

# Vizada Presentation to the FCC

20 March 2009

# Vizada Overview



## Shareholders

Apax Funds (US & Canada 40%, UK 20%  
France 15%)

GE Pension Fund

US & Canadian Pension Funds & Investors



## Resources

Major operations/development/commercial centers  
in Rockville (MD), Oslo & Paris

Global land earth station facilities: Connecticut,  
California, Australia, Japan, Norway, France

Global fiber optic network for customer &  
operations connectivity



## Origins

Extend back to the earliest days of satellite  
communications:

- ex-Comsat
- ex-Lockheed Martin
- ex-Telenor
- ex-France Telecom

## Sales Structure:

Indirect channel sales through 400 service  
providers to customers worldwide

Direct sales to maritime companies, governments &  
commercial organizations with high capacity data needs

## Key Customers:

- US Military
- Governments
- Media
- Industrial markets (mining,  
etc)

Maritime (high capacity - e.g. geo-survey, oil &  
gas, liquid transport, cruise & ferry)

Government & security services  
NATO, World Health Organization, Aid & NGO  
organizations, large commercial networks

# A Very Important Transaction

1. Inmarsat dominates MSS markets – with over 70% market share in 5 of 6 key customer markets.
2. Inmarsat has only weak competitors ... and, quite possibly, none will survive beyond a few years.
3. Distribution Partners (mainly Stratos & Vizada) have been the reason for securing lower prices to customers since 2004 --- Inmarsat have held prices and driven their profit margins up each year (to over 68% of sales in 2007)

# Inmarsat Market Dominance

Using market definitions contained in Inmarsat's Annual Reports, the data below demonstrates Inmarsat dominance in 5 of the 6 segments:

	<b>Maritime</b>	<b>Land</b>	<b>Aero</b>
Voice	>70%	Not Dominant	>70%
Data	>70%	>70%	>70%

Sources: JP Morgan & Vizada.

# Inmarsat's MSS Competition

Satellite Network Operator	Weakness
Iridium	<p>Limited data service offerings.</p> <p>Limited life of current satellite network.</p> <p>It is believed to be unlikely that Iridium can finance a new (replacement) \$2.7 billion satellite network.</p>
Globalstar	<p>Satellites can no longer support sustained voice calls.</p> <p>Satellite network continues to deteriorate and it is doubtful that they can complete financing for a new (replacement) satellite network.</p>
Thuraya	<p>Regional service.</p> <p>No effective maritime product.</p>

# Inmarsat's Maritime VSAT Competition

**Inmarsat captures over 95% of the installed maritime terminals**

	2004	2005	2006	2007
Inmarsat (MSS)	140,000	150,000	170,000	180,000
VSAT (FSS)	1,750	2,400	3,600	5,200

Source: Comsys 2008 Maritime VSAT Report

**VSAT services are limited to a distinct market (high bandwidth & higher cost) – VSAT will not compete for the 95% of the users that are currently on MSS service.**

## Average monthly spend for Inmarsat equipped vessels & VSAT equipped vessels

Inmarsat equipped vessels: \$200 - \$2,000 per month

VSAT equipped vessels:

