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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Second Quarter 2021 Gogo Inc. Earnings Conference Call. (Operator Instructions) I would now like to hand the conference over to your speaker today, Will Davis, Vice President of Investor Relations. Thank you, and please go ahead.

William G. Davis - *Gogo Inc. - VP of IR*

Thank you, Myra, and good morning, everyone. Welcome to Gogo's Second Quarter 2021 Earnings Conference Call. Joining me today to talk about our results are Oakleigh Thorne, Chairman and CEO; and Barry Rowan, Executive Vice President and CFO.

Before we get started, I would like to take this opportunity to remind you that during the course of this call, we may make forward-looking statements regarding future events and the future financial 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 the conference call. These risk factors are described in our earnings press release filed this morning and are more fully detailed under the ris;k factors in our annual report on Form 10-K and 10-Q and other documents we have filed with the SEC.

In addition, please note that the date of this conference call is August 5, 2021. Any forward-looking statements that we make today are based on assumptions as of this date. We undertake no obligation to update these statements as a result of more information or future events.

During the 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 second quarter earnings release. This call has been broadcast on the internet and available on the Investor Relations website of the Gogo website at ir.gogoair.com. The earnings press release is also available on the website. After management comments, we'll host a Q&A session with the financial community only.

It is now my great pleasure to turn the call over to Oakleigh.

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Thanks, Will, and thanks all of you for joining us this morning and for your interest in Gogo. Our second quarter results demonstrate strong momentum as we execute on our pure play business aviation connectivity strategy. Demand for BA in-flight connectivity is accelerating. Our advanced platform is perfectly positioned to take advantage of that acceleration and our vertically integrated business model is converting that demand into sustainable, very positive bottom line performance for Gogo.

My remarks will focus on first, highlights of our second quarter financial results, including demand metrics for the business aviation connectivity market; second, a discussion of Gogo's merits relative to potential competitors; third, an update on progress against our strategic initiatives; and fourth, I'll discuss our guidance and share some thoughts on how we think investors should look at our equity. Barry will then dive into the numbers and discuss our raise 2021 guidance, give a little preview of 2022 and share our expectations that we will exceed the 5-year revenue free cash flow guidance we've previously provided.

So let me start with a brief overview of our quarterly results. We delivered strong revenue of $82.4 million, up 16% from pre-COVID Q2 2019, up 51% from Q2 2020 and up 12% sequentially from Q1 2021. We achieved record service revenue driven by significant increases in both ATG aircraft online, AOL, and average revenue per unit, ARPU.

On the AOL metric, we cracked the 6,000 aircraft barrier for the first time. And on the ARPU metric, we hit $3,195, just $5 short of our all-time high. What's most exciting to us right now though is what's happening with equipment sales, driven by the popularity of our AVANCE L5 platform, which is doing a great job meeting the demand of today's connected passenger around streaming file sharing and video conferencing.

While AVANCE revenue and shipments were strong for the quarter, AVANCE orders for Q3 and Q4 are even stronger. And orders for 2022 are looking like they will be even stronger than 2021, all of which will have long-term benefits for Gogo.

I'll go into the industry drivers behind this demand in just a minute. But the important takeaway here is that these equipment units will drive high margin, very sticky service revenue streams for many years to come. This revenue is sticky because changing out connectivity equipment on a business aircraft is expensive and, even worse, time consuming. As a result, we have a very low equipment churn rate, about 0.5% per month, which equates to a 17-year equipment life on an aircraft.

We have a reason to believe that AVANCE will continue that tradition of stickiness. We designed it to minimize hardware upgrades in the future and relegated most enhancements to easy, over-the-air software upgrades. For instance, to have LEO satellite capability, we'd have to add an antenna on top of the aircraft, but would not need to touch the interior of the aircraft at all. That upgrade would be pure software. For that reason, we're encouraged that AVANCE is continuing to grow as a proportion of our subscriber base, accounting for 33% of our service revenue in Q2, up from 25% in Q2 2020 and 32% in Q1 2021.

Another positive data point around AVANCE was our just announced contract with Cirrus aircraft for their "Vision Jet", "Personal Jet." This is solid proof that our small AVANCE L3 form factor and our lowered 3,000-foot service floor which was achieved with just a software upgrade is appealing to owners of smaller aircraft. Cirrus is a really exciting new partnership for us, and it's our first entry into the 200,000 aircraft general aviation market. and I'll discuss a little more further in the call.

On the bottom line, Gogo delivered adjusted EBITDA of $36.7 million, an increase of 56% from pre-COVID Q2 2019, increase of 70% from Q2 2020 and 8% from Q1 2021. Our second quarter performance reflects the overall strength of our business model, our leading market position, and positive industry trends. I'm very proud of the Gogo team, I want to thank them from what we accomplished in the quarter on the right track, and our second quarter portends very good things to come.

Now let me turn to the business aviation industry demand drivers. The business aviation market has clearly shifted out of recovery mode and has moved into high-growth mode. The slight count on Gogo-equipped aircraft for Q2 ran at 13% above the flight count for Q2 2019 as opposed in Q1, when it ran 3% below the flight count for Q1 2019.

We hit all-time highs for flight count several days in the quarter and broke 5,000 flights in 1 day for the first time. More importantly, flight activity ran above pre-pandemic levels in every segment except corporate. And by the end of the quarter, even the corporate segment recorded flight counts above 2019 levels.

Interestingly, the size of the gap between 2019 and 2021 monthly flight activity improved sequentially for every month of the quarter, for every segment of our business, and this continued even through the first month of Q3. For the entire fleet, flights in April were up 6% of our flights in April of 2019. Flights in May were up 11% of our flights in 2019. Flights in June were up 23% over flights in 2019 and flights in July were up 26%

over flights in 2019. Flight count growth within the year has been substantial across all segments as well. The July corporate flight count up 53% from January with charter flight counts up 46% from January and fractional was up 36% from January.

Given that international travel is still difficult, some of the larger corporate departments are still well below their 2019 flight levels, and we expect the corporate segment to grow even more significantly once the global economy fully reopens. The big question on everybody in the BA industry's mind is, will this heavy traffic continue?

Recent market data suggest that it will. July survey of more than 225 private flyers by the online publication Jet Card Comparisons felt that 69% of passengers expect to fly private aircraft more frequently post-COVID than they did before COVID. 28% are expect to fly private aircraft at similar levels and only 3% expect to fly private aircraft less often than before the pandemic.

