

Iridium lands seven-year, \$738.5 million Defense Department contract

by Caleb Henry — September 16, 2019



Iridium stands to receive an average of \$105 million annually under the new EMSS contract. Credit: Thales Alenia Space.

WASHINGTON — After five month-long extensions, the U.S. government signed a seven-year agreement with Iridium Communications for unlimited use of the McLean, Virginia-based firm's mobile communications constellation.

Iridium's new Enhanced Mobile Satellite Services contract is two years longer and \$238.5 million higher than the five-year deal it signed in 2013, roughly four years before it began deploying a second-generation constellation promising better service.

Iridium said Sept. 16 that the new seven-year, \$738.5 million contract ensures continuity for voice, data, broadcast and other services to Defense Department and associated users.

Iridium's 2013 contract was worth \$400 million, or roughly \$80 million per year. Under the new deal, Iridium stands to receive \$105 million per year on average.

Some 125,000 subscribers use Iridium services under the EMSS contract, a figure that increased 145% since 2013.

The Defense Department is Iridium's largest customer, making the EMSS contract pivotal for many of the company's future plans, Tom Fitzpatrick, Iridium's chief financial officer, said Sept. 9 at the World Satellite Business Week conference in Paris.

In its 2018 annual report, Iridium said U.S. government customers generated \$105.7 million of its \$523 million in revenue for the year, equating to about 20% of that total. Iridium CEO Matt Desch said in April that he expected the EMSS renewal, then in negotiations, **would be more valuable on an annual basis**, further increasing the company's government revenues.

Fitzpatrick said finalization of the EMSS contract would pave the way for Iridium to refinance the French export-credit loans it used to fund its \$3 billion second-generation constellation, Iridium Next, that it finished deploying in January.

Iridium borrowed \$1.8 billion in 2010 from a syndicate of banks through a credit facility from BPIAE (formerly Coface), which it used to finance the purchase of 81 satellites from Franco-Italian manufacturer Thales Alenia Space. The company still owes \$1.63 billion under the credit facility, according to a July 23 filing with the U.S. Securities and Exchange Commission.

Fitzpatrick said the EMSS contract would "set the table" for Iridium to refinance the loans, enabling the company to "do things that we see in our future, which is pay dividends, buy shares, [and] make strategic investments."

The new EMSS contract scales from \$100 million for its first year to \$110.5 million when it expires in 2026. Iridium said it retains the ability to make sales to the U.S. government for additional services, such as its next-generation L-band offering, Iridium Certus, outside the EMSS contract.

Iridium said it plans to invest around \$10-12 million upgrading a gateway station in Hawaii over the next three years that is dedicated to U.S. government services.

The U.S. Defense Information Systems Agency, which awarded the EMSS contract, said it was not competed and that "no other type of supplies or services would satisfy agency requirements."

Iridium Next began full operations in February with 66 crosslinked satellites in low Earth orbit. The system has nine spares in orbit and another six stored on the ground.

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