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GOGO.OQ - Q4 2025 Gogo Inc Earnings Call

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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to Gogo's fourth quarter 2025 earnings conference call at this time, all participants are in a listen-only mode after the speaker's presentation, there will be a question-and-answer session. (Operator Instructions)

Please be advised that today's conference is being recorded. I'd now like to hand the conference over to your speaker today, Will Davis, head of investor relations. Please go ahead.

Will Davis - *Gogo Inc - VP, Investor Relations*

Thank you and good morning, everyone. Welcome to Gogo's fourth quarter 2025 earnings conference call. Joining me today to discuss our results are Christopher Moore, CEO, and Zachary Cotner, CFO.

I would like to remind you that during the course of this call we may make forward-looking statements regarding future events and the future performance of the company. We caution you to consider the risk factors that could cause actual results to differ materially from those in the forward-looking statements on this call.

Those risk factors are described in our earnings release filed this morning and in a more fully detailed note on risk factors filed in our annual report on 100 and 10Q and other documents that we have filed with the SEC. In addition, please note that the date of this conference call is February 27, 2026.

Any forward-looking statements that we make today are based on assumptions as of this date and we undertake no obligation to update these statements as a result of more information or future events. During this call we'll present both GAAP and non-GAAP financial measures.

We've included a reconciliation and explanation of adjustments and other considerations of our non-GAAP measures to the most comparable GAAP measures in our fourth quarter earnings release. Our call is being webcast and available at ir.gogoair.com the earnings release is also available on the website.

After Man Commons, we'll host a Q&A session with the financial community only. It is now my great pleasure to turn the call over to Chris.

Christopher Moore - Gogo Inc - Chief Executive Officer, Director

Thank you, Will, and good morning, I'm pleased with our product and synergy execution in 2025 as we transform Gogo from a US focused entity into a global multi-orbit in-flight connectivity provider in the fast growing and dynamic business and military government aviation markets.

Consistent with prior earnings calls, I will focus on the continued demonstrable progress made across our compelling new product portfolio. These include GoG 5G and GoG Galileo, with two models, HDX and FDX, all of which are providing game changing increases in capacity, functionality, speed, and consistency.

I will also highlight our long-term growth prospects from our military and government customer base, which will further improve our revenue mix and diversification. As we look forward this year, we expect the combined Galileo and 5G shipments to exceed 1,000 units.

We expect that the activation of those aircraft will create a high margin reoccurring service revenue stream that sets the stage for free cash flow growth and long-term strategic value. Let's review the strong demand trends within the under penetrated global business jet market.

Industry sources indicate global business jet flights are 30% higher than pre-COVID levels, with aggregate growth from key global fractional operators even stronger at around 40%. Leaving global business jet OEMs highlight strong book to bill ratios and backlogs necessary to support continued delivery growth.

The 854 new private jets delivering in 2025 marked the highest output since the industry delivered 874 units back in 2009. These factors, along with the relatively low broadband penetration of the 41,000 global business aircraft market, create a backdrop for attractive long-term growth.

Let's review our outlook for Gogo Galileo, our global Leo-based service with two offerings, starting with HDX, which was purpose-built to fit on all 41,000 global business aircraft. It is ideal for the 12,000 midsize and smaller aircraft outside North America without broadband, and the 11,000 mid-size and smaller aircraft in North America that fly outside Konas or want faster speeds than 5G air to ground.

By contrast, FVX is geared specifically for 10,000 large global business aircraft. Galileo operates on the Eutelsat OneWeb satellite network, and we are pleased to see the continuing measures by Eutelsat to strengthen its balance sheet and access the capital needed to support its recent order for 440 new Leo satellites, ensuring full operational continuity for its constellation into late 2030.

Given that HDX has a total addressable market over four times that of FDX shipments and installations of HDX will naturally be much higher than FDX. The product has also been designed to fit in many mid to large cabin aircraft tails, which expands the opportunity from standard Leo fuselage mountings. The average monthly service revenue and profit for FDX will typically be higher than HDX.

Our Galileo pipeline consists of over 1,000 aircraft with the current weighted sales pipeline of more than 400 aircraft. We believe this aligns with our projections for growth in 2026 as we expand opportunities and close new business.

We continue to see a favorable pipeline mix with a 60 to 40 split between US and global markets. This mix is critical for our success as we upgrade loyal customers in the US market and expand to unserved markets with high speed connectivity in the international markets for business and military and government costs.

As a reminder, inclusive of all aircraft equipped with Gogo broadband connectivity, 35% to 40% are large jets, 30% are medium, 25% are light, and less than 5% aren't props. Now turning to SDCs are a critical part of building our global Leo business, and we continue to make solid progress. GoG has completed 35 HDX and FDX STCs in the US, Europe, Brazil, and Canada, with a total addressable market of 4,000 plus aircraft covering 34 aircraft models. We continue to expect 20 more STCs to be completed in the first half of 2026.

While the total number of FTCs is important, not all FTCs are created equal. For example, in recent weeks we achieved FAA validation for the Bombardier Challenger models 300, 350, and 3,500, and for all global models except the 7,500 and the 8,000, and EASA validation for the Daso Falcon 2000.

Given the install base and growth potential, a Challenger STC is worth substantially more to us than a Learjet STC due to the operator's budget and airframe value. However, with the versatility of our product portfolio, the Learjet has access to our 5G air to ground product, which is a better solution for both the aircraft mission and budget, all without compromising the need for high-speed connectivity.

