Gogo Announces Second Quarter 2015 Financial Results Record quarterly revenue up 22 percent to $121 million

August 6, 2015

CHICAGO, Aug. 6, 2015 /PRNewswire/ -- Gogo Inc. (Nasdaq: GOGO), a leading global aero communications service provider, today announced its financial results for the quarter ended June 30, 2015.



Gogo reported record quarterly revenue of $121.2 million, up 22% year-over-year. Service revenue increased 28% to $101.4 million, exceeding $100 million in a single quarter for the first time. Adjusted EBITDA increased $7.7 million to a record $10.8 million.

"Q2 was another outstanding quarter for Gogo. We delivered record financial results; received the first of two certifications needed to fly 2Ku on our own aircraft; and signed a definitive agreement with GOL, a leading Brazilian airline, to equip its entire fleet of 140 aircraft with 2Ku, our next generation satellite technology," said Gogo's President and CEO, Michael Small. "We expect this year that 2Ku will begin to bring an industry leading combination of capacity, cost, reliability and global coverage to planes both in North America and internationally. I am very pleased with our progress to date in getting 2Ku to commercial deployment and with our continued success in winning airlines as we expand internationally."

Second Quarter 2015 Consolidated Financial Results

- Revenue increased to $121.2 million, up 22% from $99.5 million in Q2 2014. Service revenue increased 28% to a record $101.4 million.
- Combined segment profit of CA-NA and BA increased 31% year-over-year to $28.8 million for Q2 2015.
- Adjusted EBITDA for Q2 2015 was $10.8 million, up from $3.1 million for Q2 2014.
- Cash CAPEX decreased to $22.8 million from $26.9 million in Q2 2014, primarily due to an increase in airborne equipment proceeds received from our airline partners.
- As of June 30, 2015, we had cash and cash equivalents of $392.1 million.

Second Quarter 2015 Business Segment Financial Results

Commercial Aviation - North America (CA-NA)

- Total revenue increased to $75.6 million, up 22% from $62.1 million in Q2 2014.
- During the quarter, we installed 105 aircraft and our airline partners retired 56 installed aircraft primarily due to fleet-refresh programs. As a result, we ended the quarter with 2,249 aircraft online, up 49 since March 31, 2015.
- Average monthly service revenue per aircraft online, or ARPA, increased to $11,324, up 13% year-over-year, driven primarily by connectivity service price increases.
- Segment profit increased to $11.2 million, up 74% year-over-year, as a result of strong service revenue growth and increased operating leverage. Segment profit as a percent of segment revenue increased to a record 15% in Q2 2015, up from 10% in Q2 2014.

Business Aviation (BA)

- Service revenue increased 39% year-over-year to a record $23.8 million, driven primarily by a 31% increase in ATG systems online to 3,170 at June 30, 2015 compared to June 30, 2014.
- Equipment revenue of $19.5 million was down from $20.1 million in Q2 2014, driven primarily by changes in ATG product mix. We continue to implement our market segmentation strategy of selling ATG units to owners and operators of smaller aircraft which results in lower average revenue per ATG unit.
- Total segment revenue increased to $43.3 million, up 17% from $37.1 million in Q2 2014.
- Segment profit increased to $17.5 million, up from $15.5 million in Q2 2014. Segment profit as a percentage of segment revenue was 41% in Q2 2015 compared to 42% in Q2 2014.

Commercial Aviation - Rest of World (CA-ROW)

- We ended the quarter with 148 aircraft online, an increase of 32 aircraft from March 31, 2015, and more than 400 aircraft awarded but not yet installed.
- We achieved a key milestone to get 2Ku ready for commercial launch by receiving the first of two required STCs. We expect to obtain the second required STC in the third quarter and launch 2Ku service commercially later this year.
- Revenue increased to $2.3 million from $0.3 million in Q2 2014, driving a decrease in segment loss to $18.0 million from a segment loss of $18.8 million in Q2 2014.

Recent Developments

- In June 2015, Gogo signed a definitive agreement with GOL, a leading Brazilian airline and Gogo's first South American airline partner, under which Gogo will provide 2Ku in-flight connectivity, wireless in-flight entertainment and our new IPTV solution – Gogo TV, on GOL's entire fleet.
- NetJets further expanded its partnership with Gogo by selecting BA to provide broadband in-flight connectivity and our full suite of entertainment solutions utilizing the Gogo Universal Cabin System on up to 650 new aircraft to be delivered over the next several years.
- As part of our market segmentation strategy, BA announced the introduction of the ATG 1000 connectivity solution, which enables bandwidth solutions for light jets, turboprops and owner-flown aircraft.

