
ISCe – The Satellite Industry & Wall Street



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Wall Street View of the Satellite Industry

- ▶ Macro Trends Appear Favorable
- ▶ Market Window Open Once Again
- ▶ Impact of Credit Crisis?

Macro Trends Appear Favorable

- ▶ High definition TV (HDTV)
- ▶ Consumer satellite broadband
- ▶ Digital signage
- ▶ Cellular backhaul
- ▶ Mobile satellite services (MSS)
- ▶ Disaster recovery

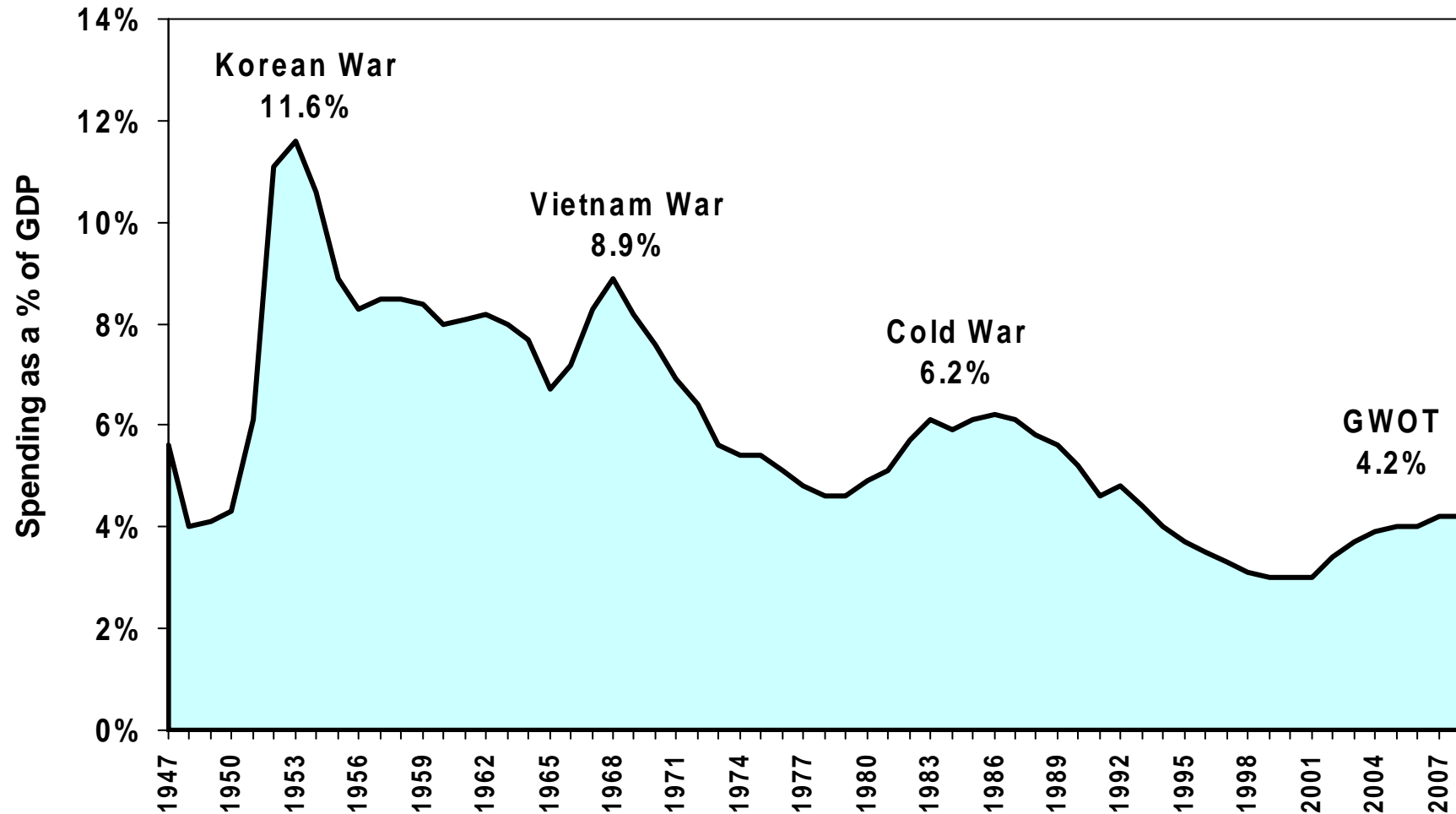
▶ MILSATCOM

- Demand up exponentially
- Supply broken

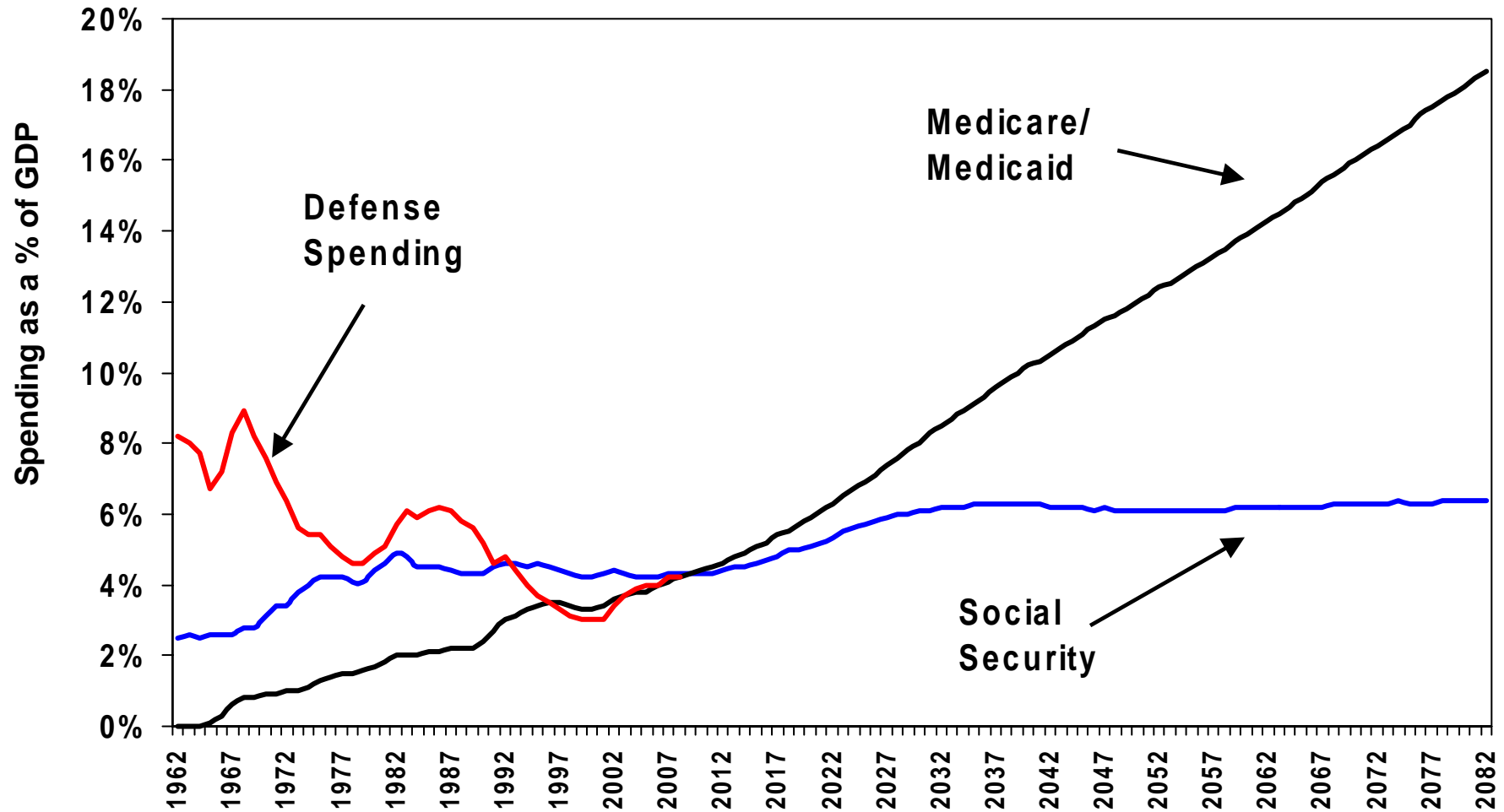


Commercial

Are We Starving Defense?



Starve Defense or Starve Granny?



