MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the GeoEye Inc. Fourth Quarter and Year End 2009 Earnings Results Conference Call. At this time all participants are in a listen-only mode. Later we will conduct question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder today's conference call is being recorded.

I'd now like to turn the conference over to your host, Mr. William Warren, Senior Vice President and General Counsel. Please go ahead.

William L. Warren, Senior Vice President and General Counsel

Good morning. This is William Warren. Thank you for joining us today, as we discuss GeoEye's 2009 fourth quarter and fiscal year end financial results. Speaking today will be Mr. Matthew O'Connell, Chief Executive Officer, and Mr. Joe Greeves, Chief Financial Officer. Also joining us on the call today are Mr. William Schuster, Chief Operating Officer, and Mr. Randy Scherago, Vice President of Investor Relations. After our remarks, we will take questions from analysts and investors. This call is being recorded.

Before we begin the business portion of this morning's call, we would like to inform you we expect to be making forward-looking statements during today's call. Statements including words such as "believe," "anticipate," "estimate," or "expect," conditional statements, and statements in the future tense are forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties and are based on management's current views and assumptions regarding future events and operating performance.

A number of factors could cause our actual future results to differ materially from our current expectations. Examples of these factors include, but are not limited to, conditions in the remote sensing industry, level of government spending, competitive pricing pressures, the level of new commercial imaging orders, production rates for advanced image processing, start-up costs or overruns on new contracts, and technology and product development, risks and uncertainties.

Listeners are encouraged to read the risk factors in our filings with the Securities and Exchange Commission for a discussion of the various factors, which could cause our actual performance to differ from our forward-looking statements. We assume no obligation to publicly update or revise our forward-looking statements.

A copy of the prepared script for today's call will be made available on our Web site in the Investor Relations area shortly after this call. We will replace that with final transcript once it is available. You may also listen to an audio replay on our Web site.

At this time, I would like to turn the call over to the Company's Chief Executive Officer and President, Matt O'Connell.

Matthew O'Connell, Chief Executive Officer and President

Thanks, Will. I'd also like to thank all the equity investors, bondholders, analysts, and customers listening to and participating in our fourth quarter and 2009 year-end call. Before I start talking about our financial results, I want to take a moment to update you on GeoEye's work following the January earthquake in Haiti.

GeoEye was the first to deliver satellite imagery to both federal government and commercial customers. Within 12 hours of the earthquake, we collected GeoEye-1 satellite imagery and posted it to the Web. Relief and government agencies used our satellite imagery to make better decisions about their relief efforts. The entire world saw the practical application of our satellite imagery for understanding the extent and scope of the damage in Haiti. The disaster literally brought into focus the way commercial satellite imagery can be used for disaster assessment.

Now, for our results. We're very pleased with the financial and operating results we achieved in 2009. We experienced strong year-over-year revenue growth and operating margin improvement. We generated excellent cash flow growth, maintained a big backlog of work, and strengthened our balance sheet.

We enjoyed outstanding operating performance for much of the year, starting with the commencement of commercial operations of our GeoEye-1 satellite in February 2009.

On this call, we'll update you on our fourth quarter results, our strengthened balance sheet, our current operations and backlog of government and international business, and new business developments. We'll also discuss the U.S. Government's EnhancedView program to the extent we can, and we'll discuss the Company's long-term goals and update our financial outlook for 2010.

After my initial comments, our Chief Financial Officer, Joe Greeves, will discuss the Company's recent operating results, important financial metrics, and our financial operations in more detail. Then we'll take questions from you.

Here are some highlights. The Company had a record year in 2009. We generated revenues of $271 million, up 85 percent percent over 2008. This revenue growth came mostly from the U.S. Government and international markets. Fourth quarter revenues were $73 million, up 80 percent over the previous year. Fourth quarter revenue results were negatively affected by the approximately $6 million of lost business, primarily due to a satellite irregularity that we reported in mid-December. I'll say more about that in a moment.

In our fourth quarter, our operating income was $19 million. Operating margin was 26 percent, and adjusted EBITDA margin was 50 percent. All were within our previous revised guidance. We ended the year with a very sound balance sheet, with approximately $274 million in cash balances. We strategically refinanced our debt in October to lay the groundwork for our bid under the EnhancedView program and lowered our interest rate in the process. Joe Greeves will provide more details later on this call.

Now I'll give a quick review of some of the business drivers in the fourth quarter and 2009. The U.S. Government accounted for 71 percent of sales in the fourth quarter and 67 percent of sales for all of 2009. The U.S. Government's demand for commercial satellite imagery will continue to be the biggest driver of our revenue growth for the foreseeable future. This demand will come from the National Geospatial-Intelligence Agency, often referred to as the NGA, our single largest customer.

The NGA accounted for 58 percent of our total revenues in 2009. No other customer accounted for more than 10 percent of our revenues. In the fourth quarter, we recognized $38 million of imagery revenue from the NGA under the Service Level Agreement, or SLA, related to the NextView program. We began delivering GeoEye-1 imagery to the NGA under the SLA in the first quarter of 2009, and we recognized $125 million of imagery revenue under the SLA during the year.

We met all of the stringent metrics under the SLA from July through November. In December, we didn't meet all of the metrics because of the satellite irregularity, but we had overachieved on some metrics and were able to gain back most of the $12.5 million monthly NGA fee. We're now back up to full speed with the NGA.

During 2009, GeoEye also received new awards for more than $38 million for our production line of business to supply NGA with value-added imagery products. These awards were unaffected by the delayed passage of the defense appropriations bill.

International Sales revenues were approximately $74 million, or 27 percent of total revenues for 2009. Our international sales force generated revenues of $16 million, or 22 percent of total revenues in the fourth quarter. As I said earlier, these fourth quarter numbers were affected by the December irregularity, but have substantially recovered.

