RAYMOND JAMES

U.S. Research
Published by Raymond James & Associates

June 4, 2013

Intelsat S.A.

(I:NYSE)

Chris Quilty, (727) 567-2602, Chris.Quilty@RaymondJames.com
Ryan Rackley, Sr. Res. Assoc., (727) 567-2713, Ryan.Rackley@RaymondJames.com

Satellite & Space

Best in Class, but Valuation Fair; Initiating Coverage at Market Perform

Recommendation: We are initiating coverage on Intelsat with a **Market Perform** rating due to modest near-term growth prospects, elevated government demand risk, and a valuation that appears to be fair for the time being. Longer term, we believe Intelsat can trade at a premium to its peers based on accelerating growth, steady deleveraging, and the prospect for improving capital efficiency.

- **Best-in-class operator.** The fixed satellite services (FSS) industry has many attractive features including, high barriers to entry, excellent revenue visibility, strong operating cash flows, and favorable long-term growth drivers. Intelsat is the industry's largest fleet operator, with premium orbital slots, scale advantages, and a unique managed services offering.

- **Favorable capex cycle.** Having recently completed a four-year fleet recapitalization program (average capex ~$900 million per year), Intelsat's capex spending should average less than $700 million over the next five years, with net spending (i.e., less prepayments) falling below $500 million over the next two years.

- **Deleveraging to benefit equity.** Recent debt refinancing activity has effectively shaved ~$330 million in annual interest costs. These savings, when combined with reduced capex spending, over the next five years, should enable Intelsat to pay down an additional $1.5 billion or more of debt over the next five years, with the benefits accruing directly to equity holders.

- **Out-year growth potential**. Intelsat's revenue growth should accelerate dramatically by 2016, aided by the arrival of new direct-to-home (DTH) platforms (DirecTV Latin America) and the first of at least five planned Epic^{NG} satellites. We view Epic^{NG} as a potential game changer, with the ability to generate 10x the throughput of a traditional FSS satellite and an ROIC of 30-40% (vs. 10-20% for a traditional FSS satellite).

Valuation: Trading at 8.6x our 2014 adjusted EBITDA forecast, Intelsat is currently trading at a 7% premium to the 10-year historical peer group multiple of 8.0x.

Adj. EBITDA (mil.)	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	Revenues (mil.)
2012A	$496	$491	$510	$514	$2,012	$2,610
2013E	506A	503	517	516	2,041	2,635
2014E	520	511	508	511	2,050	2,656

Rows may not add due to rounding. Adjusted EBITDA excludes management fees, non-cash stock compensation, and non-recurring items. Initial public offering within last 12 months; trailing 12-month share price figures represent range since that time.

Initiation of Coverage

Rating
Market Perform 3

Current and Target Price

Current Price (May-31-13)	$24.37
Target Price:	NM
52-Week Range	$26.80 - $16.90
Suitability	Growth

Market Data

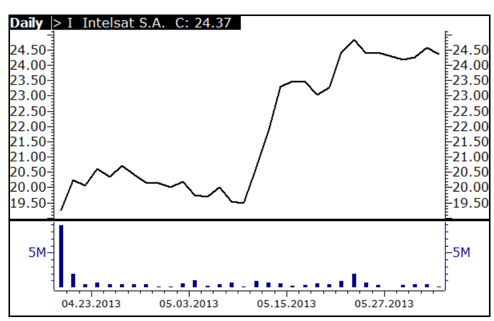
Shares Out. (mil.)	108.0
Market Cap. (mil.)	$2,632
Avg. Daily Vol. (10 day)	651,041
Dividend/Yield	$0.00/0.0%
Book Value (Mar-13)	NM
ROE %	NM
LT Debt (mil.)/% Cap.	$14,966/110%

Earnings & Valuation Metrics

	2012A	2013E	2014E
EBITDA (mil.)	$1,936	$2,006	$2,014
GAAP EPS	$(1.82)	$(1.67)	$3.01
P/E Ratios (GAAP)	NM	NM	8.1x
Out Year Adj. EBITDA (mil.)	2015E	2016E	2017E
	$2,047	$2,145	$2,248

Company Description

Intelsat S.A. operates the industry's largest satellite fleet, with a fully global presence, high network redundancy, global landing rights, and scale operating advantages. In addition, Intelsat has built out the industry's largest and most comprehensive managed service capability.



Source: Thomson Reuters.

Please read domestic and foreign disclosure/risk information beginning on page 45 and Analyst Certification on page 45.

Contents

Investment Highlights

High Barrier to Entry

The fixed satellite services (FSS) industry shares many of the same characteristics as the real estate industry, including high capital costs, limited real estate, and economies-of-scale advantages. In the FSS industry, however, real estate (i.e., orbital slots) is both finite and more-limited, with Intelsat having already secured many of the best orbital slots and spectrum rights. Additionally, the cost of commissioning a single satellite generally runs $300 million or more, and the cost of building out a fully redundant global service footprint could easily run into the billions of dollars.

Excellent Revenue Visibility

Intelsat's backlog currently stands at $10.4 billion, representing 4x trailing revenues. Intelsat typically enters each new year with 80% revenue visibility and nearly 50% of the balance fulfilled through regular contract renewals. Media customers (33% of 2012 revenues) often contract an entire satellite for periods of 10-15 years. Alternatively, the U.S. government (~20% of 2012 revenues) can only contract on a one-year basis, effectively understating Intelsat's true revenue visibility.

Attractive, High-Margin Business Model

In addition to excellent revenue visibility, the FSS industry is characterized by a number of favorable operating characteristics, including: (1) high customer switching costs, (2) a stable pricing environment, (3) "sticky" customer relationships, (4) a modest rate of technological obsolescence, and (5) generally fixed operating costs. Industry EBITDA margins generally range from 75-80%, thus generating high operating cash flows and the ability to leverage the balance sheet.

Industry's Leading Fleet Operator

Intelsat operates the industry's largest satellite fleet, with a fully global presence, high network redundancy, global landing rights, and scale operating advantages. In addition, Intelsat has built out the industry's largest and most comprehensive managed service capability (anchored by the company's IntelsatOne^{SM} fiber backbone), giving Intelsat the unique ability to provide complex, highly secure, end-to-end communications solutions on a global basis.

Industry-Best Capital Efficiency

Over the past decade, Intelsat's capex spending as a percent of revenue has averaged 27%, as compared to 37-41% for its two closest competitors. We believe this capital efficiency advantage is sustainable over time due to Intelsat's more disciplined capital spending approach, scale-purchasing advantages, willingness to embrace new technologies and vendors, ingrained low-cost culture, and ability/willingness to reshuffle its satellite fleet to meet emerging demands. Furthermore, we view Intelsat's Epic^{NG} satellite program (more to follow) as a potential game-changer, delivering capital returns that are potentially 2-4x that of existing FSS satellites.

Entering Favorable Capex Cycle

Having recently completed a four-year fleet recapitalization program (average capex ~$900 million per year), Intelsat does not have a scheduled satellite launch until the second half of 2014, with the next major launch cycle beginning in 2015. We are forecasting average capex spending to dip below $630 million over the next two years and average less than $700 million over the next five years.

Advantaged Tax Structure

Intelsat's Luxemburg tax structure represents a permanent low-cost tax regime that meaningfully increases shareholder returns relative to competitors. Cash taxes are expected to average at-or-below 2.5% of revenues through 2023 and then drop to 2% of revenues thereafter. Additionally, Intelsat's cash taxes are largely independent of the company's leverage; hence there is no "penalty" for deleveraging.

Out-Year Growth and Capital Efficiency Improvements

While Intelsat's revenue growth is likely to be below average in the near term (no capacity growth, government headwinds), we expect revenue growth to improve dramatically by 2016, aided by the arrival of new DTH platforms (DirecTV Latin America) and the first of at least five planned Epic^{NG} satellites. We view Intelsat's Epic^{NG} satellite program as a major competitive differentiator that has the potential to: (1) expand Intelsat's addressable market opportunity, (2) drive performance improvements in Intelsat's existing services, and (3) generate significantly higher capital returns. On this final point, we estimate that an Epic^{NG} satellite could generate an ROIC in the range of 30-40% as compared to 10-15% for a traditional FSS satellite.

Deleveraging Benefits to Equity

Recent debt refinancing activity has effectively reduced weighted-average cost of debt from 7.8% to 6.7% and shaved ~$329 million in annual interest costs. These savings, when combined with reduced capital spending, should enable Intelsat to delever by an additional $1.5 billion or more over the next five years, with the benefits accruing directly to equity.

Attractive Relative Valuation

Intelsat currently trades at 8.6x our 2014 adjusted EBITDA forecast, which represents a 7% premium to the FSS group multiple containing its two nearest rivals, SES and Eutelsat. Over time, we expect Intelsat's multiple to expand on both an absolute and relative basis to reflect the company's improving growth outlook, industry-best fleet/execution, steady deleveraging, improving capital returns, and advantaged tax structure. Consistent with this view, we are initiating coverage on Intelsat with a **Market Perform** rating.

International Headquarters: The Raymond James Financial Center | 880 Carillon Parkway | St. Petersburg, Florida 33716 | 800-248-8863

Investment Risks

Launch and In-Orbit Failures

Historically, approximately one out of every fifteen satellite launches fails to reach orbit or experiences a major technical malfunction that materially impairs the satellite's ability to carry out its mission. Failure rates can vary widely across rocket families (see Appendix A), but can also fluctuate over time. For example, ILS' Proton rocket has long been considered one of the industry's most reliable launch vehicles, but since December 2010, the Proton has encountered an atypical string of four failures (or partial failures) out of 26 launch attempts. As a result, ILS has been forced to lower its launch prices to compensate for a perceived decrease in reliability and higher insurance rates.

Statistically, 73% of all satellite failures occur during launch or within the first 60 days on orbit. However, once the satellite has survived its first anniversary on-orbit, failure rates (over a 15-year life) typically decline to 1-2% per year. Consequently, most insurance policies are written to cover the launch event and first year of operation ("Launch +1"), with insurance rates currently ranging from 7-12% (vs. peak pricing of 20-30%). Once a satellite has survived its first year on-orbit, a select few satellite operators choose to self-insure their satellites through a combination of in-orbit spares and excess transponder capacity.

Terrestrial Encroachment

While satellite technology is unrivalled in its ability to deliver point-to-multipoint content distribution, terrestrial networks generally enjoy a substantially lower carriage cost for point-to-point communications. This dynamic is particularly evident in Intelsat's African trunking business, which has experienced steady erosion since the introduction of undersea fiber optic cables to the African coast beginning in the late 2000s. Likewise, Intelsat's cellular backhaul services could be equally threatened by the deployment of terrestrially based fiber or microwave solutions.

Technology Obsolescence

Once placed in orbit, a satellite's technical features (power output, transponder frequencies, beam pattern, etc.) are largely fixed, leaving it vulnerable to technical and market changes that may emerge over the satellite's 15-year life. Historically, the risk of technological obsolescence was generally quite low, but in recent years, a number of new satellite technologies, including all-electric propulsion and high throughput satellites (see Appendix B) have gained traction and could potentially undermine the return characteristics of a traditional communications satellite.

High Levels of Indebtedness

As of March 31, 2013, Intelsat held approximately $15.9 billion of third-party debt, representing a net debt/EBITDA ratio of 7.7x. This high level of indebtedness (along with restrictive covenants) could impair Intelsat's ability to execute certain elements of its business strategy, including: (1) raising additional capital, (2) investing in new satellites, (3) pursuing acquisition opportunities, and (4) investing in personnel, IT systems, and product development.

Dependence on Government/Defense Spending

Intelsat currently derives approximately 18% of its revenues from the U.S. military, primarily through a series of one-year contracts. This lack of contract visibility, coupled with a competitive environment and the threat of declining defense spending could expose Intelsat to both declining revenues and a more challenging pricing environment.

Threat of Overcapacity

During the early 2000s, the FSS industry experienced a period of severe overcapacity as the satellites that procured during the booming late 1990s came online during a period economic recession and slumping demand. As a result, transponder pricing collapsed and the industry was forced to significantly curtail its capacity expansion plans. Chastened by this experience, the industry has demonstrated much-improved capital allocation over the past decade, with the exception of certain regional markets (most notably Africa) where startup operators and government-sponsored entities misjudged the supply/demand equilibrium.

Company/Industry Overview

Intelsat History

Intelsat was founded in 1964 as an inter-governmental organization (the International Telecommunications Satellite Organization, or INTELSAT), with a mandate for developing, owning, and operating telecommunication satellites for member countries (originally 11, but eventually expanded to 148). Intelsat launched the world's first commercial communications satellite (Intelsat 1, or "Early Bird") in 1965, and by the mid-1990s, Intelsat was operating a fleet of 25 geosynchronous (GEO) satellites with global coverage.

Intelsat 1/Early Bird

Source: NASA.

Concerned about Intelsat's competitiveness relative to private satellite operators, the U.S. Congress enacted the ORBIT Act of 2000, mandating the privatization of Intelsat. Following a tortured four-year privatization process, Intelsat was eventually purchased by a consortium of private equity investors (Madison Dearborn Partners, Apax Partners, Permira, and Apollo Global Management) for $3 billion on January 28, 2005. Less than six months later, Intelsat acquired its primary competitor, PanAmSat, for $3.2 billion, firmly establishing Intelsat as the world's leading satellite operator. Intelsat was subsequently sold to BC Partners and Silver Lake Partners for $5 billion in February 2008.

Fixed Satellite Services (FSS) Industry Overview

Comprised of over two dozen operators and nearly 300 geosynchronous (GEO) satellites, the $12 billion FSS industry provides highly dependable communications services to customers across a variety of industries, including the telecom, media, government, cable, wireless, and mobility sectors. Key advantages of satellite technology relative to other modes of communications include: (1) fast and scalable deployments, (2) ideal for point-to-multipoint content delivery, (3) the ability to extend beyond the terrestrial grid, and (4) greater reliability than terrestrial networks, especially for disaster recovery.

Over the past five years, industry revenues have grown at a ~6% CAGR, and NSR – a leading satellite industry market research firm – is forecasting industry revenues to grow at a 4.1% growth rate through 2017. Key growth drivers include emerging markets, broadband, HDTV, cellular backhaul, and mobility applications.

High Barrier to Entry

The fixed satellite services (FSS) industry shares many of the same characteristics as the real estate industry, including high capital costs, limited real estate, and economies-of-scale advantages. In the FSS industry, however, real estate (i.e., orbital slots) is both finite and more limited, with Intelsat having already secured many of the best orbital slots and spectrum rights. Additionally, the cost of commissioning a single satellite generally runs $300 million or more, and the cost of building out a fully redundant global service footprint could easily run into the billions of dollars.

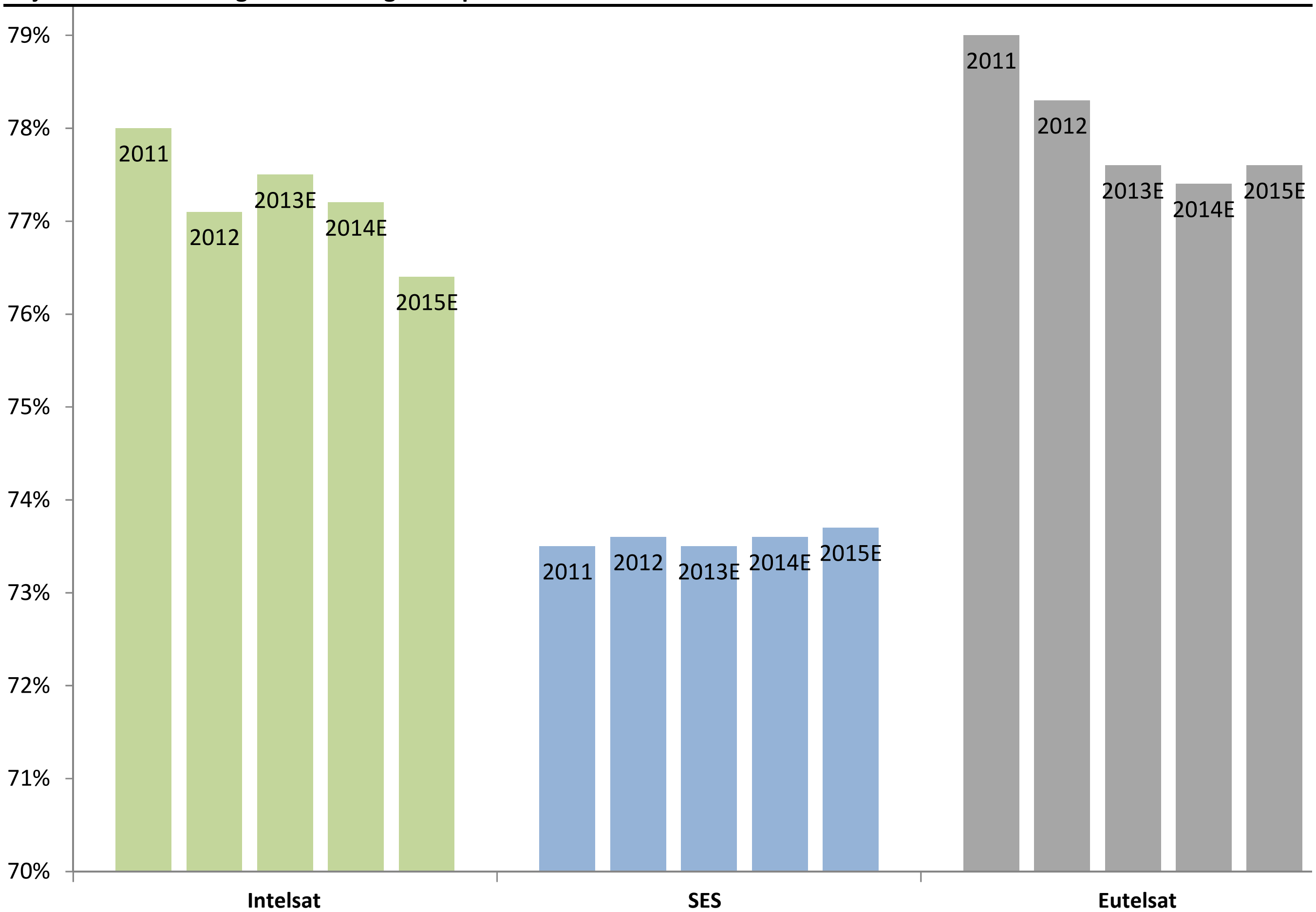
Attractive, High-Margin Business Model

In addition to high barriers to entry, the FSS industry is characterized by a number of favorable operating characteristics, including:

- **High customer switching costs.** Primarily related to the “truck roll” cost of repointing installed antennas.
- **A stable pricing environment.** Due to long-term contracts and the significant lead-time (typically three years) to bring new capacity online.
- **Sticky customer relationships.** Reflects physical switching costs, the desire to maintain service continuity, and the difficulty of unwinding managed services.
- **Modest rate of technological obsolescence.** Radical technology bets are typically discouraged due to long-term industry contracts, high capital investment costs, and the inability to modify a satellite once launched.
- **Fixed operating costs.** Teleport and personnel costs are generally fixed.

Following on this final point, industry EBITDA margins generally range from 75-80%, thus generating high operating cash flows and the ability to leverage the balance sheet.