For us, this increased demand for flights is positive because it drives demand for aircraft. And given that the fleet of preowned aircraft for sale continues to hit all-time lows, that demand is increasingly turning to purchase of new aircraft which spells opportunity for Gogo.

Some evidence of these trends include Gulfstream, announcing that its book-to-bill ratio hit 2.1 in Q2, up from 1.3 in Q1 and 1.25 for their 10-year average. Text & Talk, just announcing that their book-to-bill was very close to 2, considerably higher than the 1.6 they announced in Q1.

And NetJet announcing that their pulling forward aircraft acquisition wherever possible, delaying aircraft retirements and planning to spend $2.5 billion and 100 additional aircraft to arrive by the end of 2022. New aircraft orders are good for Gogo because most new jets are now delivered with ISC. And given that we are a line-fit of all 9 business aviation OEMs, we are very well positioned to get our fair share of those orders.

The other big revenue driver for Gogo right now is the rapid increase in the amount of data consumed by passengers as they use more data-intensive applications such as streaming, file sharing and video conferencing.

Across our entire fleet, customers consumed 52% more data in Q2 2021 than they did in Q2 2019, driven by 26% increase in megabytes per flight hour and 20% increase in flight hours per day. Data consumed across large and charter and fractional flights actually nearly doubled over 2019.

To meet that demand, in the second quarter, we launched 4 streaming plans for AVANCE customers, including our new Limitless streaming plan. We sold more than 50 of those streaming plans so far, driving an increase of $193 per month ARPU per AVANCE aircraft online. This is a great example of how we can easily add enhanced products and services on top of our AVANCE platform and drive incremental revenue. I think it's also worth pointing out how well positioned Gogo is to meet this increased demand for data.

First off, we have AVANCE, our hardware and software platform for accessing our network. AVANCE significantly improves the speed at which data is delivered inside the aircraft compared to our old classic products. Think of that as us improving your cell phone hardware and software that accesses your cell network.

Second is our 4G network itself. In 2017, we had 1,500 mainline commercial aircraft with more than 100 passengers each accessing our ATG 4G network. Today, there are only roughly 200 mainline aircraft left on the network. That has freed up a tremendous amount of capacity and dramatically improved performance.

Today, we're consuming 1/3 the number of terabytes of data per day as we were in 2017, which significantly improves the customer experience. The convergence of these strong supportive trends and our ability to meet that demand with the right product creates tremendous momentum as we continue to focus on driving profitable growth.

Now I want to take a moment to comment on the competitive landscape and our strategy to maintain Gogo's leading position. The competitive threats investors ask us about the most are potential entrants, namely satellite companies launching Low Earth Orbit satellite networks and SmartSky, a start-up that's been promising to launch a competitive ATG network since 2014.

Let me start with LEOs. As I said before, we view them as an opportunity, not a threat. To close the business case on the vast amount of capital, they need to invest to launch those constellations. They are focused on finding partners that can reduce the fastest path for revenue. And in the BA market, we are, by far, the fastest path to revenue.

ESA antennas, electronically steerable attentive are a necessary preconditions to accessing LEO constellations. And with the multi-barrier capability we have in the AVANCE platform, we can easily add an ESA on top of the aircraft and leverage AVANCE for all the workings inside the aircraft, thereby, dramatically lowering the investment and time required to install the system.

To add ESAs, will take modest amendments to our current STCs, that would give a LEO partner access to a vast fleet of aircraft, including our entire AVANCE installed base, which by the time LEOs are aero-ready, we'll be by far the largest ISC installed base in the world.

Also, all of the aircraft for which we have AVANCE STCs in the aftermarket, which is virtually every making model of aircraft. And finally, line-fit at all 9 OEMs, where AVANCE is already line-fit today. We continue to develop plans around that opportunity. And in Q2, tested the idea with some of our most knowledgeable customers. Their reaction was overwhelmingly positive. They would love to buy their ATG and satellite connectivity from one provider and have it all be part of one integrated solution on the aircraft.

For us, LEO capability would give us an attractive product for the heavy jet market in the U.S.A. and would give us access to the 14,000 aircraft in the rest of world market that we do not address today. The other competitive threat people raise is SmartSky, an aging startup that has raised and spent more than $300 million trying to build a competitive ATG network.

Based on our knowledge of ATG economics, we spent a lot of time modeling their financials. I think it's very hard to justify a business case for the investment needed to complete their network and then fund operating losses after they light that network up and try to ramp revenue.

In Gogo's case, we had a profitable North American commercial aviation business that funded build out of the network and our operating losses as we ramped our BA revenue.

SmartSky has been taking a lot of potshots at Gogo in their recent fundraising, and we believe they have misrepresented our capabilities, especially around data speeds and customer support.

So first, on network, we believe we have a superior network today and will have a vastly superior network when we launch 5G, because they will rely on an unlicensed spectrum, which faces significant interference from ground-based usage like WiFi, Bluetooth, et cetera. While we also plan to use unlicensed spectrum for our 5G network, we will aggregate that spectrum with our 4 megahertz of licensed spectrum and we will always have a clean signal. To be clear, both networks should perform very well where there is no ground interference. However, we believe ours will perform better where there is interference.

Our network will also be 5G from end-to-end, whereas their network will be 4G LTE with "elements of 5G". The network will only go as fast as its narrowest bottleneck. With a 100% 5G pipe, we should be able to transmit more data more efficiently than a 4G LTE pipe with 5G elements.

We're also constantly enhancing our network and have made enhancements we believe they did not offer such as lowering our coverage floor to 3,000 feet. The coverage map on their website starts at 10,000 feet. We also believe they've made some miscalculations in developing their equipment. The mainline product will require both a roughly 30-inch and a roughly 15-inch antenna be attached to the bottom of the aircraft. Whereas for L5 and 5G, we require two, 13-inch antennas. So 45 inches versus our 26 inches.

Aircraft real estate is very important in the business aviation market, and we think they face some significant challenges there.

Finally, they've been critical of our customer service. That surprises us. Gogo has been ranked #1 in the AIN Product Support flight deck avionics and cabin electronics category for 8 out of the last 10 years, and was second the other 2 years. In a survey last year, 90.3% of Gogo customers respondents agreed with the statement that it's easy to do business with Gogo. And our transactional NPS, which rates customers' feelings about our customer service runs consistently between the mid-60s and the mid-80s, and those are world-class numbers in Net Promoter Scores.

