

# Iridium Communications, Inc. (Nasdaq: IRDM)

## Rating: Buy

Price Target: \$45.00

Share Price: \$21.61

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**April 23, 2025**

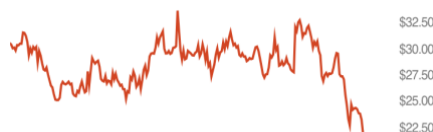
### Company Data

Average Daily Volume (M)	1.449
52-Week Range	19.91-35.85
Shares Outstanding (M)	108.16
Market Cap (M)	2,337.34
Enterprise Value (M)	4,105.80
Total Cash (M), mrq	50.9
Total Debt (M)	1,806.97
Total Debt to Cap	77.7%

### Estimates

FYE: Dec		2024A	2025E	2026E
EPS	Q1	\$0.16	0.27A	N/A
	Q2	\$0.27	\$0.28	N/A
	Q3	\$0.21	\$0.30	N/A
	Q4	\$0.32	\$0.30	N/A
	FY	\$0.96	\$1.15	\$1.41
P/E		22.5x	18.8x	15.3x
Rev	Q1	\$203.9	\$214.8A	N/A
	Q2	\$201.1	\$211.1	N/A
	Q3	\$212.8	\$223.4	N/A
	Q4	\$213.0	\$221.5	N/A
	FY	\$830.7	\$870.9	\$886.3
EV/Sales		4.9x	4.7x	4.6x

### One-Year Performance Chart



As of April 22, 2025. Source: E-Trade.

## Iridium Reports Solid 1Q Results and Reiterates 2025 Guidance. Maintain BUY and \$45 target.

### Key Points:

- **Strong 1Q 2025 results.** Iridium's 1Q print exceeded our expectations both on total revenue and on EPS (revenues of \$214.9M versus our \$210.0M estimate, and EPS of \$0.27 versus our \$0.26 estimate), and reiterated 2025 guidance that slightly exceeded our model's assumptions of 4.3% y/y revenue growth.
- **Total revenue** increased 5% y/y, including a 4% increase in total service revenue. Service revenue (mostly recurring revenue from Iridium's subscriber base), was 72% of total revenue in 1Q.
- **Commercial IoT data** revenue was \$43.8M, +11% y/y. Subscriber growth was 7% from the year-ago period to 1,885,000 subscribers, driven by continued growth in consumer communications devices. Average revenue per user (ARPU) was \$7.75 in 1Q, compared to \$7.57 last year. Government service revenue grew 1% to \$26.8M in 1Q, reflecting a contractual rate increase in the EMSS Contract.
- **Iridium's U.S. government business** ended the quarter with 133,000 subscribers, which compares to 145,000 for the prior-year quarter and 141,000 for 4Q'24. Management indicated that the government business has remained safe from the ongoing cost-cutting activities at various Federal agencies.

- **Guidance for 2025:** Total service revenue growth of 5%-7% for full-year 2025. Full-year 2025 O-EBITDA (Operational, or Adjusted EBITDA) of \$490M-\$500M million. O-EBITDA for 2024 was \$470.6 million. Net leverage below 4.0x O-EBITDA through 2026 and falling below 2.0x O-EBITDA by the end of the decade, assuming ongoing execution of Iridium's share repurchase authorization and the payment of expected quarterly dividends. Net leverage was 3.6x O-EBITDA on December 31, 2024.
- **Minimal changes to our model:** We are maintaining our 2Q'25 revenue estimate of \$211.1M. Our YE'25 revenue estimate increases slightly due to strong 1Q results, from \$866.0M to \$870.9M, implying 4.8% y/y growth; our O-EBITDA estimate for 2025 increases from \$498M to \$499.8M, and our 2025 EPS estimate increases from \$1.12 to \$1.15.
- **Tariff potential impact of ~\$3M mostly on Thailand-made equipment.** Management indicated on the earnings call that assuming a settled 10% tariff on equipment imports from their manufacturing base Thailand, the potential impact to O-EBITDA in 2025 would be ~\$3M, and that the company would be able to absorb this incremental expense without and change to net O-EBITDA guidance.
- **Maintaining Price Target at \$45.** Shares are currently trading at ~4.9x our revised FY25 O-EBITDA estimate of \$499.8M. In our opinion, IRDM shares can appreciate from current price levels, as Iridium shows acceleration of its previous ~4% revenue growth in FY24 to over 5% as its connectivity potential for mission-critical IoT networks begins to be realized. Our revised \$45 price target values IRDM shares at an EV/O-EBITDA multiple of ~10.2x our 2025 O-EBITDA estimate of \$499.8M.
- **IRDM shares have room for further price appreciation, we believe.**

