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CORPORATE PARTICIPANTS

Steve Kunszabo *Iridium Communications Inc - Head of Investor Relations*

Matt Desch *Iridium Communications Inc - CEO*

Tom Fitzpatrick *Fitzpatrick - CFO*

CONFERENCE CALL PARTICIPANTS

Operator

James Breen *William Blair - Analyst*

Jim McIlree *Chardan Capital - Analyst*

Greg Burns *Sidoti & Company - Analyst*

Andrew Spinola *Wells Fargo - Analyst*

Chris Quilty *Raymond James - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen. And welcome to the Iridium First Quarter 2015 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will follow at that time. (Operator Instructions) As a reminder, this call will be recorded. I would now like to introduce your host for today's conference, Mr. Steve Kunszabo, Head of Investor Relations. Please go ahead.

Steve Kunszabo - Iridium Communications Inc - Head of Investor Relations

Good morning, and thanks for joining us. I'd like to welcome you to our First Quarter 2015 Earnings Call. Joining me on the call this morning are CEO, Matt Desch, and our CFO, Tom Fitzpatrick. Today's call will begin with a discussion of the 2015 first-quarter results followed by Q&A.

Before I turn things over to Matt, I'd like to caution all participants that our call this morning may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical fact and include statements about our future expectations, plans and prospects. Such forward-looking statements are based upon our current beliefs and expectations and are subject to risks, which could cause actual results to differ from the forward-looking statements. Such risks are more fully discussed in our filings with the Securities and Exchange Commission. Our remarks today should be considered in light of such risks.

Any forward-looking statements represent our views only as of today. And while we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations or views change. During the call, we'll also be referring to certain non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles. Please refer to today's earnings release in the Investor Relations section of our website for reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures.

With that, let me turn things over to Matt.



Matt Desch - Iridium Communications Inc - CEO

Thanks, Steve. And good morning, everyone. I'll start by highlighting that based on our first-quarter performance, and the view for the rest of the year, we have affirmed our 2015, a long-range financial guidance. For the quarter, which is a typically slow one for us, total service revenue grew 3% with key contributions coming from our US government and commercial M2M lines of business. As we expected, equipment revenue was down in the first quarter, owing largely to the ongoing impact of the strong dollar in our international markets. Specifically, our voice market continues to see this currency pressure reduce handset sales and related usage. Tom will have more on these trends later on in his comments.

I'll be brief today as we just hosted a very comprehensive Analyst Day in mid-March, which many of you attended or listened to on the webcast. If you didn't attend or have not had the opportunity to review the presentation on our Investor Relations website, I encourage you to do so. It's the most comprehensive update we've given about our business since our last Analyst Day in 2010, and we also had the opportunity to showcase Iridium's executive leadership team. I'd like to thank the investment community again for attending and making it a great day, and that the strong survey results we received are an indication of the success. I think it was time well spent by all.

Most importantly, we were able to emphasize that our investment case is about the long term. Specifically, the financial transformation we should see through 2018, and the great potential for the company beyond that. It's pretty straight forward when you break it down into its key components. We expect that significantly higher operational EBITDA combined with materially lower CapEx will generate significant free cash flow and ultimately long-term value creation for our stakeholders. Furthermore this investment cases rooted in five growth pillars that lift our service revenue in coming years and you've heard a lot about these too.

Let me remind you of these pillars. Number one, the US Government is the backbone of our profile with its \$400 million five-year fixed price airtime contract. Number two, our lucrative hosted payload business, namely the financial contributions from Aireon and Harris. Number three, new products including Iridium GO! and commercial push-to-talk. Number four, M2M, which is the fastest growing business in our portfolio and now represents nearly half of our subscribers and over 25% of our commercial service revenue. And number five, our newest engine of future growth, Iridium Certus broadband. We and our world-class partners will bring new faster user terminals to market in the coming years to take advantage of our Iridium NEXT's enhanced capabilities.

Taking all this together, I think you'll agree that we're poised to transform our cash flow profile and be a much different and even more valuable enterprise over the next three years. With that, just a few quick thoughts on the status of our network, developments in our Iridium NEXT program, recent news of our Aireon joint venture and an update on our major lines of business.

