Gogo Announces Second Quarter 2016 Financial Results

August 4, 2016

Record quarterly revenue up 22 percent to $148 million
2Ku is now flying on three airlines

CHICAGO, Aug. 4, 2016 /PRNewswire/ -- Gogo Inc. (Nasdaq: GOGO), the global leader in providing broadband connectivity solutions and wireless entertainment to the aviation industry, today announced its financial results for the quarter ended June 30, 2016.

Second Quarter 2016 Highlights

- Revenue increased to $147.5 million, up 22% from $121.2 million in Q2 2015. Service revenue increased to $127.6 million, up 26% from $101.4 million in Q2 2015.
- Net loss increased to $40.2 million ($0.51 per share) from $24.8 million in Q2 2015 ($0.32 per share), driven by a $15.4 million ($0.20 per share) charge for the extinguishment of debt.
- Adjusted EBITDA increased to $14.4 million, up 33% from $10.8 million in Q2 2015.
- Approximately 600 new 2Ku aircraft were awarded, bringing total 2Ku aircraft awards to more than 1,200.
- Gogo issued $525 million of senior secured notes, repaid its existing senior term credit facility and ended Q2 with cash and cash equivalents of $508.6 million.
- Capital expenditures of $47.6 million were up from $37.4 million in Q2 2015. Cash CAPEX of $39.8 million was up from $22.8 million in Q2 2015, primarily due to increased 2Ku airborne equipment purchases.

"We are very pleased to announce that our next generation 2Ku technology is now flying on Aeromexico, Delta, and Virgin Atlantic aircraft," said Gogo's President and CEO Michael Small. "We are focused on installing our 1,200 2Ku awarded aircraft, continuing our global expansion, and winning new international airlines."

Second Quarter 2016 Business Segment Financial Results

Commercial Aviation - North America (CA-NA)

- Total revenue increased to $92.7 million, up 23% from $75.6 million in Q2 2015.
- Aircraft online increased to 2,596, up 96 aircraft from March 31, 2016. This segment had approximately 200 net new awarded but not yet installed aircraft as of June 30, 2016.
- Average monthly service revenue per aircraft equivalent, or ARPA, increased to $11,483, up 2% year-over-year, driven primarily by increased passenger usage. Q2 2016 ARPA increased an estimated 14% year-over-year excluding aircraft added since the beginning of 2015, which primarily include regional jets and aircraft operated by new airline partners.
- Segment profit increased to $18.6 million, up 66% from $11.2 million in Q2 2015. Segment profit as a percentage of segment revenue was 20% in Q2 2016, up from 15% in Q2 2015.

Business Aviation (BA)

- Service revenue increased to $32.4 million, up 36% from $23.8 million in Q2 2015, driven primarily by a 20% increase in

ATG systems online and a 14% increase in average monthly service revenue per ATG unit online.
- Equipment revenue decreased to $16.7 million from $19.5 million in Q2 2015, driven primarily by a decrease in satellite and ATG units shipped, consistent with trends in the business aviation market.
- Total segment revenue increased to $49.1 million, up 13% from $43.3 million in Q2 2015.
- Segment profit increased to $19.0 million, up 8% from $17.5 million in Q2 2015. Segment profit as a percentage of segment revenue was 39% in Q2 2016, down from 41% in Q2 2015.

Commercial Aviation - Rest of World (CA-ROW)

- Total revenue increased to $5.7 million, up 149% from $2.3 million in Q2 2015, driven primarily by an increase in aircraft online and higher revenue per aircraft.
- Aircraft online increased to 249, up 12 aircraft from March 31, 2016. This segment had approximately 500 net new awarded but not yet installed aircraft as of June 30, 2016.
- ARPA increased to $12,065, up 30% year-over-year, primarily driven by increased passenger usage.
- Segment loss increased to $23.3 million from $18.0 million in Q2 2015, primarily due to higher engineering, design and development expenses related to the roll out of 2Ku and increased satellite capacity costs.

