



# 3rd Quarter 2017 Earnings Results

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November 2, 2017



# Safe harbor statement

## Safe Harbor Statement

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are based on management’s beliefs and assumptions and on information currently available to management. Most forward-looking statements contain words that identify them as forward-looking, such as “anticipates,” “believes,” “continues,” “could,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms that relate to future events. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Gogo’s actual results, performance or achievements to be materially different from any projected results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent the beliefs and assumptions of Gogo only as of the date of this presentation and Gogo undertakes no obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events or otherwise. As such, Gogo’s future results may vary from any expectations or goals expressed in, or implied by, the forward-looking statements included in this presentation, possibly to a material degree.

Gogo cannot assure you that the assumptions made in preparing any of the forward-looking statements will prove accurate or that any long-term financial or operational goals and targets will be realized. In particular, the availability and performance of certain technology solutions yet to be implemented by the Company set forth in this presentation represent aspirational long-term goals based on current expectations. For a discussion of some of the important factors that could cause Gogo’s results to differ materially from those expressed in, or implied by, the forward-looking statements included in this presentation, investors should refer to the disclosures contained under the headings “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” in the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

## Note to Certain Operating and Financial Data

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles (“GAAP”), Gogo also discloses in this presentation certain non-GAAP financial information, including Adjusted EBITDA, Adjusted EBITDA margin and Cash CapEx. These financial measures are not recognized measures under GAAP, and when analyzing our performance or liquidity, as applicable, investors should (i) use Adjusted EBITDA and Adjusted EBITDA margin in addition to, and not as an alternative to, net loss attributable to common stock as a measure of operating results, and (ii) use Cash CapEx in addition to, and not as an alternative to, consolidated capital expenditures when evaluating our liquidity. See the Appendix for a reconciliation of each of Adjusted EBITDA and Cash CapEx to the comparable GAAP measure. No reconciliation of the forecasted range for Adjusted EBITDA for fiscal 2017 is included in this release because we are unable to quantify certain amounts that would be required to be included in the respective corresponding GAAP measure without unreasonable efforts and we believe such reconciliations would imply a degree of precision that would be confusing or misleading to investors. In particular, we are not able to provide a reconciliation for the forecasted range of Adjusted EBITDA for 2017 due to variability in the timing of aircraft installations and de-installations impacting depreciation expense and amortization of deferred airborne leasing proceeds.

In addition, this presentation contains various customer metrics and operating data, including numbers of aircraft or units online, that are based on internal company data, as well as information relating to the commercial and business aviation market, and our position within those markets. While management believes such information and data are reliable, they have not been verified by an independent source and there are inherent challenges and limitations involved in compiling data across various geographies and from various sources.

# 2Ku transforming our business

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## Increased bandwidth:

1. Improves customer experience across the North American networks
2. Accelerates take rate growth
3. Enables new products and services