In 2025, Gogo shipped over 300 HDX and FDX antennas, with 84% for named customers. By the end of 2026, we expect to have shipped nearly 900 Galileo antennas, and with an expected ship to install time of about three to six months, we see a potential path to 700 Galileo aircraft installed by the end of this year.

If we assume a 4,000 average monthly service profit per Galileo aircraft implying 480,000 in service profit over 10 years, if 1,000 Galileo aircraft are activated and paying, we will demonstrate the long-term growth opportunity with our Leo product portfolio and overall market position in aviation.

Let's shift to our global fleet business, which we continue to expect to be a key growth driver. As highlighted on our Q3 call, we have a clear opportunity to provide Galileo service to 1,000 aircraft amongst our fleet customers, which include all major global and domestic US entities. I am now even more confident about that outcome.

In 2026, we estimate that third of our Galileo shipments, and AOL will be tied to our global fleet accounts. HDX installations by VistaJet began in November and will continue to ramp through 2026. We were pleased that VistaJet recently announced a major Bombardier order for 40 Challenger 33,500 business jets with options for an additional 120 more.

If fully exercised, the total contract value would approach \$5 billion expanding VistaJet's fleet to around 400. VistaJet announced that Gogo Galileo was a cornerstone of its digital and in-flight innovation pillar as part of the Vista 2030 growth strategy. Our largest fleet customer in terms of activated aircraft remains NetJets, and we expect that to remain the case for some time.

NetJet is the world's largest fleet operator with over 1,000 aircraft, including EJM, and existing orders are expected to expand its fleet by several hundreds over the next few years. As a reminder, the net de contract renewal that GG announced in February of 2024 is still active.

Gogo has installed HDS on dozens of aircraft in the NetJet's European fleet, including Challengers 350s and Finnon 300s, latitudes and we continue to expand installations. Within the NetJet's North America fleet, we currently expect to install HDX on the Phenom 300 and the Ascend platforms.

Historically, NetJet's has utilized multiple connectivity sources globally, and they have confirmed that Gogo will remain a key partner to help facilitate connectivity upgrades for their global fleet in the coming years. In addition to fleets, we expect the Galileo Line auction wins will be another critical source of long-term growth.

We are aligned fit option with HDX at Textron for the ascend, latitude and longitude models and will benefit once our options are available later in the year. Additionally, as announced last quarter, FDX will be a Leo line-fit option for all new Bombardier Challenger and global business aircraft types. We expect revenue generation from this important win in early 2027.

Further, I am pleased to say that we have secured another line fit option with a major global OEM for both HDX and FDX that will highlight the growing momentum for Galileo in the market. We would expect an official announcement before the end of 2026.

In our view, these wins validate Gogo Galileo technology and demonstrate the valuable long-term relationship we have with our global business aircraft OA partners, along with the desire to have competition in the Leo marketplace. Let's continue with Gogo Inc. 5G, which substantially increases the speed, performance, and capacity of our ATG network.

We completed the activation of our first 5G aircraft in December and true network availability started last month. Our current focus remains shipping boxes to pre-provisioned 5G customers that already have the 5G antennas and wiring installed. We are happy to report that 5G service commenced in Q1 and we expect 5G activations to significantly ramp up through 2026.

Gogo has 5G live fit deals with five OEMs, two of which are already installed in the AVANCE L5 box on the production line today. These boxes will get swapped with the LX5 5G box upon 5G service activation.

We continue to believe that 5G will fill a large void in the market for customers who only fly domestically in the US, particularly those with light and medium sized aircraft. Further, we suspect 5G will serve as an active, valuable backup service on certain aircraft, seeking redundancy and enhanced capacity.

We recently unveiled updating 5G pricing, highlighting its positioning as a cost-effective way to increase speed tenfold versus our current L5 solution.

Monthly service pricing for unlimited data is now \$5500 and 5G equipment MSRP is now USD100,000, allowing for a full installation below \$150,000 and making the connectivity market competitive. To that end, we expect to ship over 500 5G boxes in 2026 and expect to reach nearly 400 5G aircraft online by the end of this year.

Let's shift to the LTE upgrade of our ATG network, which will be largely subsidized with FCC funding. The LTE upgrade provides multiple benefits. One, it accelerates classic upgrades to advanced, it increases network capacity and fast speeds, and it accelerates our US government business on the air to ground network, given enhanced network security.

We shift a record 472 air to ground equipment units in Q4, up 8% from 437 in Q3, split between 175 advanced units and 297 C1 units. We believe that our C1 strategy is working. C1 AOL increased from 101 in Q3 to 3,130 in Q4, and we expect to end 2026 at around 800.

The C1 bulk swap takes only a few hours and benefits from SEC subsidies, allowing the system to activate once the LT network is turned on. We completed 95 classic to advanced upgrades in Q4 as advanced AOL grew 8% year over year to 4,956. Advanced now represents 77% of our air to ground fleet and continues to grow each quarter.

The combination of C1 installs and the advanced upgrades drove our classic AOL at year-end to around 1,100. For only 17% of our air to ground fleet, we expect our classic AOL to reach zero sometime in Q4 2026. As of Q4, about 300 classic AOL are part of fractional or managed accounts, aka fleets, with a defined upgrade path, leaving only 800 classic aircraft not associated with a fleet account.