## Key Investment Considerations

**Additional strategic partnerships are likely to fuel incremental O-EBITDA growth, in our view.** In 2024, Iridium delivered strong Operational EBITDA (O-EBITDA, akin to Adjusted EBITDA) of \$470M. We expect O-EBITDA to be \$499.88M in 2025, followed by accelerating O-EBITDA growth in 2026, with O-EBITDA margins remaining in the 58-59% range, pointing to strong OpEx discipline, a stable gross margin of ~49-50%, and predictable base case revenue growth of >5%. We believe that there is a high likelihood of gross margin expansion tied to strategic acquisitions that leverage Iridium's geolocation capabilities for intelligence and analytics applications.

## Valuation

In valuing Iridium, we believe that using valuation metrics from a mix of comparative technology companies can be helpful in assessing appropriate relative valuation multiples. Following our analysis, we conclude that an in line with peer risk-adjusted 10-12x EV/Forward target EBITDA multiple is appropriate, using our 2025 O-EBITDA estimate, yielding a \$45 price target. We view this multiple as being reasonable and consistent with Iridium's growth outlook and its peer group, as we believe that Iridium's growth and margin profile is in a secular uptrend and will see improvement over the next several quarters. We also believe that absent a negative guidance event (which we don't envision at this time), the estimate revision momentum for Iridium will likely remain positive.

## Risks to Price Target

Company-specific risks to the target price include:

**Iridium's customized hardware and software may be difficult and expensive to service, upgrade or replace.** Some of the hardware and software Iridium uses in operating its terrestrial gateways is significantly customized and tailored to meet its network's requirements and specifications and could be difficult and expensive to service, upgrade or replace.

**Rapid and significant technological changes in the satellite communications industry could negatively impact Iridium's competitive position and may require significant additional capital expenditures to address.** The satellite communications industry is subject to rapid advances and innovations in technology. The company could face competition in the future from companies using new technologies and new satellite systems, including new entrants who are developing or have announced alternative technologies, some of which would compete directly with one or more of Iridium's existing or planned products and services.

**Iridium's satellite networks and those of third-party service providers may be vulnerable to cybersecurity risks.** The secure transmission of confidential information over public networks continues to be a critical element of the company's ability to compete for business, manage risks, and protect its customers and reputation. Iridium's network, including third-party service providers and their customers, may be vulnerable to unauthorized access, computer attacks, viruses and other security problems. The company may be required to expend significant resources to respond to, contain, remediate, and protect against these attacks and threats, including compliance with applicable data breach and security laws and regulations, and to alleviate problems, including reputational harm and litigation, caused by such security incidents.

**Iridium's business plan depends on increased demand for mobile satellite services.** The company's business plan is predicated on growth in demand for mobile satellite services. Demand for mobile satellite services may not grow, or may even contract, either generally or in particular geographic markets, for particular types of services or during particular time periods. A lack of demand could impair Iridium's ability to sell products and services, develop and successfully market new products and

services, and could exert downward pressure on prices. Any decline in prices would decrease the company's revenue and profitability and negatively affect its ability to generate cash for debt reduction, capital expenditures, investments, and other working capital needs.

**Iridium's agreements with U.S. government customers, particularly the DoD, which represent a significant portion of its revenue, are subject to termination and renewal.** The U.S. government, through a dedicated gateway owned and operated by the DoD, has been and continues to be, directly and indirectly, Iridium's largest customer, representing over 20% of total revenue. The incoming Republican administration has articulated its stated desire to dramatically reduce government agency spending, which could have a sudden and significant impact on Iridium's revenue outlook.

**Aireon, the company's primary hosted payload customer, may not successfully grow its business, which could reduce or eliminate the value of its agreements with, and ownership interest in Aireon.** Aireon is Iridium's primary hosted payload customer, and management expects annual revenue from Aireon hosting, data services and power fees to exceed \$30 million annually. Aireon's business model requires expansion of its customer base to achieve its projected financial results, which may not occur as projected, or at all. If Aireon does not achieve its projected results, it may not be able to pay Iridium the contractually required hosting, data services and power fees in a timely manner or at all.

**Iridium's failure to effectively manage the expansion of its portfolio of products and services could impede the company's ability to execute its business plan.** In order to achieve its anticipated future revenue growth, Iridium must develop and market new products and services. These efforts currently face a variety of challenges, including maintaining the infrastructure and systems necessary to manage the growth of its business. As Iridium's product and service portfolio continues to expand, the responsibilities of the management team and demands on company resources also increase. This may further strain management and other company resources with the increased complexities and administrative burdens associated with a larger, more complex portfolio of products and services.