This transformation will drive revenue growth and long-term profitability

# Strong execution continues

## Total Revenue (\$MM)



Total revenue up **17%** Y/Y

## Adjusted EBITDA (\$MM)



Adj. EBITDA up **\$3M** sequentially

## Cash\*(\$MM)



Added **\$110M** in cash, on the strength of airline wins

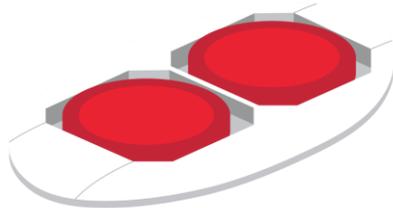
# Expanding our leading market position



Awarded Alaska & Virgin America fleets, totaling **250+** aircraft



Awarded **100** aircraft with largest airline in South America



More than **1,900+** awards for 2Ku

# High bandwidth is arriving



**76**

2Ku aircraft installed in October

**320+**

2Ku aircraft installed year-to-date

**450 to 550**

On target to hit 2Ku install guidance

**47%**

Y/Y growth in bandwidth per aircraft  
in CA-NA

**20%**

Y/Y growth in bandwidth per aircraft  
in BA

**~1/3**

CA-NA fleet will be 2Ku by end of 2018

# Engaging more passengers



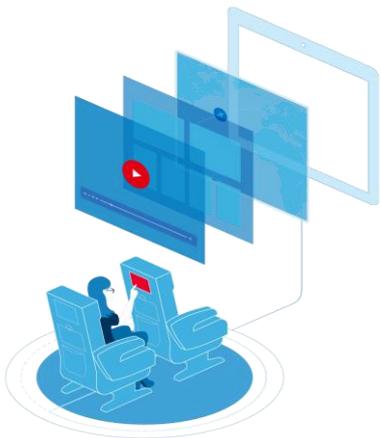
# 15%

Y/Y increase in CA-NA take rate to 7.5%



Expanding partnerships to deliver free connectivity to the passenger

Gogo Vision Touch leverages our existing connectivity system



# Business Aviation growing and innovating



## BA Service Revenue (\$MM)



Service revenue up **30%** Y/Y



Launched Gogo AVANCE platform  
L3 and L5 connectivity systems

# Key takeaways - CEO

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Dedicated networks delivering leading bandwidth, coverage and reliability

Performance driving wins

Setting records for getting more aircraft online

Engaging more passengers with more bandwidth enables cutting-edge products and services

# Strong operational execution

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**76** 2Ku aircraft installed in October

**322** 2Ku aircraft installed in year-to-date

**36** Hour 2Ku installation achieved

# Progress with OEMs

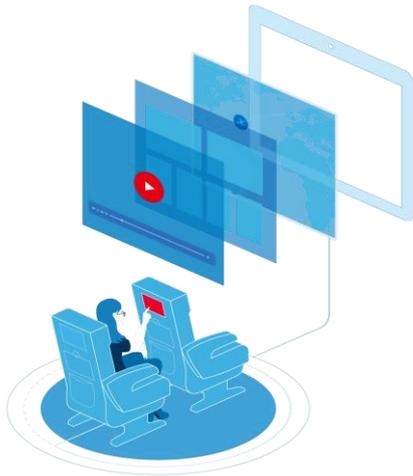
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**3** A350s installed and delivered by Airbus with 2Ku installed

**B787** Expect first Boeing 2Ku installation to be completed around year-end

**C Series** Expect first Bombardier production installation in May of 2018

# Gogo Vision Touch evolved from our customer's need



## Seatback entertainment solution

- Without the weight, cost and complexity of legacy solutions

Engages even more passengers

Simplicity and cost savings are driving interest from other carriers

# Business Aviation continues to expand market share



## Strong market demand for Gogo Avance L5 connectivity system

- **86** sold year to date
- Selected as a factory option by Dassault and Embraer



## Announced a **global** Ku band connectivity solution

# Key takeaways - COO

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Industry-leading operational execution

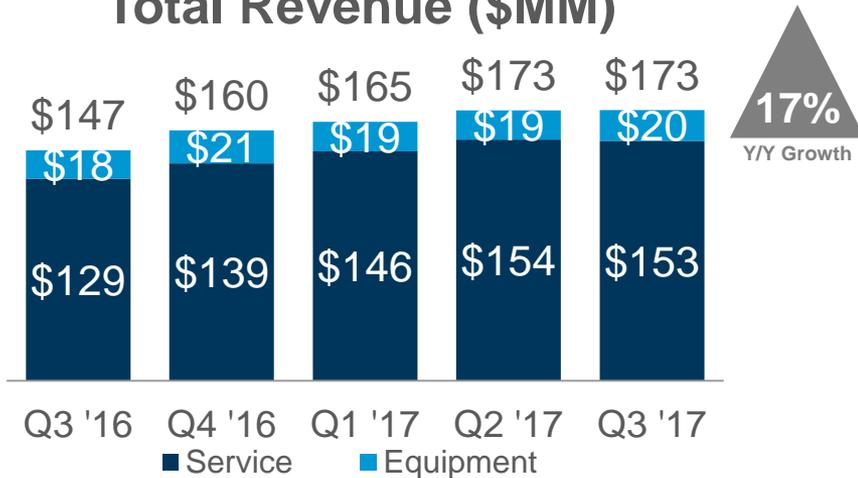
On track with OEM installed aircraft deliveries and accelerating

Business Aviation market position and competitive strengths are formidable advantage

