

Iridium Communications, Inc.  
Q1 2021 Earnings Conference Call  
April 20, 2021 at 8:30 a.m. Eastern

**CORPORATE PARTICIPANTS**

**Kenneth Levy** – *Vice President, Investor Relations*

**Matthew Desch** – *Chief Executive Officer*

**Thomas Fitzpatrick** – *Chief Financial Officer*

## **PRESENTATION**

### **Operator**

Good morning, and welcome to the Iridium Communications First Quarter Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your touchtone phone. To withdraw your question, please press star, then two. Please note today's event is being recorded.

I would now like to turn the conference over to Kenneth Levy, Vice President of Investor Relations. Please go ahead, sir.

### **Kenneth Levy**

Thanks, Rocco. Good morning, and welcome to Iridium's First Quarter 2021 earnings call. Joining me on today's call are CEO, Matt Desch; and our CFO, Tom Fitzpatrick. Today's call will begin with a discussion of our first-quarter results followed by Q&A.

I trust you've had an opportunity to review this morning's earnings release, which is available on the Investor Relations' section of Iridium's website. Before I turn things over to Matt, I'd like to caution all participants that our call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical fact and include statements about our future expectations, plans, and prospects. Such forward-looking statements are based upon our current beliefs and expectations and are subject to risks, which could cause actual results to differ from the forward-looking statements.

Such risks are more fully discussed in our filings with the Securities and Exchange Commission. Our remarks today should be considered in light of such risks. Any forward-looking statements represent our views only as of today, and while we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our views or expectations change.

During the call, we'll also be referring to certain non-GAAP financial measures, including operational EBITDA and pro forma free cash flow, free cash flow yield, and free cash flow conversion. These non-GAAP financial measures are not prepared in accordance with Generally Accepted Accounting Principles. Please refer to today's earnings release and the Investor Relations' website for further explanation of these non-GAAP financial measures and a reconciliation to the most directly comparable GAAP measures.

With that, let me turn things over to Matt.

### **Matthew Desch**

Thank you, Ken, and good morning, everyone. So, Iridium's first quarter came in pretty much as we expected. It's tough to compare it to the first quarter of last year as that quarter was hitting on all cylinders before the pandemic struck the world and our many partners and customers in the last week or two of March. Though the pandemic continues to impact certain industries and geographies, 2020 really underscored the strength and resilience of Iridium's wholesale business model.

Across our global ecosystem of more than 450 partners, each felt something different. Some felt a rapid slowdown; others missed the seasonal pickup that's typical of their business, while some actually saw an increase in activity. Fortunately, our business is off to a good start this year. Economic activity has picked up in many parts of the globe, and even in the most hard-hit of industries like commercial aviation,

consumer activity has returned, and air travel volumes are on the rise.

This year, we've been pleased with partner activity, the renewed pace of equipment sales, and subscriber growth and feel like we're on track to achieve the full-year guidance we provided about two months ago. I'm looking forward to seeing the remaining economic headwinds that our partners have been grappling with fall away as we move further through the year. We're really encouraged by the vaccination rates here in the U.S. and the optimism we're hearing from our partners about continued business recovery through the rest of 2021.

As I said, we had a tough comp this quarter in light of the strong start that characterized our business in the first quarter of 2020. As a result, we expect to see an acceleration of service revenue growth for the balance of the year. I feel good about 2021 as a year where we continue to emerge back to the growth rates we're capable of, and the trends I'm now seeing bear this out. Equipment sales and subscriber counts continued to grow in the first quarter, which highlighted strengthening demand and the underlying health of our business. Most of our business partners have acclimated to operating with the many logistical challenges and business restrictions of the past 12 months and have made good progress in rebuilding their sales pipelines, scheduling installations, and improving their revenue cadence.

As I discussed in February, 2021 will be a year of new product introductions. Within IoT, we are seeing many signs of normality. In the first quarter, we passed a symbolic but important milestone – as one million commercial IoT subscribers using our network. And, we continue to expect double-digit subscriber growth well into the future.

In the last six months, we rounded out the Iridium Edge line of commercial IoT devices with a long-lived solar-powered unit and an all-in-one integrated unit with processor and development platform to facilitate the creation of new applications without a lot of additional engineering. We're pleased with the momentum these new products there are creating and look forward to expanding our existing base of tens of thousands of Iridium Edge family devices. Our strategy has been to make it as easy and as fast as possible to add Iridium connectivity to an existing or competitive IoT offering, and we're reaping the benefits of this plan now.

Within the retail environment, demand for personal communication devices seems to have largely recovered. We estimate that these many messaging devices account for approximately 40% of all our commercial IoT subscribers now. Obviously, this is a market that Iridium is very well suited to support. Though these devices currently operate at legacy narrow-band data rates, they allow for global connectivity and allow subscribers to keep in touch even when off the grid. We're talking now to these consumer companies about expanding into our higher speed Iridium Certus platforms and are excited about the new products they're planning that we expect will drive higher ARPUs in the future.

Overall, we're seeing a lot of enthusiasm from our partners for our newest transceiver, the Iridium 9770. This mid-band speed transceiver offers throughput that is 35 times that of our legacy modems, and we're seeing a number of new industrial IoT solutions starting to roll out this year from partners. With growth of subscribers in our commercial IoT segment averaging 20% per year, we still see plenty of runway for meaningful revenue growth and new subscriber adoption.

While you'll see more on this later in the year, we believe Iridium connectivity can be embedded in many more consumer devices and are working towards that now. We've been very aggressive at licensing our core technologies, whether they be chipsets or waveforms, to companies that can embed them into their own products, and we'll continue to do so. Our network, spectrum, and coverage are well-suited for this, and there continues to be good interest from the industry.

In Maritime, after the launch of Iridium GMDSS late last year, we've continued to see a steady stream of new orders and installations as fleets and ship owners seek out affordable solutions for global safety voice and distress services. To date, hundreds of terminals have shipped to the channel destined for end-users in the new build market as well as for vessel retrofits. We see Iridium GMDSS as a gateway service to the largest maritime vessels, yet priced at such an attractive level that it will expand the GMDSS market to smaller vessels that would otherwise go without this maritime safety device.

This safety distress terminal will gain additional momentum when paired with our new Iridium Certus 200 terminals, which should start hitting the market this quarter. We're seeing strong interest in Iridium Certus 200 already. It is viewed as the successor to our Iridium Pilot terminal with a compelling value at its lower, entry-level price point. Beyond affordability, it is lighter, smaller, and faster than competing services with global coverage that they cannot offer. Among our current broadband offerings, we're seeing continued growth of our Iridium Certus 350 and 700 maritime and land mobile high-speed terminals. Terminal installations are still slower than expected on ships but picking up month-by-month.

