

***Guest column: Positive opportunities in communications during turbulent economic times***

... Most organizations ... are proceeding cautiously in 2009 and managing their businesses based on the key performance indicators

The financial results are in for the year 2008 and they are very positive! The global FSS (Fixed Satellite Services) operators all reported annual revenue growth in the 8%-12% range and EBITDA margins from 78%-82%. Certainly, this is good news for the operators and it should trickle down to some extent to the larger integrators such as Caprock, Artel, Globecom and others. Smaller integrators however, are struggling under the pressure of tight credit, high capacity utilization, and costs associated with creating support infrastructure. New satellites have been launched successfully and there are more under construction. Overall, 2008 was a good year in the industry.

Most organizations in the industry are proceeding cautiously in 2009 and managing their businesses based on the key performance indicators of revenue, EBITDA, capacity utilization, new sales contracts and contract renewals. Increasing productivity per employee, responding effectively to regional trends, as well as understanding key 'demand drivers' will be essential to continuing industry health. The global economy is presenting a challenging environment and will require solid management analysis, evaluation and actions. The FSS industry's financial performance has historically lagged recoveries from economic downturns.

... The industry's greatest challenge will be to dig below the high level indicators... and provide a foundation that will grow regardless of the global economic climate

The industry's greatest challenge will be to dig below the high level indicators and exercise strategies that can change some of the underlying dynamics in the industry and provide a foundation that will grow regardless of the global economic climate. Improving the underpinnings of the business rather than simply sustaining the improved operating efficiencies created over the past decade means 2009 can be the year when the industry drives its performance and energizes the global economy.

The current economic climate creates an opportunity for companies that can focus on action and implementing strategies for change while others are focusing on 'maintaining the status quo' in these difficult conditions. An outline of differentiating strategies are listed and several critical differentiators for sustained success could include:

... coming out of  
this global  
economic  
downturn, fresh  
and interesting  
applications will  
give ... an  
immediate  
advantage over  
competitors ...

- Energize the industry by taking stock of the benefits and advantages of the services you offer and actively promoting those solutions to target markets that are looking to improve efficiencies:
  - Broadband solutions can provide a positive impetus to the global economy
  - “Sell what is in the wagon”- The Satellite Industry owns assets that have been paid for and operate at less than 80% capacity utilization-
    - ❖ 20% underutilized capacity equals sales opportunity without significant capital costs
    - ❖ The unutilized capacity is not always in the most attractive areas, but still presents opportunities
    - ❖ New satellite construction has NOT been stopped. Business plans and projections have to have NEW perspectives
    - ❖ Ground segment is significantly underutilized and overbuilt providing opportunities for cost-effective solutions
- Develop and provide applications that will make a difference. Innovation has always been important, but coming out of this global economic downturn, fresh and interesting applications will give you an immediate advantage over competitors that spent the last few years “hunkered down”. Now is not the time to eliminate new product planning and development.
  - Opportunities to drive the advantages of reach, speed, and cost
  - Technology solutions for security, IP
  - Market analysis
    - ❖ Distance learning is now a concept that is 20 years old and still very limited in actual usage
    - ❖ Business continuity has been discussed but nothing new has been introduced
    - ❖ Emergency response and management interoperability still have few accepted standards
- Improve the Industry employment demographics
  - Average age of Industry employees is near 50 years of age
    - ❖ Need to draw more energetic, ‘new Idea’ engineers right out of college to be mentored by the excellent veteran engineers in the industry



## SPECIALISTS IN SATELLITE, MEDIA AND TELECOM INVESTMENT BANKING

---

... If all you do is what you've done, all you'll get is what you've got,

- ❖ Attract newcomers to sales with high activity thresholds
- 'If all you do is what you've done, all you'll get is what you've got,'
- Improve the relationship between Operators and Integrators
  - Integrators and service providers should be viewed as partners
    - ❖ a distribution channel for the operators rather than as customers
  - Operators should partially share the enormous margins they receive by reducing the capacity cost.
    - ❖ This would result in greater capacity utilization, a more motivated distribution channel, and more hard dollar profit with a slightly lower % of profit over revenue.
- Develop a mix between Commercial and Government customer targets
  - ❖ Fortune 1000 accounts are multinational, require security, desire control of communications, and
  - ❖ Government has requirements in the areas of Defense (military), Diplomacy (State), and Trade(commerce). Knowledge of contracting process required

... operational plans that can step outside of "the way it has always been done" will position the industry ... with credible growth strategies

The news for 2008 was very positive and the outlook for 2009 is solid, but there are opportunities for those who seize the moment to drive the industry to new levels of excellence in the years ahead. The development and execution of operational plans that can step outside of "the way it has always been done" will position the industry to come out of the global economic downturn with credible growth strategies in place. These companies will not only avoid that lag and grow throughout the downturn but excel as the recession recedes.

By Patrick K. Brant

Patrick K. Brant formerly served as President and CEO of Loral Skynet



## **SPECIALISTS IN SATELLITE, MEDIA AND TELECOM INVESTMENT BANKING**

---

### **IMPORTANT DISCLOSURES AND INFORMATION ABOUT THE USE OF THIS DOCUMENT:**

Near Earth, LLC ("Near Earth") has published this report solely for informational purposes. The report is aimed at institutional investors and investment professionals, and satellite, media and telecom industry professionals. This report is not to be construed as a recommendation or solicitation to buy or sell securities. The report was written without regard for the investment objectives, financial situation, or particular needs of any specific recipient, and it should not be regarded by recipients as a substitute for the exercise of their own judgment. The content contained herein is based on information obtained from sources believed to be reliable, but is not guaranteed as being accurate, nor is it a complete statement or summary of any of the markets or developments mentioned.

The authors of this report are employees of Near Earth, LLC, which is a member of FINRA. The opinions expressed in this report accurately reflect the personal views of the authors but do not necessarily reflect the opinions of Near Earth itself or its other officers, directors, or employees.

The portions of this report produced by non-Near Earth employees are provided simply as an accommodation to readers. Near Earth is under no obligation to confirm the accuracy of statements written by others and reproduced within this report.

Near Earth and/or its directors, officers and employees may have, or have had, interests in the securities or other investment opportunities related to the companies or industries discussed herein. Employees and/or directors of Near Earth may serve or have served as officers or directors of companies mentioned in the report. Near Earth does, and seeks to do, business with companies mentioned in this report. As a result, Near Earth may have conflicts of interest that could affect the objectivity of this report.

This report is subject to change without notice and Near Earth assumes no responsibility to update or keep current the information contained herein.

Near Earth accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report.

No part of this report may be reproduced or distributed in any manner, via the Internet or otherwise, without the specific written permission of Near Earth. Near Earth accepts no liability whatsoever for the actions of third parties in this respect.