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VSAT.OQ - ViaSat Inc Definitive Agreement to Acquire RigNet Inc -  
M&A Call

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## OVERVIEW:

Co. announced that it has entered into a definitive agreement to acquire RigNet, Inc. for an enterprise value of about \$222m.

## CORPORATE PARTICIPANTS

**Richard A. Baldridge** *Viasat, Inc. - President, CEO & Director*

**Robert James Blair** *Viasat, Inc. - VP, General Counsel & Secretary*

**Steven E. Pickett** *RigNet, Inc. - CEO, President & Director*

## PRESENTATION

### Operator

Welcome to today's Viasat definitive agreement to acquire RigNet. Leading the call will be Rick Baldridge, President and CEO of Viasat; and Steve Pickett, President and CEO of RigNet.

I will now pass the call over to Rick Baldridge.

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**Richard A. Baldridge** - *Viasat, Inc. - President, CEO & Director*

Okay. Thanks. Before we start, I want to introduce there's a couple more people on here today. Shawn Duffy, ours -- the Viasat CFO; Lee Ahlstrom, RigNet's CFO; and Robert Blair, our General Counsel; and Paul Froelich, Head of Treasury and Corp. development for Viasat.

So before we get started, Robert, turn it over to you.

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**Robert James Blair** - *Viasat, Inc. - VP, General Counsel & Secretary*

Great. Thanks, Rick. As you know, this discussion will contain forward-looking statements. This is a reminder that factors could cause actual results to differ materially. Additional information concerning these factors is contained in both Viasat and RigNet's SEC filings, including the most recent reports on forms 10-K and 10-Q, which are available with the SEC or on each company's respective website.

Back you to you, Rick.

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**Richard A. Baldridge** - *Viasat, Inc. - President, CEO & Director*

All right. Welcome, everybody. Happy to be here and talking about Viasat and RigNet coming together of future partnership. We've been talking about our focus on execution with ViaSat-3 coming online over the last few quarters as we get ready for our first launch. Diversification in other verticals is a key part of that, and this is just an example. We see RigNet as part of our global initiative and diversification really in the areas that are bandwidth-intensive areas, like energy, mining and shipping and maritime.

So this transaction is structured as a stock-for-stock deal. It's intended to be tax-free for the RigNet shareholders. There's a fixed exchange ratio. Really, it represents about an 18% premium for RigNet based on the 2 companies' 20-day volume weighted average prices or VWAP. Value of the enterprise that we're acquiring, about \$222 million based on the equity and the amount of debt that we're assuming. The pro forma transaction for RigNet shareholders afterwards would own about 5.7% of the new company stock.

From a -- just an overall management standpoint, RigNet will become part of our global enterprise and mobility business unit, which is led by our President Jimmy Dodd of that group. And the RigNet team, they're headquartered out of Houston, Texas, which -- where management is expected to stay, provide leadership and their knowledge and their customer relationship and support from there.

We expect the transaction to close by mid-year of '21, subject to the approval of RigNet shareholders and other customer closing conditions. Notably, KKR, RigNet's largest shareholder, is supportive of the transaction. We're looking forward to having them as shareholders of the new company.

So for those of you that are not probably familiar with Viasat, this chart has most of that information on it. We're a global satellite-based services and network products company across consumer, enterprise, government segments with both fixed and mobile services. Our mobile business has been growing a lot in the last few years. Obviously, down a little bit this year. We have over \$2 billion in revenues, nearly \$500 million in EBITDA for the last trailing 12 months.

We've sustained really solid performance through this pandemic, mainly tied to diversity of our business model, which is led by strong demand for fixed broadband services and government offerings, recognizing the obvious headwinds that we've seen in air travel. We also have a strong international footprint. Bringing RigNet into the fold really enhances that global coverage.

A little bit about kind of our strategic rationale and what we're thinking here. This gives us new vertical industry at scale in bandwidth-intensive area, we're -- we think that's where our real strength is. Combined, domain expertise of the 2 of us puts us in a better position for expansion into other adjacent industries and remote enterprise applications, such as mining, shipping and maritime, which, by their nature, are really difficult to serve, especially with the types of high bandwidth services that we think that there's going to be in high demand.

RigNet has over 50 customers -- has customers in over 50 countries. They've over 650 employees with more than half of its employees in international market areas. We see RigNet's strong global support, infrastructure and operations foundation as key enablers that help accelerate our global expansion strategy. So we're excited about that.