The Company's global sales network currently comprises eight major strategic business partners, both government and commercial, and more than 120 resellers. In December, GeoEye opened its first overseas office in Singapore, GeoEye Asia, to better serve our customers in that region.

Now, I would like to update you on our three business lines, beginning with imagery collection.

Our three-satellite constellation of GeoEye-1, IKONOS and OrbView 2 constitutes the assets of our satellite imagery collection business. In 2009, we generated sales of approximately $206 million from satellite imagery collection. These sales were driven by our customers in defense and intelligence. We believe that worldwide demand for imagery, surveillance, and change monitoring will continue to be recession-resistant.

As you know, we discovered a technical issue with the GeoEye-1 satellite on December 11. Our engineers detected an irregularity in the equipment GeoEye uses to point the downlink antenna that transmits imagery to receiving stations on the ground. The issue affected just a handful of overseas customers who own ground stations and want to simultaneously collect and downlink imagery. The satellite was out of service for five days of testing, however, and that out-of-service period affected all our customers. We believe the full financial hit in the fourth quarter revenues was 8 percent, or $6 million, which is within our previous guidance.

Our engineering team has worked closely with the satellite manufacturer, General Dynamics, to develop operational workarounds that have mitigated most of the technical down linking issues. We believe that the overall impact on 2010 revenues will be substantially less than the 10 percent negative impact that we previously forecast.

Turning to our other satellites, in January, Lockheed Martin completed another lifetime analysis of IKONOS. Lockheed built IKONOS in 1999 and periodically performs this analysis for us. IKONOS was designed for a mission life time of five years, but Lockheed tells us that they see no reason to expect that IKONOS would not operate for another two years, if not longer. It's showing incredible staying power.

Turning to our aerial fleet, business is looking better in 2010 for MJ Harden. The aerial market is still struggling in this economy, and bad weather across the northern part of the country caused some project delays, but MJ Harden is on track to exceed their first quarter goals. Their strategic focus on infrastructure markets looks like it will pay off in the pipeline and electric transmission line markets in the next few years.

As our long-time investors know, we also generate revenues from processing satellite imagery through our production services line of business.

We perform high end, value-added work for our clients in our Dulles, St. Louis, and Thornton facilities. Our production and value-added services generate significant revenues, more than 16 percent, and they help drive our imagery collection business. As we've told you before, we expanded both our St. Louis and Thornton facilities to keep up with U.S. Government demand. Those expansions, combined with productivity improvements, should lead to revenue growth in this business line this year.

Joe will highlight the financial progress we made in productions revenues later.

Next, I would like to discuss the NGA's EnhancedView program. Many of you have asked about it. The EnhancedView program is one part of a larger satellite imagery strategy announced in April 2009 by the Director of National Intelligence, Admiral Dennis Blair, and approved by President Obama. EnhancedView is the latest in the string of NGA programs that have enabled our federal government to receive unclassified satellite imagery from commercial providers. In 2002, the three-year ClearView program drew heavily on our IKONOS satellite. In 2004, we began working for the NGA under the seven-year NextView program. The EnhancedView program will replace NextView, and we hope to continue our work for NGA under the multi-year EnhancedView program. These multi-year programs give us good visibility into our revenue streams from the U.S. Government.

We understand that many of you might have difficulties with the complexities of defense and intelligence budgeting and might be concerned by the delays in government awards. However, most investors do understand that the government increasingly relies on commercial eyes in the sky for intelligence. As Admiral Blair said last spring, the last thing our government wants is a gap in their intelligence capabilities. That's why the NGA has kept the NextView program and monies in place until the EnhancedView program supersedes it.

The NGA recently extended our existing SLA through June 30, 2010, followed by six additional month-to-month options through December 31. The extension will provide a smoother transition between the current NextView contract and any potential EnhancedView award. This contract modification also resulted in several minor changes to the terms of the SLA, which are mutually beneficial and allow us to better serve NGA's requirements. We are participating in the EnhancedView contracting process. We filed our response, as required by the request for proposal, or RFP, on Monday.

We expect the NGA to make EnhancedView awards in the June timeframe. As we told many of you during previous conference calls and on our road show last fall, we believed that the U.S. Government would share part of the burden of building new imaging satellites by means of a cost share program. We expected to be able to finance GeoEye-2 with cash on hand, including the proceeds of our bond offering, cash flow from operations and a cost share from the NGA. We had expected to return to the capital markets later, as we stated on our road show, to provide additional growth capital.

However, the government's approach to the cost share program and the structure of the cost share changed in late December. As part of the EnhancedView process, the government added a requirement to the request for proposal that stated that bidders would be required to post a letter of credit to match, dollar-for-dollar, the cost share amount that the U.S. Government would fund for the building of additional satellites. The letter of credit had to be available to the NGA through the development of GeoEye-2 and up to three years after checkout. Post 2008, banks require that borrowers like us deposit cash collateral equal to the amount of any letter of credit.

The change in the RFP structure and the short timeframe we had to raise the capital to collateralize the letter of credit required that we identify a financially strong partner with a long-term commitment to our business who could respond quickly.

I'm happy to announce that on March 4, GeoEye entered into a binding commitment letter with Cerberus Capital Management to purchase preferred stock and provide the monies for the future debt financing, the proceeds of which will be used for the development and launch of GeoEye-2. Assuming the Company wins an EnhancedView award, Cerberus will purchase up to $115 million in preferred stock and provide debt financing of up to $100 million, drawable at the Company's option. The Cerberus commitment gives us a fully financed proposal, including the new letter of credit requirement, which we believe further strengthens our ability to win the EnhancedView contract. After meeting with Cerberus and other potential financial partners, we concluded that the Cerberus team is committed to the long-term growth of GeoEye.

Cerberus as you probably know, is a private equity firm that was founded in 1992 and presently manages about $24 billion.

That brings us to the discussion of the outlook for our next satellite, GeoEye-2.

