



Global Invacom Group Limited
(“Global Invacom”, the “Group” or the “Group”)

Final results for the year ended 31 December 2019

Singapore/London, 28 February 2020 - Global Invacom (SGX: QS9) (AIM: GINV), the global provider of satellite communications equipment and electronics, is pleased to announce its financial results for the year ended 31 December 2019 (“FY2019”) and the three months ended 31 December 2019 (“Q4 FY2019”).

Key financial highlights:

- Revenue for FY2019 increased 10.0% to US\$134.5 million (FY2018: US\$122.3 million)
- Adjusted gross profit (before exceptional items) increased by 11.8% to US\$28.2 million (FY2018: US\$25.2 million). Actual gross profit of US\$24.1 million includes US\$4.1 million impairment costs related to the closure of the Group’s Shanghai manufacturing facility.
- Strong cash generation as net cash at 31 December 2019 increases US\$3.6 million
- Adjusted net profit (before exceptional items) increased by 158.3% to US\$4.0 million (FY2018: US\$1.5 million). Actual net loss of US\$12.3 million includes US\$16.3 million costs relating to the closure of the Shanghai manufacturing facility and the impairment of goodwill and loans.

Key operational highlights:

- Announced a complete review of the Group. As a result of the review, the Group will focus on the following strategic initiatives:
 - Continued drive in product development across both Data Over Satellite (“DOS”) and Direct to Home (“DTH”) markets although focus on DOS
 - Completion of the Shanghai manufacturing operations’ relocation to a third-party subcontract manufacturer in the Philippines by the end of June 2020; 80% complete to date
 - Retention of key procurement and quality assurance personnel for the Group in China

Global Invacom’s core operations focus on two key end markets: Direct to home (“DTH”) and Data Over Satellite (“DOS”).

DTH continues to play a central role in delivering satellite broadcast services, despite an increase in Over-The-Top services (“OTT”). As such, the Group believes DTH sales will continue to provide a profitable foundation for the business.

More importantly, the Group is seeing a strong increase in demand for its DOS technology and services as consumer appetite for constant connectivity increases unabated. With increasing data consumption across all geographies and with existing physical infrastructure incapable of responding to, and servicing, this demand, it is anticipated that service providers will continue to adopt satellite solutions to fill the insatiable demands for data growth.

The Group also now offers integrated antenna and electronics solutions for Medium Earth Orbit (“MEO”) and Low Earth Orbit (“LEO”) satellites, and is seeking to leverage its existing customer base

and engage with new customers in order to become a key industry partner for operators seeking to launch satellites into these orbits.

The DOS market continues to grow unabated as demand for constant connectivity from end consumers grows. According to a report from *Statista* published in September 2019, global mobile data traffic is projected to increase nearly sevenfold between 2017 and 2022¹. Existing physical infrastructure is not capable of satisfying this demand, and the speed and scope of the task to provide connectivity to all has seen operators seek satellite solutions, which are more economically viable and capable of providing coverage across an extensive geography.

Despite the rise of OTT media services, the demand for DTH connectivity continues. With a limited peer group, Global Invacom continues to focus on product innovation, and believes it will benefit from manufacturing efficiencies following the move from Shanghai to the Philippines.

Global Invacom boasts an enviable customer list which includes a number of the leading DTH providers worldwide, such as Sky in the UK and Dish Network in the United States (“US”), as well as leading, worldwide DOS providers such as Hughes Network Systems, Viasat, Gilat and ST Electronics. The Group believes continued demand for DTH products from this blue-chip customer base will remain a good revenue stream for the Group going forward with DOS products bringing strong growth.

In June 2019, Global Invacom completed the acquisition of Apexsat Pte Ltd (“Apexsat”), a group specialising in the design and manufacture of steerable earth station solutions and motorised and transportable antenna systems including systems capable of acquiring and retaining LEO and MEO satellites and drone tracking. The acquisition of Apexsat has enabled the Group to leverage its existing customer base, and to offer products for the LEO and MEO satellite communication constellations markets.

The Group has experienced continued increased pressure on wages and production costs in China, with the average cost per employee rising 89% between FY2012 and FY2019 added to an overall production cost increase exasperated by tariffs imposed by the US. The relocation of the manufacturing facility to the Philippines will help protect margins on the affected products.

As a result of the transition to the Philippines, Global Invacom will incur one-off charges closing the Global Invacom owned facility in Shanghai. These non-recurring charges of US\$10.6 million have been recognised in FY2019.

Following from the review, the Group has also recognised a further US\$5.5 million impairment from the impairment of goodwill and loans.

