Iridium Communications Inc.

Third Quarter 2025 Earnings Conference Call

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CORPORATE PARTICIPANTS

Matthew Desch--*Chief Executive Officer*

Vincent O'Neill--*Chief Financial Officer*

Kenneth Levy--*Vice President, Investor Relations*

PRESENTATION

Operator
Good day, and welcome to Iridium's Third Quarter 2025 Earnings Conference Call. [Operator Instructions].

I would now like to turn the conference over to Ken Levy, Vice President of Investor Relations. Please go ahead.

Kenneth Levy
Thanks, Chloe. Good morning, and welcome to Iridium's third quarter 2025 earnings call. Joining me on today's call are our CEO, Matt Desch; and our CFO, Vince O'Neill. Today's call will begin with a discussion of our third quarter results, followed by Q&A. I trust you've had the opportunity to review this morning's earnings release, which is available on the Investor Relations section of Iridium's website.

Before I turn things over to Matt, I'd like to caution all participants that our call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical fact and include statements about our future, expectations, plans and prospects. Such forward-looking statements are based upon our current beliefs and expectations and are subject to risks, which could cause actual results to differ from forward-looking statements.

Such risks are more fully discussed in our filings with the Securities and Exchange Commission. Our remarks today should be considered in light of such risks. Any forward-looking statements represent our views only as of today, and while we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so even if our views or expectations change.

During the call, we'll also be referring to certain non-GAAP financial measures, including operational EBITDA, pro forma free cash flow, free cash flow yield and free cash flow conversion. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles. Please refer to today's earnings release in the Investor Relations section of our website for further explanation of these non-GAAP financial measures and a reconciliation to the most directly comparable GAAP measures.

With that, I'd like to turn the call over to Matt.

Matthew Desch
Good morning, everyone. We just finished another solid quarter, which puts us on track to meet our OEBITDA growth expectations for the year. I'd like to use my time today to share some broader thoughts about the satellite space and our plans to address and capitalize on the changing landscape. Vince will then recap Iridium's quarterly performance in greater detail and highlight the trends we have seen since our last earnings call.

As you are well aware, the recent proposed acquisition of EchoStar spectrum by Starlink to build a global D2D capability is a significant event for the satellite industry. We believe this acquisition will likely be disruptive to the status quo and will hasten the introduction of a global service that, over time, will connect new smartphones configured to use this spectrum. It could also accelerate the adoption of IoT devices that better compete with our global IoT services, at least better than

the current D2D efforts using cellular spectrum on a regional basis in a few countries around the world.

We acknowledge that more competition is coming to our corner of the satellite market. We take this increased competition seriously and believe that this development will affect us as early as the latter years of this decade and most certainly into the 2030s. Now that being said, we do have exciting prospects, as well as an enviable position in established growing markets because of the quality and durability of our partnerships and satellite solutions. We have tremendous experience developing thousands of Iridium-connected solutions that are already into the market.

This knowledge and our network will serve us well in responding to the changes taking place in the industry today. To be clear, we will be proactive and pivot to strengthen our position, amid ongoing changes to the satellite market landscape. We have a long history of doing this and I'm confident we will be successful and can continue to grow revenues as the market for satellite services evolve.

Iridium has focused on providing unique specialized services in the satellite industry. While we have some areas of overlap with other satellite providers, we have never sought to participate in price-driven commodity markets, and we don't plan to now. Our current development of Iridium NTN Direct is a great entry point into providing a new standards-based D2D service that will expose us to a new and potentially larger market opportunity. However, broadband D2D is still a nascent unproven market. And absent a partner with spectrum and committed capital to support this type of build-out, we have no plans to go it alone.

As we think about our long-term future and think about the services we'd include in a follow-on constellation, we will look to opportunities that provide us with the greatest return on capital. And for now, 5G broadband doesn't fit that profile for us. Instead, we plan to build on our market strengths and focus even more deeply on the areas we are uniquely qualified to deliver.

This includes continuing to prudently invest in new growth areas around our unique industrial-grade IoT and PNT services and exploring acquisitions in adjacent areas that are complementary. We will focus on regulated applications where demand for safety services are growing, and our unique global satellite capability can provide a critical solution, such as maritime and aviation cockpit safety services.

In addition, we believe Iridium has a strong and defensible position in the growing autonomous systems market as a failsafe connection for drones, crewless vessels and other autonomous vehicles. These vehicles will need multiple redundant connections for safety and reliability, and will also appreciate our PNT technology to protect their location and navigation.

As I said before, we will continue with our investment in Iridium NTN Direct. Our development work with standards-based IoT continues to provide an exciting opportunity and is complementary to other D2D efforts in the industry. We are making strong progress on this new service, and we're now in the process of on-air testing from live satellites. We are getting good traction from mobile network operators.

You likely saw our announcements with Deutsche Telekom and Karrier One, and there are more announcements to come. We're finding demand from MNOs for a global Iridium service onto which their IoT customers can roam, and we believe Iridium NTN Direct will augment our already successful and growing IoT portfolio and expand our addressable market into the broader terrestrial IoT space.

We will also seek to build or acquire intellectual property and assets that provide Iridium other outlets for growing new revenue streams that won't compete directly with these new D2D services coming in a few years. For example, Iridium has a very unique platform with our powerful new PNT service which has the ability to reshape security applications and fortify terrestrial networks. We're seeing a lot of traction in a number of commercial and government industries that need an alternative to GPS for critical infrastructure, protection for their navigation systems and accurate in-building time sources in addition to other security uses.

We are also developing a unique quantum-safe cybersecurity product using our PNT signal that can improve Identity Access Management and provide authentication for high-value transactions, tapping into the $20 billion identity verification industry and creating a new revenue stream. Even capturing a small portion of this growing market would be meaningful to a company of our size.

We are also continuing our focus on U.S. national security missions, building on our collaboration with the U.S. government over the last 25 years. Iridium's network is relied upon for primary and backup communications, secured transmissions, specialized IoT services, tactical radios and much more. Many government agencies depend on Iridium service for critical data transfer, asset management and situational awareness to name a few.