A couple of years ago, we anticipated the increase in demand for commercial satellite imagery from the U.S. Government. We entered into a contract with ITT in 2007 to begin preliminary work on the camera for GeoEye-2.

ITT's work could accelerate the development of GeoEye-2, so that we could launch it in late 2012 and begin commercial operations in 2013. Of course, that's if we win a contract under the EnhancedView program. Otherwise, we'd launch in 2017, which is about when we'd expect to replace GeoEye-1. ITT has completed many of the optical and electronic elements of the camera. What remains is the integration and testing of the entire camera system.

We are pleased to announce that we have selected Lockheed Martin, who built our earlier IKONOS satellite, to build the satellite bus and launch vehicle for GeoEye-2. We believe that the GeoEye Lockheed team is a best-in-class solution; it will provide the best technical solution and the highest assurance to the NGA that they will get the added capacity they want, when they want it.

GeoEye-2 will have better resolution than any other commercial satellite and other advantages, like advanced tasking capabilities, and the ability to collect more imagery faster.

We are also seeing growth in our information services line of business. The NGA will be a customer for information services that we plan to deliver over the Web. Our real-time Web delivery product has been beta tested and is now being mobilized with the NGA through a program called Rapid Delivery of Online Geospatial-Intelligence. That's also referred to as RDOG.

Phase One of RDOG involves a contract to produce and deliver a digital image map of an entire country for the NGA. After we build the image map, we will host it in a Web services environment, so that anyone from the NGA can access it any time, anywhere. RDOG represents our first step toward delivering information services over the Web.

The NGA issued us an award in the last week of February this year for subscription-based access to this Web mapping service. We're going ahead with this work, and we're excited about it.

After we bring Web services online for the U.S. Government in early spring, we'll begin rolling the service out to our commercial customers. In the coming months, you'll hear more news from us regarding the services we'll be offering to a wide range of government and commercial clients for applications in the oil and gas industry, mining, engineering, construction and infrastructure industries, and public safety.

Now for our financial outlook. Given our earlier discussion of the irregularity, we are comfortable forecasting revenues in a range of $300 to $320 million, and EBITDA in a range of $145 million to $160 million for fiscal 2010.

With the high demand for our services for the next few years from the government, commercial, and international markets, we are confident that this business will continue growing well for the next few years.

Now I'll turn the call over to our Chief Financial Officer, Joe Greeves, so he can talk about our fourth quarter results. After Joe's done, I'll be back to sum up and then we'll take your questions.

Joseph F. Greeves, Executive Vice President and Chief Financial Officer

Thank you, Matt. Good morning, everyone. I think the strong fourth quarter results, despite the impact of the previously announced satellite irregularity, demonstrate that the Company's resilient and well positioned for future growth and leadership in the emerging commercial satellite industry.

Now, let me review our financial results. The fourth quarter revenues were $73.2 million, which represents an 80 percent increase from the $40.7 million reported in the same period last year. This was even after the Company reduced its fourth quarter revenues by $6.1 million to address the customer issues associated with the satellite performance.

Although our revenues were down from the third quarter, we were well within our previously revised guidance. For the full year of 2009, revenues were $271.1 million, up 84.9 percent year-over-year.

The fourth quarter revenue breakdown includes the following. Domestic revenues were $57.4 million, and accounted for 78.4 percent of the total revenues. International revenues were $15.8 million, which accounted for the remaining 21.6 percent of the revenues. Domestic revenues rose 254.1 percent year-over-year, while international revenues declined by $8.7 million, due to the inclusion of a $7.2 million ground station sale in 2008, and the effects of the satellite irregularity.

Our imagery revenues of $55.6 million accounted for 76 percent of the quarterly revenues and grew by 89.8 percent compared to last year. Our NextView cost share revenues accounted for $6 million, or 8.2 percent of total revenues. Production and other services revenues of $11.6 million, or 15.8 percent of the total revenues, showed a modest net increase of 1.7 percent.

Our NGA production services revenue business increased 46 percent due to the increased demand for value-added production services in our Thornton, Colorado and St. Louis, Missouri operations. Our production services backlog is currently very strong, and we expect these production services revenues to continue to grow in future quarters.

This growth was partially offset by the effects of the economic downturn on our SeaStar and aerial businesses in the fourth quarter. We continue to believe the SeaStar and aerial businesses should stabilize and start recovering as the general economy improves.

In terms of customers, our U.S. Government work amounted to $52.2 million, or 71.3 percent of revenues in the fourth quarter, and $181.9 million, or 67.1 percent of revenues for all of 2009. Our U.S. Government customers include the NGA, Department of Homeland Security, Department of Interior, Department of Defense, and many other agencies. No other customer accounted for more than 10 percent of revenues in the fourth quarter or in 2009.

In regards to the NGA service level contract, we recognized $37.8 million of imagery revenue in the fourth quarter, and $124.9 million for all of 2009, while the revenues under the NGA service level accounted for almost 52 percent of our revenues in the fourth quarter. GeoEye-1, our satellite that does most of the work in the NGA's NextView program, began operations in mid-February 2009.

Our current Service Level Agreement contract calls for the NGA to pay us $12.5 million per month for images. However, these monies can vary month to month depending on the number of additional imagery requests they make, which can lead to higher payments or reduced payments, depending upon whether we hit our performance metrics.

Under the Service Level Agreement contract, the NGA has given us a standing order to collect imagery over a large part of the Earth. In addition, the Service Level Agreement contract gives our government the right to make special orders. In essence, the NGA can ask us to direct the satellite to take images of hot spots where they determine the need for more time-sensitive images. For these special order requests above a certain level, we can be awarded additional funds, as I mentioned above.

In this quarter, we met all the metrics for October and November, but then fell a little short in December as a result of the satellite disruption, and earned some additional monies by providing additional imagery. We believe our customer, NGA, has been pleased with our performance for 2009.