All in, our Q4 air to ground AOL trends were the best of any quarter in 2025. The continued upgrade of our classic fleet to both C1s and advanced combined with our LTE rollout and the expected ramp of 5G in 2026 is expected to ultimately moderate the downward pressure on our 80G AOL.

Sustained service revenue growth continues to depend on our new product ramp, including Galileo and 5G. Let's now turn our attention to our geo business. We ended 2025 with 1,321 geo AOL, up 6% versus the prior year. Driven by line fit positioning. We attribute slower geoAOL growth to deactivations from an increase in aircraft for sale triggered by the timing of aircraft bonus depreciation.

We expect our geo investments to continue to improve speed and performance, which we will also leverage with our military and government customers. Our recent upgrades to the plain, simple KU products have already shown the results of higher download and upload speeds. We continue to expect large business jets.

With long global missions to migrate over time to multi-orbit leo and geo solutions for increased capacity, consistency, and redundancy. Our FDR router is now on 2,500 geo aircraft and it's synchronized with advanced routers on another 5,000 totaling 7,500 systems available for new product upgrades without box swaps or expensive interior rewiring.

Lastly, I will address our military and government growth opportunities over the next several years. Global defense spending is rising and the broadband penetration of the military and government aircraft is even lower than the business jet market.

Our expanded military and government sales force is in active discussions with government agencies across the globe, including the US Department of Defense, NATO, Brazil, the Middle East, and Southeast Asia.

A recent industry report highlights a market size of 6,200 combined transport and special mission military aircraft, globally of which 1,600 are in the US. We believe these represent excellent opportunities for our military and government broadband solutions, as this is a very underserved market, primarily with narrowband service.

Global governments require diversity among their aero bandwidth suppliers and will place a premium on multi-orbit, multi-band service for redundancy and performance. We believe that GoG is the only player who can fulfil this requirement.

The reality is we are already seeing a significant transformation in our business. Our military and government aviation revenue grew 34% year over year, and our international growth was an impressive 94%.

The net effect of this growth remains muted by the winding down of legacy land mobile narrowband service, a process that is expected to largely complete in 2026. The key point is that our revenue mix quality within military and government will improve substantially over time.

In addition to the traditional military and government market, we are increasingly optimistic about the market potential within the UAB and ISR markets. The US Department of Defense expects to order over 1,000 Class two and Class three drones in the next two to three years.

While not all details of our success can be publicized due to their confidential nature, we are excited to begin delivering on our recent contracts, including receipt of US Air Force mobility approval to sell plain, simple KU-band hatch mounts to C-130 aircraft with a TAM of over 1,000 airframes.

A multi-orbit win to provide Leo Geo and 5G connectivity to a division of the US government and a five-year contract with SES Space and Defense for a blanket purchase agreement through US Space Force Space Systems Command with a \$33 million contract ceiling value.

Thank you for the continued support, and I trust that you will all see our outstanding progress transforming Gogo into a global multi-orbit player with robust broadband growth opportunities in both the business jet and military and government markets. I will now turn the call over to Zach for the numbers.

Zachary A. Cotner - *Gogo Inc - Chief Financial Officer*

Thanks, Chris, and good morning everyone. fourth quarter results were largely in line with expectations highlighted by strong equipment shipments and an increase in inventory spend in advance of our Galileo ramp this year. Additionally, our key 2025 financial results for revenue, adjusted EBITDA,

and free cash flow were all at the high end of our guided ranges as aggressive cost controls and synergies balanced out our product investments. As Chris discussed, we believe the ultimate activations of our Galileo and 5G equipment shipments will help drive service revenue growth longer-term.

On our Q3 call, I flagged the potential need for incremental working capital in 2026 to support new product shipments and our anticipation of continued ATG AOL volatility, tempered with further optimization of OpEx and CapEx. My discussion about 2026 financial guidance later in the call will incorporate these elements.

I'll now provide an overview of our fourth quarter and 2025 results. Then I will review the outlook to streamline our balance sheet, and lastly, I will discuss our 2026 financial guidance. Gogo's total revenue in the fourth quarter was \$231 million up 3% year over year on a combined pro forma basis as well as sequentially.

Total service revenue of \$192 million increased 61% versus the prior year and increased 1% sequentially. Total ATG aircraft online at the end of Q4 was 6,402, a decline of 9% versus the prior year period and down 2% sequentially. Total advanced AOL increased 8% in the prior year period and now comprises 77% of the total ATG fleet, up from 65% a year ago.

Since the end of 2022, our total advanced AOL has grown by nearly 1,700 aircraft. Given the sequential increase in C1 AOL from 101 to 330, our classic AOL is now approximately 1,100 and our 2026 guidance assumes zero classic AOL by year-end.

Total ATG APU of \$3,378 declined 3% year over year and 1% sequentially, largely due to the pricing reduction on several of our unlimited plans in advance of our new 5G pricing of \$5500 a month for our unlimited data plans.

Total broadband geo AOL excluding end of life networks, totaled 1,321, up 6% from the prior year and down 2% sequentially. As Chris noted, many of the geo deactivations in Q4 were triggered by an increase in aircraft sales, which is common at year end for tax purposes.