And of course, our technology is embedded into so many applications and missions. So, it is not easily replaced by other satellite systems or evolving D2D services. We continue to discuss our EMSS contract renewal with the U.S. government and expect a positive and productive outcome in the next year as the government continues to rely more heavily on commercial satellite services like ours.

Similarly, our contract with the Space Force's Space Development Agency (SDA) is another important touch point with the U.S. government. We see the work we're doing on building the ground entry points and operation centers for SDA's new network has given us great visibility into the government's Golden Dome initiative and credibility to support its future needs.

We are well positioned to expand the scope of our work with the government going forward as they invest heavily in Golden Dome. These are just a few areas for which we believe disciplined capital deployment can provide continued strong revenue and bottom-line growth, and we look forward to being able to share additional details as we execute on our vision.

Beyond our valuable global L-band satellite spectrum and the growing number of partners and solutions we've developed over our three decades of operations, Iridium is unique in the satellite industry and that we generate strong cash flows with reasonable capital cycles. With a healthy, flexible and still young satellite constellation, we won't need to spend on a new network until well into the 2030s. With bus and launch costs significantly less than we experienced with our second-generation system, we feel good about our options for lower cost construction and launch when the time comes, including potentially as hosted payloads on another constellation system.

Further, we have confidence that our strong cash flow should continue over the next five years and into the 2030s when a replacement system may be needed. Even with the increased uncertainty provided by a new satellite entrants, we still expect to generate at least $1.5 billion to $1.8 billion in total cash flows from 2026 through 2030, giving us a lot of flexibility as we enhance our business and focus on new growth opportunities.

Given the increased focus on solidifying our competitive position, we have decided that we will pause our share repurchase program to emphasize strategic growth initiatives and continue our discipline in the deployment of capital as we remain committed to deleveraging the balance sheet. We believe this is a prudent course for now, even as we continue with our quarterly dividend program.

As you can see by our earnings report today, we continue to grow revenue and subscribers, and we expect to grow well into the future. Since the beginning of the year, we've signed up more than 70 new technology and distribution partners to the Iridium ecosystem to either build new solutions or license our technology for new Iridium-based products. These are indicative of the continuing value of our network and demonstrate the strong pipeline we have for continued growth.

We are confident that Iridium's many product lines will continue to be relevant, and we are excited to begin to invest in related technologies and businesses where we see meaningful growth potential. While the EchoStar spectrum sale is a major development, it does not come as a complete surprise to us. More D2D competition is coming, but we have time to respond as market reaction will be slow. We've seen this with a limited market reaction to Apple's D2D offerings and the response to the new T-Mobile satellite services which have been underwhelming as well.

We agree that the communications market is changing and new industries, which hadn't seriously considered using satellite solutions, are now beginning to explore or build applications that offer real value to their customers. This is an attractive environment for us, and we expect Iridium's opportunities will expand. As we invest in new technologies and adjust our market focus, we know that our competitive advantage comes from focusing on specialized products and services for which high reliability and customized solutions remain key points of differentiation.

With that, I'll now turn the call over to Vince to discuss our quarterly results and outlook. Vince?

Vincent O'Neill
Thanks, Matt. Good morning, everyone. As Matt noted, I'll review Iridium's financial results for the third quarter. I'll also highlight some of the trends we're seeing across the industry and share details on Iridium's leverage and capital position.

Operational EBITDA was up 10% in the third quarter to $136.6 million, driven by a combination of revenue from recurring services and engineering and support. On the commercial side of our business, service revenue was up 4% to $138.3 million, largely due to growth in commercial IoT, PNT and voice and data. Voice and data revenue rose 4% from a year earlier to $59.9 million, largely reflecting price increases implemented in the beginning of July, which drove a 4% increase in ARPU.

Commercial IoT revenue totaled $46.7 million in the third quarter, up 7% from a year earlier. This increase continues to reflect broad-based growth of our IoT services for both consumer and commercial applications.

Commercial Broadband was down 17% from the year ago period, though largely in line with our internal forecast. We anticipated the decline in broadband this quarter, which was largely attributable to a non-maritime contract from the prior year period that was not renewed. Excluding this $1.4 million take-or-pay contract, the decline in broadband this quarter was consistent with the trend we saw in the first half of the year.

Hosting and other data services revenue was $18.7 million this quarter, up 14% from last year's comparable quarter, reflecting an increase in PNT accentuated by a discrete event associated with the customer contract. We are in the early days of PNT business development and see robust opportunity ahead for meaningful revenue growth. We are encouraged by the level of market interest in the service that spans sectors and solutions.

There is an increasing need for resilient position and timing solutions, especially for civil and commercial applications, to address jamming and spoofing and protect critical infrastructure. Government Service revenue was up modestly in the third quarter to $26.9 million, reflecting the step-up in our EMSS contract with the U.S. government in mid-September. This is the last price step-up to our contract, which will yield $110.5 million during the final year of the seven-year term. I should note that the government has the option to extend the contract for a period of 6 months at the current rate, which they traditionally exercise.

Our formal negotiations on the new EMSS contract with the government will commence in 2026 in earnest. We enter this process with a strong relationship built over 25 years and understand well their priorities, needs and expectations. A good example of this is the integration of Iridium's technology in Qualcomm's new Snapdragon Mission Tactical Radio for U.S. government and allied users.

Turning to subscriber equipment. Sales were $21.5 million in the third quarter, down marginally from the prior year's quarter. We now forecast full year sales will modestly underrun last year's level. Engineering and support revenue was $40.2 million in the third quarter as compared to $30.7 million in the prior year period. The strong increase from the prior year quarter continues to reflect Iridium's growing work with the Space Development Agency, as well as new R&D and study contracts awarded in the prior year.

For 2025, we are tightening our full year forecast for service revenue growth to approximately 3% and are narrowing our OEBITDA guidance between $495 million and $500 million, the higher end of our previously guided range. The primary driver of our adjustment to service revenue relates to the timing of PNT revenue.