Recent Developments

- New awards from Delta Air Lines, International Airlines Group and American Airlines have increased total 2Ku awards to more than 1,200. 2Ku is now installed on 10 aircraft.
- Gogo's 2Ku technology enabled Aeromexico to offer its passengers free in-flight streaming of Netflix content.
- Delta Private Jets announced it will equip its fleet of more than 70 aircraft with Gogo Biz 4G, which provides in-flight connectivity, Gogo Vision and Gogo Text and Talk and enables real time in-flight applications that include weather and flight tracker.
- Gogo partnered with leading aerospace software specialist PACE, enabling real-time analysis of flight data metrics to drive fuel savings and improve airlines' on-time performance.
- Gogo Business Aviation partnered with The Weather Company to enable real-time turbulence reports and alerts to pilots, furthering the realization of the connected aircraft.
- Gogo Business Aviation partnered with Garmin, JetFuelX and FltPlan.com to give pilots of light jets and turboprops the ability to lower fuel costs by giving them the information needed to adjust flight plans due to changing weather conditions.

Business Outlook

For the full year ending December 31, 2016, we are raising our installation guidance and expect 2016 consolidated revenue to be above the midpoint of our guidance range.

Accordingly, our updated guidance is as follows:

- In-flight connectivity installations
  - CA-NA net new installations of approximately 300 aircraft in 2016, including approximately 600 ATG-4 aircraft installations and upgrades
  - CA-ROW net new installations of approximately 75 aircraft in 2016 and more than 200 aircraft in 2017
  - 2Ku installations of 75 to 100 aircraft in 2016 and 350 to 450 aircraft in 2017
- Total revenue of $575 million to $595 million
  - CA-NA revenue of $350 million to $365 million
  - BA revenue of $190 million to $205 million
  - CA-ROW revenue of $25 million to $30 million
- Adjusted EBITDA[1] of $55 million to $65 million
- Capital expenditures of $150 million to $185 million and Cash CAPEX of $110 million to $135 million in 2016
- Capital expenditures of $220 million to $265 million and Cash CAPEX of $140 million to $165 million in 2017

"We expect 2016 consolidated revenue to be above the midpoint of our guidance range following strong year-to-date financial performance," said Gogo's Executive Vice President and CFO, Norman Smagley. "With more than $500 million of cash on the balance sheet, we are well positioned to more aggressively roll out 2Ku and continue our international expansion."

(1) See Non-GAAP Financial Measures below

Conference Call

The second quarter conference call will be held on August 4th, 2016 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 54378034.

Non-GAAP Financial Measures

We report certain non-GAAP financial measurements, including Adjusted EBITDA 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. 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 and Cash CAPEX are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance with Adjusted EBITDA or liquidity with Cash CAPEX, 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 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. No reconciliation of the forecasted range for Adjusted EBITDA for fiscal 2016 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.

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 any failure to renew any existing agreements upon expiration or termination; the failure to maintain airline satisfaction with our equipment or our service; any inability to timely and efficiently roll out our 2Ku service or other components of our technology roadmap for any reason, including regulatory delays or failures, or delays on the part of any of our suppliers, some of whom are single source, 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 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 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; 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, 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; the failure of our equipment or material defects or errors in our software resulting in recalls or substantial warranty claims; a future act or threat of terrorism, cyber-security attack or other events that could result in a prohibition or restriction of the use of Wi-Fi enabled devices on aircraft; 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-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 United States 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; breaches of the security of our information technology network, resulting in unauthorized access to our customers' credit card information or other personal information; 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 and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission

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

With more than two decades of experience, Gogo is the leader in in-flight connectivity and wireless entertainment services for commercial and business aircraft around the world. Gogo connects aircraft, providing its aviation partners with the world's most powerful network and platform to help optimize their operations. Gogo's superior technologies, best-in-class service, and global reach help planes fly smarter, our aviation partners perform better, and their passengers travel happier.

Today, Gogo has partnerships with 16 commercial airlines and is now installed on more than 2,800 commercial aircraft. Approximately 7,000 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 1,000 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,	
	2016	**2015**	**2016**	**2015**
Revenue:				
Service revenue	$ 127,587	$ 101,395	$ 246,307	$ 196,801
Equipment revenue	19,952	19,796	42,978	39,901
Total revenue	147,539	121,191	289,285	236,702
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	53,396	45,228	108,250	91,560
Cost of equipment revenue (exclusive of items shown below)	12,477	10,266	26,225	19,792
Engineering, design and development	24,718	18,816	46,366	37,432
Sales and marketing	16,750	13,263	31,492	25,077
General and administrative(1)	22,388	21,373	43,377	41,609
Depreciation and amortization	24,906	20,813	49,263	39,590
Total operating expenses	154,635	129,759	304,973	255,060
Operating loss	(7,096)	(8,568)	(15,688)	(18,358)
Other (income) expense:				
Interest income	(166)	(11)	(212)	(16)
Interest expense	17,557	15,801	33,853	25,896
Loss on extinguishment of debt	15,406	-	15,406	-
Adjustment of deferred financing costs	77	-	(792)	-
Other (income) expense	3	(8)	(171)	(90)
Total other expense	32,877	15,782	48,084	25,790
Loss before income taxes	(39,973)	(24,350)	(63,772)	(44,148)
Income tax provision	221	422	528	716

