

Iridium LLC

Main questions

1. Assuming the market was rational at the time (i.e. market prices reflect fundamental values), how much was Iridium worth on a per share basis at the end of 1998 according to the projections in Exhibit 5?
2. What are the important determinants of value? How confident are you in your valuation?
3. What caused Iridium to fail: was it a bad strategy, bad execution, or bad luck?
4. With regard to Iridium's financial strategy, did it have the wrong target capital structure, issue the wrong kind of capital, or issue capital in the wrong sequence?
5. Which capital structure theory justifies its target debt-to-total book capitalization ratio of 60%?
6. Why did Motorola finance Iridium with project debt instead of corporate debt?
7. What lessons regarding the financing of large greenfield projects do you draw from this case study?