

IRIDIUM COMMUNICATIONS INC.

FORM 8-K (Current report filing)

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Address	1750 TYSONS BOULEVARD SUITE 1400 MCLEAN, VA 22102
Telephone	301-571-6200
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Symbol	IRDM
SIC Code	3669 - Communications Equipment, Not Elsewhere Classified
Industry	Wireless Telecommunications Services
Sector	Telecommunication Services
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) April 27, 2017

Iridium Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-33963
(Commission
File Number)

26-1344998
(I.R.S. Employer
Identification No.)

**1750 Tysons Boulevard
Suite 1400
McLean, VA 22102**
(Address of principal executive offices)

703-287-7400
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On April 27, 2017, Iridium Communications Inc. issued a press release announcing its financial results for the quarter ended March 31, 2017. The text of the press release is included as an exhibit to this Form 8-K. Pursuant to the rules and regulations of the Securities and Exchange Commission, such exhibit and the information set forth therein and herein are deemed to be furnished and shall not be deemed to be filed.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated April 27, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

IRIDIUM COMMUNICATIONS INC.

Date: April 27, 2017

By: /s/ Thomas J. Fitzpatrick

Name: Thomas J. Fitzpatrick

Title: Chief Financial Officer



FOR RELEASE THURSDAY, APRIL 27, 2017

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**IRIDIUM ANNOUNCES FIRST-QUARTER 2017 RESULTS; COMPANY
AFFIRMS 2017 AND LONG-RANGE OUTLOOK**

MCLEAN, Va. – April 27, 2017 – Iridium Communications Inc. (Nasdaq:IRDM) (“Iridium”) today reported financial results for the first quarter of 2017 and affirmed its full-year 2017 and long-range outlook. Net income was \$37.9 million, or \$0.30 per diluted share, for the first quarter of 2017, as compared to \$28.5 million, or \$0.23 per diluted share, for the first quarter of 2016. Operational EBITDA (“OEBITDA”) (1) for the first quarter was \$64.3 million, as compared to \$60.7 million for the prior-year period, representing a year-over-year increase of 6% and an OEBITDA margin (1) of 62%. OEBITDA grew primarily due to the recognition of a \$3.2 million cash credit triggered by the Company’s insourcing transaction with Boeing, which took effect in January 2017, as well as higher commercial service revenue from the Company’s machine-to-machine (“M2M”) business.

Iridium reported first-quarter total revenue of \$104.4 million, which consisted of \$81.8 million of service revenue and \$22.7 million of revenue related to equipment sales and engineering and support projects. Though total revenue was essentially flat versus the comparable period of 2016, service revenue grew 2% from the year-ago period. Service revenue, which represents primarily recurring revenue from Iridium’s growing subscriber base, was 78% of total revenue for the first quarter of 2017.

The Company ended the quarter with 869,000 total billable subscribers, which compares to 788,000 for the year-ago period and is up from 850,000 for the quarter ended December 31, 2016. Total billable subscribers grew 10% year-over-year, driven by growth in M2M and government customers.

“Strong subscriber additions in commercial M2M helped to fuel Iridium’s service revenue growth during the first quarter. We expect this strength to continue in 2017 and remain comfortable with our full-year guidance, which we affirmed this morning,” said Matt Desch, CEO, Iridium.

Commenting on Iridium® NEXT, Desch said, “Our first batch of Iridium NEXT satellites is now operational and working well for Iridium’s global base of subscribers. We remain on track for our second launch with SpaceX and have been confirmed for a launch on June 29th at 1:02pm PDT from Vandenberg Air Force Base.”

Iridium Business Highlights

Service – Commercial

Commercial service remained the largest part of Iridium’s business, representing 57% of the Company’s total revenue during the first 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 \$59.8 million, up 3% from last year’s comparable period.
- Commercial voice and data subscribers increased 1% from the year-ago period to 351,000 customers. Commercial voice and data average revenue per user (“ARPU”) was down slightly during the first quarter to \$39. Commercial M2M data subscribers grew 18% from the year-ago period to 432,000 customers. Commercial M2M data ARPU was down slightly during the first quarter to \$13.
- Iridium’s commercial business ended the quarter with 783,000 billable subscribers, which compares to 713,000 for the year-ago period and is up from 766,000 for the quarter ended December 31, 2016. M2M data subscribers represented 55% of billable commercial subscribers at the end of the quarter, an increase from 51% 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 under two Defense Information Systems Agency ("DISA") contracts, which include a \$400 million, five-year, fixed-price agreement for satellite communications services and a \$38 million multi-year contract to support and maintain the Department of Defense's ("DoD") dedicated gateway.

