Gogo Announces "Gogo 2020" Integrated Business Plan to Transform Its Business Model and Realize Strategic Value

July 12, 2018

Actions to Drive Significant Cost Savings and Enhance Ability to Generate Free Cash Flow and Value Creation

CHICAGO, July 12, 2018 /PRNewswire/ -- Gogo Inc. (NASDAQ: GOGO), the leading global provider of broadband connectivity products and services for aviation, today announced that it has completed a comprehensive analysis of its business and is implementing an Integrated Business Plan ("IBP") designed to improve the Company's operational and financial performance. The IBP, branded as "Gogo 2020", transforms Gogo's business model and is intended to significantly reduce its cost structure, improve quality, drive revenue, streamline business processes and prudently strengthen its balance sheet.

Oakleigh Thorne, President and CEO of Gogo, said, "The initiatives we are executing under our Integrated Business Plan demonstrate our commitment to taking aggressive action to position Gogo for sustainable value creation. Gogo 2020 represents a new era for Gogo with a significantly reduced cost structure, much lower capital expenditures, and a streamlined and standardized approach to meeting the needs of our customers with improved quality and service. As we prioritize resources to strengthen the resiliency of our model, we remain focused on accomplishing our objectives without sacrificing our long-term growth opportunities and will continue to evaluate strategic options to drive revenue, monetize assets and realize the significant value of our business."

Gogo 2020 resulted in the following:

- Targeting Free Cash Flow break-even for the full year 2020;
- Targeting significant annual EBITDA growth each year in our plan, reaching over $200 million in 2022;
- Continuing to build on the significant improvement in 2Ku performance metrics, including availability of over 97% in June, by enhancing product and service quality;
- Maintain cash capex reduction in 2018 with further material reductions in 2019;
- Materially reducing upfront equipment subsidies for airline contracts;
- Reducing total operating spend in Gogo's Commercial Aviation "CA" business (excluding satellite costs) by nearly 20% by the end of 2020;
- Reducing total cash burn in 2019 by over $100 million from expected 2018 cash burn and by a further $100 million in 2020;
- Reviewing multiple options to address our outstanding convertible debt before it becomes current in March of 2019;
- Renewing focus on third-party payer revenue streams to better monetize existing connected aircraft;
- Focusing on improving the range of user experiences;
- Reviewing a range of attractive strategic alternatives, including opportunities suggested by various strategic and financial parties, with the goal of maximizing shareholder value.

The Company provides 2018 guidance as follows:

- Total revenue of $865 million to $935 million, in line with prior guidance;

- 2Ku incremental aircraft on-line to be at the low end of the prior guidance range of 550 to 650;
- Gross capex of $150 million to $170 million and cash capex of $110 million to $130 million, in line with prior guidance;
- Adjusted EBITDA guidance of $35-45 million.

Strategic and Financial Alternatives Processes

During Gogo's first quarter of 2018 earnings call, the Company discussed increased strategic activity in our industry. Since that time, a number of parties have contacted management to suggest various strategic and/or financial relationships and transactions, some of which would involve splitting the Company into BA and CA. The Board has asked management to assess whether shareholder value would be increased by the Company engaging in any of the suggested relationships or transactions or others suggested by third parties or conceived by management and its advisors. The Board has not made any decision to pursue any such transaction or relationship at this time. Please note that Gogo has no obligation to provide further disclosure in respect of any of these matters, and will decide in its discretion if and when to provide any further comment.