Most geo broadband aircraft are under fixed term contracts which helps support revenue predictability. However, our revised geo outlook reduced the present value of our earnout liability by \$7 million. Now turning to equipment revenue, total equipment revenue in Q4 was \$39 million up 104% year over year and 15% sequentially.

Total ATG equipment shipments of 472 were an all-time high and up 8% sequentially from the prior record of 437 in Q3. In 2025, ATG equipment shipments totaled 1,631, nearly matching the combined shipments from the prior two years. As expected, advanced shipments of 175 declined sequentially as market demand shifted to C1, which increased 30% sequentially to 297 to support the classic conversions.

Now moving to our margins, Gogo delivered combined service margins of 50%, which was in line with our expectations. I will provide further service margin context in the 2026 guidance discussion later in the call. The write-off of legacy equipment drove equipment margins negative in Q4 and was expected as normal business course. In addition, HDX equipment pricing remains close to cost.

Now turning to operating expenses, total Q4 operating expenses, excluding depreciation and amortization were \$58.2 million up slightly sequentially due to the ongoing litigation expense, which was \$8.4 million during the quarter. Let's now turn to our major strategic initiatives 5G, Galileo, and the LTE network upgrade and the FCC reimbursement program. Total 5G spend in Q4 was \$1.7 million almost all tied to CapEx.

Total 5G spend in 2025 was \$12.6 million which we expect to climb by about 50% in 2026. Q4 Galileo's spend was \$2.6 million with 70% tied to CapEx. Galileo spending of \$10 million in 2025 is expected to decline considerably in 2026 to \$1.5 million as we exit the investment phase and embark on product shipments and service activations.

We expect total development costs for both HDX and FTX will reach about \$40 million well below our original plan of \$50 million. Given our expectation for strong long-term Galileo success, we believe that our ROI and the Galileo investment will be very attractive.

And finally, our LTE network upgrade and SCC reimbursement program. In Q4 we received \$34 million in FCC grant funding, bringing our program to date total to \$93.9 million. As of the year in 2025, we reported a \$27.8 million receivable from the FCC and incurred \$35.7 million in reimbursement spend in Q4.

The receivable is included in prepaid expenses and other current assets on our balance sheet with corresponding reductions to property and equipment, inventory, and contract assets with a pickup in the income statement. Moving to our bottom line, Gogo's adjusted EID Q4 was \$37.8 million in line with our implied 2025 guidance.

Net income for the quarter was \$10 million but it was affected by a \$10 million litigation settlement accrual, a \$4 million charge related to the evaluation adjustment on a prior investment in the supplier, and a write down of legacy equipment that I previously mentioned.

While we have removed a significant amount of costs from the combined company, particularly in headcount, we continue to identify new sources of cost reductions in various areas including real estate, back office software solutions, and CapEx rationalization.

Moving to free cash flow in 2025, we generated \$89.2 million in free cash flow, which was at the high end of our guidance range of \$60 million to \$90 million. Free cash flow is slightly negative in Q4 due to previously flagged factors, including a \$17 million increase in inventory tied to our new products, as well as lower EBITDA.

Let's now turn to our balance sheet. Gogo into the fourth quarter with \$125.2 million in cash in short-term investments and \$848 million in outstanding principal on our two term loans with our \$122 million revolver remain undrawn.

Our Q4 net leverage ratio is 3.3 times and within our target leverage ratio of 2.5 times to 3.5 times. Our Q4 cash interest paid net of hedge cash flow was \$17 million. Our hedge agreement remains at \$250 million with a strike price of 225 bis, resulting in approximately 30% of the loans being hedged.

As a reminder, the hedge amount will decrease to \$200 million on July 31, 2026 and expires on July 30, 2027. In 2025, cash interest paid net of hedge cash flow was approximately \$67 million.

Our immediate focus remains exploring ways to optimize and delever our balance sheet while reducing interest expense. Between cash on hand and a revolver, we have approximately \$250 million in liquidity, which we believe is significantly higher than our requirements to operate the business.

We continue to believe our expected free cash flow over the next few years will provide excess cash to refinance the debt and ultimately return capital to shareholders. In our earnings release this morning, we provided the following 2026 financial guidance.

Total revenue in the range of \$905 million to \$945 million with 80% tied to service revenue and 20% to equipment revenue. This implies overall growth of about 2% at the midpoint. Adjusted on the range of \$198 million to \$218 million. And free cash flow in the range of \$90 million to \$110 million implying 12% year over year growth at the midpoint.

We expect approximately \$30 million for strategic investments in 2026, net of any FCC reimbursement, down about 45% from our strategic spending at \$56 million in 2025. The majority of our strategic investments this year are tied to fleet promotions and STCs and will flow through operating assets.

Net cap of \$20 million after \$45 million in CapEx reimbursement from the FCC reimbursement program as we complete the LTE ground network bill. In addition, here's some incremental points that can aid in your modeling and provide context on how we look at the business.

One, we believe that will Gogo revenue in 2026 will grow faster than overall Gogo revenue. On a sequential basis, Q4 MLGov's service revenue grew an impressive 14%. AOL mix heavily influences our overall service profits. ATG service margins are about 75%, and blended geo margins are in the high 30s, with Galileo margins at scale in the middle of those. three equipment

and margins are expected to be in the mid-single-digits, and service profit is anticipated to account for over 95% of total gross profit, and our 2026 free cash flow estimates excludes an estimated \$40 million earnout payment in April, which we expect to pay for cash on.