Business Outlook

For the full year ending December 31, 2015, our guidance remains unchanged.

We expect:

- Total revenue of $485 million to $505 million
  - CA-NA revenue of $300 million to $320 million
  - BA revenue of $170 million to $180 million
  - CA-ROW revenue of $10 million to $15 million
- Adjusted EBITDA at the higher end of $15 million to $25 million
- Cash CAPEX of $100 million to $120 million

"We are very pleased with our strong financial performance," said Gogo's Executive Vice President and CFO, Norman Smagley. "We continue to see strong growth in service revenue and improved operating leverage in our CA-NA segment. While the second quarter profitability benefited in part from the timing of certain 2Ku and STC milestones spend, our strong results clearly demonstrate operating leverage inherent in our business."

Conference Call

The second quarter conference call will be held on August 6th, 2015 at 8:30 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 also 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 78075372.

Non-GAAP Financial Measures

We report certain non-GAAP financial measurements, including Adjusted EBITDA, Adjusted Net Loss Per Share and Cash CAPEX in the supplemental tables below. Management uses Adjusted EBITDA and Cash CAPEX for business planning purposes, including managing our business against internally projected results of operations and measuring our performance and liquidity. Management prepares Adjusted Net Loss Per Share for investors, securities analysts and other users of our financial statements for use in evaluating our performance under our current capital structure. 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 by other companies. Adjusted EBITDA, Adjusted Net Loss Per Share and Cash CAPEX are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance or liquidity, as applicable, investors should (i) evaluate each adjustment in our reconciliation to net loss attributable to common stock, and the explanatory footnotes regarding those adjustments, (ii) use Adjusted EBITDA and Adjusted Net Loss Per

Share in addition to, and not as an alternative to, net loss attributable to common stock as a measure of operating results, and (iii) use Cash CAPEX in addition to, and not as an alternative to, consolidated capital expenditures when evaluating our liquidity.

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 business outlook, industry, business strategy, plans, goals and expectations concerning our 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," "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: the loss of, or failure to realize benefits from, agreements with our airline partners or renew any existing agreements upon expiration or termination; any inability to timely and efficiently roll out our 2Ku service or other components of the technology roadmap for any reason, including regulatory delays, or the failure by our airline partners to roll out equipment upgrades, new services or adopt new technologies in order to support increased network capacity demands; the loss of relationships with original equipment manufacturers or dealers; our ability to develop network capacity sufficient to accommodate current and expected growth in passenger demand; 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; 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 reliance on third-party satellite service providers and equipment and other suppliers, including single source providers and suppliers; our ability to successfully develop and monetize new products and services such as Gogo Vision, Gogo Text & Talk 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 deliver products and services, including newly developed products and services, on schedules consistent with our contractual commitments to customers; the effects, if any, on our business of past or future airline mergers, including the merger of American Airlines and U.S. Airways; 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, material defects or errors in our software or damage to our equipment; the limited operating history of our CA-NA and CA-ROW segments; 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 U.S. and foreign jurisdictions; our, or our technology suppliers', inability to effectively innovate; costs associated with defending pending or future intellectual property infringement and other litigation or claims; our ability to protect our intellectual property; any negative outcome or effects of pending or future litigation; 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; the attraction and retention of 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.

Additional information concerning these and other factors can be found under the caption "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2015.

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.

About Gogo

Gogo is a leading global aero-communications service provider that offers in-flight Internet, entertainment, text messaging, voice

and a host of other communications-related services to the commercial and business aviation markets. Gogo has nearly 2,400 commercial aircraft equipped with its services on eight major airlines. More than 6,800 business aircraft are also flying with its solutions, including the world's largest fractional ownership fleets. Gogo also is a factory option at every major business aircraft manufacturer.