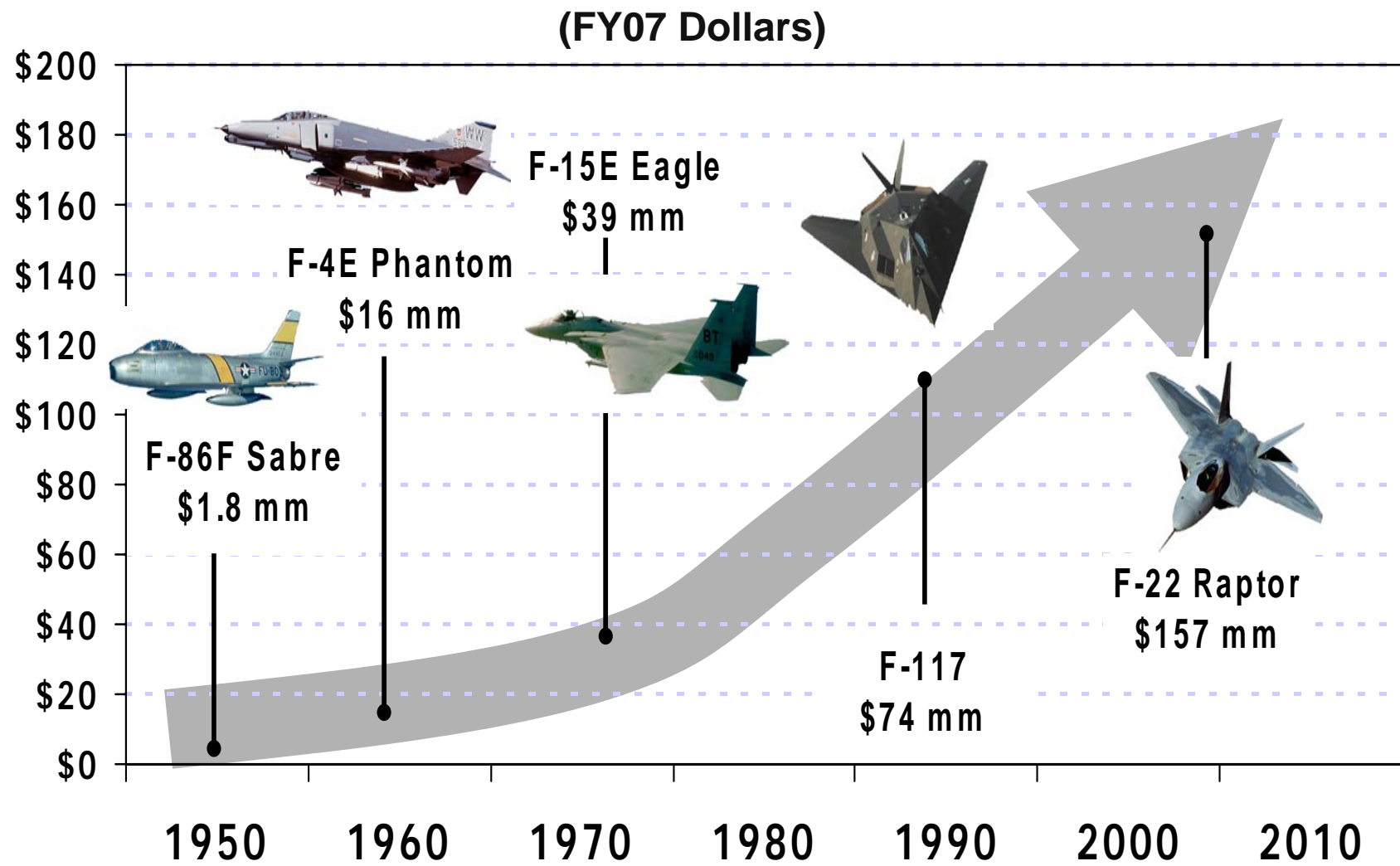
Getting Worse, Not Better

Major Defense Acquisition Programs (FY08 dollars)

	2000 Portfolio	2007 Portfolio
Portfolio Size		
# of programs	75	95
Planned commitments	\$790 B	\$1,600 B
Commitments outstanding	\$380 B	\$858 B
Portfolio Performance		
RDT&E change	+27%	+ 40%
Total acqn cost change	+6%	+26%
Est cost growth	\$42 B	\$295 B
Programs 25% over	37%	44%
Average delay	16 months	21 months

Exponential Cost Increases

(Note: Flyaway cost, ex-RDT&E)



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Market Window Open Once Again

- ▶ IPO activity picks up
 - 5 IPOs since 2006 – HUGH, RRSat, ORBC, CPII, GSAT
 - ~\$412 million raised
- ▶ Secondary offerings (equity)
 - 4 transactions since 2006
 - ~\$220 million raised – HUGH, ORBC, GCOM, RADN
- ▶ Expanding Wall Street coverage
- ▶ Private equity transactions





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- ▶ **Impact of Credit Crisis?**

Impact of Credit Crisis?

- ▶ Capital intensive industry
- ▶ Mature companies generate cash
- ▶ Substantial new capital required
 - ATC companies
 - ViaSat, Hughes Ka-band programs?
 - SatPhones – Iridium, Globalstar
- ▶ A short-term or long-term problem?
 - Can companies “bridge the gap?”
 - Hosted payloads vs the XTAR model?
 - Private equity to the rescue?

Satellite Industry Financial Characteristics

	 Payload	 Launch	 Operators	 Ground Equipment
Capital investment	High	High	High	Low
Number of competitors	Low	Low	Moderate	High
Current pricing trend	Static	Increasing	Static	Declining
Industry revenue*	\$11.3 B	\$5.3 B	\$9.2 B	VAR*
Target EBITDA	10 -20%	Variable	70-80%	10-25%**
Rate of technical change	Slow	Glacial	N/A	Rapid
Industry 5-year CAGR	0%	10%	~6%	5-20%**
Forecasted M&A activity	Low	Low	Low/Moderate	Moderate/High
Typical level of debt	Moderate	Low	High	Low
Barriers to entry	High	High	High	Low
3-year revenue visibility	High	High	High	Low/Moderate
Industry growth drivers	<ul style="list-style-type: none"> ▶ LEO upgrades ▶ Ka-band ▶ Developing markets ▶ MILSATCOM 	<ul style="list-style-type: none"> ▶ Direct-to-home ▶ LEO upgrades ▶ Developing markets ▶ Moon race 	<ul style="list-style-type: none"> ▶ HDTV ▶ # channels ▶ Cellular backhaul ▶ Direct-to-home 	<ul style="list-style-type: none"> ▶ HDTV ▶ MSS services ▶ Consumer broadband ▶ MILSATCOM

*Variable. Depends on market definition.

**Varies widely by niche