	Government US\$'000	EEM US\$'000	Total US\$'000
<b>Year ended 31 December 2018</b>					
Managed network services	185,218	128,450	90,564	83,321	487,553
Managed network services – Equipment rental	9,061	19,742	240	2,878	31,921
Wholesale VoIP	-	-	-	23,957	23,957
Equipment sales and Installation	25,385	10,082	6,451	37,746	79,664
	<u>219,664</u>	<u>158,274</u>	<u>97,255</u>	<u>147,902</u>	<u>623,095</u>
<b>Year ended 31 December 2017</b>					
Managed network services	181,075	174,941	13,718	88,452	458,186
Wholesale VoIP	-	-	-	20,298	20,298
Equipment sales and Installation	19,082	8,295	424	7,888	35,689
	<u>200,157</u>	<u>183,236</u>	<u>14,142</u>	<u>116,638</u>	<u>514,173</u>

#### 3. Other gains/(losses)

	2018 US\$'000	2017 US\$'000
Gain on extinguishment of interest rate hedges	3,031	-
Foreign exchange gain/(loss)	(2,673)	(73)
Gain/(loss) on disposal of property, plant and equipment	261	(455)
Fair value gain/(loss) on deferred consideration	-	(550)
	<u>619</u>	<u>(1,078)</u>

#### 4. Other expenses

Included within other expenses are the following items:

	2018 US\$'000	2017 restated US\$'000
Operating lease payments	7,755	7,248
Provision for impairment of trade receivables (restated)	(428)	1,335

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 5. Finance costs, net

	2018 US\$'000	2017 US\$'000
<b>Finance income:</b>		
Interest income	316	1,584
	<u>316</u>	<u>1,584</u>
<b>Interest expenses on:</b>		
Borrowings	(24,912)	(19,024)
Obligations under finance leases	-	(10)
Deferred consideration	(1,170)	(134)
Amortisation of loan establishment costs	(3,031)	(4,917)
Accelerated amortisation of loan establishment costs	(8,619)	-
Unwinding of fair value adjustments	(446)	(650)
<b>Finance charges:</b>		
Fees on undrawn facilities	(228)	(443)
Other bank charges	(1,356)	(678)
	<u>(39,762)</u>	<u>(25,856)</u>
Finance costs	(39,762)	(25,856)
Finance costs, net	<u>(39,446)</u>	<u>(24,272)</u>

#### 6. Earnings per share

	2018 Cents	2017 restated Cents
Basic profit per share attributable to ordinary equity holder of the Group	0.77	2.51
Diluted profit per share attributable to ordinary equity holder of the Group	0.76	2.49

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	239,374,306	238,822,243
Weighted average number of Restricted Management Rights and Long Term Incentive Plan Rights	2,374,988	2,048,935
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>241,749,294</u>	<u>240,871,178</u>

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 7. Cash and cash equivalents

	2018 US\$'000	2017 US\$'000
Cash at bank and in hand	79,654	54,844

Cash and cash equivalents includes USD 10,764,000 (2017: USD 2,309,000) which is restricted by legal or contractual arrangements.

#### 8. Borrowings

On 15 May 2018, the Group entered into a new USD 425 million, 7 year, Senior Secured Credit Facility in the US Institutional Term Loan B market. In addition, on the same date, the Group entered into a new USD 100 million, 5 year, Senior Secured Revolving Credit Facility.

Proceeds of the new facilities were used to refinance Speedcast's pre-existing bank loans, which included a USD 385 million Senior Secured Bank loan and a USD 60 million Accordion Facility.

On 27 September 2018, Speedcast secured a USD 175 million incremental term loan add-on to the Senior Secured Credit Facility. The incremental term loan add-on was fully drawn down on the 14 December 2018 and used to fund the acquisition and related expenses of the Globecomm business (refer to note 12) and to repay a portion of the Revolving Credit Facility.

The total facility limit of the Senior Secured Credit Term Loan B Facility decreases by 1% every year.

The new facilities diversify Speedcast's funding sources, extend its debt maturity profile and improve the Group's operational flexibility.

Interest payable on the facilities is subject to a floating margin component. This exposes the Group to interest rate risk. To hedge this risk the Group has entered into interest rate swaps contracts that at 31 December 2018 covered a notional amount of USD 423,469,000 of the outstanding loans.

