

Iridium Communications, Inc. (Nasdaq: IRDM)

Rating: Buy

Price Target: \$35.00

Share Price: \$18.14

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Company Data

Average Daily Volume (M)	2.71
52-Week Range	17.08-34.45
Shares Outstanding (M)	104.75
Market Cap (M)	1,980
Enterprise Value (M)	3,710
Total Cash (M), mrq	88.53
Total Debt (M)	1,810
Total Debt to Cap	80%

Estimates

	FYE: Dec	2024A	2025E	2026E
EPS	Q1	\$0.16	0.27A	N/A
	Q2	\$0.27	0.20A	N/A
	Q3	\$0.21	\$0.35A	N/A
	Q4	\$0.32	\$0.26	N/A
	FY	\$0.96	\$1.08	\$1.12
P/E		18.9x	16.8x	16.2x
	Q1	\$203.9	\$214.8A	N/A
	Q2	\$201.1	\$216.9A	N/A
	Q3	\$212.8	\$226.9A	N/A
	Q4	\$213.0	\$219.4	N/A
Rev	FY	\$830.7	\$878.1	\$897.4
EV/Sales		4.6x	4.3x	4.1x

One-Year Performance Chart



As of July 28, 2025. Source: E-Trade.

Adjusting 2025 and 2026 Estimates After Revised Guidance. Trimming Price Target to \$35. Maintain BUY Rating.

Key Points:

Adjusting estimates consistent with revised guidance. We are fine-tuning our revenue, Adjusted (Operational) EBITDA and EPS estimates for the remainder of 2025 and for 2026. During the 3Q earnings call on Thursday, management indicated that Iridium remains on track for 5-6% Operational EBITDA growth in 2025, but again trimmed its outlook for service revenue growth, now expected to grow ~3% in 2025 (previously 3-5%). The reduction is driven by three variables: (1.) A fall in commercial voice and data subscribers by 3% to 411K subs y/y; (2.) Continued subscriber reductions in the government vertical (124K subs vs 141K a year ago); and (3.) Lower commercial broadband revenue, with subscribers declining by 2% y/y to 16.3K subs. These negative y/y comparisons were offset by continued strength in Iridium's IoT data business, with revenue up 7% y/y and monthly ARPU up from \$7.79 to \$7.95

Our revised estimates for 2025 and 2026, respectively, are: \$878M and \$897M in revenue (previously \$872M and \$899M); \$499M and \$514M in O-EBITDA (previously \$492M and \$501M), and EPS of \$1.08 and \$1.12 (previously \$0.95 and \$1.10). We expect Iridium's blended gross margin to remain in the 47% range, and SG&A to be in the 18-19% range (we previously were modeling in the 20% range).

Additional revised guidance for 2025:

- Total service revenue growth of ~3% for full-year 2025. (Previously, guidance for total service revenue growth was between 3% and 5% for full-year 2025). Total service revenue for 2024 was \$614.9M.
- Full-year 2025 O-EBITDA between \$495M and \$500M (previously between \$490M and \$500M). O-EBITDA for 2024 was \$470.6M.
- Cash taxes of <\$10M per year through 2027, with the longer-term cash tax rate moving closer to the statutory rate in 2029.
- ARPU for voice and data expected to be running at \$48/month.
- Management intends to pause its share buyback program, which should add ~\$50M to the company's cash position (likely to be used for M&A activities, we believe).
- Net leverage below the current 3.5x O-EBITDA through 2026 and falling below 2.0x O-EBITDA by the end of the decade. Net leverage was 3.6x O-EBITDA at YE'24.

Reducing Price Target to \$35 from \$45. Shares are currently trading at ~5-6x our revised FY25 O-EBITDA estimate of \$499M. In our opinion, IRDM shares can appreciate from current price levels, as Iridium we believe will show acceleration of its now-reduced ~3% revenue growth in FY25 as its connectivity with established Mobile Network Operators as well as mission-critical IoT networks begins to be realized. Our revised \$35 price target values IRDM shares at an EV/O-EBITDA multiple of 7-8x our revised 2025 O-EBITDA estimate of \$499M.

IRDM shares are currently attractive after the post-earnings pullback and have room for further price appreciation, we believe.

Key Investment Considerations

The EchoStar-Starlink spectrum deal could finally make Starlink an industry disruptor. Iridium's CEO Matt Desch began his earnings call monologue with an unusually direct assessment of the potentially disruptive acquisition of EchoStar's spectrum by Starlink, announced last month. The shift in the satellite communications industry's competitive landscape as a result of this transaction, we believe, will likely hasten the tempo of sector-specific M&A deals, and will likely also bring new levels of both services innovation and price competition to satellite voice and data services, including IoT. These industry forces, we believe, will likely force Iridium to further focus on its core strengths (reliability, mission critical communications, and coverage ubiquity) where entry barriers and established defensive market positions are difficult to upend. Iridium's PNT (positioning, navigation, and timing) service will likely evolve as the "Gold Standard" for mission-critical alternatives to GPS, as the reliability and integrity of that infrastructure becomes increasingly vulnerable to hacking and compromise.