SmartSky also raises their patent portfolio as a competitive advantage over Gogo. First off, we have a larger patent portfolio than they do. But more importantly, our attorneys and engineers have reviewed all 144 of their United States patents in detail. And our attorneys advise us, we do not infringe any valid patent SmartSky owns. It's worth noting that most of their patents apply to older technologies and none even mentioned 5G.

In fact, if SmartSky did try to serve its patents against Gogo many would likely be invalid because the compass systems Gogo has used in many cases, for years, if not decades. So to conclude on competition, I think we are confident, but not complacent that we can remain the leader in the BA IFC business for years to come. We have a solid business now that generates free cash flow that enables us to continue and innovating to create value for customers and shareholders.

Now let's talk briefly about our progress on the strategic initiatives I discussed on our last call. Remember, we have a three-pronged strategy. First, to invest in improving the performance of our ATG network to keep pace with customers' on-ground expectations and drive penetration of our AVANCE platform. The key initiative under this prong right now is to deploy our 5G network in the second half of 2022.

The second prong is to layer in new products and services on top of AVANCE to add incremental revenue, improve performance, deepen our competitive moat and add to our total addressable market.

The third is to adhere to our AVANCE platform hardware strategy to drive down cost and quality up. The primary initiative here is use of common components across all of our products, including L3, L5 or 5G. It's illustration today, roughly 80% of the components in those 3 products are the same, which means we can drive higher volume purchasing, get lower prices and manage quality more efficiently than if we use different components in each product. This may sound boring, but it drives tremendous value for customers and for Gogo.

I would note that the value of this last prong of our strategy has been especially useful this year as having more meaningful supplier relationships has enabled us to respond to a 30% increase in unit demand and raise revenue guidance significantly despite a global supply shortage.

Now let me report on the progress against the three prongs starting with Gogo 5G. There are 4 major components to our 5G product, and we've made significant progress in each. Starting with the aircraft antenna, that has completed flight testing and is headed for qualification testing in Q4.

Next, the 5G base station antennas. In the quarter, we hung and tested our first array and will now head into Q4 for installation of our 7 tower test bed. Next, the 5G core, which is the data center and on the backhaul, that is complete and ready to go. Nothing left to do there, except for integration testing.

And then finally, the 5G airborne LRU are the small boxs sits next to AVANCE on the plane and houses or aircard.

We have completed the prototype of this LRU and have tested -- and have started prequel testing. However, as we discussed on our last 2 calls, we have had a delay in delivery of the 5G semiconductor chip that goes inside this box. All the technology on that chip that supports Gogo has completed testing and is ready to go. The chip itself was delayed to accommodate addition of new functionality for another customer. That new functionality has now passed design and yield testing and should be on track for us to deliver commercial launch of Gogo 5G in second half of 2022 as promised.

Now let me touch on how we're layering new products and services on top of our flexible AVANCE platform. That's prong two of our strategy. There are a couple of good examples of that in play right now. The first is 5G itself. The hardware portion of the L5 to L5G upgrade is designed to be easy and inexpensive. We will replace the 2 L5 antennas with 2 5G antennas that fit in the exact same attachment points as the L5 antennas. And will add a small box next to the AVANCE box inside the aircraft. Other than that, the entire upgrade is software, just like a Tesla.

The second example of layering additional customer benefits on AVANCE platform is the Cirrus contract. One of our goals is to leverage AVANCE to grow our total addressable market. Using AVANCE common componentry, we have developed the small L3 form factor. And with the software upgrade, we were able to lower our service floor to 3,000 feet from 10,000 feet, both of which appealed to Cirrus for their G2+ Vision Jet Personal

Jet. Cirrus will offer L3 line-fit on the Vision jet. Vision Jet is an entirely new market for us. The 200,000 aircraft general aviation market, and this is a great example of the growth afforded to us by the flexibility of the AVANCE platform.

The third example of layering on top of AVANCE is a limitless streaming plan. And the other 3 streaming plans we added -- we introduced in April. We were able to spot a market trend and with simple software upgrade capitalized on that by quickly rolling out 4 new service plans that gained rapid market traction. As I noted earlier, I have already made a big impact on our Advanced ARPU.

To sum it up, the flexibility of AVANCE combined with our strong installed base and deep distribution relationships gives Gogo the ability to react quickly to market and technology changes to drive value for customers and shareholders.

Now let me finish with a few words on our financial guidance and our long-term targets. Based on the strength of our first half performance and strong momentum going into 2022, we are raising our full year '21 revenue, adjusted EBITDA and free cash flow guidance. We also believe that the strong AOL growth driven by our current AVANCE sales bodes extremely well for future service revenue growth. And hence, believe we will grow our revenue at the upper end of 10% to 15% range in 2022.

We also think Gogo stock is underappreciated at current valuations. We have a large unpenetrated market poised for growth. We have deep and wide competitive moats. We have a diversified and high-quality customer base. We have high switching costs and low churn. We have high equipment retention rates. We have positive industry tailwinds. We have a strong EBITDA to cash conversion. We are cyclically resilient as demonstrated in COVID, and we make money on new customer acquisition rather than having to come out of pocket to add new customers. We see companies that have similar characteristics trading at double our current adjusted EBITDA multiple, which adds to our conviction that Gogo represents a good opportunity for investors.

With the strong support of our team, lenders and partners we're excited to continue executing on our strategy and leverage our vertically integrated model and strong balance sheet to drive continued growth and value creation. Our focus remains on continuing our momentum, capitalizing on opportunities as the business aviation market accelerates and delivering for our customers and shareholders. Gogo's future is bright. And with that, I will turn it over to Barry.

Barry L. Rowan - *Gogo Inc. - CFO & Executive VP*

Thanks, Oak, and good morning, everyone. The dramatic recovery in the business aviation market, coupled with accelerating demand for connectivity, enabled us to deliver record results for this quarter. The fundamentals underlying these results provide a solid foundation for driving future performance in at least 3 ways.

First, as more aircraft come online, this translates into recurring service revenue that comprises approximately 90% of our gross profit and represents the source of our exceptionally high lifetime customer value.