The first topic is the ongoing health and resilience of our current network. I'm happy to again report that it's performing at a top level and we've had no satellite losses thus far in 2015 or in the last eight months. It continues to provide 100% global coverage, excellent performance statistics and the user experience is getting even better as we make improvements and add new software to the network to provide additional services. It's been the foundation of our success and will continue to be so until Iridium NEXT program is finished.

In regard to Iridium NEXT, our capital budget is unchanged at approximately \$3 billion, and we've spent about half of that through the first quarter of 2015. The overall schedule remains on track for network completion in 2017. We continue to target our first plan launch in October of this year. As many of you observed during the facilities tour portion of our Analyst Day last month, the Orbital Sciences factory, where the satellites are being built in Arizona is humming with activity. The first two satellites that will be launched on a Dnepr rocket are being built and tested there, and the factory is steadily gearing up for high-rate production, which will allow them to manufacture three to four satellites per month as our launch pace speeds up in 2016.

Our partners also continue to produce key flight components in quantity including the Aireon payload, onboard processor, main mission antenna, and spacecraft bus to support the move to high-rate production. In addition, I can report that we recently successfully performed the first traffic load test on the new satellites, which is just one in a series of ongoing testing and validation steps as we get closer to launching the new satellites. As for getting our satellites into orbit, SpaceX, our primary launch service provider, continues to build on its perfect record. They're now 18 for 18 with their Falcon 9 platform dating back to 2010, with their latest satellite delivery mission just a few days ago. This was their fourth successful launch this year showing they're really picking up the pace against a busy manifest. On the Dnepr platform, which again is launching just our first two satellites, production is now complete for the qualification dispenser. The dispenser of the assembly that holds the satellites during rocket

launch and releases them into orbit. Dispenser qualification testing is on track for completion in June 2015. Our Aireon joint venture, also continues to build momentum. It recently signed agreements to collaborate on the potential deployment of space-based global aviation monitoring with the air traffic management agency of India as well as the Blue Med Functional Airspace Block, a cooperative of ANSPs that control airspace in the Mediterranean. These agreements similar to the ones announced earlier in the year with Singapore's air traffic management agency and ASECNA of Central Africa lay the groundwork for future data service contracts and expand the planned deployment of Aireon service in Asia and Europe. Ultimately Aireon is working to secure a strategic flight quarters around the globe that will drive significant operational benefits and fuel savings for the airlines.

Moving now to a quick update on our major lines of business, in our legacy telephony business, despite pressure on both equipment sales and usage from a challenging foreign exchange environment and reduced activity in the energy sector on lower oil prices, we're incentivizing customers with new offers and tailored rate plans to meet our sales targets. In the first quarter and the full year, at least in the early going, are coming up pretty much where we thought and we still believe the commercial voice sector is a low single-digit grower for Iridium over the long term. Aiding that growth profile will be new products including our commercial push-to-talk solution.

This service will be more widely available during the second quarter, and we'll be seeing the first revenue start to flow from a robust customer funnel. As a portable product built on our Iridium Extreme as a dual-purpose handset, we see many attractive use cases for this solution from a remote work teams in the forestry industry to first responders and government agencies coordinating their efforts in the wake of a natural disaster. Overall, we expect it will add to our commercial service and equipment revenue in 2015, and beyond. In M2M, we continue to drive solid performance in our traditional vertical markets by expanding our partner base and reducing hardware costs, while also developing opportunities in the utilities, automotive and enterprise, trucking sectors. The heavy equipment OEM space is still a major target area for us and we've been successful over the last two years bringing new business on board.

We have a strong funnel and expect that we'll be announcing new customer wins in 2015. As for our broadband platforms in aviation and maritime, we continue to see nice gains. In the commercial aviation segment, our subscribers grew about 20% year-over-year in the first quarter, and we've experienced particularly strong adoption among Chinese airlines as they look to use our service to meet a national mandate for satellite voice communications in the cockpit. We are leveraging our size, weight and cost advantages when selling to this market with a strong focus on aircraft operational communications and flight safety applications. On the maritime side, we increased Iridium OpenPort service revenue versus last year with solid data usage on ships and vessels driving growth. The competitive landscape remains favorable for us to build market share as the value player and we'll seek to capitalize on this momentum by optimizing our pricing, aggressively pursuing new fleet wins and driving data usage across the network.

