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SpeedCast announces WINS Limited acquisition and equity raising

SpeedCast International Limited (ASX:SDA) ("**SpeedCast**"), a leading global satellite communications and network services provider, today announces the acquisition of WINS Limited ("**WINS**") from Eutelsat Communications (NYSE Euronext Paris: ETL) and Maltasat for all-cash consideration of EUR 60.0 million (USD 66.9 million),¹ and an equity raising of at least AUD 62.1 million (USD 47.2 million)² to partially fund this acquisition.

The acquisition of WINS is consistent with SpeedCast's strategy of acquiring value enhancing assets in key locations and industries where it sees long-term sustainable growth. Maritime is SpeedCast's largest growth engine, with strong underlying market fundamentals that are expected to underpin long-term organic growth.

WINS is a leading Europe-based provider of innovative broadband satellite communications and IT solutions for the Maritime sector, in particular for customers operating passenger-carrying vessels (cruise ships and ferries) and merchant shipping vessels, via the WINS and DH-INTERCOM ("**DHI**") brands respectively. The acquisition further enhances the scale and scope of SpeedCast's Maritime capabilities and brings a strong local presence in Germany, a major Maritime market in which SpeedCast currently has no staff or offices, as well as expertise in the cruise industry in Europe, a fast growing user of satellite communications.

SpeedCast's Chief Executive Officer, Pierre-Jean Beylier, commented that "Passenger carrying vessels, particularly cruise vessels, are an attractive growth segment and a natural extension of SpeedCast's existing Maritime business. Coupled with our strong presence in Asia, where the cruise industry is expected to benefit from the emergence of a sizeable middle class, and also our presence in Miami, the cruise industry's world capital, this acquisition will facilitate our development of a global cruise business."

"The acquisition of WINS also takes us closer to our goal of being a top 3 provider in global Maritime services and provides us with a meaningful presence in Germany, a key hub for merchant shipping in Europe and a market primed for accelerated VSAT adoption."

¹ Based on EUR:USD of 1.115. Excludes transaction costs of approximately USD1.9 million (including debt refinancing costs and equity raising costs)

² Based on AUD:USD of 0.76. Assumes shareholder approval is obtained to proceed with the Second Placement Tranche

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Equity raising details

The equity raising will be conducted via a placement of new fully paid ordinary shares in two tranches in addition to a share purchase plan ("SPP"). The first placement tranche is a fully underwritten placement of 17.3 million new shares to raise at least AUD 60.4 million (at the floor price) (the "**First Placement Tranche**").

A second placement tranche of AUD 1.7 million in new shares will be issued to SpeedCast's Chief Executive Officer, Mr Pierre-Jean Beylier (the "**Second Placement Tranche**"), at the same price as the First Placement Tranche. At the underwritten floor price, this will represent 487,106 shares.

New shares issued under the First Placement Tranche, Second Placement Tranche and SPP will rank equally with existing SpeedCast shares.

First Placement Tranche

The issue price will be determined through a variable-price bookbuild, with an underwritten floor price of AUD 3.49 per new share. The bookbuild floor price represents a 4.9% discount to the last closing share price of AUD 3.67 on 5 August 2016.

Shares issued under the First Placement Tranche will represent approximately 14.2% of SpeedCast's existing issued share capital.³

SpeedCast's shares will remain in trading halt until 10.00am, Tuesday, 9 August 2016 while the First Placement Tranche is conducted. The First Placement Tranche is expected to settle on Thursday, 11 August 2016, and shares issued under this tranche will be allotted on the following business day, Friday, 12 August 2016. No shareholder approval is required in relation to the First Placement Tranche, as the company will utilise a portion of its existing placement capacity under ASX Listing Rule 7.1.

UBS AG, Australia Branch is the sole lead manager and underwriter of the First Placement Tranche.

Second Placement Tranche

Under the Second Placement Tranche, AUD 1.7 million in new shares (rounded down to the nearest share) will be issued to SpeedCast's Chief Executive Officer, Mr Pierre-Jean Beylier, subject to shareholder approval being obtained at an Extraordinary General Meeting to be held on or about 21 September 2016. Shares issued under the Second Placement Tranche will be issued at the same price as shares issued under the First Placement Tranche. At the underwritten floor price, this represents 487,106 shares, and Mr Beylier's shareholding following completion of the placement is expected to represent 5.4% of SpeedCast's total issued share capital.⁴

A notice of meeting and explanatory statement with further information about the Second Placement Tranche and shareholder approval required under ASX Listing Rule 10.11 will be sent to SpeedCast shareholders in due course.

Share Purchase Plan

³ Based on 121,570,995 ordinary shares outstanding

⁴ Following completion of both the First Placement Tranche and Second Placement Tranche

In addition to the placement, SpeedCast intends to offer a non-underwritten SPP to eligible shareholders in Australia and New Zealand. Further details in relation to the SPP will be provided to eligible shareholders in due course.