At 31 December 2018, interest-bearing bank loans and overdrafts were due for payment as follows:

	2018 US\$'000	2017 US\$'000
Portion of bank loans due for repayment within 1 year	6,004	-
After 1 year but within 5 years	71,219	443,080
After 5 years	567,414	-
Less: Prepaid facility fees	(13,242)	(10,867)
	631,395	432,213

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 9. Contributed equity

	2018		2017	
	No. of shares	US\$'000	No. of shares	US\$'000
Balance as at 1 January	238,992,149	364,690	237,468,482	361,392
Issue of ordinary shares – acquisitions	-	-	1,257,791	3,150
Issue of ordinary shares – share-based payments	434,482	438	265,876	148
	<u>239,426,631</u>	<u>365,128</u>	<u>238,992,149</u>	<u>364,690</u>

The Group does not have a limited amount of authorised capital or par value in respect of its shares.

#### 10. Dividends

	2018	2017
	US\$'000	US\$'000
<b>Dividends declared during the year</b>		
Interim dividend declared for the year ended (2018: AUD 2.40 cents, 2017: AUD 2.40 cents)	4,252	4,494
Final dividend declared for the year ended (2017: AUD 4.80 cents 2016: AUD 2.40 cents)	9,282	4,292
	<u>13,534</u>	<u>8,786</u>

On 25 February 2019, the Board approved a final dividend of AUD 4.80 cents per share for the year ended 31 December 2018. The dividend will be paid on 23 May 2019 to all shareholders registered on the record date of 8 March 2019. The ex-dividend date for dividend entitlement will be 7 March 2019.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 11. Segment reporting

##### Identification of reportable segments

The Group has identified its operating segment based on the reports reviewed by the Chief Executive Officer (“CEO”) that are used to make strategic decisions. All of the entities within the Group generate income from the provision of managed network services, wholesale VoIP and the supply of equipment in various geographical markets. The Group has one operating segment (2017: 2 operating segments meeting the aggregation criteria). During the period the reporting of the results UltiSat Inc. (“UltiSat”), which operates under a Proxy Board, to the CEO was integrated with the rest of the Group.

The CEO also monitors revenues by vertical being Maritime, Energy, Government, and Enterprise and Emerging Markets (“EEM”) and the information reviewed is consistent with that presented in note 2.

##### Geographical information

The table below presents geographical information of total revenue based on customers’ geography, where that relates to a vessel revenue is included in the Maritime category.

	Maritime US\$’000	Australia US\$’000	Pacific Islands US\$’000	EMEA and other US\$’000	Asia US\$’000	Americas US\$’000	Total US\$’000
Year ended 31 December 2018	219,664	73,557	39,127	73,060	29,326	188,361	623,095
Year ended 31 December 2017	200,157	60,465	38,471	68,411	36,727	109,942	514,173

The table below presents geographical information of the Group’s property plant and equipment.

	Maritime US\$’000	Australia US\$’000	Pacific Islands US\$’000	EMEA and other US\$’000	Asia US\$’000	Americas US\$’000	Total US\$’000
As at 31 December 2018	20,684	8,607	577	17,000	22,194	71,146	140,208
As at 31 December 2017	13,871	11,366	892	13,747	23,832	31,480	95,188

##### Major customers

There are no individual customers who contributed more than 10% of the total revenue in 2018 or 2017.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 12. Business combinations

##### Current year acquisitions

##### Globecomm Systems Inc.

On 14 December 2018, Speedcast completed the acquisition of Globecomm through the purchase of 100% of the share capital of HCT Acquisition LLC the parent entity of the Globecomm group. Globecomm is a leading provider of remote communications and multi-network infrastructure and the acquisition strengthens Speedcast's global leadership with enhanced competitive positions in Government, Maritime and Enterprise.

	US\$'000
<b>Consideration</b>	
Cash	144,676
	<hr/>
Total consideration	144,676
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents (unrestricted)	11,173
Cash and cash equivalents (restricted)	2,356
Trade and other receivables	26,643
Inventory	1,586
Property, plant and equipment	31,464
Intangibles	42,281
Trade and other payables	(38,546)
Deferred tax liabilities	(5,624)
	<hr/>
Total identified net assets	71,333
	<hr/>
Goodwill	73,343
	<hr/> <hr/>

The purchase price allocation remains provisional due to the proximity of the acquisition to the year end.