Increasingly, Iridium is being sold as a companion to VSAT in addition to being a stand-alone terminal for satellite communications. As we look forward, we expect that Iridium Certus will be the service of choice for VSAT back-up as it remains the most cost-effective broadband offering with true global coverage and the fastest L-band speeds in the industry. In the first quarter, we saw a 10% growth in broadband subscribers with ARPUs pretty consistent to the year-ago period. Going forward, broadband will continue to be an important contributor to our revenue growth.

As you would expect, our business with the U.S. government has remained steady throughout the pandemic. The government continued to add subscribers in the second year of their seven-year fixed-price contract with us to maximize their use of Iridium Certus. We expect to see an increase in engineering and support work this year as the government continues its upgrades to its private gateway in preparation for broader use of Iridium Certus.

Switching gears to Aireon - despite lower international air travel, use of Aireon service by ANSPs seems to be getting back to growth on the apparent backside of the pandemic. In the first quarter, I was excited to see NAV CANADA and NATS using Aireon to give direct, shorter point-to-point routes to airlines flying between North America and Europe, rather than using the traditional and less efficient North Atlantic track system, proving out the benefits of oceanic ADS-B surveillance.

During the quarter, Aireon operationalized service with the ANSPs of India; Iceland; and Papua, New Guinea. In the case of NiuSky Pacific in Papua, New Guinea, Aireon's space-based ADS-B service is replacing the country's ground-based radar infrastructure, which alleviates the expense of maintaining, upgrading, and repairing radar stations throughout the country's mountainous terrain, providing a more cost-effective solution.

In the first quarter, Aireon also announced a new contract with the ANSP of Norway for helicopter surveillance in the North Sea. This is the first space-based ADS-B use case, specifically targeted for monitoring helicopters, and is an innovative way to enhance safety and rescue operations in this region where helicopters are required to be equipped with ADS-B antennas. In this particular use case, Aireon will make Norway's low-flying traffic visible to controllers and also allow them to be integrated in the country's automated air traffic platform.

With these recent deployments, Aireon technology is now in service or will be in service in about half of the world's airspace. This is a remarkable achievement for a company that just went operational in 2019. Aireon continues to deliver on its promise to improve aircraft surveillance and safety, and we're very proud of their progress, and to be an equity stakeholder.

I would also point out and highlight that we recently published our inaugural report on Environmental, Social and Governance matters in March. Iridium has always taken pride, not just in doing well but also in doing good. I would encourage you to review our 2020 report to learn more about our approach to ESG.

Before I turn things over to Tom, I want to point out that we took advantage of the volatility in the market to purchase our first shares of stock under our buyback program in the first quarter. This of course demonstrates that we are now delivering on our strategy of leveraging our strong free cash flow to return capital to shareholders.

So, in closing, Iridium's business has demonstrated itself to be quite durable even during the pandemic. We continue to generate significant free cash flow and have already deployed some of that cash through our new share repurchase program. We also see open lanes for growth and are continuing to invest in R&D and new services to add to our diverse streams of income.

Looking forward, service revenue growth will accelerate in the coming quarters as global lockdowns end and travel increases, powered in part by new product launches and unique applications. We have a busy year ahead, and our plate is full. We'll cover a lot more of this in a more comprehensive five-year outlook in our coming Investor Day next month, and I hope you'll join us.

So, with that, I'll turn it over to Tom for a review of our financials. Tom?

**Thomas Fitzpatrick**

Thanks, Matt, and good morning, everyone. I'd like to start my remarks by summarizing our key financial metrics for the first quarter and providing some color on the trends we're seeing in our major business lines. Then I'll recap the 2021 guidance, which we reiterated this morning, and close with a review of our liquidity position and capital structure.

Iridium continued to execute well as we entered the second year of the pandemic, generating total revenue of \$146.5 million in the first quarter. Revenue was up 1% from the prior year's quarter and in line with our expectations. As we noted on our February call, we started the new year against a particularly tough comp, as much of the prior year's quarter was unaffected by the COVID-19 pandemic. This change in operating environment accounted for the off-trend growth we saw in the first quarter and sets the table for improved growth trends for the balance of the year as we lap the start of the pandemic.

Operational EBITDA was \$89.8 million in the first quarter. The 2% decline from last year's quarter reflects the impact that the pandemic has had on our subscriber usage versus a relatively clean quarter a year ago. In light of our expectations for steady improvement over the course of 2021, our full-year OEBITDA guidance remains at \$365 million to \$375 million.

On the commercial side of our business, service revenue was down 1% this quarter to \$90.4 million. This decrease primarily reflected a tough comp presented by a one-time billing settlement in hosting data revenue in the year-ago period as well as lower usage in the first quarter related to the pandemic. Commercial broadband revenue totaled \$9.4 million in the first quarter, up 8% from the prior-year quarter.

While growth from our new broadband offering has remained steady, travel restrictions continue to hamper installations and the activation of new equipment. This said, we've been pleased with the feedback from the channel, particularly on the performance and reliability of our broadband service. Iridium Certus broadband remains an important component of our long-term growth, and we expect installations to improve once travel restrictions lift and serve as a tailwind to revenue.

In commercial IoT, we continued to benefit from retail use of personal communications devices. This led to revenue growth of 4% in the first quarter, even with the ongoing headwinds in aviation and oil and gas amid the pandemic. IoT ARPU was \$8.39 this quarter compared to \$9.71 in the prior-year period. The primary driver of this decrease was lower usage as a result of the effects of COVID-19, most notably in aviation.

During the quarter, we added 41,000 net new commercial subscribers, with the gain driven predominantly by IoT. As a result, commercial IoT data subscribers now represent 73% of billable commercial subscribers, up from 70% in the year-ago period. We estimate that consumer-oriented plans now account for more than 40% of our one million commercial IoT users.

Hosting and other data services revenue was \$14.8 million this quarter, down 9% from the comparable quarter in 2020. As we've noted previously, in the first half of 2020, we benefitted from a billing settlement and cumulative catch-up of revenue associated with an updated estimate based on observed usage patterns on the Harris payload that totaled about \$2.3 million. Approximately \$1.3 million of this was recognized as revenue in the year-ago period and the balance in the second quarter of 2020. This accounted for the decline in hosting and other data services revenues this quarter and will present itself again in the second quarter.

Turning to the government service business, we reported revenue of \$25.8 million in the first quarter, up from \$25 million in the prior-year quarter, representing a 3% rise. This increase reflects the contractual terms of our long-term EMSS contract. Government subscribers grew 9% year-over-year and reached a record 153,000 in the first quarter.