Gogo has more than 900 employees and is headquartered in Chicago, IL, with additional facilities in Broomfield, CO, and various locations overseas. Connect with us at www.gogoair.com and business.gogoair.com

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Revenue:				
Service revenue	$ 101,395	$ 79,165	$ 196,801	$ 151,456
Equipment revenue	19,796	20,364	39,901	43,767
Total revenue	121,191	99,529	236,702	195,223
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	44,382	41,567	89,929	81,195
Cost of equipment revenue (exclusive of items shown below)	10,173	8,627	19,631	18,613
Engineering, design and development	17,280	15,789	34,365	29,888
Sales and marketing	11,465	9,687	21,706	17,729
General and administrative	25,646	19,855	49,839	37,427
Depreciation and amortization	20,813	14,882	39,590	30,569
Total operating expenses	129,759	110,407	255,060	215,421
Operating loss	(8,568)	(10,878)	(18,358)	(20,198)
Other (income) expense:				
Interest income	(11)	(9)	(16)	(24)
Interest expense	15,801	7,381	25,896	14,629
Other (income) expense	(8)	23	(90)	63
Total other expense	15,782	7,395	25,790	14,668
Loss before incomes taxes	(24,350)	(18,273)	(44,148)	(34,866)
Income tax provision	422	389	716	662

Net loss	$ (24,772)	$ (18,662)	$ (44,864)	$ (35,528)
Net loss attributable to common stock per share—basic and diluted	$ (0.32)	$ (0.22)	$ (0.56)	$ (0.42)
Weighted average number of shares—basic and diluted	78,478	85,085	80,770	85,040

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 392,117	$ 211,236
Accounts receivable, net of allowances of $557 and $774, respectively	46,695	48,509
Inventories	22,736	21,913
Prepaid expenses and other current assets	13,450	13,236
Total current assets	474,998	294,894
Non-current assets:		
Property and equipment, net	406,597	363,108
Intangible assets, net	78,775	78,464
Goodwill	620	620
Long-term restricted cash	7,874	7,874
Debt issuance costs	16,903	11,296
Other non-current assets	10,008	11,384
Total non-current assets	520,777	472,746
Total assets	$ 995,775	$ 767,640
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable	$ 19,888	$ 41,026
Accrued liabilities	67,650	52,894
Accrued airline revenue share	12,476	13,273

Deferred revenue	32,477	20,181
Deferred airborne lease incentives	17,683	13,767
Current portion of long-term debt and capital leases	8,922	10,345
Total current liabilities	159,096	151,486
Non-current liabilities:		
Long-term debt	564,510	301,922
Deferred airborne lease incentives	100,591	83,794
Deferred tax liabilities	7,011	6,598
Other non-current liabilities	45,051	26,082
Total non-current liabilities	717,163	418,396
Total liabilities	876,259	569,882
Stockholders' equity		
Common stock	9	9
Additional paid-in-capital	851,316	884,205
Accumulated other comprehensive loss	(1,689)	(1,200)
Accumulated deficit	(730,120)	(685,256)
Total stockholders' equity	119,516	197,758
Total liabilities and stockholders' equity	$ 995,775	$ 767,640

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	For the Six Months Ended June 30,	
	2015	**2014**
Operating activities:		
Net loss	$ (44,864)	$ (35,528)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	39,590	30,569

Loss on asset disposals/abandonments	1,148	486
Deferred income taxes	413	414
Stock compensation expense	6,299	3,818
Amortization of deferred financing costs	1,889	1,697
Accretion of debt discount	4,500	-
Changes in operating assets and liabilities:		
Accounts receivable	1,580	(6,085)
Inventories	(823)	1,040
Prepaid expenses and other current assets	(242)	(253)
Accounts payable	(5,725)	(2,624)
Accrued liabilities	11,467	(1,296)
Accrued airline revenue share	(796)	672
Deferred airborne lease incentives	15,912	8,527
Deferred revenue	12,753	1,142
Deferred rent	18,714	444
Accrued interest	3,943	(4)
Other non-current assets and liabilities	192	219
Net cash provided by operating activities	65,950	3,238
Investing activities:		
Proceeds from the sale of property and equipment	-	32
Purchases of property and equipment	(85,655)	(59,668)
Acquisition of intangible assets—capitalized software	(8,590)	(9,318)
Decrease (increase) in restricted cash	19	(2,500)
Net cash used in investing activities	(94,226)	(71,454)
Financing activities:		

Proceeds from the issuance of convertible notes	361,940	-
Forward transactions	(140,000)	-
Payment of issuance costs	(10,357)	-
Payment of debt, including capital leases	(6,249)	(4,052)
Stock option exercises	3,706	2,025
Net cash provided by (used in) financing activities	209,040	(2,027)
Effect of exchange rate changes on cash	117	64
Increase (decrease) in cash and cash equivalents	180,881	(70,179)
Cash and cash equivalents at beginning of period	211,236	266,342
Cash and cash equivalents at end of period	$ 392,117	$ 196,163

