



# 3rd Quarter 2015 Earnings Results

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November 5, 2015

# 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.

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## 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 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 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.

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.

# INCREASED 2015 PROFITABILITY & GUIDANCE

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- ✓ YTD 2015 Adjusted EBITDA is up 3X from last year to \$28.7 million
- ✓ 2015 Adjusted EBITDA guidance is increased to \$30-\$35 million
- ✓ On a path to consolidated profitability

# 2Ku: SURPASSING EXPECTATIONS

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- ✓ First truly global broadband highway in the sky
- ✓ Eight airline wins for more than 550 aircraft
- ✓ Speed tests demonstrate 12+ Mbps to a device even with simultaneous streaming on more than 40 devices
- ✓ 2Ku live television programming

## 2Ku: ADVANTAGES

- ✓ Proprietary electro-mechanical, phased-array antenna design
- ✓ Superior global coverage
- ✓ Much lower bandwidth costs than global Ku or Ka
- ✓ Redundancy and capacity of 180 Ku satellites



**Bigger is better, round is better**

- ✓ 75 commercial aviation aircraft installed between CA-NA & CA-ROW
- ✓ Nearly 2,500 commercial aircraft online
  - Includes over 860 ATG-4 aircraft online
- ✓ Expect about 1,000 ATG-4 aircraft online by year-end or 40% of CA-NA installed base

# MORE BANDWIDTH DRIVES MORE REVENUE & ARPA GROWTH

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- ✓ ATG aircraft upgraded to ATG-4: 20% ARPA growth
- ✓ ATG-4 aircraft upgraded to Ku: 30% ARPA growth
- ✓ Expect greater ARPA growth from 2Ku

- ✓ CA-ROW ARPA has surpassed CA-NA ARPA
- ✓ Full fleet deployment & 2Ku will drive ARPA growth
- ✓ CA-ROW contributing to consolidated revenue growth



# Q3'15 UPDATE – BUSINESS AVIATION

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- ✓ 38% service revenue growth
- ✓ 41% segment profit margin
- ✓ Over 3,300 ATG units online
- ✓ Segmentation strategy gaining traction
- ✓ GogoBiz 4G brings 10Mbps to BA aircraft in 2017

# BUSINESS MODEL & PROFITABILITY

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- ✓ CA-NA & BA combined segment profit reached record \$30 million, up 46% y/y
- ✓ Scale is vital in our industry
- ✓ Gogo has sufficient scale to achieve consolidated profitability
- ✓ Free cash flow for CA-NA & BA combined have been positive for Q3 and year-to-date

# Q3'15 EARNINGS CALL KEY HIGHLIGHTS



## 1. **2Ku is here**

- Surpassing expectations
- Most efficient global solution
- Expect 2Ku to drive aircraft wins

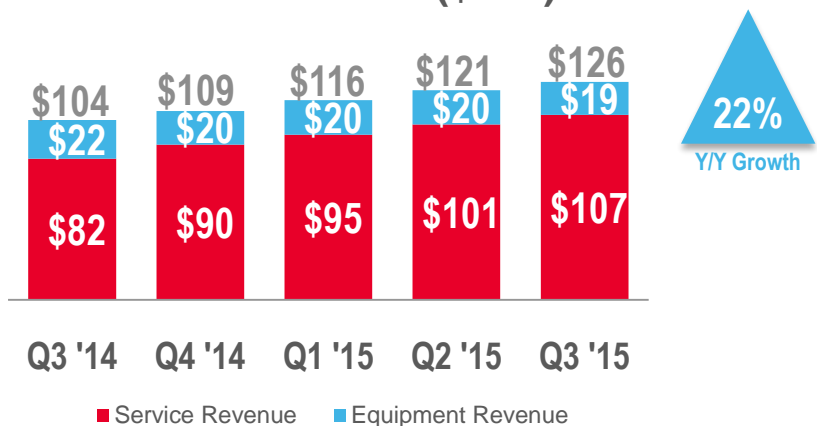
## 2. More planes and more bandwidth drive **revenue growth & profitability**