Finally, as you heard on our last earnings call and in detail during the Analyst Day, we plan to expand our broadband footprint from here. With the recent announcement of Iridium Certus broadband, we partner with five world-class manufacturers to develop faster user terminals for the aviation, maritime and land sectors, that will take advantage of Iridium NEXT's enhanced capabilities. The industry is hungry for the reliable low latency and high-speed service that Iridium NEXT will provide and our partners have development underway and to that end, we expect to deliver our core technology, the prototype transceivers for their terminals during the second quarter.

In closing, there is a high level of activity at Iridium these days. 2015 is shaping up to be another exciting year. We're working hard to meet our first launch date this year and complete Iridium NEXT in 2017. Our commercial lines of business are intact now despite some challenging external factors, and we continue to strengthen our service revenue profile with new products and services. Most importantly, our investment thesis and our view to the financial transformation that should occur in 2018 are solidly intact.

So, with that, I'll turn over to Tom for a more detailed financial review. Tom?

Tom Fitzpatrick - *Fitzpatrick - CFO*

Thanks, Matt. Good morning, everyone. I'll get started by outlining our key financial metrics for the first quarter, and then recap the 2015 and long-range guidance we affirm today. I'll close by linking our first quarter's results to our annual outlook and briefly reviewing our liquidity position and balance sheet.



Iridium recorded first-quarter total revenue of \$97 million, which was down 1% from last year's comparable quarter. Service revenue grew 3%, but this was offset by an 18% decline in equipment revenue. As we noted when discussing our 2015 forecast for the first time back in February, the pronounced increase in the strength of the US dollar has reduced commercial handset sales. Operational EBITDA came in at \$52.5 million, an increase of 2% from the prior year period. Our operational EBITDA margin was 54% for the first quarter, up from 53% in the year-ago period. From an operating viewpoint, we reported commercial service revenue of \$57.4 million in the first quarter, which was unchanged versus last year.

We added 6,000 net commercial customers during the quarter, with all of the net customer gain coming from our M2M business. Commercial M2M data subscribers now represent 49% of billable commercial subscribers, an increase from 46% during the year-ago period. It's important to note that while commercial voice and data subscribers increased 4% year-over-year, this was offset by 7% ARPU decline which resulted in service revenue being flat. ARPU was negatively impacted by the Russian ruble's devaluation effect on our legacy telephony business, which we previously described and by lower airtime usage due in part to weakness in the oil and gas sector. These impacts were somewhat muted by continued growth in our Iridium OpenPort maritime product. Our commercial M2M ARPU, which declined from \$16 to \$15 year-over-year fully reflects the pressure we expected from a change in the usage profile of the [NATO] customer that we highlighted last quarter. This high ARPU subscriber used our service to track aviation and ground assets in conflict areas and has now materially reduced its usage as his activity has wound down. I'd emphasize that even including this roughly \$3 million headwind, we expect double-digit subscriber and revenue gains for M2M business in 2015.

Turning now to our government service business, which reported revenue of \$18 million, yielding 13% year-over-year growth, driven by our fixed-price airtime services contract with the Department of Defense. Government voice and data subscribers again grew at a rapid clip, posting 13% year-over-year growth. In addition, we reached a record 63,000 total US Government customers during the first quarter. Looking ahead, as we continue to increase our value to our largest customer, we believe that future services and enhanced capabilities could provide revenue upside as early as 2016.

Notably, we see promising business development opportunities in three areas. First, Iridium Certus broadband, as in our commercial markets will meet the demand for greater bandwidth required by the defense community. Secondly, the potential integration of Iridium service into the government's tactical software defined radios significantly expands our addressable market. And third, a solution that's called STL, which allows us to provide secured time and location services through a strategic partner. This product should be important to civil and government agencies as it augments and validate GPS signals in challenged environments. All of this activity bodes well for the future contract renewals and they're growing partnership with us as a mission-critical communications provider.

I'll focus next on equipment revenue, which was \$16.5 million for the first quarter. It declined 18% year-over-year primarily due to lower commercial handset sales. As we discussed last quarter, the pronounced increase in the strength of the US dollar continues to impact demand for handset products and services. This effect will be partially offset by shipments of new products, specifically Iridium GO! and commercial push-to-talk. While, we don't expect our equipment revenue to grow in 2015, channel checks with our partners tell us that we'll see material improvement in our equipment revenues in the next three quarters.

