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**MarketWatch**

**GeoEye says sky's the limit in satellite mapping**

By Steve Gelsi

**Featured Stocks**

NEW YORK (MarketWatch) -- With DigitalGlobe's successful initial public offering last week and already-public GeoEye posting big jumps in revenue, the satellite image business has loomed large on Wall Street's money map of late.

GeoEye Inc. (GEOY) CEO Matthew O'Connell said he sees no end to applications for the company's trade of offering detailed pictures of the earth, despite some recent bumps in his company's stock price.

Shares of GeoEye fell to about \$24 a share to \$28 a share after the company reported a glitch in its newest satellite as part of its quarterly update earlier this month. But O'Connell said the problem could potentially account for only about 5% of the company's revenue -- much smaller than Wall Street feared.

The more compelling figure in the Dulles, Va. company's first quarter results is the revenue growth of 26% to \$35.9 million as it supplies images for agriculture, fishing, infrastructure planning as well as military intelligence, O'Connell said.

During the period, its net loss deepened to \$1.7 million from \$800,000 a year ago.

"We're showing a compound annual growth rate of 45% a year," he said in an interview. "Our major customer is the U.S. government. After Sept. 11, when we went into Afghanistan, we had to use maps that were 20 years old. The military realized we were facing a more mobile set of adversaries and we needed better maps."

While GeoEye and its competitor DigitalGlobe (DGI) both hold contracts to supply images to the popular Google Earth (GOOG) service, the applications of satellite images continue to draw strong interest on a number of fronts ranging from strategic defense to energy firms studying geology of the planet to find more oil.

GeoEye distinguishes itself from competitors by offering the highest resolution available, O'Connell said.

**Aerospace beginnings**

DigitalGlobe and GeoEye mark a second-generation of sorts in the corporate life of satellite imaging after the industry was launched by aerospace firms.

DigitalGlobe traces its roots to ITT Corp. (ITT), Ball Corp. (BLL), and Boeing (BA).

GeoEye's ancestry includes Lockheed Martin (LMT) and Raytheon (RTN).

O'Connell entered the business in 2001 after working as a private equity specialist for Crest Communications. He took GeoEye's predecessor, Orbimage into voluntary bankruptcy and the company emerged in late 2003.

In early 2006, he acquired Colorado-based Space Imaging for \$58 million. The combined firm became GeoEye, Inc. as the first public pure-play in the industry of high resolution satellite mapping and geospatial technologies.

The company's latest satellite, GeoEye-1, successfully launched on Sept. 6 of last year, with the capability of seeing objects as small as home plate in Yankee Stadium.

GeoEye's satellites track global warming by delivering images of glaciers that are receding. They also help measure phytoplankton growth that can help guide fishing trawlers to areas where they are more likely to find fish.

GeoEye also donated more than 40,000 square kilometers of data to help relief workers -- and distressed family members -- during the New Orleans Katrina flooding.

In March, GeoEye provided geospatial imagery to Ubisoft for the Tom Clancy H.A.W.X. video game -- the first time satellite imagery played a starring role in a video game.

While shares of GeoEye have been volatile, the stock has risen from a low of about \$15 a share in December to about \$21 now.

Meanwhile, DigitalGlobe staged its initial public offering on May 14 at a price of \$19 a share. It's now trading at \$17.16.

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