Adjusted EBITDA Margins of Leading FSS Operators

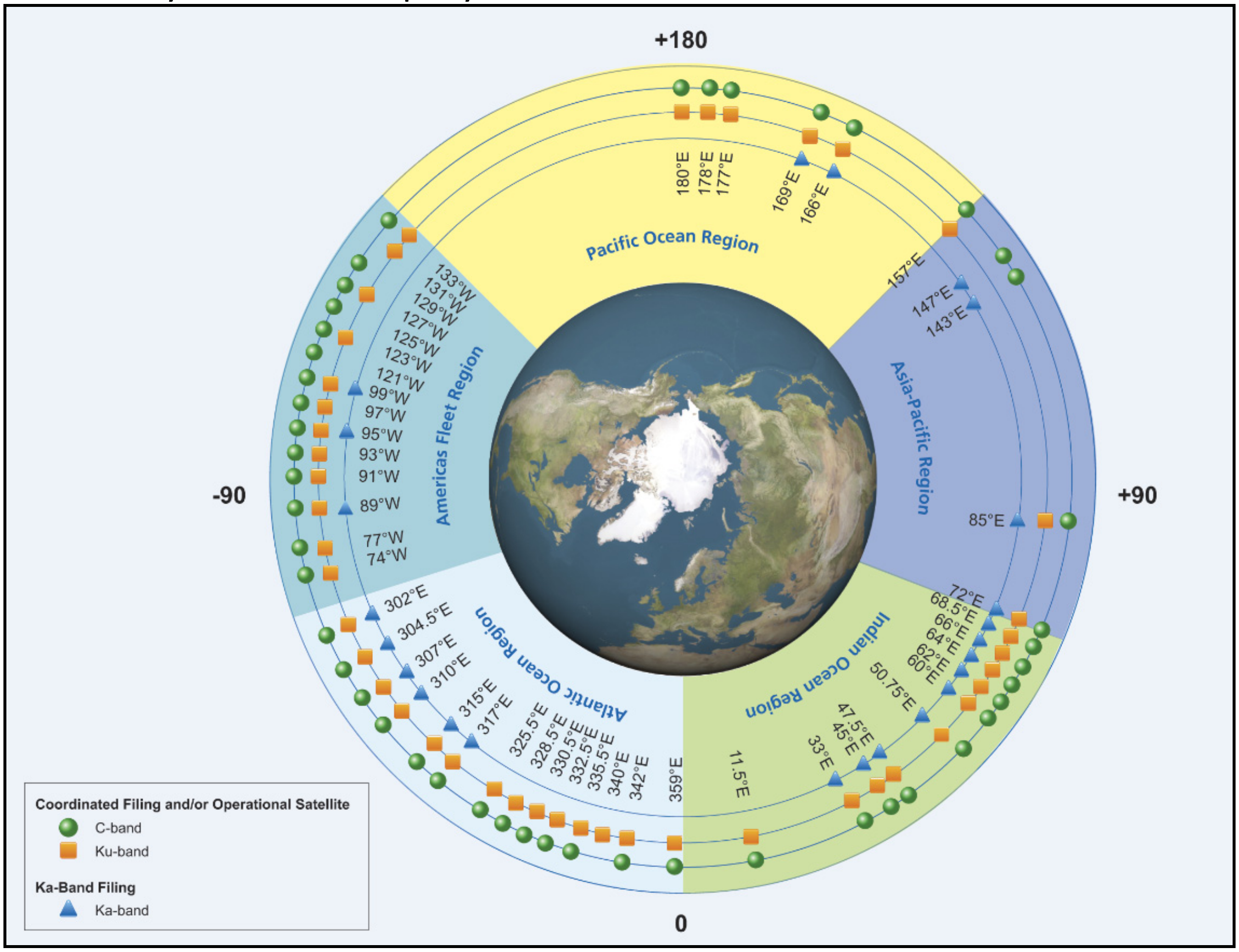


Source: Company reports and Raymond James research.

Industry's Leading Satellite Operator

Intelsat operates the industry's largest satellite fleet, with a fully global presence, high network redundancy, global landing rights, and scale operating advantages. In addition, Intelsat has built out the industry's largest and most comprehensive managed service capability (anchored by the company's IntelsatOne[SM] fiber backbone), giving Intelsat the unique ability to provide complex, highly secure, end-to-end communications solutions on a global basis.

Intelsat Fleet by Orbital Slot and Frequency

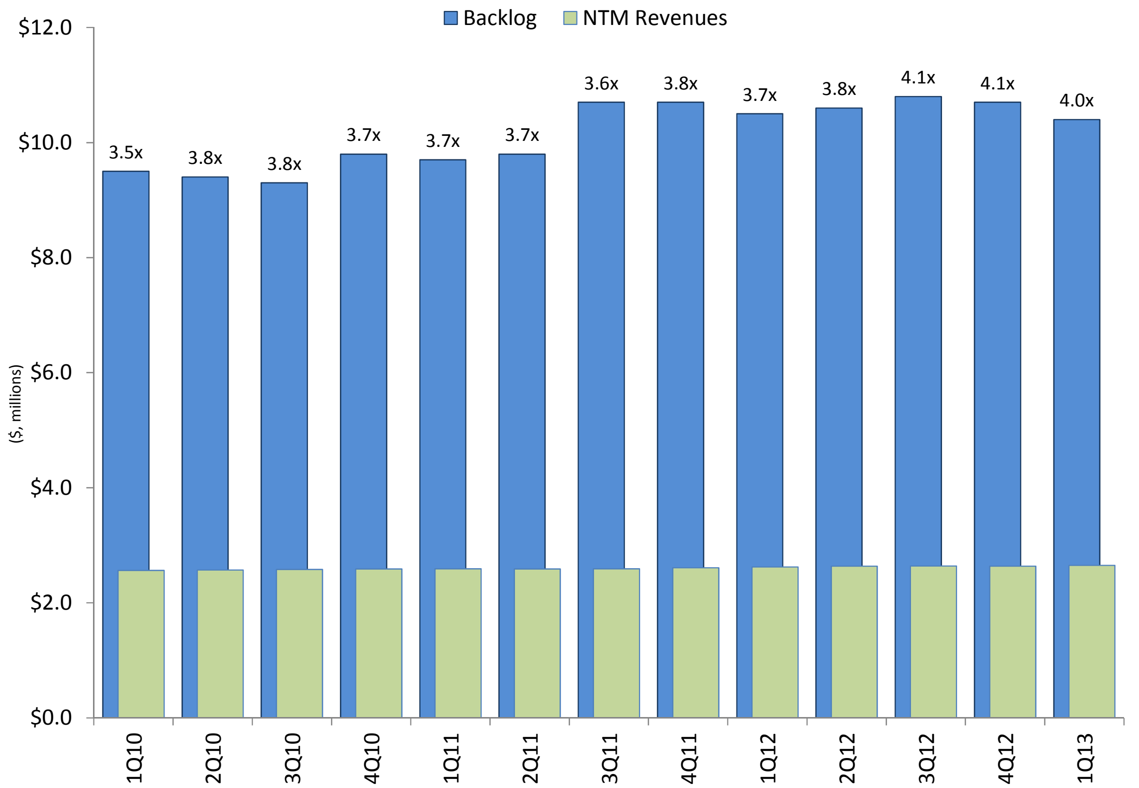


Source: Intelsat.

Excellent Revenue Visibility

Intelsat's backlog currently stands at $10.4 billion, representing 4x trailing revenues. Intelsat typically enters each new year with 80% revenue visibility and nearly 50% of the balance fulfilled through regular contract renewals. Media customers (33% of 2012 revenues) often contract an entire satellite for periods of 10-15 years. Alternatively, the U.S. government (~20% of 2012 revenues) can only contract on a one-year basis, effectively understating Intelsat's true revenue visibility.

Backlog as a Multiple of Next 12 Months Revenue



Source: Intelsat and Raymond James research.

Competitive Landscape

Intelsat primarily competes against other FSS operators, but it also faces direct and indirect competition from terrestrial operators in applications such as point-to-point trunking and Internet Protocol television (IPTV). In recent years, Intelsat has also made a strong push into the mobility market – a move that has placed Intelsat in direct completion with Inmarsat and other traditional mobile satellite service (MSS) companies. Key observations regarding Intelsat's competitive strengths and weaknesses include:

The Industry's Largest Fleet Operator

Intelsat operates the industry's largest satellite fleet, with a fully global presence, high network redundancy, global landing rights, and scale operating advantages. Intelsat also controls the industry's largest portfolio of orbital slots and spectrum rights by virtue of its origin as an inter-governmental organization (IGO).

FSS Operator Comparison

Operator	2012 Revenues	Adj. EBITDA	Satellites	Region(s)
Intelsat	$2,610	$2,012	54*	Global
SES	2,276	1,677	52	Global
Eutelsat	1,522	1,192	30	EMEA, Africa, ME, Asia
Telesat	880	682	13	N. America
Sky Perfect JSAT	564	NA	16*	Asia-Pacific

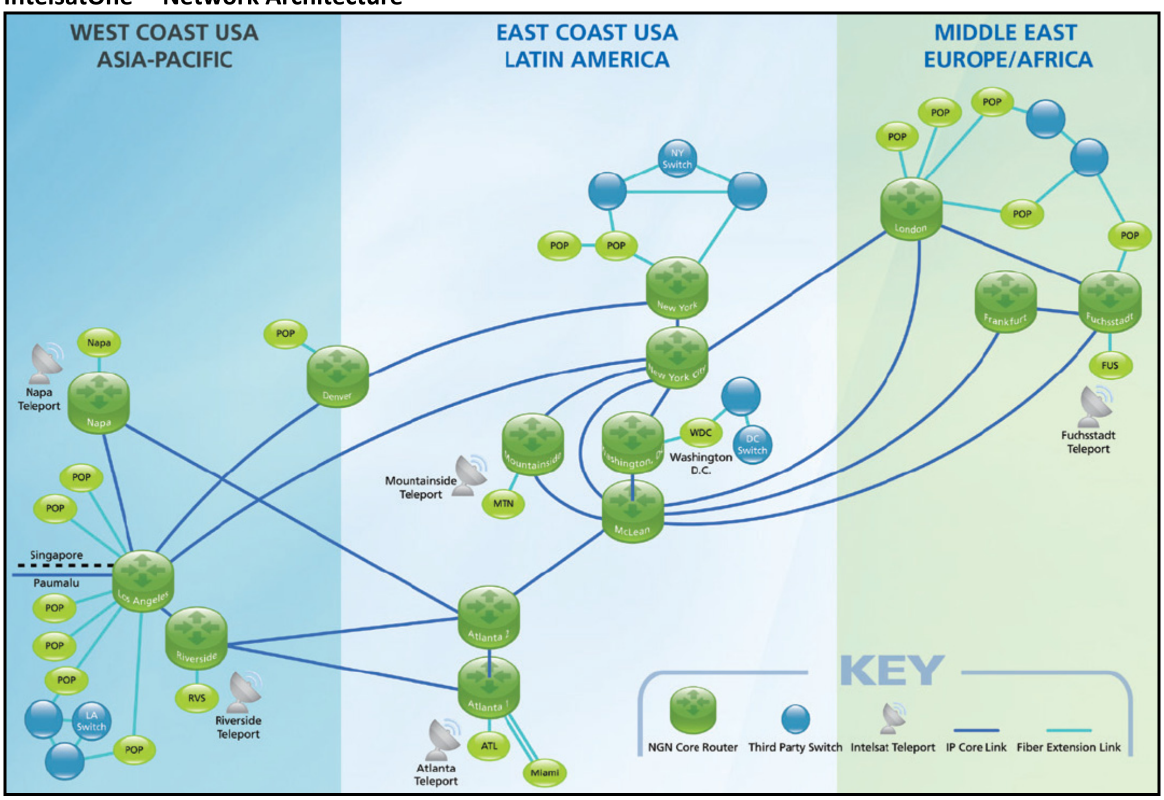
*2 satellites jointly owned by Intelsat and SKY Perfect JSAT

Source: Company reports and Raymond James research.

Unique Managed Services Platform

Unique from its competitors, Intelsat has built out the industry's largest and most comprehensive managed service capability (anchored by the company's IntelsatOne[SM] fiber backbone), giving Intelsat the unmatched ability to provide complex, highly secure, end-to-end communications solutions on a global basis. While not a significant margin contributor, Intelsat's managed services capability represents a competitive discriminator, especially for higher-growth, emerging market customers that do not have the resources/capabilities to fully develop their own service offering.

IntelsatOne[SM] Network Architecture



Source: Intelsat.

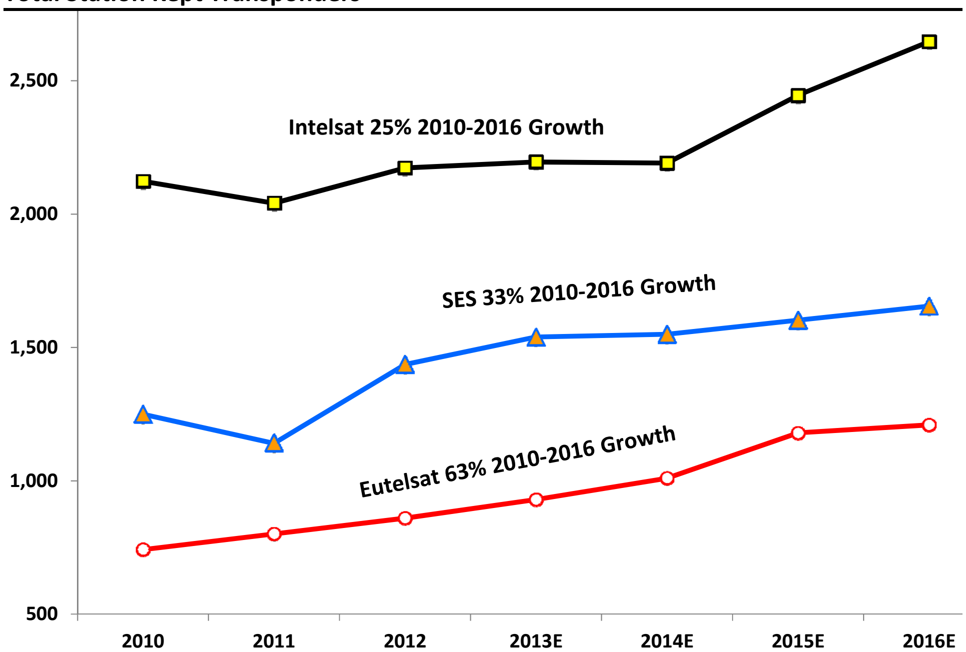
Lagging Near-Term Growth

We are forecasting Intelsat to grow revenues at a 0.9% CAGR through 2015, as compared to growth forecasts of 4-5% and 5-6% for SES and Eutelsat, respectively. Factors contributing to this below-average growth include:

- **Lack of new capacity.** Having just completed a four-year year fleet recapitalization program, Intelsat does not have a scheduled satellite launch until the second half of 2014, with the next major launch campaign beginning until 2015. By comparison, SES and Eutelsat are forecasting aggregate transponder growth of 12% and 30%, respectively, through 2015.

- **Government headwinds.** Intelsat's Government revenues grew at a 12% CAGR from 2007-2012, driven by growing U.S. military bandwidth demand. However, revenue growth slowed to 1.5% in 2012 due to troop withdrawals and DoD belt-tightening – trends that will negatively impact Intelsat's government segment through 2015. Longer term, we still view the government segment as a growth driver due to the military's insatiable demand for bandwidth (UAVs, ISR, COTM, etc.) and general inability to efficiently procure organic capacity.

Total Station Kept Transponders



Source: Company reports and Raymond James research.

Industry-Best Capital Efficiency

Over the past decade, Intelsat's capex spending has averaged 27% of revenues, as compared to 37-41% for its two closest competitors, SES and Eutelsat. We believe this capital efficiency advantage is sustainable over time due to Intelsat's:

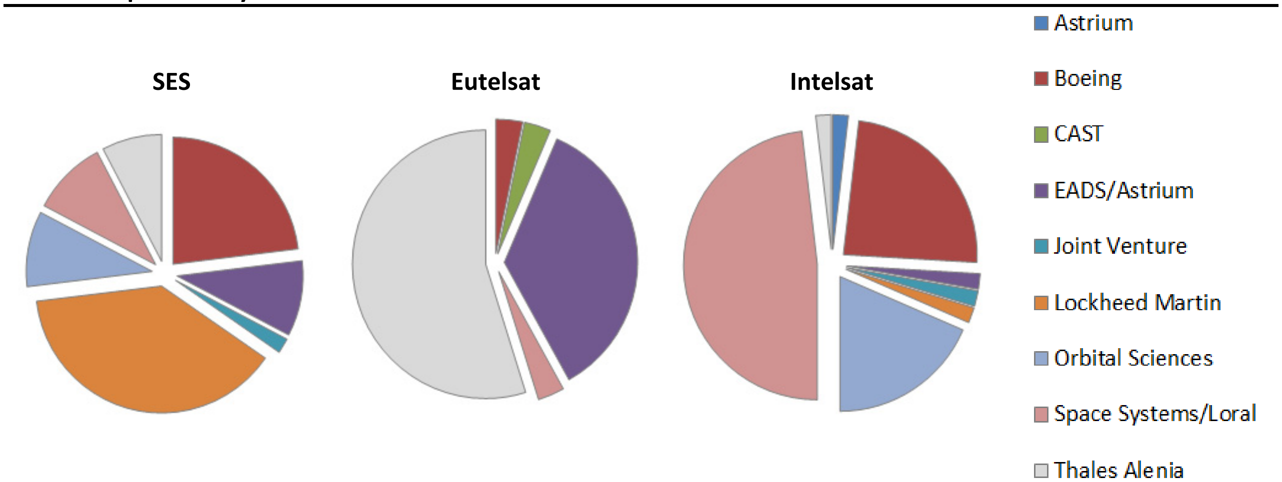
- **Disciplined capital spending.** Due in part to its high financial leverage, Intelsat has historically demonstrated greater capital discipline than its competitors, committing only to projects with firm customer contracts and anchor tenants. By contrast, competitors such as ProtoStar, Thiacom, and TerreStar all suffered inadequate transponder fill rates due to poor demand forecasting and/or regulatory hurdles.

- **Scale purchasing advantages.** As the world's largest satellite operator, Intelsat benefits from volume purchasing discounts not available to most competitors. Given the capital-intensive nature of the industry, these scale advantages translate directly into higher capital returns and/or pricing advantage vis-à-vis competitors.

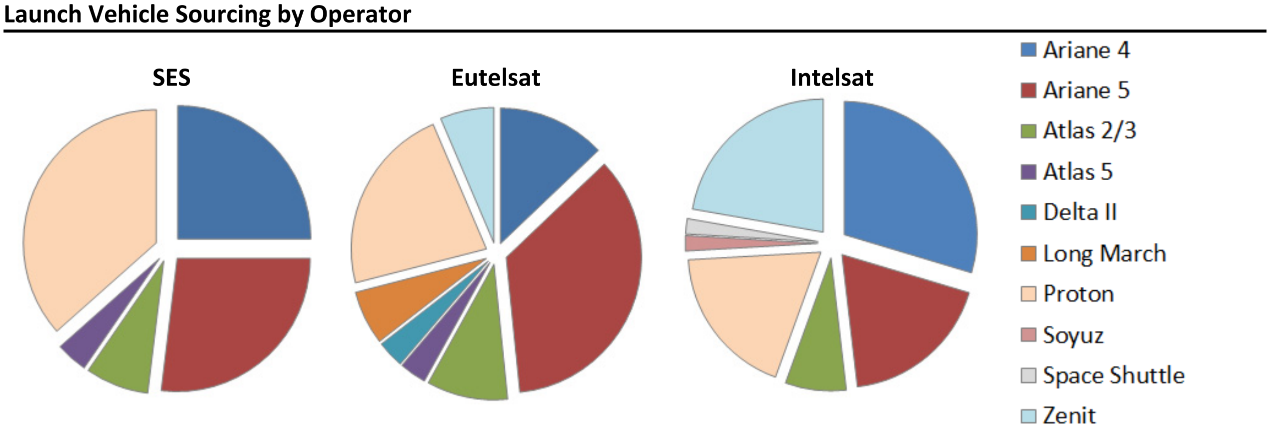
- **Agile fleet utilization.** Intelsat regularly repositions its satellites to free up incremental capacity and exploit new and emerging growth opportunities. Most competitors, by contrast, lack the spare capacity, orbital rights, and required (three-year) lead-time to build and launch a new satellite.

- **Willingness to embrace new technologies/vendors.** While conservative by nature, Intelsat has also demonstrated a willingness to embrace new vendors and technologies (e.g., SpaceX Falcon Heavy, Epic^{NG} satellite program). Among its competitors, SES has demonstrated a similar inclination toward opportunistic sourcing, whereas Eutelsat has historically exhibited a strong disposition toward purchasing (high quality but pricey) European-manufactured satellites and launch services.