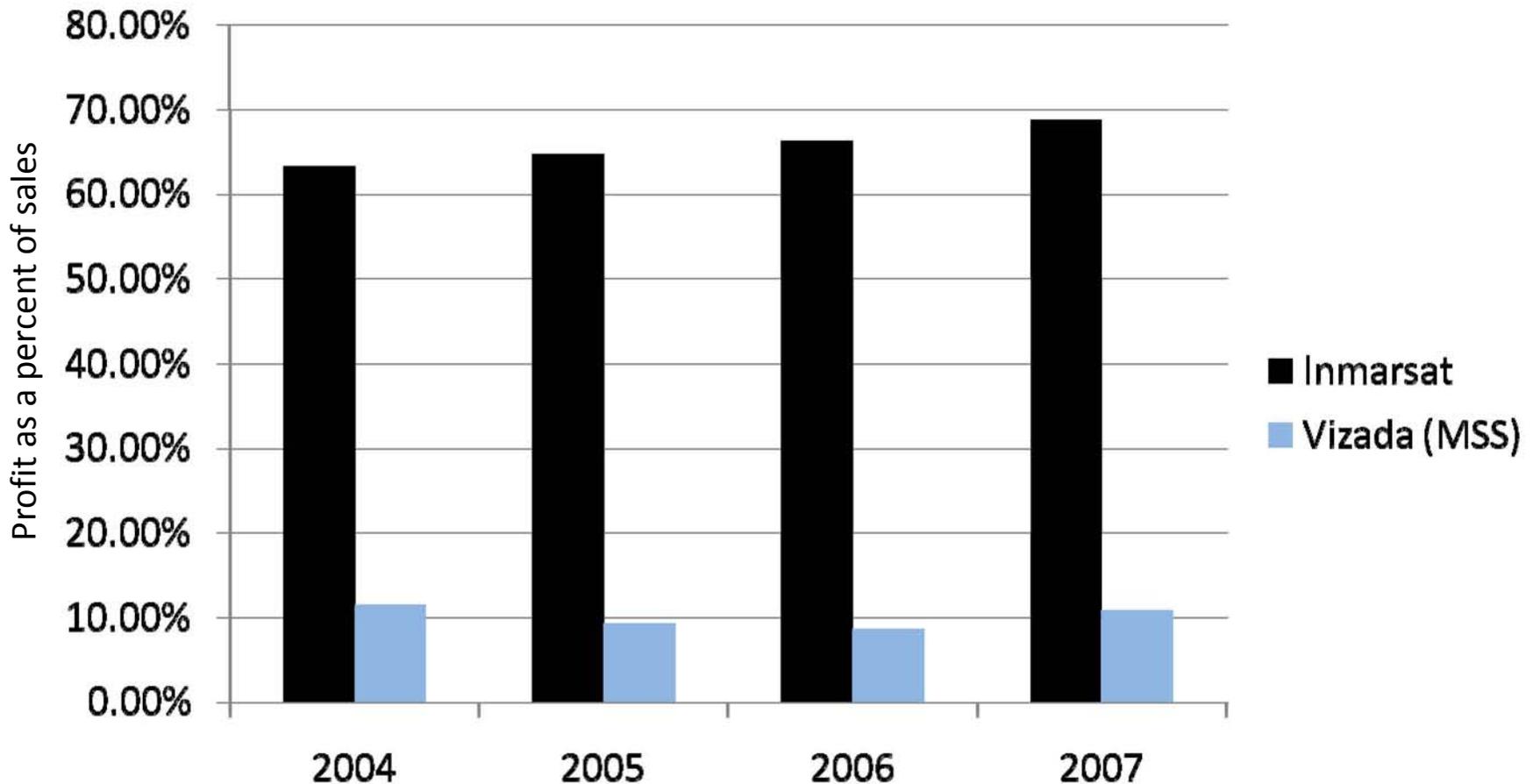
Ku-band systems \$5,700 average (all users) per month

C-band systems \$9,500 average (all users) per month

Source: JP Morgan & Vizada

# MSS Profitability (EBITDA Margins)

Profits largely taken by Inmarsat – not by Distributors



Sources: JP Morgan, Inmarsat Annual Reports & Vizada

# Customer Price Reductions – Come From Distributors – Not From Inmarsat

Prices have fallen due to the actions of Inmarsat's Distributors.

Maritime High Speed Data Example

Fleet High Speed Data	2004 / 2007
Inmarsat wholesale price change	- 4%
Vizada retail price change	- 23%

Retail competition amongst Distribution Partners (including Stratos & Vizada) is benefitting consumers – not wholesale level reductions from Inmarsat.

# Delay Does Not Prejudice Inmarsat

Inmarsat currently owns economic interest in Stratos through a trust structure created in 2007.

No third party shareholder is inconvenienced; Inmarsat is the sole interested party as purchaser in transaction

The *earliest* date on which Inmarsat may exercise its option is 14 April 2009, but **the option does not expire until 31 December 2010**

Inmarsat and Stratos each have represented that there is no intention to integrate Stratos operations during CY 2009

Inmarsat may engage in retail distribution after 14 April 2009 without regard to the Stratos transaction

# Requested Commission Actions

Grant Vizada's Application for Review.

Revoke or stay the Bureau order.

Require Inmarsat and Stratos to provide documents and share data on MSS market segments in order to make a full evaluation of the competitive consequences of the proposed transaction.

Condition any approval of the transaction on safeguards to preserve competition among distributors for the direct benefit of users dependent upon Inmarsat capacity, e.g., structural lines between Inmarsat in its capacity as a dominant wholesaler and Inmarsat/Stratos in its capacity as a major reseller competing with third party distributors (including Vizada).

# In Summary

This is a very important transaction and deserves detailed analysis by the Commission.

Contrary to Inmarsat claims, Inmarsat is – in fact – the dominant MSS provider, facing weak and dying competition and has already captured nearly all the profit in the supply chain.

Distributor competition (e.g., Stratos vs. Vizada) since 2004 has – alone – resulted in lower prices and new services for customers. Inmarsat profits increase every year (over 68% of revenue in 2007). It is not necessary (as they claim) to acquire Stratos for them to be able to lower prices to customers.

Timing is not sensitive: Inmarsat already consolidates Stratos, is appointing new Distribution Partners, changing future pricing conditions and has stated that existing activities will not change in 2009.

There is ample opportunity for the Commission to secure relevant data from the parties and undertake a detailed analysis.

We suggest a stay order on the IB decision to allow for a full review by the Commission.