The goodwill is attributable to the expected future profitability and expertise of Globecomm, as well as the synergies expected to be achieved from integrating the business into the Group. No goodwill is expected to be deductible for tax purposes.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Consolidated Financial Statements

#### 12. Business combinations (continued)

##### Current year acquisitions (continued)

##### In Aria!

On the 30 October 2018, Speedcast acquired 20% of the share capital of In Aria! Limited whilst at the same time obtaining a call option for the remaining 80% of the share capital. Control is exercised through the substantive rights to acquire the remaining 80% of the company for a price that is not prohibitive. The acquisition enhanced Speedcast's overall product line in protected video transmission, it also added to the Group's capabilities in providing services to the Media industry.

	US\$'000
<b>Consideration</b>	
Cash	1,364
	<hr/>
Total consideration	1,364
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	2,626
Trade and other receivables	1,315
Inventory	154
Intangible assets	2,402
Deferred tax liabilities	(419)
Trade and other payables	(2,798)
Non-controlling interests	(2,636)
	<hr/>
Total identified net assets	644
	<hr/>
Goodwill	720
	<hr/> <hr/>

The purchase price allocation remains provisional due to the proximity of the acquisition to the year end.

The goodwill is attributable to the expected future profitability and expertise of In Aria!, as well as the synergies expected to be achieved from integrating the business into the Group and Speedcast's sales channels. No goodwill is expected to be deductible for tax purposes.

Speedcast have opted to recognise the non-controlling interest at the proportionate share of the fair value of the net identifiable assets at the date of the acquisition.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Consolidated Financial Statements

#### 12. Business combinations (continued)

##### Prior year acquisitions

##### Harris CapRock

On 1 November 2016, the Group entered into a definitive agreement to acquire 100% of the businesses of Harris CapRock, a leading provider of communications networks for remote and harsh environments, primarily in the maritime and energy markets.

The initial close was completed on 1 January 2017. The acquisition was funded via a fully-underwritten AUD 295 million Accelerated Renounceable Entitlement Offer, with the balance funded by a fully-underwritten syndicated debt facility. All consideration has been paid in full in the year.

	US\$'000
<b>Consideration</b>	
Cash	417,091
Deferred contingent consideration	2,134
	<hr/>
Total consideration	419,225
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	4,044
Trade and other receivables	61,199
Inventory	3,737
Property, plant and equipment	66,818
Intangible assets	81,759
Deferred tax assets	3,006
Trade and other payables	(63,530)
Fair value of bandwidth supply contracts	(15,165)
Non-controlling interests	(716)
	<hr/>
Total identified net assets	141,152
	<hr/>
Goodwill	278,073
	<hr/> <hr/>

The goodwill is attributable to the expected future profitability and expertise of Harris CapRock, as well as the synergies expected to be achieved from integrating the business into the Group. Goodwill of approximately USD 180 million is expected to be deductible for tax purposes.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Consolidated Financial Statements

#### 12. Business combinations (continued)

##### Prior year acquisitions (continued)

###### UltiSat Inc.

On 23 July 2017, Speedcast entered into an agreement to acquire 100% of the share capital of UltiSat Inc., a leading provider of remote communications and professional services to Governments and to International Government Organisations and Non-Governmental Organisations.

The following table summarises the consideration paid, the fair value of assets and liabilities acquired at the acquisition date. The purchase price accounting exercise was finalised in the year and the fair value of inventory, trade receivables, provisions, intangible assets and deferred tax positions was updated.

	US\$'000 revised
<b>Consideration</b>	
Cash	63,696
Deferred contingent consideration	38,465
Total consideration	<u>102,161</u>
<b>Provisional fair value of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	2,000
Trade and other receivables	16,231
Inventory	1,014
Property, plant and equipment	2,342
Intangible assets	37,075
Current tax receivable	2,554
Trade and other payables	(9,845)
Deferred tax liabilities	(14,198)
Total identified net assets	<u>37,173</u>
Goodwill	<u>64,988</u>

The goodwill is attributable to the expected future profitability and expertise of UltiSat in the government sector, as well as the synergies expected to be achieved with the Group subject to the confines of the Proxy Agreement. No goodwill is expected to be deductible for tax purposes.

USD 15,000,000 of deferred consideration was earned in full by UltiSat on the achievement of both revenue and gross margin targets in 2018, as such this is no longer considered to be contingent and is expected to be paid in March 2019. All other deferred contingent consideration has been settled in full in 2018.

##### Additional information

Acquisition related costs of USD 4,354,000 (2017: USD 9,212,000) have been charged to transaction related costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018.