Fleet Composition by Satellite Manufacturer



Launch Vehicle Sourcing by Operator

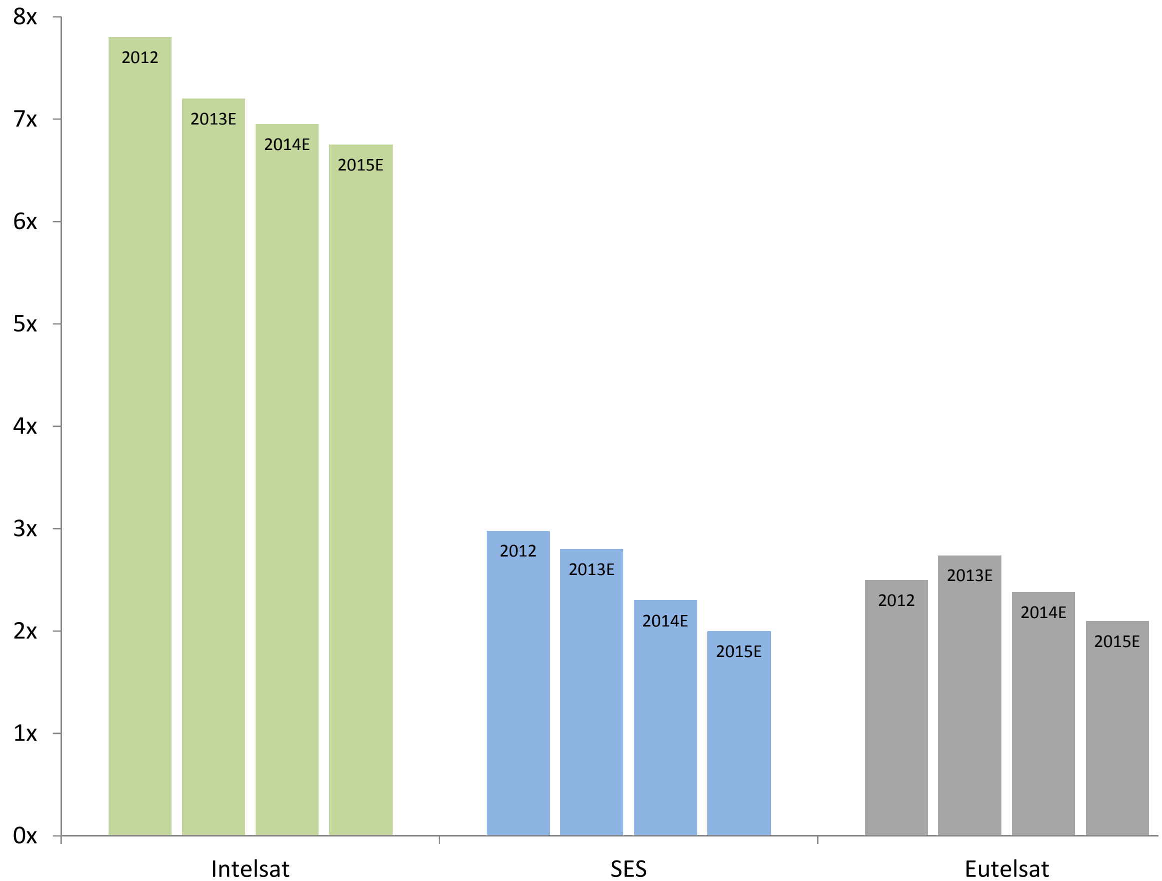


Source: Company reports and Raymond James research.

High Leverage; Absence of Dividends

Intelsat's leverage is considerably higher than that of its peers, thereby (potentially) restricting its ability to make acquisitions and invest in new capacity. In addition, Intelsat does not pay a dividend, and is unlikely to do so until leverage falls below 6x (2017 in our model).

Net Debt/EBITDA, Leading FSS Operators



Source: Company reports and Raymond James research.

Advantaged Tax Structure

Intelsat's Luxemburg tax structure represents a permanent low-cost tax regime that meaningfully increases shareholder returns relative to competitors. Cash taxes are expected to average at-or-below 2.5% of revenues through 2023 and then drop to 2% of revenues thereafter. Additionally, Intelsat's cash taxes are largely independent of the company's leverage; hence, there is no "penalty" for deleveraging. By comparison, SES is forecasting a 10-15% reported tax rate, and Eutelsat has reported a tax rate of 34-36% over the past three years.

Intelsat Epic^{NG} – A Potential Game Changer?

Targeting Mobility Applications

Until recently, the fixed (FSS) and mobile (MSS) satellite industries were generally considered to be distinct and separate industry silos, serving radically different customer applications and markets (see table below). Beginning in the early-to-mid 2000s, however, a growing demand for bandwidth within military and maritime applications sparked the development of modem technology and stabilized antenna systems ("VSATs") capable of mobile tracking and communication with a fixed satellite.

Technical and Market Comparison of the FSS and MSS Industries

	FSS	MSS
Typical Frequencies	C-band Ku-band Ka-band	L-band S-band
Service coverage	Multi-regional	Global
Typical data rates	Hundreds of Mbps	Hundreds of kbps
Traditional Applications	DTH video Point-to-point transport Enterprise VSAT MILSATCOM	Maritime/aviation data Land mobile terminals Mobile voice Machine-to-machine (M2M)
Leading operators	Intelsat SES Eutelsat Telesat	Inmarsat Iridium Thuraya Globalstar
Contract terms	3-5 years (enterprise) 10-15 years (media)	1-3 years
Pricing	Fixed (per annum)	Metered ($/MB)

Source: Raymond James research.

These VSAT (very small aperture terminal) systems offered dramatically higher data rates and a correspondingly lower cost per bit (see the following table), but suffered from two major deficiencies: (1) large, expensive, and complicated hardware, and (2) spotty, regional coverage patterns. While often willing to stomach the former issue, large shipping operators generally viewed the latter issue (lack of global coverage) as a non-starter.

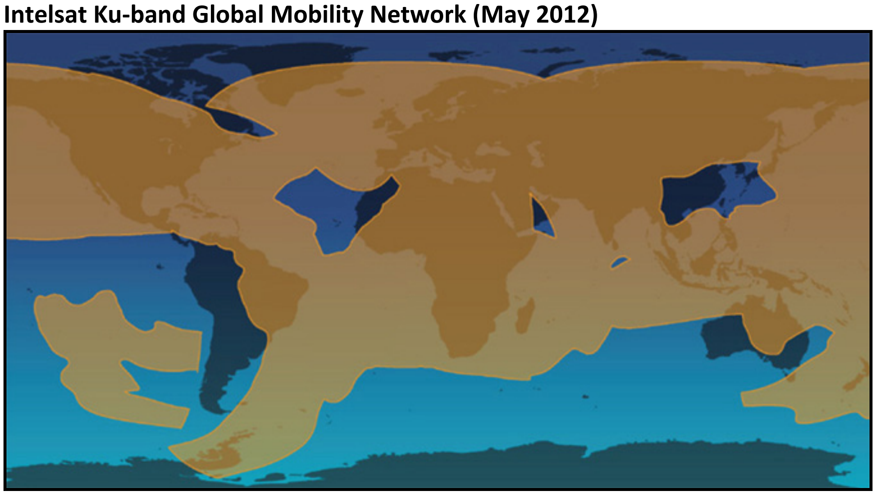
Comparison of Maritime Broadband Solutions

Antenna	Inmarsat FB500	KVH TracPhone V7	Inmarsat FB250	KVH TracPhone V3	Sea Tel WaveCall 4006	KVH TracPhone V7IP
Service Type	Inmarsat FleetBroadband	KVH mini-VSAT Broadband	Inmarsat FleetBroadband	KVH mini-VSAT Broadband	SES, SAT-GE, Loral	KVH mini-VSAT Broadband
Footprint	Global	Near-global	Global	Near-global	Regional	Near-global
Frequency Band	L-band	Ku-band	L-band	Ku-band	Ku-band	Ku-band
Max Upload Rate	432 Kbps	512 Kbps	284 Kbps	128 Kbps	256 Kbps	1,000 Kbps
Max Download Rate	432 Kbps	2,000 kbps	284 Kbps	2,000 kbps	1,024 kbps	2,000 kbps
Plan type	Metered	Fixed-price	Metered	Metered	Fixed-price	Metered
Per MB Cost	$13.00	N/A	$10.00	$0.99 to $1.99	N/A	<$1.00
Dome Size	26” h x 27” d	27" h x 26" d	12” h x 11” d	17.5” x 15.5”d	59" h x 48" d	26.1" d x 31.2" h
Antenna Weight	35-55 lbs	60 lbs	9-22 lbs	25 lbs	254 lbs	58 lbs
MSRP	$20,000	$32,995	$13,000	$16,995	$59,995	$35,995

Source: Company reports and Raymond James research.

Seeking to address these coverage shortcomings, Intelsat announced in March 2012 that it intended to deploy a Ku-band Global Mobility Network, spanning 10 beams on seven different satellites. Backed by Automatic Beam Switching technology, this network was designed to provide continuous worldwide broadband coverage (data rates of up to 50 Mbps and antenna sizes as small as 60 cm), managed by a single fleet operator. Unfortunately, the fifth and final satellite needed to complete the network (IS-27) was lost in a launch failure in early 2013, leaving the Atlantic coverage compromised until a replacement satellite (IS-27R) can be placed on station in early 2016.

Intelsat Ku-band Global Mobility Network (May 2012)

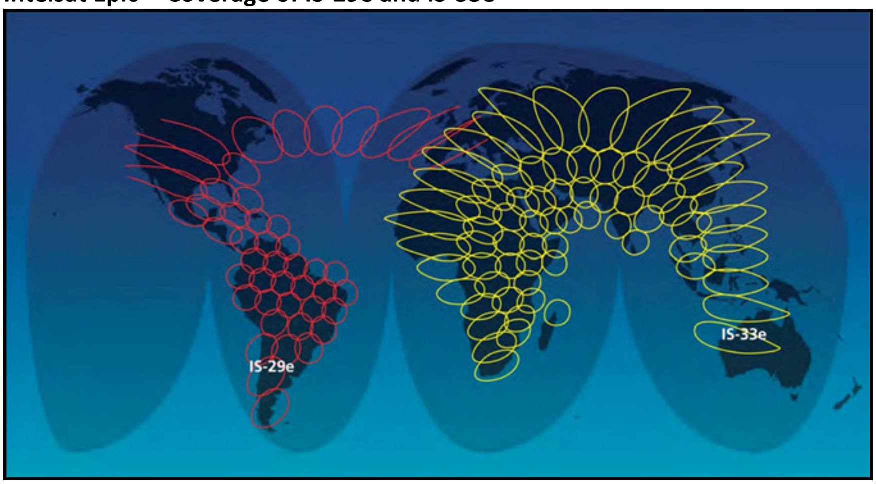


Source: Intelsat.

Meanwhile, recognizing the potentially fatal threat to its core L-band service, Inmarsat abandoned its longstanding disparagement of VSAT technology and announced in August 2010 that it planned to build a $1.4 billion global Ka-band VSAT system (Global Xpress) with the ability to deliver data rates of up to 50 Mbps. Despite widespread industry concerns regarding possible weather attenuation in the Ka-band, Inmarsat portrayed its move to the Ka-band as a win/win scenario that would enable the company to "leapfrog" its Ku-band competition.

In June 2012, however, Intelsat launched a competitive response, unveiling its Epic^{NG} High Throughput Satellite (HTS) program. Unlike competing HTS programs (see Appendix B), Epic^{NG} is based on a unique satellite architecture that incorporates key attributes of today's high throughput Ka-band satellites (i.e., spot beams, frequency reuse) while also employing wide beams, multiple frequencies (Ka/Ku/C-bands), and full-backward compatibility. Intelsat currently has five Epic^{NG} satellites on order, with the first two (IS-29e and IS-33e) scheduled to enter service in 2015 and 2016, respectively. Each satellite will offer 4-5x more capacity than a traditional FSS satellite, with anticipated throughput of 25-60 Gbps per satellite.

Intelsat Epic^{NG} Coverage of IS-29e and IS-33e



Source: Intelsat.

Importantly, while Intelsat's *initial* Epic^{NG} satellites will only provide regional mobility coverage, all Epic^{NG} satellites will be seamlessly backward/forward compatible with Intelsat's existing fleet of Ku-band and C-band satellites. As a result, Intelsat will be able to offer a regional/global solution that delivers higher throughput across major shipping routes (i.e., the North Atlantic), and traditional Ku/C-band services on a global basis.

This design feature protects customers' legacy and current hardware investments, and contrasts sharply with Inmarsat's Global Xpress system, which requires (at a minimum) hardware modifications to the antenna, and potentially a full rip-and-replace upgrade.

Comparison of Global Xpress and Epic^{NG}

	Global Xpress	Epic^{NG}
Operator	Inmarsat	Intelsat
Number of satellites	Three (3)	Five (5)
Initial launch	2013	2015
Coverage	Global	Regional/Global
Frequency bands	Ka-band	C-,Ku-, Ka-band
Satellite throughput	12-20 Gbps	25-60 Gbps
Backward compatible	No	Yes
Redundant capacity	No	Yes
Proprietary hardware	Yes	No

Source: Company reports and Raymond James research.

With both satellite systems still on the manufacturing floor, declaring a likely winner would appear to be a tad premature, but based upon early returns, Intelsat has clearly established an early lead. Inmarsat, despite a nearly two-year head start, has currently signed up less than 500 Global Xpress vessels (out of 189,000 maritime subscribers), whereas Intelsat has already secured long-term customer commitments from Harris CapRock, Panasonic, and MTN aggregating $500 million over 10 years.

Major Epic^{NG} Contract Announcements

Energy	Aeronautical	Cruise
Harris CapRock	Panasonic Avionics	MTN
		
500 MHz Ku	600 MHz (1 GHz option)	750 MHz
Ten-year term	Ten-year term	Ten-year term
Over 1.2 Gbps throughput	Up to 1.0 Gbps throughput	Over 2.0 Gbps throughput
Gulf of Mexico, CONUS, Offshore Brazil	North Atlantic	Caribbean
Teleport option	Teleport, IP, iDirect hub management	

Source: Intelsat.

In addition to significant revenue potential, these contracts also represent an important endorsement of Intelsat's technology approach from three highly respected market leaders:

- **Harris CapRock:** The world's number one commercial user of transponder capacity. The leading service provider to the energy and government markets.
- **Panasonic:** The leading provider Ku-band aeronautical broadband systems.

- **MTN:** Dominant player in the global cruise industry with more than 80% market share of the global cruise industry.

Looking ahead, Inmarsat expects to launch its first Global Xpress satellite in late 2013, with full global coverage established by the end of 2014. While this ostensibly represents a significant first-mover advantage, history has proven that large, global customers are unlikely to roll out new hardware until the network is complete, and only then, after a six-month or greater trial period. In the meantime, Ku-band maritime/aero deployments are likely to continue apace, narrowing Inmarsat's target market opportunity.

A Suitable FSS Substitute?

While Intelsat has clearly emphasized the mobility aspect of its Epic^{NG} program, the company has also quietly highlighted potential FSS applications that could benefit from Epic^{NG}, including:

- **Media:** Using Epic's spot beam technology, service providers can deliver customized content to a specific country or region. Higher data rates translate into a lower cost per bit, thus enabling cost-effective deployment for cable head end transmissions, point-to-point routes, and Occasional Use (OU) video applications.

- **Broadband:** While likely not a competitive solution for consumer broadband applications, Epic^{NG} can be deployed to upgrade enterprise VSAT and cellular backhaul applications.

- **Government:** Epic^{NG} provides government and military users with five times the bandwidth equivalent of conventional commercial satellites and 2-3x that of the U.S. Air Force's Wideband Global Satcom (WGS) satellite program. Additionally, Epic^{NG} benefits from the fact that it is compatible with the U.S. military's existing terminal infrastructure, whereas a move to Global Xpress would necessitate expensive and time-consuming platform upgrades.

Management has not yet sized the revenue potential of these applications/markets, but given the anticipated cost savings of an Epic^{NG} solution, Intelsat could likely expect to benefit from market expansion opportunities as well as market share gains.

The Economics of Epic^{NG}

In addition to the revenue-generating opportunities presented previously, an equally alluring benefit of Intelsat's Epic^{NG} program is its potential to decrease Intelsat's overall capital intensity over the long term. Key elements of this thesis include:

- **Increased bandwidth/throughput.** Traditional FSS satellites carry anywhere from 18-40 transponders for a small satellite bus (i.e., Orbital GEOStar-2) all the way up to 80+ for a large bus (i.e., Space Systems/Loral LS-1300S). By contrast, an Epic^{NG}-class satellite should deliver the equivalent of 270-300 transponders. In addition, the effective throughput of each transponder should be substantially higher (due to the spot beam architecture and frequency re-use), resulting in an effective satellite throughput of 25-60 Gbps vs. 1-6 Gbps for a traditional FSS satellites.

- **Higher ROIC.** We expect the all-in cost of an Epic^{NG} satellite (satellite + launch + insurance) to range from $350-400 million, as compared to $250-300 million for a mid-to-large traditional FSS bus. Assuming transponder pricing of $1.2-1.5 million and a fill rate of 85%, each Epic^{NG} satellite should be able to generate revenues of $275-350 million per year, at an 80% EBITDA margin. For satellites such as IS-29e serving the mobility market, we expect that both the fill rate and the rate at which the satellite fills will lag that of a traditional FSS satellite, but even with these penalties an Epic^{NG} satellite should be able to generate an ROIC of 30-40% vs. 10-20% for a traditional FSS satellite.

- **Better service, lower price.** Incumbent in our assumptions above, we anticipate that Intelsat will be able to offer customers higher throughput at a lower cost while still generating a substantially higher internal return. Additionally, Intelsat may choose to use its pricing power to capture market share or expand the overall market (assuming elasticity of demand).

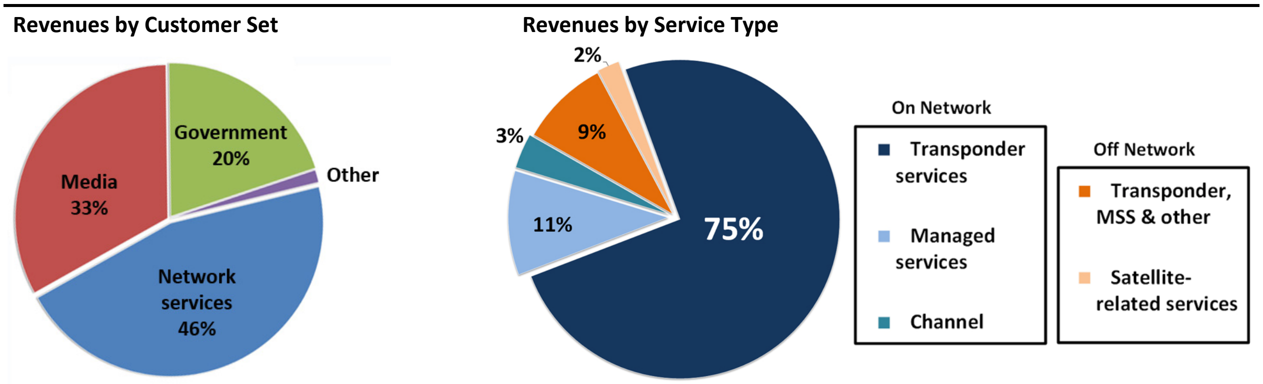
While Intelsat's competitors have not yet directly responded to the company's Epic^{NG} program, Intelsat is clearly convinced of the program's merits having recently placed a four-satellite Epic^{NG} order with Boeing to complement the company's initial September 2012 order for IS-29e. Assuming Intelsat shifts half of its future satellite orders to Epic^{NG}-class satellites, we estimate the company could potentially shave $100-$200 million per year from its (normalized) capex budget of $700 million per year.

Segment Growth Forecast

In addition to reporting revenue by customer type (Network Services, Media, and Government), Intelsat also provides a revenue breakdown based on the type of services it offers to its customers. Overall, about 75% of Intelsat's revenues are generated from plain vanilla transponder leasing of Intelsat-owned satellites, and fully 90% of revenues are directly tied to the Intelsat fleet and related services.

Intelsat also generates about 10% of its revenues from reselling third-party transponders, hardware, and services. These off-network services generate low margins, but increase Intelsat's "stickiness" with its customers.

Intelsat 2012 Revenues



Source: Intelsat.

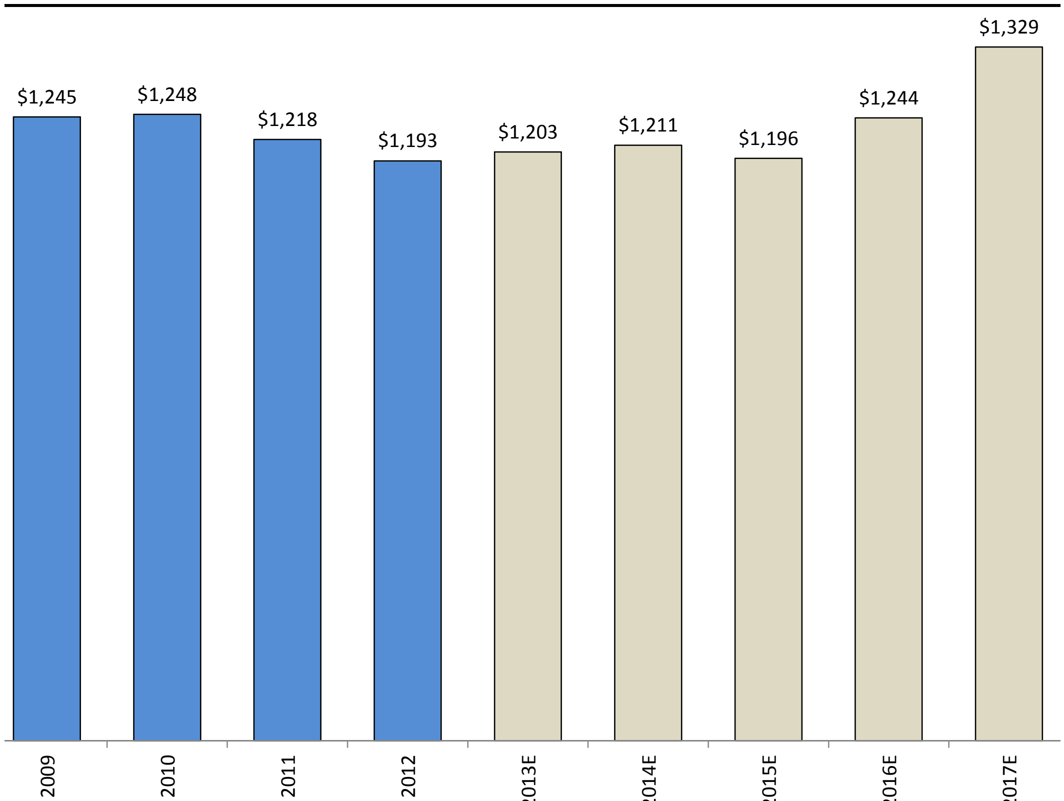
Network Services

Transponder leasing services, which comprise more than 80% of Network Service revenues, should grow at a 5% or better rate over the next five years as Intelsat leases out additional transponders (fill rate is currently 78%) and benefits from new capacity coming online in the 2015-2016 time frame. Key end markets include:

- **Maritime/aero mobility.** Currently represents 8-10% of Intelsat's revenues with a five-year growth rate of ~20%.
- **Enterprise networking.** Projected to grow at mid-to-high single digit rate, driven by emerging market demand in Asia, Eastern Europe, the Middle East, Russia, and Latin America.
- **Cellular backhaul.** Representing ~6% of Intelsat's revenues, the cellular backhaul market is expected to support mid-single-digit growth, primarily driven by demand from Asia and Sub-Saharan Africa.

