Iridium Communications Inc.

First Quarter 2026 Earnings Call

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CORPORATE PARTICIPANTS

Matthew Desch--*Chief Executive Officer*

Vincent O'Neill--*Chief Financial Officer*

Kenneth B. Levy--*Vice President, Investor Relations*

PRESENTATION

Operator
Good morning, and welcome to Iridium Communications' First Quarter 2026 Earnings Call. [Operator Instructions] Please note this event is being recorded. I would now like to turn the conference over to Ken Levy, Vice President of Investor Relations. Please go ahead.

Kenneth B. Levy
Thanks, Dave. Good morning, and welcome to Iridium's First Quarter 2026 Earnings Call. Joining me on the call this morning are our CEO, Matt Desch, and our CFO, Vince O'Neill. Today's call will begin with a discussion of our first 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 could 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 and pro forma free cash flow. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles. Please refer to today's earnings release and 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, let me turn things over to Matt.

Matthew Desch
Thanks, Ken. Good morning, everyone. We've had a good start to the year, and our results are right where we expected them to be. Total revenue grew 2% as did service revenue. We're reiterating our guidance for the year, and Vince will give you the details in a minute. We continue to have some important new products under development for introduction this year, and they're driving a lot of activity with our partner base.

In the IoT area, our new tri-mode module, which we call Iridium 9604 is on track for commercial availability in June, and our beta partners are now testing and preparing their first products using our next-gen platform. The 9604 combines our short burst data IoT service, cellular IoT and GPS, all in a very small and cost-effective package and is generating a lot of excitement across our partner ecosystem. We believe the module also has the horsepower to consolidate a number of our other legacy services over time, and that can be helpful to our sustainment cost and to simplify our portfolio.

In the PNT area, the announcement of our new ASIC rolling out in July is also generating a lot of inbound activity and attracting a number of new partners who are looking to integrate this technology into their products. GNSS disruptions around the world are highlighting the need for new assured PNT solutions for drones and autonomous vehicles, shipping companies and their insurance providers, critical infrastructure in the US and abroad, commercial aviation - the opportunities are expanding fast.

Over 100 new companies have expressed interest in the ASIC, and we expect the commercial launch to drive deployments once it's in the market. Of course, our new Iridium NTN Direct standards-based service is generating a lot of activity as well, as it progresses closer to commercial launch later this year. We've been demonstrating it live over the air to mobile network operators and partners, and its performance has been impressing everyone, even as we make enhancements and further tune the service.

We've been expanding agreements with more MNOs. Having signed 7 to date with a number of others in the pipeline, there's clear demand from MNOs to roam onto Iridium's network when their customers find themselves out of coverage. We're also in discussions with additional chip and module manufacturers to have their 3GPP Release 19 chips with Iridium capability available in 2027 and have gained support from the test set community as well.

It's been a big job for Iridium to reprogram our satellites and build cloud-based processing and standards capabilities into our gateway, and I'm very proud of my team for accomplishing so much so quickly.

Iridium NTN Direct is positioned as complementary to the big D2D [direct-to-device] services that are emerging from Starlink, AST and now Amazon Leo. As these companies focus on connecting smartphones from space, we will continue to focus on scalable specialty applications that support low cost IoT, particularly for industrial and government markets where reliability and coverage are critical.

While I've talked about some of the new products we have underway this year to drive growth, our partners are also making progress on products and certifications that will resonate with their target markets. They include launching some new terminals in the maritime GMDSS area and conducting flight trials for certification of our new Iridium Certus aviation safety service.

More broadly, I want to remind you of the 4 growth vectors I talked about on our fourth quarter call in February. These are areas where we're prioritizing investments and see significant opportunity to expand our revenues even as more competition eventually comes to the satellite sector.

First, in IoT. We are by far the leader in satellite IoT in terms of subscribers, revenues and technology partners and we believe that as we reduce costs by adopting standard 3GPP protocols, we will see continued success and growth. We are already pursuing cost-sensitive use cases that were more difficult to address with proprietary services like automotive, smart meters, agriculture, and expanded asset tracking.