Secondly, the increasing demands of today's connected passengers are driving continued ARPU growth as customers more fully leverage the capabilities of our future proof AVANCE platform. And thirdly, the strong demand has resulted in record backlog levels, which further derisks our projections.

In the second quarter, we set new records for both service revenue and adjusted EBITDA. The tremendous year-over-year growth we experienced this quarter is certainly skewed by the comparison to the depths of the pandemic in the second quarter of 2020. But even on a normalized basis, the growth rates are very meaningful. As I walk through our second quarter financial performance in more detail, I'll note, as we did in our press release this morning, comparisons to the second quarter of 2019, which will provide more normalized comparisons.

At the end of my remarks, I'll also provide an update on our ongoing Gogo 5G investment as well as some additional context for our long-term outlook and guidance. Gogo generated total revenue of $82.4 million in the second quarter, an increase of 51% compared to the second quarter of 2020. Total revenue was up 16% from the pre-COVID second quarter of 2019 and revenue continues to ramp coming out of COVID.

Total revenue was up 12% sequentially from the first quarter of 2021, driven by increases in both service and equipment revenue as demand continues to exceed our expectations. Gogo achieved record service revenue of $64.8 million with 47% year-over-year growth from the second quarter of 2020; 18% growth from the second quarter of 2019; and 9% sequential growth from first quarter's record service revenue. This growth was driven by an increase in both ATG aircraft online, which we refer to as AOL and average monthly connectivity service revenue for ATG aircraft online or ARPU.

Recurring subscription-based service revenue is an important long-term value driver for Gogo. Service revenue has grown by at least 13% per year every year since 2010, except for the COVID year 2020. And even during COVID, our service revenue for the full year 2020 was down just 4% compared to 2019, a testimony to the robustness of our subscription-based model.

To further unpack the drivers of service revenue, second quarter ATG aircraft online was 6,036, up nearly 12% year-over-year and up over 2% sequentially. This was the result of new customer activations and continuing reactivations by existing customers as flight activity continues to grow to well above the pre-COVID levels, as Oak described in detail.

We also achieved record ARPU of $3,296, representing 28% year-over-year growth and approximately 7% sequential growth. Our second quarter ARPU reflects the benefit of recognizing $1.8 million in deferred revenue related to a customer contract, which we don't expect in future quarters. However, even excluding the impact of this deferred revenue, ARPU increased 4% sequentially to $3,195, and it was very close to our all-time high ARPU, as Oak explained.

The demand for data continues to grow as passengers increasingly view their aircraft as an extension of their living rooms and offices. We also recognized $1.5 million in service revenue from the Network Sharing Agreement with Intelsat during the second quarter. As we've previously described, service revenue from the Intelsat agreement ramps over time, particularly after Gogo 5G is deployed. However, even with this expected ramp, the revenue derived from this relationship represents less than 5% of Gogo's annual revenue.

Looking ahead, we expect continued sequential growth -- revenue growth throughout the second half of the year. Our upwardly revised revenue guidance reflects our expectations that service revenue for the full year 2021, will grow approximately 20% over the full year 2020.

Turning now to equipment revenue. As Oak mentioned, Gogo delivered outstanding equipment revenue of $17.6 million, an increase of 66% year-over-year and 21% sequentially due to increased demand for AVANCE L5 and L3 units. We've been saying for some time that expanding penetration of the AVANCE platform into both our installed base and with new customers is a centerpiece of our long-term strategy.

In the second quarter, we continue to advance that strategy and expand the AVANCE real estate as all of Gogo's new equipment sales were AVANCE L5 or L3 systems. Total AVANCE units online for the second quarter of 2021 grew 51% year-over-year to 2,067. AVANCE units comprised more than 34% of total ATG aircraft online as of June 30, 2021, up from 25% as of June 30, 2020. Our AVANCE L3 product provides an attractive lower cost entry point. And our AVANCE L5 product has the additional advantage of enabling a seamless upgrade path to Gogo 5G. L5 shipments are running at approximately 60% of total AVANCE system shipments this year.

We expect the seasonality we've experienced over the past several years to continue in 2021 with equipment revenue backloaded to the second half of the year and strongest in Q4. We, therefore, expect continued sequential growth in equipment revenue through the third and fourth quarters of this year.

In addition, as Oak mentioned, we have a robust backlog of equipment orders totaling more than our projected shipments for the balance of this year and stretching into 2022. This significantly derisks even our upwardly revised guidance for this year and provides great momentum going into 2022. Of course, as this equipment comes online, it translates into the recurring service revenue that drives our long-term model. Our increased revenue guidance reflects a 20% to 30% increase in equipment revenue for the full year 2021 as compared to the full year 2020. This is based on the underlying strength of the market as well as the seasonal dynamics of our business. We're implementing a series of operational measures to meet this higher-than-expected demand.

Importantly, we have managed our supply chain to position us to deliver on the higher equivalent forecast reflected in our updated 2021 guidance. Over the past several quarters, we have worked to expand our manufacturing capacity and ease supply chain constraints brought on by the pandemic. This includes deploying our strengthened balance sheet to support our suppliers by committing to larger quantities of materials and in selected cases prove paying to get ahead of new orders.

We're also earmarking approximately $10 million in cash for additional inventory purchases during 2022 to ensure we meet demand and to reduce our quoted lead times. Strategically, we have designed our AVANCE platform with significant amount of common componentry across the various product offerings, which simplifies our supply chain challenges, as I've described. We will continue to pursue creative ways to work with our suppliers and enhance our capacity to capitalize on the strong demand, bring more equipment online sooner and start the value-driving cycle of our recurring revenue model more quickly.

Let's now turn to a discussion of profitability for the quarter. Gogo delivered service margins of 77% in the second quarter, an increase of 100 basis points sequentially. The increase was driven by record service revenue, which, as I mentioned, also included the deferred revenue that we don't expect in future quarters. As I said previously, we anticipate service margins to decrease somewhat throughout 2021, mainly due to increased data center and network operations costs, some of which are related to 5G.

On the equipment side, margins increased 400 basis points year-over-year to 38% in the second quarter, but declined from 43% in the first quarter of 2021. The sequential decrease in equipment margin is primarily due to the mix of L3 versus L5 shipments in the quarter. We continue to expect equipment margins for the full year of 2021 to be above the 2020 levels. However, we expect the percentage in the second half to be lower than in the first half of this year largely due to mix.