Net loss	$ (40,194)	$ (24,772)	$ (64,300)	$ (44,864)
Net loss attributable to common stock per share—basic and diluted	$ (0.51)	$ (0.32)	$ (0.82)	$ (0.56)
Weighted average number of shares—basic and diluted	78,849	78,478	78,793	80,770

(1) Note: Previously reported operating expenses for the quarter ended June 30, 2015 have been revised to reflect the classification of incentive compensation expense and stock-based compensation expense in the same operating expense line items as the related base cash compensation. There was no change in total operating expenses, net loss or net loss per share, or to the consolidated balance sheets or statements of comprehensive loss, cash flows or stockholders' equity (deficit). See Note 1, "Basis of Presentation" in our Quarterly Report on Form 10-Q for the period ended June 30, 2016 for additional information on these revisions.

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

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 508,601	$ 366,833
Accounts receivable, net of allowances of $497 and $417, respectively	65,107	69,317
Inventories	25,092	20,937
Prepaid expenses and other current assets	23,379	10,920
Total current assets	622,179	468,007
Non-current assets:		
Property and equipment, net	467,105	434,490
Intangible assets, net	82,535	78,823
Goodwill	620	620
Long-term restricted cash	7,535	7,535
Other non-current assets	25,353	14,878
Total non-current assets	583,148	536,346
Total assets	$ 1,205,327	$ 1,004,353
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable	$ 22,882	$ 28,189
Accrued liabilities	85,131	88,690
Accrued airline revenue share	14,717	13,708
Deferred revenue	26,521	24,055

Deferred airborne lease incentives	25,734	21,659
Current portion of long-term debt and capital leases	2,752	21,277
Total current liabilities	177,737	197,578
Non-current liabilities:		
Long-term debt	790,951	542,573
Deferred airborne lease incentives	135,425	121,732
Deferred tax liabilities	7,845	7,425
Other non-current liabilities	83,358	68,850
Total non-current liabilities	1,017,579	740,580
Total liabilities	1,195,316	938,158
Stockholders' equity		
Common stock	9	9
Additional paid-in-capital	868,883	861,243
Accumulated other comprehensive loss	(1,712)	(2,188)
Accumulated deficit	(857,169)	(792,869)
Total stockholders' equity	10,011	66,195
Total liabilities and stockholders' equity	$ 1,205,327	$ 1,004,353

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

	For the Six Months Ended June 30,	
	2016	**2015**
Operating activities:		
Net loss	$ (64,300)	$ (44,864)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	49,263	39,590
Loss on asset disposals/abandonments	924	1,148
Deferred income taxes	420	413
Stock-based compensation expense	7,986	6,299
Loss on extinguishment of debt	15,406	-

Amortization of deferred financing costs	2,163	1,889
Accretion of debt discount	8,508	4,500
Adjustment of deferred financing costs	(792)	-
Changes in operating assets and liabilities:		
Accounts receivable	4,409	1,580
Inventories	(4,155)	(823)
Prepaid expenses and other current assets	(12,428)	(242)
Accounts payable	(1,598)	(5,725)
Accrued liabilities	(2,873)	11,467
Deferred airborne lease incentives	8,374	15,912
Deferred revenue	14,235	12,753
Deferred rent	443	18,714
Accrued airline revenue share	1,005	(796)
Accrued interest	3,012	3,943
Other non-current assets and liabilities	(5,641)	192
Net cash provided by operating activities	24,361	65,950
Investing activities:		
Proceeds from the sale of property and equipment	1	-
Purchases of property and equipment	(71,048)	(85,655)
Acquisition of intangible assets—capitalized software	(13,993)	(8,590)
Decrease (increase) in restricted cash	(14)	19
Net cash used in investing activities	(85,054)	(94,226)
Financing activities:		
Proceeds from the issuance of senior secured notes	525,000	-
Payments on amended and restated credit agreement	(310,132)	(5,283)
Proceeds from the issuance of convertible notes	-	361,940
Forward transactions	-	(140,000)
Payment of issuance costs	(10,610)	(10,357)
Payments on capital leases	(1,218)	(966)