As previewed during our second quarter call, PNT revenue that had initially been expected to come in 2025, will now be delayed and pushed into future periods. An existing large customer is working on a major deployment of PNT. Their investment is significant. However, the timing of implementation rests on factors outside of our control. We continue to work closely with this customer to support their rollout. This will result in hosted payload and other data services growth below trend in the fourth quarter and full-year service revenue trending to the bottom end of our previously guided range.

PNT remains a very attractive market for Iridium and will drive incremental revenue growth. We especially like the fact that it is a wide area of broadcast service that supports an unlimited number of users, while using minimal network resources. We've been happy to see Iridium PNT expand into a number of new applications like 5G networks. For example, you may have seen this week's announcement that T-Mobile is increasing their deployment of Iridium PNT for network resilience.

Beyond this item, I would offer a couple of comments on trends we are seeing in our commercial lines of business as well as our ongoing work with the U.S. government. As I noted earlier, we initiated a price increase in our commercial voice and data business in July. Coincident with this rise in ARPU, we have seen a modest amount of subscriber deactivations tied to this pricing action.

Going forward, we expect ARPU for our voice and data business to average $48 for the foreseeable future. Revenue and subscribers in IoT continue to grow. While we expect fourth quarter growth to increase from the 7% posted in Q3, due to contracted revenue with a large customer, we believe IoT revenue growth will now come in just below 10% for the full year. Our IoT business is running well. And as Matt noted, we have a number of new partners that have joined Iridium's ecosystem that are building new applications and will help drive future growth.

As I mentioned earlier, the decline in our broadband revenue growth rate in the third quarter was abnormally high due to the impact of a non-maritime contract from the prior year period that was not renewed. We anticipate that the year-over-year decline in broadband revenue will continue into the fourth quarter and trend closer to 8%. A faster conversion of maritime vessels from primary to companion service this year is hastening a mix shift in our maritime business and will continue to be visible in our ARPU through the end of the year.

Over time, we believe subscriber gains from the adoption of new Iridium Certus GMDSS plans will help to offset these ARPU pressures and that Iridium will remain an important player in the maritime sector.

Iridium's government business will generate $108 million in EMSS revenue from the DoD this year. We also expect that the strong trends we've seen in engineering and support, primarily tied to our work with the SDA, will continue into the fourth quarter and support another year of record engineering revenue.

Finally, with the tax legislation passed this summer, we expect an additional year of tax savings. We now expect Iridium to pay cash taxes of less than $10 million per year through 2027 and don't anticipate being a taxpayer at the full statutory rate until 2029. This updated tax profile will add further support to incremental cash generation. We hope this color is helpful as we enter the final quarter of the year.

During the third quarter, Iridium retired approximately 1.9 million shares of common stock at an average price of $26.22. While Iridium stock trades at an attractive valuation, we believe it is prudent to enhance our incremental financial flexibility in the face of future changes to the competitive landscape. As Matt has already noted, we are pausing our share buybacks. Over the normal course, pausing our repurchase program will add approximately $50 million to our cash position by the end of the year and drive our net leverage slightly lower.

Given the free cash flow Iridium will continue to generate, we have the ability to delever and quickly reduce net leverage from today's 3.5x. This increased financial flexibility allows us to consider options, such as potentially buying back some of our debt, which reduces ongoing carrying costs. Absent an acquisition, Iridium could quickly delever below 2x net leverage, well in advance of our targeted timeline of 2030.

Further, financial flexibility supports our ability to pursue strategic initiatives, including bolt-on M&A that bolsters our position in certain target markets. Moving to our capital position as of September 30, Iridium had a cash and cash equivalents balance of $88.5 million and ended the quarter with net leverage of 3.5x OEBITDA.

On September 30, Iridium made a quarterly dividend payment of $0.15 per share to shareholders. This increase to the dividend rate results in full year growth rate of approximately 5% over 2024. We are committed to an active and growing dividend program as it augments long-term

shareholder returns. Capital expenditures in the third quarter were $21.5 million. As we have noted previously, we anticipate higher capital expenditures in 2025 to support our work on Iridium NTN Direct and 5G standards.

Turning to our pro forma free cash flow. We present a description of our cash flow metrics, along with the reconciliation to GAAP measures in a supplemental presentation, under the Events tab on our Investor Relations website. In those materials, we project pro forma free cash flow of about $304 million for 2025, with a conversion rate of OEBITDA to free cash flow of 61% in 2025 and a yield approaching 18%.

As Matt has previously noted, we expect that the spectrum deals announced this year will bring more competition to the EMSS industry over time. To ensure we are providing the most relevant guidance, we continue to guide service revenue on a year-by-year basis, but are withdrawing our 2030 service revenue outlook.

Iridium has a durable and resilient business that will continue to generate significant cash flow over the long-term. That strength is driven in part by Iridium-connected solutions that are not easily displaced and drive our recurring revenue quarter-after-quarter and year-after-year. We anticipate that even in the evolving competitive environment, Iridium has the capacity to generate at least $1.5 billion to $1.8 billion of free cash flow over the balance of this decade. I'd remind investors that Iridium is currently generating about $300 million per year of pro forma free cash flow. Just maintaining this run rate generates $1.5 billion through the end of the decade.

Iridium occupies a unique position in the satellite market today. We have great assets, strong cash flow and many opportunities for incremental growth. While we acknowledge that the competitive dynamics in the satellite industry are likely to move at a faster pace, we remain very excited about our prospects and the durability of our existing business.

With that, I'll turn things back to the operator and look forward to your questions.

QUESTION AND ANSWER

Operator
We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Edison Yu with Deutsche Bank. Please go ahead.

Edison Yu
Hey. Good morning. Thanks for taking our questions. I want to follow up on the strategic options that the team has mentioned and maybe take it from two angles. First, you mentioned M&A several times, I'm wondering what the time line maybe is for some of these actions and that's in the context of, is this a case where you had a bunch of M&A in the pipeline already and you're speeding it up or are you now looking for different types of targets post all the events that have occurred in the last couple of months?

