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GeoEye's O'Connell Sees Sales Boost From Satellite (Update1)

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By Kelly Riddell

Sept. 3 (Bloomberg) -- GeoEye Inc., whose satellite images are used in Google Inc.'s digital maps, expects sales to increase in the fourth quarter following the launch of the company's GeoEye-1 spacecraft, Chief Executive Officer Matthew O'Connell said.

The \$502 million satellite will yield the most detailed images commercially available, with cameras that can pick out home plate on a baseball diamond from 423 miles in orbit, O'Connell said in an interview. Launch is scheduled for Sept. 7.

``It's going to be the best commercial satellite in the world and there's a lot of demand for it," O'Connell said Aug. 28 from the company's headquarters in Dulles, Virginia. ``The fourth quarter will be good; you will start to see a pickup in both U.S. government and overseas customers."

GeoEye is the biggest provider of commercial satellite pictures by revenue, with sales of \$183.8 million last year.

O'Connell declined to provide a specific financial forecast for the effect of the new satellite.

``There is potential for them to get significant leverage in the business model once they get this satellite in the air," said James McIlree, a New York-based analyst at Collins Stewart LLC. ``If it is a successful launch and the satellite is up there working fine, Google will be buying more imagery, the government will be buying more."

Google, the most popular Internet search engine, uses GeoEye's pictures in its Google Earth online maps. The images are also bought by the U.S. government for intelligence. The satellite-imaging market, estimated at \$1.9 billion in sales last year, may grow to \$3.2 billion by 2012, Wellesley, Massachusetts-based BCC Research said.

Shares Down

GeoEye rose 6 cents to \$25.12 at 4:29 p.m. in Nasdaq Stock Market composite trading. The stock has fallen 25 percent in U.S. trading this year after soaring 74 percent in 2007.

The satellite, built by General Dynamics Corp., is scheduled to be lifted into space by a Boeing Co. Delta II rocket from Vandenberg Air Force Base in Santa Barbara, California.

The launch, delayed at least twice this year, was pushed back from 2007, causing a decline in orders. GeoEye also restated results for 2005 to 2007, lowering profit for the two- year period.

“There was disappointment in the stock because of the launch delays and financial restatements, but those have been more cosmetic than anything else,” said McIlree, who rates the stock “buy” and doesn't own any. Nine of GeoEye's top 10 investors have purchased shares this year, with none selling, according to securities filings.

If tests after the launch show everything is working correctly, the satellite should be “open for business” by the end of October, O'Connell said.

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