Additional strategic partnerships are likely to fuel incremental O-EBITDA growth, in our view. With a growing network of over 500 partners and value-added resellers covering multiple industry verticals, the Company we believe will continue to actively recruit new VARs in order to expand its addressable markets in multiple world geographies. So far in 2025, the company already added 75 new partners, and we think that the growth rate of new partnerships will likely accelerate into 2026. Moreover, the more recent partnership deals signed by Iridium show no signs of less-favorable deal terms or partnership economics. This expansion, we believe, can be accomplished within the current SG&A framework and will likely not incur material increases in OpEx levels.

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.

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

	DEC F	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 Q2	SEP '25 Q3	DEC '25 Q4E	DEC '25 FYE	DEC '26 FYE
Sales		\$614.50	\$721.03	\$790.72	\$203.85	\$201.07	\$212.77	\$212.99	\$830.68	\$214.88	\$216.91	\$226.94	\$219.38	\$878.10	\$897.42
Revenue Growth (%):															
Year/Year		5.3%	17.3%	9.7%	-0.7%	4.1%	7.7%	9.4%	5.1%	5.4%	7.9%	6.7%	3.0%	5.7%	2.2%
Quarter/Quarter		NA	NA	NA	4.7%	-1.4%	5.8%	0.1%	NA	0.9%	0.9%	4.6%	-3.3%	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	117.74	116.40	116.27	463.73	466.66	
COGS excluding D&A	150.40	201.15	225.12	60.33	53.41	56.62	60.21	230.57	61.65	64.91	63.42	64.27	254.25	246.66	
Depreciation & Amortization Expense	305.43	303.48	282.50	49.74	50.78	51.16	51.45	203.13	51.67	52.84	52.98	52.00	209.48	220.00	
Gross Income	158.67	216.40	283.11	93.78	96.88	104.99	101.33	396.98	101.56	99.16	110.54	103.11	414.37	430.76	
Gross Margin:	25.8%	30.0%	35.8%	46.0%	48.2%	49.3%	47.6%	47.8%	47.3%	45.7%	48.7%	47.0%	47.2%	48.0%	
SG&A	100.47	123.50	143.71	36.81	46.72	43.55	40.70	167.78	35.75	44.63	35.51	39.49	155.38	170.51	
Pct. of Sales:	16.4%	17.1%	18.2%	18.1%	23.2%	20.5%	19.1%	20.2%	16.6%	20.6%	15.6%	18.0%	17.7%	19.0%	
Research & Development	11.89	16.22	20.28	7.20	6.51	6.19	8.52	28.42	5.42	4.28	4.94	5.50	20.14	21.00	
EBIT (Operating Income)	46.31	76.68	119.12	49.77	43.65	55.25	52.12	200.79	60.39	50.26	70.09	58.12	238.85	239.25	
Nonoperating Income - Net	(0.42)	5.61	16.73	2.57	1.68	3.86	0.83	8.94	(1.69)	(1.73)	2.00	2.00	0.58	6.00	
Nonoperating Interest Income	0.00	7.00	12.72	2.52	2.32	3.55	0.33	8.72	0.00	0.00	4.00	4.00	8.00	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)	(1.73)	0.37	0.50	(2.54)	2.00	
Interest Expense	73.91	72.09	99.71	23.19	26.12	27.80	22.43	99.54	21.82	22.75	22.59	23.00	90.17	90.00	
Gross Interest Expense	76.05	74.68	103.33	24.24	27.31	29.07	23.43	104.05	22.82	21.75	22.59	23.00	90.17	87.00	
Interest Capitalized	2.15	2.59	4.97	1.06	1.19	1.27	1.00	4.52	1.00	1.00	0.00	0.00	2.00	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	0.00	
Exclpi 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	
Pretax Income	(28.89)	9.01	(4.76)	29.15	19.20	30.92	30.51	109.78	35.88	25.78	49.49	37.12	148.27	158.25	
Income Taxes	(19.57)	0.29	(14.23)	7.93	4.57	6.01	(6.24)	12.27	5.82	3.81	10.00	10.00	29.63	40.00	
Equity in Earnings of Affiliates	0.00	(4.61)	(1.57)	17.70	(0.47)	(0.41)	15.25	(0.65)	0.00	(0.73)	0.00	(1.38)	0.00		
Net Income	(9.32)	8.72	15.41	19.65	32.34	24.45	36.34	112.78	30.41	21.97	37.13	27.12	116.63	118.25	
Per Share															
EPS (diluted)	(\$0.07)	\$0.07	\$0.14	\$0.16	\$0.27	\$0.21	\$0.32	\$0.96	\$0.27	\$0.20	\$0.35	\$0.26	\$1.08	\$1.12	
Diluted Shares Outstanding	133.53	128.26	126.19	123.99	121.24	118.11	114.90	119.56	114.00	108.16	104.75	105.00	107.98	106.00	

Source: FactSet Fundamentals; Kingswood Capital Partners estimates.

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

Source: Company reports; Kingswood Capital Partners estimates.

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Services/Past 12 Months				
Rating	Count	Percent	Count	Percent
BUY	9	81.81	2	22.22
HOLD	1	9.09	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	9.09	1	100.00

As of June 2025.

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Iridium Communications Rating History as of July 28, 2025



Source: E-Trade.

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