Subscriber equipment started the new year on a strong note, rising 8% from the prior period to \$24 million. Favorable shipments in the first quarter lead us to believe that seasonal activity could improve in 2021 compared to what we saw at the outset of the pandemic a year ago. We continue to forecast full-year equipment sales will remain in line with last year's total.

Engineering and support revenue, which is largely episodic, was \$6.4 million in the first quarter as compared to \$7 million in the prior year's quarter. As Matt noted, the U.S. government is upgrading their dedicated Iridium gateway to enable Iridium Certus capabilities. As a result, we continue to expect government engineering work to ebb and flow from quarter to quarter as these upgrades are completed.

In all, the first quarter came in much as we had expected. Travel and business restrictions tied to the pandemic continue to weigh on certain industries that we support. While trends are improving, the impact of the pandemic was largely absent from our results a year ago.

We are fortunate to have a number of new products that we have recently launched as well as a strong pipeline of new partner products that will roll out this year. Together, these should provide incremental revenue and subscriber growth with each quarter. As a result, we continue to reiterate our full-year guidance for service revenue growth of approximately 3%. This outlook for service revenue suggests growth of approximately \$14 million in 2021.

Given that revenue was flat year-over-year in the first quarter, I'd like to provide perspective to put our revenue guidance in clearer focus. To achieve our full-year guidance, we need to generate approximately \$5 million of quarterly service revenue growth in each of the remaining quarters of the year. This outlook is quite reasonable if you consider the following.

First, as we've noted for some time, the virtual standstill in commercial aviation in 2020 impacted our

quarterly revenue by about \$1 million to \$1.5 million per quarter starting in the second quarter of 2020. So, our comps should ease by that amount, and we're also expecting improving usage as air travel increases going forward.

Second, there was a true-up in hosted payload in the first quarter of 2020 to the tune of about \$1.3 million, creating a headwind that will not recur at all in the third and fourth quarters and will occur to a lesser extent in the second quarter.

Third, we expect year-over-year performance in our voice and data business to improve steadily during the balance of the year, coinciding with the improving conditions in the global economy and a reopening of cross-border travel. Depending on the region, an increase in vaccinations and a return to normalcy is expected to have an impact on the use of telephony and personal communications during Iridium's important summer selling season.

As an example, I would call out last week's deployment of our Push-to-Talk service by the Indonesian government. PTT has been a bright spot with the addition of new equipment and functionality, and is generating increasing interest around the world. We also anticipate improved broadband performance this year. Improvement should follow an increase in activity at global ports, which will allow our business partners to access maritime vessels and install Iridium Certus 700 terminals. Within the government market, we expect additional traction from our partners that sell Iridium Certus into the DoD in the second half of the year.

Finally, we expect the introduction of our new mid-band products in the coming months to gain traction by the end of the year, generating incremental revenue. These factors give us confidence in our ability to produce service revenue growth that averages approximately 3% this year, following an essentially flat [first] quarter.

Moving to our capital position, as of March 31<sup>st</sup>, Iridium had a cash, cash equivalents, and marketable securities balance of approximately \$222.3 million. Our growing cash flow has been a source of liquidity and is one of the reasons that our Board authorized the share repurchase program in February. In the first quarter of 2021, Iridium purchased 1.6 million shares of common stock at an average price of about \$37.50, leaving the company with a balance of \$240.7 million in its \$300 million share buyback program. We expect to continue to be opportunistic in executing these repurchases.

Net leverage was 4 times of OEBITDA at the end of the first quarter. This was down from 4.6 times a year earlier and includes the impact of our buybacks during the first quarter. Our long-term target for net leverage continues to be between 2.5 and 3.5 times of OEBITDA. We anticipate that we will be within this target range by year-end 2022, even after giving effect to the maximum \$300 million share buyback.

Capital expenditures in the first quarter were \$9.4 million, and we continue to expect maintenance CapEx of about \$45 million this year as we accelerate investments in real estate and support new product development. We continue to expect pro forma free cash flow of approximately \$232 million this year, up 15% from 2020. We arrive at this level by using the midpoint of our 2021 OEBITDA guidance at \$370 million, and back off \$71 million in net interest pro forma for our repriced debt, \$45 million in CapEx, and \$22 million in working capital, inclusive of the appropriate hosted payload adjustment.

This free cash flow reflects a conversion rate of 60% in 2021, representing a yield of more than 4%. We continue to expect growth in pro forma free cash flow will outpace the rate of growth in OEBITDA this year. A more detailed description of these cash flow metrics along with a reconciliation to GAAP measures is available in a supplemental presentation under events in our Investor Relations website.

In closing, Iridium continues to enjoy a strong free cash flow and improving financial position and will realize incremental revenue growth as the effects of the pandemic abate this year. We see many opportunities both near term and long term for incremental growth and are happy that our many new products will be available to our partners this year to attract new subscribers and gain traction in new geographies and verticals.

With that, I'll turn things back to the operator for the Q&A.

## **QUESTIONS AND ANSWERS**

### **Operator**

Thank you. We will now begin the question-and-answer session. To ask a question, you may press star, then one on your touchtone phone. If you're using a speakerphone, we ask that you please pick up your handset before pressing the keys. To withdraw your question, please press star, then two.

Today's first question comes from Walter Piecyk with LightShed. Please go ahead. Mr. Piecyk, your line is open, sir. Is your line on mute perhaps?

Alright, well, it looks like we'll move onto our next question, which today comes from Ric Prentiss with Raymond James. Please go ahead.

### **Ric Prentiss**

Hi, guys, I'm sure Walt will pop back in. A couple of questions. First, I wanted to talk about ARPUs a little bit. Tom, you mentioned the IoT side has been affected by aviation, but you're about to lap that. How should we think about the recovery though back to a more normal level on the aviation impact on IoT, and what the trends on IoT ARPU, given the mix of personal communication devices might look like?

### **Thomas Fitzpatrick**

Right, so the second quarter, in terms of the comp, right?

### **Ric Prentiss**

Right.

### **Thomas Fitzpatrick**

When you compare year-over-year, you're going to have in the area of \$1 million to \$1.5 million in the prior-year quarter that's going to be affected by the aviation usage. So, it should not be as much of a decrease in the second quarter as the first because it's kind of apples-to-apples with the aviation impact. And then, sequentially as you go forward, the improvement in air travel should be accretive to the IoT ARPU.

### **Ric Prentiss**

And you should have clawed back that \$1 million to \$1.5 million a quarter over time?

### **Thomas Fitzpatrick**

Say it again, Ric?

### **Ric Prentiss**

We should be able to claw back some of that \$1 million to \$1.5 million quarterly revenue that went down over time as aviation recovers.



**Thomas Fitzpatrick**

Over time. That's right, that's right. Yes, that's right.