# Strong revenue growth



## Total Revenue (\$MM)

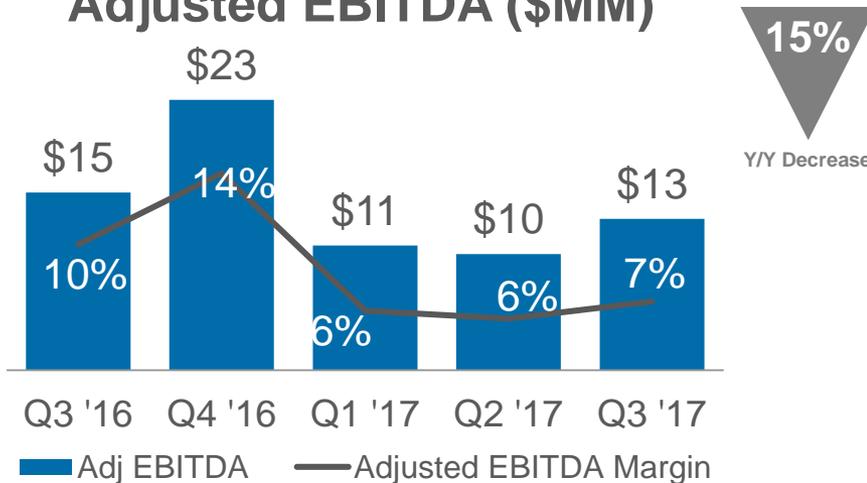


Q3 '17 revenue up 17% Y/Y

Service revenue up 19% Y/Y

- Growth across all segments

## Adjusted EBITDA (\$MM)



Q3 '17 Adjusted EBITDA up \$3 million sequentially

- Includes \$4.5 million write-down of legacy product lines and retirement of test aircraft

Note: Minor differences exist due to rounding.  
 (1) Adjusted EBITDA is a non-GAAP measure. See Appendix for a reconciliation to the comparable GAAP measure.  
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# CA-NA: Continued service revenue growth