In addition to the NGA Service Level Agreement contract, we received awards from NGA during 2009 totaling more than $37.9 million to supply value-added geospatial intelligence products and services. We delivered products and services to NGA under these new awards beginning in the first quarter of 2009 and recognized $5.1 million of revenue during the fourth quarter of 2009, and $10.4 million for the year. These value-added awards are expected to be completed before the end of 2010.

Now let's talk about some other financial metrics. One metric of our operating performance is adjusted EBITDA. We define adjusted EBITDA as net income before interest, taxes, depreciation, amortization, non-cash recognition of stock compensation, and other unusual items. Adjusted EBITDA increased by $27.4 million to $36.7 million for the fourth quarter of 2009, from $9.3 million during the same period in 2008.

The strong year-over-year EBITDA growth, which we generated in the fourth quarter, was attributable to our exceptional revenue growth, good expense control, and significantly higher depreciation expenses associated with the new GeoEye-1 satellite.

The adjusted EBITDA margin for the fourth quarter was 50 percent compared to 22.8 percent in the same quarter last year. With the GeoEye-1 satellite performance getting back on track, we will continue to target our EBITDA margin in the 50 percent range for the foreseeable future, with some possible slight quarterly fluctuations.

Direct costs for the fourth quarter of 2009 were $24.5 million and declined as a percentage of revenues to 33.4 percent from 50.3 percent in the prior year. As a result of the revenue growth, the Company is benefiting from some positive operating leverage. Although we are always evaluating ways to reduce costs to become more efficient, we continue to believe that the direct costs should range between 30 percent and 35 percent of revenue going forward.

Depreciation and amortization expenses rose from $2.7 million last year to $16.4 million this year, due to the commencement of operations for the new GeoEye-1 satellite. We began depreciating GeoEye-1 and its related ground station in mid-February 2009. GeoEye-1 is being depreciated over its nine-year expected life.

Sales, general, and administrative expenses were $13.0 million or 17.8 percent of the sales for the quarter. As a percentage of revenue, this represents a substantial reduction from the 28.9 percent rate for the fourth quarter of 2008.

These costs have increased as business development and commissions have grown with increased revenue, and we have made additional investments in our financial and administrative support organizations. We plan to continue to make investments in our business development sales and support organizations to help primarily promote future revenue growth.

Income from operations for the fourth quarter of 2009 was $19.4 million, a healthy increase of $15.7 million from the comparable period in 2008. The operating margins were 26.4 percent for the fourth quarter 2009 compared to 9 percent in the same period in 2008.

Going forward, we continue to believe 30 percent is a reasonable target for our operating income margin. At that level, we can continue to make investments in new satellites, our professional delivery services, our sales organizations and expand our research and development programs, which should allow us to grow the business while still providing a strong return to shareholders.

In the first quarter, you should see a rise in expenses associated with the EnhancedView bid, and increased R&D-type expenses. We believe this margin may be subject to slight quarterly variations.

Interest expense for the quarter was $8.2 million compared to $2.9 million last year. Interest expense primarily increased due to the commencement of GeoEye-1's operations. The interest costs associated with the development of the GeoEye-1 satellite, which in the prior year were capitalized in accordance with Generally Accepted Accounting Principles, are now being expensed as the satellite is fully operational. We began capitalizing interest on the new GeoEye-2 program in the fourth quarter and capitalized $1.8 million this quarter.

There were two large unusual items in the fourth quarter of 2009. First was a $27.1 million charge related to the refinancing of our senior notes. As you recall, in October 2009, the Company refinanced its outstanding long-term debt by closing a $400 million private placement offering of Senior Secured Notes due in 2015, with a 9.625 percent coupon rate.

A portion of the net proceeds of the 2015 Notes offering was used to fund the repurchase of $249.5 million of the outstanding principal, or approximately 99.8 percent of the Company's outstanding 2012 Notes as a part of the tender offer for these notes.

The Company took a non-cash debt extinguishment charge of $27.1 million in the fourth quarter to write off the remaining unamortized prepaid financing costs, and the tender premium related to the 2012 Notes.

The second unusual item during the quarter was a $19 million one-time tax benefit. On October 15, 2009, the Internal Revenue Service approved our ruling request regarding an ownership change to effectively allow us to recover $57.6 million of a previously limited operating loss generated prior to November 2004. We've recorded a tax receivable of $40.2 million, and we expect to receive the cash related to this receivable this year.

Our effective tax rate for the year was 38.8 percent before these discrete items. We believe the Company's effective tax rate for the next year will be comparable before the effects of any discrete items. Including these two unusual items, net income for the quarter was $11.7 million, or $0.55 per diluted share compared with a loss of $3.6 million, or a loss of $0.20 per diluted share in the fourth quarter of last year.

Turning to contracted backlog now, we have historically had and currently have a substantial backlog, which provides some assurances regarding our future revenue expectations. Our backlog was approximately $271 million as of December 31, which includes $81.4 million of contracts with the U.S. Government. In addition to this backlog, we recently added another $37.5 million with our most recent extension of our SLA extension.

Now, turning to the balance sheet. The balance sheet continues to be strong. The Company finished the fourth quarter with $208.9 million in unrestricted cash and restricted cash of $65.9 million. Of this restricted cash, $48 million relates to funds designated for the construction of GeoEye-2. Cash receivable for the fourth quarter was $32.6 million, down from $43.2 million last quarter. This represents 40 days of sales outstanding, which is well below our targeted range of 60 to 70 days outstanding.

In terms of capital expenditures, we paid out $79.1 million during all of 2009. Of this, approximately $36.9 million was invested in GeoEye-2, with a balance primarily funding the final GeoEye-1 program and general maintenance expenditures.

