Gogo Completes Acquisition of Satcom Direct and Announces Leadership Transition

December 4, 2024

Expanded Platform Accelerates Gogo's LEO Strategy; Achieves $18m Run-rate Savings on Day 1

Chris Moore Appointed Chief Executive Officer, Succeeding Oakleigh Thorne who Transitions to Executive Chair

BROOMFIELD, Colo., Dec. 4, 2024 /PRNewswire/ -- Gogo Inc. (NASDAQ: GOGO) ("Gogo" or the "Company") today announced the completion of its acquisition of Satcom Direct ("SD"), creating the only multi-orbit, multi-band, in-flight connectivity provider serving the needs of every segment of the global business aviation ("BA") and military/government mobility markets.

Gogo paid $375 million in cash and issued five million shares of Gogo stock to SD ownership at close and could pay up to an additional $225 million tied to realizing performance thresholds over the next four years. The transaction, including fees, was funded with $250 million of debt and $150 million of cash from the Gogo balance sheet.

The interest rate on Gogo's incremental debt is SOFR plus 6%, and the Company's annual interest expense will increase by an estimated $25 million to $27 million. Gogo's net leverage ratio at yearend 2024 is estimated to increase to 3.6x, and the Company expects to be back inside its target leverage range of 2.5x-3.5x within one to two years.

The transaction is immediately accretive, with $18 million of annual recurring cost savings achieved immediately after closing, and a total expected $25 million to $30 million in annual run-rate cost synergies to be achieved in the two years after close.

The acquisition is expected to accelerate sales of Gogo's soon-to-launch Galileo Low Earth Satellite ("LEO") connectivity product, by:

- selling Gogo Galileo to SD's 1,300 premium global broadband customers,
- selling new Galileo installs through the SD international sales force to the 12,000 medium and smaller business aircraft outside North America that have no broadband solution available today, and
- leveraging SD's strong presence in the Mil/Gov market where there is strong demand for LEO connectivity in combination with SD's GEO connectivity.

"Combining with SD cements our position as the only in-flight connectivity provider able to satisfy the performance and cost needs of every segment of the global BA market," said Oakleigh Thorne, Gogo Executive Chair. "With the launches of our next-generation LEO and 5G technologies, Gogo and SD are uniquely positioned to drive growth and future value creation."

Gogo's principal shareholders, GTCR, a leading private equity firm, and Thorndale Farm Inc., have expressed strong support for the acquisition and did not sell any shares in the transaction, reflecting their confidence in the long-term value creation potential of the combined company.

Leadership Transitions

In connection with the completion of the combination, Chris Moore, President of SD, has been appointed Gogo's Chief Executive Officer and will lead the combined company, bringing years of satellite and telecommunications experience and success to his new role. He succeeds Thorne, who transitions to Executive Chair of the Gogo Board of Directors.

Moore said, "Uniting the complementary strengths of Gogo and SD marks an exciting new chapter for us as one company. Together, we are uniquely positioned to deliver unparalleled in-flight connectivity solutions across the underpenetrated global BA and military/government mobility markets. I am excited to expand Gogo's reach and continue its legacy of exceptional service and cutting-edge technology."

In addition, Zachary Cotner, Chief Financial Officer of SD, has been appointed Chief Financial Officer of the combined company, succeeding Jessi Betjemann. Mike Begler, who previously served as Senior Vice President of Gogo Production Operations, has been appointed Executive Vice President, Chief Operating Officer of the combined company.

Thorne continued, "I want to thank Jessi for her years of commitment and financial leadership at Gogo and wish her the best in her next chapter. As I transition to the Executive Chair role, I remain deeply committed to Gogo as a leader and an investor and look forward to working closely with Chris, Zach, Mike and our world-class team."

Reiterates 2024 Guidance and Product Launch Timelines

Gogo reiterates the following standalone 2024 financial guidance previously provided on Tuesday, November 5, 2024:

- Total revenue in the range of $400 million to $410 million,
- Adjusted EBITDA in the range of $120 million to $130 million, which includes legal expenses from ongoing legal proceedings and approximately $20 million of operating expenses for strategic and operational initiatives including Gogo 5G and Gogo Galileo,
- Free Cash Flow in the range of $55 million to $65 million, which includes $35 million in reimbursements tied to the FCC Reimbursement Program, and
- Capital expenditures of approximately $30 million, which includes approximately $20 million for strategic initiatives.

