

CEO CFO

DIGITALGLOBE®

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The Most Powerful Name In Corporate News and Information

Whether It Is Defense, Commercial, Consumer Or International Civil Governments, DigitalGlobe, Inc. Has A Very Diverse Set Of Capabilities To Help Customers Understand More About The Earth And Solve Their Problems

Industrial Goods
Aerospace/Defense – Major Diversified
(DGI-NYSE)

DigitalGlobe, Inc.

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Yancey L. Spruill
Executive Vice President,
CFO and Treasurer

BIO:

Yancey L. Spruill joined DigitalGlobe in 2004 and currently serves as the Executive Vice President, Chief Financial Officer and Treasurer. Prior to joining DigitalGlobe, from 2000 to 2004, Mr. Spruill served as a Principal in the Investment Banking group at Thomas Weisel Partners. Additionally, Mr. Spruill's prior experience includes employment in the Mergers & Acquisitions department at Lehman Brothers Inc. and in the Corpo-

rate Finance department at J.P. Morgan & Company. Mr. Spruill also served in several engineering roles with Corning Incorporated and The Clorox Company. Mr. Spruill holds a Bachelor of Electrical Engineering from Georgia Tech and a Master of Business Administration from the Amos Tuck School of Business at Dartmouth College.

Company Profile:

Longmont, Colorado-based DigitalGlobe is a leading global provider of commercial high-resolution earth imagery products and services. Sourced from its own advanced satellite constellation, DigitalGlobe's imagery solutions support a wide variety of uses within defense, intelligence, and homeland security applications, mapping and analysis, environmental monitoring, oil and gas exploration, infrastructure management, internet portals and navigation technology.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Spruill, what attracted you to DigitalGlobe?

Mr. Spruill: I have been here just shy of six years now as CFO of DigitalGlobe. What attracted me to the business – and still attracts me to the business – is that we have a great team, as well as a great collection of assets, including our satellites, our infrastructure and our people. Beyond that, we have great customers across the U.S. and international government on the civil and defense side as well as in the commercial sector. We have been leaders in innovation for this industry, whether it relates to our consumer strategy, our web services strategies or building our ImageLibrary. We

really are committed to being leaders in this industry in terms of building out the markets for information with products derived from our satellite and other imagery sources.

CEOCFO: What is day-to-day focus of the company?

Mr. Spruill: Our focus is in four key customer segments that are driving our business today. Our first is the U.S. government namely through NGA (National Geospatial-Intelligence Agency), which is our largest customer. They serve as a clearinghouse for the broader U.S. government enterprise, from the military and the intelligence agencies to homeland security and the State Department. That would also include many other agencies in terms of getting our unclassified imagery broadly distributed and usable throughout our government for support of our troops and for support of diplomatic activity as it relates to helping to work with our allies to solve complex problems. It is used for helping our allies with drug interdiction in some of their countries. It is used for rescue and relief, such as with the recent earthquake in Haiti, the activities in the Gulf oil spill, earthquakes, and hurricanes throughout the world. We are proud to be of such assistance to our government with the unclassified, very high-quality imagery that we supply to them.

The second segment that drives our growth is our international defense and intelligence market. We sell to foreign governments, such as Japan, Germany, Israel, South Korea, and Taiwan. We provide them with monitoring and intelligence collections that enable them to provide better security to their borders

and for their people. That is a big level of focus for us. Both of those two come under our deep defense and intelligence consumer segment.

The third driver is consumer. We are very focused on selling into wireless handset providers, digital map-making companies, personal navigation device companies and web portals, including companies like Google and Microsoft, Nokia, and Garmin. Companies like that are key elements of the strategy for us. We strive to help them provide more differentiated content through our high-resolution data as the world becomes much more location aware. We have the largest ImageLibrary with over a billion square kilometers of imagery. In other words, we currently have the earth mapped more than six times over, and we are refreshing the earth more than three times per year. Consumer companies are able to add to a very compelling offering with both a great historical record and the refresh that enables them to create differentiated content for their end-market consumers.

Finally the fourth driver is the international civil government market. We are seeing growth in emerging market companies where the governments are trying to manage that growth through infrastructure developments, city planning, rescue and emergency services, and taxation. In countries like Brazil, China, India, Russia, and various places in the Middle East, as well as other places in South America, where there is significant economic growth, we are able to help manage that growth by providing timely information from our satellites and other sources.

CEOCFO: What is the competitive landscape?

Mr. Spruill: We look at the competitive landscape in a couple dimensions. In terms of the pure satellite operators who have either high-resolution or mid-resolution satellites or plan to have high-resolution satellites, there are a couple of principle competitors. GeoEye is a U.S.-based publicly traded company. They own two high-resolution satellites that have about half the capacity as our satellites

and their image library is also less than half of what we have. SPOT Image is a French-based company, previously half-owned by the French government and EADS, a large European conglomerate. They own medium-resolution satellites. Our imagery's resolution is 50 centimeters or better; SPOT's imagery resolution is 2 ½ meters. They have a global presence and are planning to launch a couple of high-resolution satellites in 12 and 24 months, so we will increasingly see them as a competitor. Another German company called RapidEye has medium resolution. Not the same accuracy and quality of resolution and clarity as ours, but still, for some applications, we see them as a competitive threat.

A second level of competitors revolves around aggregators of multiple forms of data. For example, Microsoft and Google are aggregators of satellite, aerial and

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other forms of imagery. So in some circumstances, although they are great customers and we have great relationships with them, depending upon the market, people may source the data from a free portal as opposed to paying for a premium image. There are other smaller players, one of whom we bought a few years ago, GlobeXplorer, which aggregate data and supply that through a web portal; these are companies like iCube and MapMart. They are competitors and also customers, because we sell through them in limited cases. All said, we believe we are the largest player in the world in terms of our revenue, collection of assets, size of our ImageLibrary and our diverse customer base.