Before I move into the 2010 outlook, let me briefly discuss our recent transaction with Cerberus Capital Management, which was discussed in a separate press release and 8-K filed last night. Last year, during our bond road show, we looked at our cash projections and the potential for us to build a new satellite on an accelerated basis on the EnhancedView contract. We believed at that time we would have adequate cash to build GeoEye-2 based on our cash balances available, and projected cash from operations, as well as a cost share from NGA.

As you saw in our announcement, the RFP required that we post a letter of credit for the full amount of the proposed cost share. Since the letter of credit needs to be fully cash collateralized, we needed additional capital in order for us to submit a fully financed bid.

The terms of the deal with Cerberus are as follows. Upon us winning the award, Cerberus will purchase 115,000 preferred shares at a par value of $1,000 each. Proceeds to us after original issued discounts, or OID, will be approximately $112 million. These shares will receive a 5 percent dividend payable in cash or securities at our option. Now if the government allows us to remove the letter-of-credit requirement as we requested, we will no longer be obligated to issue the 115,000 preferred shares, but Cerberus can choose to purchase up to 80,000 shares. In this scenario, the net proceeds to the Company would be $78 million.

In addition, Cerberus has offered us senior unsecured notes for up to $100 million at a rate of LIBOR plus 8 percent, with a minimum rate of 10 percent. We believe these terms for unsecured debt are very attractive. We are under no obligation to draw down on the facility. We are very pleased to have a substantial and committed capital partner. This transaction, along with our current cash projections, will leave us well capitalized to execute on our growth plan.

Now let's look at what we can expect for 2010. In our earnings press release, we provided revenue guidance of $300 to $320 million. We expect growth in our NGA business year-over-year, as we benefit from a full year under the SLA. We are also forecasting strong growth in our production services business, and modest growth in our international business lines. We expect adjusted EBITDA to be in the range of $145 to $160 million. We are projecting earnings per share to be in the range of $1.40 to $1.70 per share.

Our EPS calculation assumes that we win the EnhancedView award and Cerberus purchases approximately 3.9 million shares in June of 2010. Our cash position should grow this year. We expect to receive $18 million in the first quarter of 2010 related to the exercise of 1.8 million warrants that were issued at a strike price of $10 a share. In addition, we expect to collect $40 million in income tax receivable sometime in the second or third quarter of this year. These factors, combined with cash flow from operations, will leave us well capitalized.

Finally, let me address our financial controls.

Our financial team has continued to work hard to build a strong financial organization and upgrade our financial systems and controls, and we believe this quarter marks another step in the process of reestablishing our credibility with the investment community. You will see in the 10-K, which should be filed on Friday, that we were able to eliminate one of our two material internal control weaknesses. Our income tax reporting process continues to need improvement.

To address this weakness, we used one of the other big four accounting firm's tax teams to help our team prepare our tax provisions, and have recently added an internal tax director to address this issue. We plan to continue to strengthen our financial reporting function during 2010. Finally, I would like to thank the accounting and finance team and the rest of the organization for all their hard work to improve the timeliness and accuracy of our financial reporting process and systems.

Now I'll turn the call back to Matt.

Matthew O'Connell, Chief Executive Officer and President

Thanks, Joe. As I said, we are very pleased with the revenues and earnings we reported in 2009. The year 2009 was a year of change, transition, and growth. We added quality people to our organization, we added systems, and we added the world's highest resolution and highest accuracy commercial satellite, GeoEye-1, to our constellation. The financial results we reported are a reflection of all the hard work and dedication of our GeoEye employees over the last year. We would also like to thank you, our investors, including our newest investor, Cerberus, for the support you've given us. We are excited about our industry over the next 5 to 10 years. We see another decade of revenue and EBITDA growth, healthy backlog, and high margins in front of us.

As you new investors can probably imagine, it's not easy to break into the commercial remote sensing business. The barriers to entry are extremely high because you need a license from the U.S. Government, contracts, and a fair amount of capital. You also need long-lead-time satellites that can provide the resolution to the degree we are already providing it. We're just beginning to realize the potential revenues in this emerging geospatial services industry, and as we mentioned before, we have many years of strong demand from the U.S. Government ahead of us.

We're pleased with our strong business fundamentals and we believe we are well positioned to benefit from the future increase in demands for imagery and location information services from the U.S. Government and our international and commercial customers.

Now, I would like to open the call to financial analysts and investors for questions. For all others, we invite you to stay on the call and listen in. Of course, as we discussed earlier on the call, many of the statements we made and will make during the Q&A period are forward-looking statements subject to risks and uncertainties.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Paul Coster of JPMorgan. Please go ahead.

<Q – Paul Coster>: In terms of the EPS guidance for next year, could we just confirm that that assumes the interest payments to Cerberus are capitalized as part of the GeoEye-2 program?

<A – Joe Greeves>: No, the interest payments to Cerberus would begin next year.

<Q – Paul Coster>: Okay. As we go into 2010, we increased the SG&A expense to factor in insurance costs associated with GeoEye-1 by a couple of million dollars. Were we wrong in doing that?

<A – Joe Greeves>: Paul, you're talking about SG&A. Actually, our insurance costs are in our direct costs.

<Q – Paul Coster>: Do your insurance direct costs go up next year?

<A – Joe Greeves>: I wouldn't anticipate it. Actually, as you might be aware, the costs of launch insurance are very expensive, but once you are on orbit insurance, they are pretty predictable. To the extent that there is a market available for a higher amount of insurance coverage, I may end up electing to add more, but that said, I would still stay well within my 50 percent EBITDA and 30 percent margin guidance before I made that insurance decision.

<Q – Paul Coster>: Matt, this year, you've got fairly strong growth, simply because you've got a full year of GeoEye-1. But moving into 2011 and 2012, it looks like you've got two years without benefit of a new satellite. Can you talk to us about what your expectations are for organic growth for this business, in that period?