**Ric Prentiss**

Okay. And then, within broadband, obviously, still a small base of customers, but starting to excel some, how should we think about—is there seasonality in that business from an ARPU standpoint on the broadband side? And as you think about selling companion and backup pieces, where do you think ARPU heads in the broadband segment as you continue to hopefully see more sales and installs come online?

**Matthew Desch**

Yes, there is a bit of seasonality there. I mean, winter in the Northern Hemisphere is the least amount of usage across many of our businesses, but maritime is one of them – a lot of ships get put away or aren't as actively sailing. So, typically fourth quarter and particularly first quarter, they're a little lower, and then as fishing seasons and more travel occurs in the second and third quarter, I think ARPU picks up a bit, and that's been sort of a historical rate.

In terms of ARPUs, I mean ARPUs on VSAT companion are relatively fixed. That's sort of a typically more of a fixed price with an overage in case they use it a lot, and that's a bit lower level obviously than primary units. I think increasingly long-term, VSAT companion will be the predominant service along with other smaller vessels and that sort of thing, so I think that's going to be buoyed a bit as we move into this new Certus 200 round of products, because those are very cost-effective for ships – to act as both primary services as well as VSAT back-up.

But I'm not expecting huge growth in broadband ARPUs necessarily. Certainly recovery back to traditional levels in the summer and everything, perhaps, and so there might be some growth in that regard. But I don't think this is necessarily about that; this is more about continued volume, continued usage, and continued revenue growth in that segment.

**Ric Prentiss**

Makes sense. And as you think about that addressable market, are you still kind of thinking there are 60,000 vessels of the larger ones, and then we get into some small ones? Help us to just understand where you're at as far as gaining share and what that addressable market is.

**Matthew Desch**

Well, while there's additional vessels that will be built and going out there, it's a slow growth at best kind of market, so it's sort of fixed in terms of its size and usage. The 60,000 refers to GMDSS qualified vessels; that's the really larger SOLAS-class vessels.

But there's hundreds of thousands of smaller vessels that increasingly want to be connected and would not be good choices, say, for a VSAT terminal, because that's a fixed cost per month; and occasional usage; or pay as you go kind of usage isn't really what that model is about. So, those are all targets for us.

I look at the overall L-band market as being flat to slightly down over time, but we seem to take a lot of share away because of our advantages in our terminal over the incumbent, and increasing usage of VSAT companion, as that market continues to expand. So, I think the growth is going to be more at the lower end. And definitely, as we move into higher speed—from a Certus perspective, higher speed, lower-end products, the mid-band products, etc., as we expand our voice and data services, etc.

**Ric Prentiss**

And obviously, an interesting event in the industry, ORBCOMM received an offer to go private. What can we glean from that offer as far as read-through to Iridium?

**Matthew Desch**

Well, I think it certainly doesn't mean anything much to us going forward, if anything other than less visibility to them. I feel like we've been pretty successful over the years at winning the predominant share of sort of the business on the satellite side. They've moved much more heavily into the cellular side and more into solutions as they've moved away from that segment.

For example, we've done very well in the heavy equipment segment. And I think as they've been looking to find ways of growing perhaps on a public basis, that's been more challenging. So, I think what it says overall, though, is that the space industry is pretty hot in terms of investor interest. There's a lot of people who are looking to participate in what will continue to happen in this industry, whether it be consolidation at certain levels and growth in new technologies and new areas at other levels.

And I have said this publicly before; a lot of people are talking to everybody right now because of the amount of liquidity and activity in the market. And I think that means that there could be continued activity around a number of different segments, and I think ORBCOMM is just an example of that right now.

**Ric Prentiss**

Well, it's good to see the free cash flow production. Keep up the good work, guys and hope you're doing well through these COVID recovery times.

**Matthew Desch**

Thanks, Ric. Appreciate it.

**Thomas Fitzpatrick**

Thanks, Ric.

**Operator**

Thank you. And our next question comes from Walter Piecyk with LightShed again. Please go ahead, sir.

**Walter Piecyk**

Thanks. Sorry about that, Matt, it was my new T-Mobile Phone system. How are you doing?

**Matthew Desch**

Good.

**Walter Piecyk**

Just let's start with the share repurchase, I guess, because this is the first time ever for the company that you've bought stock back, I think. The pace was \$59 million; you've got \$240 million left; your average price was, I think, \$37.54. The stock's really not that far off of it now. I know this is not a big surprise, the authorization came, you talked about having an interest here, but now that you've done it for one quarter, can you comment on whether this is the kind of rate that we should expect going forward, because obviously, you'd burned through the authorization a little bit faster than how long it's authorized, I guess.

**Matthew Desch**

Yes, Tom can add to it, but this is going to be a quarter by—

**Walter Piecyk**

I mean, it's \$60 million. You're going to get through it before two years, right? Yes.

**Matthew Desch**

Yes. This is a quarter-by-quarter kind of evaluation that obviously we have to make. It's a computation on what our intrinsic value really is, and obviously, that's above the level that we're at right now. And so, you can expect if the stock happens to be, in a short period of time, below what you would think our view of the intrinsic value of the stock is—and that's obviously adjusted for our leverage and that sort of thing—that you would see continued opportunistic purchases.

So I can't say exactly what the rate will be, based upon I don't know what the stock price will end up being, but clearly I think this demonstrates what we feel about our future and the potential in our value overall. So I don't know, Tom, if you want to add anything to that but.

**Thomas Fitzpatrick**

No, but I think—

**Walter Piecyk**

No, when I see Q1, though—I'm sorry, go ahead.

**Thomas Fitzpatrick**

No, I was just going to say, hi, Walt, we haven't met. It's Tom Fitzpatrick.

I would say you nailed it, Matt. We're going to be opportunistic. Let's see where the stock is. You shouldn't interpret the rate of buy in the first quarter as being that we're going to go through it. It's going to be where the stock trades at, where our leverage is, that sort of thing, Walt.

**Walter Piecyk**

No, understood. So, the purchase price during the quarter was \$37.50. The stock is at \$38.50 before the market opened, so I'm kind of—it is what it is. So, when you think about dividends as a part of the capital return policy, are they out of the picture until you think the stock trades closer to the intrinsic value or is that a separate decision process that the company and the Board goes through?

**Thomas Fitzpatrick**

I would say that's separate. We'll consider that over time, but right now, we're going to execute the share repurchase.

**Matthew Desch**

Yes. As we have said, Walt, I think it's an issue between the two of relative value of what you really think kind of provides the most bang for the buck. And when you sort of feel more undervalued, which we've mentioned, not just because of the stock price, but because of our expectations about Aireon in the future and perhaps what others view as competition, for example, but we don't see that really emerging in the same sort of way. Those sort of things make, I think, share repurchase the smarter decision right now, but we could evolve to dividend payments in the future on another decision process here.