CEOCFO: When you sell to the government, is each project separate or do you have long-term contracts?

Mr. Spruill: When we sell to the U.S. government, and frankly, when we sell to foreign governments, it is a combination of both. We have a lot of visibility with

long-term contracts, and we complement those with shorter duration contractual opportunities that help our customers on both a very opportunistic and ad-hoc basis as well as ongoing through our web services products. With NGA, our principle customer, we have large long-term contracts. Those tend to be service-level-oriented agreements for large blocks of capacity from our satellites. Then we complement those agreements with ad-hoc programs, such as maps for the Super Bowl, maps tied to political conventions or the Olympics or other routine activities that are event driven. Finally, our Crisis Event Service and subscription service with NGA, provide a combination of historical imagery and frequent refreshes of specific areas of the world, such as when hurricanes happen or where the U.S. government can anticipate natural disasters.

CEOCFO: With so much under your belt, what's left to do?

Mr. Spruill: We are very focused on investing in our infrastructure and our platform to drive down the cost and the friction for our customers, to make it easier for them to consume our imagery, both in defense and intelligence as well as in our broader commercial customer segments. This will enable us to drive growth through increased consumption across enterprises, as well as across governments. Thus we are very focused on research and development, product development, and those areas that can drive products out the door that make it easier for our customers to consume our imagery. In addition, we are very focused on adding to our assets, both in terms of infrastructure and partnerships, such as the one we announced recently with Microsoft. We are also focused on hiring more and increasing our talent base so that we can continue to create innovative solutions that meet our customers' needs. Together, this is really the pathway to growth for DigitalGlobe and for all of our customers.

CEOCFO: What is the financial picture like for DigitalGlobe today?

Mr. Spruill: We have a very healthy financial situation. The company has about \$1.1 billion in assets, about \$140 million

in cash at the end of the March quarter. For the last twelve-month period of 2010 through March 31st, we had EBITDA revenue over \$290 million and EBITDA margins in the 60% area, so we are free cash flow positive and have a strong balance sheet. It is very important and we are very proud of the fact that we paid for two-thirds of our WorldView-1 and WorldView-2 satellites out of our own pockets. The company has demonstrated a very strong history of being able to raise outside capital, both debt and equity. We took the company public in 2009 as the fourth U.S. IPO that year. Our stock has traded up from that IPO, and after the IPO's one-year anniversary last month, we were the tenth best performing IPO of all those who went public in 2009. We also refinanced our debt last year through a high-yield bond offering. We were the first debt issuer in the high-yield market in the U.S. in a very long time since the debt crisis had really kicked off in late 2007. So we had demonstrated an ability to raise capital in difficult markets, which you can't take for granted. Our business model is strong, our financial picture is strong and we have been able to leverage that for getting access to the capital market and investing in our business. We are very committed; we have demonstrated that in the past and we continue to execute on building out this business to drive future growth.

CEOCFO: How do you reach potential customers? Do you find most people coming to you now or are you still going out to unearth opportunities and how do you do so globally?

Mr. Spruill: Our go-to-market strategy varies by geography and by segment. For

instance, for the most part, our strategy in defense and intelligence, with its relatively narrow customer set, is to go direct. In this market, the application and use of imagery is fairly well understood. We generally go direct or we have agents in countries where US entities are prepared or the government can't deal direct. We have existing customers and we actively seek out and market to new customers whom we think have a potential to serve with our innovative products and services. On the commercial side, we have a very diverse set of customers and again, we use a direct go-to-market strategy. International civil government is a combination of a reseller network and direct/agent sales, depending on the region and opportunity.

CEOCFO: Why should potential investors look at DigitalGlobe?

Mr. Spruill: We are the leading provider of imagery information, solutions and services to the defense and intelligence and the commercial segments. We have the best "digital globe" of the earth mapped more than six times over with about a third of that imagery current to one year old. We have the most comprehensive ImageLibrary in the world and we are adding to that ImageLibrary at the most rapid rate. If you want to monitor the earth, you have ad-hoc needs for collection or you have event-driven collection needs like we are seeing in the Gulf of Mexico, where currency of information as well as comparisons to the most comprehensive historical record are critical, DigitalGlobe can deliver. We are committed to investing in the infrastructure and assets to deliver the best update of the world to offer valuable insight and infor-

mation to our key segments of customers in the defense and intelligence and commercial markets. We have been leading the way in innovation from the very start when our founder received the first-ever commercial imagery license through today with our industry-leading technology. Our immense collection capacity allows us to serve large customers with long-term contracts while also responding to the varied needs of those with more specific requests. It is a very diverse set of capabilities that we can bring to bear to help people understand more about the earth, no matter who they are. Whether they are defense, commercial, consumer, or an international civil government, we have the ability to interact with them and help them solve their problems.

CEOCFO: So you have it all covered!

Mr. Spruill: Yes – but we are not resting on our laurels. We continue to invest in our business, because we do believe that there is a large opportunity here. We are investing to double the business over the next three to five years and we think we can do that with 60% plus adjusted EBITDA margins. We think we can do that with mid-teens return on equity, with modest financial leverage. We have a compelling thesis here in terms of the platform we are investing in, we can drive real value with growth, which is a unique combination as we look at the current market dynamics that we are in. The company has a lot of revenue visibility, strong profit margins, and real growth that we can use and leverage attractive financial returns for our shareholders.

The logo for DigitalGlobe features a stylized, dark grey arc above the company name. The name "DIGITALGLOBE" is written in a bold, sans-serif, all-caps font. A registered trademark symbol (®) is located at the end of the word "GLOBE".

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