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## Lockheed, Raytheon to sell remote sensing venture

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By Andrea Shalal-Esa

WASHINGTON, Feb 8 (Reuters) - Lockheed Martin Corp. (LMT.N: [Quote](#), [Profile](#), [Research](#)) and Raytheon Co. (RTN.N: [Quote](#), [Profile](#), [Research](#)) plan to sell their remote sensing joint venture Space Imaging, refusing to sink any more money into the once-promising firm, industry analysts said Tuesday.

Officials at Thornton, Colorado-based Space Imaging, Lockheed and Raytheon declined comment.

Both Raytheon and Lockheed wrote off their investments in Space Imaging after it lost out on a key government contract that would have paid for a next-generation satellite to replace Ikonos, the world's first high-resolution commercial imaging satellite, which it launched in 1999.

"We're reviewing all of our strategic options and nothing has been definitized at this point," said Mark Brender, vice president for communications at Space Imaging, which had sales of \$230 million in 2003 and employs about 240 people.

The most likely buyer for Space Imaging, founded in 1994, is one of its two privately held competitors, DigitalGlobe Inc., based in Longmont, Colorado, and Orblmage, a Dulles, Virginia-based company spun off from Orbital Sciences Corp., said analyst Ed Jurkevics at Chesapeake Analytics.

He said he expected a New York investment firm to issue a prospectus for Space Imaging this month.

Industry sources, who asked not to be identified, said Bank of America was expected to handle the transaction.

Jurkevics said Space Imaging owed an estimated \$260 million to its two main owners, Raytheon and Lockheed, and lacked a follow-on government contract for high-resolution imagery, reducing its attractiveness to outside bidders.

A purchase would make sense for its two competitors, he said, noting Space Imaging had potential annual revenues of \$150 million until its Ikonos satellite expires in mid-2008.

Officials at Orblmage and DigitalGlobe declined comment.

DigitalGlobe spokesman Chuck Herring said the company would evaluate its options if the company went up for sale.

Space Imaging once dominated the commercial high-resolution satellite imagery market, but lost a \$500 million contract to DigitalGlobe in September 2003 to supply spy-quality images to the Pentagon's National Geospatial Imaging Agency (NGA).

The company then entered into talks with NGA on a second, contract to provide the same services, but those discussions failed and NGA later awarded Orblmage a \$500 million contract.

Industry sources said Space Imaging's owners refused to put up any more of their own funds to build a next-generation satellite, forcing NGA to turn to its competitor.

That decision essentially sealed Space Imaging's fate, Jurkevics said. "In the end, Lockheed and Raytheon decided that

non-NGA revenues weren't sufficient to warrant their further investment in the business," he said.

Marco Caceres, an analyst for the Virginia-based Teal Group, agreed, saying the commercial market for remote sensing had failed to expand as much as initially expected.

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