In conclusion, we have made significant progress in the past 15 months since the closing of the Saginaw deal. Our three-year product investment cycle is nearing completion, and we expect to see strong benefits from the rollout of 5G, HDX, FDX, and our LTE network.

I want to express my gratitude to the Gogo team for their hard work in driving our transformation and their commitment to outstanding customer service. Operator, this concludes our prepared marks. Please open the queue for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Scott Wallace Searle, ROTH Capital Partners

Scott Wallace Searle - ROTH Capital Partners - Analyst

Good morning. Thanks for taking the questions. Thanks, thank you for the detailed outlook. Very helpful in terms of going through the numbers and the analysis. Maybe to start just real quickly, Chris, in terms of net jets, this has been, I guess a lightning rod, for the company in the last, you know. Several months,

what is your expectation in terms of your growth with NetJets? Will you ultimately be adding to the absolute number of NetJet AOL that you have online across, the different types of aircraft across the different geographies, and then I had a follow-up.

Christopher Moore - Gogo Inc - Chief Executive Officer, Director

Yeah, I think the big thing is that NetJet remain a customer and we're expanding the customer base with them, especially with the European fleet. We're in a technical transformation with the services that we provide them. So if you look at most of the opportunity that we have, it's on our Galileo service.

And we're continuing to roll that out, and they still remain a very important part of our future in business and a customer of ours.

Scott Wallace Searle - ROTH Capital Partners - Analyst

Got you. And then, as it relates to, the classic transformation, we're down to about 1,000 aircraft right now. I know there's a cutover point, in the middle of this year, couple of things, it sounds like by the end of this year. That's going to be resolved at one point or another. You expect to have zero classics online. I'm wondering how you're seeing the conversion rate in terms of going to C1 and upgrade to events.

So, in other words, how many, what's the attrition number going to look like within that base as we get to the end of this year? And last one if I could throw in as well, sat com growth within the, MilGov space has been very good.

It sounds like you're going to be growing this you're going to be growing that faster than the rest of the business, but I'm wondering if you could give us a framework of what that could look like by, in terms of percentage of mix by the end of '26' and maybe end of '27'. Thanks.

Christopher Moore - Gogo Inc - Chief Executive Officer, Director

Yeah, I mean, the mill, I'll start with the MilGov piece. The milgov is expanding. We're seeing a lot of opportunity in Europe still.

As I mentioned in the call, we're also transforming that business and removing the narrow band exposure in that business to broadband. I think the exciting thing really on the product portfolio is we're positioned now in with 5G, Galileo, and our geo broadband offerings that we have broadband offerings for all of our customers.

No matter where they're in business aviation or government. And they have a true broadband offering or multiple broadband offerings which is pretty exciting because then all of a sudden you know you've got multiple revenue streams coming from an airframe instead of a single as well. The government part of the business, we're already seeing a lot of opportunity with UAVs.

Europe's obviously doing a lot more focus on expenditure on military spending. I think we're reaping the rewards of that as well. The DOD is a very under penetrated market, as I mentioned on the call. If you look at that, they had the 25 by 25 campaign a few years ago. They still haven't reached that. Our technology is a lot more deployable, cost effective, aviation bill, aviation grade.

And they also don't want interdependencies on a single supplier, so I think, as we see that mix, it will take a long time for that to be the same levels as business aviation, but we just see that as continuing to grow between 26', 27', and beyond.

Zachary A. Cotner - *Gogo Inc - Chief Financial Officer*

Yeah, and I think from a from a mixed standpoint. You know we like we said, we do anticipate it's going to grow faster this year than last year and you know a big driver that is obviously equipment but we also want a pretty sizable contract.

Kind of late Q3, that's why you saw the nice Q4 pop in the mil gov numbers which should continue for most of the year, and the equipment side you're going to see a lot more growth on that largely because, if you think of the aircraft those go on, those are obviously quite a bit different than business aviation, so it just takes a little bit longer, to get those put on the aircraft and, the guys are keenly focused on it.

Scott Wallace Searle - *ROTH Capital Partners - Analyst*

Yeah, and the mix of classic or what you expect to be the outcome of those remaining 1,000 classics in terms of conversion to C1 versus upgrades to Avants and kind of what you've got factored into the current 2026 guidance. Thanks. Yeah, so.

Zachary A. Cotner - *Gogo Inc - Chief Financial Officer*

You know when we look at the advanced classic mix, the guidance does assume that there's an extension granted and so it doesn't go dark.

In Q2, but it's still going to decline, right? And you know there will be some advanced declines. There will be some C1 decline classic, right? So but long story short, our view is between classic advance, but then also with the addition of, 5G, the total ATG portfolio will be down about 1,000 units by year end, and then 100 or so classics basically are assumed to not convert, at year End.

Scott Wallace Searle - *ROTH Capital Partners - Analyst*

Great, thank you.

Operator

Sebastiano Petti, J.P. Morgan.

Sebastiano Petti - *J.P. Morgan. - Analyst*

Hi, thank you for taking the question. I guess, Chris, just following up, I think you talked about, specifically the net jets, expanding their fleet there in Europe. Overall, can you maybe give us a little bit of color on what you're seeing from an international perspective across the portfolio,

the between the backlog on Galileo, you touched on some of the MilGov interest, for DOD, but also maybe internationally, maybe kind of start there, then I'll Have a follow-up Thank you.