Despite the generally positive growth outlook for Networks Services, we are only forecasting a 2.2% revenue CAGR through 2017, due to a $30 million/year headwind created by contract runoff of legacy point-to-point trunking/channel services to Africa (replaced by fiber).

Network Services Annual Revenue Forecast



Source: Company reports and Raymond James research. $ in millions

Media Services

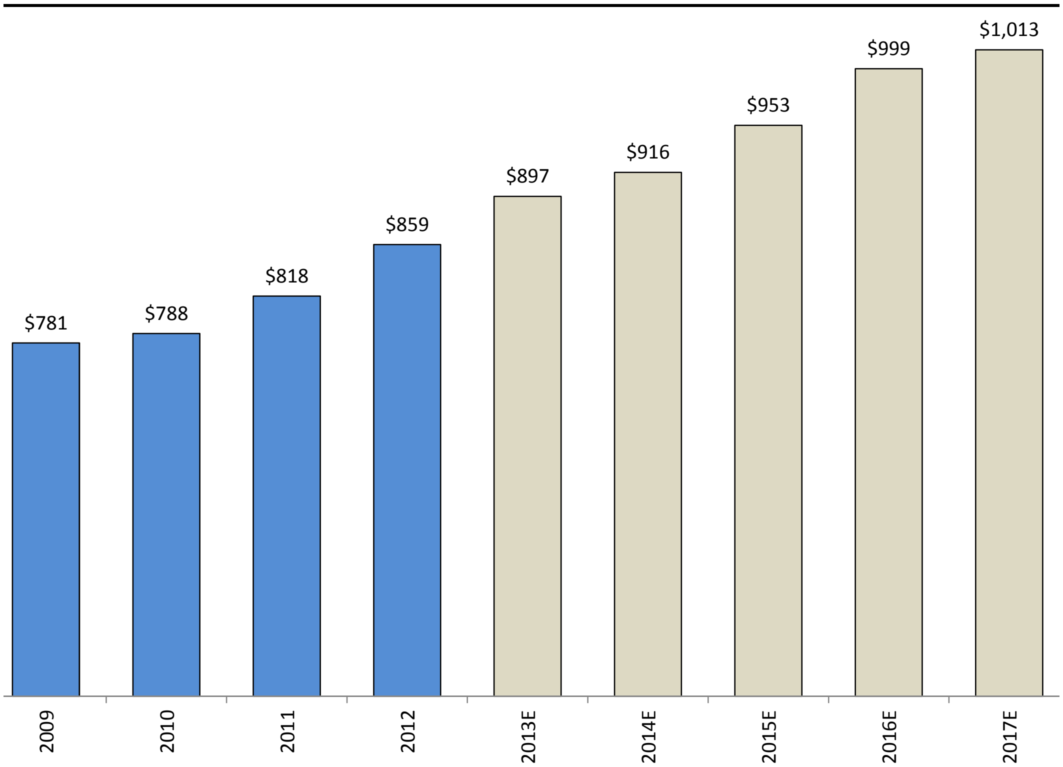
Approximately 90% of Media Service revenues are generated from plain vanilla transponder leasing, with the balance of the revenues generated from Occasional Use (OU) video transmission services and other managed services (i.e., end-to-end service bundling across IntelsatOne^{SM}).

Intelsat's Media business arguably holds the company's best growth potential, supported by emerging market demand for satellite TV, increasing HD penetration (requires 2-3x the bandwidth of standard definition), and the eventual migration to "4k" picture resolution (an 8-10x bandwidth increase over HD).

Overall, NSR is forecasting the number of SD and HD television channels distributed worldwide for cable, broadcast and DTH is to grow at a CAGR of 6.4% from 2012 to 2017. Furthermore, FSS-related media distribution revenues are expected to grow at a 5.4% CAGR between 2011 and 2016, with nearly 80% coming from outside North America.

Intelsat is exceptionally well positioned to capitalize on this latter opportunity due to the company's 26 premium regional video neighborhoods (i.e., orbital slots), and 34 DTH satellites serving 47 million subscribers. IntelsatOne^{SM} managed services are also an important discriminator for emerging market customers that lack the capital, manpower, or know-how required to deploy an end-to-end video distribution solution.

Media Services Annual Revenue Forecast



Source: Company reports and Raymond James research. $ in millions

Government Services

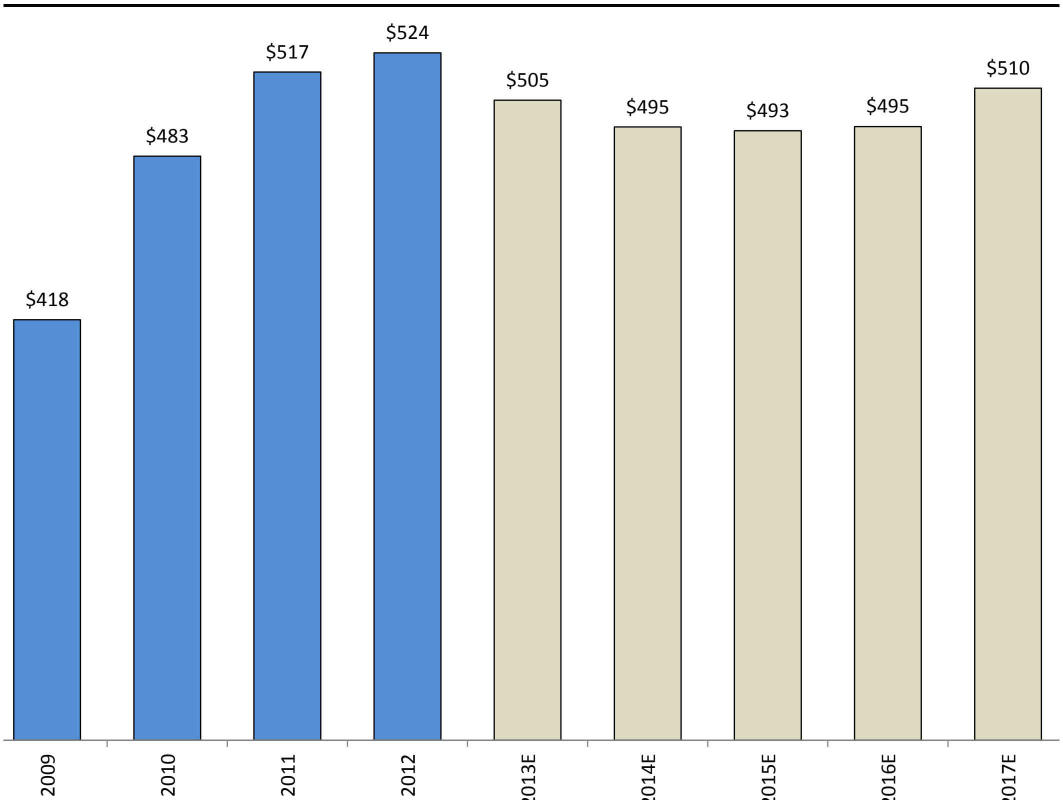
Over the past five years, Intelsat's Government Services business has been the company's top growth performer, delivering a 12% revenue CAGR through 2012. Over the past two years, however, this growth rate has begun to taper off, slowing to only 1.5% in 2012 – impacted by troop withdrawals (Iraq/Afghanistan) and government budget cuts. We are forecasting Intelsat's Government Services revenues to decline modestly in each of the next three years, followed by a slow building recovery beginning in 2015. Key observations regarding the government market include:

- **Near-term turbulence.** Intelsat recently downgraded its near-term forecast for the government market, citing a sequestration-related slowdown in RFP (request for proposal) activity and dramatically shortened contract renewal terms (from 12 months to three months). Additionally, a competitor protested a recent Intelsat contract award, which could delay the contract's implementation for up to 100 days.

- **Off-network declines.** Off-network services, including third-party transponder leases and MSS voice/data services comprise nearly half of Intelsat's Government Service revenues.

- **Slower hosted payload growth.** While Intelsat should benefit from increased hosted payload revenues from its IS-22 satellite, the loss of IS-27 in a launch failure will effectively shave up to $50 million per year of potential upside from our forecast.

Government Services Annual Revenue Forecast

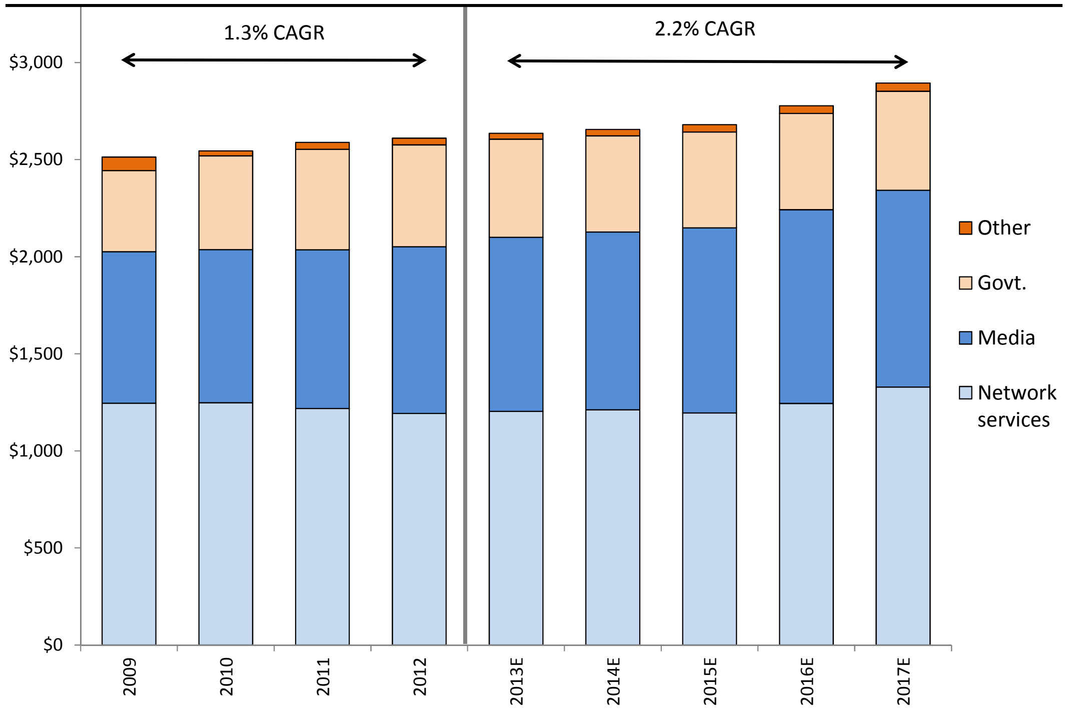


Source: Company reports and Raymond James research. $ in millions

Revenue and EBITDA Forecast

Pulling together the segment growth forecasts outlined in the section above, we are forecasting Intelsat to grow revenues at a 2.2% CAGR through 2017, albeit with much of this growth concentrated in the out years as new capacity comes online. As previously mentioned, this growth rate lags that of Intelsat's peers, due primarily to slower capacity growth and Intelsat's greater exposure to the government market.

Intelsat Annual Revenue Growth Forecast



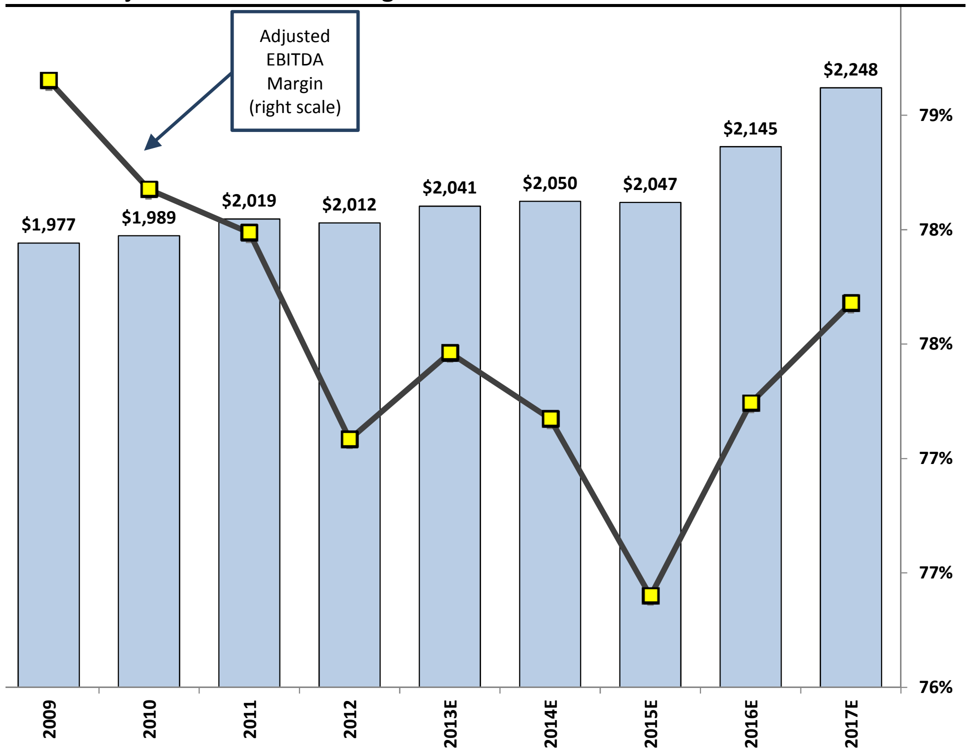
Source: Company reports and Raymond James research. $ in millions

Intelsat's core transponder leasing business (75% of revenues) enjoys largely fixed costs (i.e., teleports, backhaul, TT&C, etc.) and consistently delivers EBITDA margins in the 80% range, except when significant new (uncommitted) capacity comes online. Channel services (~3% of revenues) generate a similar margin, although the business is in a state of terminal decline due to fiber replacement. Channel capacity is redeployed into other transponder leasing applications as it frees up.

The balance of Intelsat's revenues is generated from Managed Services (~11% of revenues) and lower-margin Off-Network Services (~11% of revenues). The growth of this latter category has contributed to downward pressure on EBITDA margins, but with the government sector likely to experience declines over the next three years, this margin trend should reverse.

When combined with our revenue forecast (above) these margin trends should contribute to essentially flat EBITDA through 2015 (0.6% CAGR), followed by a sharp growth upturn (4.8% CAGR) through 2017.

Intelsat Adjusted EBITDA and Margins



Source: Company reports and Raymond James research. $ in millions

Capex, Fleet Replenishment, and Deleveraging

Capital Expenditure Forecast

With an operational fleet of 54 satellites, Intelsat theoretically needs to launch 3.6 satellites per year to simply maintain a static fleet (assuming an average service life of 15 years). In practice, however, satellites are rarely replaced on a rolling, steady basis due to a number of complicating factors, including uneven launch availability, bulk satellite purchases, and the impact of economic cycles.

Regarding this latter point, Intelsat (along with broader FSS industry) significantly overestimated market demand during the late 1990s, leading to a period of severe overcapacity and industry consolidation during the early 2000s. From 2003-2008, Intelsat's average capex spending dipped below $300 million per year, but by 2009 Intelsat once again entered a recapitalization phase, spending an average of ~$900 million per year through 2012.

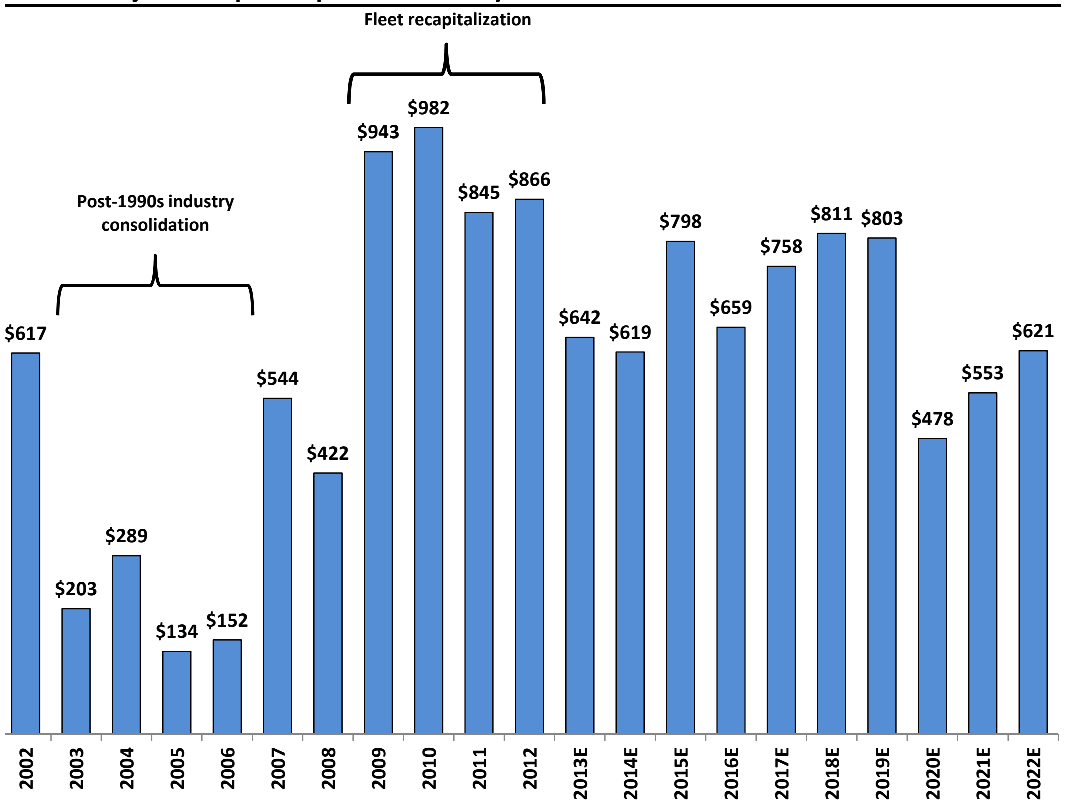
With this fleet recapitalization now complete, Intelsat should benefit from an extended capex holiday over the next several years that could result in incremental free cash flows of $1.5 billion or more over the next five years. Additionally, while not directly reflected in our forecast, we believe Intelsat could benefit from a number of favorable market/technology trends, including:

- **Improved satellite performance.** Over the past 10 years, the average life GEO communications satellites has improved from less than 13 years to nearly 16 years, while the power output has nearly doubled from ~8 kW to nearly 16 kW. A continuation of these trends would naturally decrease the capital intensity of a typical fleet while increasing ROIC.

- **Reduced launch costs.** Long considered a static and unmovable element of the capex equation, launch costs could potentially be cut by half or more if SpaceX achieves success with its Falcon 9 and Falcon Heavy launch vehicles.

- **The Epic^{NG} factor.** As previously discussed, we view Intelsat's Epic^{NG} satellite program as a potential game-changer, with the ability to deliver 10x the throughput of a traditional FSS satellite for a modest 40% increase in capital costs. Given these dynamics, we estimate that broad-based deployment of this technology could slash Intelsat's long-term (normalized) capex by $100-200 million per year.