Moving now to our 2015 and long-range financial outlook, which we affirmed across the Board this morning. To link our first quarter results to an annual trend and provide some additional color for this year's financial target I would ask you to consider the following key elements.

Our service revenue growth skewed at the second half of 2015 as the final step-up in our US Government airtime contract occurs early in the fourth quarter. And we also expect materially lower warranty expenses in 2015 related to our Iridium Pilot maritime product which should lift operational EBITDA. Finally, a review of our balance sheet and liquidity position. As of the end of the first quarter, we have drawn approximately \$1.3 billion from the COFACE facility, and had a cash and marketable securities balance of \$488.2 million. In regard to our CapEx profile, you'll note that our expenditures in the first quarter were down sequentially from the end of 2014. This is consistent with our expectation for the timing of milestone payment to Thales Alenia Space related to Iridium NEXT and the revised first launch date in October. You should see a significant ramp in our capital expenditures in the second and third quarters of 2015 as we move closer to the initial launch date.

In wrapping up my thoughts, a very busy 2015 is underway. Iridium NEXT is on track to complete full deployment in 2017, and Aireon continues to add potential customers to its roster. Our US Government customers engaged with us in several new initiatives and notwithstanding the



macroeconomic headwinds we're seeing in our handset business, we generally expect solid growth across the rest of our commercial product portfolio. We look forward to updating you again in July. With that, I'll turn things back to the operator for the Q&A portion of this morning's call.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) James Breen, William Blair.

James Breen - William Blair - Analyst

Thanks, for taking the question. Tom, can you just talk one more time, a little bit more color on the FX impact in the quarter whether it's all on the equipment side or whether it came in also on the services side and sort of how it comes into each of those different elements. And then, secondly on the M2M business Royalty Caterpillar. Can you guys update us where you are now on that, and when you see that ramping sort of to full speed? Thanks

Tom Fitzpatrick - Fitzpatrick - CFO

The FX impacts are sort of multiple, there's a discrete impact that affects our service revenue and in fact play in the ARPU reduction, and that's the devaluation of the Russian ruble. So that is driving -- we estimate there's about [600,000] of impact in the quarter from simply the same Russian usage that had been denominated in US dollars, which is now denominated in Russian rubles because we started selling in Russia. So that's a discrete impact from the devaluation of the Russian ruble and you see that in our service revenues and the ARPU weakness. It's less -- we could be less precise in terms of the general impact on handset sales owing to the run in the US dollar versus all major currencies. But we sell in US dollars and so our handsets have become more expensive and so the pressure there and the weakness in handsets we trace to the run in the dollar, though we can't be as precise in that estimation as we can with regard to the ruble devaluation impact. And as to Caterpillar, you can elaborate (inaudible) -- we see Caterpillar ramping through the course of the year and will benefit us in the following quarters.

Matt Desch - Iridium Communications Inc - CEO

Yeah, Cat is actually starting to ramp products today. So it's hitting both kind of the equipment line and service line, probably not so much in the M2M side because they're fully focused on the initial side being the high volume product in the voice and data sector, but the M2M part of it really kind of rolls later this year. But overall, they are really ramping up and going commercial and going live and excited to see that -- all that developments coming to fruition.

James Breen - William Blair - Analyst

And just in terms of future opportunities in that space, obviously they're one of the larger OEMs, in terms of total market that's available to you, where are we today in terms of those players really rolling out this type of service?

Matt Desch - Iridium Communications Inc - CEO

Yeah, I mean, literally every quarter we're talking to more players, I think sort of the -- Cat is a bellwether in that market and everybody wants to talk to us about that since they're interested in what they're doing. And you know, we've knocked off a couple others already. I'd say we're talking to everybody in the top tier of that market around the world right now. Many of them are in different stages of whether they're trialing or testing or negotiations or being close to other things. So obviously we didn't announce anything today, but a lot of things are really in the mill right now, and I think you'll see things as the year progresses, other announcements that we'll be making in that area.



Operator

Jim McIlree, Chardan Capital.

