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Satellite Phone Firm Focuses on Crisis Network *Now-Profitable Iridium Plans Deal With MedStar Health*

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Seven years after the rapid, \$6 billion collapse of its predecessor, Bethesda-based Iridium Satellite LLC is turning a profit on its satellite telephone service as demand for disaster-proof communications grows among government agencies and private businesses.

The company plans to announce today a deal to provide an emergency satellite phone network for MedStar Health, the nonprofit owner of Washington Hospital Center and Georgetown University Hospital. The sale is one of many Iridium Satellite has made since last year's hurricane season when, in the view of Iridium executives, emergency responders "woke up" to the need for a communication service that could let them talk even as cell-phone networks and landlines fail.

Iridium relays calls from its handsets across a globe-spanning network of 66 satellites.

The privately held company has reported a profit for five consecutive quarters, according to figures released by the company. For the three months ending March 31, it reported earnings of \$12.6 million, a 73 percent increase from the comparable quarter in 2005.

The company sent thousands of its phones to the Gulf Coast after Hurricane Katrina, when satellite phone traffic surged and federal officials called for creation of a system that would allow emergency workers to more dependably communicate during severe crises.

"What this hurricane proved to everyone is that there are more extreme elements out there than most people wanted to believe or were willing to believe," said Greg Ewert, an executive vice president of Iridium Satellite. "Most people are racing back to review disaster recovery plans, and this marketplace has now opened up to us."

Satellite communication systems are still costly — MedStar expects its 96-handset system to cost \$300,000 to \$400,000, including phones and service — and Iridium's goal now is to focus on niche groups that need the services the most. Emergency-response agencies are one example, Ewert said, but the maritime, aviation and petroleum industries are also potentially important markets.

Large marine fishing companies and operators of offshore drilling rigs are customers that cannot risk communication breakdowns, Ewert said. Since the hurricane season, Iridium Satellite also has had inquiries from hotel chains, insurance companies and construction crews.

The company's competitors include California-based Globalstar Telecommunications Ltd.

Iridium Satellite's predecessor, Iridium LLC, focused on selling individual handsets to global travelers, thinking satellite phones would be a popular alternative to cellphone roaming fees. But the handsets were bulky and the service was expensive.

"I think there were a lot of people who were naive about the demand," said Herschel Shostek, president and chairman of the Silver Spring-based Shostek Group, a global communications consulting firm. "What you got was the self-delusion of true believers who thought there was a big market for this stuff, when actually the market is very specialized and constrained."

Iridium filed for bankruptcy in August 1999 after its 66-satellite network failed to attract customers. Silver Spring investment firm Syncom Management Co. and other investors bought the satellites for \$25 million in late 2000 and refashioned the company as Iridium Satellite LLC.

The reborn Iridium initially got back on track by winning a \$72 million Defense De-

partment contract shortly after it was formed. But commercial sales have steadily increased since its inception.

Seventy percent of its \$50.9 million in first-quarter 2006 revenue was from commercial sales, according to the company. Iridium says calls now average about \$1 a minute, less than in the early years.

The company operates as a wholesaler, selling directly only to the Pentagon. Other sales are handled by a network of partner companies. The MedStar deal was organized by Roadpost Inc., an international telecommunications broker.

Disaster recovery has not been the only impetus for Iridium Satellite's growth. Ewert said the technology also is used to track shipping containers or weather patterns.

The growth in global satellite communications is expected to continue, analysts say.

"Right now the satellite is being deemed as a sort of communication insurance," said Patti Real, a Pennsylvania-based research director for Gartner Dataquest. "They're the only companies that work over the poles and over the oceans, so they have a key market they're able to target."

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