<A – Matthew O'Connell>: Well, by organic growth, Paul, I think what you mean, is other than step function, growth under something like EnhancedView.

<Q – Paul Coster>: Well, I mean, if EnhancedView yields revenue growth, independent of satellite capacity, then we'd love to hear about it.

<A – Matthew O'Connell>: So under our current business over the next couple of years, we do see continued growth in the production line of business. That's been very strong lately. You've seen it grow for years. We did an expansion last year. That expansion is kicking in. We've increased our efficiencies. You've seen the online revenues pick up.

We just finished the first year of our contract with our online customer. It's a multi-year contract, and the first year was sort of a groundwork year and then things pick up nicely after this year, as we've always said. Then we have commercial services. They are doing nicely.

We are going to see more and more information services. That's going to be smaller in the near term, Paul. However, it's going to continue to grow. For instance, this RDOG program that we talked about, it's not only a good program for the production services line of business, but it's also good for this new line of business we have, called information services, which is discrete and where we are paid for hosting information for people and delivering it on the Web.

<Q – Paul Coster>: So do you think we're talking single-digit growth for 2011 and 2012, or double-digit growth?

<A – Matthew O’Connell>: I don’t think we’ve gone out that far. I think that we were conservative in what we gave you for 2010. I don’t think we’ve gone beyond that.

<A – Joseph Greeves>: Yes, I see the growth in our production services, and our commercial offerings. We have some additional capacity on our IKONOS satellite, too, and that seems to be doing very well. We also expect some fairly significant growth from our solutions services business, which is developing, and we think that will lead to significant revenue growth in that time period.

<A – Matthew O’Connell>: Also looking back to last year, Paul, I’m not sure we had a full year of all the international customers we renewed. As you know, we have a big value chain of international distributors, and we renewed them for GeoEye-1. So I’m not sure we’ve seen a full year of revenues with all of them yet.

<Q – Paul Coster>: My last question is, why do you think the NGA threw in this letter of credit requirement in their latest stage of the process?

<A – Matthew O’Connell>: I assume that people felt that the taxpayer would be better protected if there was a letter of credit backing up any monies that came to us. They didn’t do it in the NextView program. I’m not sure that the benefit to the taxpayer will outweigh some of the costs to NGA, but at the end of the day, the program is what it is.

We think the program is well designed, and we were happy that we could accommodate their change and go forward. Taking the cost share does reduce the cost of our capital and therefore, we can produce imagery for the NGA at a better cost for them. So putting up the letter of credit, if that’s what they want, that’s what they get.

Operator: Our next question comes from Jeff Rath of Canaccord Adams.

<Q – Jeff Rath>: Just a couple questions from me, if I will. You mentioned IKONOS receiving an opinion from one of your vendors that there is still two years of life left, if not more. So if you add that two years, what would be the total life, if you assume it ends in 2012? What would that bring the total life span of that IKONOS satellite to?

<A – William Schuster>: 12 years.

<Q – Jeff Rath>: Thanks, Bill. My second question is, on the technical antenna downlink issue that was identified previously, and you’ve given us some color as to what you expect, I guess just some more granularity there. I understand you quantified a worst-case scenario, now you’ve suggested that it will be substantially less, and you’ve given us some good guidance. Have you seen any revenue loss, other than the period when you took the satellite out of commission?

<A– Matt O’Connell >: No, not really any revenue loss. We made some accommodations with customers because we disrupted their business for a week in December. So there was the loss of time The fact is, we’ve had relationships with these customers five to 10 years. And we want our customers to be happy. So we made some accommodations, but I wouldn’t say it was a major deal with them.

<Q – Jeff Rath>: You’ve talked about EnhancedView being awarded in June. Independent of the second satellite, is there an opportunity under EnhancedView to grow your revenues, or your revenue run rate under EnhancedView?

<A>: Yes, Jeff, there is an opportunity to grow it. It depends on where the NGA wants to do collections. We have a good news story in one respect, that we have a lot of demand in the prime time areas of the world, like northeast Asia and the Middle East. That has a flip side, which is if you have a lot of international customers, then you have a big contract from NGA, so there's not that much capacity in those two parts of the world.

There are lots of other parts of the world where America certainly wants to know what's going on, and so we have room for growth in those areas. It really depends on the NGA's budget and what their spend rate's going to be. But yes, there is room to grow in the near term, depending on how they want to collect.

That's strictly under the NGA SLA component. Remember that we do a lot of production for them, so the more satellites you get up there in the sky, the more that needs to be produced. So we would anticipate growth in the production business line.

And then, finally, the NGA is very excited about this new arrangement, where we don't just collect for them. They pay us to collect, they pay us to produce, and now they are going to pay us to host and manage some of their information.

And I think they are excited about that, we're excited about that, and we expect to keep rolling it out. As we said, we've done one country, and we expect that to get rolled out to other parts of the world.

Operator: Our next question comes from William Matthews of Post Advisory.

<Q – William Matthews>: I just want to understand the agreement with Cerberus -- in the event that a contract is awarded in EnhancedView that does not require a letter of credit, which I guess can change, Cerberus can still purchase preferred stock?

<A – Matt O'Connell>: Yes, that's true.

The point we made to the U.S. Government is we understand you want to protect the taxpayer. We do think that there is a cost to that, and you have to do a cost benefit analysis and figure it out. We're happy to go either way. We're indifferent to it.

We were grateful to Cerberus for the speed with which they moved and we understood that, if they were going to be involved, they wanted a minimum commitment.

So they said, we would like the chance to do at least $80 million. If the government decides that the cost of this letter of credit arrangement is not as beneficial as they thought it would be, and they want to get rid of it so you don't need all that collateral, then we'll (Cerberus) take the minimum of $80 million instead of the full $115 million.

<Q – William Matthews>: So either way, should we assume that they are going to be making a significant investment, the full $115 million or the $80 million?