Stock-based compensation activity	(346)	3,706
Net cash provided by financing activities	202,694	209,040
Effect of exchange rate changes on cash	(233)	117
Increase in cash and cash equivalents	141,768	180,881
Cash and cash equivalents at beginning of period	366,833	211,236
Cash and cash equivalents at end of period	$ 508,601	$ 392,117

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,	
	2016	**2015**	**2016**	**2015**
Aircraft online (at period end)	2,596	2,249	2,596	2,249
Aircraft equivalents (average during the period)	2,622	2,233	2,567	2,194
Average monthly service revenue per aircraft equivalent (ARPA)	$ 11,483	$ 11,243	$ 11,314	$ 11,204
Gross passenger opportunity (GPO) (in thousands)	100,458	89,741	190,461	164,125
Total average revenue per session (ARPS)	$ 12.94	$ 12.74	$ 12.99	$ 12.23
Connectivity take rate	6.3 %	5.9 %	6.4 %	6.5 %

Commercial Aviation Rest of World

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Aircraft online (at period end)	249	148	249	148
Aircraft equivalents (average during the period)	196	124	186	113
ARPA	$ 12,065	$ 9,255	$ 11,851	$ 8,451

- *Aircraft online.* We define aircraft online as the total number of commercial aircraft on which our equipment is installed and service has been made commercially available as of the last day of each period presented. We assign aircraft to CA-NA or CA-ROW at the time of contract signing as follows: (i) all aircraft operated by North American airlines and under contract for ATG or ATG-4 service are assigned to CA-NA, (ii) all aircraft operated by North American airlines and under a contract for satellite service are assigned to CA-NA or CA-ROW based on whether the routes flown by such aircraft under the contract are anticipated to be predominantly within or outside of North America at the time the contract is signed, and (iii) all aircraft operated by non-North American airlines and under contract are assigned to CA-ROW.
- *Aircraft equivalents*. We define aircraft equivalents for a segment as the total number of commercial aircraft online (as defined above) multiplied by the percentage of flights flown within the scope of that segment, rounded to the nearest whole aircraft and expressed as an average of the month end figures for each month in such period. This methodology takes into account the fact that during a particular period certain aircraft may fly routes outside the scope of the segment to which they are assigned for purposes of the calculation of aircraft online.
- *Average monthly service revenue per aircraft equivalent* ("ARPA"). We define ARPA for a segment as the aggregate service revenue plus monthly service fees included as a reduction to cost of service revenue for that segment for the period divided by the number of months in the period, divided by the number of aircraft equivalents (as defined above) for that segment during the period. Prior to the three month period ended March 31, 2016, aircraft online were used as the denominator to calculate ARPA. Beginning with the three month period ended March 31, 2016, ARPA is calculated by using aircraft equivalents as the denominator. We believe the revised ARPA methodology more accurately reflects ARPA by segment because it better reflects the number of aircraft that actually generated the revenue while flying within the scope of each segment during a specific period. ARPA for the CA-NA segment for the three and six month periods ended June 30, 2015 was originally reported as $11,324 and $11,260, respectively, and has been revised to $11,243 and $11,204, respectively, to reflect the change in methodology.
- *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 our 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 of 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 is 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 session* ("ARPS"). We define ARPS as revenue from Passenger Connectivity, excluding non-session related revenue, divided by the total number of sessions during the period. A session, or a "use" of Passenger Connectivity, is defined as the use by a unique passenger of Passenger 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 for unforeseen technical issues. For the periods listed above, the number of sessions for which we did not receive revenue was not material.