Our network reliability, global coverage, partner ecosystem, and strong brand position will allow us to continue to expand our revenues, particularly when we add our second growth vector, PNT, into the mix. I've already talked about how our new PNT ASIC is expanding our pipeline of opportunities, but it's also attracting major chip makers earlier than we expected. As these

manufacturers eventually incorporate our PNT IP into their standard GNSS chipsets, we think our business could really explode.

We've provided guidance on the revenue potential expected in this area over the next 4 years, and I'm as bullish about meeting those targets as I've ever been. Some early customers are starting slowly, but they are committed to the big rollouts that we've been expecting. We also believe that our engineering and development work on new identity management and trusted location products could open up some very big new markets. We remain in the early phases of business development for these important services, but the opportunities are exciting.

Our third growth area is national security missions with the US government and is building off our success with the EMSS contract with the Space Force and the competency we've demonstrated in developing and operating the SDA's satellite operation centers.

We see a growing need for commercial SATCOM providers to complement Starlink and other broadband networks that are becoming part of the government's Space Data Network, or SDN as they call it. We have a growing pipeline of work in this area. Some of it will generate service revenue, but also fast-growing engineering and support work. Requirements for Golden Dome are just now taking shape, and we think Iridium is well positioned there.

Finally, aviation safety is an area of distinction for us and a fourth factor for growth. We have a great position in this industry with our equity interest and strong relationship with Aireon, as well as for our ability to be certified to connect pilots and air traffic controllers by satellite. Our efforts to develop some differentiated products that could bring more value to airlines is still in the early stages, but we are increasingly confident about our potential to disrupt the status quo in the market.

I want to acknowledge all the attention that Mobile Satellite Services has been getting of late, especially in light of Amazon's plan to purchase Globalstar. People have realized the importance and significance of L- and S-band spectrums as it relates to connecting consumer devices on a global basis from space when out of coverage from cell towers, which happens on more than 85% of the plant surface. We share this view of the value of this spectrum.

Regardless, our priority today is to focus on expanding into these 4 growth areas while maintaining our revenue base and legacy services. We believe that this is the right direction for Iridium, and we'll continue to stay focused on execution across the business. So we're off to a good start in 2026. Partner activity remains strong, and we continue to generate a lot of cash that we plan to invest in our growth vectors. I look forward to providing more updates on our progress in the coming quarters.

Now let me turn the call over to Vince for details on the quarter. Vince?

Vincent O'Neill
Thanks, Matt, and good morning, everyone. I'll start my remarks today by reviewing Iridium's financial results for the first quarter and some trends we're seeing within our major business lines. I'll also provide an update on Iridium's leverage and capital position and discuss our outlook for the balance of the year.

OEBITDA was $116.3 million in the first quarter, down 5% from the prior year period. The change largely reflected the impact of a shift to pay annual incentive compensation in cash,

which I previewed on our fourth quarter call. This resulted in a $4.2 million hit to OEBITDA and will have a full year impact of $17 million in 2026.

This quarter's OEBITDA also reflected the benefit of a 2% increase in service revenue and ongoing growth in engineering and support. On the commercial side of our business, service revenue was up 2% to $130.4 million. This was in line with our forecast and reflected growth in commercial IoT and voice and data during the quarter.

Voice and data revenue rose 3% from a year earlier to $57.4 million, driven by the price actions we implemented last summer. This drove a 7% increase in ARPU from a year earlier. Net subscriber trends have improved from the year ago period when headwinds primarily associated with DOGE accentuated the level of seasonal deactivations.

Commercial IoT revenue was $46 million in the first quarter, up 5% from a year earlier. Net subscriber numbers this quarter have largely stabilized following last year's volatility related to a modification to retail pricing plans by one of our large consumer-oriented partners. As Matt noted, we are now in beta trials of a new hybrid modem, the Iridium 9604, which combines cellular, satellite and GPS in one engineered solution. Early feedback has been great, and we expect that the lower overall integration cost of incorporating this chip will help to accelerate subscriber growth.

Commercial broadband was down 5% from the year ago period and continues to reflect the ongoing impact of customer conversions to backup companion services, a trend we've discussed previously.