Alongside Global Invacom’s existing product set comprising hardware and electronics for satellite antenna products – the Group continues to drive research and development of new products throughout its teams in UK, US, Malaysia, Indonesia, Germany and Israel.

Apart from the economic uncertainty as a result of the ongoing trade tensions between the US and China, the Group is also mindful of the COVID-19 outbreak which has disrupted many businesses operating in China and the risk around its supply chain of components. The Group has established a core team of approximately 30 supply chain specialists located in Shanghai to source such products. This team is closely monitoring the situation to ensure stable supplies to the Philippines and US although we believe it is too soon to comment on its long-term impact for the business.

¹ <https://www.statista.com/topics/779/mobile-internet/>

Tony Taylor, Executive Chairman of Global Invacom, commented:

“We are delighted with the progress we have made in 2019 and believe the decisive actions taken by management to restructure the business will ensure that the Group is well placed to capitalise on a number of growth opportunities. Our transition to the Philippines which will continue over the course of the first six months of 2020 will help protect our overall margins, now unencumbered by tariffs and increasing production costs in China.

The demand for satellite communications solutions continues to gain momentum as operators strive to put in place infrastructure that is capable of responding to the ever-increasing demand for connectivity and data regardless of location. The Group continues to be uniquely positioned to supply antenna and electronics products, and with our blue-chip customer base and industry reputation, we feel we are very well placed going in to 2020 to drive further growth.”

Revenue for the 12 months ended 31 December 2019 increased 10.0% to US\$134.5 million from US\$122.3 million the previous year. Revenue of US\$30.1 million for the quarter ended 31 December 2019 was 17.3% lower than the corresponding quarter in 2018 when the Group received strong demand from two of its major customers.

Geographically, Group revenue for FY2019 increased in America, Europe and Rest of the World (“RoW”) by US\$7.8 million (+9.1%), US\$4.2 million (+15.5%) and US\$1.3 million (+30.3%), respectively, offset by reductions in Asia by US\$1.1 million (-20.7%). Revenue for Q4 FY2019 increased in Europe and Asia by US\$1.6 million (+22.4%) and US\$0.9 million (+110.6%), respectively but declined in America and RoW by US\$7.0 million (-26.8%) and US\$1.8 million (-77.3%), respectively, compared to the prior year.

The increase in revenue alongside product mix resulted in an adjusted 11.8% increase in gross profit for FY2019 to US\$28.2 million, excluding the Shanghai facility impairments, compared with FY2018 of US\$25.2 million.

In the year ended 31 December 2019, the Group recorded a net loss of US\$12.3 million (FY2018: US\$1.5 million net profit), as a result of one-off costs for the Shanghai planned closure and transition of manufacturing to the Philippines. Reversing these costs would give the Group a net profit of US\$4.0 million.

Administrative expenses increased to US\$27.4 million in FY2019 from US\$22.9 million in FY2018, due to the inclusion of salaries and related costs from the acquisition of Skyware Technologies in September 2018, along with US\$4.2 million for the closure of the Shanghai manufacturing facility and a small-scale restructuring in one of its UK facilities. Other operating expenses also reflected US\$8.0 million in one-off costs relating to the closure of the Shanghai manufacturing facility and the impairment of goodwill and loans.

The Group recorded a net increase in cash and cash equivalents amounting to US\$0.8 million in FY2019 bringing cash and cash equivalents per the consolidated statement of cash flows to US\$8.9 million as at 31 December 2019. Overall net cash in the Group, combining cash and cash equivalents against borrowings, improved by US\$3.6 million in FY2019.

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About Global Invacom Group Limited

Global Invacom is a fully integrated satellite equipment provider with six manufacturing plants across China, Israel, Malaysia, UK and the US. Its customers include satellite broadcasters such as BSkyB of the UK and Dish Network of the US and Data over Satellite providers including Hughes Network Systems, Viasat and Gilat Satellite Networks.

Global Invacom provides a full range of antennas, LNB receivers, transceivers, fibre distribution equipment, transmitters, switches and video distribution components and electronics manufacturing services in satellite communications as well as manufacturing services in military, medical, and consumer electronics industries. Following the acquisition in 2015 of Global Skyware, a leading US-based designer and supplier of satellite antennas products and services, the Group became the world's only full-service outdoor unit supplier.

Global Invacom is listed on the Mainboard of the Singapore Exchange Securities Trading Limited and its shares are admitted to trading on the AIM Market of the London Stock Exchange.

For more information, please refer to www.globalinvacom.com