The international presence aligns with -- obviously, with our expanding operations as we bring the 3 -- ViaSat-3 satellites into the marketplace. We've talked in previous quarters about that being a key priority, getting the leadership teams and the infrastructure and the partnerships lined up in these other markets. So this is a great fit.

One of the things that we really like about RigNet is their focus on what we call digital transformation trends across all the industries. We are hyper-focused in this area, and they've done a really good job of laying the foundation. They've gone beyond the vanilla-managed communication services in areas like machine learning and AI or artificial intelligence. These are key initiatives that help their customers operate more efficiently. And importantly, they drive higher customer loyalty, which is another focus area of ours. We think that together we can grow this business and export these capabilities to other enterprise.

Just from a structuring standpoint, just to help you get an idea of how they fit in. Their revenue for the past 12 months is about \$225 million, while their EBITDA was \$37.5 million. I think the transaction will be immediately accretive to cash flow and will slightly improve our leverage profile going forward.

We think the all-stock nature of the transaction really allows us to align RigNet shareholders and our shareholders let them participate in the upside. We obviously think our stock is below where it should be. RigNet feels theirs is, too. And so this helps us jointly realize the benefits.

Just a little thinking about our perspective. And we've known and followed RigNet for a long time. And this is a business we've always wanted to serve. It's one of those verticals that we have planned to either go into organically or make an acquisition as a way to help jump-start that process. We like the fact that they've got many sites in remote areas with a critical need for dependable and secured connectivity.

And the other key factor here is we think those sites and what they're going to do in the future needs a lot of bandwidth, and that's what we're trying to bring to market. As the company, they've shown strong, very strong execution capabilities in really challenging conditions. And we're not only expanding their business and managed communications, we're a leading innovator in the energy sector and have successfully commercialized innovative technologies, such as their Intelie AI platform.

What's great about these types of technologies as they help the customer save money on their core operations more than offsetting the cost of the services associated with connectivity. So it's good for the customer, and it's good for us. And of course, their success and performance relative to their peers is a testament to the strength and leadership of the team that Steve and his group have brought. We've talked to their customers in previous years, and their customers really trust the RigNet team.

So with that, Steve, I'll turn it over to you.

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**Steven E. Pickett** - *RigNet, Inc. - CEO, President & Director*

Thank you. Thank you, Rick. Appreciate it. First of all, I'm excited to be joining you on the call this morning to make this announcement to both sets of shareholders and to our employees.

As Rick said, I think there's an opportunity for substantial value creation here as we combine the companies to create a vertically integrated leader in global managed communication services and digital transformation solutions.

For those of you who might be new to the RigNet story, we have a history of providing service and support to the industry, and that goes back more than 40 years. And we do that across 3 business segments. The first is the legacy core business, our managed communication services business. And in that business, we design, create, own and manage very complex voice and data networks for our customers who are operating in some of the harshest environments imaginable and frankly in some of the most complex edges in the world from the outback of Australia to deepwater fields in offshore Brazil.

Although we began primarily serving offshore drilling rigs and therefore the name, we've expanded, particularly over the last several years, to deliver our solution to offshore production platforms and vessels, maritime vessels and a variety of other sites that include U.S. and international land drilling sites, production sites and corporate offices.

As of September 30, we had 1,190 MCS or managed communication services sites and generated revenue, as Rick mentioned, in more than 40 countries from over 600 customers. We also own the largest over-water network in the world in the Gulf of Mexico and provide communications via both microwave and LTE on that network. About 2/3 of our revenues come from that MCS, again, our managed communications services segment.

Another legacy business segment for RigNet is what we call system integration or SI for short. We have a talented team of engineers and technicians around the world who served as subcontractors to major EPC companies who are building some of the largest and most technically advanced LNG and petrochemical plants, offshore platforms, floating production, storage and off-take vessels, also referred to as FPSOs in the world.

Within this business, we design all elements of the communications package as well as assemble and test the various components before shipping to the customers' location for installations. We're uniquely positioned to do this because we understand the needs of our energy customers in this particular business segment, from 24-hour availability for critical communications to the inherent safety requirements that must be met in this industry when installing communications equipment in these dangerous and sometimes volatile environments. System integration represents approximately 18% of revenue.