**Iridium is heavily dependent on third parties to market and sell its products and services. Their inability to do so effectively could impair the company's revenue and reputation.** Iridium selects third-party distributors, in some cases on an exclusive basis, and relies on them to market and sell its products and services to end users and to determine the prices end users pay. The company also depends on these distributors to develop innovative and improved solutions and applications integrating the company's product and service offerings. As a result of these arrangements, Iridium is dependent on the performance of its distributors to generate most of its revenue. These distributors operate independently of Iridium, and the company has limited control over their operations. Distributors may not commit the same level of resources to market and sell Iridium's products and services that the company itself would and may also market and sell competitive products and services. If Iridium's distributors develop faulty or poorly performing products using Iridium's technology or services, the company may be subject to claims, and its reputation could be harmed.

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All figures in millions of U.S. Dollars except % and per share items.

**Iridium Communications Inc.**  
(IRDM-NASDAQ)

	DEC '21 FY	DEC '22 FY	DEC '23 FY	MAR '24 Q1	JUN '24 Q2	SEP '24 Q3	DEC '24 Q4	DEC '24 FY	MAR '25 Q1	JUN '25 Q2E	SEP '25 Q3E	DEC '25 Q4E	DEC '25 FYE	DEC '26 FYE
<b>Sales</b>	<b>\$614.50</b>	<b>\$721.03</b>	<b>\$790.72</b>	<b>\$203.85</b>	<b>\$201.07</b>	<b>\$212.77</b>	<b>\$212.99</b>	<b>\$830.68</b>	<b>\$214.88</b>	<b>\$211.12</b>	<b>\$223.41</b>	<b>\$221.51</b>	<b>\$870.92</b>	<b>\$886.34</b>
<b>Revenue Growth (%):</b>														
Year/Year	5.3%	17.3%	9.7%	-0.7%	4.1%	7.7%	9.4%	5.1%	5.4%	5.0%	5.0%	4.0%	4.8%	6.7%
Quarter/Quarter	NA	NA	NA	4.7%	-1.4%	5.8%	0.1%	NA	0.9%	-1.7%	5.8%	-0.8%	NA	NA
Cost of Goods Sold (COGS) incl. D&A	455.83	504.63	507.62	110.07	104.19	107.78	111.66	433.70	113.32	108.73	115.06	112.97	450.08	438.74
COGS excluding D&A	150.40	201.15	225.12	60.33	53.41	56.62	60.21	230.57	61.65	56.73	63.06	60.97	242.41	218.74
Depreciation & Amortization Expense	305.43	303.48	282.50	49.74	50.78	51.16	51.45	203.13	51.67	52.00	52.00	52.00	207.67	220.00
<b>Gross Income</b>	<b>158.67</b>	<b>216.40</b>	<b>283.11</b>	<b>93.78</b>	<b>96.88</b>	<b>104.99</b>	<b>101.33</b>	<b>396.98</b>	<b>101.56</b>	<b>102.39</b>	<b>108.35</b>	<b>108.54</b>	<b>420.85</b>	<b>447.60</b>
<b>Gross Margin:</b>	<b>25.8%</b>	<b>30.0%</b>	<b>35.8%</b>	<b>46.0%</b>	<b>48.2%</b>	<b>49.3%</b>	<b>47.6%</b>	<b>47.8%</b>	<b>47.3%</b>	<b>48.5%</b>	<b>48.5%</b>	<b>49.0%</b>	<b>48.3%</b>	<b>50.5%</b>
SG&A	100.47	123.50	143.71	36.81	46.72	43.55	40.70	167.78	35.75	42.22	43.56	44.30	165.84	172.84
Pct. of Sales:	16.4%	17.1%	18.2%	18.1%	23.2%	20.5%	19.1%	20.2%	16.6%	20.0%	19.5%	20.0%	19.0%	19.5%
Research & Development	11.89	16.22	20.28	7.20	6.51	6.19	8.52	28.42	5.42	6.20	6.20	6.20	24.02	25.00
<b>EBIT (Operating Income)</b>	<b>46.31</b>	<b>76.68</b>	<b>119.12</b>	<b>49.77</b>	<b>43.65</b>	<b>55.25</b>	<b>52.12</b>	<b>200.79</b>	<b>60.39</b>	<b>53.97</b>	<b>58.59</b>	<b>58.04</b>	<b>230.98</b>	<b>249.76</b>
Nonoperating Income - Net	(0.42)	5.61	16.73	2.57	1.68	3.86	0.83	8.94	(1.69)	4.00	4.50	4.50	11.32	16.00
Nonoperating Interest Income	0.00	7.00	12.72	2.52	2.32	3.55	0.33	8.72	0.00	3.50	4.00	4.00	11.50	14.00
Equity in Earnings of Affiliates	0.00	(1.50)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Income (Expense)	(0.42)	0.11	4.01	0.04	(0.65)	0.31	0.50	0.20	(1.69)	0.50	0.50	0.50	(0.19)	2.00
Interest Expense	73.91	72.09	99.71	23.19	26.12	27.80	22.43	99.54	21.82	26.00	26.00	25.00	98.82	100.00
Gross Interest Expense	76.05	74.68	103.33	24.24	27.31	29.07	23.43	104.05	22.82	25.00	25.00	25.00	97.82	90.00
Interest Capitalized	2.15	2.59	4.97	1.06	1.19	1.27	1.00	4.52	1.00	1.00	1.00	1.00	4.00	4.00
Extraordinary Expense - Net	0.88	1.19	37.50	0.00	0.00	0.40	0.00	0.40	0.00	0.00	0.00	0.00	0.00	1.19
Excl Chrgs - Others	0.88	1.19	37.50	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Restructuring of Debt	0.88	1.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Pretax Income</b>	<b>(28.89)</b>	<b>9.01</b>	<b>(4.76)</b>	<b>29.15</b>	<b>19.20</b>	<b>30.92</b>	<b>30.51</b>	<b>109.78</b>	<b>35.88</b>	<b>32.97</b>	<b>38.09</b>	<b>37.54</b>	<b>144.48</b>	<b>175.76</b>
Income Taxes	(19.57)	0.29	(14.23)	7.93	4.57	6.01	(6.24)	12.27	5.82	1.00	4.00	4.00	14.82	16.00
Equity in Earnings of Affiliates	0.00		(4.61)	(1.57)	17.70	(0.47)	(0.41)	15.25	(0.65)	0.00	0.00	0.00	(0.65)	0.00
<b>Net Income</b>	<b>(9.32)</b>	<b>8.72</b>	<b>15.41</b>	<b>19.65</b>	<b>32.34</b>	<b>24.45</b>	<b>36.34</b>	<b>112.78</b>	<b>30.41</b>	<b>31.97</b>	<b>34.09</b>	<b>33.54</b>	<b>130.01</b>	<b>159.76</b>
<b>Per Share</b>														
EPS (diluted)	(\$0.07)	\$0.07	\$0.14	\$0.16	\$0.27	\$0.21	\$0.32	\$0.96	\$0.27	\$0.28	\$0.30	\$0.30	\$1.15	\$1.41
Diluted Shares Outstanding	133.53	128.26	126.19	123.99	121.24	118.11	114.90	119.56	114.00	114.00	113.00	113.00	113.50	113.00