Hosting and other data services revenue was $14.8 million this quarter, down about 1% from last year's comparable quarter. The decline mostly reflects the timing of expected payments related to activities with an existing non-PNT customer. We continue to be encouraged by the ever-increasing interest we are seeing for Iridium's Assured PNT solution to address the vulnerabilities inherent to GPS and GNSS-based systems.

The introduction of our PNT ASIC this July is expected to accelerate growth and expedite the pace of deployment of Iridium PNT solutions. We continue to have conviction that PNT will drive at least $100 million in annual revenue for Iridium by 2030.

Government service revenue was up modestly in the first quarter to $27.6 million, reflecting the final step-up in our EMSS contract last September.

Turning to subscriber equipment. Sales were $20.2 million in the first quarter, largely in line with our expectations.

Engineering and support revenue was $40.8 million in Q1 as compared to $37.5 million in the prior year period. This rise in revenue continues to reflect Iridium's growing scope of work with the Space Development Agency and supports our strategic focus on revenue growth tied to national security missions.

As noted in this morning's earnings release, we are affirming our full year guidance for both service revenue and OEBITDA. I'd like to take a minute to review some of the drivers underlying this year's forecast. Starting with our commercial business in voice and data, we expect revenues to grow in the first half of the year, benefiting from the price actions implemented last

summer. As a result of these actions, we would expect ARPU to remain about $48 for the remainder of the year, consistent with our first quarter ARPU.

IoT revenue is expected to grow in the mid-single digits. As Matt noted, we are deep into beta testing of our next-generation IoT modem and are targeting new markets and use cases that are highly sensitive to cost, form factor design, and integration timelines. Based upon the positive feedback we're getting on the Iridium 9604, we believe it fills a gap in the satellite IoT market for utility at a value price.

In our broadband business, we expect maritime customers to continue to move to lower-cost backup plans. However, the introduction of new partner terminals combining Iridium Certus and GMDSS safety services will act as a tailwind for new subscriber growth and over time, we believe, help to offset current ARPU pressures. We continue to believe that Iridium will remain an important player in the maritime sector.

With regard to our government business, we have started discussions on the successor contract with the U.S. government and continue to expect they will exercise their option to extend the EMSS contract for a period of 6 months at current rates. Accordingly, we expect EMSS revenue of $110.5 million this year, even as we expand our relationship with the US Government with incremental engineering work.

As Matt discussed, we're getting a lot of inbound traffic on Iridium's Assured PNT solution. We continue to believe that this strong interest, along with the availability of our PNT ASIC this summer may provide upside to our full year hosted payload and other data revenue forecast.

We also expect that the strong trend we saw in engineering and support in the first quarter to continue. This momentum is tied to our work with the SDA and should support another year of record engineering growth. As I noted earlier, Iridium and its partners will introduce a number of new terminals and modems this year. Our focus on lower-cost hardware should broaden our sales funnel and allow Iridium to extend its satellite solutions to customers that have not historically considered non-terrestrial services.

We continue to expect full year equipment sales will be in line with historical levels between $80 million to $90 million in 2026. SG&A growth in Q1 was more pronounced than what we expect for the balance of the year, largely due to timing benefit of program expenses in Q1'25, the nonrecurring nature of some expenses incurred this quarter and the increase in SARs costs tied to stock price appreciation this year.

Going forward, we expect the SG&A run rate to moderate to low double digits in 2026, though stock appreciation could result in additional SARs expense. Taken together, this outlook supports our forecast for flat to 2% growth in service revenue in 2026 and for operational EBITDA between $480 million and $490 million this year.

I would again remind you that starting in 2026; Iridium will pay annual incentive compensation entirely in cash, rather than a mix of equity and cash as has been the company's prior practice. This change is projected to have $17 million impact to OEBITDA in 2026.

Without this change, OEBITDA would have been projected to be in the range of $497 million to $507 million in 2026. I hope this color is helpful as you chart our progress and update your financial models for our first quarter results. Moving to our capital position. As of March 31,

Iridium had cash and cash equivalents balance of $111.6 million and ended the quarter with a net leverage of 3.4x OEBITDA.