Matthew Desch
Yeah. We haven't been a big acquisition company. Obviously, we did Satelles a few years ago, but haven't done any since. We have been looking at some areas that are complementary to what we're doing. We're looking at some now. I can't really comment on any specific timing because it's not completely within our control.

But I did want to signal to you that that will be a bigger focus for us going forward for obvious reasons. I mean, there are things we can do to accelerate revenues and growth that are complementary to the specific areas we've targeted and we're going to focus on those a bit more heavily. But there's not lots of targets. We're obviously not going to do many at the time, but we will focus on that more.

Edison Yu
Understood. I want to take a look at the M&A angle from, I guess, the opposite side. Does it make sense to you for Iridium to be part, whether directly or indirectly, of some type of other solution, whether it's another big tech company trying to get into D2D in some way? Do you think that is a sensible thing after what's happened, kind of transpired in the last couple of months?

Matthew Desch
Well, it's only sensible based upon the value that that would create for shareholders, which is our job to maximize. So, clearly, we'd be open to those who have that desire, but I don't know for sure, but I wouldn't say that the recent news of spectrum purchase of that size, and given the still uncertainty of the market, will attract more to the market. I mean, it might be less, but there's only so many of us that do have spectrum.

We obviously have an important position there, and so if someone really wanted to do it globally, we could obviously be part of that, but that's not really for us to decide. That's not really something we can plan and execute on. That's for others to decide, but we'll do what's in the best interest of the long-term value that we can create.

Edison Yu
Great. Thank you so much.

Matthew Desch
Thanks, Edison.

Operator
The next question comes from Brent Penter with Raymond James. Please go ahead.

Brent Penter
Hey. Good morning, everyone. Thanks for taking the questions and appreciate the commentary on the competitive environment. So, at a high level, which of your business lines do you think are totally insulated from the competitive risk, where you don't think about it at all, really? Which business lines are maybe mostly insulated and which business lines do you think are most potentially exposed?

Matthew Desch
Well, that's a very detailed question here. No business is completely insulated. We've largely been extremely competitive in the areas that we serve because of our global network, because of our L-band spectrum, because we're able to be a regulated provider when others can't. There's a lot of hurdles people have to overcome to compete, say, in the cockpit safety services or maritime safety services. Others have tried to do that, and it's taken years and years.

So, those kind of areas are always going to be pretty insulated from services. Some things like PNT, for example, given the 15-year head start we have on that, given the fact that it would be very difficult to recreate a service like that, those are going to be pretty well-protected services.

Industrial IoT, really, in many ways, that's protected by just the massive ecosystem and solutions that we've provided. But we do have a wide variety of both proprietary and soon-to-be standards-based services, which also make that an attractive service in an area of which there's going to be multiple suppliers. It's not going to always be direct head-on-head competition. It's going to be multiple solutions in many things. For example, in the autonomous areas, we're finding ourselves being put on with terrestrial and even broadband capabilities into autonomous solutions.

So, I think that covers a lot of areas. The government is another area that, after 25 years and being embedded into so many areas, having such high credibility in terms of what we can do and what our experience has led, which SDA is a good example of. As we're lining up around Golden Dome, which potentially could be $175 billion, we find there's an awful lot of business that we can address. And we're mature enough as an organization to now go after that business where we couldn't have before.

So, I would say we feel like, first of all, we have a lot of sustaining strength in the existing businesses, a lot of momentum in the coming years. Long-term, as you look over 10 years, I think our business will evolve a bit. And that's why we're going to be more aggressive about evolving ourselves into it. But I think that's why we feel very strongly about the cash flows we're going to be generating over the next five years and can really reiterate those.

Brent Penter
Okay. Great. Appreciate all that detail. And so, to take a big, broad question and make it a little more specific, if we look at the voice and data segment, what -- can you give us a rough breakdown of what percent of your base there are more leisure or casual users versus what portion are maybe more industrial types or users that really need that more robust device and service that might be at less risk?

Matthew Desch
Well, when you talk about voice and data, I mean, you're mostly talking about satellite phones and PTT devices and the like. And I don't think there's a whole lot of leisure in there. Almost everything that we supply is, I would call a security, industrial kind of use, NGOs, first responders, militaries, and the like. I don't see a lot of people who are talking about the fact that they have a satellite phone for fun or use a push-to-talk device for roaming with family.

So, I think very little of that is really, I would call, consumer grade kind of things. By the way, there's a little bit in terms of like subscribers, you can see we're seeing a difference in subscribers. As I was looking through and talking to the team about where that year-over-year sort of subscriber, it's still small, but where is it coming from? It's all in kind of industrial areas.

For example, the DOGE funding with USAID. There were some -- all these are, by the way, a pretty small effect. So there was USAID, the UN, for example, as some funding issues. So kind of NGOs in general. Of course, we did have a small price increase this year, and I see some small impact, it seems like with some people -- maybe these are governmental agencies that decide they can use a few less given the price.

I would say, tariffs have had a small impact. Really stretching a little bit, like the troop drawdown in Gaza, hurricanes. This has been one of the quietest hurricane seasons, but all these things have a small impact you could say is D2D an impact.

The fact that you can do it with a smartphone, and it must be a small impact, but it really is, given all those other kind of quantifiable issues, I can't see a real big impact really right now from D2D

on that business. And I would say, the implications of your question is, those are consumer users and not industrial NGO, first responder, safety and security kind of application. So, I hope that helps answer where we see that business.

Brent Penter
Yes. Yes. Very helpful color. And so, my last question would just be kind of take the similar question with the IoT business. Can you all update us on what portion of that base is personal communication kind of or consumer users?

Vincent O'Neill
Brent, there is about 900,000 -- of the IoT subscriber base, roughly about 900,000 are personal subscriber users.

Matthew Desch
And those are low ARPU users for the most part. As you can see that business continues to grow and still expands in terms of number of devices and users. Most of that business though is still, as we can tell, not just everyday users who use this occasionally now and then, which is where a lot of, I think, D2D is going.

These are users that need a rugged purpose-built device for tracking, or these again are a lot of first responders and those sort of people as well. So, I think over half, which is our higher margin business is the broader industrial IoT area, and that's the area that continues to grow at pretty traditional rates right now.