Source: FactSet Fundamentals; Kingswood Capital Partners estimates.

<b>EBITDA</b>														
O-EBITDA	378.2	423.9	463.0	115.0	114.0	124.4	117.1	470.5	122.1	124.0	127.2	126.5	499.8	526.1
O-EBITDA Margin:	61.5%	58.8%	58.6%	56.4%	56.7%	58.5%	55.0%	56.6%	56.8%	58.7%	56.9%	57.1%	57.4%	59.4%
<b>O-EBITDA Growth (%):</b>														
Year/Year	6.4%	12.1%	9.2%	2.8%	-1.6%	2.6%	2.7%	1.6%	6.2%	8.8%	2.2%	8.1%	6.2%	11.8%
Quarter/Quarter	NA	NA	NA	0.8%	-0.9%	9.1%	-5.9%	NA	-74.0%	1.5%	2.6%	-0.5%	NA	NA
EBITDA	351.7	380.2	400.6	99.5	94.4	106.4	103.6	403.9	112.1	106.0	110.6	110.0	438.7	469.8
EBIT	46.3	76.7	119.1	49.8	43.7	55.3	52.1	200.8	60.4	54.0	58.6	58.0	231.0	249.8
Depreciation & Amortization Expense	305.4	303.5	282.5	49.7	50.8	51.2	51.4	203.1	51.7	52.0	52.0	52.0	207.7	220.0

Source: Company reports; Kingswood Capital Partners estimates.

## **DISCLOSURES**

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## Company-Specific Disclosures

Distribution of Ratings				
Kingswood Capital Partners, LLC				
Investment Banking Services/Past 12 Months				
Rating	Count	Percent	Count	Percent
BUY	6	75.00	2	33.33
HOLD	1	12.50	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	12.50	1	100.00

As of March 2025.

## Iridium Communications Rating History as of April 22, 2025



Source: E-Trade.

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