Our strong free cash flow provides significant flexibility to reduce net leverage quickly. We also have the flexibility to utilize our strong liquidity position to invest in business growth opportunities through product investments or even a tack-on acquisition. On March 31, Iridium made a quarterly dividend payment of $0.15 per share to shareholders. We remain committed to an active and growing dividend program and expect the Board will continue to grow Iridium's dividend, consistent with prior years.

Capital expenditures in the first quarter were $30 million. As we have noted previously, we anticipate CapEx this year to be consistent with 2025 to support our work on Iridium NTN Direct.

Turning to our pro forma free cash flow. We present a detailed 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 $318 million for 2026.

Based upon our expectations for Iridium's growth, we expect to have the capacity to generate at least $1.5 billion to $1.8 billion of free cash flow over the balance of the decade. Iridium occupies a unique position in the satellite market, and we remain very excited about our prospects for incremental top line growth and shareholder value creation.

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] Our first question comes from Brent Penter with Raymond James. Please go ahead.

Brent Penter
Hey. Good morning, everyone. Thanks for taking the questions. Matt, you touched on the Amazon acquisition of Globalstar. I'd like to hit on that a little bit more. First, could you expand on what you think that deal signals about the value of Iridium and the MSS spectrum that you own? And then second, how do you expect Amazon owning Globalstar may or may not change the competitive landscape of the markets you operate in?

Matthew Desch
Well, I think in general, it speaks to the value of the L- and S-band that we occupy. And more so, it speaks to the opportunity that I think the industry, certainly Amazon, feels about the potential for global direct-to-device services in the coming years. And I think it's healthy for the industry to get another big competitor. I think it will create even more opportunities and expand the potential for that market more greatly. I'm not sure what was the second part of your question, Brent?

Brent Penter
Yes, you started to hit on it.

Matthew Desch

How does it impact us competitively? I don't think it changes really anything for us competitively that dramatically. I mean, as I said, we're really positioned to be complementary. We started pivoting well over a year ago towards those areas that we believe can create a differentiated advantage really, whether it be aviation or national security missions or PNT, IoT, et cetera. And those areas, we feel really good about regardless of how many large operators there are in the straight D2D space. So I don't think it really changes anything that dramatically.

Brent Penter
Okay. Got it. And then last quarter, you all talked about the possibility of strategic alliances related to your spectrum. Can you update us on any early learnings in those discussions? And given the recent spectrum activity and valuations, has that moved up the stack to become higher priority?

Matthew Desch
I don't know that I can really speak to that question. I mean, I think it's probably, at this point, an area of a lot of interest and activity in the industry. And I just think we just need to not comment on that at this point, unfortunately.

Brent Penter
Okay, got it. Thank you.

Operator
And the next question comes from Chris Quilty with Quilty Space. Please go ahead.

Chris Quilty
Matt, maybe a little bit of a follow-up on that. Does Amazon's acquisition of Globalstar in any way or effectively kill the potential for a Big LEO processing round in your opinion?

Matthew Desch
Describe what a Big LEO processing round would be.

Chris Quilty
Well, SpaceX had been looking to reopen up the Big LEO band. And now you've got Amazon that's just committed $11.5 billion to take a position there. Presumably, would you get a new round to review that spectrum at a time when there's an ongoing acquisition associated with it? Probably not SpaceX, right?

Matthew Desch
Yes. So well, that’s kind of a fine detail overall there, I mean, look, our position is more spectrum for mobile satellite services and D2D would be a good thing. We continue to kind of lobby for looking for more spectrum for the industry in general, whether it be for direct-to-device or for any of the other applications, which are kind of consumer-friendly, device-friendly, the kinds of things that Iridium has been focused on. So I don't know if it makes it more likely or not likely. As I said, I think in general, it's a good thing. It does create more competition in this area, what's happening. A better funded sort of competitor in the D2D area, but I don't know what that will mean these days for the FCC or for spectrum at this point.