Christopher Moore - *Gogo Inc - Chief Executive Officer, Director*

Yeah, I think the big opportunity that we announced back on the Q3 call was the fact that we won VistaJet, and I talked about that today as well. That's a significant win, but also if you look at Lux Aviation, Avconjet, that backorder on those large fleet operators outside of NetJet, specifically within Europe as well.

Is significant and 1,000 plus aircraft we know that we're still holding true to that number regardless of NetJet. We're still excited about the NetJet's rollout in Europe as well and the feedback we've had on the product.

They've been extremely ecstatic. If you look at our pipeline, it's around still maintains a 60/40 split with international. I think the sentiment is definitely from our international customers. I think the fact that Eutelsat OneWeb is also a European operator, I think that has some clout to it,

but more importantly, these guys have not had a broadband solution on a number of these aircraft, especially those that can't support the rather expensive installation costs of going into the tail or the size of that, so we expect that to expand, and we're seeing very interesting markets pop up in Southeast Asia.

And other markets where you know popular airframes like the Finom are there but we have zero connectivity and we're really the only solution that can get down to that size of airframe with a true aviation install. The mill gov market as well, a lot of that expansion. In the millGov market that we've talked about specifically, mostly at this point it's coming out of NATO.

We can't talk about specific projects, but we're winning projects against our competitor, which is great. I think that's a really important point to make as well. So we are not the only bid when we are winning these, and I think that pivot towards our technology just shows. It's versatility from going into anything from a UAV to something that's a small platform aircraft,

I think that is also giving us good dividends as well, so we expect that to grow. We've expanded the international team for the business as well, and yeah, we're very hopeful and enthusiastic about where that's going.

Zachary A. Cotner - *Gogo Inc - Chief Financial Officer*

Yeah, and I would just make one other point to reiterate Chris's comments, if you look at. Some of our metrics we reported, you'll see we, we've started adding the Leo units online and more than half of those are in Europe, so I think that's really proving the point that Chris has articulated that that's a very strong market for us.

Sebastiano Petti - *J.P. Morgan. - Analyst*

Thank you.

Operator

Justin Lang, Morgan Stanley

Justin Lang - Morgan Stanley - Analyst

Hi, good morning. Thanks for taking the questions. Chris, I appreciate the comments around Galileo and 5G, aircraft online expectations this year. But, curious if you could provide a little more color on what level of service revenues from the new products are factored into the guide currently and just on the top-line range, what factors might push you to the high end versus the low end this year and what should we be watching for. Thanks.

Zachary A. Cotner - Gogo Inc - Chief Financial Officer

Yeah, so I think from a, there's obviously a lot of ins and outs to this because. The ATG revenue on the on the existing book is going down significantly, right? That's about \$40 million, and then the remainder of kind of the decline in services from the geo business, but we do expect a nice little uptick on the leo, right? I'd say the Leo service revenue is offsetting.

Not quite half but almost half of the decline in the legacy products and then obviously the equipment makes that's a big piece of the revenue bridge from last year.

Justin Lang - Morgan Stanley - Analyst

Got it. That's helpful. And then just on a sort of cadence basis, should we expected a much stronger second half here as some of these new products dial in, or is that a stretch and then maybe, Zach just on free cash flow cadence because I think you've suggested some unique working capital demands this year. If we can hit on that, that'd be great.

Zachary A. Cotner - Gogo Inc - Chief Financial Officer

Yeah, so I think, a couple of points. One, it does take three to six months about on the HDXs to get installed. So, you're right, it's going to take a little bit of time to see the service revenue.

From a free cash flow perspective like we said in Q4 you saw kind of an inventory build you, you'll see you'll probably see that in Q1 as well but then and that's really to for the all the shipments, right? So we got to make sure we can deliver these orders as requested so we're ramping up.

I think the ramp should, it will be done this quarter and then you'll see more and more flows out in Q2 and Q3, so I think from a cash flow perspective, you will see better cash flow in the in the other three quarters. And then was there another one? Did I get the, did I get all of them? Oh. Okay.

Justin Lang - Morgan Stanley - Analyst

That's awful. I I'd sneak one more in just on the milk of topic and specifically around the C-130 opportunity you're talking about, Chris, and I think there's a mention of over 100 aircraft.

And the TAM, how big of a discrete revenue opportunity is this for you and, sort of separately, I think we saw you want a seat on the MDA shield IDIQ, a little while ago. So how should we think about potential go contribution to Golden Bill? Thanks.

Christopher Moore - Gogo Inc - Chief Executive Officer, Director

Yeah, I think, if you look at the term for the C-130, it's 1,000, so that's pretty significant and getting that hatch mount. Which is a really important product for those guys because it's a very low cost installation again, I think that's been one of the prohibiting points for the military is actually fitting communications onto the aircraft I think. The winds that we're having with the DOD around, things like Golden Dome,

we'll see how that pans out over time, but I think our approaches really kind of pushing in the adaptable. Really easy low cost install. We're moving away from the \$1000 hammer or them having to fund our business buying hundreds of millions of dollars. We don't need that.

We're really very specifically focused towards our military customers to get them quick expandable technology that can be upgradable. Very easily in the future as technology changes, I think that's really resonating with the military.