## **Speedcast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### **Notes to the Preliminary Financial Report (continued)**

#### **13. Contingencies**

##### **Outstanding legal cases arising from acquisitions**

Entities acquired as part of past acquisitions, most notably Harris CapRock on the 1 January 2017, were subject to certain legal cases, most significantly in relation to employment law in Brazil and Angola. Adequate provision has been included in the financial statements to cover any exposure to the Group that is not subject to indemnity by Harris Corporation.

Other than as noted above, the Group did not have any other material contingent assets or liabilities as at 31 December 2018.

#### **14. Post balance date events**

There have been no material post balance sheet events since 31 December 2018.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 15. Changes in accounting policy

Two new accounting standards became effective for the reporting period commencing on 1 January 2018. The method of application and impact on the financial statements for each policy is described below. The new revenue policy is also disclosed as it aids in the understanding of the Appendix 4E.

#### AASB 15 Revenue from Contracts with Customers

##### Method of application

Speedcast has adopted the modified retrospective method of application. Under this method, all differences between the previous revenue policy and the new policy are taken to retained earnings at 1 January 2018 and prior year financial statements are not restated.

##### New accounting policy - Revenue

The accounting policy below replaces the policy given in the 2017 financial statements note 2 e).

##### Revenue recognition

Speedcast generates four main types of revenue from its customers:

- (i) *Managed network services* - Revenue is earned through the provision of broadband access via VSAT (Very Small Aperture Terminal) satellite transmission that utilises small satellite dishes and antennas that send high focused beams to the satellites or through Mobile Satellite Services (MSS) through the satellite transmission of low-bit data, commonly voice, to handheld and other mobile devices. Revenue for VSAT is typically invoiced monthly on a fixed fee and is earned over time for the provision of a set bandwidth with unlimited usage. Revenue for MSS is typically invoiced monthly and earned at a point in time based on usage on a fixed price per measured unit of data used.
- (ii) *Managed network services – Equipment rental* – Equipment rental revenue is earned through the provision of equipment required to receive VSAT and MSS data. Where the equipment remains the property of Speedcast and a significant portion of the risks and rewards of ownership is maintained by Speedcast this represents an operating lease and revenue is earned over time at a fixed fee.
- (iii) *Wholesale VoIP* - VoIP (Voice over Internet Protocol) revenue is generated via the sale of voice data on a wholesale basis to telecom customers, the data is then on-sold to the end user or data may be sold by Speedcast direct to end users. Revenue is typically invoiced monthly and is earned at a point in time on a fixed price per measured unit of data used.
- (iv) *Equipment sales and Installation* - Revenue for equipment is earned at a point in time usually when the customer takes delivery and legal title to the equipment, thus gaining control over its future use. Revenue from installation is earned over time and recognised on a percentage of completion basis calculated from the total forecast revenue on the project multiplied by the ratio of costs incurred as a percentage of total budgeted costs. Revenue is typically invoiced in arrears.

Some contracts include multiple performance obligations, such as the provision of network services, provision and installation of equipment and software to multiple sites. Where a contract includes multiple performance obligations, the revenue associated with each obligation is calculated based on the ratio of its stand-alone selling price for each obligation as a percentage of the total stand-alone selling price of all elements to the total transaction price.

When invoiced, revenue is typically payable on normal commercial terms of the country of operation. If the revenue earned exceeds the amount invoiced, accrued income is recognised. If the revenue earned is less than the amount invoiced a contract liability, deferred income, is recognised.

## **Speedcast International Limited**

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### **Notes to the Preliminary Financial Report (continued)**

#### **15. Changes in accounting policy (continued)**

##### **AASB 15 Revenue from Contracts with Customers (continued)**

###### **New accounting policy – Revenue (continued)**

The only transactions entered into that have a significant financing element relate to contracts where an upfront fee is not charged for the provision of equipment and the terms of the contract is such that a finance lease is deemed to exist. In such an instance the total transaction price allocated to the provision of equipment is discounted to represent the time value of money.

Costs incurred on winning a contract that would otherwise not have been incurred, most notably sales commissions, are capitalised and amortised over the life of the contract, or, if related to several contracts, amortised over the average length of the relevant contracts.

###### **Impact of applying AASB 15**

Prior to the implementation of AASB 15, and where installation fees were recoverable from the customer, revenue and related costs were recognised as incurred at the date of installation. Under AASB 15, the installation is deemed to be part of the same performance obligation as providing the relevant equipment. As such, fees related to installation and the respective costs are recognised at the same time as the equipment revenue.