Business Aviation

	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Aircraft online (at period end)				
Satellite	5,458	5,424	5,458	5,424
ATG	3,795	3,170	3,795	3,170
Average monthly service revenue per aircraft online				
Satellite	$ 226	$ 179	$ 220	$ 174
ATG	2,529	2,227	2,514	2,199
Units Shipped				
Satellite	108	155	241	298
ATG	198	227	405	461
Average equipment revenue per unit shipped (in thousands)				
Satellite	$ 44	$ 41	$ 43	$ 40
ATG	55	55	56	55

- *Satellite aircraft online*. We define satellite aircraft online as the total number of business aircraft for which we provide satellite services 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 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 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, 2016		
	CA-NA	**CA-ROW**	**BA**
Service revenue	$ 89,808	$ 5,376	$ 32,403
Equipment revenue	2,879	368	16,705
Total revenue	$ 92,687	$ 5,744	$ 49,108
Segment profit (loss)	$ 18,641	$ (23,300)	$ 19,016

	For the Three Months Ended June 30, 2015		
	CA-NA	**CA-ROW**	**BA**
Service revenue	$ 75,329	$ 2,303	$ 23,763
Equipment revenue	262	-	19,534
Total revenue	$ 75,591	$ 2,303	$ 43,297
Segment profit (loss)	$ 11,244	$ (17,996)	$ 17,540

	For the Six Months Ended June 30, 2016		
	CA-NA	**CA-ROW**	**BA**
Service revenue	$ 173,217	$ 9,978	$ 63,112
Equipment revenue	6,517	371	36,090
Total revenue	$ 179,734	$ 10,349	$ 99,202
Segment profit (loss)	$ 32,457	$ (43,021)	$ 39,240

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

(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,	
	2016	2015
CA-NA	$ 33,797	$ 30,919
BA	8,898	6,218
CA-ROW	10,701	8,091
Total	$ 53,396	$ 45,228

	For the Six Months Ended June 30,	
	2016	2015
CA-NA	$ 70,371	$ 63,085
BA	17,317	12,045
CA-ROW	20,562	16,430
Total	$ 108,250	$ 91,560

(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,	
	2016	2015
CA-NA	$ 2,862	$ 651
BA	9,365	9,615
CA-ROW	250	-
Total	$ 12,477	$ 10,266

	For the Six Months Ended June 30,	
	2016	2015
CA-NA	$ 6,809	$ 802
BA	19,166	18,990
CA-ROW	250	-
Total	$ 26,225	$ 19,792

(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, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Adjusted EBITDA:				
Net loss attributable to common stock (GAAP)	$ (40,194)	$ (24,772)	$ (64,300)	$ (44,864)
Interest expense	17,557	15,801	33,853	25,896
Interest income	(166)	(11)	(212)	(16)
Income tax provision	221	422	528	716
Depreciation and amortization	24,906	20,813	49,263	39,590
EBITDA	2,324	12,253	19,132	21,322
Stock-based compensation expense	3,788	3,214	7,986	6,299
Amortization of deferred airborne lease incentives	(7,241)	(4,671)	(12,885)	(8,597)
Loss on extinguishment of debt	15,406	-	15,406	-
Adjustment of deferred financing costs	77	-	(792)	-
Adjusted EBITDA	$ 14,354	$ 10,796	$ 28,847	$ 19,024
Cash CAPEX:				
Consolidated capital expenditures (GAAP) *(1)*	$ (47,615)	$ (37,382)	$ (85,041)	$ (94,245)
Change in deferred airborne lease incentives *(2)*	683	7,297	8,344	16,018
Amortization of deferred airborne lease incentives *(2)*	7,175	4,616	12,761	8,491
Landlord incentives	-	2,668	-	14,904
Cash CAPEX	$ (39,757)	$ (22,801)	$ (63,936)	$ (54,832)

	For the year Ending December 31, 2016		For the year Ending December 31, 2017	
Cash CAPEX Guidance:	Low	High	Low	High
Consolidated capital expenditures (GAAP)	$ (150,000)	$ (185,000)	$ (220,000)	$ (265,000)
Deferred airborne lease incentives	40,000	50,000	80,000	100,000
Cash CAPEX	$ (110,000)	$ (135,000)	$ (140,000)	$ (165,000)

(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 month periods ended June 30, 2016 and 2015 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, (ii) amortization of deferred airborne lease incentives (iii) loss on extinguishment of debt and (iv) adjustment to deferred financing costs. 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 is determined using the Black-Scholes model and 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 Americ and Rest of World" in our 2015 10-K for a discussion of the accounting treatment of deferred airborne lease incentives.

We believe it is useful to an understanding of our operating performance to exclude the loss on extinguishment of debt and adjustment to deferred financing costs from Adjusted EBITDA because of the non-recurring nature of these charges.

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.

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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