Gogo Inc. and Subsidiaries
Supplemental Information – Key Operating Metrics
Commercial Aviation North America

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Aircraft online	2,249	2,058	2,249	2,058
Average monthly service revenue per aircraft online (ARPA)	$ 11,324	$ 9,994	$ 11,260	$ 9,598
Gross passenger opportunity (GPO) (in thousands)	89,741	82,700	164,125	153,970
Total average revenue per passenger opportunity (ARPP)	$ 0.84	$ 0.75	$ 0.90	$ 0.77
Total average revenue per session (ARPS)	$ 12.74	$ 10.70	$ 12.23	$ 10.62
Connectivity take rate	5.9%	6.7%	6.5%	6.9%

- *Aircraft online*. We define aircraft online as the total number of commercial aircraft on which our ATG network equipment is installed and Gogo service has been made commercially available as of the last day of each period presented.
- *Average monthly service revenue per aircraft online* ("ARPA"). We define ARPA as the aggregate service revenue for the period divided by the number of months in the period, divided by the number of aircraft online during the period (expressed as an average of the month end figures for each month in such period).
- *Gross passenger opportunity* ("GPO"). We define GPO as the aggregate number of passengers who board commercial aircraft on which Gogo service has been available during the period presented. When available directly from airline partners, we aggregate actual passenger counts across flights on Gogo-equipped aircraft. When not available directly from our airline partners, we estimate GPO. Estimated GPO is calculated by first estimating the number of flights occurring on each Gogo-equipped aircraft, then multiplying by the number seats on that aircraft, and finally multiplying by a seat factor that is determined from historical information provided to us in arrears by our airline partners. The estimated number of flights are derived from real-time flight information provided to our front-end systems by Air Radio Inc. (ARINC), direct airline feeds, and supplementary third-party data sources. These aircraft-level estimates are then aggregated with actual airline-provided passenger counts to obtain total GPO.
- *Total average revenue per passenger opportunity* ("ARPP"). We define ARPP as revenue from Gogo Connectivity, Gogo Vision, and other service revenue for the period, divided by GPO for the period.
- *Total average revenue per session* ("ARPS"). We define ARPS as revenue from Gogo Connectivity, excluding non-session related revenue, divided by the total number of sessions during the period. A session, or a "use" of Gogo Connectivity, is defined as the use by a unique passenger of Gogo Connectivity on a flight segment. Multiple logins or purchases under the same user name during one flight segment count as only one session.
- *Connectivity take rate*. We define connectivity take rate as the number of sessions during the period expressed as a percentage of GPO. Included in our connectivity take-rate calculation are sessions for which we did not receive revenue, including those provided pursuant to free promotional campaigns and, to a lesser extent, as a result of complimentary passes distributed by our customer service representatives or unforeseen technical issues. For the periods listed above, the number of sessions for which we did not receive revenue was not material.

Gogo Inc. and Subsidiaries
Supplemental Information – Key Operating Metrics
Business Aviation

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Aircraft online				
Satellite	5,424	5,241	5,424	5,241
ATG	3,170	2,415	3,170	2,415
Average monthly service revenue per aircraft online				
Satellite	$ 179	$ 172	$ 174	$ 166
ATG	2,227	2,015	2,199	2,011
Units Shipped				
Satellite	155	119	298	272
ATG	227	233	461	474
Average equipment revenue per unit shipped (in thousands)				
Satellite	$ 41	$ 44	$ 40	$ 46
ATG	55	63	55	63

- *Satellite aircraft online*. We define satellite aircraft online as the total number of business aircraft for which we provide satellite services in operation as of the last day of each period presented.
- *ATG aircraft online.* We define ATG aircraft online as the total number of business aircraft for which we provide ATG services in operation as of the last day of each period presented.
- *Average monthly service revenue per satellite aircraft online*. We define average monthly service revenue per satellite aircraft online as the aggregate satellite service revenue for the period divided by the number of months in the period, divided by the number of satellite aircraft online during the period (expressed as an average of the month end figures for each month in such period).
- *Average monthly service revenue per ATG aircraft online.* We define average monthly service revenue per ATG aircraft online as the aggregate ATG service revenue for the period divided by the number of months in the period, divided by the number of ATG aircraft online during the period (expressed as an average of the month end figures for each month in such period).
- *Units shipped*. We define units shipped as the number of satellite or ATG network equipment units, respectively, shipped during the period.
- *Average equipment revenue per satellite unit shipped*. We define average equipment revenue per satellite unit shipped as the aggregate equipment revenue earned from all satellite shipments during the period, divided by the number of satellite units shipped.
- *Average equipment revenue per ATG unit shipped.* We define average equipment revenue per ATG unit shipped as the aggregate equipment revenue from all ATG shipments during the period, divided by the number of ATG units shipped.