**Walter Piecyk**

Got it. So, that's a good segue into question two, which is Aireon. They have some payload payments upcoming and a buy-down of your stake also coming. Is there any update in terms of their ability to finance that, or what should we expect in terms of that flow of cash from Aireon?

**Thomas Fitzpatrick**

So, Walt, they owe us \$8 million of the hosting fee this year; they'll pay that toward the end of this year. And so, there's a minimum hosting payment that they have to make of \$16 million in cash. So, that's included in their fully funded plan. They're looking to refinance the debt that they have in place currently with cheaper debt. And basically, what they will do is they'll do a tack-on to their new facility as their business grows and their leverage statistics enable them to.

We think it's going to be late '22, [early] 2023. The first installment will be they'll pay us the balance of the hosting fee plus interest in late '22 or early '23, then the \$120 million will come thereafter. And just think about that as they will do that as soon as the debt markets are cooperative based on their leverage statistics to do a tack-on to the facility that they're looking to put in place here in the first half of this year.

**Walter Piecyk**

But if the debt markets are favorable and they gain traction in their business, they're already 50%, as you mentioned. Is the timeline that you laid out, is there any opportunity for that to accelerate? Obviously, if they NPVed their future payment, they could probably pay you a little bit less, but is that a possibility or is it really more of a '22, '23 timeline for those payments?

**Thomas Fitzpatrick**

We're modeling it late '22, [early] '23. If they do better than that, that's only goodness, but that's how we're thinking about it, Walt.

**Matthew Desch**

Obviously, Walt, they are a healthy business right now and I think that they are certainly continuing to grow.

**Walter Piecyk**

Understood. For Sure.

**Matthew Desch**

I think they're going to have more and more opportunities presented to them. It's nothing that we can plan on in any regard that is because it depends on the market and their continued financial success, but it's definitely a healthy business, and these are interesting times in the financial market. So, we'll see if they find other opportunities but I wouldn't model it any different than what we're putting right now—because I think, it's appropriate

**Walter Piecyk**

Okay, but it's a possibility, understood. So, can I just sneak one more in? In your broadband expectations in terms of accelerating growth, and Ric mentioned obviously is relatively small, but should we think about that in terms of more of a unit driving that or ARPU or combination of both?

**Matthew Desch**

I am sorry, I missed that first part.

**Walter Piecyk**

Just on the overall growth for '21 in broadband. So, if you look at broadband in terms of the revenue growth accelerating as over the course of the year, is that more of a unit-driven item, or ARPU, or is it kind of a combination of both?

**Matthew Desch**

Well, it's a little bit of a combination of both. We're not expecting, say, growth in ARPU, other than sort of normal seasonality of what we see like last year returning, and I would expect that that would be a

normal thing.

So, it continues to be just the units added month-by-month. We're continuing to see net units grow every month. In fact, I'd say there's even been sort of a positive trend over the last six months as things have continued to move more positively.

I really think that that should start opening up a lot more in the next coming months as certain ports get a lot better and really, more than anything else, it's global travel. You don't think the comparison is there from a maritime perspective, but really, just getting installers on airplanes, not to have to quarantine in a port or something to get onto a ship is an impact, so, I think all those things are going to help. And then with new products, they're even lower cost and I think that will also be a bit of a driver too.

**Walter Piecyk**

I guess I just would have thought with the Certus product delivering higher speeds that you could also provide some lift to ARPU. No?

**Matthew Desch**

Well, it does provide a lift to ARPU over our traditional OpenPort levels. I mean, you don't see that maybe fourth quarter to first quarter, but that's the seasonality effect. But I think you'll see it sort of on a comparable quarter going forward as you'll see comparisons against sort of apples-and-apples. After we get out of this weird first quarter comparison, I think you will see ARPU growth over the old days of, say, OpenPort-level service and particularly, in primary usage, it's quite a bit higher.

**Walter Piecyk**

Got it. Okay. Thank you. Great. Thank you.

**Matthew Desch**

Thanks, Walt.

**Operator**

And our next question today comes from Mathieu Robilliard with Barclays. Please go ahead.

**Mathieu Robilliard**

Yes. Good morning, and thank you for the call. I had a question with regards to the competitive environment in the maritime segment. Just curious to know if there was any changes there either from Inmarsat or from some of the VSAT reseller? I think I heard that some of them are being a bit more aggressive on the low end, maybe a reflection of the tough environment, but any color would be great.

And then, the second question more about your product, with regards to your IoT products, can you clarify for me if these products are two-way products for most of it, or only part of them are two-way or none of them are two-way? Maybe if you could give a little bit of color in terms of the different possibilities of what you can do on IoT, that would be super useful. Thanks.

**Matthew Desch**

Yes. Thanks, Mathieu. Well, on the second question, all of our products are two-way. We've never offered a one-way product. I know, other MSS operators do. We really believe the value of our network is the fact that it's real-time, two-way, global, etc., and that's one of the reasons why we've been so successful.

There isn't really that big a demand for one-way. I think that's more of an aberration – that somebody can only offer a one-way product in some cases, so that's what they're selling. It's one of the reasons,

for example, our consumer business on IoT has been so successful because those are all confirmed delivery. And actually, every person knows if they push a button or get a text or send a line, they actually know that it got delivered and that somebody can return back to them.

On the first part, in terms of competitive environment, no, we don't really see a big change in the overall competitive market. One reason for that is, we're still relatively new in the maritime market. We're working from a pretty small base, and while we've been around it for a while, broadband is still relatively new, so it's a bit of an open market for us.

The market, we've always expected would shrink slightly as VSAT became more and more competitive. We've always viewed ourselves as a specialty broadband service versus a commodity broadband service. So, the overall market for L-band, companion, and primary use on smaller vessels, and on vessels that don't operate all the time and have really, really high ARPU—actually high revenue and bandwidth requirements was really still always our market. That market really hasn't changed much. It is true that—I think, the low end of the VSAT market is being more aggressive, so perhaps it's affecting slightly, what we expected a little bit sooner perhaps, but I think it's really around the edge of what we have always expected the market to be.

By the way, Mathieu, another positive trend there, of course, I really feel good about the fact that Speedcast, for example, is out of bankruptcy now. I mean, I think that's a positive. They're certainly opportunistic about their future. We've missed them being in the market this last year as aggressively as they work through their own issues. I think I'm seeing a lot of pretty much optimism around most of the maritime channel, about the recovery that they're expecting the rest of this year. And I think competitively we feel like we're really, really well-positioned with our increasing range of Certus products.

**Mathieu Robilliard**

That's great. Thank you very much.

**Matthew Desch**

Thanks, Mathieu.