- Government service revenue was \$22 million, consistent with the prior-year period, as the final step up in the fixed fee under the Company's airborne services contract with DISA occurred in 2015.
- Iridium's government business ended the quarter with 86,000 subscribers, which compares to 75,000 for the year-ago period and is up from 84,000 for the quarter ended December 31, 2016. Government voice and data subscribers increased 10% from the year-ago period to 45,000 as of March 31, 2017. M2M data subscribers increased 21% year-over-year and represented 48% of government subscribers, an increase from 45% at the end of the prior-year period.

Equipment

- Equipment revenue was \$17.1 million during the first quarter, down 3% from the prior-year period.
- As previously indicated, the Company expects lower equipment sales in 2017.

Engineering & Support

- Engineering and support revenue was \$5.5 million during the first quarter, compared to \$6.8 million in the prior-year's quarter, primarily due to the episodic nature of government-sponsored projects.

Capital expenditures were \$48.9 million for the first quarter and primarily related to spending for the Company's next-generation satellite constellation, Iridium NEXT. The Company ended the first quarter with a cash and marketable securities balance of \$419.1 million and gross debt of \$1.80 billion. Net debt was \$1.25 billion, calculated as \$1.80 billion of gross debt, less \$0.42 billion of cash and marketable securities, as well as \$0.14 billion in restricted cash.

2017 Outlook

The Company affirmed its full-year 2017 outlook for total service revenue growth and OEBITDA. The Company continues to expect:

- Total service revenue growth between 3% and 5% for the full-year 2017.
- Full-year 2017 OEBITDA between \$255 million and \$265 million. OEBITDA for 2016 was \$254.2 million.

	2017 Outlook (February 2017)	2017 Outlook (April 2017)
Total Service Revenue Growth	3% to 5%	Affirmed
Operational EBITDA (OEBITDA)	\$255 million to \$265 million	Affirmed

Long-Range Outlook

The Company also affirmed its long-range outlook for total service revenue growth, OEBITDA margin, cash taxes, peak net leverage and 2019 net leverage. Based on the expected 2018 Iridium NEXT system completion, the Company continues to expect:

- Total service revenue between \$440 million and \$465 million for the full-year 2019.
- OEBITDA margin of approximately 60% in 2019.
- Negligible cash taxes from 2017 to approximately 2020.
- Peak net leverage of 6.0x to 6.5x OEBITDA in 2017.
- Net leverage of below 4x OEBITDA in 2019.

	Long-Range Outlook (February 2017)	Long-Range Outlook (April 2017)
Total Service Revenue	\$440 million to \$465 million for the full-year 2019	Affirmed
Operational EBITDA (OEBITDA) Margin	Approximately 60% in 2019	Affirmed
Cash Taxes	Negligible cash taxes from 2017 to approximately 2020	Affirmed
Peak Net Leverage	6.0x – 6.5x OEBITDA in 2017	Affirmed
Net Leverage	Below 4x OEBITDA in 2019	Affirmed

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 performance. Operational EBITDA represents earnings before interest, income taxes, depreciation and amortization, Iridium NEXT revenue and expenses (for periods prior to the deployment of Iridium NEXT only), loss from investment in Aireon, share-based compensation expenses, the impact of purchase accounting, and non-cash gain

from the Boeing transaction. Iridium NEXT revenue and expenses are expected to be excluded from Operational EBITDA through late 2017. In late 2017, Iridium NEXT revenues are expected to exceed recurring Iridium NEXT expenses (recurring Iridium NEXT expenses are not part of the approximately \$3 billion construction cost of Iridium NEXT (the “Construction Costs”). Accordingly, the Company expects that beginning in late 2017, Iridium NEXT revenues and these recurring expenses will no longer be excluded in calculating Operational EBITDA. U.S. GAAP requires that certain of the Construction Costs be expensed. These certain Construction Costs, which beginning in late 2017 will principally consist of in-orbit insurance, will continue to be excluded from the calculation of Operational EBITDA through 2018. 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, share-based compensation expenses, the impact of purchase accounting, and non-cash gain from the Boeing transaction, the Company believes the result is a useful measure across time in evaluating its fundamental core operating performance. Management also uses Operational EBITDA to manage the business, including in preparing its annual operating budget, debt covenant compliance, financial projections and compensation plans. The Company believes that Operational EBITDA is also useful to investors because similar measures are frequently used by securities analysts, investors and other interested parties in their evaluation of companies in similar industries. However, there is no standardized measurement of Operational EBITDA, and Operational EBITDA as the Company presents it may not be comparable with similarly titled non-GAAP financial measures used by other companies. As indicated, Operational EBITDA does not include interest expense on borrowed money, the payment of income taxes, amortization of the Company’s definite-lived 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, but 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.