As previously disclosed upon announcement of the transaction, the combined company is expected to generate pro forma 2024 revenue of approximately $890 million, Adjusted EBITDA Margin of approximately 24% and Free Cash Flow of more than $100 million. Including the anticipated launch of Gogo Galileo, the combined company is expected to deliver long-term annual revenue growth in the 10% range, Adjusted EBITDA Margins in the mid-20% range and significant Free Cash Flow accretion, which will support strategic investments, de-levering and return of capital to shareholders. See "Non-GAAP Financial Measures" below.

Additionally, Gogo reiterates that its small-form-factor Galileo HDX LEO service remains on track to begin shipping to customers by the end of 2024, and it expects to launch its large form factor Galileo FDX, and its Gogo 5G network, late in the second quarter of 2025.

About Gogo

Gogo is a leading provider of inflight connectivity services able to satisfy the performance and cost needs of every segment of the global business aviation and government markets. We offer a customizable suite of smart cabin systems for highly integrated connectivity, inflight entertainment, and voice solutions. Gogo's products and services are installed on thousands of business aircraft of all sizes and mission types from turboprops to the largest global jets, and are utilized by the largest fractional ownership operators, charter operators, corporate flight departments and individuals. In addition, Gogo delivers consistent, reliable connectivity globally to military and government customers that utilize heavy jets.

As of September 30, 2024, Gogo reported 7,016 business aircraft flying with its broadband ATG systems onboard, 4,379 of which are flying with a Gogo AVANCE L5 or L3 system; and 4,180 aircraft with narrowband satellite connectivity installed. Connect with us at www.gogoair.com.

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Non-GAAP Financial Measures

We report certain non-GAAP financial measurements, including Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow in the discussion above. Management uses Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow for business planning purposes, including managing our business against internally projected results of operations and measuring our performance and liquidity. These supplemental performance measures also provide another basis for comparing period-to-period results by excluding potential differences caused by non-operational and unusual or non-recurring items. These supplemental performance measurements may vary from and may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow are not recognized measurements under accounting principles generally accepted in the United States, or GAAP. When analyzing our performance with Adjusted EBITDA or Adjusted EBITDA Margin or liquidity with Free Cash Flow, as applicable, investors should (i) evaluate each adjustment in our reconciliation to the corresponding GAAP measure, and the explanatory footnotes regarding those adjustments in our financial statements, (ii) use Adjusted EBITDA and Adjusted EBITDA Margin in addition to, and not as an alternative to, net income (loss) attributable to common stock as a measure of operating results, and (iii) use Free Cash Flow in addition to, and not as an alternative to, consolidated net cash provided by (used in) operating activities when evaluating our liquidity. No reconciliation of the forecasted amounts of Adjusted EBITDA for fiscal 2024 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, due to high variability and complexity with respect to estimating certain forward-looking amounts, and we believe such reconciliation would imply a degree of precision that would be confusing or misleading to investors.

Cautionary Note Regarding Forward-Looking Statements

Certain disclosures in this press release 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 the Company's acquisition of SD and synergies related thereto, our ongoing delay and the risk of future delays in deploying 5G, and our ability to develop and deploy Gogo 5G, Gogo Galileo or other next generation technologies, the Company's business outlook, industry, business strategy, plans, goals and expectations concerning the Company's market position, international expansion, future technologies, future operations, margins, 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," "forecast," "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 report. Forward-looking statements reflect the Company's current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although the Company believes the expectations reflected in the forward-looking statements are reasonable, the Company 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 the Company's 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, our ability to effectively evaluate and pursue strategic opportunities. Additional information concerning these and other factors can be found under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission (the "SEC") on February 28, 2024, and in the Company's Quarterly Reports on Form 10-Q as filed with the SEC on May 7, 2024, August 7, 2024 and November 5, 2024. Any one of these factors or a combination of these factors could materially affect the Company's financial condition or future results of operations and could influence whether any forward-looking statements contained in this report ultimately prove to be accurate. The Company's 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 the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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