Gogo Inc. and Subsidiaries
Supplemental Information – Segment Revenue and Segment Profit (Loss)[(1)]
(in thousands, Unaudited)

	For the Three Months Ended June 30, 2015			
	CA-NA	**CA-ROW**	**BA**	**Total**
Service revenue	$ 75,329	$ 2,303	$ 23,763	$ 101,395

Equipment revenue	262	-	19,534	19,796
Total revenue	$ 75,591	$ 2,303	$ 43,297	$ 121,191
Segment profit (loss)	$ 11,244	$ (17,996)	$ 17,540	$ 10,788

	For the Three Months Ended June 30, 2014			
	CA-NA	CA-ROW	BA	Total
Service revenue	$ 61,843	$ 259	$ 17,063	$ 79,165
Equipment revenue	304	-	20,060	20,364
Total revenue	$ 62,147	$ 259	$ 37,123	$ 99,529
Segment profit (loss)	$ 6,448	$ (18,812)	$ 15,491	$ 3,127

	For the Six Months Ended June 30, 2015			
	CA-NA	CA-ROW	BA	Total
Service revenue	$ 147,507	$ 3,713	$ 45,581	$ 196,801
Equipment revenue	618	-	39,283	39,901
Total revenue	$ 148,125	$ 3,713	$ 84,864	$ 236,702
Segment profit (loss)	$ 20,860	$ (36,272)	$ 34,346	$ 18,934

	For the Six Months Ended June 30, 2014			
	CA-NA	CA-ROW	BA	Total
Service revenue	$ 118,278	$ 322	$ 32,856	$ 151,456
Equipment revenue	937	-	42,830	43,767
Total revenue	$ 119,215	$ 322	$ 75,686	$ 195,223
Segment profit (loss)	$ 12,252	$ (35,705)	$ 31,954	$ 8,501

(1) Segment profit (loss) is defined as net income (loss) attributable to common stock before interest expense, interest income, income taxes, depreciation and amortization, certain non-cash charges (including amortization of deferred airborne lease incentives and stock compensation expense) and other income (expense).

Gogo Inc. and Subsidiaries
Supplemental Information – Segment Cost of Service Revenue[1]
(*in thousands, Unaudited)*

	For the Three Months Ended June 30,	
	2015	2014
CA-NA	$ 30,270	$ 28,735
BA	6,183	4,470
CA-ROW	7,929	8,362
Total	$ 44,382	$ 41,567

	For the Six Months Ended June 30,	
	2015	2014

CA-NA	$ 61,809	$ 55,958
BA	11,987	9,119
CA-ROW	16,133	16,118
Total	$ 89,929	$ 81,195

*(1)*Excludes depreciation and amortization expense.

Gogo Inc. and Subsidiaries
Supplemental Information – Segment Cost of Equipment Revenue[(1)]
(*in thousands, Unaudited)*

	For the Three Months Ended June 30,	
	2015	**2014**
CA-NA	$ 651	$ 127
BA	9,522	8,500
CA-ROW	-	-
Total	$ 10,173	$ 8,627

	For the Six Months Ended June 30,	
	2015	**2014**
CA-NA	$ 802	$ 1,114
BA	18,829	17,499
CA-ROW	-	-
Total	$ 19,631	$ 18,613

(1) Excludes depreciation and amortization expense.

Gogo Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share amounts)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Adjusted EBITDA:				
Net loss attributable to common stock (GAAP)	$ (24,772)	$ (18,662)	$ (44,864)	$ (35,528)
Interest expense	15,801	7,381	25,896	14,629