Jim McIlree - *Chardan Capital - Analyst*

Thank you, and good morning. The FX impact that you cited is also lower demand from the oil and gas industry, those headwinds seems to me are going to continue throughout the year. So does that suggest that the guidance or the results, which should be at the lower end of the guidance or that there is less optimism about reaching the higher-end of guidance?

Tom Fitzpatrick - *Fitzpatrick - CFO*

So, the ruble effect, right, to the extent that the ruble has devalued, [it affects] 2015, it doesn't recover into 2016, right. So, we're at the level where we are and so the comp versus 2014 will be in effect throughout the quarters of this year, but not into 2016. If you just look at the quarter in terms of where we come out in the guidance, the commercial revenues were flat year-over-year and we still put up 3% growth. So what we noted in the quarter is particular weakness in January and February and improvement in March. And so to the extent that we see continued improvement in the spring and summer months, which are traditionally our strongest months, it pushes you further into up from the 3% we posted in the first quarter, which had two notably weak months in it. If you also consider the fourth quarter has the benefit of the increase in US Government contract, so the fourth quarter will grow 20% in terms of government revenues over 2014 where as the first quarter only grew 12.5% because it didn't have the benefit of the contractual uplift.

Secondly, we see Caterpillar ramping throughout the year and commercial push-to-talk affecting the back half of the year. So we'll evaluate where we fall in the range as we go through the spring and summer months and see the relative weakness or relative performance there.

Jim McIlree - *Chardan Capital - Analyst*

Okay. And so, you mentioned two offsets, Cat and push-to-talk, are there also offsets from aviation or maritime that are notable that would overcome the weakness that you saw in the first quarter?

Tom Fitzpatrick - *Fitzpatrick - CFO*

What I would say, it's fundamentally, the picture of the first quarter is two months of particular weakness, January and February, one month of much improved performance in March. The extent to which March recurs in April, May, June and pushes you north of flat commercial service revenue. So that's kind of the fundamental difference between the first quarter and the succeeding quarters is the degree to which the improvement we saw in March continues to recur and that's augmented by the three other things that I noted, the government increase, Caterpillar and push-to-talk.

Operator

Greg Burns, Sidoti & Company.

Greg Burns - *Sidoti & Company - Analyst*

When we think about the longer term, I guess, service revenue opportunity from Aireon, I think you've put out a number out there. You continue to sign or make progress in signing additional ANSPs globally. How should we think -- is there upside to that number you put out, like what is baked



into the kind of long-term service revenue potential of Aireon, does it consider winning these recent deals you talked about or is there some upside if you get more global penetration than you had previously expected

Tom Fitzpatrick - *Fitzpatrick - CFO*

So the upside is in our 25% remainder interest in Aireon on once we're paid down for Aireon's acquisition of Iridium's stock in, we estimate, 2018. We'll still have 25% of that business and to the extent that Aireon outperforms will be a 25% owner. The revenues that we cite in 2018, of \$14 million in hosting fees and approximately \$20 million in data, that's contractual Greg and so to the extent Aireon outperforms that (inaudible) benefit and we get our share of that if you will as an equity owner to the tune of 25%.

Greg Burns - *Sidoti & Company - Analyst*

Okay. And what was the warranty expense this quarter, and where does that flow through the P&L?

Tom Fitzpatrick - *Fitzpatrick - CFO*

It's in cost of sales, and we will get back to you with the exact number in the quarter. We will slip that up and we will come back to you Greg.

Operator

(Operator Instructions) Chris Quilty with Raymond James.

Chris Quilty - *Raymond James - Analyst*

Thanks, Matt. Just wanted to follow-up on the pricing plans you mentioned for the handheld voice business. Are these temporary plans or one-time plans that will have a transitional impact or are these longer-term adjustments to your pricing model?

Matt Desch - *Iridium Communications Inc - CEO*

Well, we're considering them in both categories. I mean there are incentive plans that we think will help sales this year and there's some -- we're constantly reviewing how we position ourselves not just against others but how people value our programs. I mean, for example the Go! product. We've just found a lot of interest in sort of all-you-can-eat plan, which was a little bit of a surprise and realized people want simplicity really in terms of their usage. And so we're considering how that plays out in other products and also how to tailor that product for each of the individual markets as it goes out, so now it's more fine-tuning more than anything else and that's kind of figured into our overall projections as to what we're doing, but I just suggest we're not going to stay fixed forever in terms of exactly how we position our products.