## 3. Gogo has enough aircraft to **achieve consolidated profitability**

# Q3'15 RECORD REVENUE AND CA-NA & BA SEGMENT PROFIT

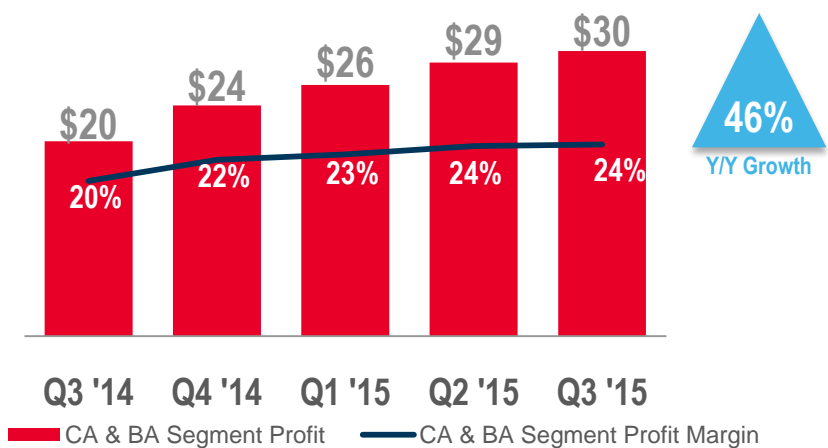


## Total Revenue (\$MM)



Note: Minor differences exist due to rounding

## CA-NA & BA Segment Profit (\$MM)

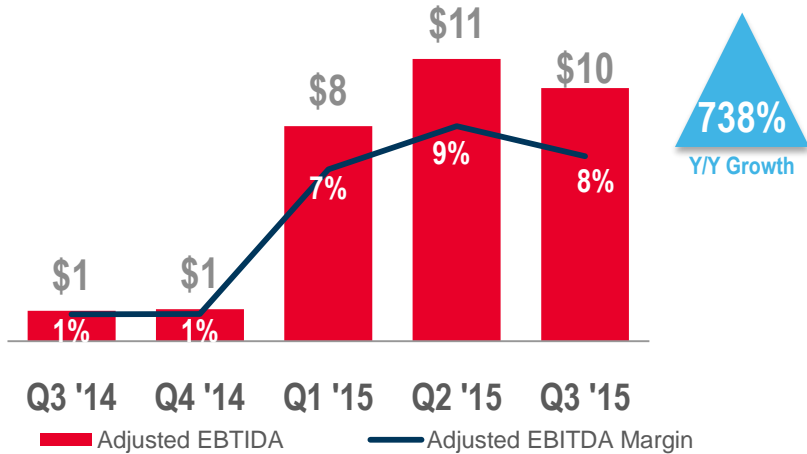


- Q3'15 revenue is up 22% y/y
- Service revenue up 31% y/y
- CA-NA + BA segment profit up 46% y/y to \$30 million
- CA-NA + BA segment profit margin 24%, up from 20% in Q3'14

# Q3'15 ADJUSTED EBITDA IS UP 8X FROM Q3'14



## Adjusted EBITDA (\$MM)



- Q3'15 Adjusted EBITDA increased 8x to \$9.7 million
- Guidance is increased to \$30-\$35 million for FY 2015
- Combined CA-NA & BA Free Cash Flow Positive in Q3 & YTD
- Nearly \$390 million cash on balance sheet at end of Q3'15

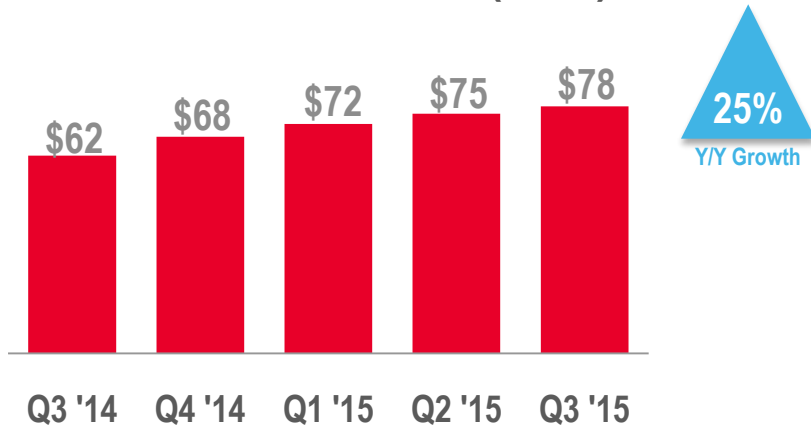
Note: References to free cash flow means net cash provided by operating activities plus net cash used in investing activities