Interest income	(11)	(9)	(16)	(24)
Income tax provision	422	389	716	662
Depreciation and amortization	20,813	14,882	39,590	30,569
EBITDA	12,253	3,981	21,322	10,308
Stock-based compensation expense	3,214	2,214	6,299	3,818
Amortization of deferred airborne lease incentives	(4,671)	(3,091)	(8,597)	(5,688)
Adjusted EBITDA	$ 10,796	$ 3,104	$ 19,024	$ 8,438
Adjusted Net Loss Per Share:				
Net loss attributable to common stock (GAAP)	$ (24,772)	$ (18,662)	$ (44,864)	$ (35,528)
Basic and diluted weighted average shares outstanding (GAAP)	78,478	85,085	80,770	85,040
Adjustment of shares to our current capital structure	-	(6,607)	-	(4,270)
Adjusted shares outstanding	78,478	78,478	80,770	80,770
Adjusted Net Loss Per Share – basic and diluted	$ (0.32)	$ (0.24)	$ (0.56)	$ (0.44)
Cash CAPEX:				
Consolidated capital expenditures (GAAP) *(1)*	$ (37,382)	$ (32,891)	$ (94,245)	$ (68,986)
Change in deferred airborne lease incentives *(2)*	7,297	2,923	16,018	7,888
Amortization of deferred airborne lease incentives *(2)*	4,616	3,040	8,491	5,530
Landlord incentives	2,668	-	14,904	-
Cash CAPEX	$ (22,801)	$ (26,928)	$ (54,832)	$ (55,568)

*(1)*See unaudited condensed consolidated statements of cash flows.
*(2)*Excludes deferred airborne lease incentives and related amortization associated with STCs for the three and six months ended June 30, 2015 and 2014 as STC costs are expensed as incurred as part of Engineering, Design and Development.

Definition of Non-GAAP Measures

EBITDA represents net income (loss) attributable to common stock before income taxes, interest income, interest expense, depreciation expense and amortization of other intangible assets.

Adjusted EBITDA represents EBITDA adjusted for (i) stock-based compensation expense and (ii) amortization of deferred airborne

lease incentives. Our management believes that the use of Adjusted EBITDA eliminates items that, management believes, have less bearing on our operating performance, thereby highlighting trends in our core business which may not otherwise be apparent. It also provides an assessment of controllable expenses, which are indicators management uses to determine whether current spending decisions need to be adjusted in order to meet financial goals and achieve optimal financial performance.

We believe the exclusion of stock-based compensation expense from Adjusted EBITDA is appropriate given the significant variation in expense that can result from using the Black-Scholes model to determine the fair value of such compensation. The fair value of our stock options are determined using the Black-Scholes model varies based on fluctuations in the assumptions used in this model, including inputs that are not necessarily directly related to the performance of our business, such as the expected volatility, the risk-free interest rate and the expected life of the options. Therefore, we believe the exclusion of this cost provides a clearer view of the operating performance of our business. Further, stock option grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time. While we believe that investors should have information about any dilutive effect of outstanding options and the cost of that compensation, we also believe that stockholders should have the ability to consider our performance using a non-GAAP financial measure that excludes these costs and that management uses to evaluate our business.

We believe the exclusion of the amortization of deferred airborne lease incentives from Adjusted EBITDA is useful as it allows an investor to view operating performance across time periods in a manner consistent with how management measures segment profit and loss (see Note 14, "Business Segments and Major Customers" for a description of segment profit (loss) in our unaudited condensed consolidated financial statements). Management evaluates segment profit and loss in this manner, excluding the amortization of deferred airborne lease incentives, because such presentation reflects operating decisions and activities from the current period, without regard to the prior period decision or the form of connectivity agreements. See "—Key Components of Consolidated Statements of Operations—Cost of Service Revenue—Commercial Aviation North America and Rest of World" in our 2014 10-K for a discussion of the accounting treatment of deferred airborne lease incentives.

We also present Adjusted EBITDA as a supplemental performance measure because we believe that this measure provides investors, securities analysts and other users of our financial statements with important supplemental information with which to evaluate our performance and to enable them to assess our performance on the same basis as management.

Adjusted Net Loss Per Share represents net loss attributable to common stock per share—basic and diluted, adjusted to reflect the number of shares of common stock outstanding as of June 30, 2015 under our current capital structure, after giving effect to the shares of our common stock effectively repurchased as part of the Forward Transactions entered into in connection with the issuance of the Convertible Notes. We present Adjusted Net Loss Per Share to provide investors, securities analysts and other users of our financial statements with important supplemental information with which to evaluate our performance considering our current capital structure and the shares outstanding after giving effect to the Forward Transactions.

Cash CAPEX represents capital expenditures net of airborne equipment proceeds received from the airlines and incentives paid to us by landlords under certain facilities leases. We believe Cash CAPEX provides a more representative indication of our liquidity requirements with respect to capital expenditures, as under certain agreements with our airline partners we are reimbursed for all or a substantial portion of the cost of our airborne equipment, thereby reducing our cash capital requirements.

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