Chris Quilty
Got you. And Vince affirmed the $100 million for the PNT business in 2030, but you've gotten off to a slow start with customers. To hit that target, do you expect that as customers roll on, are

there going to be sort of chunky step function pickups in revenue? Or does this grow on a per subscriber basis where it starts slowly and then ramps up?

Matthew Desch
I think it's going to be both. I think it's going to be both chunky. I think you could see some large movements in that area as some major kind of customers come on and take global business opportunities. And I think you'll also see sort of a broad-based subscriber-by-subscriber growth. I mean that's what we're seeing. The numbers of companies that are integrating solutions right now are as I said, pretty extraordinary in my experience here at Iridium, all the activity around the discussions we're having around it. It just takes time for these devices to proliferate in the market and to create the kind of growth we're expecting. And I think a lot of that will be accelerated by the ASIC. That wasn't completely required, but it is definitely an accelerator.

Chris Quilty
Got you. And final question. You mentioned lower cost for the 9604 in terms of your partners' implementation costs. Can you give us a sense of is that 10% cheaper or 15% cheaper? And can you also touch on basically supply constraints that you've historically had, or not, in ramping that up versus something that's standards based. I mean, how fast do you think the product can be adopted and delivered?

Matthew Desch
Okay. Well, in terms of pricing, it all depends on volumes and really high volumes, it could be significantly less expensive than our legacy portfolio, the [Iridium] 9602 and 9603. 9604 being sort of built on a more global platform that's utilized for many other applications means that the cost overall is quite a bit lower. And then, of course, the fact that it integrates multiple technologies into the same platform.

So it's not a one-for-one kind of thing. It includes both those who want cellular and GNSS had to put those technologies separately into it. So it's really a fraction of the overall cost of the 3 solutions together. I don't know whether that's 20% or 10% or 30%, but it's a significant reduction, especially for those customers, in volume, who are utilizing all the power of the new product. And then in terms of standard. Sorry, go ahead, Chris.

Chris Quilty
No, I was going to say so if it's lower cost hardware going to lower-cost applications, typically, we'd expect the ARPU to go down. But if you're bundling in additional capabilities like the alt PNT, where does the ARPU go? Does it hold steady? Does it go up or down?

Matthew Desch
Well, I think, first of all, it can support low and high ARPU applications. As I've often said, ARPU is kind of irrelevant, it's all incremental earnings to us. It's more a matter of what kind of resources of our network it utilizes. And typically, low ARPU applications use almost no resources of our network and higher applications use a bit more.

So the more important part here is just how it sort of expands the use cases of applications. I mean, we're really talking about a lot more things that we hadn't seen before. And when you add that together with our NTN Direct service, which is standard space which would use standard chips, which are also low cost, in those cases, there's almost no integration costs that people have to go through.

A lot of times, they already have applications, they're just upgrading the chipsets, and they can roam onto our network with almost no additional cost. So, that opens up not only lower cost applications, but it opens up applications with large industrial companies who are uncomfortable using proprietary standards.

For example, I'm really surprised at all the discussions we're having in the automotive industry right now. I mean those take a while to create revenue, but they're high volume and could be really efficient users of a standards-based solution. So it's really not a matter of whether ARPU will go down or up, maybe incremental ARPU in some of these applications will be lower, but the overall revenue is what will grow, which is what's most important.

Chris Quilty
Okay. Thanks, guys. I had to ask a lot of questions in Ric's stead since he wasn't on the call.

Matthew Desch
Well, thanks for that.

Operator
The next question comes from Edison Yu with Deutsche Bank. Please go ahead.

Edison Yu
Hi. Good morning, everyone. Thanks for taking our questions. I wanted to sort of come back to the Amazon/Globalstar from a slightly different perspective. Is there any sort of, what you say, industrial logic to having that full L-band block that you currently share the 0.95 MHz with Globalstar. Does that make any sense to kind of combine it? Would there be any sort of synergies that you could derive from it just kind of technically speaking?

Matthew Desch
Yes, Edison, that question or that thesis that you're describing has been described very fully by both analysts and others in the industry. And I think I really need to leave it to that right now. Otherwise, it will sound like I'm promoting or trying to highlight something that I'm really not comfortable doing right now in the current environment.