Agreement reached to acquire WINS

WINS is a leading Europe-based provider of innovative broadband satellite communications and IT solutions for the Maritime sector, in particular for customers operating passenger-carrying vessels (cruise ships and ferries) in Europe and merchant shipping vessels in Germany. It currently provides VSAT, L-Band, Accounting Authority services and International Maritime GSM services to approximately 100 passenger-carrying vessels and 2,000 merchant shipping vessels.

This acquisition brings significant strategic benefits to SpeedCast:

- Further strengthens SpeedCast's position in the Maritime industry and accelerates SpeedCast's ambition to be a top 3 provider of global Maritime services
- Establishes a strong presence in Germany, a key hub for the merchant shipping industry, filling a gap in the group's market presence. The combined strength of DHI and SpeedCast will create powerful revenue synergies, as evidenced by the joint announcement today of an agreement to provide VSAT services together to a fleet of 50 German vessels
- Provides a well-established platform of expertise and operational capabilities in servicing passenger carrying vessels (cruise ships and ferries) in the Mediterranean Sea, which the group can leverage and combine with SpeedCast's existing capabilities to develop future growth opportunities in markets across Asia and the U.S. (Miami), where SpeedCast has strong local presences
- Enhances SpeedCast's offering to its existing Maritime customers, and potentially other industries, through provision of GSM services
- Increases SpeedCast's exposure to the Maritime industry, which has strong underlying market fundamentals that are expected to underpin long-term organic growth. Following the WINS acquisition, the Maritime business unit is expected to generate approximately 40% of SpeedCast's core service revenues

The commercial highlights of the transaction are:

- All-cash consideration of EUR 60.0 million (USD 66.9 million)⁵
- WINS has a track record of revenue and earnings growth (FY2013 to FY2015 revenue CAGR: 7%; EBITDA CAGR: 10%), and operates in attractive end markets which will underpin the business' future growth
- Revenue expectations for FY2016 are approximately EUR 25 million (USD 27 million)⁵ and WINS is currently operating at mid-20s EBITDA margins (pre-synergies) due to a strong portfolio of value-added services centred around GSM services
- Annual cost synergies from both operating expenses and bandwidth savings are expected to be approximately EUR 1.2 million (USD 1.3 million),⁵ and are expected to be delivered progressively over the 12 month period post acquisition

⁵ Based on EUR:USD of 1.115

- On a pro forma full year basis, the acquisition is expected to be high single digit EPS accretive in FY2016 (on a NPATA basis), including estimated annual cost synergies,⁶
- SpeedCast expects the transaction to complete by 31 August 2016

Debt facilities and pro forma leverage

In conjunction with the WINS acquisition, SpeedCast has increased the group's committed debt facilities by an additional USD 30 million on terms consistent with the existing facilities, taking total facilities to USD 166 million (including USD 4 million of bank guarantee facilities).

Immediately following the acquisition of WINS and completion of the equity raising, SpeedCast pro forma net debt / EBITDA will be approximately 3.1x.⁷ SpeedCast continues to generate strong operating cash flows and earnings growth, and the combination of these two factors is expected to reduce pro forma leverage materially over time. The continued growth and stability of the group, and the increasing recurring revenue base, provides more certainty regarding the future earnings and cash flows of the business and is expected to support the group continuing to operate at higher leverage levels for short periods of time, where accretive M&A transactions offer an opportunity to maximise returns for shareholders.

Trading update

In 1H FY2016, SpeedCast has continued to execute on its strategy of delivering long-term sustainable growth through a combination of both M&A and organic growth. SpeedCast expects to report revenues for the six months ended 30 June 2016 of approximately USD 102 million and EBITDA of approximately USD 17 million,⁸ delivering growth, both organic and acquisitive, of 41% and 34% respectively on the prior corresponding period, despite headwinds in the Oil & Gas sector.

The growing scale of SpeedCast has enabled favourable renegotiation of terms on a number of the group's bandwidth contracts during 1H FY2016. As a large buyer of satellite capacity, SpeedCast is well positioned in a market characterised by strong supply and is confident in the group's long term gross profit margins and earnings.

SpeedCast has continued to focus on the integration of new acquisitions during 1H FY2016, and has invested in building out the systems and capabilities necessary to support its expanding global operations and long-term growth prospects. These integration activities continue to generate cost synergies for the group, which will deliver earnings growth in 2H FY2016 and beyond.

In Maritime, strong underlying market fundamentals have enabled SpeedCast to continue to add good numbers of VSAT vessels to the group's global network as well as deliver strong growth in L-band revenues. As it gains in scale, SpeedCast continues to strengthen its ability to compete and win new business in markets where it has not traditionally had a presence.