Where the equipment is leased to the customer, any fees related to installation are deferred and recognised over the length of the contract. The costs incurred in relation to the installation are capitalised to property, plant and equipment and amortised over the course of the contract. Where the equipment is sold to the customer, there is no change in the timing of recognition of revenue or expenses.

Commission costs are paid by Speedcast directly as a result of winning contracts. Under the previous policy these were expensed as they became payable per the Group's commission plan. Under the new standard, these costs are capitalised as intangible assets and amortised over the length of the contract or, if related to several contracts, amortised over the average length of the relevant contracts.

Certain costs relating to tendering for previous construction contracts were capitalised when it was deemed probable that the contract would be won. Under the new standard, these costs can only be capitalised if they were only incurred if the contract was won.

##### **AASB 9 Financial Instruments**

###### **Method of application**

Speedcast have applied full retrospective application in accordance with AASB 108 Changes in accounting policy, errors and estimates, for all impacts of AASB 9 and have not taken any of the transition provision exemptions.

###### **Impact of applying AASB 9**

Under AASB 9, the Group is required to revise its bad debt impairment methodology. Under the new model, a bad debt provision is made for "expected losses" and is calculated based on the probability weighted average of the outcome of recovery of the trade receivable, being a financial asset. Under the previous policy, a bad debt provision was calculated based on an incurred loss model such that provisions are raised on individual receivables when it is deemed probable a loss will be incurred.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, being the country where the receivable is held and the days past due. This has resulted in an increase in the total provisions held and a small impact to the bad debt expense in the comparative period.

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 15. Changes in accounting policy (continued)

##### Impact on the financial statements

As a result of the changes in the Company's accounting policies, prior year financial statements have been restated for AASB 9. The adjustments arising from AASB 15 are recognised in balance sheet adjustments on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

#### Profit and Loss impact of applying AASB 9 Financial Instruments for the year ended 31 December 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income (extract)	2017 (prior to application) US\$'000	Impact of AASB 9 US\$'000	2017 restated US\$'000
Other expenses	(53,831)	775	(53,056)
<b>Profit before income tax</b>	<b>6,973</b>	<b>775</b>	<b>7,748</b>
Income tax credit/(expense)	(1,436)	(320)	(1,756)
<b>Profit for the year</b>	<b>5,537</b>	<b>455</b>	<b>5,992</b>
Attributable to:			
Owners of the Company	5,546	455	6,001

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 15. Changes in accounting policy (continued)

Impact on the financial statements (continued)

Balance sheet impact of applying AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers as at 31 December 2017

Consolidated Statement of Financial Position (extract)	31 December 2017 (prior to application) US\$'000	Impact of AASB 9 US\$'000	31 December 2017 (restated) US\$'000	Impact of AASB 15 US\$'000	1 January 2018 (restated) US\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Trade and other receivables	151,548	(3,939)	147,609	(835)	146,774
<b>Total current assets</b>	225,518	(3,939)	221,579	(835)	220,744
<b>Non-current assets</b>					
Property, plant and equipment	95,188	-	95,188	6,391	101,579
Goodwill and intangible assets	623,944	-	623,944	973	624,917
Deferred tax assets	9,438	301	9,739	151	9,890
<b>Total non-current assets</b>	732,650	301	732,951	7,515	740,466
<b>Total assets</b>	958,068	(3,638)	954,430	6,680	961,110
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	165,729	-	165,729	4,809	170,538
<b>Total current liabilities</b>	170,984	-	170,984	4,809	175,793
<b>Non-current liabilities</b>					
Trade and other payables	29,538	-	29,538	3,437	32,975
Deferred tax liabilities	19,312	(605)	18,707	(275)	18,432
<b>Total non-current liabilities</b>	481,063	(605)	480,458	3,162	483,620
<b>Total liabilities</b>	652,047	(605)	651,442	7,971	659,413
<b>Net assets</b>	306,121	(3,033)	303,088	(1,291)	301,797
<b>EQUITY</b>					
Accumulated losses	(60,464)	(3,033)	(63,497)	(1,291)	(64,788)
<b>Equity attributable to owners of the Company</b>	305,416	(3,033)	302,383	(1,291)	301,092
<b>Total equity</b>	306,121	(3,033)	303,088	(1,291)	301,797

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 15. Changes in accounting policy (continued)