## Service Revenue (\$MM)



Service revenue up 7%

- 2,817 aircraft online, up 188 aircraft Y/Y

## Average Revenue Per Aircraft (ARPA) (\$k)



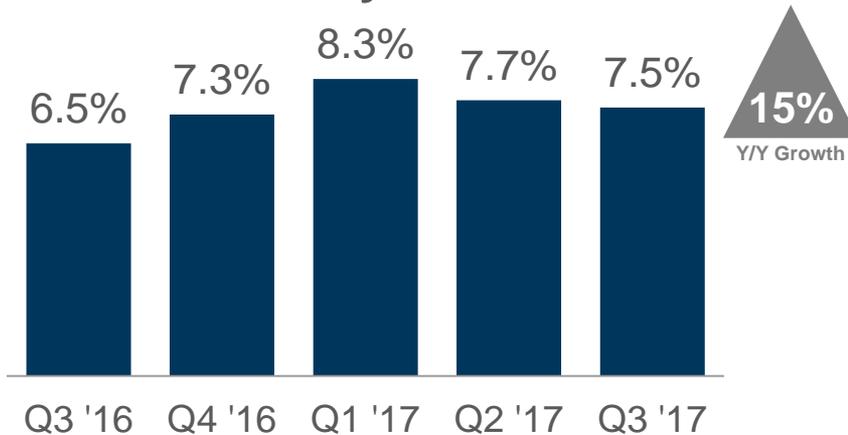
ARPA flat Y/Y at \$133k

- Satellite ARPA \$220k
- ATG ARPA \$125k

# CA-NA: Expanding engagement through multi-payer strategy



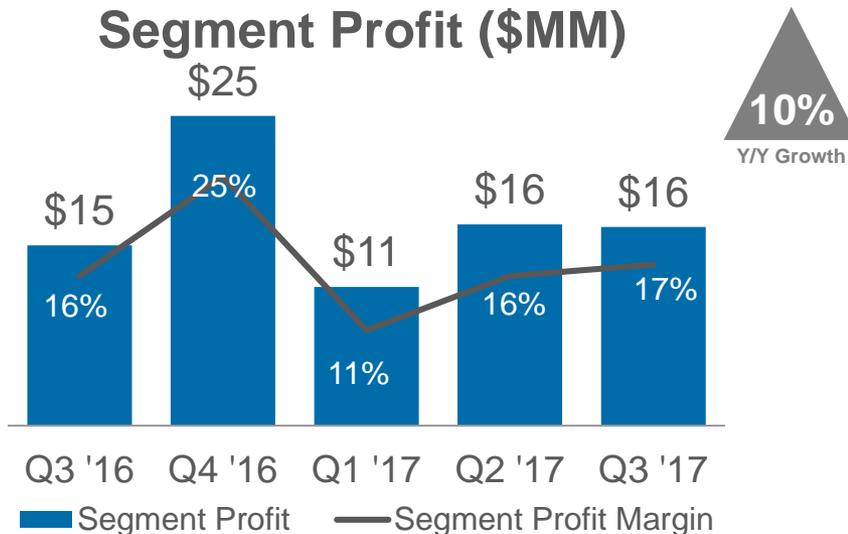
## Connectivity Take Rate



### Take rate up 15%:

- Increased passenger engagement due to airline and 3<sup>rd</sup> party paid offerings

## Segment Profit (\$MM)



### Segment profit of \$16 million

#### Includes:

- \$2.4 million write-down of legacy products and retirement of test aircraft
- \$3.0 million next gen ATG milestone payment

# CA-ROW: Revenue doubled for third consecutive quarter year-over-year



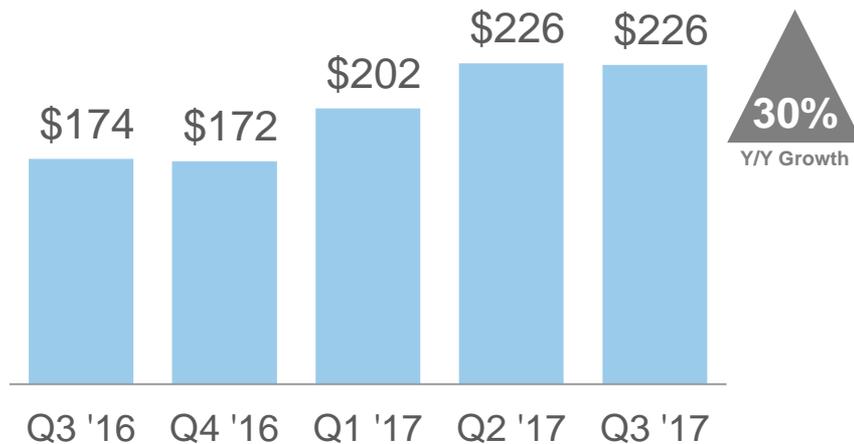
## Service Revenue (\$MM)



Service revenue of \$15.7 million, up 117% from Q3 '16

- \$226k annualized ARPA, up 30% Y/Y
- Aircraft equivalents online increased 41% Y/Y
- 13.5% take rate

## Annualized ARPA (\$k)



Annualized ARPA up 30% to \$226k

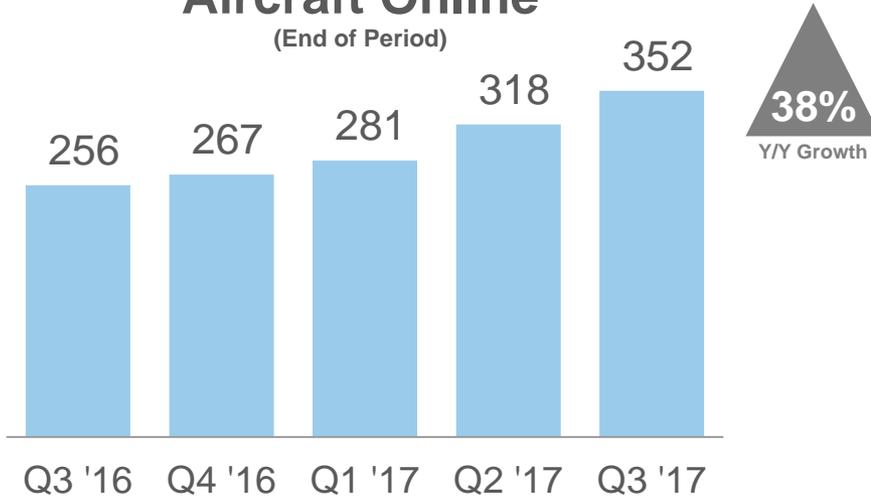
- Growth in ARPA of existing aircraft offset by new aircraft, which represented 25% of aircraft online