Intelsat Projected Capital Expenditure Outlays



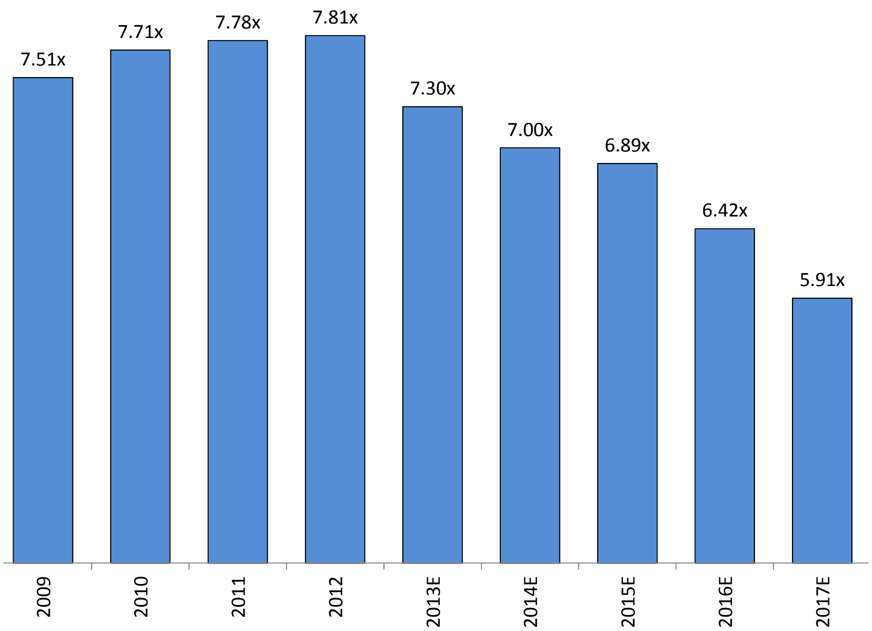
Source: Company reports and Raymond James research. $ in millions

Highly Leveraged, but on the Wane

In addition to replenishing its satellite fleet, Intelsat has "replenished" its balance sheet this year, refinancing some $3.25 billion of debt with substantially lower-cost debt and extended maturities. Pro forma for the most recent tranche of refinancing, Intelsat has effectively slashed its weighted average cost of debt by more than 150 basis points over the past two years to ~6.7%, while pushing out the nearest maturity to 2018.

We expect Intelsat to incur breakage and banking fees of roughly $300 million during 2013 that will offset some of the natural deleveraging that would otherwise occur from slashing interest expenses by an estimated $350 million. Looking further out, however, reduced interest expenses when combined with reduced capital expenditures should contribute to a virtuous deleveraging cycle that should enable Intelsat to decrease leverage to below 6x by the end of 2017.

Intelsat Net Debt/Adjusted EBITDA



Source: Company reports and Raymond James research.

Valuation

Given the capital-intensive nature of the satellite industry, satellite operators typically rationalize their investment decisions based upon each satellite's projected ROIC, with return targets typically ranging from 10-20%. That said, investors have traditionally valued satellite operators based on their EV/EBITDA multiple due to a variety of factors, including:

- **Disparate capital structures:** Leverage ratios ranging from 2x to 8x debt/EBITDA.
- **High depreciation levels:** Depreciation/revenue ratio of roughly 25%.

- **Uneven depreciation schedules:** According to GAAP accounting rules, a satellite and all associated costs are capitalized until the satellite is launched and operational.
- **Absence of net income:** Reflecting the high depreciation and interest expenses mentioned previously.

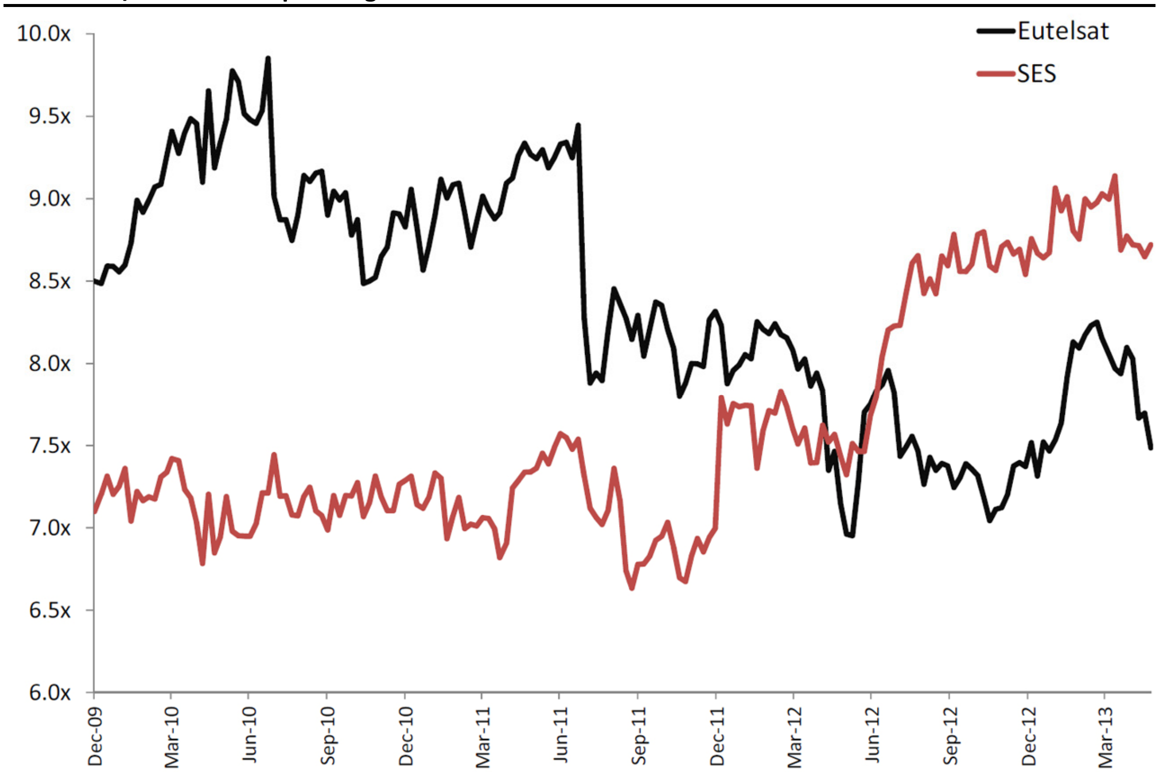
Initial Public Offering

Intelsat completed its initial public offering (IPO) raising ~$500 million on April 18, 2013, at a price of $18.00 per share; this represents an 18% discount to the midpoint of the underwriters' offering range of $21 to $23 per share. At the IPO price, Intelsat was implicitly valued at 8.3x our 2014 adjusted EBITDA estimate, roughly consistent with the valuations of its two primary competitors, SES and Eutelsat.

Recommendation

Valued at 8.6x our 2014 EBITDA estimate, Intelsat is currently trading at the top end of its peer group historical range of 7-10x, and a 7% premium to the midpoint multiple of 8.0x. While we believe Intelsat deserves to trade at a premium over the long term (industry-best capital efficiency, accelerating out-year growth, deleveraging-to-equity, etc.), we are somewhat hesitant to argue for a premium valuation at this time due to the company's modest near-term growth prospects and elevated government demand risk. Consequently, we are initiating coverage on Intelsat with a **Market Perform** rating.

Historic EV/EBITDA Multiple Ranges for SES and Eutelsat



Source: Thomson One.

Satellite & Space Valuations

Ticker	5/31/13 Company Name	Rating	Latest Price	Equity Mkt Cap	Enterprise Value	TTM Net Sales	FTM Est. Net Sales	EV/ Sales (TTM)	EV/ Sales (FTM)	Book Value Per Share	Price/ Book Value	2013 est. EBITDA	2014 est. EBITDA	EV/ EBITDA 2013	EV/ EBITDA 2014	Calendar Est 2013	Calendar Est 2014	Calendar P/E 2013	Calendar P/E 2014
	Ground Equipment																		
CMTL	Comtech Telecom	MP	26.40	444	291	378	347	0.8	0.8	24.6	1.1	46	72	6.3	NA	$0.89	$1.36	29.5	19.4
GILT	Gilat Sat Networks		5.49	229	199	1,319	N/A	0.2	NA	25.1	0.9	35	39	5.6	NA	$0.10	$0.27	52.8	20.3
KVHI	KVH Industries	SB	13.19	205	174	150	155	1.2	1.1	7.2	1.8	16	22	10.7	8.0	$0.41	$0.64	31.9	20.7
VSAT	ViaSat	MU	70.06	3,155	3,636	1,120	1,295	3.2	2.8	20.1	3.5	213	313	17.0	11.6	$0.49	$2.00	NM	35.1
Mean								1.3	1.6	19.2	1.8			9.9	9.8			38.1x	23.9x
Median								1.0	1.1	22.3	1.5			8.5	9.8			31.9x	20.5x
	Satellite Operators																		
AVN-LN	Avanti		268.00	299	434	16	N/A	27.2	NA	227.1	1.2	19	49	22.8	8.9	-$10.04	$11.87	NM	22.6
DGI	Digitalglobe	SB	30.23	2,252	2,480	421	654	5.9	3.8	11.5	2.6	203	341	12.2	7.3	-$1.27	$0.67	NM	44.9
SATS	Echostar		39.71	1,613	2,486	3,122	3,358	0.8	0.7	35.9	1.1	639	760	3.9	3.3	-$0.20	$0.44	NM	NM
ETL-FR	Eutelsat **		23.98	5,278	€ 7,771	€ 1,253	N/A	6.3	NA	8.0	3.0	1,021	1,080	8.1	8.2	£1.63	£1.73	14.7	13.9
ISAT-LN	Inmarsat **		613.00	2,748	3,628	840	1,313	4.3	2.8	154.5	4.0	638	691	5.7	5.2	£0.51	£0.56	NM	NM
I	Intelsat S.A.	MP	24.37	2,579	17,605	2,023	2,638	7.1	5.5	NM	NM	1,527	2,065	9.5	7.0	-$0.94	$2.61	NM	9.3
IRDM	Iridium Comm.	SB	7.13	546	1,026	379	404	2.7	2.5	11.6	0.6	207	239	5.0	4.3	$0.93	$1.27	7.7	5.6
ORBC	Orbcomm	MO	3.92	185	141	65	74	2.2	1.9	3.9	1.0	14	24	9.7	5.9	$0.06	-$0.01	NM	NM
SES-LU	SES Global **		23.00	N/A	€ 13,226	€ 1,826	1,959	7.2	6.8	5.2	4.4	1,402	1,483	9.8	9.1	€ 1.53	€ 1.69	15.0	13.6
Mean								7.1	3.4		2.2			9.6	6.6			12.5x	18.3x
Median								5.9	2.8		1.9			9.5	7.0			14.7x	13.7x
	Space Infrastructure																		
ATK	Alliant Tech Systems		78.52	2,527	3,134	4,362	4,170	0.7	0.8	46.5	1.7	535	536	5.9	5.9	$7.95	$7.75	9.9	10.1
CDV-T	COM DEV		3.68	281	271	214	230	1.3	1.2	2.3	1.6	39	N/A	6.9	N/A	0.27 $	N/A	13.5	NM
LORL	Loral Space		60.22	1,280	1,236	-	N/A	N/A	NA	5.7	10.6	704	N/A	1.8	N/A	$7.62	N/A	7.9	NM
XLS	ITT Exelis		12.15	2,286	2,750	5,286	4,938	0.5	0.6	5.6	2.2	594	591	4.6	4.7	$1.49	$1.55	8.1	7.9
MDA-T	MDA		69.73	2,511	3,091	1,137	1,938	2.7	1.6	15.0	4.6	338	369	9.2	8.4	5.25 $	5.73 $	13.3	12.2
OHB-XE	OHB System AG		16.39	286	N/A	639	N/A	0.4	NA	6.5	2.5	55	59	4.4	4.1	€ 1.20	€ 1.35	13.6	12.1
ORB	Orbital Sciences	MO	18.18	1,091	1,032	1,434	1,515	0.7	0.7	12.3	1.5	151	173	6.9	6.0	$1.11	$1.18	16.3	15.4
Mean								1.1	1.0	13.4	3.5			5.6	5.8			11.8x	11.5x
Median								0.7	0.8	6.5	2.2			5.9	5.9			13.3x	12.1x
	Satellite Software / Teleport / Services																		
GCOM	Globecomm		12.81	303	242	344	331	0.7	0.7	9.9	1.3	42	N/A	5.8	NA	$0.77	$0.95	16.6	13.6
RNET	RigNet		24.94	397	388	162	197	2.4	2.0	6.5	3.8	54	66	7.2	5.9	$1.07	$1.38	23.4	18.0
RRST	RRsat Global Communications		8.38	145	110	432	124	0.3	0.9	19.3	1.7	19	20	5.7	5.4	$0.47	$0.53	18.0	15.8
TSYS	TeleCommunication Systems	MP	2.35	126	213	487	N/A	0.4	NA	2.8	0.9	44	51	4.9	4.2	$0.24	$0.23	9.8	10.2
Mean								0.9	1.2		1.9			5.9	5.1			17.0x	14.4x
Median								0.6	0.9		1.5			5.7	5.4			17.3x	14.7x

**Denominated in local currency

All estimates are consensus estimates from Thomson Reuters.

RJ Rating System: SB -(Strong Buy), MO - (Outperform), MP - (Market Perform), MU-(Under Perform)

Source: Thomson Reuters and Raymond James research.

Management Team

David McGlade – Director, Chairman, and Chief Executive Officer

David McGlade became the chief executive officer and chairman of the board of directors of Intelsat Global Holdings S.A. in April 2013 and served as chief executive officer and deputy chairman of the board of directors of Intelsat Global Holdings S.A. from July 2011 to April 2013. Mr. McGlade has been the chief executive officer of Intelsat S.A. since April 2005 and became deputy chairman of the board of directors in August 2008. Prior to that, Mr. McGlade was the chief executive officer of O2 UK, the largest subsidiary of O2 plc and a leading U.K. cellular telephone company, a position he took in October 2000. He was also an executive director of O2 plc. During his tenure at O2 UK and O2, Mr. McGlade was a director of the GSM (Global System for Mobile Communications) Association, a trade association for GSM mobile operators, and served as chairman of its finance committee from February 2004 to February 2005.

Stephen Spengler – President and Chief Commercial Officer

Stephen Spengler became the president and chief commercial officer of Intelsat Corporation in March 2013. Prior to that, Mr. Spengler served as executive vice president of sales, marketing, and strategy for Intelsat Corporation since February 2008. From July 2006 to February 2008, he served as Intelsat Corporation's senior vice president of Europe, Middle East, Africa, and Asia Pacific sales. From February 2006 to July 2006, Mr. Spengler served as acting senior vice president of sales and marketing for Intelsat Global Service Corporation, leading Intelsat S.A.'s global marketing and sales organizations immediately prior to the acquisition of PanAmSat. From July 2003 to February 2006, he served as vice president of Sales, Network Services & Telecom for Intelsat Global Service Corporation. Before joining Intelsat, Mr. Spengler held various positions in the telecommunications industry.

Michael McDonnell – Executive Vice President and Chief Financial Officer

Michael McDonnell became the executive vice president and chief financial officer of Intelsat Global Holdings S.A. in July 2011. Mr. McDonnell became the executive vice president and chief financial officer of Intelsat S.A. in November 2008. He was previously executive vice president, chief financial officer and treasurer of MCG Capital Corporation – a publicly held commercial finance company – from September 2004 and its chief operating officer from August 2006 through October 2008. From August 2000 to August 2004, Mr. McDonnell was employed by direct-to-home satellite television operator, EchoStar Communications Corporation, where he served as executive vice president and chief financial officer from July 2004 to August 2004 and as senior vice president and chief financial officer from August 2000 to July 2004.

Michelle Bryan – Executive Vice President, General Counsel, and Chief Administrative Officer and Secretary

Michelle Bryan became the executive vice president, general counsel, and chief administrative officer and secretary of Intelsat Global Holdings S.A. and Intelsat S.A. in March 2013. Prior to that Ms. Bryan served as senior vice president of human resources and corporate services since January of 2007. Prior to joining Intelsat, Ms. Bryan served as interim general counsel and corporate secretary for Laidlaw International, and prior to that held a number of executive positions with US Airways Group.

International Headquarters: The Raymond James Financial Center | 880 Carillon Parkway | St. Petersburg, Florida 33716 | 800-248-8863

Thierry Guillemin – Executive Vice President and Chief Technical Officer

Thierry Guillemin became the executive vice president and chief technical officer of Intelsat Corporation in March 2013. Prior to that Mr. Guillemin served as senior vice president and chief technical officer of Intelsat Corporation since February 2008, with responsibility for customer operations, space systems management and planning, and satellite operations. From July 2006 to February 2008, he served as Intelsat Corporation's vice president of Satellite Operations & Engineering, a role in which he was responsible for the service availability of Intelsat's entire in-orbit fleet of satellites (combined with PanAmSat's). From July 2005 to July 2006, Mr. Guillemin served as vice president of Satellite Engineering & Program Management of Intelsat Global Service Corporation, and from January 2003 to July 2005, he served as senior director of Satellite Operations.

Conclusion

While lacking the glitzy growth of many subscriber business models, Intelsat offers investors an unusually high level of revenue visibility and the ability to realize attractive equity returns through steady, block-and-tackle deleveraging of the balance sheet. Phase one of the deleveraging is already complete, with the company having already refinanced nearly $10 billion in debt over the past two years. Phase two of the deleveraging story should play out over the next five years, as lower capex spending enables Intelsat to pay down an additional $1.5 billion of debt (or more) over the next five years.

We are also encouraged by Intelsat's longer-term growth prospects, which reflect both favorable industry dynamics and Intelsat-specific growth initiatives, such as the Epic^{NG} satellite program.

Weighted against these favorable dynamics, we are moderately concerned with regard to Intelsat's near-term exposure to U.S. military spending, which recently turned negative and could potentially experience greater near-term downside than we have modeled.

On balance, we believe Intelsat is fairly valued at its current price, but we are likely to become constructive when/if the Pentagon's budget outlook stabilizes and procurement activity returns to normalized levels.

Appendix A – Heavy Lift Launch Market

Major GEO Satellite Bus Platforms

Manufacturer/ Bus Model	First Order	Launch Mass (tons)	Payload Power (kW)
Boeing			
BS702HP	1999	4.7 - 6.1	11 - 18
BS702MP	2009	5.0 - 6.4	11 - 25
BS702SP	2012	~1.8	3 - 8
EADS Astrium			
Eurostar-3000	2000	4.9 - 5.6	4 - 15
Eurostar-3000GM	2000	5.0 – 6.5	4 - 15
Eurostar-3000S	2001	4.3 - 4.7	4 - 15
Alphabus	2007	6.0 – 8.0	10 - 22
Lockheed Martin			
A2100A	1996	1.9 – 2.9	5 - 15
A2100AXS	1999	4.0 – 4.7	4 - 14
A2100M	2010	5.0 – 6.5	12 - 22
Orbital Sciences			
GEOStar-1	1990	1.2 – 1.4	2 - 5
GEOStar-2	2000	1.8 – 2.5	2 - 5
SS/Loral			
LS-1300	1985	2.2 – 4.7	5 - 12
LS-1300S	1999	5.5 – 6.5	7 - 15
LS 20.20	None	7.5 – 8.5	17- 30
Thales Alenia			
Spacebus-3000/4000 (B-Class)	1995	2.7 – 4.1	5 - 12
Spacebus-3000/4000 (C-Class)	2000	4.4 – 5.2	10 - 20

Source: Company reports and Raymond James research.

As indicated by the table above, most GEO communications satellites weigh in at a range of 3-6 metric tons, which places them squarely in the heavy-lift launch category.

In fact, the overall weight of GEO satellites has increased steadily over the past 10 years, as satellite operators have sought out increasingly larger platforms in order to better leverage their "fixed" launch costs.

At the extreme, both SS/Loral and EADS Astrium have developed "monster" satellite buses (the LS 20.20 and Alphabus, respectively) that are pushing the outer envelope of the current heavy lift launch market.

Running counter to the bigger-is-better trend, Orbital Sciences has maintained steady success with its GEOStar-2 small bus (average six orders/year over the past decade), which allows operators to cost-effectively add smaller increments of capacity to regional markets where a 70-transponder bus would be overkill.

Additionally, in March 2012, Boeing introduced an all-new small satellite bus (the 702SP) that weighs in at a trim 1.0 metric ton but can still deliver 3-8 kW of power due to the innovative use of all-electric propulsion technology (see Appendix B). Should this class of satellite become more popular, it could shift demand down-market into the medium-lift category, or increase the demand for "dual-launch" capability on heavy-lift rockets.