Note: Minor differences exist due to rounding

# CA-NA - STRONG GROWTH IN REVENUE & AIRCRAFT ONLINE



### Service Revenue (\$MM)

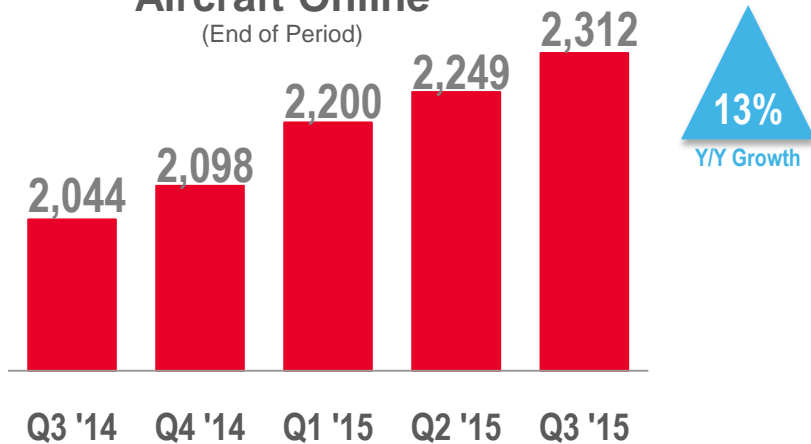


- Service revenue driven by:
  - 13% y/y growth in aircraft online
  - 12% y/y growth in ARPA

- 2,312 Aircraft Online

- 114 aircraft installed
- 51 aircraft retired

### Aircraft Online (End of Period)

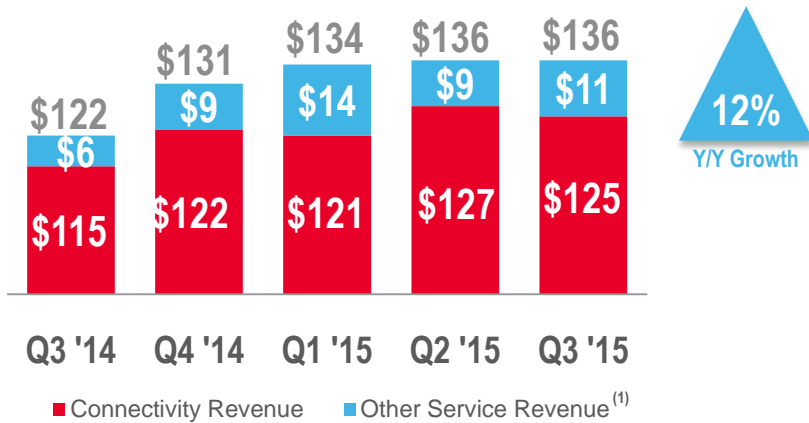


- ~350 net awarded but not yet installed aircraft at Q3'15

# CA-NA - STRONG REVENUE & ARPA GROWTH

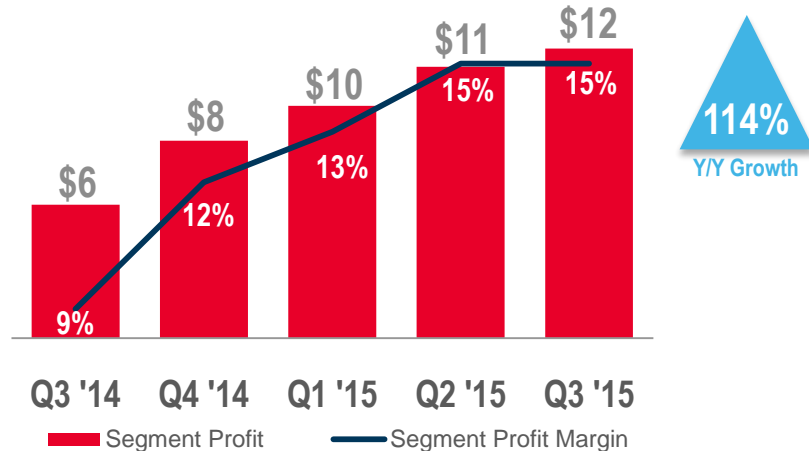


## Annualized ARPA



- ARPA growth continues:
  - Driven by increase in ARPS
  - Estimated ARPA growth excluding the impact of regional jets would have been approximately 20%