**Operator**

And our next question today comes from Hamed Khorsand with BWS Financial. Please go ahead.

**Hamed Khorsand**

Hi, good morning. First off, could you just talk about the voice and data subscriber number just going up ever so slightly in Q1? Seasonally, this is not the quarter you would see that subscriber count go up. Was this an anomaly? Was this just the timing of deliveries? If you could just talk about that a little bit.

**Thomas Fitzpatrick**

Are you saying—go ahead, Matt.

**Hamed Khorsand**

Well it was, yes, sequentially, yes. It was 362.

**Thomas Fitzpatrick**

Right, so I would say, it's the improving environment, right? I mean, so into the first quarter, we saw some relaxing. I think that's going to continue. We'll get the seasonality effect into the second quarter. We're entering our summer selling season now, so I think that's what at that work there.

**Matthew Desch**

Yes, I would really call that flat. I don't know. I mean 1,000 subscribers is not a huge increase, but I would say Tom talked about one bright spot just to kind of call out. It's not huge numbers, but PTT really, really did very well last year on the basis of the new handset devices from our partner, Icom, and just the fact that people are really seeing that as a unique and viable service.

Indonesia was only one big example, which I think was recent, but there's been many other first responders, militaries, civil agencies who are seeing a global PTT service as being a faster and more effective way to kind of communicate. So, that's an interesting service to look at.

And then, I think, we didn't have the seasonality last year that we were expecting, but I think there's a lot more optimism that people are really, really wanting to get out of their homes and travel. And I think you see it in the pent-up demand in air travel and whatnot this year. So, a lot of our partners are telling us they're pretty optimistic about the summer season. We'll see how that plays out, but I think that will affect both our voice and data business as well as consumer IoT and some other places where people just want to get back off the grid again.

### **Hamed Khorsand**

And given that this Q1, was wintertime, do you think those equipment sales you had were installed and going to be activated in time for the Q2, Q3 period?

### **Matthew Desch**

You mean the good equipment revenues? That's across the board. Some of those are handsets and that sort of thing. A lot of them are, I think, bullish IoT partners who see a resumption in the growth rates that they're expecting and don't want to be caught short of inventory as they build out their hundreds and hundreds of solutions that are built on the Iridium network across a wide range of industries and verticals, etc.

So, it's really a broad-based equipment base, and I would view it more as a general optimism of our partners for the future as opposed to like a specific message about anything specific. And by the way, it varies kind of lead time by industry from weeks to many months sometimes in terms of our seeing that equipment get into and being activated, and it really depends on how complicated the manufacturing supply chains are of any individual partners. There are so many different models that any one of them have—and whether a \$60 part or something is that big of a part of it. What they just don't want to do is have a stock out somehow of it. It might be a \$1,000 solution, and it's just really a part in a big solution.

### **Hamed Khorsand**

My last question was on IoT. Are you becoming more and more consumer-driven because industrial is becoming more competitive, or is just the consumer just becoming so popular, the consumer devices?

### **Matthew Desch**

Yes, it's the latter. I mean, it's absolutely, just that consumer is becoming more popular. We're just extremely well-suited for that. They're increasing numbers of companies that are going after that.

For example, Garmin has always done extremely well and has expanded their portfolio dramatically in terms of different products that they're bringing to market. They're expanding their geographic coverage. And then we started seeing companies like ZOLEO really do very well last year, and I think they are very bullish about this year. Companies like Somewear Labs and ACR Communications with their products and Bivy, which includes Bivy now.

I just think that it's a very cost-effective way for consumers to make a connection. Kind of in some ways, we've cannibalized ourselves a little bit on the satellite phone market because that was the only way that

people could stay connected five, ten years ago. And now, for a lot less money and less cost, you can effectively communicate, whether you're a bush pilot, or a scientist, or doing oil and gas, or on a ship, on an airplane, that sort of thing. So, that's just done very well.

We continue to add partners in all our industrial IoT segments. They are also being very bullish about the recovery that they're seeing, whether it be in heavy equipment or fishing and transportation, oil and gas, all those markets. And I think we're also very bullish about the mid-band solutions that a lot of those industrial IoT companies are saying, if you can give me more speed and a faster connection—where you go IP instead of the mechanism we sort of had before—I can see sending pictures, and data, and streaming things, and that sort of thing. So, I think that will be a positive to sort of the Industrial IoT segment.

**Hamed Khorsand**

Okay. Thank you.

**Matthew Desch**

Thanks.

**Operator**

Our next question today comes from Anthony Klarman with Deutsche Bank. Please go ahead.

**Anthony Klarman**

Hi, thanks, and good morning. A question maybe back to Matt to some comments that you were making on it still being a challenge around getting installers on the ships and things of that nature. I guess I'm just wondering what the guidance assumptions are around broader-based reopening and easing of some of the COVID restrictions that have been in place that have prevented some of the install volume from picking up? I guess how dependent is the 2021 outlook on some sort of return to normalized install activity and being able to get access to some of the ships, particularly with maritime?

**Matthew Desch**

I would say, we're being, I don't want to use the word conservative, but I'd say we're being appropriately skeptical that there's going to be a fast recovery necessarily. So, we're not looking for a huge return to really, really high growth rates or anything. But we are seeing really positive signs in a number of markets in Asia.

China, Singapore, Australia, New Zealand, those are all markets that are getting back to really normal. People are starting to travel around; they're getting to ports; they're not having issues installing things. Europe is much more challenged right now, particularly certain ports in Europe. And I think that will hopefully turn around in the next two or three months, but we're not forecasting that's an immediate boom here in the next coming month or two. So, I think it's not going to be back in the second quarter in the same way, but hopefully, we'll start easing a bit in the third quarter and maybe certainly by the end of this year we'll be a lot better.

South America right now, of course, is starting to enter winter, and that slows itself down. There's a lot of optimism in South America, but also COVID still is hitting South America hard, so those ports are a little slower still. And I expect that that will be very late in the year before we see the recovery from them, if not into 2022 before we see that there. But North America, in particular, obviously, I think it's going to really come back pretty strong here in the second half, and I think that will affect also local kind of distributions here.

**Anthony Klarman**



And I guess it sounds like from your prior comments around personal devices and some of those things that consumer activity will probably lead the rebound a bit, given that there seems to be some pent-up demand to travel and get back off the grid, perhaps, so to speak.

**Matthew Desch**

Well, like I said, we've seen more normality there, I think in the last couple of months, and certainly into the first quarter. And what we're hearing from people there is that that seems to be back almost to normal in many places. And they're talking about expanding product lines and geographic reach and that sort of thing. So, I'd expect that to continue to be strong.