Brent Penter
Okay, great. Appreciate all the detail, guys. Thanks.

Matthew Desch
Thanks.

Operator
The next question comes from Mathieu Robilliard with Barclays. Please go ahead.

Mathieu Robilliard
Yes, good morning and thank you for the presentation. If I could dive in some of the verticals a bit more. In terms of the broadband, one, you mentioned that there was a one-off contract that was not renewed. But I was wondering if you were still seeing an impact from the loss of core connectivity services that you had in the past, but I thought would be down by the end of last year or beginning of this year. So, I just wanted to make sure what was the exposure still to connectivity service on the maritime.

And then on the IoT, and clearly, I think from what you've said, this is potentially the area where D2D could become the biggest competitor. At the same time, you are developing your own D2D IoT or NTN IoT solution. And I think you signed the deal with Deutsche Telekom recently, and I wanted to clarify what exactly it is? Because my understanding is that your services are not yet commercially available. And so if you could clarify exactly the nature of what you signed with Deutsche Telekom, and also, which is another way to look at the threat of D2D or the opportunity.

Clearly, when we look at pure mobile terrestrial IoT ARPUs, we're talking about less than a $1 or low single-digit dollar per month per user, which is not the case in your IoT business, and I understand there's lots of different price points. But is your D2D initiative something that could

protect you to some extent, but also just bring lower ARPU for the same amount of subscribers? Thank you.

Matthew Desch
Okay. You have a couple there, Mathieu. I guess, I think you started with broadband. I want to make sure you understand that onetime, which sort of distorts this quarter, was actually revenue we had to recognize a year ago in the contract. So the contract was terminated. That wasn't the maritime contract. Happened to be a little bit larger one-time kind of event that when you normalize that, we continue to change the mix, if you will, in the maritime industry.

I'm expecting that, that will eventually turn around. You can see the new products that are coming out. We've had some announced even in the last month. Intellian, which is a really important supplier in the maritime space, got approval for their combined backup GMDSS terminal, I think will be very attractive, and we have some more in the market coming. So, I think broadband will eventually flatten out, and we're not seeing any new trends in that area.

In terms of IoT, yes, the announcement of DT and the others that I think you'll soon be seeing are really roaming arrangements. Those are MOUs that relate to their agreements to allow their customers to roam onto our network, they're terrestrial customers. As I said before, we're getting a lot of interest, in fact, even growing interest there.

The D2D market is not a one player wins all. What we're hearing from the mobile network operators is that they want multiple partners. Even the ones that have invested in people, I think you're going to see are going to roam on to our network as well. They appreciate the robustness of our network and the availability of it. I mean it won't be long before we deliver that service and the revenues.

You're right, I think we'll be probably lower ARPU overall, but there will be an expansion of the market as opposed to necessarily -- they'll be going after applications that we wouldn't be able to address today with our proprietary solution. So, for example, we can't address the smart meter market. There's many agricultural sensor markets we can address today. But our network will be perfectly suited for those applications, and when we deliver a service, there'll be a lot of mobile network operator applications in this space, which they would find attractive to allow to roam on to our network. So, we see that as a net positive and an important growth area for us. So, I think I covered all of them, but let me know if I didn't, Mathieu.

Mathieu Robilliard
No, that's very clear. I guess, what I understand in terms of the agreement you signed with Deutsche this is based on your existing satellite IoT solutions. You're just signing a new partner, which is great in itself...

Matthew Desch
That's not true, Mathieu.

The announcement with DT was for Iridium NTN Direct. Whenever you hear the term Iridium NTN Direct, that's our service name for our new narrowband IoT standards-based solution based upon 3GPP Release 19 standards and the new chipsets and all that sort of thing. So, that's what we're testing right now.

It's actually starting to really do initial testing on live satellites. It's going to evolve into a service that we think will be ready next year, and we'll generate new solutions in devices that can both handle terrestrial and satellite communications.

Mathieu Robilliard
Okay. That's very clear now. Thank you.

Matthew Desch
Yes.

Operator
The next question comes from Colin Canfield with Cantor. Please go ahead.

Colin Canfield
Hey, thanks for the question. Following up to Edison, and maybe just asking it a little bit more directly, but as we think about kind of the potential take off value on Iridium and maybe the process, typically, if we think about it, maybe it's starting today and the cost starting now. Is it fair to assume that like 9 to 12 months could be a kind of potential timeline to realizing that full value of Iridium?

And as you think about kind of the key value within Iridium's kind of constellation, RF network downstream devices, where do you think kind of are the key things that other partners might want to take out of the business or kind of integrate it into their wholesale stack? I mean, like there's a lot of, obviously, big dollars that are flowing around and like, yes, you can make the argument that the space equity market probably continues to drift higher from here. But it's just one of those things where it's tough to get public market credit for such an enduring and valuable asset.

Matthew Desch
Yes. That's a good question and a difficult one to answer. I mean, I think our value is in the breadth and experience and the ecosystem that we've had and all the solutions and growing market segments. We have -- I mentioned a couple -- a number of really, I think, important and enduring assets that we have, whether it's the U.S. government business, our PNT technology, which is quite unique. I mean we've been the winner in IoT satellite services for a while now, and that isn't slowing down. What we can do in other markets.

I look at others right now. Yes, with a little jealousy, people do have no revenues and only long-term kind of growth prospects. And obviously, the market isn't appreciating that about us right now. And that's why I think this announcement of a bit of pivot and more investment into longer-term growth areas, which is clearly what people are appreciating now as opposed to return of capital and that sort of thing, I think it's prudent right now.

I'm not sure if that completely answered your question, but hopefully I do think that there is some underappreciated assets of value. Perhaps we've been more underappreciated than some right now. And I think a lot of that has to do with people who have not really sustained a business as much, but they do have larger spectrum assets than we have and perhaps that's of interest to some.

Ours are valuable spectrum assets, but we haven't chosen to market them to others. And clearly, people believe that maybe there's been a re-rating of the value of satellite spectrum in the mobile satellite services banner, and we haven't promoted that. We still have value regardless. It's just

we're not out there pumping that as being what the future of our company is. I believe that we can still create excess large growth going long term, and I think that will be proven.