Edison Yu
Understood. That's fine. Second topic, there was some news about a drone outage. I'm sure you probably saw and obviously, you guys are doing work there. Have there been any updates on the regulatory front or any sort of recent discussions since the last quarter on drones?

Matthew Desch
You mentioned drone outage. Is that another company's technology? Are you talking about an outage? you're not talking about an Iridium outage...

Edison Yu
No, I think it was reported in the media. It was not related to you, obviously, but I think it highlighted potentially some opportunities for you.

Matthew Desch
Well, I will say the drone environment for us is really hot. I mean, both in terms of integrating our communication technologies into drones as if not a primary backup source, but also our PNT technology makes a lot of sense as one of the technologies to maintain the location. And obviously, a lot of focus is on Middle East and other areas right now where drones are being

operated, but I'm equally excited about the commercial side of drones, which needs all those technologies as well with the new FAA Part 108 rules that are expected to come out later this year andnd finally open up beyond visual line of sight. Commercial drones, where Iridium technology makes a lot of sense there. And there is a lot of activity around that, both in terms of our -- whether it's the Iridium 9604 or 9704, which is the higher-speed IoT product or our Iridium NTN Direct. And of course, a lot of discussion around PNT just to protect the integrity of the location.

Edison Yu
Great. Thank you so much.

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

Hamed Khorsand
Good morning. Thanks for taking the question. Just want to understand what you're seeing on the subscriber end, on commercial IoT, is any of that coming from the consumer side? Or is this purely coming from industrial customers?

Matthew Desch
It's actually coming from both. And looks a lot more, I think, this year like it did much more so than last year when the commercial side of it was kind of going through a pricing change from a big customer that sort of I thought distorted the subscriber numbers. But we're seeing healthy subscriber growth as we did back in 2022, '23, '24 and more normal growth. But we're getting growth from across the board, industrial and in consumer.

Hamed Khorsand
Okay. And then could you just talk about this EMSS contract that you're saying that it would require a six-month extension. Is that just the same aspect that happened a few years ago when you were going through the renegotiation process?

Matthew Desch
Yes. Our current EMSS contract, which has been a seven-year contract is approaching its final seventh year, but there's an opportunity really for the customer during negotiations - if it isn't completed on time - to just extend it at the current year seven price for an extra six months. That has happened in the last three contract renewals that I've been a part of. And so I'm expecting it to happen again this time as well. Particularly you can imagine if the customer didn't see sort of the value in getting a new contract right away, they might extend the current one a little bit further.

Hamed Khorsand
Okay. Thank you.

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

Tim Horan
Thanks guys. It seems like if you can get your PNT embedded in every GPS chip out there, the market is orders of magnitude bigger. I would say the same thing for IoT. Can you just describe a little bit more detail where you are in getting it adopted in the standards? And I guess related to that, I mean, could you become a standard GPS replacement globally? And how do you think

about pricing in that environment? I mean because the lower you price it, the more likely you are to become the standard replacement. I know this is a complex question, but any thoughts would be helpful?

Matthew Desch
Well, just be careful about using the word standards. It does apply. But when I was referring in my comments to getting into GNSS chipsets, I would say there's a number of suppliers who supply the majority of chipsets that go into all our consumer products and handheld units, golf carts and all those sort of things. And I was referring to the fact that we always wanted to get into those chips, but they probably didn't understand really the value of our PNT service.

When the ASIC came out and has become very public and all the interest is generated, we're now seeing some of those companies who are now seeing exactly what's involved and what the physical attributes and technical attributes and are -- and we're in discussions with some about integrating that more powerful alternate PNT service directly into their chipsets. You're right, that would expand the market really dramatically.

Now in addition, when you said the word standard, 6G is -- includes the idea of PNT. And we're working to get our PNT technology embedded into the sixth generation standard that would that are really talking about enhancements to PNT. I wouldn't use the term “we'd replace GPS.” Our goal is always to be an alternative, augmentation to GPS. Currently, we're not as accurate as GPS, but being so powerful, we're really difficult to jam or spoof, being encrypted, etcetera.