It's important to note that while equipment margins are lower on the less expensive L3 product, service margins are quite similar across the 2 product offerings, which, of course, is most important for our overall business model. Our L3 product is also delivering on its strategic objective of penetrating the market for smaller airframes as demonstrated by our recent Cirrus announcement.

In terms of operating expenses, Gogo's second quarter combined engineering, design and development, sales and marketing and G&A expenses of $23.1 million increased 35% year-over-year. This increase was driven by 2 factors. First was an increase in sales and marketing expenses this quarter, which were significantly reduced during the COVID period a year ago. Second was the reversal of our bonus accrual that occurred in the year ago quarter when we were not certain we would pay a bonus as the pandemic took hold. You'll recall that our plan to forgo this bonus was one of the 16 cost reduction levers we activated during COVID.

Looking ahead, we now expect G&A to decrease in 2021 relative to 2020 versus our previous expectation of G&A remaining approximately flat year-over-year. We remain on track to deliver our targeted $10 million reduction in G&A, excluding noncash stock-based compensation from the 2020 level by the end of 2022. In fact, we are currently running ahead of schedule despite some transition costs related to the Intelsat transaction.

Now shifting to an overview of our Gogo 5G program. We expect spending to ramp during the balance of this year in anticipation of our 2022 launch. We spent $1.5 million in total 5G development and deployment costs in the second quarter, the majority of which was in OpEx. We expect to spend $17 million in the second half of the year split approximately 50-50 between OpEx and CapEx.

We shifted about $5 million of 5G spend in 2022, which results in a $2 million reduction in OpEx and a $3 million reduction in CapEx for this year. This shift is reflected in our updated adjusted EBITDA, CapEx and free cash flow guidance for this year.

While the timing of the Gogo 5G program investment has shifted modestly, our expected deployment schedule remains unchanged. We are on track for our Gogo 5G deployment in the second half of 2022 based on the significant program milestones we have achieved, which Oak outlined.

We continue to anticipate about $100 million in overall Gogo 5G spend from 2019 through 2023, with over 90% of this investment completed by the end of 2022. With our business now generating strong cash flow, we expect to be in a position to fund the entire amount of the Gogo 5G CapEx out of internally generated cash flow.

In fact, just 1 year of the $70 million in annual interest savings from our recent refinancing, exceeds the anticipated total CapEx spending for the 5G program. After Gogo 5G is launched, we expect ongoing capital expenditures in the $15 million to $20 million range annually, supporting an even stronger adjusted EBITDA to free cash flow conversion rate in 2023 and beyond. This combination of accelerating top line growth and continuing financial discipline translated into very strong bottom line performance in the second quarter.

Gogo delivered adjusted EBITDA of $36.7 million in the second quarter, a new record. This represents an increase of 17% from Q2 2019, a 70% year-over-year increase and an 8% increase sequentially. Given resurgence in growth of the market and Gogo's demonstrated ability to translate top line growth to the bottom line, we have increased our adjusted EBITDA guidance for 2021.

And as we look ahead, positive net income is just around the corner. Gogo is at an exciting inflection point as we expect to achieve sustainable, positive net income beginning in the third quarter of this year.

Free cash flow for the quarter was an outflow as expected of $16 million. This was in spite of the significant increase in adjusted EBITDA as it reflects our last legacy interest payment under our old financing terms.

For the 6 months ending June 30, 2021, free cash flow was a positive $7.8 million compared to a negative $6.3 million in the prior 6 month -- prior year 6-month period.

With our refreshed balance sheet now in place, we expect to generate positive free cash flow for the remainder of the year. Given our expectations for revenue and adjusted EBITDA in 2021, we also raised our free cash flow guidance for this year. It's gratifying to see how our recent highly successful refinancing enabled by the strength of our business model has created a step change in Gogo's ability to generate shareholder value.

Before I say more about guidance, I'll provide a quick balance sheet update. Gogo is in a very strong liquidity position with $109.2 million in cash on hand as of June 30, and we have not drawn on our $100 million revolver. As of the end of the second quarter, we had approximately $828 million in outstanding debt, including the $725 million Term Loan B, we recently put in place and approximately $103 million in outstanding convertible notes.

As we've spoken about previously, our convertible debt will mature in May of 2022, and we plan to sell any additional conversions with equity which would further reduce our leverage ratio and streamline our capital structure. We are well positioned to build on our enhanced financial profile and strong market position to drive long-term shareholder value based on an attractive, actionable investment thesis.

Gogo's strengthened free cash flow profile is supported by multiple factors, including our recurring service revenue model, attractive adjusted EBITDA margins low ongoing CapEx, particularly once we deploy Gogo 5G in 2022, a material interest expense reduction from our recent refinancing transaction and significant deferred tax assets, which have an after-tax value of nearly $300 million at today's tax rates.

Based on the significantly reduced interest expense resulting from our recent refinancing and the strength of the current and projected business trends, we continue to assess whether we need to maintain all or part of the valuation allowance on these deferred tax assets. It's quite possible that a reversal of our valuation allowance could occur within the next 12 months.

Let me now spend a moment highlighting our capital allocation considerations in light of our strengthened balance sheet and improved financial profile. We will continue to pursue a balanced capital allocation strategy focused on 4 primary areas: first, enhancing our network through the deployment of Gogo 5G; second, further reducing overall leverage; third, strategically investing in our business in ways that capitalize on market opportunities or further strengthen our competitive position, such as the global broadband opportunity, Oak described; and fourth, over the longer term, considering returning capital to shareholders as appropriate.

With that, I'll provide some additional context on our guidance, which we updated this morning. We increased our full year 2021 financial guidance based on healthy business aviation market conditions we're seeing and are continuing strong financial performance. We now expect to deliver full year 2021 total revenue in the range of $325 million to $335 million compared to our previous guidance of $310 million to $325 million.

Adjusted EBITDA of at least $130 million. This compares to the $105 million to $115 million in adjusted EBITDA guidance we provided in March, ended at $115 million to $125 million. We increased this guidance, too, on our first quarter call.

Capital expenditures in the range of $20 million to $25 million with the majority tied to Gogo 5G. This compares to our previous guidance of $25 million to $30 million.

Free cash flow in the range of $25 million to $35 million compared to our previous guidance of $10 million to $20 million due to increased adjusted EBITDA and reduced CapEx.