##### Impact on the financial statements (continued)

Profit and Loss impact of applying AASB 15 Revenue from Contracts with Customers for the year ended 31 December 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income (extract)	2018	Impact of AASB 15	2018
	(excluding AASB 15 impact)		(as presented)
	US\$'000	US\$'000	US\$'000
Revenue from continuing operations	621,609	1,486	623,095
Cost of equipment and bandwidth services	(340,021)	3,090	(336,931)
Staff costs	(99,015)	3,306	(95,709)
Other expenses	(58,623)	(60)	(58,683)
Depreciation of property, plant and equipment	(33,271)	(4,242)	(37,513)
Amortisation of intangible assets	(38,467)	(1,536)	(40,003)
<b>Profit/(loss) before income tax</b>	<b>2,720</b>	<b>2,044</b>	<b>4,764</b>
Income tax credit/(expense)	(2,366)	(470)	(2,836)
<b>Profit/(loss) for the year</b>	<b>354</b>	<b>1,574</b>	<b>1,928</b>
Attributable to:			
Owners of the Company	273	1,574	1,847
Non-controlling interests	81	-	81

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Notes to the Preliminary Financial Report (continued)

#### 15. Changes in Accounting Policy (continued)

Impact on the financial statements (continued)

Balance sheet impact of applying AASB 15 Revenue from Contracts with Customers as at 31 December 2018

Consolidated Statement of Financial Position (extract)	31 December 2018 (excluding AASB 15 impact) US\$'000	Impact of AASB 15 US\$'000	31 December 2018 (as presented) US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	237,878	(895)	236,983
<b>Total current assets</b>	<u>350,480</u>	<u>(895)</u>	<u>349,585</u>
<b>Non-current assets</b>			
Property, plant and equipment	134,969	5,239	140,208
Goodwill and intangible assets	707,416	2,743	710,159
Deferred tax assets	22,354	103	22,457
<b>Total non-current assets</b>	<u>867,228</u>	<u>8,085</u>	<u>875,313</u>
<b>Total assets</b>	<u><u>1,217,708</u></u>	<u><u>7,190</u></u>	<u><u>1,224,898</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	253,384	3,963	257,347
<b>Total current liabilities</b>	<u>260,475</u>	<u>3,963</u>	<u>264,438</u>
<b>Non-current liabilities</b>			
Trade and other payables	21,672	2,797	24,469
Deferred tax liabilities	19,206	147	19,353
<b>Total non-current liabilities</b>	<u>672,468</u>	<u>2,944</u>	<u>675,412</u>
<b>Total liabilities</b>	<u><u>932,943</u></u>	<u><u>6,907</u></u>	<u><u>939,850</u></u>
<b>Net assets</b>	<u><u>284,765</u></u>	<u><u>283</u></u>	<u><u>285,048</u></u>
<b>EQUITY</b>			
Accumulated losses	(76,758)	283	(76,475)
<b>Equity attributable to owners of the Company</b>	<u>281,328</u>	<u>283</u>	<u>281,611</u>
<b>Total equity</b>	<u><u>284,765</u></u>	<u><u>283</u></u>	<u><u>285,048</u></u>

## Speedcast International Limited

Preliminary Financial Report and Appendix 4E for the Year Ended 31 December 2018

### Corporate Information

#### Directors

Mr. John Angus Mackay (Chairman)

Mr. Pierre-Jean Joseph Andre Beylier

Mr. Michael Stuart Berk resigned 17 May 2018

Mr. Grant Scott Ferguson

Mr. Peter Edward Jackson

Mr. Michael Martin Malone

Mr. Edward Francis Sippel resigned 31 December 2018

Ms. Caroline van Scheltinga appointed 5 April 2018

#### Company Secretaries

Mr. Andrew Metcalfe resigned 28 June 2018

Mr. Clive Cuthell appointed 28 June 2018

Mr. Dominic Gynge appointed 28 June 2018

#### Registered Office

Unit 4F, Level 1, 12 Lord Street  
Botany, NSW, Australia, 2019

Internet : <http://www.speedcast.com/>

#### Share Registry

Link Market Services Limited  
Tower 4, 727 Collins Street  
Docklands, VIC 3008

Internet : [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Email : [info@linkmarketservices.com.au](mailto:info@linkmarketservices.com.au)

Telephone : +61 1300 554 474

Speedcast International Limited shares are listed on the Australian Securities Exchange (ASX) under the ASX code SDA.