I will say we have plans to make our system much more accurate. I'll talk about that maybe more in the future that would require some additional payloads in space and we're kind of in the early stages of kind of working through that, but we think we can do that pretty quickly and cost effectively.

As far as what the value of that would be, yes, it would be extremely large and dramatic in terms of the potential for number of units and the impact that we could make across a wide variety of industries. It's a little early stage to talk about that. That's a 2030 kind of thing. I'm happy to both reiterating our guidance on PNT through 2030, as well as the upside we see from like identity management, trusted location products to that. But yes, we're working right now on a much bigger strategy that could be a lot larger.

Tim Horan
And could you give us some color of the same concept for your IoT communications here?

Matthew Desch
The same color on IoT in terms of...

Tim Horan
I'm sorry, we’ve embedded in other chips like you described, like what does it need to take for that to get to really strong growth where they're not just using your customized ASIC, but it's going to be embedded in other ASICs?

Matthew Desch
Yes. Well, obviously, our Iridium NTN Direct is completely about being embedded into standard chipsets. And right now, several of them are already in process of developing them, including some of the largest and most prolific terrestrial IoT chip manufacturers. And if they include our

technology into those chips, then anytime those chips get into products, those customers could basically roam onto a satellite network.

I mean it does expand the market tremendously for sort of IoT applications for us. Again, we're expecting growth in this area. I can just say general, we're not giving exact guidance yet. There is some cannibalization of our legacy services sort of embedded in that, but we believe that the overall market expansion greatly, or significantly goes beyond that, so that our IoT services can continue to expand across that. And by the way, it doesn't replace all the sort of existing technology we have like the Iridium 9604 because they provide tremendous value as well.

Tim Horan
And just lastly on the spectrum. There's some concern that maybe your spectrum is already being utilized and couldn't be ported over to other constellations to use for other purposes. Can you kind of give any thoughts on that?

Matthew Desch
Well, I mean, yes, our spectrum is being utilized and it's generating a lot of cash and revenue. I don't apologize for that. We have a very efficient network architecture. Our satellites are regenerative. They can utilize spectrum on literally a message-by-message basis and can be highly configured and controlled and automated in a way that is extremely efficient and we've only improved that over time.

So I know the question some of you are asking is, could we make some of our spectrum available for lease or for obviously, sale, or could somebody else if they controlled us take advantage of our spectrum, particularly for like 5G new radio. And the answer is yes, we believe we could.

We believe whether we were doing it ourselves or we're doing it with in conjunction with someone else, that we could allocate some amount of spectrum to those other applications and continue to generate the revenues and cash flows and growth that we're expecting by very effectively moving around within our spectrum band on literally a call-by-call basis to serve the traffic that we expect to see in the future.

I know some of the questions, some of you asked, would we lease the spectrum to do that for someone else? I mean, theoretically it's possible or technically it's possible to do that. I don't think that's the best way to add value from an Iridium perspective to our shareholders, etcetera. So I'm really not looking for those kind of opportunities right now. It would be some other kind of arrangements that would seem to make the most sense.

Tim Horan
Thanks a lot.

Operator
And the next question comes from James Ratzer with New Street Research. Please go ahead.

James Ratzer
Yes. Thanks very much for taking the question. In fact, my question was really a direct follow-on from that last one. So to understand a bit more about the capacity utilization on your network. I mean, Matt, are you able to kind of quantify any further at the kind of peak hour of your network usage or in certain kind of global hotspots, what percentage of your capacity is currently being used? And in particular, going out towards the end of the decade as you roll out the new

services you're talking about, how do you see the capacity utilization on your network evolving over the next 4 to 5 years?

Matthew Desch
Yes, James. So it's a complicated question to answer and to do it simply, our network really reassigns itself every 90 milliseconds. And you can imagine its ability to kind of handle traffic varies moment by moment, literally position by position on your surface. We don't have any brown outs today, if you will or peaks. I'm always sensitive to talk about this because we're one of the most efficient users of spectrum on the planet.

