DigitialGlobe to Acquire The Radiant Group

Operator

Good morning. Welcome to the DigitalGlobe conference call. All participants are in a listen-only mode until the question and answer session begins following the presentation. At that time, to ask a question simply press "star" then the number 1 on your telephone keypad. If you would like to withdraw your question, press the "#" key. Today's call is being recorded and is also being broadcast live over the Internet at www.digitalglobe.com. In addition, there are supplemental materials that will be referenced on today's call available at the company's website.

To access those materials, go on the Investor Relations section of the company's website at www.digitalglobe.com.

I will now turn the call over to Patrick Elliott, Director of Finance and Investor Relations for DigitalGlobe.

Patrick Elliott, Director of Finance and Investor Relations

Good morning and thanks for joining our call to discuss an exciting opportunity for our company. With me are Jeff Tarr, President and Chief Executive Officer, Gary Ferrera, Chief Financial Officer, Tony Frazier, Senior Vice President and General Manager and Fred Graffam, Senior Vice President of Investor Relations and Corporate Development.

Our remarks today, including statements about our planned acquisition of The Radiant Group, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are based upon our current expectations and assumptions of future events and are subject to risks and uncertainties that could cause our actual results or performance to differ materially from expectations. These include the possibility that satisfaction of the closing conditions related to the acquisition may be delayed or may not be satisfied or waived; potential loss of key employees and

customers; difficulties managing and integrating operations, and exposure to unanticipated costs or liabilities resulting from the acquisition.

We undertake no obligation to revise or update any forward-looking statements. Please refer to our prior publicly filed reports, which can be found at our website for a more detailed discussion.

For your convenience, we have posted supplemental materials on the Investor Relations section of our website.

During the question and answer session, please limit your questions to one question plus a follow up, and then please re-enter the queue if you have additional questions. Finally, we will be holding our regularly scheduled earnings call later in October. Therefore, we will not be discussing Q3 2016 results on this call.

I will now turn the call over to Jeff.

Jeff Tarr, President & CEO

Thanks, Patrick. Good morning and thank you all for joining today's call to discuss our acquisition of The Radiant Group, a leading provider of advanced geospatial solutions to the U.S. Intelligence community.

I'll begin today with a brief description of the business and the strategic rationale for the transaction. Tony Frazier, Senior Vice President and GM of our Services Business will then discuss Radiant Group and its unique capabilities in more detail, and share a few thoughts on our Services strategy. Gary will then review the financial profile and terms of the transaction. Finally I'll wrap up before opening the call for questions.

Radiant is an innovative, high growth, analytic services business, on track to generate approximately 100 million dollars in revenue this year. They have built a reputation as a

forward leaning company recognized for helping the U.S. Intelligence and Special Operations Communities leverage geospatial technology, applied data science, analytics and the cloud to address mission critical challenges.

As you are aware, since Q3 of last year we've been executing our 5 point plan for shareowner value creation. One of those 5 points is our Services Leadership Strategy, which is focused on leveraging our services offerings to help our customers realize the full power of our imagery and platforms. As we analyzed our services business and the competitive environment we concluded that our company would benefit from additional scale in this area and that there is no entity better positioned to advance our strategic objectives than Radiant. Their expertise in software and services addresses many of our customers' most complex geospatial challenges. In fact, we are already working together in a number of areas including the implementation of our geospatial big data platform within the U.S. Government.

The numerous benefits of this transaction fall into 4 categories.

First, is capabilities. Radiant broadens our capabilities across the entire geospatial intelligence value chain. As our customers seek more in the way of finished products and complete solutions, we believe that bringing these capabilities together with the leading source of commercial imagery creates a unique and compelling value proposition.

Second, is talent. Radiant brings together hundreds of innovative developers, analysts and thought leaders with the skills and expertise to solve complex geospatial intelligence challenges. The vast majority of our new team members have clearances and are trusted to work on many of our nation's most sensitive programs. By enabling these new team members to more freely access our imagery and platforms we intend to create new opportunities to innovate and create value for customers and exciting career paths for team members.

Third, is customer base. Radiant expands DigitalGlobe's customer base across the U.S. Intelligence and Special Operations Communities through access to more than 80 additional contract vehicles – more than 20 of which are prime contracts. Among these customers is the National Reconnaissance Office, or NRO, which has become increasingly important to our core imagery business. Our primary goal in this combination is to create new value for our customers in the Intelligence and Special Operations communities as they seek to derive new, timely insights from a wide range of geospatial data sources in their efforts to keep our nation safe and secure.

Fourth, is the financial benefits. Radiant diversifies revenue, reduces asset intensity and is accretive to our most important financial metrics.

Taken together, we believe these benefits support a transaction that will create value for customers and shareowners by advancing our position as the leading commercial source of geospatial information and insight with the capability and scale to address the needs of the world's largest and most sophisticated customers.

Let me now turn the call over to Tony who will discuss Radiant and its unique capabilities in more detail, and share a few thoughts on our Services strategy.

Tony Frazier, SVP, General Manager - Services

Thanks, Jeff.