And then if you look at the overseas military outside of the DOD, which is a huge opportunity, obviously the DOD does the largest spend globally on military spending.

Aviation is becoming so much more important, border patrol, and also head of state, and we've had wins in the last 12 months around anything from Surveillance aircraft right through to significant heads of state wins and so it's really versatile portfolio

we believe there's a really underserved market very much like the business aviation market with broadband connectivity so we just see that being very positive outcome for the business and the nice thing is as well we really don't have to put A lot of CapEx and adapting the technology.

Either it's really kind of off the shelf commercial aviation technology that we've kind of developed for business purpose built for business aviation. We're actually able to take that and put that into those markets, and I think the C-130 just kind of that's one platform that's obviously utilized globally, but there's other airframes there like the A400M which is very popular in Europe, so.

We're really going after that part. We've really boosted up the sales team. We've put that under new leadership and we're seeing significant kind of uptake from that so we're really excited About it.

Justin Lang - Morgan Stanley - Analyst

It's a great color. Thank You.

Operator

(Operator Instructions)

Alexander Phipps, OHA.

Alexander Phipps - OHA - Analyst

Hey guys, thanks for the call today. Overall, congrats on the quarter. It seems like it's starting to stabilize a bit. How should we, think about, I guess I understand the concept of people getting a backup with GO, to supplement their LEO, but how should we think about where our poo should stabilize on the GO business longer-term if someone's just using it as a backup solution.

Christopher Moore - Gogo Inc - Chief Executive Officer, Director

I think the big thing is if you look at total revenue by the airframe, right, so I think that's going to change over time to where we've had a traditional single kind of source coming from the airframe as a primary communication method whether it's geo or air to ground within Kus with the US market now with Galileo and obviously the demand that we're seeing for Leo, which is brilliant.

I think the big thing is for those global operators having continuity of service globally is so critically important. I think the way we're looking at it is kind of a blended for those larger aircraft which is similar to what we probably get from Geo today and but we'll see that more as a blended Aps from multiple connectivity forms. So that's the way we're kind of looking at it right now.

Alexander Phipps - OHA - Analyst

Got it. And then on the on the online fitting, so it's good to hear that you guys are going to be getting a bunch of new line fits for the HDX. Do you know what percentage of, I guess what percentage of planes on the geo side.

Let's say that are that are line fit with a Satcom direct solution are also currently line fit with a with a Starlink solution and I guess how exactly does that work? Does the customer need to keep the geo solution in the tail of the plane and then get the Starlink solution installed at an MRO after the fact, or can they actually opt just to get StarLink and not have the SD solution put in the tail?

Christopher Moore - Gogo Inc - Chief Executive Officer, Director

I'll answer in a couple of different ways. So at this point in time, I think. We have set ourselves up that when you buy an aircraft across any airframe over the next 12 months, we're in a position that ultimately, you'll either choose the competitor or when it comes to Leo. That's a really important point to make.

Geo is still line fit across those OEMs which can actually fit it into the tail. And we're seeing the fact that customers do want an alternative if at the moment they are not installing our solution as the Leo solution and they are still seeing the need for geo, and the reason for that is when you look at the larger airframe manufacturers, these aircraft fly 14 hours,

they're flying all around the world, and there are large portions of the Leo network. From a regulatory perspective that are still not connecting today, so you really need that assurance of that geo backup. The other thing which we're also seeing is a lot of our customers like that assurance because we provide a lot of different things that other people don't provide as well,

such as cybersecurity, continuity of service, and a number of value adds, and also having that connectivity allows our support which is global. You know we've got human beings who can answer the phones, but we've also put a lot of technology into our back end so we can filter through where really the issues are with the aircraft and fix issues for customers really before they, even know about them or are reporting them back to us.

So I think that geo position as a backup. But also from a continuity of service providing bandwidth we're seeing that customers are also still utilizing the service even if they have Leo on board because we're also pushing off a lot of information and synchronizing those with other OEMs such as engine manufacturers operations tracking the aircraft,

so it's a lot more nuanced than just providing connectivity so we're seeing that, but I think the really exciting thing just to reiterate is we will be in a position. Over this year that you know we are a genuine choice for a customer no matter the size of the airframe

but all of our customers now have a true broadband solution whether it's kind of 5G as an entry service and then Leo service as a like a primary Leo low latency high bandwidth product at an enterprise level communication method as well so it's a really exciting time for the company.

Zachary A. Cotner - *Gogo Inc - Chief Financial Officer*

Yeah, and I would just kind of dovetail on that. It's, I think it's a critical point on the line fit when you look at the geo ads we've had this year. Those are almost all exclusively line fit, right?

And that's, that was kind of the old sat com way that we were able to grow that business so well is because. Like you said, you had to pick a provider, and that's where we'll be at the end of this year and the beginning of next year, whereas this year it's a lot of aftermarket and you've got to slot guys into maintenance times and it's a, it's a bigger sales list until you get line fit,

Christopher Moore - *Gogo Inc - Chief Executive Officer, Director*

Yeah, And I think now at least we've also got like both ends of the market we've got really strong MRA base. We've got amazing MRA partners and we've also got amazing OEM partners and we have a direct sales team who are going out to customers.

When they're specifying their airframe or they're maintaining their airframe whether it's in the aftermarket, they can actually walk customers through what connectivity solutions are needed for the size of airframe and the mission that they actually have for that aircraft as well. So I think we're going to the market in a kind of multi-pronged way anyway.