Chris Quilty - *Raymond James - Analyst*

Okay. And with reference to GO!, what have you seen in terms of trends for hardware shipments there?

Matt Desch - *Iridium Communications Inc - CEO*

We are going to come up on our first-year anniversary, I think, in a couple more months here and everything and maybe we'll kind of report out more at that time. But, it's been a solid product for us, it continues to ramp out there. There is a lot of rewards for it, a lot of interest. I'd say it's -- we've realized, I think one of the things we're just talking about yesterday is how much we need to localize it. We need to spend more time in

providing help in Asia markets and those sort of things to help that product ramp out there, but we're still very pleased with it. It's continuing to drive, I think new customers to our business, and I think it is positioned very well.

Chris Quilty - *Raymond James - Analyst*

Okay. And on the OpenPort maritime side last several quarters, you've mentioned specifically 20% order of magnitude growth, I think you said growth in this quarter, is it fair to assume that that slowed down from the initial ramp or difficult year-over-year comps or just seasonal timing?

Tom Fitzpatrick - *Fitzpatrick - CFO*

I think it was a little bit inside of 20%, but still solid growth. Chris.

Chris Quilty - *Raymond James - Analyst*

Okay. The secured time and location, I think that's what you used to call the IGPS service. Can you give us a little bit more detail in terms of who -- the types of partners are there, who the customers for this service is, and how that gets billed through what line item, and maybe what kind of order of magnitude it might have this year?

Matt Desch - *Iridium Communications Inc - CEO*

Yes, we called that out and it's nice of you to pick that out, STL or Satelles time and location is what we actually used to call Boeing time and location. So it's not exactly IGPS, but it sort of came out of that same invention out of Boeing. It got licensed to one of our value-added resellers and sort of an exclusive basis and they've been now really talking throughout both civil and governmental customers and I've been really pleased how much interest there is, it's quite unique. It would take me a long time to explain it in enough detail for everyone on the call, but sort of simplify it, it's a technology that allows through a broadcast, through our high-powered channels in our satellite system, information to a small chip that validates where that user is, it kind of can't be spoofed very easily in terms of validating GPS information or providing sort of GPS like information, location information inside buildings where GPS doesn't exist. And if you think about the kinds of things you can do about that when you can trust that a user is in a specific place, it can have cyber type applications, it can have anti-spoofing kind of applications. It can -- and I've really been pleased to see both government and civil sort of people come forward and suggest the kinds of applications they see happening there. And that would flow primarily through service revenue to us as we provided that signal. And by regions, we prefer to price it by the region, so if they turn that signal on over the US or over Europe, or over Asia, or wherever it is, then we get paid. I don't expect a lot of revenues this year, but we see a nice ramp up in 2016, 2017 and 2018 as that business develops. And I really -- what I really like about that I think it's the absolutely perfect kind of application for the Iridium network. Again a very unique service that -- you could only do through a lower orbiting inter-satellite linked system that provides a powerful capability that can't be sort of replicated elsewhere and provide solid service revenue growth as it ramps up. So, I would say, it was one of the hot topics of the Iridium partner conference this year, and continues to be sort of a hot topic both in, starting in the government business area, but also in the commercial business area as well.

Chris Quilty - *Raymond James - Analyst*

And final question, M2M subs down just modestly year-over-year, Q1 seasonally weak, but should we still expect a ramp in that, and are you seeing any impact from the price cuts you instituted last year?

Tom Fitzpatrick - *Fitzpatrick - CFO*

So M2M subs were up 18% year-over-year in the quarter, Chris. So, I mean the M2M -- any softness in M2M in the year is owing to the NATO customer we described. So it was a really high ARPU customer. So didn't really impact subs that much, we still posted pretty robust M2M subscriber growth



at 18%, but our revenue was pressured because that customer has changed their usage profile and that's out of the revenue number. So, we're actually pleased with the M2M kind of pace.

Matt Desch - *Iridium Communications Inc - CEO*

In the funnel and the other -- and the new business that we're seeing and how that might ramp up.

Chris Quilty - *Raymond James - Analyst*

Okay. I was referring to the net adds, understand the impact on the ARPU whether some of those NATO subscribers that were actually coming off in the first quarter that impacted the net adds.