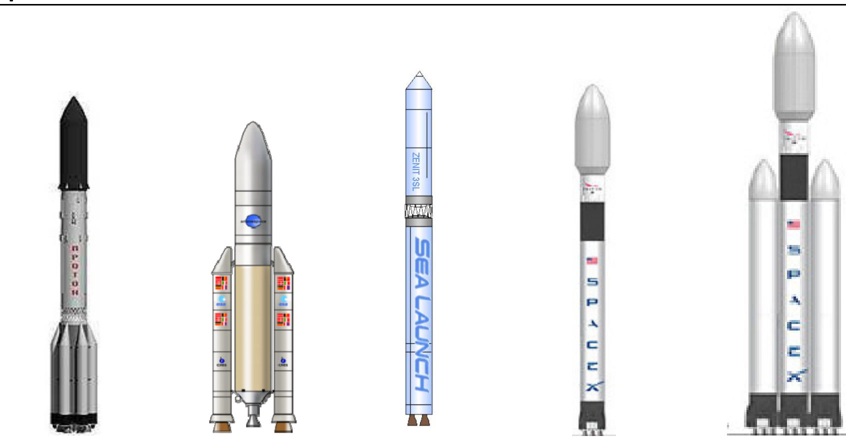
International Headquarters: The Raymond James Financial Center | 880 Carillon Parkway | St. Petersburg, Florida 33716 | 800-248-8863

For the time being, however, the commercial satellite industry remains dependent on heavy-lift rockets, of which there are few options. With Chinese rockets largely verboten, and the U.S. Atlas V and Delta IV rockets reserved almost exclusively for U.S. government launches, commercial operators have essentially had three choices for executing satellite launches: the Ariane 5, Proton, and Zenit rockets.

This narrow selection of launch alternatives has naturally subjected the industry to both supply constraints and pricing volatility following a major launch failure.

While not yet commercially proven, the SpaceX Falcon 9 v1.1 and Falcon Heavy promise to change this dynamic by introducing significantly higher production volumes and highly aggressive pricing (see Appendix B). Should SpaceX succeed in its efforts, the commercial satellite industry would undoubtedly benefit from lower capital costs and the ability to tap into new markets and applications.

Heavy Lift Rocket Comparison



Vehicle	Proton	Ariane 5	Zenit	Falcon 9 v1.1	Falcon Heavy
Country of Origin	Russia	Europe	Russia	USA	USA
Ten Year Success/Failure*	81/6	53/0	33/3	0/0	0/0
Debut	1965	1996	1985	Est. 2013	Est. 2013
LEO (kg)	21,000	20,000	14,000	13,000	53,000
GEO (kg)	5,000	10,000	5,000	5,000	12,000

*Note: Includes partial failures.

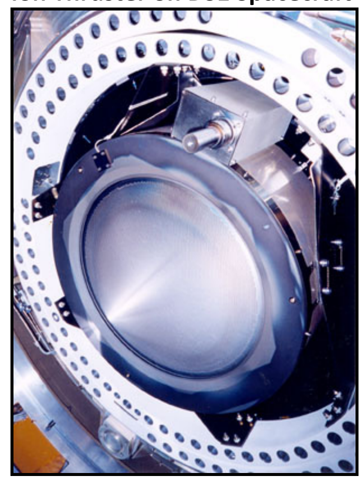
Source: Company releases and Raymond James research.

Appendix B – Emerging Space Technologies

The Satellite & Space industry has historically been characterized by a glacial rate of change, but in recent years the industry has experienced a renaissance of sorts, replete with new satellite technologies (e.g., all-electric satellites , cubesats, high throughput satellites), a slew of new launch vehicles (e.g., Antares, Falcon 9, Stratolaunch), new commercial markets (e.g., Earth imaging satellites, consumer broadband, space tourism), and growing interest among the financial community (including venture capital and private equity).

While it is still too early to judge the staying power of many of these individual developments, it appears increasingly likely that one or more of these emerging technologies/trends could impact the size, growth, and/or return characteristics of the FSS industry over the next decade. Key technologies that are most likely to impact Intelsat and the FSS industry include:

Ion Thruster on DS1 Spacecraft



Source: NASA.

All-Electric Satellite Propulsion

With the exception of the Russian Proton rocket, most launch vehicles do not have the ability to place a satellite directly into a geostationary orbit (22,200 miles above the Earth's equator), but must instead deposit the satellite into a highly elliptical orbit known as a geo-stationary transfer orbit (GTO). Starting from this temporary orbit, the satellite must then use its onboard propulsion system, or apogee kick motor (AKM), to circularize its orbit and maneuver into its assigned orbital slot. For a traditional satellite, the kick motor, fuel tank, and associated fuel (either a liquid bipropellant or a solid fuel) can comprise 50-60% of the satellite's total mass.

In March 2012, however, Boeing introduced an all-new satellite bus (the 702SP, or "small platform") that relies entirely on electrical propulsion (EP) technology to perform orbit-raising and station-keeping maneuvers. Unlike traditional kick motors that burn fuel to create thrust, an EP engine uses electrical power from the satellite's solar array to excite xenon gas, which is then expelled from the engine (using an electric or magnetic field) at exhaust velocities that are 10x greater than that of a traditional AKM. As a result, the Boeing 702SP requires only 150 kilograms of xenon gas to carry out a 15-year mission, as compared to 1,650 kilograms of hydrazine for a traditional satellite design.

Priced at ~$100 million, the 702SP is somewhat more expensive than a comparable Orbital Sciences GeoStar-2 bus ($75-85 million), but weighs one-third less (2,000 kg vs. 3,300 kg), with higher power output (3-8 kW vs. 1.0-5.5 kW) and nearly 50% more transponders (47 vs. 32). Equally important, however, the 702SP is small enough that it can be dual-manifested on the low-cost Falcon 9 rocket (list price $54 million), thus saving a satellite operator $50-60 million in launch costs alone.

The chief drawback of an EP kick motor is that it delivers relatively low thrust, and consequently can require up to six months to perform an orbital-raising maneuver (as opposed to days-to-weeks for a traditional chemical AKM). Consequently, satellite operators must be willing and able to forgo near-term revenues in order to achieve a lower overall project cost. Furthermore, the slow ascent to a GEO orbit increases the satellite's exposure to harmful radiation while passing through the Van Allen Belts, which could result in electronic damage and/or a shortened satellite life.

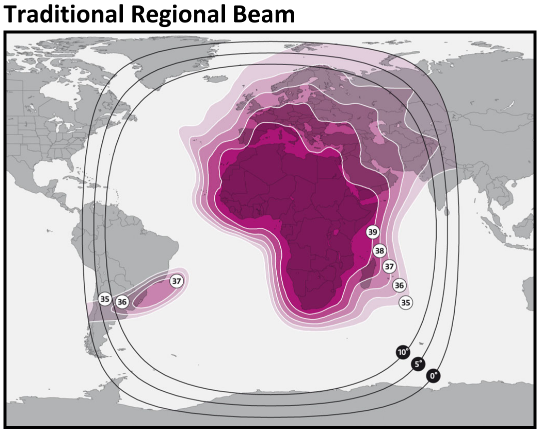
Conclusion: An industrywide move toward electric prolusion could have far-reaching implications for the broader industry, including satellite builders, launch providers, and satellite operators. For satellite operators such as Intelsat, EP satellites could represent an opportunity to reduce capital costs and lower transponder pricing, but could also provide an opening for less-capitalized competitors to enter the market. In the area of satellite manufacturing, Boeing has clearly grabbed an early lead, but both Space Systems/Loral and Astrium have indicated that they intend to introduce their own EP satellite designs shortly. Orbital Sciences, which has traditionally led the market for small, cost-effective space systems, would appear to be the company most at risk from this trend. Meanwhile, Lockheed Martin and Thales Alenia have indicated they intend to take a wait-and-see approach toward EP satellites.

Finally, in the area of launch services, smaller satellite designs would appear to favor small/medium launch vehicles such as Orbital's Antares and SpaceX's Falcon 9, which can accommodate two satellites at a very competitive launch price. Meanwhile, demand for heavy lift rockets such as those provided by Arianespace, ILS, and ULA could decline sharply over time, thereby causing a severe supply/demand imbalance. Finally, a move toward electric propulsion could have ramifications for launch facility operators due to the fact that an equatorial launch would no longer hold a great advantage for GEO launches.

High Throughput Satellites (HTS)

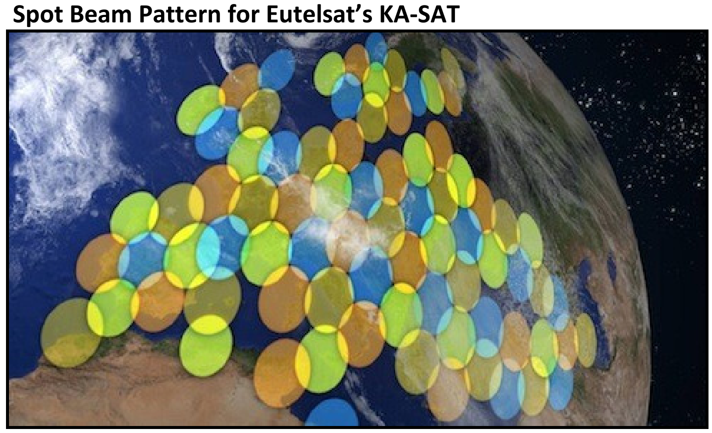
Commercial satellite designs have undergone a dramatic and unprecedented transformation over the past five years, driven by the introduction of a new class of satellites typically referred to as high throughput satellites (HTS). While lacking a distinct technical definition, these satellites are able to deliver 2x to 100x the throughput of a traditional FSS satellite (while using the same amount of allocated frequency) through the use of multiple spot beams and frequency reuse technologies.

Traditional Regional Beam



Source: SES.

Spot Beam Pattern for Eutelsat's KA-SAT



Source: Eutelsat.

Thailand-based Thiacom kicked off the HTS revolution in 2005 with the launch of its IPSTAR satellite, a 6.5 metric ton Ku-band satellite built to provide high-speed, two-way, IP-based broadband communication across Southeast Asia. While a technical success, IPSTAR proved to be a commercial disappointment due to Thaicom's inability to secure (timely) regulatory approval to provision services across the 18 countries served by IPSTAR.

The next major milestone occurred in 2006 with the launch of WildBlue-1 (the world's first-ever all-Ka-band satellite), which conclusively proved that reliable consumer broadband services could be delivered via the Ka-band spectrum. Unfortunately, WildBlue miscalculated geographic demand trends and within six months of the satellite's launch all of the beams on the East/West coasts of the U.S. were entirely full, while beams over the center of the U.S. remain unfilled to this day.

SPACEWAY-3, which was launched a year after WildBlue-1, more than doubled WildBlue's capacity and was able to sidestep the customer distribution issue due to the fact that SPACEWAY-3 (originally intended to serve the enterprise market) was designed with onboard processing and dynamic beaming forming that allowed the satellite to seamlessly move capacity to where it was needed.

On January 7, 2008, however, HTS technology took a giant leap forward with the joint announcement by ViaSat and Eutelsat that they would independently build HTS satellites with the then unheard of capacity of 100+ Gbps and 90 Gbps, respectively. While the investment community was initially skeptical of the HTS concept (ViaSat's stock plunged nearly 40% in the wake of its announcement), investors have subsequently warmed to the concept as it became apparent that an HTS satellite can deliver a competitive consumer broadband service and highly attractive financial returns.

As demonstrated by the table below, the traditional Ku-band consumer broadband model offered by companies such as Hughes yielded a reasonable return for both Hughes and its FSS capacity provider, but the service itself (~$60/month for a 700 kbps download speed) could only be considered an option of last resort. By comparison, second-generation Ka-band services offered by Hughes and ViaSat (Jupiter 1 and ViaSat 1) deliver 12-15 Mbps services for about the same price, while generating an economic return that is an order of magnitude higher than what can be accomplished with a traditional FSS model.

Comparison of Traditional FSS Consumer Broadband Model vs. HTS Model

Business Model	Traditional Leased	Traditional Owned	HTS
Role	Svc. provider	FSS operator	Svc. provider/owner
Satellite type	Ku-band	Ku-band	ViaSat-1
Application	Consumer broadband	FSS	Consumer broadband
Distribution	Retail	Wholesale	Wholesale
Payload	60 transponders	60 transponders	72 spot beams
Satellite throughput	1.0 Gbps	1.0 Gbps	140 Gbps
Capacity	~200,000	NA	1.0 million subs
ARPU	$60/month	$1.5 mm/year	$30/month
Fill rate	NA	85%	100%
Annual revenue	$144 mm	$77 mm	$360 mm
EBITDA margin	20%	80%	80%
EBITDA	$29 mm	$61 mm	$288 mm
Capex = sat+launch+ins.	NA	$275 mm	$375 mm
Economic return	**EBIT: 10-15%**	**ROIC: 10-15%**	**ROIC: 30-40%**

Source: Company reports and Raymond James research.

These high economic returns flows directly from the fact that, for a modest ~40% premium in satellite cost, an HTS satellite can deliver a better-than-100x improvement in throughput and a corresponding reduction in a satellite operator's cost per bit.

While most commonly associated with consumer applications and the Ka frequency band, HTS technology can also be applied to other frequency bands (V, Ka, Ku, C, etc.) and many traditional FSS applications (i.e., cellular backhaul, enterprise VSAT, mobility, etc.). While these applications are not yet common today, numerous satellite operators are laying plans to develop HTS solutions for their existing customers and end markets.

Common FSS Frequency Bands

Band	Uplink	Downlink	Traditional uses
C-band	5.925-6.425 GHz	3.7-4.2 GHz	Voice/data communications, backhaul
X-band	7.9- 8.4 GHz	7.25 – 7.75 GHz	Military comms, comms-on-the-move (COTM)
Ku-band	14 GHz	10.9-12.75 GHz	DTH, enterprise VSAT, cellular backhaul
Ka-band	26.5-40GHz	18-20 GHz	Consumer broadband

Source: Raymond James research.

Among the many applications noted above, the single most contested market today is the mobility market – a market that, oddly enough, was not considered an appropriate match for FSS services (much less HTS satellites) as recently as the mid-2000s. Historically, the mobility market was dominated by L-band service providers (Inmarsat, Iridium, Globalstar), but with the development of stabilized VSAT antennas and fault-tolerant modem technology, the maritime and aeronautical VSAT market has taken off in recent years.

Facing the prospect of dwindling market share, Inmarsat (the 800-pound gorilla of the mobile satellite industry) announced plans in August 2010 to build a three-satellite, Ka-band, HTS constellation (Global Express) to complement and succeed its traditional L-band services.

While Inmarsat's move was commonly viewed as a "checkmate" on the budding VSAT industry at the time, subsequent industry developments, including Intelsat's Epic^{NG} satellite program and ViaSat's newly announced ViaSat-3, have called into question the attractiveness of Inmarsat's technical approach.

Speaking to this point, Harris Corporation, the world's largest commercial buyer of FSS capacity (from 60+ satellites), published a white paper that concluded Ku-band spot beam technology represents a better all-around HTS solution for mission critical applications and remote operations. Consistent with this conclusion, Harris (along with Panasonic and MTN) singed a 10-year contract to purchase capacity on Intelsat's IS-29e Epic^{NG} satellite.

Summary Comparison of Ka-band and Ku-band HTS Systems

Attribute	Ku Hemi	Ku Spot	Ka Small Spot	Ka Large Spot	Ka Spot W/Backup
Cost per Hz		✓	✓		
Bps/Hz		✓	✓		
Coverage	✓	✓		✓	
Flexibility	✓	✓			
Bandwidth portability	✓	✓		✓	
Satellite disaster recovery	✓	✓			✓
VSAT cost	✓	✓			
New spectrum availability		✓	✓	✓	✓
Synergy savings (pre-launch)	✓	✓			
Avoided conversion costs	✓	✓			
Availability in harsh environ.	✓	✓			

Note: Check marks represent where a particular space segment option provides the best value. HTS Ku-band technologies outperform Ka-band in high rain zone environments.

Source: Harris Corporation.

Adding further muddle to the HTS debate, a number of satellite operators, including SES, Telesat, Avanti, NewSat, Al Yah Satellite, and Arabsat have rejected the “dedicated” HTS satellite model (see table below) in favor of a more traditional mixed transponder satellite that can perform both traditional FSS functions (e.g., DTH broadcasting) as well as HTS broadband services.

Conclusion: HTS technology represents both an opportunity and a threat to the traditional FSS industry, offering the potential for incremental market growth (e.g., mobility) while also exposing the industry to possible cannibalization (i.e., cellular backhaul). When it first entered into service in early 2012, ViaSat-1 offered more capacity than the entire FSS industry combined, but the impact on the industry to-date has been relatively minor due to ViaSat’s narrow focus on consumer applications and certain professional services (i.e., satellite newsgathering vans, special event broadcasting). With the advent of ViaSat-2, however, ViaSat is clearly angling for the mobility and government markets, both key verticals for the FSS industry. While it may still be too early to call the winning combination of frequencies/satellite designs/ ground architectures, the only certain outcome is that those choosing not to participate are doomed to fall by the wayside.

Dedicated Single-Frequency HTS Satellite Programs

Launch Date	Operator	Satellite(s)	Freq.	Manufacturer	Region(s)	Capacity (Gbps)	Target Market(s)
Aug 2005	Thaicom	IPSTAR	Ku	Space Systems/ Loral	Southeast Asia	45	CON, ENT, GOVT, TEL
Aug 2006	WildBlue (ViaSat)	WildBlue-1	Ka	Space Systems/ Loral	North America	4	CON
Aug 2007	Hughes	SPACEWAY-3	Ka	Boeing	North America	10	CON, SMB
Dec 2010	Eutelsat	KA-SAT	Ka	EADS Astrium	Europe, CIS, MENA	70	CON, PRO
Oct 2011	ViaSat	ViaSat-1	Ka	Space Systems/ Loral	U.S. and Canada	140	CON,PRO, SMB
Apr 2012	Al Yah Satellite	YahSat 1B	Ka	EADS Astrium/ Thales Alenia	MENA, CIS, Sub-Saharan Africa	15	CON, ENT, GOVT, SMB
Jul 2012	Hughes	Jupiter 1	Ka	Space Systems/ Loral	U.S. and Canada	100	CON, SMB
Aug 2012	Avanti Comms.	HYLAS 2	Ka	EADS Astrium/ Orbital	Europe, MENA	15	ENT, TEL
2013-2014	Inmarsat	Global Xpress	Ka	Boeing	Global	12-20	MOB
2015	NewSat	Jabiru-1	Ka	Lockheed Martin	Middle East and West Asia	UNK	ENT, TEL
2015	NBN Co.	NBN-Co 1A NDN-Co 1B	Ka	Space Systems/ Loral	Australia	80	CON
2015	Intelsat	IS 29E	Ku	Boeing	North Atlantic	25-60	MOB
2016	Hughes	Jupiter 2	Ka	Space Systems/ Loral	North America, Caribbean and Central America	150	CON, SMB
2016	ViaSat	ViaSat-2	Ka	Boeing	N. America, C. America, North Atlantic	300+	CON, PRO, MOB, SMB

Key: CON=Consumer, ENT=Enterprise, GOVT=Government, MOB=Mobility, PRO=Professional services, SMB=Small/med bus, TEL=Telco.

Source: Company reports and Raymond James research.

Hosted Payloads

The term "hosted payloads" refers to the long-established industry practice of attaching a third-party instrument, transponder, or module to an existing satellite so that it can "ride share" or "piggyback" on the host satellite's launch, orbital slot, and in-orbit resources (power, precision pointing, data transmission). Historically, most hosted payload arrangements were characterized by a government customer (e.g., DoD, FAA, NASA, ESA) placing a hosted payload on a commercial satellite, however, in recent years private hosted payload arrangements have also begun to gain traction (Iridium/Aireon/Harris and GeoMetWatch/AsiaSat). In either case, a hosted payload arrangement represents a win-win for both parties, providing a less expensive path to orbit for the hosted payload and an additional revenue source for the host satellite operator.

Benefits to Host Satellite Operator	Benefits for Hosted Payload
• Anchor tenant • Upfront capital contribution • Secondary revenue source • Technology risk-sharing	• Lower cost to orbit • Faster access to space • Technology test bed opportunity • Improved risk management • Fixed program cost • Regular access to space

Source: Raymond James research.

Despite these benefits, hosted payloads have traditionally been carried out on an ad hoc basis due to a number of complicating factors, including launch synchronization, prohibitions against multi-year contracting, export control, legal uncertainty, and the government's natural inclination toward favoring government-run "programs of record."

More recently, however, the government's attitude toward hosted payloads has been changing, prompted by the threat of looming budget cuts and a growing desire to "disaggregate" large, monolithic military space assets into a more dispersed, defensible architecture. As a result, government agencies and the industry alike have intensified their efforts to eliminate traditional hurdles and promote the pairing of commercial satellites with potential government payloads.