But IoT overall has really, really gotten much more active. And by the way, Anthony, let me just correct someone has reminded me here, I did answer a previous question about one-way versus two-way IoT—while I'm talking about that—that is still true. We don't have sort of a one-way IoT service, but we do have a unique service, of course, called paging, which goes way back, where we still supply that service to a small number of devices.

But we have expanded that service to something called Burst, which is a one-to-many kind of solution, which extends into things like satellite time and location, which we're very, very bullish about. I don't call that one-way IoT; I call that the sort of a one-way data transmission across the wide area. But I just wanted to make sure I—we have a very unique range of services that cover a lot of ground, and I can at least make some of my team happy to know that I answered that correctly.

**Anthony Klarman**

Thanks. I wanted to try to dig in on buybacks on just a particular angle. I guess, maybe to think about how management and the Board thinks about the broader context of the buyback pacing, maybe as it relates to the leverage goal too, of the 2.5 to 3.5.

And I guess I'm thinking about it in the context that your EBITDA is in a pretty tightly defined range, and given what you've reported in the first quarter, it certainly seems very reasonable. And your CapEx and cash interest are now in very tightly defined ranges, given you're on a long capex holiday, and the term loan has been repriced, so you have really good visibility. So the visibility around free cash flow is very high, and I guess, Matt, you mentioned talking about discounts to intrinsic value.

I guess I'm wondering if thinking about what the spend was in 1Q if nothing else changes with respect to the public market view of intrinsic value if this is a run rate that we would think about? Or if not, then what some of the other cash uses are that management and the Board might want to be having cash resources on hand to avail themselves of?

**Matthew Desch**

Well, I think you stated the question very well. We have a lot of visibility to what our cash flow and leverage rates, etc. will be over the next two years, which is why we can be as confident as we are. As Tom said, that our leverage ratios will be in line even if we affect the whole \$300 million by the end of 2022, because that doesn't take a lot of expectations on market recoveries, etc.

So, on that basis, we can—We don't plan for a specific amount of spend or anything. We're not going to spend it on a level of making sure X amount of dollars goes out each quarter. But if our view of intrinsic value—which changes a little bit quarter-by-quarter at least over a half [year]—as that changes and we recompute sort of an intrinsic value and decide if the market continues to perform below our intrinsic value, then we'll feel that that would make a great buy to support that and buyback shares. And I think that's a great value and a strong thing to do for the company and for shareholders.

So, I don't want to try to project that into a specific amount or anything because I don't really know exactly how the market will be, and how volatile it is, and what price it hits, and at what level things kind of kick-off to buy, but I guess overall, I'd say I'd agree with your overall premise.

**Anthony Klarman**

And maybe finally, just on Aireon, they have not really yet had to materially avail themselves of the investor bridge that you and the other investors have put into place. I think there are some small amounts that you guys have noted had been funded on there, but you mentioned in the 10-Q that you do expect additional funding to be required in '21 and '22. With air travel starting to come back and that being a volume-based business, is there a number that you would expect to have to fund-in to the investor bridge for Aireon this year and next?

**Thomas Fitzpatrick**

You're talking about not much money, Anthony. And I think our piece of the bridge is, oh, in the area of \$10 million. So, it's not—and we'll see whether they draw on that or not. I mean, they're looking to re-fi their existing facility, and that, frankly, is looking good, and so to the extent they get that done, we won't have to fund it. But like as I say, we're not talking about a lot of money.

**Anthony Klarman**

Alright. Thank you very much.

**Matthew Desch**

Thanks, Anthony.

**Operator**

And our next question today comes from Louie DiPalma with William Blair. Please go ahead.

**Louie DiPalma**

Good morning, Matt, Tom, and Ken.

**Matthew Desch**

Louie, how are you?

**Thomas Fitzpatrick**

Hi, Louie.

**Louie DiPalma**

Doing okay. Matt, on the subject you just mentioned of satellite phone cannibalization from IoT, how does that impact your view of the long-term satellite phone growth rate? And with your government EMSS contract and satellite phone growth becoming more mature, and your faster growth with broadband and IoT, is that enough to carry growth for the entire company?

**Matthew Desch**

Well, I don't think we're being inconsistent with what we've ever talked about. We've never felt that satellite phones was the future of this company. It's held up remarkably well; competition has sort of falling away in a lot of ways. And so despite what I call cannibalization, I would say it was cannibalization of growth in that area. But it's maintained at sort of a stable sort of base, and maybe even has potential for small growth as there will be new products coming. And we have some planned in that area and, of course, we continue to see strong performance in PTT. All those things lead us to believe that this could be certainly a stable source, if not slow growth.

And so, it's always been a platform, a high margin, strong cash flow-producing margin that's been more about protecting and ensuring state our base. While we grew in broadband, grew in IoT, we've obviously grown in hosted payload, we have a lot of enthusiasm about mid-band services, which will drive potentially voice and data IoT revenue lines, but still see good growth in the U.S. government.

And there are these unique additional services, things like STL and other things, which we believe will continue to drive growth. So, we have plenty of growth vectors in the company. I'm always more concerned that that didn't become in any way a tailwind in some ways, and it doesn't look like it is or will be.

**Louie DiPalma**

Sounds good. Thanks, Matt. Looking forward to the Analyst Day.

**Matthew Desch**

Yes. Thanks, Louie.

**Operator**

And our next question comes from Chris Quilty with Quilty Analytics. Please go ahead.

**Chris Quilty**

Hi. A follow-up question for Tom, you had mentioned you're seeing partners getting additional traction selling into the government. Are you referring to the Push-to-Talk activity, or are you starting to see some early entry with Certus products?

**Thomas Fitzpatrick**

Certus, I was referring to Certus, Chris. It's just one partner, and they're getting good traction and we think we're going to see some additional revenues out of them in the fourth quarter.

**Chris Quilty**

And COMSAT, are they focused solely on government, or is that international also?

**Thomas Fitzpatrick**

No, it's solely government, DoD.

**Chris Quilty**

Okay. And is there an effort to sell that internationally to other governments?

**Matthew Desch**

Oh, yes. There's already been a lot of activity on that front. That comes out of our commercial gateway, so it isn't reported in the same—it's not the same partner, and it's not the same service. That's more from our many other Certus partners that—primarily in the land mobile side, but in some cases, in the maritime side, and I'm expecting as aviation products emerge later this year, and in 2022, there will also be some aviation take-up there as well.

**Chris Quilty**

Got you. And going back to the consumer versus industrial in the IoT business, if you strip away the impact of COVID and just focus on the industrial customers, what should we expect for future growth rates for that business? Is that kind of a low single-digit business? Does it have the potential for double-digit growth on a go-forward basis as you roll out Certus products?