# CA-ROW: Scaling our international business



## Aircraft Online

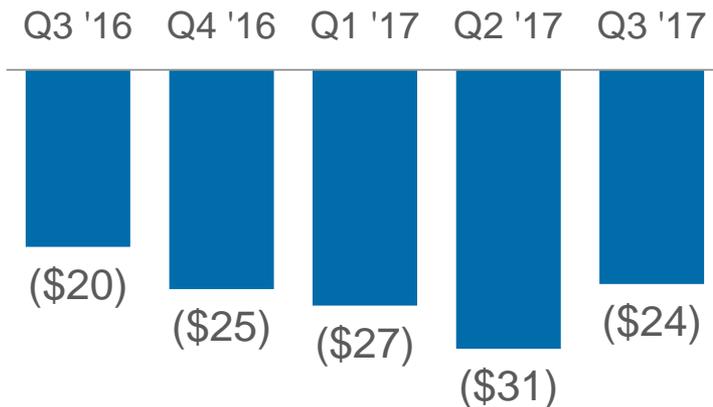
(End of Period)



Aircraft online up 96 Y/Y, to 352

- 680 2Ku awarded but not yet installed as of 10/24/17

## Segment Loss (\$MM)

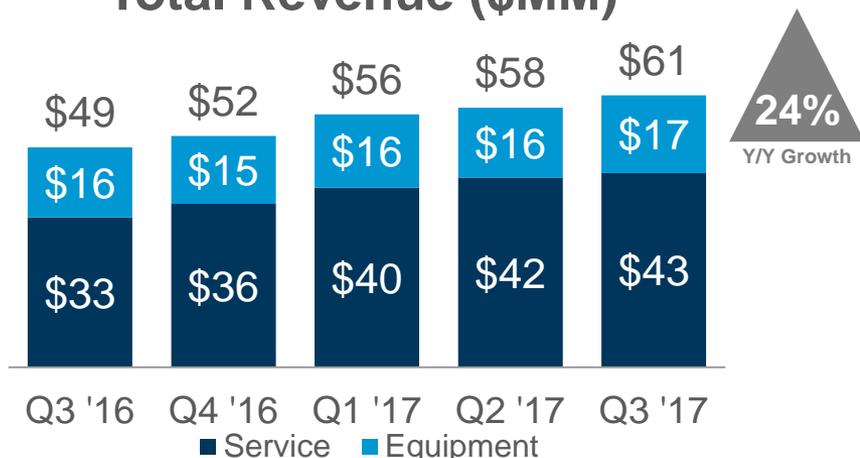


Segment loss improved \$7 million from Q2 '17

- Lower spending on OEM programs
- Increased utilization of global Ku network

# BA: Continuing strong revenue growth

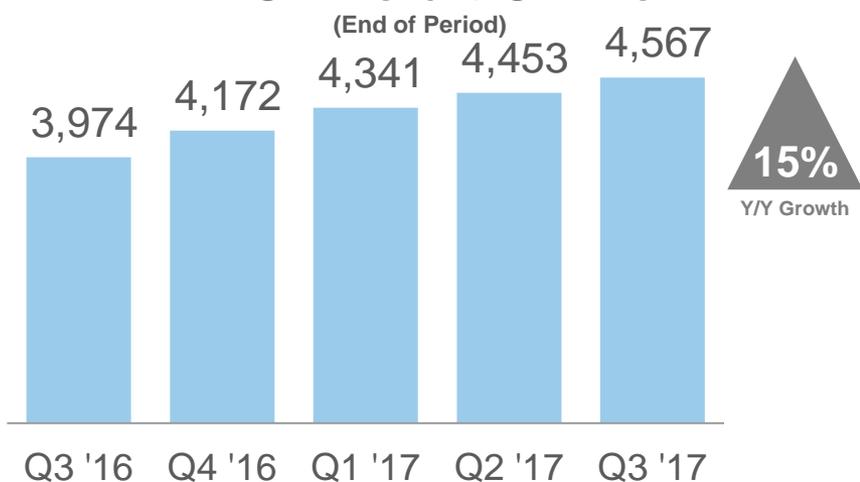
## Total Revenue (\$MM)