As a reminder, all guidances for the full year 2021 and our expectation is that revenue will be weighted toward the second half of the year, particularly in the fourth quarter. Adjusted EBITDA is expected to taper in the second half as a function of our increasing Gogo 5G spend and the timing of other expenses. We've also grown more optimistic about our longer-term growth and free cash flow targets. We previously stated that we expected at least 10% compounded annual revenue growth from 2020 to 2025. Based on the strength of our equipment sales and the resulting impact to service revenue, we see an acceleration in this growth rate, and now expect total revenue to grow at a rate in the upper end of a range between 10% and 15% for the full year 2022 versus 2021. Based on these expectations for increased top line growth, we now expect free cash flow of more than $100 million for the full year 2023 following the deployment of the Gogo 5G network in 2022 with significant free cash flow growth, thereafter.

We continue to target adjusted EBITDA margin of 35% to 40% throughout the planning period. We will be updating our long-term targets as we refresh our 5-year model in the course of our planning process in the months ahead.

Before we open up the call to Q&A, I want to congratulate the entire Gogo team on their fantastic work during the second quarter. The focus and resolve of our superb team will continue to ensure we capitalize on the tailwinds in the market, deepen our competitive moat and create value for our customers and shareholders.

That concludes our prepared remarks. Operator, we're now ready for our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have our first question comes from the line of Scott Searle from ROTH Capital.

Scott Wallace Searle - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Congratulations guys on a great quarter. Difficult operating environment for the rest of the world but you guys are excelling in terms of what you are posting. Maybe quickly to dive in on the guidance this year from an EBITDA perspective. You've kind of touched on a couple of items where there were some onetime sales contributions related to deferred revenue as well as the ramping 5G cost. But even taking that into account, it seems like the $130 million for the second half of this -- implying that into the second half of this year, seems like it's conservative. Is there something else going on there? Or are you guys really just taking a conservative view of the world into the second half of this year?

Barry L. Rowan - *Gogo Inc. - CFO & Executive VP*

Yes, Scott, as we said, it's at least $130 million. So we certainly expect to be above that number. And the primary drivers of this are really kind of 3 factors to consider. One is, the majority is due to 5G that is the majority of the tapering in the second half versus the first half. Secondly is that there are some increases in other expenses like we're planning on new consumer sales and marketing right up in current market environment. So these increases more than offset the increase in gross margin that we expect to see due to the higher revenues. So I think we tried to highlight the primary issues. And again, we may be being a bit conservative, but -- and again, it is at least $130 million.

Scott Wallace Searle - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Got you. Helpful. And if I could, as a follow-up, looking at the broader macro demand picture, it seems like it's exceedingly high. I'm wondering if you could talk a little bit about what you think the overall installation capacity is out there within the marketplace. Is that going to be a limiting factor? Are there some things that you can do on that front? Because that really seems like it, it could be the one gating factor out there besides component availability as we start to get into '22 and '23.

And maybe as well, if you could. Oak, I'd love to hear you touch a little bit on early thoughts, the general aviation market kind of timing and pricing that you would see going into that. And maybe something related to the timing of some of your LEO partnerships.

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Yes. In terms of capacity, it's a great question, Scott. We -- right now, we think that there's ample capacity to hit our projections, obviously. But -- we are spending a lot of time actually sort of deep diving on that and trying to figure out, okay, our market is relatively unpenetrated. Why is that? And what are the inhibitors and how can we break those inhibitors down and accelerate our AVANCE penetration.

So that's actually a work in progress for us in terms of sort of deep analysis. I would say this, we are growing AVANCE very quickly and that we're growing at 50% rate. So that's on the authority a fairly large number. There's more AVANCE installations in the world than any other business aviation IFC platform, so other than our old ones.

But -- so we are growing quickly, but we'd like to grow faster. So that's your first question. And the second part of your question, I know the last part was LEO.

Scott Wallace Searle - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Generally...

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Yes. Yes. So general aviation, yes, it's a very large market. The question is, what is the revenue opportunity there for us. And we don't have a firm view on that. This is -- it's kind of the learning experience for us. And the deal we have with Cirrus is good for us from a financial perspective. We were selling that equipment at our regular price and they're putting it on their jets as ordered by their customers. And then they have, what I'd call sort of a macro service plan they sell to customers that includes a whole bunch of things, and now will include connectivity as well. And then they're paying us for the connectivity.

So we're very happy with the deal. The question is, are there other parts of the BA market that, that might work, and we think there may be. But there are clearly out of 200,000 aircraft, there are a lot that are -- they're probably not an addressable market for us. So -- we'll give more guidance later as we learn more about this. But the good news is it has opened it up for us and there are clearly pockets where our products will work.

And then the last part, we are in active conversations in the LEO and ESA world. And I don't think we'll want to get over our skis in terms of giving any guidance on timing of anything. I think the important takeaway is that for these guys, speed, the revenue is the most important thing. They've got to be able to build business cases that show them getting rapidly in revenue.

And when you look at the BA market, and if you understand our AVANCE platform, it's no question that we're the fastest way to revenue. So I think that we'll have a good hand to play with the LEO providers and we're going to continue our conversations and see where it leads us.

Operator

Our next question comes from the line of Lance Vitanza from Cowen.

Lance William Vitanza - *Cowen and Company, LLC, Research Division - MD & Cross-Capital Structure Analyst*

Nice work on the AVANCE unit. Can you break out how many of the L5s you have installed today? And how that compares with 3 months ago?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Barry, I think you have those numbers handier than I do.

Barry L. Rowan - *Gogo Inc. - CFO & Executive VP*

Yes. So we cited some of those. So the total L5s that we have installed are about 1,400 this quarter and L3s are on high 600s. So some of those get to see over the 2,000 number that we had cited. And that's the growth that we talked about, lower 50% growth over last year and continues to build quarter-to-quarter.

Lance William Vitanza - *Cowen and Company, LLC, Research Division - MD & Cross-Capital Structure Analyst*

And I think the last time we spoke, I think the L5 number was 1,300. So it seems like that continues to improve nicely as well. And then I guess, Oak, no question that the industry is back, and we think it's going to be back for a long time. But you made a comment in your prepared remarks about how the return of international travel, which has still remained a little bit depressed, how that could actually -- I think you said how that could help Gogo, but I'm not sure if I followed that because given that Gogo is domestic, given that it's underground, could you talk about how the return to international travel could be another tailwind for you? Or perhaps, I misheard you.