And finally, our newest and fastest-growing segment, as Rick mentioned, is our apps and IoT segment. We began building this segment in late 2016 as a way to offer digital solutions that sit on top of our already highly secure network, delivering applications that are optimized for use in harsh network conditions, where things like latency and high packet loss are key concerns when trying to get these specialized apps to work reliably.

We count about 11,000 IIoT or industrial IoT sites, mostly on pipelines in North America. We offer solutions in the area of applications that range from entertainment for offshore crews who might be spending 14 to 18 days at a time away from home on these remote assets, to specialize weather data, to business video solutions that support both interactive video communication between shore and these remote locations, to video monitoring, where through the use of digital video, we're able to apply data analytics to be able to watch for unique solutions without eyes on

glass, so essentially to allow the data analytics to do that monitoring. So we can identify things like a man down and sending alert in order to notify people that there might be a dangerous situation to -- for an employee who is working offshore.

And finally, in terms of Intelie, our real-time AI-backed machine learning business, is really a flagship within this apps and IoT segment. And I should also mention Cyphre, which is an important part of our cybersecurity portfolio that delivers on military-grade hardware-based encryption technology to our customers.

Of the different elements of our apps and IoT business, we are proudest of Intelie, which has captured logos in the industry -- in the energy industry at a remarkable rate, including companies like Petrobras, BP, Shell and Transocean. If you're familiar with the recent IPO of C3.ai, Intelie does much the same thing, and our customers are just thrilled with its speed, its flexibility and its efficiency.

The Intelie solution has been embraced by some very well-known nonoil gas brands as well, in food manufacturing, mining and maritime. And without a doubt, this combination with Viasat will allow us to further exploit opportunities in those vertical markets as well. Apps and IoT has grown from nothing to about 16% of revenue today. You can learn more about RigNet at [investors.rig.net](https://investors.rig.net).

If we move to the next slide, let me highlight that we're really excited about not only what this means for RigNet and our shareholders but what it means for our customer base as well, which, as you can see from a few of the logos here, includes super majors, gas companies, national oil companies and some of the largest offshore service companies in the world.

We believe this combination is beneficial for a number of reasons. First of all, both RigNet and Viasat already deliver superior service to our customers. And with this combination, we'll be able to apply each other's best practices to ensure both sets of customers receive best-in-class service. And as Rick said, we intend to continue serving RigNet's customers through our existing offices, our team and our support structure, eliminating any concern customers might have during our transition.

Secondly, both RigNet and Viasat are leading technology providers with deep expertise in our respective sectors. There are tremendous opportunities for technical and revenue synergies here as we're able to apply each other's capabilities in our respective customer basis. That's going to be one of the major benefits of this kind of vertical integration.

Finally, it's been part of RigNet's strategy to expand into industries outside of oil and gas, particularly with Intelie and our cybersecurity solutions, which, of course, are not industry-specific solutions, they apply across all industries. But frankly, our size has constrained us, particularly in the current challenging macro environment. So being part of the larger organization will allow us to dedicate more resources to grow the contributions of these high-value solutions much more rapidly than we could have done as a stand-alone company.

In summary, the RigNet team is excited. I'm excited about the opportunities and the combination that we're creating here, and I believe both sets of shareholders will reap the benefits.

So with that, Rick, let me hand it back to you. Rick, with that, I'll hand it back to you.

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**Richard A. Baldridge** - Viasat, Inc. - President, CEO & Director

Yes. Thanks, Steve. I appreciate. I was talking away. I was on mute. Anyway, welcome, Steve and the RigNet team. We're really happy to have this deal consummated and look forward to actually being to close sometime this year and begin to work together. I think it's going to be a great team.

With that, we'll...

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**Steven E. Pickett** - RigNet, Inc. - CEO, President & Director

I'm confident it's going to be, Rick. So I'm looking forward to it.

**Richard A. Baldridge** - *Viasat, Inc. - President, CEO & Director*

Okay. I think we're going to wrap it up there. And there will, obviously, be some follow-up in the days to come from a communication standpoint. I know we've got some press that's interested to talk today. But -- so Steve, thanks for getting up early and the rest of our team, and we look forward to talking to you guys later. Goodbye.

**Steven E. Pickett** - *RigNet, Inc. - CEO, President & Director*

Bye-bye, all. Thank you, Rick.

**Operator**

Ladies and gentlemen, that does conclude today's presentation. You may now disconnect, and have a wonderful day.

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