I would like to spend a few minutes describing what the Radiant Group brings to DigitalGlobe, why it is growing, and how combining Radiant with our existing Services business will accelerate realization of our Services Leadership strategy.

Over 80% of Radiant's revenue is focused on providing advance geospatial solutions under the brands RadiantBlue and HumanGeo. RadiantBlue is a recognized leader in constellation modeling, open source geospatial data management, and implementation

of geospatial platform capabilities in the cloud. HumanGeo is a provider of geospatial big data analytics to the Intelligence and Special Operations communities. Radiant will broaden our customer relationships across NGA, establish a meaningful new customer relationship with NRO, and augment our strong presence at DIA and U.S. Special Operations.

Radiant has been able to consistently grow in a competitive environment because it has assembled the right capabilities at the right time.

The U.S. Intelligence Community is going through a period of transition as it modernizes its technology infrastructure to take advantage of the cloud. Making data and applications accessible to analysts in the cloud will not only facilitate cost savings but also enable new forms of data analytics to help analysts anticipate and respond to emerging threats. These trends have led to increased demand for technology solutions that take advantage of open source software, cloud based IT infrastructure, and non-traditional sources of intelligence information.

Radiant is a trusted mission partner with a strong track record of delivering geospatial big data solutions that capitalize on these patterns. Radiant brings scale to our Services business. Our combined 2016 Services revenue will exceed $130 million on a pro forma basis with over 60% of revenue generated through prime contract vehicles. Additionally this combination will position us to deliver innovative solutions across the entire geospatial intelligence value chain, including smart tasking, collection, processing, big data analytics and delivery of insights.

Today we are teaming with Radiant on a major program for a U.S. Intelligence customer that is making multiple sources of geospatial information, big data analytic tools, and crowdsourcing capabilities available in the Amazon Web Services cloud.

We are also teaming with Radiant to apply deep learning algorithms against DigitalGlobe imagery and radar data to automatically discover patterns of activity that

enable smart tasking of government and commercial assets. As a result, customers gain added-value from their content, while improving response time when making decisions. DigitalGlobe and Radiant have developed a number of exciting applications that help analysts harness the full potential of geospatial big data to answer key intelligence questions.

Importantly, the transaction brings together hundreds of innovative developers, data scientists, and analysts with expertise in applying geospatial big data to the national security mission. Radiant brings over 400 highly trained, cleared professionals to DigitalGlobe, including 250 software developers. Providing our new team members from Radiant direct access to DigitalGlobe imagery and platforms creates opportunities to build new and valuable solutions for our customers and address national security missions at scale.

We know Radiant well and believe that our cultures and values are strongly aligned. Both DigitalGlobe and Radiant maintain a relentless focus on partnering with our customers to harness the full power of earth imagery and other sources of geospatial information to solve their most critical problems. We look forward to welcoming the Radiant team to DigitalGlobe and are confident that the integration will create a disruptive force in our industry that unlocks tremendous value for our customers and creates exciting career opportunities for our team members.

With that, I'd like to turn it over to Gary.

Gary Ferrera, EVP and CFO

Thanks, Tony. We are excited to be here today to talk about this transaction, which we believe delivers immediate value for our shareowners.

The purchase price for the transaction is 140 million dollars, funded through a combination of cash on hand and drawings under our existing revolving line of credit.

We currently estimate approximately 100 million dollars in drawings, which we expect to add less than a third of a turn of leverage, and 40 million dollars from existing cash; the exact amounts of each will be determined as we get nearer to closing.

We expect to complete the deal by the end of 2016, subject to customary closing conditions and regulatory approvals.

We also remain committed to executing the current share repurchase program under our existing authorization.

We expect Radiant to deliver 2016 revenue of approximately 100 million dollars. Historically, Radiant revenue has grown organically in excess of 10 percent annually, which is well-above current industry averages. In addition, given the nature of Radiant's contract base with key customers, we have good visibility into future revenue.

Typically companies in this industry operate at approximately 10 percent EBITDA margins, but have minimal capital spend, delivering free cash flow margins largely in line with their EBITDA margins.

We expect this transaction to be immediately accretive to key financial metrics including revenue and EBITDA growth, net income and free cash flow.

In summary, this is a compelling transaction due to Radiant's history of strong revenue growth, the scale it provides to our current services business all while reducing our contract concentration and capital intensity.

With that, I'll turn the call back over to Jeff.

Jeff Tarr, President & CEO

Thanks Gary.

In summary, this acquisition combines two industry leaders recognized for delivering innovative solutions that help customers harness the power of earth imagery and other forms of geospatial information at scale to solve their most critical challenges.

It broadens our capabilities across the entire geospatial intelligence value chain.

Brings together hundreds of innovative developers and analysts with expertise in relevant technologies.

Expands our customer base across the U.S. Intelligence and Special Operations Communities with more than 80 new contract vehicles.

And it diversifies revenue, reduces asset intensity and is accretive to our most important financial metrics.

Let's now open the call for questions.

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Thank you for joining us. We look forward to updating you on our progress as we advance our position as the leading commercial source of geospatial information and insight with the capabilities and scale to address the needs of the world's largest and most sophisticated customers.