We would like more spectrum. We believe we have enough spectrum to handle our growth plans going out into our next-generation system. And we have plans to create capacity through capital expenditure in a next-generation constellation. That being said, we have areas where we're much more fully utilized in certain places, and places less utilized.

One thing I've talked about on previous earnings calls is one of the most inefficient users of our spectrum was our broadband service, which 5 to 10 years ago when we implemented it or 7 to 8 years ago, I guess, when we implemented it, there was no Starlink or Amazon's Leo services or other broadband traffic and we were just competing really with Inmarsat's L-band broadband services. That service is in decline and the good news is it's kind of creating capacity for us because the most efficient user of our network is IoT and PNT services and things like safety services, whether it be aviation or maritime. So with that, we really believe we have to utilize a portion of our spectrum and repack our spectrum in very effective ways to create the ability to create new services within our existing spectrum band. But again I would like more spectrum at any way we can get it.

James Ratzer
I get it. Can you say just last one for me, as you upgrade your satellite constellation, what kind of multiple do you think you can get on capacity increase? Is that a kind of 2x increase, a 10x increase? What are you planning on that front? Thank you.

Matthew Desch
Well, I challenged the team with a 10x increase. And the designs that we're talking about with kind of smaller, but many more satellites, we currently have a design that really maybe requires maybe 4x more satellites than we're currently operating, but it really does expand the capacity greatly with other antenna technologies and smaller beams on the ground, etcetera. So, a lot of thinking about that. We're not having to start to develop that system for a number of years from now. But we're excited about some of the technologies we seek available and available to us that will kind of lower all the cost of that to provide whether it be launch or satellite bus capacity at a cost that certainly isn't greater than the network cost we experienced last time, and probably a bit lower. So I think we can get quite a bit of capacity in the future.

James Ratzer
That’s great. Thank you, Matt.

Matthew Desch
Thank you.

Operator
Our final question comes from Justin Lang with Morgan Stanley. Please go ahead.

Justin Lang
Hi, good morning. Thanks for taking the question. Matt, just staying on the topic of spectrum and any potential arrangement with a third party. Just curious how we should think about the fact that you have government users relying on the network. I'm not sure we've seen that dynamic, at least not to the same extent with other spectrum that's recently transacted. Just curious how that factors into the considerations, if at all? Thanks.

Matthew Desch
Factors greatly into consideration, and nothing I would do or anything I'd say it would hurt the ability for us to operate our network out in the future for one of our most important customers or really for any customers for that matter. One of the reasons I would -- in terms of partnering in some way to sign additional services using our spectrum -- one of the reasons why I want to be intimately involved in that is to be able to evolve services seamlessly and our customers and partner base, which is the most extensive in the industry out to the future quite seamlessly for those customers.

So there will be a lot of demand by our partners, whether they're government or industrial to future standards-based services. And we think we could be extremely valuable in terms of managing that transition over the next 10 years. So we don't think it's an issue. We don't think there should be any concern by anybody in terms of doing anything in the future in terms of anything we do with our network in any way, particularly if we can help manage that transition into the future.

Justin Lang
Okay. Great. That's perfect color. Thank you. And then maybe one for Vince actually the larger PNT order that you've anticipated that sort of moved around quarter-to-quarter. Any update on that front you can share and new timing expectations?

Vincent O'Neill
No, I think that's pretty much the same, Justin, as we talked on our February call. As I highlighted in my scripted remarks, we do think that there's the potential for upside there in terms of our '26 guide, but we just feel it would be premature to include that in the outlook at this point.

Justin Lang
Got it. So that order is not in the guide factored into the outlook today, right?

Vincent O'Neill
That's right.

Justin Lang
Okay. Thanks.

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
Well, there's certainly a lot of interest in our spectrum. We certainly agree. It does have a lot of value. L- and S-band are demonstrating that. But I want to reiterate, we're really heads down and focused on organic growth, the kind of things we're doing as well as the investments we're

making in our core growth pillars and the new products we have coming out. So, I'm really looking forward to continuing talking about that in coming quarters with you as well as we demonstrate our continued ability to grow here. So, thank you for being on the call and look forward to talking to all of you.

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