<A>: Yes, we certainly hope so, because that's key to winning the EnhancedView bid.

<Q – William Matthews>: And then what is the total cost of the new satellite?,

<A>: I would love to give that number to you, but it's commercially sensitive. Obviously, that plays right into the bid. I think we'll probably just pass on that answer, if you don't mind.

<Q – William Matthews>: Not at all. Thank you.

Operator: Our next question comes from Mike Pace of JPMorgan.

<Q – Michael Pace>: Actually, just a follow-up on a few of the last questions. Can you just walk us through the timing of the funding of the Cerberus deal, or actually take a step back. Right now, this is just a commitment. Do you still need definitive documents? Correct me if I'm wrong, but when do we expect the preferred equity investment to be made, assuming you get, or don't get, the EnhancedView award? Same thing with the unsecured notes. Then my follow-up question, would you need to raise the unsecured debt capital as part of that deal if the government removes the letter of credit requirement?

<A>: Yes, we do have a firm commitment from Cerberus. The lawyers are finishing the definitive details, and that will happen in a couple of days. I would just take a rough guess at some dates. Suppose we get an award on June 30. Then I would assume that the preferred stock gets funded promptly thereafter. We then have a period of time to decide on the debt, and whether we want to go ahead with that. And that's really at our option.

<A – Joseph Greeves>: Yes, the Company actually would not really need cash until sometime late in 2011, based on our model. But we would have the option of taking down the debt, and we have a year to do it. Once we take an initial draw, we would be required to take the whole thing. That gives us an opportunity to evaluate what our alternatives are in terms of debt, and see if the markets are better then rather than today. We do have the opportunity to go to the markets ourselves. If not, I think the offer and funding that Cerberus offers is very good. To answer your follow-up question, which was in the event that we are not required to take the letter-of-credit, would we need the debt facility? Well, assuming that the government provides us the cost share we originally anticipated, we do not believe that we would need to take down that debt facility. We should be well capitalized, and the $78 million that we would get from Cerberus in the equity, which I'm assuming they would go forward with, would be additional capital available for the Company for future growth.

<Q – Michael Pace>: So that one-year debt commitment lasts for one year from what date?

<A>: The date, I thought, was March 19.

<Q – Michael Pace>: Okay. So March, from the signing of the document?

<A>: I thought it was one year from -- I'm asking Will.

<A – Joe Greeves>: Yes.

<A – Joe Greeves>: It's one year from March 19, I believe.

<Q – Michael Pace>: Okay. And you said you had to take that all down at once, or were there increments?

<A – Joe Greeves >: Yes, if I take any draw, I do need to take the full draw as part of the deal, but I have until March 2011 to make that decision.

<A – Matt O'Connell>: Just to be clear, what he's saying, Mike, is that we can do partial draws, but in for a penny, in for a pound. Once you have taken some, then we are committed to the full facility, which is okay with us.

<A – Joe Greeves >: The only thing, it's actually until June of next year.

<Q – Michael Pace>: Is it?

<A>: One year from when we expect to get the contract. Obviously, we will only take it down if we needed it.

<Q – Michael Pace>: Got you. And, over that year, are there unfunded commitment fees you'll be paying to Cerberus, and are there standard clauses in that year period as well, where the other party could pull out of that agreement?

<A – Joe Greeves >: Actually, in terms of commitment fees, there is a 2 percent commitment fee for the debt facility, which has already been paid. There is another 2 percent commitment on the fee for the equity piece, which is only paid in the event we do not receive an award. And there are standard conditions to closing. There are no unusual ones, though.

<Q – Michael Pace>: Thank you. Last question, just to be clear because we don't have any documents on this debt, this debt is fully subordinated to the existing secured high yield notes, including the guarantees that are put in place?

<A – Joseph Greeves>: Yes. Well, it's senior debt, but it's unsecured.

<Q – Michael Pace>: Thank you.

Operator: Our next question comes from Jim McIlree of Merriman.

<Q – James McIlree>: Can you talk about production capacity in Thornton and St. Louis, if you've hit the increases that you had talked about over the past six months or so? And then secondly, what kind of capacity utilization measure do you have at those facilities right now?

<A – Matthew O'Connell>: Jim, I think there's a better way to look at it. We're ramping up in both places, and we've said it would take awhile to come up to full speed. I think we're going to hit that mid-year, but those are kind of inexact dates.

<Q – James McIlree>: Do you have any sort of capacity utilization at those facilities that you can talk about now? I'm just trying to get a sense of how much your production revenues can grow, one, based on the increase in capacity, and two, based on the increase in utilization?

<A>: No, that's a harder figure to come up with. A part of it depends on staffing and people. Right after 9/11, I put three shifts going 24 hours a day in St. Louis. However, we're not doing that now. You can run something 24/7. You just need more people working more time. But that's a long stretch from where we are now. Well, we do have a very specific plan of what we're going to do and ramp up the known opportunities for this coming year, and we're on or ahead of that plan.

<Q – James McIlree>: That's helpful. And for EnhancedView, do you have any EnhancedView revenue baked into your 2010 revenue guidance? I know you have it in the share count, but in the revenue guidance, is there any EnhancedView baked in?

<A>: It is just the continuation of the SLA at the $12.5 million per month.

<Q – James McIlree>: So no incremental production or imagery or anything like that?

<A>: No.

<Q – James McIlree>: Was CapEx extraordinarily high in Q4? And if so, what was the use of the cash per CapEx?

<A>: Our maintenance CapEx continues to be around $12 million a year. The CapEx that was spent in Q4 was primarily related to the monies we're spending on the GeoEye-2 program.

<Q – James McIlree>: Okay. And then lastly, if for some reason you and the government can't come to terms on a new satellite, would you go ahead with the new satellite anyway?

