

VIEW FROM THE TOP

Executive Q&A

Kay Sears, President, Intelsat General



Intelsat General is a thriving part of Intelsat's business that has made many key deals in the government and military sector. However, 2013 could be a key year for the company, particularly once progress is made on the hosted payload front. Intelsat General president Kay Sears explains why she is optimistic that 2013 could see a major breakthrough in terms of a hosted payload deal in the United States, and how despite overall budget cuts, she is optimistic for Intelsat General's overall prospects.

VIA SATELLITE: Is Intelsat General expecting profits and revenue growth in 2012? What are the key drivers for 2013?

SEARS: I would describe our business this year as showing steady performance. If you measure at the half-year mark this year, we were slightly ahead compared to last year. We have had modest but steady growth, and I think that is representative of what is going on in the industry. There is a sense of uncertainty in the market, and not just from the companies who sell or provide services to the government like Intelsat General, but also from the end users themselves. There is a lot of uncertainty around how the President's budget will be implemented. You also have this awful term 'sequestration' and the consequences if implemented. In

2013 I expect the Africa region to continue to be a hotspot of activity. Certainly, Afghanistan will continue to have deployed troops throughout 2013. We will also continue to support some of the ongoing operations in Iraq. But, nothing changes dramatically in terms of the demand areas. When you consider what is happening at the application level, UAVs are really the star of the show. That will continue. You hear a lot about the inverse relationship between boots on the ground and intelligence, surveillance and reconnaissance supported by manned and un-manned platforms. We would expect that relationship to continue into areas where troops are withdrawn and for UAV usage to grow with the purchase of new platforms and spread out across different regions.

VIA SATELLITE: We hear constant talk of hosted payloads but very few deals. Do you think that might change in 2013?

SEARS: There has been a great deal of talk about hosted payloads, and there have been some success stories. When you look at the Australian Defence Force and what they did, they saved \$150 million by procuring a hosted payload versus buying a dedicated satellite. They were able to do that very quickly. When you look at how fast some of the international partners can move, you wonder why the U.S.

DoD cannot make it happen as well? It is just a very different process in the United States. I think the best news is that the Space and Missile System Center, now under General Ellen Pawlikowski's leadership, has a vision for bringing hosted payloads into SMC as a procurement option. One of the first things she did when she came over to SMC was to start up a hosted payloads office. They have worked with the industry very collaboratively to determine the hurdles that are keeping the Air Force from leveraging this kind of approach and they are tackling those hurdles one by one. They have a good handle on what some of the issues are and they are not insurmountable. These are issues like the timing of the DoD budget cycle versus how an operator like Intelsat may procure their satellites. So, how do we develop a process that addresses the timing issue? Also, how do we match the payload timeline to ensure it does not delay the host satellite or launch. I think collaboratively we are coming up with some really good ideas to clear those hurdles. The intention is to create a Hosted Payload IDIQ contract, which will put the right companies on a contracting vehicle to deliver government payloads on commercial satellites. NASA, for example, has done a lot of thinking about hosted payloads. They have

scientific missions that they want to fund and in some cases, hardware that they want to fly. There is real momentum. We have an advocate in General Pawlikowski, and that was what was missing before.

VIA SATELLITE: You won a deal earlier this year with the Iraqi MoD. How significant was that deal?

SEARS: We are providing some services as part of that contract with the Iraqi MoD. I think the deal signals a couple of things. It signals that even when you pull troops out of a specific area, the need for communications continues. Whether that is continued ISR type of demand where we have platforms that monitor an area, continued training for a successful hand-off like we have seen in Afghanistan, or in Iraq where there is a military turnover to the Iraqi MoD. They need communication services in a very similar way to what the U.S. military was using. So, they might not need all the reachback to the U.S. bases but certainly they need these types of communications to continue the war on terror.

VIA SATELLITE: Servicing satellites in orbit remains an interesting topic of discussion. How do you view this potential market?

SEARS: I think the overall concept of servicing satellites in orbit is something that is of great interest to Intelsat. As the largest commercial fleet operator, we are clearly interested in ways in which we can have a more efficient fleet. So, the "maintenance man in space" concept is very attractive, but there has to be a workable business model. It

doesn't make sense for one operator to develop this capability. It needs to be a service that is offered by an entity that services multiple operators. That is the business case that needs to be developed by companies that have the technology or manufacturers of buses that can host this technology. We believe with the experiments and programmes that have happened in LEO, and what is happening on the Space Station today, that the technology is ready to be deployed into GEO. There would have to be testing and risk mitigation, but we think it is very possible, and we are ready to work with companies that are interested in offering this service.

The Phoenix contract (DARPA) is slightly different. It definitely uses some of the same technology, but DARPA is an organization that thinks well beyond today. So, some of the things they are thinking about are the re-use of antenna arrays and constructing a satellite in space by connecting different components that are launched on lighter launch vehicles. These are some of the things that the Phoenix programme is looking to develop. This ties back to in-orbit servicing, but it is more futuristic. We are excited to be a part of that, as it gives us a perspective on where this technology might be going, even beyond the in-orbit satellite servicing concepts of refueling and fixing stuck antennas or solar arrays.

VIA SATELLITE: Finally, what are the key trends emerging in your business?

SEARS: I have mentioned mobility, but there are many facets to that. There is the ground piece or COTM

segment, the aero layer, and the maritime layer. All of those applications are seeing higher throughput, driven by broadband requirements, primarily video. The ISR capabilities will continue to develop to higher quality video and different types of sensors. We are also seeing a globalization of requirements. We have had a fairly high concentrated demand in Iraq and Afghanistan, and we are going to see that spread out more. Africa will be a region where you will see flare-ups, and you are going to have demand there. But, we are also seeing UAVs being deployed into other regions such as the Pacific.

There is also a lot of discussion about architecture. What will be the future architecture for the government, and what is going to be the complement of miltatcom and commercial capability? There is a lot of collaboration taking place at the architecture level. There is a lot of talk about affordability and if there are new ways of meeting mission requirements in the future that are less expensive. The commercial industry has a lot of play in solving the affordability problem.

Finally, on the hosted payloads side, I think next year we will see some action. We will see a contract potentially from SMC that will put the right players together to match payloads and hosting opportunities. With all the budget talk, many think the future for defense business is grim. It's grim if you want to keep doing business the same way. But if you can develop affordable solutions that deliver similar capability, you might view this as an opportunity. That's the way we see it. 