On the government side, the Department of Commerce began actively promoting hosted payloads in 2009 through a series of industry workshops, and in 2010 the White House-issued U.S. National Space Policy, which directed agencies to acquire "hosted payload arrangements that are reliable, responsive to U.S. Government needs, and cost-effective." Furthermore, in 2011, the DoD/DNI released an unclassified version of the U.S. National Security Space Strategy, which noted that U.S. government approaches such as hosted payloads "can deliver capability, should our space systems be attacked."

Meanwhile, on the commercial side of the equation, seven satellite industry companies joined together in 2011 to form The Hosted Payload Alliance (HPA) with the intent of promoting the benefits of hosted government payloads on commercial satellites. Likewise, satellite manufacturers have responded to the opportunity by introducing hosted payload-friendly platforms such as Boeing's 702MP and ATK's RSMB/HEMB buses.

Non-Comprehensive List of Recent Hosted Payload Efforts

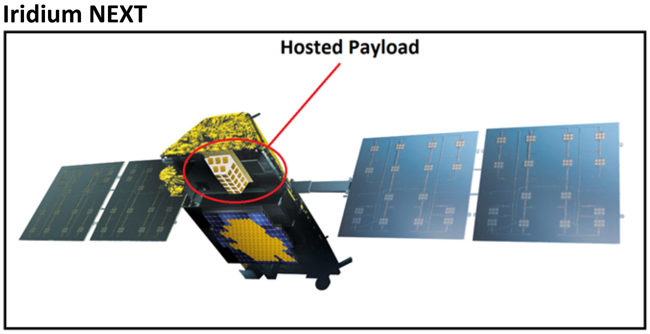
Launch Date	Commercial Operator	Satellite(s)	Customer	Hosted Payload	Value ($, mm)
Nov 2009	Intelsat	IS-14	DoD	IRIS	UNK
Sep 2011	SES	SES-2	U.S. Air Force	CHIRP	$83
Mar 2012	Intelsat	IS-22	Australian Defense Force	UHF payload	$160
Jul 2012	SES	SES-5	European Commission	EGNOS	$98
Apr 2013	Telesat	Anik G1	Astrium Services	X-band transp.	UNK
Late-2014	Inmarsat	Global Express	Boeing/DoD	Military Ka-band	UNK

Source: Company reports and Raymond James research.

Among recent notable successes, the U.S. Air Force estimated that its SES/CHIRP mission would have cost $500 million using a traditional dedicated spacecraft approach, and the Australian Minister of Defense reported that an independent analysis of its Intelsat/UHF hosted payload program confirmed a 50% cost savings when compared to alternative approaches (cost savings of $150 million).

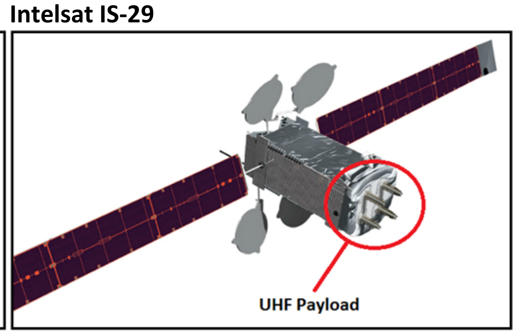
Despite these successes, the hosted payload market has failed to develop as quickly as hoped, and the industry is also littered with cautionary tales. Intelsat, encouraged by the success of the IS-22/UHF program, elected to put an “uncommitted” UHF payload on the ill-fated IS-27 (lost in a launch failure), but at the time of the launch the U.S. Navy had refused to sign a contract. Likewise, Iridium spent the better part of four years promoting its hosted payload capability to government customers (a once every 15-year opportunity to host payloads on 66 satellites with 100% global coverage) but eventually decided to internalize the capability into an air traffic control effort (Aireon) after failing to find any government buyers.

Iridium NEXT



Source: Iridium.

Intelsat IS-29



Source: Intelsat.

Furthermore, the U.S. government has recently communicated mixed signals to the industry. In September 2012, the office of the Pentagon’s chief information officer released guidelines for hosting military payloads that were widely panned by the industry as being overly restrictive. In addition to asserting ownership of the host satellite’s orbital location and frequency rights, the rules would also require the satellite operator to gain DoD approval before moving its satellite, and would financially penalize the satellite owner in the event of radio frequency interference. And, in November 2012, the head of the Air Force Space and Missile Systems Center (SMC) asserted that military communications payloads are not ideal candidates for hosted payloads, contravening earlier government reports that the Air Force was investigating ways to disaggregate its AEHF (Advanced Extremely High Frequency) protected military communications program.

Conclusion: With the stars seemingly moving into alignment, NSR, a leading satellite industry market research firm, has projected that the global hosted payload market opportunity through 2022 (both manufacturing and services) could range from $1.8 to $2.9 billion, spanning more than 180 hosted payload opportunities (note – includes 66 hosted payloads on Iridium NEXT and more than 70 Air Force/NASA experimental payloads currently "sitting on the shelf waiting for a ride"). That said, the industry is likely to take a much more cautious approach toward unfunded efforts following the Iridium NEXT and IS-29 debacles.

Low-Cost Launch

While the cost of storing a gigabyte of data has plummeted from $300,000 to $0.10 over the past 30 years, the cost of launching a satellite (or other mass) to orbit has stayed basically unchanged since the dawn of the space age; frozen in a range of $10,000-15,000 per pound. This failure of the launch industry to achieve any meaningful cost efficiency has been an enduring source of frustration for the broader Satellite & Space industry, which has experienced rapid technological/cost improvements in areas such as solar power output, microprocessors, antenna design, and modem efficiency.

In deference to the launch industry, the challenges of designing and building a rocket are not trivial (it is, after all, rocket science), and the business case can be equally challenging due to: (1) large, up-front capital costs, (2) a heavy dependence on government demand, (3) a historically fixed-to-declining demand trend, and (4) a general reluctance by customers to use new and "unproven" hardware.

Despite these challenges, the launch industry has experienced a surprising surge of new launch vehicles over the past decade, albeit primarily focused on the small-to-medium lift end of the market (e.g., Antares, Stratolaunch Athena II, Vega, etc.). These vehicles, however, do not have sufficient lift capacity to launch a geosynchronous communications satellite.

Launch Classification by Lift Capacity

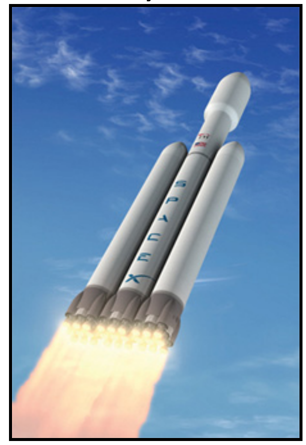
Performance	Capacity to LEO
Small	>2,000 kg
Medium	2,000-10,000 kg
Heavy	10,000-20,000 kg
Mid-heavy	20,000-50-000 kg
Super heavy	>50,000 kg

Source: Raymond James research.

Conversely, innovation has been sorely lacking in the heavy lift market, where Cold War-era hardware designs still play a central role and NASA's latest heavy lift rocket (the SLS) leans heavily on recycled Space Shuttle Main Engines (RS-25), Solid Rocket Boosters (SRBs), and the J-2X engine from the Saturn moon program. The one notable exception has been Space Exploration Technologies ("SpaceX"), which was founded in 2002 by serial entrepreneur Elon Musk with the stated goal of lowering launch costs "by a factor of ten."

SpaceX's current product offering, the Falcon 9, has already secured over $1 billion of commercial launch contracts at a publicly stated price of $54 million, which represents a (minimum) one-third discount to competitor's launch prices. According to the company, this cost advantage derives, not from some unique new propulsion technology, but instead from a more highly focused business model that utilizes common sense commercial business practices such as: (1) a high degree of vertical integration, (2) a flat management structure, (3) a modular family of products, (4) fixed-price contacting, and (5) high-volume manufacturing.

Falcon Heavy



Source: SpaceX.

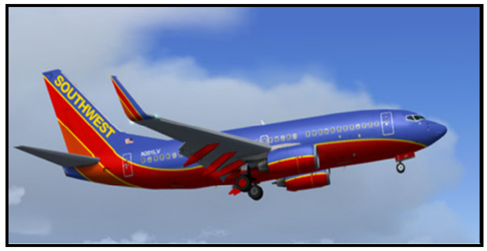
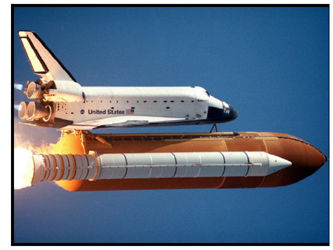
The Falcon 9, however, only has a lift capacity of 4.8 metric tons to GTO (geostationary transfer orbit), whereas the largest communications satellites often weigh in at 5-6 metric tons. To address this market, SpaceX introduced the Falcon Heavy in April 2011. Designed to lift 53 metric tons to Low Earth Orbit (or 12 tons to GTO), the Falcon Heavy will deliver more than twice the lifting capacity of a Delta IV (the U.S. current heavy lift champion) at a price that is two-thirds below that of a typical Delta IV launch. More succinctly, the Falcon Heavy promises to deliver a launch cost of $1,000 per pound, which would represent a 10x improvement over current launch systems.

SpaceX has indicated that it can achieve these price points with a manufacturing cadence of only four Falcon Heavy launches per year, but management is targeting a run-rate of ten Falcon Heavy and ten Falcon 9 launches per year. This launch rate would imply that SpaceX intends to bring online enough capacity to supply 100% of the world's commercial launch requirements (~20 commercial GEO satellites per year) and perhaps even the U.S. government market. It would also require SpaceX to manufacture 40 cores and 400 engines per year – a volumetric feat that has never been attempted in the launch industry. SpaceX is targeting a late-2013 maiden launch for the Falcon Heavy, and has already contracted two flights with the U.S. Air Force and Intelsat for 2015.

Seeking to push the cost envelope even further, SpaceX announced in September 2011 that it intends to develop a fully reusable version of its Falcon 9 rocket – a development that (if successful) could potentially slash launch costs by a factor of 100x.

The problem, by SpaceX's own admission, is that recovering rocket body stages from space is a complex problem that entails a more complicated design (heat shields, thrusters, landing gear) and mastering the art of propulsive landings. This additional weight also complicates an already difficult payload/mass ratio (only 2-4% of the Falcon's weight is dedicated to the payload), while also undercutting a long-stated SpaceX principal of operation – high volume manufacturing (if rockets are reused, high volume manufacturing is not required).

Weight Distribution (% of Total) of a Commercial Aircraft vs. Space Shuttle

	Boeing 737-700	Space Shuttle Endeavour
		
Structure	40%	13.5%
Fuel	30%	85%
Passengers/Payload	30%	1.5%

Source: Southwest, NASA, www.waynehale.wordpress.com, and Raymond James research.

Nonetheless, the benefits of a reusable launch system are fairly self-evident. Whereas the rocket grade kerosene (RP-1) that powers the Falcon 9 only costs ~$200,000 per launch, the rocket body, representing 99% of a Falcon's cost, is currently discarded during every launch (note – imagine the cost of airline travel if planes were destroyed after every one-way journey). SpaceX has developed a vertical takeoff and landing (VTVL) test vehicle ("Grasshopper") that SpaceX is currently testing at its McGregor, Texas rocket development facility, and the company plans to attempt a propulsive water landing of a Falcon 9 first stage during its next mission, currently scheduled for July 2013.

Conclusion: While fully reusable launch vehicles are likely still years in the making (if ever), SpaceX has already made an undeniable impact on the launch industry, creating more than $1 billion in (paper) cost savings for its customers as a whole. These savings will prove to be a house of cards, however, if SpaceX fails to deliver on what promises to be a fairly aggressive launch cadence over the next two to three years. Competitors have, by and large, not reacted to the SpaceX phenomenon, but if the Falcon Heavy proves its mettle and the company is able to deliver on its promises, larger changes may be afoot in the launch industry.

Intelsat, S.A.

Quarterly Income Statement

($ in millions, except EPS)	1Q12	2Q12	3Q12	4Q12	2012	1Q13	Proj. 2Q13	Proj. 3Q13	Proj. 4Q13	Proj. 2013	Proj. 1Q14	Proj. 2Q14	Proj. 3Q14	Proj. 4Q14	Proj. 2014	Proj. 2015	Proj. 2016	Proj. 2017
Revenue	$644.2	$638.7	$654.9	$672.4	$2,610.2	$655.1	$652.5	$661.1	$666.4	$2,635.1	$670.1	$660.6	$659.9	$665.2	$2,655.8	$2,679.9	$2,777.1	$2,894.2
Direct costs	105.0	99.3	102.9	108.7	415.9	97.6	103.1	99.2	106.0	405.9	106.5	105.7	106.2	107.1	425.6	442.9	447.8	457.3
Gross profit	539.2	539.4	552.0	563.7	2,194.3	557.5	549.4	561.9	560.5	2,229.3	563.5	554.9	553.7	558.1	2,230.2	2,237.0	2,329.3	2,436.9
SG&A	51.2	53.4	47.1	52.4	204.0	58.2	55.5	54.2	53.3	221.1	52.9	52.8	54.8	55.9	216.4	225.8	220.8	225.7
D&A	186.9	188.6	192.0	197.4	764.9	187.4	185.3	184.1	182.2	739.0	179.4	177.9	176.4	183.0	716.8	708.4	736.6	752.8
Impairment of asset value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Losses on derivatives	9.9	15.8	12.0	2.3	39.9	1.9	0.0	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	291.3	281.5	301.0	311.6	1,185.4	310.0	308.6	323.5	325.0	1,267.2	331.2	324.1	322.5	319.2	1,297.0	1,302.8	1,371.9	1,458.4
Interest expense, net	312.0	327.4	312.7	318.7	1,270.8	318.4	309.1	250.4	249.6	1,127.5	233.7	233.2	233.1	232.7	932.7	929.6	955.5	899.7
Loss on debt extinguishment	0.0	(43.4)	(3.1)	(27.1)	(73.5)	0.0	(256.0)	0.0	0.0	(256.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unconsolidated affiliate loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income (expense), net	2.9	(1.9)	(22.0)	10.9	(10.1)	(0.7)	0.0	0.0	0.0	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax income	(17.9)	(91.1)	(36.9)	(23.3)	(169.1)	(9.0)	(256.4)	73.2	75.3	(116.9)	97.5	90.9	89.4	86.5	364.2	373.3	416.3	558.7
Benefit from income taxes	7.2	(6.8)	(1.5)	(18.5)	(19.6)	(2.0)	9.1	9.3	9.3	25.7	9.4	9.2	9.2	9.3	37.2	56.3	75.0	72.4
Net loss	(25.1)	(84.3)	(35.3)	(4.8)	(149.5)	(6.9)	(265.6)	63.9	66.0	(142.6)	88.1	81.7	80.1	77.2	327.0	317.0	341.3	486.3
Noncontrolling net income	(0.2)	(0.4)	(0.1)	(1.0)	(1.6)	(0.9)	(0.2)	(0.2)	(0.2)	(1.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.8)	(0.8)	(0.8)
Net loss to Intelsat S.A.	(25.2)	(84.7)	(35.4)	(5.7)	(151.1)	(7.8)	(265.8)	63.7	65.8	(144.1)	87.9	81.5	79.9	77.0	326.2	316.2	340.5	485.5
Basic EPS	**($0.30)**	**($1.02)**	**($0.43)**	**($0.07)**	**($1.82)**	**($0.09)**	**($2.78)**	**$0.59**	**$0.61**	**($1.67)**	**$0.81**	**$0.75**	**$0.74**	**$0.71**	**$3.01**	**$2.92**	**$3.15**	**$4.49**
Diluted EPS	**($0.30)**	**($1.02)**	**($0.43)**	**($0.07)**	**($1.82)**	**($0.09)**	**($2.78)**	**$0.59**	**$0.61**	**($1.67)**	**$0.81**	**$0.75**	**$0.74**	**$0.71**	**$3.01**	**$2.91**	**$3.11**	**$4.44**
Wtd Ave Shares	83.0	83.0	83.0	83.0	83.0	83.0	95.7	108.2	108.2	98.8	108.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2
Fully Diluted Shares	83.0	83.0	83.0	83.0	83.0	83.0	95.8	108.4	108.5	98.9	108.5	108.6	108.7	108.7	108.6	108.9	109.2	109.5

EBITDA	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	2015	2016	2017
Net income	(25.1)	(84.3)	(35.3)	(4.8)	(149.5)	(6.9)	(265.6)	63.9	66.0	(142.6)	88.1	81.7	80.1	77.2	327.0	317.0	341.3	486.3
(+) Interest expense	311.4	326.7	312.0	316.7	1,266.8	318.4	309.1	250.4	249.6	1,127.5	233.7	233.2	233.1	232.7	932.7	929.6	955.5	899.7
(+) Loss on debt extinguishment	0.0	43.4	3.1	27.1	73.5	0.0	256.0	0.0	0.0	256.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(+) Income taxes	7.2	(6.8)	(1.5)	(18.5)	(19.6)	(2.0)	9.1	9.3	9.3	25.7	9.4	9.2	9.2	9.3	37.2	56.3	75.0	72.4
(+) D&A	186.9	188.6	192.0	197.4	764.9	187.4	185.3	184.1	182.2	739.0	179.4	177.9	176.4	183.0	716.8	708.4	736.6	752.8
EBITDA	480.4	467.6	470.2	518.0	1,936.1	496.8	494.0	507.7	507.1	2,005.6	510.6	502.0	498.9	502.2	2,013.8	2,011.2	2,108.5	2,211.2

Adjusted EBITDA	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	2015	2016	2017
EBITDA	480.4	467.6	470.2	518.0	1,936.1	496.8	494.0	507.7	507.1	2,005.6	510.6	502.0	498.9	502.2	2,013.8	2,011.2	2,108.5	2,211.2
Comp & benefits	1.2	2.4	1.2	0.5	5.2	0.0	2.5	2.5	2.5	7.5	2.5	2.5	2.5	2.5	10.0	10.0	10.0	10.0
Management fees	6.3	6.3	6.3	6.3	25.1	6.3	6.4	6.4	6.4	25.4	6.4	6.5	6.5	6.5	25.8	26.2	26.6	27.0
Prev. unconsolidated earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment of asset value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Gain) loss on derivatives	9.9	15.8	12.0	2.3	39.9	1.9	0.0	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-recurring and other	(1.8)	(0.7)	20.7	(12.6)	5.6	0.8	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBITDA	495.9	491.3	510.3	514.4	2,012.0	505.8	502.8	516.6	516.0	2,041.2	519.5	511.0	507.9	511.2	2,049.5	2,047.4	2,145.1	2,248.1

Cash Flow from Operations	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	2015	2016	2017
CFO	122.1	260.6	176.9	273.0	832.6	138.7	387.0	242.7	245.2	1,013.5	281.9	242.4	256.7	264.0	1,045.1	1,001.4	1,089.2	1,127.3
(-) CapEx	225.2	181.0	206.8	135.6	748.6	260.9	118.3	125.4	137.7	642.3	138.6	150.1	161.7	168.2	618.6	797.8	658.6	757.5
Free Cash	(103.1)	79.6	(29.9)	137.4	84.0	399.5	505.3	368.1	382.9	1,655.8	420.6	392.5	418.4	432.2	1,663.7	1,799.2	1,747.8	1,884.8

Intelsat, S.A.