## Segment Profit (\$MM)

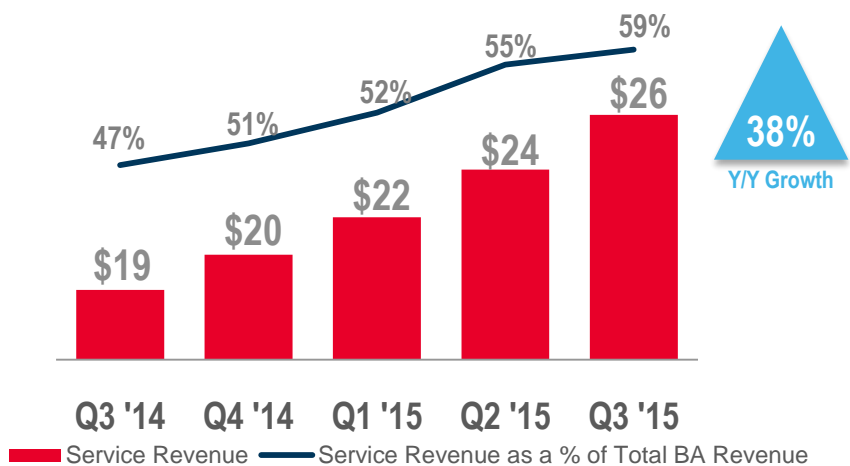


- Take rate of 5.6% impacted by regional jets, price increases and seasonality
- Segment profit doubled to \$11.8 million
- Segment profit margin increased to 15%, up from 9%



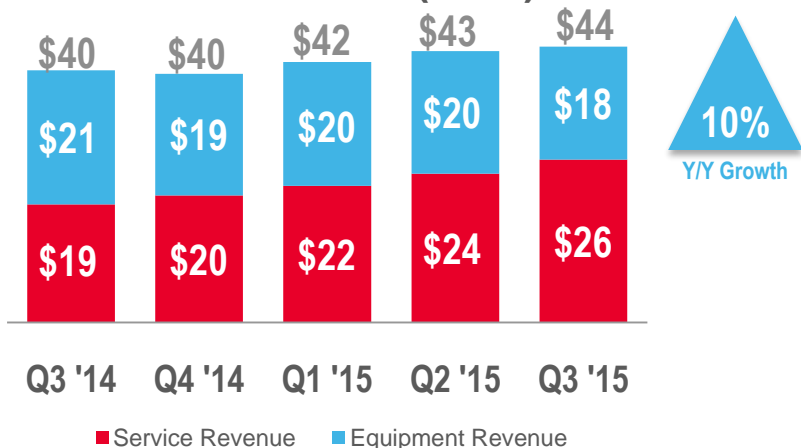
# BA SERVICE REVENUE – CONTINUED HIGH GROWTH

### Service Revenue (\$MM)



- Service revenue increased 38% y/y to record \$26 million
- Service revenue continues strong growth track record
- Total revenue reaches new record