Alexander Phipps - *OHA - Analyst*

Yeah, that's super helpful. I guess just two quick follow-ups on that. I guess on the point where customers are going to still use, they'll have the geo as a, I guess just to my earlier point like they have the geo as a backup, but they're going to be using a Leo high bandwidth solution like where should our poo shake out?

Is it half of where it is now for the GO solution? Is it like a quarter? Just any comments on that. And then I guess on the line fit like. Just to kind of say it a different way like.

I mean if you go on a on a commercial airplane right now, there's still an ashtray in the bathroom, and that's not because they think someone's going to smoke in it,

it's because the door to the bathroom got a got an STC back in 1,960 with an ashtray in it. Like, do you, do planes have to, like if they get, if they have an STC with An FD solution in the tail, will it be rolled out? Like will that plane always be delivered with that in the tail, or will customers have the option to like just get Starlink and not have that in the tail of the plane?

Christopher Moore - *Gogo Inc - Chief Executive Officer, Director*

Well, I think the big point is on communications it's always choice. So outside of safety services, DOEMs always enable choice on what connectivity solutions that you have, and that's also then dependent on the STC. So you absolutely have choice on not specifying different connectivity. However, if you're very different to commercial aviation where.

Kind of utilizing the connectivity service on board as a chargeable event and kind of the attrition for the airlines quite it's a really different model for a business jet. It's a necessity and a need and then also it really depends on the utilization who's using it and therefore.

Whether it's primary or backup we've seen that this is like not a new thing for us like if we look at our narrow band service to when GX came in as a service that didn't just go away, that didn't, we are still activating, narrow band services with OEMs today so I get your point on kind of like the analogy with the ashtray. I think this is more kind of really the STC has been invested in.

It's also very difficult to get things on airplanes, to your point, so those things linger around for a while, but we are seeing utilization. On the geo service, even if another service is on board as we do with narrow band services that are being utilized with geo on board as well, so we've got a lot of experience in this,

and that's the bit where we do feel that it will be a multi-point approach with a lot of customers with the larger aircraft. Obviously on the smaller aircraft that's a little bit different. We usually see a single source of communications as the primary communications method.

However, the nice thing is with the HDX it can really get down to those smaller airframes where actually our competition antenna is quite large, so I think that's the bit where you know we feel really quite strong about different sides of the market and then with 5G coming in that's a revolutionary service for these classic customers or people going to see ones.

Really this is going to true broadband. So again, we're seeing OEMs investing in 5G for the line as well, but I think the choice for the customer has always been there, and there's nothing new with that. I think that's the biggest takeaway from my perspective.

And then on the number side really on the ARPU, the ARPU will really settle, that's a really tough one to navigate at this point because we're still seeing strong offers from Geo. Because of the necessity of having that backup,

but at some point, we truly do believe that it's going to blend together, whereas, where we really see the true blended rates, we see that being around what we get from geo today on the kind of higher end from customers.

Because they're ultimately getting multiple services. The nice thing with Gogo, we're the only company who provides all of those services, and we can send the customer an integrated bill, so they're not looking at, it's almost utilizing your mobile phone, you're not looking at how much network utilization you took off AT&T versus Verizon.

You'll be looking at this from us as a blended bill from Gogo, very simple, but ultimately knowing you've got the assurance of backup on your data as well. I hope that makes sense.

Alexander Phipps - OHA - Analyst

Yeah, that's super helpful. Just I promise one more quick one, and then I'll shut up, the, it's like gun to your head just to help conceptualize what the white space looks like because to me it seems like there's a lot of white space like what excluding mil gov just biz ave.

Like what do you think the mix will be five years down the line in terms of composition of your fleet north like North America or let's say America is emmA. And On types of service, I think I, I'll just put.

It down AOL, just like AOL. Like I mean, obviously right now the AOLs are like you said, half of the LEO that came online are Europe if I recall correctly. Like do you think that that's going to be the mix longer-term? Do you think it's going to be like 50% of your Leo fleet is non-US and 50% is domestic, or is that just right now?

Christopher Moore - Gogo Inc - Chief Executive Officer, Director

I think no, I think we're seeing the demand. We've always been seeing the utilization of business aircraft outside of North America is growing at a rapid rate. So therefore I think it would be a logical assumption that the splits that we've got at the moment, North America is obviously the biggest market.

We believe we will hold a good percentage in that, and I think having that kind of 60-40 split is a good way that we're kind of thinking of it long-term. As the international market grows and we'll grow into that, we also have offices all around the world so we can really kind of support those customers,

but also those customers over a period of time, they'll be taking aircraft from the OEM and the nice thing now is they can actually spec it at the OEM with our services so I think that will naturally grow as well, but I think that kind of 60-40 split is the kind of way we're thinking about it. For the business over the next few years.

Alexander Phipps - OHA - Analyst

Super helpful. Thanks, so much guys.

Christopher Moore - Gogo Inc - Chief Executive Officer, Director

Yeah, and that's all it's.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to Will Davis for closing remarks.

Will Davis - Gogo Inc - VP, Investor Relations

Thank you everyone for your participation in our fourth quarter earnings call. You may disconnect.

Operator

This concludes today's conference call. Thank you for participating and have a great day.

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