Iridium Communications Inc.
Supplemental Reconciliation of GAAP Net Income to Operational EBITDA
(In thousands)

	Three Months Ended	
	March 31,	
	2017	2016
GAAP net income	\$ 37,948	\$28,520
Interest expense	96	483
Interest income	(929)	(1,241)
Income taxes	18,400	15,000
Depreciation and amortization	13,507	12,936
Iridium NEXT expenses, net	2,840	3,023
Share-based compensation	3,481	2,193
Non-cash purchase accounting	—	(208)
Non-cash gain on Boeing transaction	(11,003)	—
Operational EBITDA	<u>\$ 64,340</u>	<u>\$60,706</u>

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, April 27, 2017. 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 ID is 92473444. The conference call will also be simultaneously webcast on Iridium's Investor Relations webpage at 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. 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 2017; service revenue, OEBITDA margin, cash taxes and leverage over the longer-term; the development of and timing for launch and completion of Iridium NEXT; anticipated equipment revenue; and expected revenue from Iridium's contracts with the U.S. Department of Defense. 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 current satellite constellation; the manufacture and launch of and transition to Iridium NEXT, 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, 2016, filed with the Securities and Exchange Commission ("SEC") on February 23, 2017, 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.
Consolidated Statements of Operations
(In thousands)

	Three Months Ended	
	March 31,	
	2017	2016
Revenue		
Service revenue		
Commercial	\$ 59,773	\$ 57,823
Government	22,000	22,000
Total service revenue	81,773	79,823
Subscriber equipment	17,114	17,560
Engineering and support service	5,539	6,819
Total revenue	104,426	104,202
Operating expenses		
Cost of services (exclusive of depreciation and amortization)	16,958	15,903
Cost of subscriber equipment sales	10,104	10,463
Research and development	3,227	2,559
Selling, general and administrative	19,217	19,063
Depreciation and amortization	13,507	12,936
Total operating expenses	63,013	60,924
Gain on Boeing transaction	14,189	—
Operating income (expense)	55,602	43,278
Other income (expense)		
Interest income, net	833	758
Undrawn credit facility fees	(25)	(503)
Other expense, net	(62)	(13)
Total other income (expense)	746	242
Income (loss) before income taxes	56,348	43,520
Provision for income taxes	(18,400)	(15,000)
Net income (loss)	37,948	28,520
Series A Preferred Stock dividends	1,750	1,750
Series B Preferred Stock dividends	2,109	2,109
Net income (loss) attributable to common stockholders	\$ 34,089	\$ 24,661
Operational EBITDA	\$ 64,340	\$ 60,706

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

	Three Months Ended		% Change
	March 31,		
	2017	2016	
Revenue			
Service revenue (1)			
Commercial			
Voice and M2M data service			
Voice and data	\$ 42,544	\$ 42,723	0%
M2M data (2)	17,229	15,100	14%
Total commercial voice and M2M data service	59,773	57,823	3%
Government service revenue (3)	22,000	22,000	0%
Total service revenue	81,773	79,823	2%
Subscriber equipment	17,114	17,560	-3%
Engineering and support (4)			
Government	5,068	6,114	-17%
Commercial	471	705	-33%
Total engineering and support	5,539	6,819	-19%
Total Revenue	<u>\$ 104,426</u>	<u>\$ 104,202</u>	0%
Operational EBITDA			
Operational EBITDA	\$ 64,340	\$ 60,706	6%
Other			
Capital expenditures (5)	\$ 48,944	\$ 75,822	
Net debt (6)	\$ 1,245,865	\$ 1,079,521	
Cash, cash equivalents, and marketable securities	\$ 419,135	\$ 412,137	
Credit facility	\$ 1,800,000	\$ 1,593,761	
Deferred financing costs	(115,621)	(133,314)	
Credit facility, net	<u>\$ 1,684,379</u>	<u>\$ 1,460,447</u>	

- (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 network and a telemetry unit, which may be located, for example, on a container in transit or a buoy monitoring oceanographic conditions. Additionally, M2M data service provides position, navigation and timing technology through Iridium Communications Inc.'s one-way satellite timing, location, and authentication services.
- (3) Government service revenue consists of voice and M2M data subscription-based services provided to agencies of the U.S. government through prime contracts or subcontracts.
- (4) Engineering and support includes maintenance services to the U.S. government's dedicated gateway in Hawaii and engineering services 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 credit facility, less cash and cash equivalents, marketable securities, and the debt service reserve for the credit facility.