<A>: Yes, we're going to go ahead with it eventually. But as we said before, we wouldn't launch one until 2017, so we've offered the government in effect the option to accelerate that timeframe under this program if they want it.

<Q – James McIlree>: And with that acceleration, the launch date would be in what year, Matt?

<A – Matthew O'Connell>: 2012.

Operator: Our next question comes from Raj Patel of Farallon.

<Q – Raj Patel>: How much have you already spent on GeoEye-2 as of Q4?

<A – Matthew O'Connell>: It's $66.3 million.

<Q – Raj Patel>: If you can just help on this, you've got about $260 million of cash now, plus you're going to get a large tax refund. You anticipate getting more in cash. Now the Cerberus deal is roughly $210 million. You add all that up and you're at roughly $500 million. What is the size of the letter of credit the government is looking for here?

<A – Matthew O'Connell>: We've taken capital to position ourselves to be able to do that, but frankly, based on where we're at in the bid process, our preference is to keep that information confidential.

<Q – Raj Patel>: Am I missing anything in the math?

<A – Joe Greeves>: Well, yes, I think you are. The way it would actually work is, including the tax receivable, about $300 million in cash. I've spent the $66 million on GeoEye-2 to date. I have cash flow probably in the neighborhood of $250 million over the next three years, which, when you add all of that up, is above $600 million. And then basically, I've got excess capital. If I do get a cost share, then I've got the ability to capture that, which is good for the Company. It was just important to us that we went in fully financed. We wanted to make sure we were in a very competitive position to win this next satellite to serve the government.

<Q – Raj Patel>: Okay. And the question on the debt. Are there ongoing fees prior to draw?

<A – Matthew O'Connell>: Ongoing fees?

<A – Joe Greeves>: No, we just had commit fees, Raj.

<Q – Raj Patel>: Okay.

<A – Matthew O'Connell>: Just a one-time commitment fee.

<Q – Raj Patel>: Okay. Thanks, guys.

<A – Matthew O'Connell>: Thank you.

Operator: Our next question comes from Michael Temple of Pioneer Investment.

<Q – Michael Temple>: Most of my questions have been answered, but I just had one detail, and I may have missed this. Have you disclosed the terms, is a convertible preferred? Is there a coupon associated with it? Could you give us a sense of that?

<A – Matthew O'Connell>: Yes, and it is a convertible preferred. The details have been filed in an 8-K, which ran on the newswire last night. You can read the full details.

<A – William Warren>: It's convertible to common at a conversion price of $30 per share of common, based on the liquidation preference of the preferred. It carries a 5 percent annual dividend rate, which is payable in either cash or additional shares at the option of the Company, and it's a perpetual.

<Q – Michael Temple>: All right. Great. Thanks, guys.

Operator: Our next question comes from Jeff Evanson of Dougherty and Company.

<Q – Jeff Evanson>: So, let's see here, I would like to understand, first of all, what's going on with direct expenses. It was a very impressive performance in the quarter, and I'm excited to hear it's going to continue through 2010. Did you basically hold direct expenses flat with the third quarter for labor and overhead, subcontractor, purchased imagery, and insurance? Frankly, can you give us that breakdown for Q4?

<A>: Direct cost of about $13.7 million is labor and overhead, $7.3 million is subcontractor costs, $1.9 million is other direct costs, and $1.6 million is insurance costs.

<Q – Jeff Evanson>: Is that about the level we should be looking at for purchased imagery and other?

<A>: Going forward, yes. The purchase of imagery has been falling off. It's actually included in the other direct costs, but it's a relatively small component of that. I believe that it was well under $500,000 for the quarter.

<A – Matthew O'Connell>: Jeff, remember, that's one of the things we did when we changed over to GeoEye-1. We got away from that old financial model, where the local affiliate had exclusivity. And we had to buy our own imagery from them, sometimes at triple rate cards. It just didn't make any sense.

<Q – Jeff Evanson>: Right. So since you brought up international customers, I'll move on to that set of questions. Let me first start out by asking, $6 million lost revenues in the fourth quarter, I guess, or maybe pushed out due to the issue with GeoEye-1.

<A>: That's correct.

<Q – Jeff Evanson>: Which customers?

<A>: We're not going to break that out for you, Jeff. As we said, the downlink anomaly really just hit.a handful of international clients, and it didn't really hit them all that hard.

<A>: Bill's reminding me: if you're off the air for five days, that affects everybody. And then, of course, we wanted to make sure that we got back up to speed with our biggest customer fast. So, I think that Bill had to throw a lot of resources at taking care of the NGA. And to a certain extent, that affected all of the international clients.

<Q – Jeff Evanson>: Matt, you refer to Phase One of RDOG. We assume one country in the Middle East, Western Asia area. That seems to imply a Phase II, a Phase III, et cetera. I assume you see this progressing possibly country by country, where your Phase II is another country that gets added. Am I thinking about that right?

<A – Matthew O'Connell>: I think that's probably right. We never like to put words in the NGA's mouth, but they seem to like what we are doing and I think this will roll out either on a country basis or a regional basis. Can we get one more question, Jeff? I'm getting the hook here from other people.

<Q – Jeff Evanson>: Yes, my last question. You hosted one country of revenue opportunity. What would that contribute in a quarter?

<A – Matthew O'Connell>: As I said, it's kind of small when you start off. We're not going to break that out. I don't think we talked about individual NGA contracts sort of at the smaller levels. So it starts small, but we have great hopes for the future, Jeff.

<Q – Jeff Evanson>: All right. Thank you .

<A – Matthew O'Connell>: Thank you.

Operator: I'm showing no further questions and would like to turn the call back over to you.

Matthew O'Connell, Chief Executive Officer and President

We'd like to thank you all for dialing in, and thank you for your questions. And we look forward to talking to you next quarter. Thanks for your support.

Operator: Ladies and gentlemen, that does conclude today's conference. You may all disconnect, and have a wonderful day.