Colin Canfield
Got it. Definitely agree. But as we think of like rank order of partners like the EchoStar/SpaceX deal, I think you're talking about a pretty clear indication that the SpaceX plans to go after a handset. And so within that construct, kind of the big competitors that are real and have substantial ecosystems are probably one, and one, and a fruit company. So as we think of that construct, is there a rank order of folks that you probably have a great relationship, someone like Paul Jacobs at Globalstar or some of the Amazon folks like how do you rank order the potential teammates that you would probably want to work with in the future?

Matthew Desch
Yes, that's a tricky question to answer. That sort of is leading to possible partnerships and aspects that I don't really want to signal. I've said in the past, especially having been here almost 19 years now. I do know everybody. I have talked to everybody. And I will say this is a very active time in the industry where there are a lot of discussions going on, but I don't want to try to indicate that there are imminent deals or things underway. I think that would be inappropriate even if there were to talk about that right now.

There are larger players in our industry that weren't there 5-, 10- certainly when I joined the industry and you mentioned people like Amazon Kuiper and Apple and certainly, there wasn't a SpaceX Starlink in those days. And those are kind of people with the assets and strategic ability to go anywhere they want to go, which is a new thing for our industry and I think that will be an interesting development. But I think we can exist within that environment very well and possibly even take advantage of that.

Colin Canfield
Got it. I definitely agree. Appreciate the color as always now. Thank you.

Matthew Desch
Yes. Thanks.

Operator
The next question comes from Tim Horan with Oppenheimer. Please go ahead.

Tim Horan
Thanks guys. Matt, just following up on that question. On the spectrum front, do you have a sense of what percentage of the world EchoStar spectrum covers at this point. And I believe you and Globalstar are the only ones with really global spectrum coverage. If you can just elaborate on that, that would be great?

Matthew Desch
Yes. It's a complicated question. The way spectrum works is that -- think of it almost there's a directory at the ITU on a country-by-country basis of who has priority. And we do have like the number one priority with our network in many countries developed over 30 years. And so we're a lot of places probably that Starlink will never be today because those countries can make decisions now, as EchoStar spectrum is kind of applied for it to decide, whether they want them to be there or not.

So it's hard to say they are a certain place or not. They're certainly can support the oceans now that they couldn't before. They could do markets that really don't have a strong regulatory environment. But there's probably some markets that are going to say no to them. And that is not an easily describable position. It's going to take some time. First of all, that spectrum is geostationary spectrum.

So that requires it to be reallocated and reapproved. There will be other people that will try to move ahead of them in line. It might even be us in some cases. And so it will take some time for that to kind of be reallocated and reapproved. But I mean, I wanted to make it clear, I didn't want to spend all the time of how hard it will be for them to create a system. I wanted to be sure that investors understood that in no way are we in denial of the potential of that solution.

Certainly, their ability to create a much more global system, for example, than EchoStar could have done on their own. Frankly, they have rockets and satellites and other things that others don't have. So it's going to be faster than we were anticipating that a network would have been deployed, but we were always expecting a network would be deployed that could do this over the long term. Just thought it would probably be 2035 instead of 2029 or whatever it turns out to be.

So I hope that's clear. And even when it is, I really think that as you kind of imply there will be lots of holes, they won't be probably still as global as we will. But I wanted to make it clear, our goal isn't go straight at them and compete. It's to be complementary to them, doing things like Iridium NTN Direct, which we think has enduring value regardless of really what happens here.

Tim Horan
That's really helpful. So on PNT, it seems like the opportunity now is much larger than it even was two or three years ago. I guess do you still think you can hit those revenue targets on PNT. And what does it kind of take to do that?

Matthew Desch
Yes, we do. I'm actually more bullish about PNT than I've ever been. I will say it's a little lumpy as the business gets off the ground. There are some really big opportunities that we see ahead of us. It's just the timing of those aren't clear. I think you're going to see a number of announcements in the future, which will give you a bit more clear understanding of why we're as confident as we are about that, but a lot of trials going on.

We really do see we have a significant competitive advantage. I think you saw the Department of Transportation announcement this week with T-Mobile. I mean that's just a small fraction of the potential even in that market. And we're really seeing that the technology is very complementary to our IoT business. There's a lot of business, for example, in autonomous vehicles of all types that need a really reliable timing and location signal to make sure that what they're depending on in GPS or any other GNSS system can be relied on.

So, I think we have a tremendous head start and a great opportunity. And I did tease out an opportunity that we're building on top of that. I don't really want to go too much more into the cybersecurity applications. But again, it's things that we can do on that platform that others can't do and that we think could create interesting new revenue streams, potentially even above the projections we provided before.

Tim Horan
So the next few years, you're not going to really see any increased competition. Can you give us a sense of the revenue growth? Will it be better than this year? Are there any just some of the

tailwinds or headwinds? I mean are we thinking mid-single-digit revenue growth? Any kind of color given you pull some of the longer-term guidance would be really helpful?

Matthew Desch
Yes. I mean I'd really like to focus more on providing that in February. I agree with you. I don't think that there is sort of a near-term direct competitive change, but I don't think we're getting any benefits from providing really long-term guidance that in a changing competitive environment. And so I'd really like to get back at least for some of the guidance. We'll always be probably a much longer-term guider than anybody else.

I just think everyone should be providing as much long-term guidance as they can. And we're not going to completely pull off of that. But I just would rather not try to lead you to some specific number over the next two or three years. But as you can tell, we're still pretty bullish on our cash flow projection. So I think you can back into it that we're not really coming off any kind of general trends here.

Tim Horan
Thank you.

Operator
The next question comes from Greg Mesniaeff with Kingswood Capital Partners. Please go ahead.

Greg Mesniaeff
Yes. Thank you. Hi, Matt. You mentioned that you guys picked up about 70 new distribution partners have been signed. Can you talk about any changes in the terms with these third-party resellers in terms of revenue split or economics? And how is that trending as you pick up new distribution partners?