Total revenue increased 24% Y/Y, to \$61 million

Service revenue increased 30% Y/Y to \$43 million

## ATG Aircraft Online



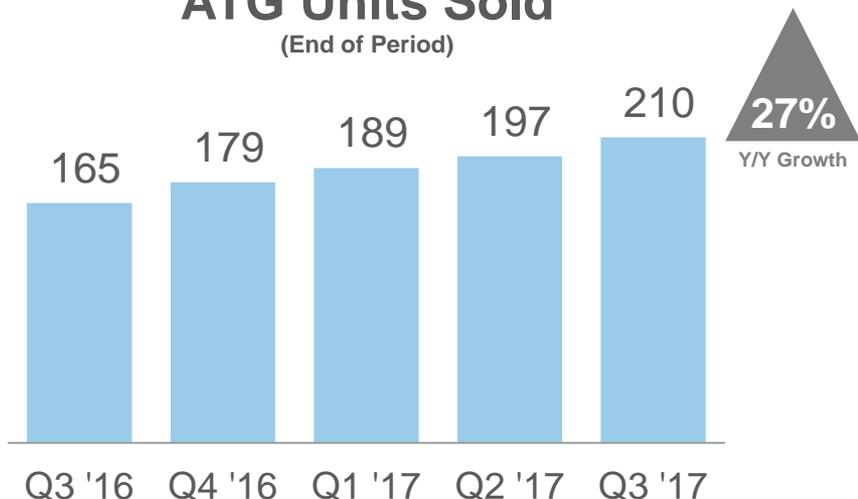
ATG aircraft online increased 15% Y/Y, to over 4,500

ATG Service ARPU increased 13% Y/Y, to nearly \$2,900 per month

# BA: Strong AVANCE platform adoption

## ATG Units Sold

(End of Period)



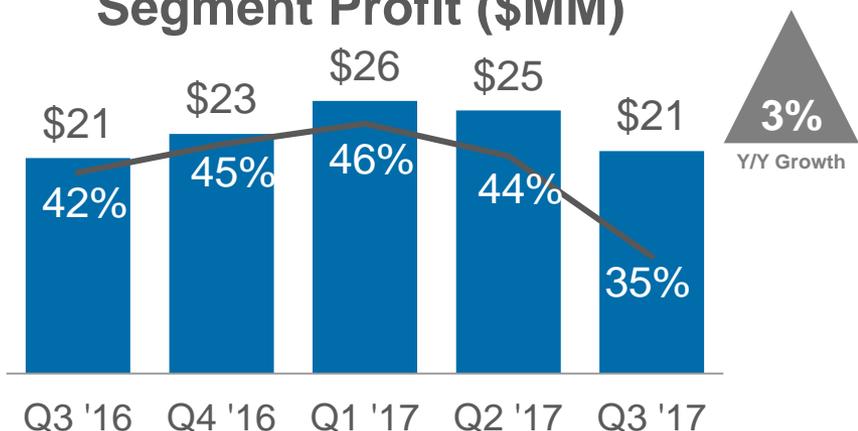
L5 shipments drove 11% growth in equipment revenue

- 66 L5 units sold in Q3 '17

Opportunity to expand:

- Further penetrate light & turbo jet markets
- Serve business aircraft flying globally

## Segment Profit (\$MM)



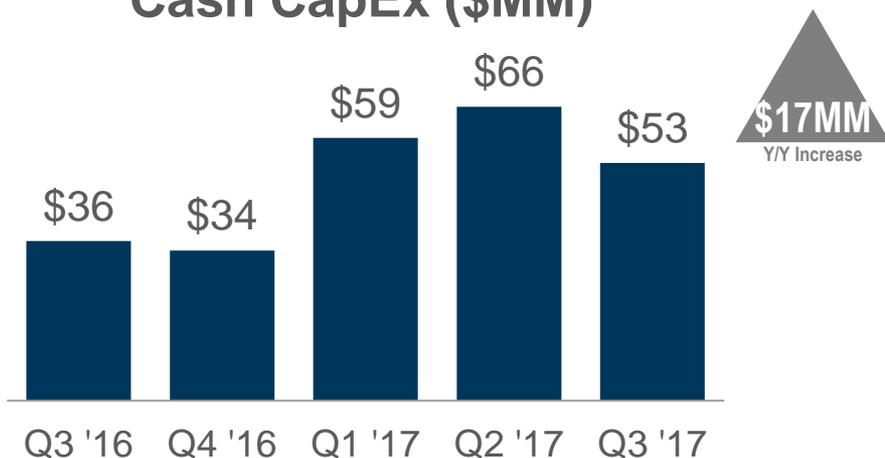
Segment profit increased 3% Y/Y, to \$21 million

- \$2 million charges related to write-down of legacy product line One Phone
- Increased ED&D and sales and marketing to further drive market penetration

■ Segment Profit — Segment Profit Margin

# Investing in rapid 2Ku installations

## Cash CapEx (\$MM)



Cash CapEx Y/Y increase reflects investment in installing aircraft with 2Ku

Note: Minor differences exist due to rounding.