Tom Fitzpatrick - *Fitzpatrick - CFO*

Yeah, to some degree, but it's not a lot of subs, it's more high ARPU subs. So, I mean the net add was off a 1,000, it's-- we will make anything with that -- we see M2M subscribers with robust growth in the year.

Operator

Andrew Spinola, Wells Fargo.

Andrew Spinola - *Wells Fargo - Analyst*

Thanks. I wanted to ask on the M2M business, is there any FX impact on that or is that an entirely US dollar business?

Tom Fitzpatrick - *Fitzpatrick - CFO*

There is not M2M to any material degree in Russia. So there is no ruble effect.

Matt Desch - *Iridium Communications Inc - CEO*

Though we do see a growing funnel in Russia for -- as M2M opportunities emerge, and get built, you know, they take time to sort of emerge in sort of that new market area. But, I wouldn't say that really overall the FX impacts M2M to the extent it does say a competitive handset sale for the most part, when you get built into a solution over time. It really more depends upon the business case for that customer and how fast they decide to ramp, whether it's been put, it's more than affected by the -- maybe the market segments that they're in. Whether commercial fishing might be down or something or oil and gas pipeline monitoring or tracking applications and that sort of things, but that's little harder to track as far as FX.

Tom Fitzpatrick - *Fitzpatrick - CFO*

It's also 10 times cheaper than a handset. So effective the dollar (inaudible) is less pronounced. It's a smaller-ticket item.



Andrew Spinola - Wells Fargo - Analyst

That makes sense. And then to real high level, Matt, you mentioned that your long-term view of the voice -- commercial voice businesses is low single-digit growth and I was just curious if you'd be willing to give us sort of your view on that market, and how you get to growth longer term. Is it market growth? Is it share growth pricing? How do you view all those different variables in that business?

Matt Desch - Iridium Communications Inc - CEO

Well, we've had a solid position in that space. Obviously, we were the first there and I would say that it's still the most highly regarded solution in that space, but we've expected that the growth would come from new products like Iridium Go! and commercial push-to-talk in that space and those are really still in their very early days, and those will help offset really to the extent that there is any slowdown what I would call a traditional sort of satellite phone usage. And then long, long term, I think there is an Iridium Certus affect that will come into what I would call the traditional voice and data space or at least portable communication space as we find higher speed services and other things to make it easier for people to use their smartphones, and laptops around the world. Maybe the mid to long term, where as we said that this is sort of a foundation for our business and really these countervailing forces will create a low single-digit grower, that's sort of how we view that.

Andrew Spinola - Wells Fargo - Analyst

That make sense. Thank you very much.

Operator

Thank you. We have a follow-up question from Chris Quilty from Raymond James.

Chris Quilty - Raymond James - Analyst

Yes, real quick on the oil and gas exposure. Do you have any idea of what percent of either your voice or M2M are just collectively your exposure is to that segment?

Tom Fitzpatrick - Fitzpatrick - CFO

Not with precision, what we observed Chris was when we look at the LACTs where offshore oil rigs operate around the globe, we noticed a pronounced decrease in usage in the first quarter in those LACTs like 30% decrease in the usage in those LACTs. And so that's -- so in our legacy telephony business, it's has been characterized by net additions that generate increased access revenue and that's the plus. And we've had sort of a chronic decrease in usage over time, and we model that and how we think about the low single-digit growth is, growth in access offset by moderate declines in usage to net out to a low single-digit grower. And we think that is the prospect for that element of our business as we look out into 2018, and we're confident in that. What we saw in the first quarter was a kind of a step down in usage that made us scratch our heads, and say what is that, and as we interrogated it, we saw, hey these oil and gas LACTs are really down acutely, and that's kind of piling on what is as I call it a chronic decline in usage in our legacy business. And that's how we characterize it.

Operator

Thank you. I would now like to turn the call back to Matt Desch, CEO for closing remarks.



Matt Desch - Iridium Communications Inc - CEO

Thanks, everybody, for joining us. Obviously this is going to be interesting year as we ramp towards first launch and looking forward to telling you how the business progresses in a few months here. So, thanks all for joining us. And we'll talk to you soon.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does concludes today's program. You may all disconnect. Everyone have a great day.

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