

DARS ROUNDUP

XM's parking service

XM demonstrated a new parking space location service this month. The technology will allow its subscribers to view the number of spaces available in car parks through their XM receiver. This was developed with Nu-Metrics and InfoGation.

XM promote Snoop

Sirius may have Howard Stern, but XM has made a major signing of its own with the promotion of US rap artist Snoop Dogg to the position of executive producer on XM's rap station, The Rhyme. Dogg currently presents his own programme on the channel, but the multi-platinum selling artist will now be in charge of its entire musical direction.

XM on DirecTV

DirecTV has begun broadcasting XM content over its platform. The DTH company will initially broadcast 74 XM stations.

Dropping price as Stern arrives

The arrival of Howard Stern on Sirius in January, considered the DARS player's coup de grace, will be met by XM with a price drop. The company will be giving a US\$50 cash back offer to purchasers of certain receivers. XM's manufacturing partners are also dropping prices.

Terrestrial alliance not a threat

The coming together of seven of the top US radio companies, known as the 'terrestrial radio alliance', will not threaten the DARS players for a while yet, according to analysts. The seven players have got together to accelerate the rollout of HD radio. "HD radio, in our view, is unlikely to pose a significant threat to satellite radio in the near-to-mid term," wrote Bear Stearns analyst Robert Peck.

Sirius' pocket device

The Christmas and new year period is a crucial one for Sirius as its trump card Howard Stern comes on air. The company is hoping that its new pocket device, the S20, will also be a hit in the festive sales as it seeks to close the gap with XM. The S20 allows you to download music and record Sirius programming. XM's first portable player will come to the market early next year.

coms services – 25%, special operations – 25% and network services – 20%. The network services revenue includes a 50-state network for the US government's Department of Homeland Security.

GLOBECOMM GETS GOING

Globecomm Systems announced record results for its last quarter and good gains in its government business. The situation has not always been so rosy. "If you remember where we've been – we were losing between US\$15m and US\$20m a year for a few years during the downturn," Globecomm CEO Dave Hershberg told *SatelliteFinance* in a recent interview. "The year before last we were positive in the last quarter and had positive EBITDA for the year. The year we just finished on June 30 we were profitable for the whole year."

Hershberg believes that, from here, the company will be able to benefit from outgoings remaining at a constant level, save salary increases, pushing revenue increase directly to the bottom line. He pointed out that Globecomm has worked hard recently in increasing the ratio at which revenue is translated into net profit. "This year we increased our bottom line by 250% with only an 18% increase in revenue," he said. "If we can increase revenue by a further 20% we might be able to increase the bottom line 300%. We're really at a point now where we've got everything paid for."

The change in fortunes has come from the traditional spurs of cutting capex and increasing revenue. Since the downturn, Globecomm has shed a huge number of fixed expenses in long term satellite capacity and fibre contracts, signed in the bubble, that it has now bought out of. At one point the company had US\$135m of space contracts for which it had minimal use. The capex savings have been huge.

Revenue growth has been driven strongly by the company's move into US government business three years ago. The size of the US government as a satellite services customer has seen it move from making up 5% of Globecomm's revenue three years ago to around 45% today. "It's a lot easier to sell Washington than in Lagos," said Hershberg.

Boldly going into enterprise

Hershberg says that the company has also been growing its enterprise business with a major bank and retailer Home Depot now its biggest clients on that side. The company is currently running a lot of pilot programmes to back up

existing terrestrial infrastructure. Globecom also has a deal with a company called Agility Recovery Solutions which installs shelters containing data and call centres in times of emergency such as the recent hurricanes. Globecom links these shelters to the necessary networks.

Hershberg believes that long-term prospects for government business are good. "The US government uses more and more data. Our teleport on Long Island is the furthest East so we have good look angles to satellites in the Middle East," he said. "I don't believe a change in the US government would affect our business to much either. We have a very small market share and I believe we will keep that."

Outside of the military segment, Globecom's revenue breaks down into 20% services – which is a growing part of the business – and around 30% infrastructure building for carriers.

The company is excited about a number of new technology-backed services including putting in mobile base stations to remote areas, a new transportable terminals business and VoIP / IPTV projects. "We are involved in an awful lot," said Hershberg.

Refinancing sorted

"We've been fortunate to have a bank like Silicon Bank which was happy to give us credit even when we were losing money," said Hershberg. Globecom recently extended its loan with Silicon Valley Bank, part of the SVB Financial Group, from US\$16.5m to US\$20m. The company will be using this to back up letters of credit and existing bid proposals. The new facility also carries lower interest. "We have never used that credit line. We only have it to secure letters of credit or performance bonds. We try not to borrow money: our margins are thin," said Hershberg.

Globecom is currently on the look out for acquisitions of the right kind. There has been difficulty in finding a company with the right synergies and the right price that is profitable. The search continues as Hershberg keeps looking for bottom line growth.

■ Echostar has got its town, with the announcement that Dish, Texas is now on the map. The DTH company offered any US town or village 10 years free satellite TV in return for changing its name to Dish. The village of Clark near Fort Worth, Texas, took up the opportunity. It was a bright ploy from the marketing experts at Echostar: Clark / Dish currently has 125 inhabitants and connecting them will not represent a huge capital outlay.

Global services

CAPROCK SOLD TO ABRY

Caprock Communications was sold to Abry Partners this month for a price of around US\$200m. Certain other equity backers are also understood to have come into the deal. The sale was managed by *Wachovia* and represents a 6.6x EBITDA multiple.

Selling shareholders, Riverside and Genesis Park, paid US\$21m for Caprock in 2002. The company spent 2004 hiring and acquiring, adding new executives, new territories and a number of new companies. This year it quietly became a US\$100m revenue company and management believes it now has sufficient mass to call itself a real global company.

Peter Shaper, the company's current CEO, was originally a founder member of Genesis Park. Caprock Communications sells satellite services to the maritime, oil and gas, mining, government and other sectors with offices in the US, UK, Indonesia and Brazil. Among its competitors is Stratos Global, which is itself in acquisitive mode at the moment, although perhaps possibly focused on the Inmarsat LESO community.

Caprock management had been keen to remain in strategic control of the asset rather than hand the reins over to a strategic partner with differing ideas. Whether this is the case with the Abry takeover is not yet clear.

Debt package coming

The debt package related to the purchase will be arranged by *Merrill Lynch*. The company's sale has often been said to be following in the footsteps of Maritime Telecommunications Networks (MTN), which carried out a successful sale to Perseus Capital earlier this year, although at just over half the value. The debt package appears to be no different. Caprock's LBO deal will include a US\$115m term loan maturing over six years, a US\$36m, seven year second priority loan and may include a US\$30m revolver. These were due to be launched as SatelliteFinance was going to press.

MTN's LBO financing this year, by comparison, was a US\$45m six year term loan B priced at c.350bp, a US\$27.5m 6.5 year second-lien term loan priced at c.700bp and a US\$5m five year revolver priced at c.350bp. Telecoms spreads have, if anything, tightened since the MTN deal and Caprock may be able to push for slightly better terms.

Moody's has rated Caprock's US\$115m term loan at B2 and its US\$36m loan at B3.