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Intelsat looks to sell assets to cut debt

James Fontanella-Khan in New York


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Intelsat, the world's largest commercial satellite operator in revenue terms, is exploring a sale of some strategic assets, as it seeks to pay off a portion of its $14bn debt pile, according to people familiar with the matter.

The US-based company, which transmits television signals for broadcasters and images from US military drones, has hired Goldman Sachs to seek potential buyers, said people close to the company.

Eutelsat, a rival French satellite operator, and John Malone's Liberty Media have been approached by Intelsat's bankers to gauge their interest in taking over some of the company's assets, these people said. It is unclear whether either is keen to engage with the Luxembourg-domiciled group. Liberty tried to acquire the group in 2007 in a joint bid with Charlie Ergen's EchoStar Communications.

Other plausible buyers include rival operator SES of Luxembourg and Canada's Telesat, as well as other private equity firms, said another person familiar with the sector.

Talks with potential suitors are preliminary and Intelsat, which has revenues of about $2.4bn, could ultimately decide not to sell any of its assets.

"We routinely evaluate strategic options to generate value for shareholders, employees and customers. As a matter of company policy, we do not comment on market rumours or speculation," Intelsat said in an email seeking comment about the potential sale of assets.

BC Partners and Silver Lake, the private equity firms which acquired the group in 2007 for $16.5bn, including $11bn in debt, are keen to sell some assets as part of a broader effort to reduce the company's debt, said those close to the situation.

Intelsat, which has an enterprise value of $15bn, is concerned about its debt as its bonds have been trading at high yields. A $2bn Intelsat senior unsecured bond maturing in 2021 has a 16 per cent yield and trades at 70 cents to the dollar, which indicates a high default risk.

Famed for having broadcast Neil Armstrong's walk on the moon in 1969, Intelsat has struggled in recent months to boost revenue growth as it faces increasing competition as well as pressure from declining US military spending.

Fears of oversupply of so-called high-throughput satellites, which have a much larger transfer capacity than older satellites, have led many large investors to sell shares in the operator.

Intelsat shares are down more than 54 per cent since the start of the year, a trend that reflects the broader challenge facing the company in generating new growth.

The 51-year-old company, which operates a fleet of 50 satellites, carries one out of every four television channels in the world via its platforms, making it a key gateway connecting content providers to cable operators.

Among its most valuable assets are its US and Latin American media unit, which distributes programming such as HBO series for broadcasters and cable companies such as Comcast across the globe.

Intelsat also has a more sensitive US government and military related unit, which could be of interest to other buyout firms with a focus in the area, said a person familiar with the matter.

Liberty Media and Eutelsat could not immediately be reached for comment.

Goldman Sachs declined to comment.

Additional reporting by Arash Massoudi and Matthew Garrahan