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Yes. No, you heard me right. A lot of those aircraft actually have ATG on them, and they use ATG till they get outside our coverage range and then they slip to the international to satellite service. So you talk to the big corporate site departments. Almost all of them have ATG and satellite.

Lance William Vitanza - *Cowen and Company, LLC, Research Division - MD & Cross-Capital Structure Analyst*

Okay. Great. And then my last question, I guess, you mentioned obviously, line-fit at all 9 OEs, you're well positioned. I think the way you put it was to get your fair share of new installs. What would you say your fair share is? I mean presumably, it's something a lot less than the 90% of the installed base that you have today, but how do you think about what that fair share ultimately should look like?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Well, aircraft that are manufactured for international missions -- missions that are totally outside the U.S. are obviously not going to be part of our fair share. And that varies year by year, but that's a fairly large portion of what the OEMs produce. So you have to sort of focus on those that have either primarily or totally North American missions, on the light and medium sized jets today, we're probably honestly the only option. And so that's -- our fair share is very high. And then in the heavy jets, most U.S.-based heavy jets, not all, but most will add an ATG system to their satellite system. So we get a fair number of those as well.

Operator

Our next question comes from the line of Rick Prentiss from Raymond James.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research & Research Analyst*

Couple of questions. Obviously, pretty innovative on the supply chain management, which has been some issues out there, obviously. Any problems on the cost side. You guys said you mentioned funding them, maybe ordering inventory early, but should there be any margin pressure from the supply chain issue in the short or medium term?

Barry L. Rowan - *Gogo Inc. - CFO & Executive VP*

We haven't...

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Yes.

Barry L. Rowan - *Gogo Inc. - CFO & Executive VP*

Go ahead, Oak.

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Go ahead, Barry. No, you go.

Barry L. Rowan - *Gogo Inc. - CFO & Executive VP*

We haven't seen real pricing pressure. We are continuing really to look at now 2022 to drive the kind of changes that are going to be necessary to meet that increasing demand. So we're doing some other kind of creative things. For example, we're providing our contract manufacturers with components to build our equipment that get scared of the open market. We're also putting 12- to 18-month demand on our supply chain. It allows us to identify and address critical shortages well ahead of time. So we're really trying to get out ahead of it and managing the whole supply chain and internal ERP system to levels that accommodate the higher demand that we're seeing. So we have done some prepayments, as I mentioned, in very selective areas. Those are individually negotiated with the suppliers on the people that can benefit from that.

In that case, those are quick prequel arrangements where we get something for doing that as well. So it's been a very, very active process kind of component-by-component or vendor-by-vendor. And so far, so good for this year, but we're really trying to shorten the lead time quotes for next year because we're getting pressured from customers that they would certainly like to be able to have the installations happening more quickly, and we'd love to have that happen as well.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research & Research Analyst*

Makes sense. Doing some innovative stuff there. Second, to continue along the lines, Scott asked on the LEO side, a couple of the gating factors could also be the STCs, update us as far as when you think you need to work on some STCs? And also, what is the status of ESAs out there that you're seeing?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Well, the status -- I'd say it's about 2 years. So there is a viable ESA for the business jet market. So -- and that's across a couple of different suppliers, I think that are fairly far along in developing these technologies. In terms of the STCs, until you have the antenna designed and ready to go and you have a PMA from the FAA, you can't go get STC. So that would be a way out.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research & Research Analyst*

Right. So as far as thinking of revenue opportunities, having discussions with LEOs is good. But as far as the revenue opportunities, we need the ESAs and then the STCs kind of time lining it?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Yes. Yes. We don't look at this opportunity as something that is short term in terms of being able to drive revenue, Rick. I mean I think you're talking 3, 4, 5 years out. And we'll give more guidance on timelines as we form partnerships and have more concrete timelines.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research & Research Analyst*

Yes. And final one for me is, with streaming services, significant consumption of data, you talked about, how your 4G network got extra capacity with the mainline stuff coming off it. But how should we think about any congestion sites out there. People, obviously, are consuming as much data as they can. As you design the 5G network, how should we think about how you manage congestion within the network?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Yes. It's a key focus of our engineers. And it's all about network design and how you aim antennas and where you put them, et cetera. So yes, there's a whole very complex science around that. And I'm probably the least qualified person at Gogo to give you any detail around it. But it's a significant consideration, and we plan hard for it and we build around it.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research & Research Analyst*

And as you think about what kind of build capacity you're building into this, what kind of annual growth in consumption are you assuming?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Our growth-- consumption grows about 25% a year, and that's what we use for our projections going on out. But right now, we have a lot of excess capacity. And we figure that today's network, we could handle 3x as many jets as we have on aircraft, I should say, as we have on the network now for several years out, including that growth. So we are not constrained in terms of our network in terms of the number of aircraft we can handle. And with 5G, of course, we'll be able to significantly improve the speeds we deliver to them to those aircraft.

Operator

Our next question comes from the line of Phil Cusick from JPMorgan.

Unidentified Analyst

This is me (inaudible) for Phil Cusick. First off, what is Gogo hearing about SmartSky from its sales channels and installed partners? And second, with the 5G build obstacles you might, there be to that second half of 2022 essentially? And could you go into why the $5 million of CapEx was shifted from 2021 to 2022?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Yes. I'll start with the SmartSky and I'll turn it over to Barry for the 5G. The dealers and MROs started this topic SmartSky seriously a long time ago because they missed so many dates that they promised in terms of delivering network that it's just not worth taking them seriously. So that's number one.

Number two, the dealers do not like the antenna, and they nickname it canoe, because it's so big. Now there's this benefits in a large antenna, which is you get more power out of it and better signal. But the problem is in business aviation, one has to be very careful about how one balances size and power.

The way we've done it is, we've got very large ground-based antenna. So we get the power out of our very large arrays for 5G, and we minimized the size of the antenna on the aircraft. And that's really driven by what the market told us about antennas and what they're willing to put on an aircraft and what they're not. So I think SmartSky got real challenges in the dealer network. I mean the former CEO, SmartSky comes out of Duncan Aviation, so he does know people in the industry, obviously, and they've been trying to form partnerships and they boast of a lot of partnerships. But when we talk to those same people, we don't find much substance there.

