

Telit Communications PLC

Trading update

London, 15 December 2017 – Telit Communications PLC (“Telit”, “the Group”, AIM: TCM), a global enabler of the Internet of Things (IoT), has published an update, further to the announcement of 23 November 2017.

Telit expects to report continuing year-on-year revenue growth in the financial year to 31 December 2017 and adjusted EBITDA to be in line with previous guidance. Revenue for the nine months to 30 September 2017 was \$255 million (2016: \$238 million).

Telit commenced a review of its activities, cost base and product portfolio in order to deliver a significant rationalisation of the Group’s activities and reduction in its costs. Telit intends over time to reduce the number of its R&D centres and that any future growth in R&D spend will be focused in low-cost centres. The Group is also reducing its sales and general administrative cost base.

These activities are well underway and will ensure the Group has a much better focus on its operations and product portfolio, as well as to reduce development and product maintenance costs. Telit expects these measures will reduce its cash operating expenses in the coming financial year by more than \$10m, some 7% less than the current financial year. On an annualised basis, as compared to the runrate when the review commenced, the reduction will be approximately 10%. The measures will also help the Group to mitigate pressure on gross profit margins.

The Group expects to incur exceptional charges of approximately \$25m in total during the current financial year. This comprises \$16m of non-cash write downs of capitalised development costs and inventories that relate to discontinued products and activities, and \$9m of cash expenses incurred in restructuring actions and addressing the challenges that the Group faced during the year.

As announced on 28 September 2017, the Group’s leading financing bank granted an advance waiver for potential breach of a covenant as at 30 September 2017, relating to the ratio of, in broad terms, free cash flow generation against debt service obligations. The Group satisfied other financial covenants imposed upon it as at 30 September 2017. The Group is in advanced discussions with this bank to agree an advance waiver of potential breaches of its covenants as at 31 December 2017. The Group and the bank are also in discussions with regard to amending its covenants to be appropriate for the Group going into the future.

Yosi Fait, Chief Executive, commented:

"We are determined to sharpen the focus of the business and allocate resources appropriately, reducing our cost base in line with market dynamics, in order to achieve our goal of being the leader in end-to-end IoT solutions."

"Our new organisational structure is designed to support our future development by combining the two main activities, hardware and services, under one product management team and a unified sales capability."

"In 2018, we expect double digit revenue growth, fueled by the important 2017 US certifications, which together with our reduced cost base will lead to a significant improvement in free cash flow generation."

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About Telit

[Telit](#) (AIM: TCM), is a global leader in Internet of Things (IoT) enablement. The company offers the industry's broadest portfolio of integrated products and services for end-to-end IoT deployments – including cellular communication modules in all technologies, GNSS, Wi-Fi, short-to-long range wireless modules, IoT connectivity plans and IoT platform services. Through the IoT Portal, Telit makes IoT onboarding easy, reduces risk, time to market, complexity and costs for asset tracking, remote monitoring and control, telematics, industrial automation and others, across many industries and vertical markets worldwide.

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