Quarterly Revenue Model

By Customer Set	1Q12	2Q12	3Q12	4Q12	2012	1Q13	Proj. 2Q13	Proj. 3Q13	Proj. 4Q13	Proj. 2013	Proj. 1Q14	Proj. 2Q14	Proj. 3Q14	Proj. 4Q14	Proj. 2014
Network services	298.9	292.5	297.1	304.3	1,192.8	298.3	297.7	303.0	304.3	1,203.4	310.3	301.6	300.3	299.2	1,211.3
Media	209.9	212.1	212.6	224.1	858.7	223.2	222.5	223.6	227.7	897.1	227.2	227.9	228.3	232.7	916.1
Government	128.4	125.0	135.3	135.5	524.2	125.8	125.0	126.9	127.7	505.4	124.8	122.7	122.5	124.6	494.6
Other	7.0	9.1	10.0	8.4	34.5	7.8	7.3	7.5	6.7	29.3	7.8	8.4	8.8	8.7	33.7
Total	644.2	638.7	654.9	672.4	2,610.2	655.1	652.5	661.1	666.4	2,635.1	670.1	660.6	659.9	665.2	2,655.8
Y/Y Growth															
Network services	-2.7%	-4.5%	-2.9%	1.8%	-2.1%	-0.2%	1.8%	2.0%	0.0%	0.9%	4.0%	1.3%	-0.9%	-1.7%	0.7%
Media	5.5%	5.1%	3.9%	5.6%	5.0%	6.3%	4.9%	5.2%	1.6%	4.5%	1.8%	2.4%	2.1%	2.2%	2.1%
Government	2.5%	-0.7%	0.9%	3.1%	1.5%	-2.0%	0.0%	-6.2%	-5.8%	-3.6%	-0.8%	-1.8%	-3.5%	-2.4%	-2.1%
Other	-21.9%	7.6%	21.5%	-17.7%	-3.8%	11.5%	-20.0%	-25.0%	-20.0%	-15.1%	0.0%	15.0%	18.0%	30.0%	15.2%
Total	0.6%	-0.6%	0.3%	3.0%	0.8%	1.7%	2.2%	0.9%	-0.9%	1.0%	2.3%	1.2%	-0.2%	-0.2%	0.8%
% of Total															
Network services	46.4%	45.8%	45.4%	45.3%	45.7%	45.5%	45.6%	45.8%	45.7%	45.7%	46.3%	45.7%	45.5%	45.0%	45.6%
Media	32.6%	33.2%	32.5%	33.3%	32.9%	34.1%	34.1%	33.8%	34.2%	34.0%	33.9%	34.5%	34.6%	35.0%	34.5%
Government	19.9%	19.6%	20.7%	20.2%	20.1%	19.2%	19.2%	19.2%	19.2%	19.2%	18.6%	18.6%	18.6%	18.7%	18.6%
Other	1.1%	1.4%	1.5%	1.3%	1.3%	1.2%	1.1%	1.1%	1.0%	1.1%	1.2%	1.3%	1.3%	1.3%	1.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Intelsat, S.A.

Quarterly Balance Sheet

		Proj.	*Proj.*	*Proj.*	*Proj.*	*Proj.*	*Proj.*	*Proj.*	*Proj.*	*Proj.*	*Proj.*	*Proj.*
($ in millions)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
ASSETS												
Cash & equivalents	328.8	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables, net	505.1	307.5	297.0	292.1	301.1	304.0	296.5	306.2	301.3	298.5	293.1	311.3
Deferred income taxes	94.7	94.7	94.7	94.7	94.7	94.7	94.7	94.7	94.7	94.7	94.7	94.7
Prepaid expenses & other	64.9	64.9	64.9	64.9	64.9	64.9	64.9	64.9	64.9	64.9	64.9	64.9
Total current assets	993.5	717.1	706.6	701.7	710.7	713.6	706.1	715.8	710.9	708.1	702.7	720.9
Satellites and other PP&E, net	5,439.3	5,280.8	5,121.4	4,961.6	4,806.9	4,651.2	4,494.3	4,671.4	4,502.8	4,332.6	4,160.8	4,284.1
Construction in progress	400.0	503.0	613.2	735.7	851.6	978.9	1,117.8	923.2	1,083.3	1,261.8	1,453.9	1,362.1
Goodwill	6,780.8	6,780.8	6,780.8	6,780.8	6,780.8	6,780.8	6,780.8	6,780.8	6,780.8	6,780.8	6,780.8	6,780.8
Non-amortizable intangibles	2,458.1	2,458.1	2,458.1	2,458.1	2,458.1	2,458.1	2,458.1	2,458.1	2,458.1	2,458.1	2,458.1	2,458.1
Amortizable intangibles, net	630.5	609.9	589.3	568.7	550.9	533.1	515.4	497.6	482.3	467.1	451.8	436.6
Other assets	410.2	410.2	410.2	410.2	370.2	370.2	370.2	370.2	370.2	370.2	370.2	370.2
Total assets	17,112.4	16,760.0	16,679.6	16,616.8	16,529.1	16,485.9	16,442.7	16,417.1	16,388.4	16,378.6	16,378.4	16,412.8
LIABILITIES & EQUITY												
Accts payable & accr. liabilities	129.3	158.2	157.6	164.9	163.5	164.5	172.3	176.1	171.6	180.2	183.5	193.0
Taxes payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Employee related liabilities	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3	26.3
Accrued interest payable	330.2	330.2	330.2	330.2	330.2	330.2	330.2	330.2	330.2	330.2	330.2	330.2
Current portion, long term debt	925.1	500.0	400.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Deferred performance incentives	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8
Deferred revenue	76.7	76.7	76.7	76.7	76.7	76.7	76.7	76.7	76.7	76.7	76.7	76.7
Other current liabilities	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0
Total current liabilities	1,580.3	1,184.1	1,083.5	790.8	789.4	790.4	798.3	802.0	797.5	806.1	809.5	819.0
Long-term debt, net	14,966.0	14,886.4	14,858.0	15,037.0	14,877.8	14,767.1	14,651.2	14,534.9	14,444.4	14,365.7	14,296.6	14,232.5
Deferred perf. incentives, net	168.1	163.1	158.1	153.1	148.1	143.1	138.1	158.1	153.1	148.1	143.1	163.1
Deferred revenue, net	844.6	834.6	824.6	814.6	804.6	794.6	784.6	774.6	764.6	754.6	744.6	734.6
Deferred income taxes	287.9	287.9	287.9	287.9	287.9	287.9	287.9	287.9	287.9	287.9	287.9	287.9
Accrued retirement benefits	291.6	291.6	291.6	291.6	291.6	291.6	291.6	291.6	291.6	291.6	291.6	291.6
Other long-term liabilities	290.5	290.5	290.5	290.5	290.5	290.5	290.5	290.5	290.5	290.5	290.5	290.5
Redeemable noncontrolling int.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	18,429.1	17,938.2	17,794.2	17,665.6	17,489.9	17,365.3	17,242.2	17,139.6	17,029.6	16,944.5	16,863.8	16,819.1
Common stock	0.8	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Preferred	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Paid-in capital	1,520.3	1,920.3	1,920.3	1,920.3	1,920.3	1,920.3	1,920.3	1,920.3	1,920.3	1,920.3	1,920.3	1,920.3
Accumulated deficit	(2,767.4)	(3,033.2)	(2,969.5)	(2,903.7)	(2,815.7)	(2,734.3)	(2,654.4)	(2,577.4)	(2,496.1)	(2,420.9)	(2,340.3)	(2,261.2)
Accum. other comp. loss	(115.2)	(115.2)	(115.2)	(115.2)	(115.2)	(115.2)	(115.2)	(115.2)	(115.2)	(115.2)	(115.2)	(115.2)
Total Intelsat S.A. deficit	(1,361.5)	(1,223.1)	(1,159.4)	(1,093.6)	(1,005.6)	(924.2)	(844.3)	(767.3)	(686.0)	(610.8)	(530.2)	(451.1)
Noncontrolling interest	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8
Shareholder's equity	(1,316.6)	(1,178.2)	(1,114.5)	(1,048.7)	(960.8)	(879.4)	(799.4)	(722.5)	(641.2)	(565.9)	(485.4)	(406.3)
Total Liabilities & S/E	17,112.4	16,760.0	16,679.6	16,616.8	16,529.1	16,485.9	16,442.7	16,417.1	16,388.4	16,378.6	16,378.4	16,412.8
Shares outstanding	83.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2

Cash Flow Statement

	2012	2013E	2014E	2015E
Net income	(151.1)	(144.1)	326.2	316.2
D&A	764.9	739.0	716.8	708.4
Gross Cash Flow	613.8	594.9	1,043.0	1,024.6
Change in Working Capital	220.5	420.1	2.9	(22.4)
Add back minority interest	(1.6)	(1.5)	(0.8)	(0.8)
Net C/F from Ops (CFO)	832.6	1,013.5	1,045.1	1,001.4
Capital Expenditures	(748.6)	(597.0)	(543.0)	(699.0)
Other	(137.0)	598.3	0.0	(0.0)
Net Cash (Used In) Investing	(885.6)	1.3	(543.0)	(699.0)
Cash dividends paid	0.0	0.0	0.0	0.0
Change in short term debt	(107.4)	42.5	0.0	0.0
Change in long term debt	9.2	(809.7)	(502.1)	(302.4)
Other financing cash flows	(68.5)	407.4	(0.0)	0.0
Net C/F Provided By Financing	(166.6)	(359.7)	(502.1)	(302.4)

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
Comtech Telecommunications Corp.	CMTL	NASDAQ	$	26.40	3	RJ & Associates
DigitalGlobe, Inc.	DGI	NYSE	$	30.23	1	RJ & Associates
Harris Corporation	HRS	NYSE	$	50.13	3	RJ & Associates
Iridium Communications Inc.	IRDM	NASDAQ	$	7.13	1	RJ & Associates
KVH Industries	KVHI	NASDAQ	$	13.19	1	RJ & Associates
ORBCOMM, Inc.	ORBC	NASDAQ	$	3.92	2	RJ & Associates
Orbital Sciences	ORB	NYSE	$	18.18	2	RJ & Associates
Southwest Airlines Co.	LUV	NYSE	$	14.17	2	RJ & Associates
TeleCommunication Systems	TSYS	NASDAQ	$	2.35	3	RJ & Associates
ViaSat, Inc.	VSAT	NASDAQ	$	70.06	4	RJ & Associates

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be registered for sale in all U.S. states. NC=not covered.

Important Investor Disclosures

Raymond James & Associates (RJA) is a FINRA member firm and is responsible for the preparation and distribution of research created in the United States. Raymond James & Associates is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716, (727) 567-1000. Non-U.S. affiliates, which are not FINRA member firms, include the following entities which are responsible for the creation and distribution of research in their respective areas; In Canada, Raymond James Ltd. (RJL), Suite 2100, 925 West Georgia Street, Vancouver, BC V6C 3L2, (604) 659-8200; In Latin America, Raymond James Latin America (RJLatAm), Ruta 8, km 17, 500, 91600 Montevideo, Uruguay, 00598 2 518 2033; In Europe, Raymond James Euro Equities, SAS (RJEE), 40, rue La Boetie, 75008, Paris, France, +33 1 45 61 64 90.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. **Investors should consider this report as only a single factor in making their investment decision.**

For clients in the United States: Any foreign securities discussed in this report are generally not eligible for sale in the U.S. unless they are listed on a U.S. exchange. This report is being provided to you for informational purposes only and does not represent a solicitation for the purchase or sale of a security in any state where such a solicitation would be illegal. Investing in securities of issuers organized outside of the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. There may be limited information available on such securities. Investors who have received this report may be prohibited in certain states or other jurisdictions from purchasing the securities mentioned in this report. Please ask your Financial Advisor for additional details and to determine if a particular security is eligible for solicitation in your state.

The information provided is as of the date above and subject to change, and it should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. Persons within the Raymond James family of companies may have information that is not available to the contributors of the information contained in this publication. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication.

Additional information is available on request.

Analyst Information

Registration of Non-U.S. Analysts: The analysts listed on the front of this report who are not employees of Raymond James & Associates, Inc., are not registered/qualified as research analysts under FINRA rules, are not associated persons of Raymond James & Associates, Inc., and are not subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public companies, and trading securities held by a research analyst account.

Analyst Holdings and Compensation: Equity analysts and their staffs at Raymond James are compensated based on a salary and bonus system. Several factors enter into the bonus determination including quality and performance of research product, the analyst's success in rating stocks versus an industry index, and support effectiveness to trading and the retail and institutional sales forces. Other factors may include but are not limited to: overall ratings from internal (other than investment banking) or external parties and the general productivity and revenue generated in covered stocks.

The views expressed in this report accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. In addition, said analyst has not received compensation from any subject company in the last 12 months.

Ratings and Definitions

Raymond James & Associates (U.S.) definitions

Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.
Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.
Market Perform (MP3) Expected to perform generally in line with the S&P 500 over the next 12 months.
Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.
uspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Ltd. (Canada) definitions

Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months.
Outperform (MO2) The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.
Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.
Underperform (MU4) The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

Raymond James Latin American rating definitions

Strong Buy (SB1) Expected to appreciate and produce a total return of at least 25.0% over the next twelve months.
Outperform (MO2) Expected to appreciate and produce a total return of between 15.0% and 25.0% over the next twelve months.
Market Perform (MP3) Expected to perform in line with the underlying country index.
Underperform (MU4) Expected to underperform the underlying country index.
Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Euro Equities, SAS rating definitions

Strong Buy (1) Expected to appreciate, produce a total return of at least 15%, and outperform the Stoxx 600 over the next 6 to 12 months.
Outperform (2) Expected to appreciate and outperform the Stoxx 600 over the next 12 months.
Market Perform (3) Expected to perform generally in line with the Stoxx 600 over the next 12 months.
Underperform (4) Expected to underperform the Stoxx 600 or its sector over the next 6 to 12 months.
Suspended (S) The rating and target price have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and target price are no longer in effect for this security and should not be relied upon.

In transacting in any security, investors should be aware that other securities in the Raymond James research coverage universe might carry a higher or lower rating. Investors should feel free to contact their Financial Advisor to discuss the merits of other available investments.

Rating Distributions

	Coverage Universe Rating Distribution				Investment Banking Distribution			
	RJA	RJL	RJ LatAm	RJEE	RJA	RJL	RJ LatAm	RJEE
Strong Buy and Outperform (Buy)	51%	66%	32%	41%	21%	25%	0%	0%
Market Perform (Hold)	43%	33%	64%	39%	9%	26%	0%	0%
Underperform (Sell)	6%	1%	4%	20%	2%	0%	0%	0%

Suitability Categories (SR)

Total Return (TR) Lower risk equities possessing dividend yields above that of the S&P 500 and greater stability of principal.

Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, at least a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

Raymond James Relationship Disclosures

Raymond James expects to receive or intends to seek compensation for investment banking services from the subject companies in the next three months.

Company Name	Disclosure
Comtech Telecommunications Corp.	Raymond James & Associates makes a market in shares of CMTL.
	Raymond James & Associates received non-investment banking securities-related compensation from CMTL within the past 12 months.
DigitalGlobe, Inc.	Raymond James & Associates co-managed an offering of debt for DigitalGlobe, Inc. within the past 12 months.
	Raymond James & Associates received non-securities-related compensation from DGI within the past 12 months.
Harris Corporation	Raymond James & Associates received non-investment banking securities-related compensation from HRS within the past 12 months.
Intelsat S.A.	Raymond James & Associates co-managed an initial public offering of I shares within the past 12 months.
	Raymond James & Associates co-managed an offering of preferred equity for Intelsat S.A. within the past 12 months.
	Raymond James & Associates makes a market in shares of I.
Iridium Communications Inc.	Raymond James & Associates lead-managed an offering of convertible preferred equity for Iridium Communications Inc. within the past 12 months.
	Raymond James & Associates makes a market in shares of IRDM.
	Raymond James & Associates received non-investment banking securities-related compensation from IRDM within the past 12 months.
KVH Industries	Raymond James & Associates has received compensation for investment advisory services provided to KVH Industries within the past 12 months.
	Raymond James & Associates makes a market in shares of KVHI.
	Raymond James & Associates received non-investment banking securities-related compensation from KVHI within the past 12 months.
ORBCOMM, Inc.	Raymond James & Associates makes a market in shares of ORBC.
Orbital Sciences	Raymond James & Associates or one of its affiliates owns more than 1% of the outstanding shares of ORB.
TeleCommunication Systems	Raymond James & Associates makes a market in shares of TSYS.
	Raymond James & Associates received non-investment banking securities-related compensation from TSYS within the past 12 months.
ViaSat, Inc.	Raymond James & Associates makes a market in shares of VSAT.

Valuation Methodologies

Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences. Only stocks rated Strong Buy (SB1) or Outperform (MO2) have target prices and thus valuation methodologies.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the projected target prices included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

Specific Investment Risks Related to the Industry or Issuer

The well being and efficiency of the satellite communications industry has a heavy interdependence among its sub-sectors. Specifically, a launch failure or excessive delays in payload manufacturing would impact the industry as a whole and impede a firm's ability to rollout new technology or replenish a satellite fleet. Advances or innovation in new terrestrial technologies (WiFi, WiMax, cellular, adoption of fiber optic infrastructure) could render satellite solutions obsolete or less competitive. Additionally, the highly coveted spectrum used by satellite communications companies is a top priority of regulatory authorities, and the introduction of new regulatory restrictions could negatively impact the industry's profitability.

Launch and In-Orbit Failures
Historically, approximately one out of every fifteen satellite launches fails to reach orbit or experiences a major technical malfunction that materially impairs the satellite's ability to carry out its mission. A launch or in-orbit failure would have an adverse effect on Intelsat's ability to achieve our projected growth assumptions.

Terrestrial Encroachment
While satellite technology is unrivalled in its ability to deliver point-to-multipoint content distribution, terrestrial networks generally enjoy a substantially lower carriage cost for point-to-point communications. Likewise, Intelsat's cellular backhaul services could be equally threatened by the deployment of terrestrially based fiber or microwave solutions.

Technology Obsolescence
Once placed in orbit, a satellite's technical features (power output, transponder frequencies, beam pattern, etc.) are largely fixed, leaving it vulnerable to technical and market changes that may emerge over the satellite's 15-year life.

High Levels of Indebtedness
Intelsat's high level of indebtedness (along with restrictive covenants) could impair its ability to execute certain elements of its business strategy, including: (1) raising additional capital, (2) investing in new satellites, (3) pursuing acquisition opportunities, and (4) investing in personnel, IT systems, and product development.

Dependence on Government/Defense Spending
Intelsat currently derives a material portion of its revenues from the U.S. military, primarily through a series of one-year contracts. This lack of contract visibility, coupled with a competitive environment and the threat of declining defense spending could expose Intelsat to both declining revenues and a more challenging pricing environment.

Additional Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available at rjcapitalmarkets.com/Disclosures/index. Copies of research or Raymond James' summary policies relating to research analyst independence can be obtained by contacting any Raymond James & Associates or Raymond James Financial Services office (please see raymondjames.com for office locations) or by calling 727-567-1000, toll free 800-237-5643 or sending a written request to the Equity Research Library, Raymond James & Associates, Inc., Tower 3, 6th Floor, 880 Carillon Parkway, St. Petersburg, FL 33716.

For clients in the United Kingdom:

For clients of Raymond James & Associates (London Branch) and Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FSA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (High net worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This report is for the use of professional investment advisers and managers and is not intended for use by clients.

For purposes of the Financial Services Authority requirements, this research report is classified as independent with respect to conflict of interest management. RJA, RJFI, and Raymond James Investment Services, Ltd. are authorised and regulated by the Financial Services Authority in the United Kingdom.

For clients in France:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monétaire et Financier" and Règlement Général de l'Autorité des Marchés Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For institutional clients in the European Economic Area (EEA) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

Raymond James International and Raymond James Euro Equities are authorized by the Autorité de Contrôle Prudentiel in France and regulated by the Autorité de Contrôle Prudentiel and the Autorité des Marchés Financiers.

For Canadian clients:

This report is not prepared subject to Canadian disclosure requirements, unless a Canadian analyst has contributed to the content of the report. In the case where there is Canadian analyst contribution, the report meets all applicable IIROC disclosure requirements.

Proprietary Rights Notice: By accepting a copy of this report, you acknowledge and agree as follows:

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate or commercially exploit the information contained in this report, in printed, electronic or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose.

This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec.501 et seq, provides for civil and criminal penalties for copyright infringement.

The Raymond James
Technology & Communications Research Team

Brian G. Alexander, CFA, Electronic Manufacturing Services/IT Hardware and Distribution

Robert P. Anastasi, CFA, Director of Equity Research

Ric Prentiss, Director of Telecommunications Services Research

Brian Gesuale, IT Services and Security

Wayne Johnson, Transaction Processing

Aaron Kessler, CFA, Internet

Simon Leopold, Communications Equipment

Frank G. Louthan IV, Telecommunications Services

Tavis C. McCourt, CFA, Communications Technology

Hans Mosesmann, Semiconductors

Chris Quilty, Defense Communications/Mobile Data Technology/Satellite & Space

J. Steven Smigie, Analog and Communications Semiconductors

Terry Tillman, Application Software

Michael Turits, Ph.D., Communications Software/Infrastructure Software

Kurt Batinich, Sr. Research Associate

Matt Bugarin, Sr. Research Associate

Charlie Castillo, Sr. Research Associate

Victor Chiu, Sr. Research Associate

Elizabeth J. Howell, Sr. Research Associate

Jeffrey Koche, CFA, Sr. Research Associate

Georgios Kyriakopoulos, Sr. Research Associate

Eric Lemus, Sr. Research Associate

Eric Mallis, CFA, Sr. Research Associate

Brian Peterson, CFA, Sr. Research Associate

Ryan Rackley, Sr. Research Associate

Daniel Toomey, CFA, Sr. Research Associate

James Wesman, Sr. Research Associate

Alexander Sklar, CPA, Research Associate

Brandon Pickett, Research Associate

International Headquarters: The Raymond James Financial Center | 880 Carillon Parkway | St. Petersburg, Florida 33716 | 800-248-8863