Barry L. Rowan - *Gogo Inc. - CFO & Executive VP*

And [Emir] on your question about the $5 million change in the program spend. So it's only on a $5 million CapEx push. It's the overall spend. And the result of that is -- some of that is shifting between OpEx and CapEx, those things get kind of tweaked as you go through the process based on accounting standards and so on. So really what's happening is that we're matching the spend with the program planning as it evolves. So it is shifting into early next year.

So it's really pretty modest changes within the program as we said on the stem side. And as we said, this is not affecting the delivery date, which is still in the second half of next year. So we have continued to modify, continue to refine the program in response to kind of what we're seeing in the market. And it's really about development, but that has to do with flight testing and those kinds of things and just the timing of that.

William G. Davis - *Gogo Inc. - VP of IR*

Operator, let's take one more question, please.

Operator

Our next question comes from the line of Louie DiPalma from William Blair.

Michael Louie DiPalma - *William Blair & Company L.L.C., Research Division - Analyst*

The topic of competition seems to be the overarching driver of the stock price recently. During the quarter, Gulfstream announced that it reached a milestone of 500 Inmarsat aircraft online. Inmarsat seems to be doing well in this business jet WiFi market. ViaSat also announced the win with Flexjet, Satcom Direct appears to be doing well. And all this took place and you were able to achieve robust revenue growth of 70% even with several other vendors doing well. And so my question is, do you think that the business jet market for in-flight WiFi is large enough to support multiple vendors? And do you need to maintain 90% market share or 80% market share to grow in a double-digit range or a high single-digit range.

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Let me jump on that, Louie. So first of all, the Gulfstream announcement by Inmarsat, it's been using -- and we actually have 1,016 Gulfstreams with our equipment on them. So about double in Inmarsat.

The -- we actually kind of cohabitate with Inmarsat. I don't view them as a direct competitor. And you'll find that most jets that are U.S.-based that have Inmarsat system will also have a Gogo system. At that end of the market, redundancy is important, and they also like the quality of the ATG network win over to North America and the fact that it is cheaper than using the satellite product rather over the U.S. So we really cohabitate there.

I'd say ViaSat is kind of lost right now. I mean they don't have a global product yet. They presumably will when ViaSat-3 gets launched, and then they will compete with Inmarsat. I mean they have, what I'll call sort of the super regional product is with their ViaSat-2 product. And it's -- it can come down on market a little bit from where Inmarsat is into the super mids and that's what that FlexJet deal was.

But they really don't compete head-to-head with us. And I think they're sort of trying to, but they don't really have the right product to do. It's a lot easier and cheaper to install us than ViaSat. And frankly, the service from L5 is comparable to what ViaSat is delivering. So people don't have a real incentive to -- they're certainly not going to switch, and it's only on a new aircraft or where we would compete head-to-head.

Satcom Direct is really a reseller of other satellite companies products. So -- They're very good service organizations, and we have a lot of respect for them. But again, they're sort of at the high end of the market. And again, we would cohabitate sometimes with satellite direct installs. So again, it's kind of the same story for Inmarsat, if you will. So that's the competitive environment. The SmartSky launches, obviously, they will be a competitor. I think I talked a fair amount in script about some of the issues I think they're going to face. Did you have any other more -- did that cover what you wanted to cover, Louie? Or do you have some other questions?

Michael Louie DiPalma - *William Blair & Company L.L.C., Research Division - Analyst*

Like related to what Lance was asking in terms of almost what percentage of new aircraft that come online are equipped from Gogo? And right now, that number is probably very high. But if in the future for new aircraft if instead of having a 90% market share of new aircraft, if you have a 60% market share of new aircraft that come online, is that enough to continue supporting a 10% revenue growth?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

So first of all, we don't have -- nearly 90% of all the aircraft that come out of the OEMs because almost a very high percentage go overseas and they wouldn't put Gogo on them, I think 30%, 40% go overseas. So they're not going to have Gogo. And then, anyhow -- there are different ways line-fit works. I mean, sometimes you're an option, sometimes you're standard. On the large -- on the very large heavy jets, we're not -- we're going to be an option. We're not going to be standard. And then on the light and medium-sized jets, where we will typically more often be the standard offering.

So -- but Inmarsat, JX is going to be the standard offering on the large Gulfstream, for instance, not us. So today, we -- that's why I say our fair share, I don't know exactly the numbers, it kind of varies, but we get maybe 40-ish percent of the planes coming off the line in total, something like that would have our systems installed. So we actually have room to grow there. We're -- I'm not that worried about it shrinking.

The other part of your question, sorry. Let me ask this. The other part of your question -- you need a 90% market share generally to continue growing at 10%. And the answer there is, no. The math is obvious because there's so much unpenetrated room in the market for us to grow that others can come in and grow as well, and we could still easily maintain our 10% growth rate.

Remember, the end of our 5-year planning model, which we shared on our year-end call, we projected a 10%-plus growth rate through the 5-year plan. But at the end of that planning period, more than 50% of the jets in the world still didn't have connectivity. So there's still a lot of market left to get.

Michael Louie DiPalma - *William Blair & Company L.L.C., Research Division - Analyst*

Right. And I think that last comment you said is, like particularly relevant, and that's what answers my question is because during the quarter, I think ViaSat announced that win with FlexJet and your stock went down by 10% when it seems that ViaSat able to win like several aircraft in the quarter and Inmarsat and others can win aircraft, but that didn't impact you because the market seems to be very underpenetrated. And that's basically what I'm asking, if you think these other vendors are able to still win?

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Yes. I mean, Louie, in that case, those FlexJet plans were not in our addressable market because they fly to Europe. That was the whole reason they use ViaSat. That's an edge case where ViaSat has an advantage. So those had to go to Inmarsat or ViaSat basically. And so really not a loss on our part and not -- wasn't business we were competing for.

William G. Davis - *Gogo Inc. - VP of IR*

Okay. That was our last question. This concludes our call. Thank you for joining our second quarter call. Operator, you can end the conference, please.

Barry L. Rowan - *Gogo Inc. - CFO & Executive VP*

Thank you, everybody.

Oakleigh Thorne - *Gogo Inc. - Chairman, President & CEO*

Thanks, all. Appreciate it.

Operator

This concludes today's conference call. Thank you all for participating. You may now disconnect. Have a great day.