⁶ Based on SpeedCast management expectations for FY2016 and pro forma full year contribution from WINS, including estimated annualised synergies. Calculated using underlying NPATA, excluding acquisition and integration-related one-off items

⁷ Net debt as at 30 June 2016, adjusted for the impact of the WINS acquisition, First Placement Tranche and Second Placement Tranche (net of fees) and a completion payment made in early July for the acquisition of ST Teleport. Pro forma EBITDA for the 12 months to 30 June 2016 adjusted to reflect full 12 month earnings contributions from acquisitions (including ST Teleport and NewCom) and full 12 month earnings contribution from WINS, including expected pro forma annualised cost synergies. Leverage does not reflect the impact of additional funds which may be raised as part of the SPP

⁸ Excluding acquisition and integration-related one-off items. Guidance based on unaudited management accounts, which remain subject to half year review by SpeedCast's auditors. Results for the six months ended 30 June 2016 will be announced on 24 August 2016

The diversified Enterprise and Emerging Markets business unit, representing approximately 45% of the group's core service revenues, has continued to deliver steady growth, in particular in the government and cellular backhaul segments. Further opportunities exist to grow this business in the medium term as SpeedCast looks to leverage the collective capabilities of the enlarged group and push into new sub-verticals. New opportunities in the Government sector are materialising, and it remains an attractive short-term growth market for the group.

Macroeconomic headwinds in the Oil & Gas sector impacted the Energy business unit in late FY2015 and early FY2016, including through delays in the roll out of a material new contract, negatively impacting EBITDA by USD 0.5 million in 1H FY2016. However, SpeedCast has continued to demonstrate its ability to win market share in a declining market. Wins in market share in 1H FY2016 will positively impact growth in the second half. Conditions in the Oil & Gas sector have also impacted a segment of the Maritime business, offshore supply vessels, which experienced greater levels of churn and temporary suspensions than in previous periods. Post the WINS acquisition, the Energy division is expected to represent approximately 15% of the Group's core service revenues.

Overall, core service revenues remained flat in Q1 FY2016 compared with Q4 FY2015, with organic growth returning in Q2 FY2016 as churn decreased and new projects came on line. Service gross margins continued to improve in the period, reflecting the impact of operational optimisation initiatives and bandwidth cost synergies.

Despite the headwinds noted above, the sales pipeline is strong and delivered a number of meaningful new wins and partnerships in the first half which will underpin organic revenue growth in 2H FY2016. These include, but are not limited to:

- Maritime
 - MMA Offshore multi-year service agreement to provide high throughput connectivity across their global offshore vessel fleet
 - DHI (to be acquired as part of the WINS acquisition) has today announced an agreement to provide VSAT services together with SpeedCast to a fleet of 50 German vessels
 - Inmarsat & SpeedCast strategic partnership agreement to deliver FleetXpress to the global Maritime market and to leverage SpeedCast's Ku-band network
 - KT SAT (Korea) & SpeedCast partnership to provide Maritime communication services to up to 150 vessels

- Enterprise & Emerging Markets
 - New contracts in a number of Pacific Island countries - Solomon Islands, Republic of Kiribati, Papua New Guinea and Christmas Island
 - Multinet Pakistan has selected SpeedCast to provide new satellite services
 - NEDA Telecommunications has appointed SpeedCast to build a network for the Afghanistan government
 - Airbus Defence & Space agreement for government services in the Asia-Pacific region

- Energy
 - SpeedCast to provide satellite services to energy sector in China

- New contracts as SpeedCast provides VSAT services to global energy companies in Africa
- New Middle East contract with major oilfield service provider
- Communications services provided to a global Oil & Gas company in Malaysia

Full year guidance

Including the expected earnings contribution of WINS for the four month period post acquisition, SpeedCast expects to deliver underlying EBITDA of USD 41–43 million in FY2016.⁹

In addition to expected continued organic growth, earnings in the second half will benefit from the following factors, which have already been executed or relate to contracts already won:

- In addition to the WINS acquisition, a full period impact of the acquisitions completed in FY2016 (NewCom and ST Teleport), including the increasing impact of cost synergies from these acquisitions
- Full six month impact of both bandwidth and operating expenses cost synergies executed in 1H FY2016
- New contracts which were implemented in 1H FY2016, which will deliver a full period contribution in 2H FY2016
- The delivery of the backlog of contracts won in 1H FY2016 and previous periods (some of which are outlined on the previous page), which will be implemented in 2H FY2016

In addition to organic growth opportunities for SpeedCast, the M&A pipeline remains strong and is expected to present further opportunities amid an accelerating consolidation trend in our industry, and a market that remains fragmented.

About SpeedCast International Limited

SpeedCast International Limited (ASX: SDA) is a leading global satellite communications and network service provider, offering high-quality managed network services in over 90 countries and a global maritime network serving customers worldwide. With a worldwide network of 40 sales and support offices and 39 teleport operations, SpeedCast has a unique infrastructure to serve the requirements of customers globally. With over 5,000 links on land and at sea supporting mission critical applications, SpeedCast has distinguished itself with a strong operational expertise and a highly efficient support organization. For more information, visit www.speedcast.com.

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⁹ Excluding acquisition and integration-related one-off items. WINS earnings contribution assumes the transaction completes on 31 August 2016. These estimates are subject to assumptions and risks in relation to future performance, and actual results may vary

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