### Total Revenue (\$MM)



Note: Minor differences exist due to rounding

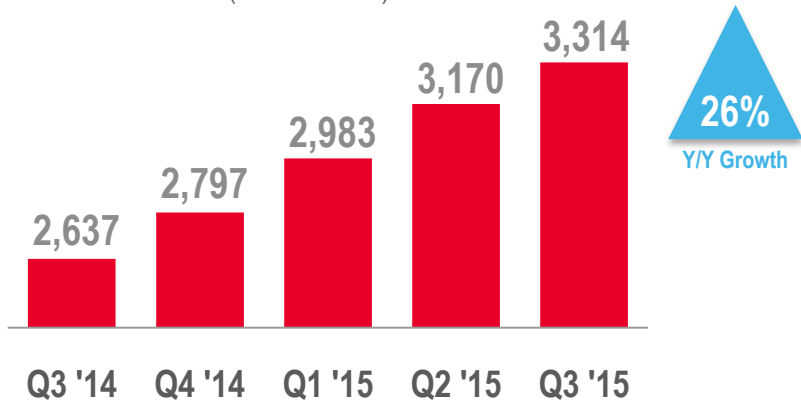


# INCREASED ATG UNITS ONLINE DRIVE SEGMENT PROFIT GROWTH



## ATG Units Online

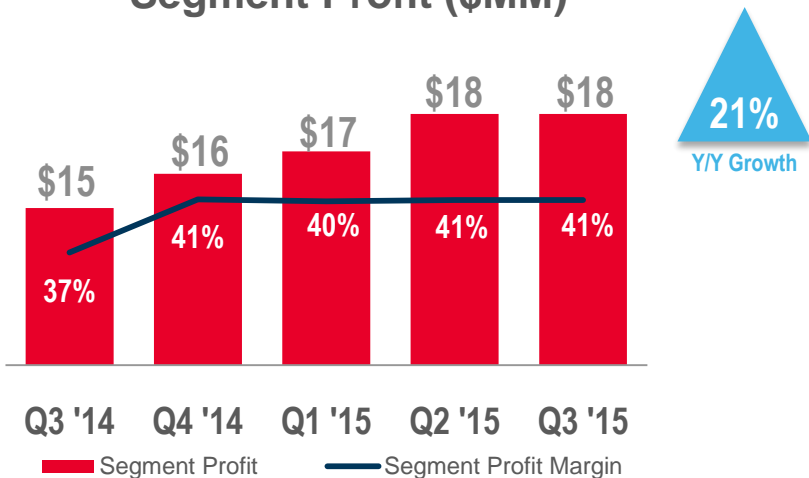
(End of Period)



- ATG units online increased 26%, to more than 3,300

- ATG Service ARPU increased 12%, to more than \$2,300

## Segment Profit (\$MM)



- Segment profit up 21%, to \$18.2 million

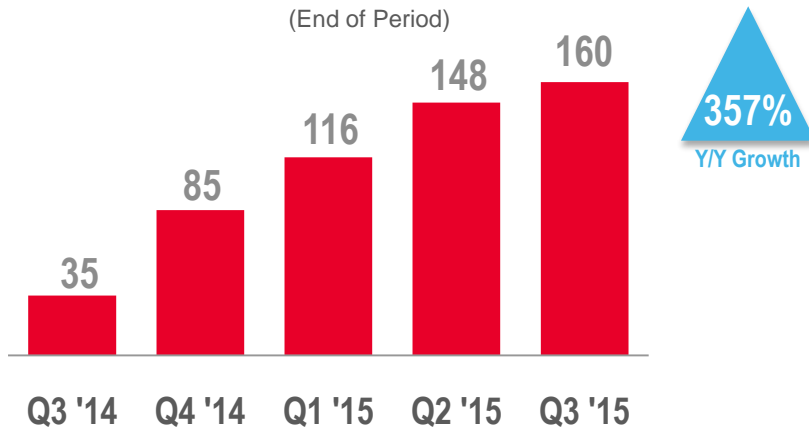
- Segment profit margin 41%, up from 37% in Q3'14

Note: Minor differences exist due to rounding

# INTERNATIONAL EXPANSION CONTINUES

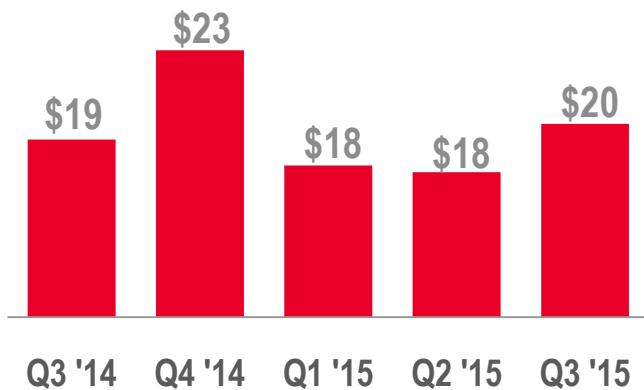


**Satellite Aircraft Online**  
(End of Period)



- 160 aircraft online, up 12 q/q
- CA-ROW ARPA exceeds CA-NA ARPA
- ~400 awarded and not yet installed at Q3'15
- 2Ku test results exceed expectations