Matthew Desch
Yes. I mean when we pick up a new partner and we describe someone who say, wants to integrate us into their drone systems or put us on a new ocean sensor or whatever it might be, I mean, there's a lot of new potential companies. Those are typically -- we license their ability to deploy our technology. They're allowed to integrate us into maybe their chipsets, maybe their end-to-end system and they can provision and turn on and there is typically a pricing schedule with that, but that really varies.

That hasn't really changed in the 25 years. Each one taps into a fairly consistent, but flexible pricing system that allows them to provide a service to their customers at competitive rates. So really, the terms aren't changing. I do think that there are some big new opportunities, particularly as we get into the PNT area, where pricing is evolving for example.

Some people would like to build in 5 to 10 years of PNT protection into a service in a sort of a capital model. We're open to doing that. Someone kind of pay as a user or by region. We're open to that. So those get built into the specific pricing contracts with the new partner, but I don't think that's any different now than it would have been in years past.

Greg Mesniaeff
Got you. Okay. Thank you for that.

Operator

The next question comes from Chris Quilty with Quilty Analytics. Please go ahead.

Chris Quilty
Thanks, Matt. I want to follow up on the T-Mobile DOT announcement. You mentioned a fraction of the sites. I think it was 90 for the announcement. Can you give us a sense, I mean, of the sort of volume of units, just if you look at specifically the cellular market or took it out to the data center market, what sort of penetration do they need? Do they need in every site or a portion of the sites based upon operations? And I'm just trying to get a scale for how big that might be?

Matthew Desch
Yes. I mean it's a global market to protect the cellular infrastructure from jamming. It's still starting to be recognized. I mean this specific contract, just to be more clear, the Department of Transportation is the agency within the U.S. government that is tasked with protecting critical infrastructure like GPS.

And they look at the issue in the U.S. market and the potential for terrorism and other activities and are trying to find what are the solutions that are out there that can. And so they provided money to a number of different organizations, but we were kind of told and indicated that with T-Mobile, we were one of the most ready and available today and the only really global solution that could kind of attack this problem overall.

Specifically with T-Mobile, we had already been doing some work with them on some of their in-building systems, but this was a goal to demonstrate the value of our technology to protect macro base station sites. And so it's kind of doubled the number of applications. As it's successful and demonstrated here and if there's any kind of issues, I could see this being deployed much more widely to thousands and thousands of cell sites.

And I think you also see other cell phone companies that aren't protected today realize that this is a very cost-effective way to add a layer of protection to what is critical infrastructure. Our cell phones, our ability to operate terrestrially are really critical. So it's a big market.

Chris Quilty
And real quickly, I mean, in your core business, you're wholly focused on the wholesale market. Obviously, having acquired Satelles, they had a direct and indirect approach to the market. What's your go-to-market approach long term there?

Matthew Desch
In PNT directly or in that specific market?

Chris Quilty
No, in PNT Direct generally.

Matthew Desch
Yes, lots of new partner discussions, a lot of new areas. We're not necessarily going to go direct as well. I don't think there'll be many opportunities for that. We’re developing new technology. I think you'll hear about that shortly that I think will expand the market tremendously. We've had some talk about putting our algorithms into their systems directly, but it will be similar to the way we go to market in a two-way communication solution.

But will be a much larger expanded base of companies that will want to embed us into their solutions. So, it will not be direct still, it will be companies who like the ones today who are experts

in the timing market or in the PNT market, there will be a lot of new companies as well that will want to integrate us into their solutions.

Chris Quilty
And to be clear, the revenue opportunity is that all the service and license revenue? Or is there a hardware component? And what does that mix look like over time?

Matthew Desch
There's a hardware component to it potentially, and we make margins on. But as anything else, if there's high volume, which this is something that could become a high-volume business, that will be high volume of low-margin hardware equipment. But we really want to service revenue, global service revenue and whether that's baked into our partners' product or it's something we offer on a regional basis or something that's really developing right now.

Chris Quilty
Got you. And on the UAV market, you talked about it before, but ostensibly, you've got two opportunities, TT&C capability with like a Certus device, but also a PNT or alt PNT, why is that market not booming, given the hundreds or thousands of long-range UAVs flying around Europe and the Middle East nowadays?

Matthew Desch
Well, I mean, in our IoT business, primarily, there's a number of partners who have put us into all kinds of drones. And I think that's expanding as the drone world. I mean that's obviously more of the defense space. And I think we are being used in that space. I do think PNT is still fairly new to that and will become an important part of that.

Things where that market really expands, whether it's delivery drones or the urban air mobility market or just a lot of other drone applications, I think, have other issues with beyond visual line of sight (BVLOS) regulations, which are just now coming to four, which we've been part of, and we're starting to see those getting clearer.

We will be a big part of that as the BVLOS standards emerge. And I think that will make the market expand quite more broadly. But everything today is almost being done on waiver or on trials or prototypes and that sort of thing. And I think that's going to change in the coming years.

Chris Quilty
Got you. And if I can, one final ViaSat and Space42 came out with their Equatys whatever announcement for the joint venture company, still no Iridium mentioned in any of these announcements. But can you talk about how you view that effort? Is it something that you view as competitive or something you could contribute to? Can you contribute your spectrum to a pool there without causing interference or other issues with your network? What's your current thinking?

Matthew Desch
It's hard to tell what that really is yet. I mean it's an interesting idea. I've talked to Mark Dankberg, the CEO of ViaSat about it. I mean he tried to explain sort of the vision that they have for that. It's a very complicated vision. It requires a lot of new technology and new development and a lot of investment. I'm not really interested in investing in the opportunity and perhaps they're not even looking for that.

But this concept has certainly not only not been tried, but it's going to be a very complicated business model to implement. And you're going to be competing with potentially some other well-funded and deep-pocketed companies.

So again, as I said in my remarks, it's not really clear how big the broadband D2D market is. I mean I'm sure there'll be a market for the service, but how well the service will work, what people will pay for it, what the assets in space that you really have to cover to provide a long-term value. It isn't going to replace threshold communication, so it's going to really be an augmented field kind of application.

