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Quilty Analytics Answers Key Commercial Questions About New NGSO Broadband Constellations in Latest Edition of Its Satcom Quarterly Briefing

As investments in non-geostationary-satellite orbit (NGSO) systems continue to surge, briefing provides thought leadership on: “How much revenue do these new systems need to generate attractive returns for their investors?” and “Where is this revenue likely to come from?”

St. Petersburg, FL, August 21, 2020 – Quilty Analytics, the leading boutique firm for research, strategy, and investment banking advisory to the Satellite & Space industry, has issued to subscribers the latest edition of its Satcom Quarterly Briefing which focuses on: *NGSO Broadband Satellite Constellations – Their Markets and Prospects for Success*.

“The FCC’s approval of Amazon’s LEO satellite constellation on July 30th, along with Amazon’s same-day blog post confirming the company ‘will invest more than \$10 billion in Project Kuiper,’ represents a seismic jolt for the satcom and space industry,” said Chris Quilty, Partner of Quilty Analytics. “In addition to Kuiper, we have seen in recent weeks OneWeb’s likely emergence from bankruptcy backed by Bharti of India and the U.K. government, SpaceX affirming it will invest \$10 billion on Starlink, and SES contracting for four more O3b mPOWER satellites at \$566 million. The industry has now made combined commitments to new/expanded NGSO broadband constellations exceeding \$20 billion – a spectacular level of financial support for businesses that have zero revenue today except for O3b which began service in 2014.”

Key findings of Quilty’s “Mini-Dive” into LEO/MEO broadband satellite constellations include:

- For each \$1 billion in CapEx, these systems will likely need to generate ~\$600 million in “average peak year revenue” to realize attractive ROI, equating to sustained revenue in the outer years of our financial model comprising ~60% of total CapEx. This is based on planned satellite lifetimes and favorable OpEx assumptions (EBITDA margins). For \$20 billion in CapEx, the “average peak year revenue number” would be ~\$12 billion.
- To put this goal in context, Quilty estimates the entire satcom industry generates ~\$6 billion in wholesale capacity revenue supporting broadband data services – a number that has been fairly stable in recent years but is expected to decline in 2020 due to COVID-19. New LEO systems in the aggregate could face the challenge of having to triple this revenue by the end of the decade to realize an attractive ROI.

- Quilty sees the most promising end-markets as: *Carriers & Telcos*, *Consumer Broadband*, and *Government & Defense*. SpaceX Starlink and Amazon’s Project Kuiper are mostly targeting Consumer Broadband. We believe their plans will be focused on competing directly with terrestrial broadband (e.g., cable) versus just pursuing rural and remote markets or customers in developing regions. If Starlink and Kuiper can match the terrestrial broadband experience and price – big commercial and technical hurdles but ones they must surmount in almost any “major success scenario” – then the rest is mostly business execution at which Amazon, in particular, has proven to be unmatched.
- Quilty expects GEOs and NGSO systems to coexist throughout this decade. GEOs will be bolstered by new VHTS (very high throughput satellite) capacity but are still likely to play an increasingly smaller role in broadband while remaining relevant in video distribution as linear TV viewing continues its slow decline. We believe this video assessment was a factor in Intelsat and SES’s recent order of a combined 12 C-band satellites to serve U.S. broadcast markets and meet FCC’s C-band spectrum clearing deadlines supporting U.S. 5G implementation.

About Quilty Analytics <https://www.quiltyanalytics.com/>

Headquartered in St. Petersburg, FL, Quilty Analytics is an integrated consultancy and financial services boutique focused on the Satellite & Space industry. Drawing on decades of experience and in-depth knowledge of Satellite & Space markets, Quilty offers an unmatched combination of financial, technical, and strategic insights that drive better investment and policy decisions.

Quilty’s proprietary financial models and market assessments underpin our independent research, guidance, and investment banking – services we provide to a growing number of industry stakeholders. Sized and structured for rapid response, Quilty’s deep knowledge and expertise across Satellite & Space Markets are anchored by strong executive-level relationships and a rich transactional history.

To learn more about subscriptions to Quilty’s many evaluations on the space industry, including our Satcom Quarterly, please contact us at: info@quiltyanalytics.com

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