**Matthew Desch**

Well, we combine the two for a growth rate, and I assume you're talking about service a revenue growth rate that has traditionally been, I don't know, we typically able to throw \$10 million or more on a year on the bottom line as our top line and bottom line on service revenue due to IoT. And I feel like, collectively, we're kind of getting back to that pace and could potentially accelerate that with new products, and mid-band, and those sort of things going out in the future, assuming that we continue to perform in all those areas. So, I don't really break the two down.

I mean, we don't look at them as multiple businesses. We talk about them separately because one is much lower ARPU, but very high volume, the other is lower volume of units but much higher ARPU, and potentially with mid-band services, that segment will benefit the most from ARPU growth. So, I don't know how to really balance that out for you specifically here, but I think both of them are going to contribute going forward to our growth rates.

### **Chris Quilty**

Okay. And maybe to take it at a different level, I think seven of the last nine quarters, the IoT ARPU has been down double-digit. Do you see either usage levels going up post-COVID or Certus-related products slowing the rate of decline in ARPU? And I think Tom also mentioned 40% of the base now is consumer, so the mix down is potentially starting to slow. Should we look at perhaps more single-digit declines on a go-forward basis, or do you think this double-digit rate continues as the mix continues to shift?

### **Thomas Fitzpatrick**

So, Chris, the most acute impact on IoT ARPU was the fall-off in aviation. So, they were the safety services, so that hit us in the second quarter of last year for between \$1 million and \$1.5 million, right? So, now as air traffic starts to come back, as Ric said, we'll start clawing that \$1.5 million back, and that'll be accretive to the IoT ARPU. So, that should definitely ease the rate of decline, just because we're going to be clawing back that \$1.5 million, which is substantial on its impact on the ARPU.

### **Matthew Desch**

Yes. And the rest of the decline, Chris, as you know, I mean, it's just really mixed for the most part. I mean, when you are just throwing in \$4 kind of customers against a base that's higher and that continues to expand and become a larger part of the base, it just brings down the ARPU. I know, since there isn't incremental cost in either of the cases, I mention this often quarter-by-quarter, we don't spend a lot of time worrying about ARPU levels as long as volumes continue to grow and the usage of our network is appropriate since those don't use much of our network.

So, we're happy as long as the overall service revenue continues to grow in IoT and contributes to the bottom line and cash flow.

### **Chris Quilty**

Great. And a similar question in the maritime market, I know it's still early days with GMDSS, but ostensibly, those terminals are free usage for emergency purposes, but when the customer gets it on-board, it's metered pricing, and they tend to use it. Have you seen any downward pull from the GMDSS units, or do you expect to on a go-forward basis as they pick up as a part of the mix?

### **Matthew Desch**

I think it's small – unnoticeable today. I mean, it's still dozens of units have been activated, and there are hundreds in the pipeline to be activated this year. And I think that the current units right now today are really narrow-band units, so they really are really in the voice and data line, not in our Certus broadband line. So, they're not pulling or will pull down the units at all. In fact, if anything, they'll probably contribute and add to voice and data revenues.

New Certus units as we move into those Certus-qualified units, which are more next year and beyond, that could start to happen a little bit, but we'll be at a much bigger base at that point. So, I don't know that that would be very noticeable.

**Chris Quilty**

Those are Certus-enabled GMDSS units? In the future.

**Matthew Desch**

Yes, in the future. I mean, that's under development right now with those partners, with us and partners, with our terminal manufacturers, etc. There is still work to be done to certify those new units. And yes, those will also be free for GMDSS calls, but they'll be able to put broadband revenues on there if they'd like.

So, I think, you're seeing today, people are putting narrow-band GMDSS units on. And as we've said, we think that they're going to be taking our Certus 200 products if they're really at the low end, or Certus 700, if they're at the higher end for standalone or companion-type applications. But that will all get consolidated perhaps down into a single terminal in a year or two, when those new certifications are complete for those terminal manufacturers for Certus-based GMDSS.

**Chris Quilty**

Great. And final question, I think we've talked extensively on prior calls why SpaceX and OneWeb are not competition, but there are a number of constellation operators doing IoT-focused, and in the last six months/year, we've seen lots of satellites launched by Swarm and Hiber and Myriota and Lacuna and Kepler and others. Are you seeing any impact in the market—and I guess none of them really have a full service up and running—but efforts on their part to access your channel or customers or pricing strategies? Is there anything relevant that you're seeing in the market today?

**Matthew Desch**

Yes, that's a good question. I continue to ask and look for that and talk to partners and that sort of thing. And really, the visibility to them is still quite low. The people who have talked to them and experiment and tried any of those services have found them to be not industrial strength by a long shot.

They're still non-real time systems. So, they were more competitive with the older, like an ORBCOMM system or something like that as opposed to our system. So, we weren't seeing many of the applications that we are looking at being very interested in those kinds of systems. Obviously, if you're tracking sheep or something, and you don't really care where they are, or just generally what part of the field they are once a day or something, maybe that's going to be what you're looking at, and there might be some playing around with that; or sort of the soil moisture or something like that. I think those are really good applications for that, but they're really still very, very early stages of those being very viable services or generating a lot of revenue or a lot of interest.

So, I'm not saying there isn't the market for those—not for certainly as many of them as there are. So, I think they're all going to struggle. I also do find that partners are a little confused by so many choices, and the so many different technologies, and picking the wrong one and wondering if they're going to stay in business, and how long they'll be in business. And so, it always takes a lot longer to sort of develop the channels. We know that because it took us a long time, and so I think it's going to take them a fair amount of time to get lots of traction.

But I still believe that it's very ancillary to what we do. It's not directly in line because none of them really are suggesting that they can offer a real-time two-way global service in a comprehensive way, but they could offer an alternative for a very low cost check-in application down the road. And we're keeping an

eye on them and seeing if it makes sense to the partner, which we've already talked to a number of them about possibly doing, and we'll consider other things as that market evolves.

**Chris Quilty**

Great. Thanks for the nice boring quarter.

**Matthew Desch**

Thanks, Chris.

**CONCLUSION**

**Operator**

And ladies and gentlemen, this concludes today's question-and-answer session. I would like to turn the conference back over to management for closing comments.

**Matthew Desch**

Yes. Well, thanks for joining us. As Chris said, it was in-line quarter, which is what we like to see. I think we'll see some more acceleration – growth as the environment continues to improve, and we're looking forward, and we're preparing right now for our Investor Day on May 26<sup>th</sup>. So, I hope you'll be able to join us virtually for that and we'll be going into a lot more detail about our expectations of growth over the coming years. I think, hopefully, you'll find that interesting.

So, thanks for joining us today. Take care.

**Operator**

Thank you, sir. This concludes today's conference call. We thank you all for attending today's presentation. You may disconnect your lines and have a wonderful day.