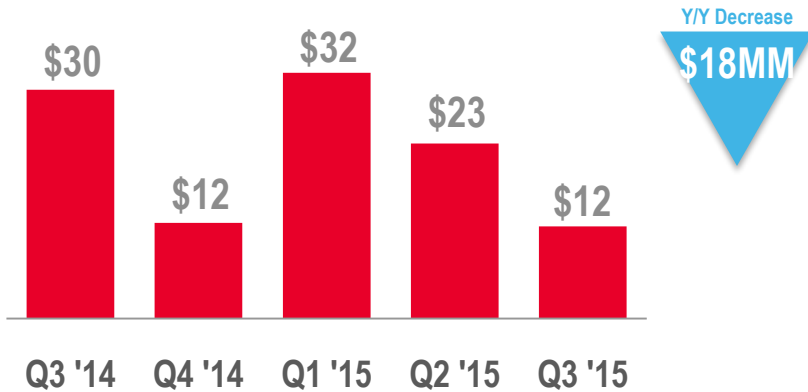
**CA-ROW Segment Loss (\$MM)**



# CONSOLIDATED CASH CAPEX



Cash CapEx (\$MM)



- Q3 '15 Y/Y changes in capital expenditures:
  - ▼ Decrease in airborne equipment spend
  - ▲ Increase in equipment proceeds from airline partners
  - ▼ Build-out of the BA office in Q3'14
  - ▼ Purchase of test plane in Q3'14

Note: Minor differences exist due to rounding.

# STRONG FINANCIAL RESULTS

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- ✓ Strong Q3'15 financial results
- ✓ Raised 2015 Adjusted EBITDA guidance
- ✓ Expect strong growth in revenue and profitability going forward supported by aggressive roll out of 2Ku

# Q&A



# Appendix



# UPDATED 2015 GUIDANCE

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Revenue	\$485 - \$505 million
CA-NA	\$300 - \$320 million
BA	\$170 - \$180 million
CA-ROW	\$10 - \$15 million

Adjusted EBITDA \$30 - \$35 million

Cash CAPEX \$100 - \$120 million



# ADJUSTED EBITDA RECONCILIATION (\$MM)

	2009	2010	2011	2012	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Net Income	(142)	(140)	(18)	(96)	(146)	(17)	(19)	(25)	(24)	(20)	(25)	(29)
Interest Income	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Interest Expense	30	–	1	9	29	7	7	9	9	10	16	17
Income Tax Provision	–	3	1	1	1	–	–	–	–	–	–	–
Depreciation & Amortization	22	31	33	37	56	16	15	17	17	19	21	22
EBITDA	(91)	(106)	16	(49)	(60)	6	4	2	2	9	12	10
Fair Value Derivative Adjustments	–	33	(59)	(10)	36	–	–	–	–	–	–	–
Class A and Class B Senior Convertible Preferred Stock Return	–	18	31	52	29	–	–	–	–	–	–	–
Accretion of Preferred Stock	–	9	10	10	5	–	–	–	–	–	–	–
Stock-based Compensation Expense	1	2	2	4	6	2	2	3	3	3	3	5
Loss on Extinguishment of Debt	2	–	–	–	–	–	–	–	–	–	–	–
Write Off of Deferred Equity Financing Costs	–	–	–	5	–	–	–	–	–	–	–	–
Amortization of Deferred Airborne Lease Incentives	–	(1)	(1)	(4)	(8)	(3)	(3)	(4)	(4)	(4)	(5)	(5)
Adjusted EBITDA	(89)	(45)	(1)	9	8	5	3	1	1	8	11	10



# CASH CAPEX RECONCILIATION (\$MM)

	2009	2010	2011	2012	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Purchases of Property and Equipment	(69)	(33)	(33)	(67)	(105)	(32)	(28)	(35)	(37)	(53)	(33)	(19)
Acquisition of Intangible Assets (Capitalized Software)	(8)	(7)	(10)	(12)	(16)	(4)	(5)	(5)	(3)	(4)	(4)	(4)
Consolidated Capital Expenditures	(77)	(40)	(43)	(79)	(121)	(36)	(33)	(41)	(40)	(57)	(37)	(24)
Change in Deferred Airborne Lease Incentives	–	9	11	18	9	5	3	5	17	9	7	7
Amortization of Deferred Airborne Lease Incentives	–	1	1	4	8	3	3	3	4	4	5	5
Landlord Incentives	–	–	–	–	–	–	–	2	7	12	3	–
Cash CapEx	(77)	(30)	(31)	(58)	(104)	(29)	(27)	(30)	(12)	(32)	(23)	(12)