And I know that there's really high valuations with some people that are still projected to even be in that business. But until we see how global those services are, what the value propositions are, I'm not interested in kind of necessarily jumping into that. But could we be part of that long term? I've been given the opportunity. If that does develop, it's going to be many years for it to develop into something that we could even think to participate in. So I'll just keep an eye on it and see what the market thinks about it.

Right now, I think you would probably agree with me that the investment world isn't dying to throw money at new players right now. And I think that was really more demonstrated with Lynk and Omnispace getting together this week as well.

Chris Quilty
Got it. Thanks for the color.

Matthew Desch
Okay. Thanks.

Operator
The next question comes from Hamed Khorsand with BWS. Please go ahead.

Hamed Khorsand
Hi, thanks for taking the question. Just one, on the consumer IoT side, are you able to differentiate the gains in the quarter coming from your partners that are not on a fixed contract with you?

Matthew Desch
You mean some smaller partners like ZOLEO and Bivy and Everywhere and Somewear and a number of others that provide consumer IoT services?

Hamed Khorsand
Yes, versus your large customer that's on a fixed contract?

Matthew Desch
I mean, yes. I mean we know how many subscribers they are. It's a small part of our overall IoT business. And they also are continuing -- we're not seeing any real impact. I mean if the implication is what are they seeing, say, from D2D, and I'd say they're not really seeing much at all either at this point.

Hamed Khorsand
So they grew in the quarter?

Matthew Desch

I don't have that information at my -- there's different things going on with each of those. And so you'd have to ask each of them where they're at. I mean, we don't usually speak to any specific partners.

Hamed Khorsand
Okay. All right. That was it for me. Thank you.

Matthew Desch
Okay. Thanks Hamed.

Operator
The next question comes from Louie DiPalma with William Blair. Please go ahead.

Louie DiPalma
Matt, Vincent and Ken, good morning.

Matthew Desch
Hey, Louie.

Louie DiPalma
I missed the earlier part of the call, but caught some of the Q&A. Given the rapidly changing industry dynamics, Matt, did you indicate that you plan on exploring strategic options? Or is the message just that your phone line is open?

Matthew Desch
I think what I said was is that we recognize the competition long term is in our business and that we will be pivoting to do more using our growing cash flow to acquire and make additional investments in areas which are unique and for which we can protect and for which we can provide value, and that gives us confidence in our ability to continue to grow and compete long term. That's the brief summary, but you probably should go through my comments in more detail because I think I was very specific about addressing the overall changing global marketplace and what our intentions were.

Louie DiPalma
Sounds good. And has there been any discussion on Aireon being part of the FAA's air traffic control modernization?

Matthew Desch
Yes. I've talked to Don and, of course, we're on the [Aireon] board, and so we get a lot of visibility to that. The big new air track control system for which they're funding -- there is some discussion in there about things that Aireon would be particularly capable at. Things like in Alaska, the Caribbean and some areas. There's no discussions about Oceanic right now which is really where I think Aireon would excel and for which there's a lot of airspace they could provide service. But there have been continuing discussions with the FAA and Aireon about serving those areas long term. So I mean Aireon is pretty confident that long term they'll be supplying that service as well. So yes, I think there's opportunities there for Aireon definitely.

Louie DiPalma
And final one for your narrowband non-terrestrial network solution, will the chipsets be available next year? And what's the general timing of the Deutsche Telekom roaming partnership going live?

Matthew Desch
Yes, the chipsets will be available next year. In fact, we have prototype chipsets today. We're in discussions for more chipsets, and you'll see that over time with other manufacturers making those available as well. Not a lot of changes that they have to make to accommodate us, but those will be available in '26 time frame. And we do plan on having the service available in '26 at some point -- lot of testing to go, probably more the latter half instead of the former half, but there will be chipsets available to support that.

Louie DiPalma
And will those chipsets be different from like mass market like smartphone chipsets? And is there a timing on when like your spectrum band would be included in like mass market chipsets?

Matthew Desch
No, those are mass-market chipsets. These are the chipset that these suppliers that we'll be talking about the first that we've announced is Nordic. That is a standard Nordic chipset that will have our capability in it along with all the many others that they have in that same chipset, the terrestrial spectrum as well as satellite spectrum that would be in there. So if someone implements that, they can roam under our network.

Louie DiPalma
Thanks, Matt. Thanks, Vincent. Thanks, Ken.

Matthew Desch
Thanks, Louie.

Operator
The last question comes from Justin Lang with Morgan Stanley. Please go ahead.

Justin Lang
Hi. Thanks for squeezing me in. I'll just stick to one here. Matt, just coming back to the acquisition pipeline, my apologies if I missed this, but curious if you could just generally size some of the opportunities you're looking at or just give us some general parameters. Is this more about a series of smaller deals that give you toe holds in new markets? Or are you really weighing something transformational, and that's the message we should take away? Thanks.

Matthew Desch
Yes, I don't want to guide to either one of those necessarily. There are companies in both those categories. I would say I would lean towards more transformational deals as opposed to given the effort involved with very small things. We're not looking to radically change our business model, though. So I think I'm not going to be that different in terms of what we're looking at as to what I've told you in the past.

Our goal isn't to go retail, for example. I mean we're probably likely stay wholesale. But there are some business areas that are complementary for which we can take a bigger part of the value chain, and for which would lead us into using our network in new ways. Some of those are big and some of those are small. But we'll let you know when we get a bit more specific about those things.

Justin Lang
Okay. Makes sense.

Conclusion

Operator
This concludes our question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

Matthew Desch
Yes, I know it is a bit longer. I just wanted to -- there were a lot of questions, and I wanted to give everybody a chance to talk about it, given the changing nature of the industry and some of the things we talked about today. I hope you sensed our continued enthusiasm and confidence, I mean, it was a big announcement recently, and I know the market reacted to it, but I really think we have a strong potential and a strong future ahead of us and a lot of opportunity ahead. And we're looking forward to talking to you, I guess in the meantime and certainly at our next quarterly call. Thanks for joining us.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.