Cautionary Note Regarding Forward-Looking Statements

Certain disclosures in this press release and related comments by our management include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our integrated business plan, such as our business outlook, strategy, plans, goals and expectations concerning our technologies, operations, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "future" and the negative of these or similar terms and phrases are intended to identify forward-looking statements in this press release.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following: our ability to successfully execute, and the impact of, our integrated business plan, including implementation of operational efficiencies, our exploration of strategic alternatives and our ability to address our outstanding convertible senior notes; the loss of, or failure to realize benefits from, agreements with our airline partners or any failure to renew any existing agreements upon expiration or termination; the failure to maintain airline and passenger satisfaction with our equipment or our service; any inability to timely and efficiently deploy our 2Ku service or develop and deploy our next-generation ATG solution or other components of our technology roadmap for any reason, including technological issues and related remediation efforts, changes in regulations or regulatory delays or failures affecting us, our suppliers, some of whom are single source, or the failure by our airline partners to roll out equipment upgrades or new services or adopt new technologies in order to support increased network capacity demands; the timing of deinstallation of our equipment from aircraft, including deinstallations resulting from aircraft retirements and other deinstallations permitted by certain airline contract provisions; the loss of relationships with original equipment manufacturers or dealers; our ability to make our equipment factory linefit available on a timely basis; our ability to develop or purchase ATG and satellite network capacity sufficient to accommodate current and expected growth in passenger demand in North America and internationally as we expand; our reliance on third-party suppliers, some of whom are single source, for satellite capacity and other services and the equipment we use to provide services to commercial airlines and their passengers and business aviation customers; unfavorable economic conditions in the airline industry and/or the economy as a whole; our ability to expand our international or domestic operations, including our ability to grow our business with current and potential future airline partners and the effect of shifts in business models; an inability to compete effectively with other current or future providers of in-flight connectivity services and other products and services that we offer, including on the basis of price, service performance and line-fit availability; our ability to successfully develop and monetize new products and services such as Gogo Vision and Gogo TV, including those that were recently released, are currently being offered on a limited or trial basis, or are in various stages of development; our ability to certify and install our equipment and deliver our products and services, including newly developed products and services, on schedules consistent with our contractual commitments to customers; the failure of our equipment or material defects or errors in our software resulting in recalls or substantial warranty claims; a revocation of, or reduction in, our right to use licensed spectrum, the availability of other air-to-ground spectrum to a competitor or the repurposing by a competitor of other spectrum for air-to-ground use; our use of open source software and licenses; the effects of service interruptions or delays, technology failures and equipment failures or malfunctions arising from defects or errors in our software or defects in or damage to our equipment; the limited operating history of our CA-ROW segment; contract changes and implementation issues resulting from decisions by airlines to transition from the turnkey model to the airline-directed model; increases in our projected capital expenditures due to, among other things, unexpected costs incurred in connection with the roll-out of our technology roadmap or our international expansion; compliance with U.S. and foreign government regulations and standards, including those related to regulation of the Internet, including e-commerce or online video distribution changes, and the installation and operation of satellite equipment and our ability to obtain and maintain all necessary regulatory approvals to install and operate our equipment in the United States and foreign jurisdictions; our, or our technology suppliers', inability to effectively innovate; changes as a result of U.S. federal tax reform; costs associated with defending pending or future intellectual property infringement and other litigation or claims and any negative outcome or effect of pending or future litigation; our ability to protect our intellectual property; breaches of the security of our information technology network, resulting in unauthorized access to our customers' credit card information or other personal information; our substantial indebtedness; limitations and restrictions in the agreements governing our indebtedness and our ability to service our indebtedness; our ability to obtain additional financing on acceptable terms or at all; fluctuations in our operating results; our ability to attract and retain customers and to capitalize on revenue from our platform; the demand for and market acceptance of our products and services; changes or developments in the regulations that apply to us, our business and our industry, including changes or developments affecting the ability of passengers or airlines to use our in-flight connectivity services, including the recent U.S. and U.K. bans on the use of certain personal devices such as laptops and tablets on certain aircraft flying certain routes; a future act or threat of terrorism, cybersecurity attack or other events that could result in adverse regulatory changes or developments as referenced above, or otherwise adversely affect our business and industry; our ability to attract and retain qualified employees, including key personnel; the effectiveness of our marketing and advertising and our ability to maintain and enhance our brands; our ability to manage our growth in a cost-effective manner and integrate and manage acquisitions; compliance with anti-corruption laws and regulations in the jurisdictions in which we operate, including the Foreign Corrupt Practices Act and the (U.K.) Bribery Act 2010; restrictions on the ability of U.S. companies to do business in foreign countries, including, among others, restrictions imposed by the U.S. Office of Foreign Assets Control; difficulties in collecting accounts receivable; our ability to successfully implement our new enterprise resource planning system and other improvements to systems and procedures needed to support our growth; and other events beyond our control that may result in unexpected adverse operating results. Additional information concerning these and other factors can be found under the caption "Risk Factors" in Gogo's annual report on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission ("SEC") and any subsequently filed quarterly report on Form 10-Q. Any one of these factors or a combination of these factors could materially affect our financial *condition or future results of operations and could influence whether any forward-looking statements contained in this report ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and you should not place undue reliance on them. All forward-looking statements speak only as of the date made and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.*

Non-GAAP Financial Measures

This press release includes a discussion of Adjusted EBITDA, which is a financial measure not recognized under U.S. generally accepted accounting principles (GAAP). This supplemental performance measurement may vary from and may not be comparable to similarly titled measures by other companies, and when analyzing our performance with Adjusted EBITDA, investors should use Adjusted EBITDA in addition to, and not as an alternative to, net loss attributable to common stock as a measure of operating results. No reconciliation of the forecasted range for Adjusted EBITDA for fiscal 2018 is included in this release because we are unable to quantify certain amounts that would be required to be included in the corresponding GAAP measure without unreasonable efforts and we believe such reconciliation 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 due to variability in the timing of aircraft installations and deinstallations impacting depreciation expense and amortization of deferred airborne leasing proceeds.

Conference Call & Webcast

The Company will host a conference call on July 13, 2018 at 9:00 a.m. ET. A live webcast of the conference call, as well as a replay, will be available online on the Investor Relations section of the company's website at http://ir.gogoair.com. Participants can access the call by dialing (844) 464-3940 (within the United States and Canada) or (765) 507-2646 (international dialers) and entering conference ID number 3683869.

About Gogo

Gogo is the Inflight Internet Company. We are the leading global provider of broadband connectivity products and services for aviation. We design and source innovative network solutions that connect aircraft to the Internet and develop software and platforms that enable customizable solutions for and by our aviation partners. Once connected, we provide industry leading reliability around the world. Our mission is to help aviation go farther by making planes fly smarter, so our aviation partners perform better and their passengers travel happier.

You can find Gogo's products and services on thousands of aircraft operated by the leading global commercial airlines and thousands of private aircraft, including those of the largest fractional ownership operators. Gogo is headquartered in Chicago, IL with additional facilities in Broomfield, CO and locations across the globe. Connect with us at gogoair.com.

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