Note: Cash CAPEX is a non-GAAP measure. See Appendix for a reconciliation to the most comparable GAAP measure.

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Expect 2017 revenue to be at the high end of \$670-\$695 million guidance range

Adjusted EBITDA expected to approximately double in the second half of 2017 compared to the first half of 2017 and to be at the low end of \$60-\$75 million guidance range, excluding the \$4.5 million in charges we incurred this quarter

Expect Adjusted EBITDA to be significantly higher in 2018 than 2017

2017 Cash CapEx expected to be at the low end of \$230-\$260 million range, with approximately 70% related to success-based airborne equipment purchases

# Q&A

# Appendix

# Gogo installed and awarded aircraft as of 9/30/2017



## Gogo Aircraft Online & Awarded as of 9/30/2017

<b>Aircraft Online</b>	<b><u>CA-NA</u></b>	<b><u>CA-ROW</u></b>	<b><u>Total</u></b>
ATG Aircraft Online	828	-	828
ATG-4 Aircraft Online	1,749	-	1,749
Ku Aircraft Online	-	261	261
2Ku Aircraft Online	240	91	331
<b>Total Aircraft Online</b>	<b>2,817</b>	<b>352</b>	<b>3,169</b>

## 2Ku Aircraft Installed & Awarded But Not Yet Installed<sup>1</sup>

2Ku aircraft installed	245	95	340
2Ku awarded but not yet installed, aircraft conversions	800	-	800
2Ku awarded but not yet installed, new aircraft <sup>1</sup>	100	680	780
<b>Total 2Ku Aircraft Installed and Awarded But Not Yet Installed</b>	<b>1,145</b>	<b>775</b>	<b>1,900+</b>

<sup>1</sup> Aircraft online and 2Ku aircraft installed figures are as of 9/30/2017. 2Ku awarded but not yet installed, new aircraft are current as of 10/24/2017. Awarded but not yet installed figures are approximate.



# Adjusted EBITDA reconciliation (\$MM)

	2016 Q1	2016 Q3	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
<b>Net Income</b>	(24)	(40)	(33)	(27)	(41)	(44)	(45)
<i>Interest Income</i>	(0)	(0)	(1)	(1)	(1)	(1)	(1)
<i>Interest Expense</i>	16	18	25	25	27	27	28
<i>Depreciation &amp; Amortization</i>	24	25	27	30	30	31	36
<b>EBITDA</b>	17	2	18	27	16	13	18
<i>Stock-based Compensation Expense</i>	4	4	5	5	4	5	5
<i>Amortization of Deferred Airborne Lease Incentives</i>	(6)	(7)	(8)	(9)	(9)	(9)	(10)
<b>Loss on Extinguishment of Debt</b>	–	15	–	–	–	–	–
<i>Adjustment of deferred financing costs</i>	(1)	–	–	–	–	–	–
<b>Adjusted EBITDA</b>	14	14	15	23	11	10	13

Note: Minor differences exist due to rounding  
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# Cash CapEx reconciliation (\$MM)

	2016 Q1	2016 Q3	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
<b>Purchases of Property and Equipment</b>	(31)	(40)	(36)	(41)	(64)	(65)	(62)
<b>Acquisition of Intangible Assets (Capitalized Software)</b>	(6)	(8)	(8)	(7)	(8)	(9)	(7)
<b>Consolidated Capital Expenditures</b>	(37)	(48)	(44)	(48)	(72)	(74)	(68)
<b>Change in Deferred Airborne Lease Incentives</b>	8	1	0	6	4	(0)	5
<b>Amortization of Deferred Airborne Lease Incentives</b>	6	7	8	9	9	9	10
<b>Cash CapEx</b>	(24)	(40)	(36)	(34)	(59)	(66)	(53)