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GOGO.OQ - Q4 2024 Gogo Inc Earnings Call

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## PRESENTATION

### Operator

Good day and thank you for standing by. Welcome to Q4 2024 Gogo Inc earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Will Davis, Head of Investor Relations. Please go ahead.

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### Will Davis - Gogo Inc - Head of Investor Relation

Thank you, operator, and good morning, everyone. Welcome to Gogo's fourth quarter of 2024 earnings conference call. Joining me today to talk about our results are Oakleigh Thorne, Executive Chairman of Gogo; Chris Moore, CEO; and Zach Cotner, 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 in 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 a more fully detailed under risk factors in our annual report on 10-K and 10-Q and other documents that we have filed with the SEC. In addition, please note that the date of this conference call is March 14, 2025. 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 have 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.

This call is being broadcast on the internet and available on the investor relations website at [ir.gogoair.com](http://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 - Executive Chairman

Thanks, Will, and good morning, everyone. Let me start by extending a highly enthusiastic welcome to Chris and Zach. As many of you will remember, 7 years ago I came in from the Gogo Board to serve as CEO on an emergency basis, and ever since then we've been looking for the right successor.

we found that person in Chris. As our industry becomes more competitive and more centered in the fast changing world of satellite technology, Chris's deep sat com and aviation knowledge and his strong leadership skills are exactly what Gogo needs at this point in its value creation journey.

So with that, I'd like to set a little historical context for where we are in that journey and set the stage for how combining with Satcom helps drive that journey. Then I'll send it over to Chris to review our Q4 and 2024 business progress. To give an overview of our business strategy to provide some insight on our Mil/Gov business and to update everyone on our progress against our strategic initiatives. Then Zach will do the numbers. And finally we'll move to our usual Q&A.

I would like to start by reminding people that we operate in a market with lots of room to grow. In a world where demand for connectivity is surging due to video conferencing and cloud-based applications, only 36% of the world's business jets boast broadband in-flight connectivity. Only 22% if you include turboprops.

And if you look outside the United States, there are 5,000 mid and small jets and 7,000 turboprops that literally have no access to an in-flight broadband solution today. Meanwhile, data usage per hour continues to surge on Gogo planes continued in Q4, they grew 16% over prior year and on that on planes it grew 18% over prior year.

Demand for flight also continues to grow, with fractional fleets growing their fleets dramatically and OEMs generally showing book to build ratios over 1 to1. This is supported by Wing X data which shows that the post-covid surge in flight demand persists, with global flight departures up 33% in February 25 versus February 2019.

As for Gogo and Satcom Direct in 2024, both had solid years. Gogo's stand-alone met or beat guidance on all financial metrics. Satcom's GEO AOL grew substantially and Gogo ATG AOL rebounded in the most recent quarter.

I'm also excited to announce despite a short delay due to a last minute change in FAA testing, we've received PMA for the Galileo HDX Low Earth Orbit antenna and are now shipping product to dealers to kick off work on their aircraft specific STCs. We expect those STCs to start rolling out in Q3 and continue rolling out in the next year, which will drive a pickup in equipment revenue starting in late Q3 and service revenue in Q1 2026.

Chris and Zach will provide more details on these developments in their comments, but to summarize, this PMA delay plus a small slip in Gogo 5G, puts a hole in our 2025 plans and leads us to provide pretty flat revenue and EBITDA guidance for this year.

Despite that bad news, this is a watershed moment for Gogo in the beginning of our climb back to strong, sustainable, free cash flow growth. HDX's PMA is the first deliverable from a massive three year Gogo investment program, extending our advanced platform into new satellite technologies and building a new 5G ATG network in order to dramatically improve the quality of our connectivity services and remain competitive in a fast changing telecom ecosystem.

Two, grow our addressable market 60% by delivering products that are relevant outside the United States, and three, extend recurring revenue customer lifetimes by aggressively driving penetration of our easily upgradable network agnostic advanced platform. This last point is critically important. And Chris will discuss it in more detail later.

But our goal is to win real estate on as many aircraft as possible with our easily upgradable advanced hardware and software platform, so that as technology evolves, our customers can upgrade with easy hardware swaps and software upgrades instead of the delays and costs associated with removing our products and replacing them with competitive products.

To ensure that we win as much of that real estate as possible. We run a major marketing program dubbed Galileo Catalyst to ensure customers are aware that we're the only viable LEO alternative to Starlink. That program was highly successful, and Chris will talk about how that has driven high demand for our Galileo products. However, it will impact our free cash flow to the tune of about \$25 million later this year.

We expect several more deliverables from our multi-year investment program that should also accelerate our revenue growth, including the delivery of our Galileo HDX Leo terminal and the completion of our 5G ATG product later this year and the LTE upgrade of our classic ATG network next year.

Our combination Satcom Direct not only brings critically important satellite expertise into Gogo but also accelerates achieving the goals I just enumerated. Their international business aviation and Mil/Gov sales forces are primed to sell Gogo Galileo globally.

And their high-end business aviation and their Mil/Gov customer bases are particularly interested in the high capacity, redundancy, and geographic coverage that can be achieved with combined Geo/Leo solutions. Although we'll provide formal long-term guidance later, we believe 2026 is setting up to be a significant free cash flow inflection point for Gogo.

In 2026, we should start seeing higher margin service revenue from our Galileo and 5G investments, growth in our Mil/Gov business, and we should see a roughly \$60 million reduction in program investments as we one complete the major product initiatives I've just described.

Two, reduce marketing and promotional expenses associated with the Galileo capitalist program. Three finish the investments required to achieve integration synergies. And four, achieve the full annual run rate benefits of synergies we've already achieved or planned to achieve later this year.

On the synergy front, Chris and the team have done an amazing job. And as Zach will describe in more detail, we now expect to achieve run rate synergies at the high end of the \$25 to \$30 million dollar range which we shared at closing. We also expect to cover much of the one-time costs to achieve those synergies with the sale of Satcom's headquarters building in Melbourne, Florida.

And finally, at 2026 free cash flow will benefit from the FCC receiving full funding for the rip and replace program late last year, which Zach will discuss in more detail in a moment. Full funding of that program, which helps us accelerate transition from our old EVDO network to LTE technology and remove Chinese telco equipment will also allow us to create better incentives for our old classic customers to convert to equipment compatible with the new network, further extending customer lifetimes.

Besides growth and financial benefits, the Gogo-Satcom combination has big strategic benefits. With the launch of Galileo, Gogo is uniquely positioned as the only competitor to Starlink with a Leo solution specifically designed for the VA market, providing us with a significant competitive edge against our traditional competition.

And because of our multi-bearer capabilities, which Starlink does not have, we're well positioned to provide multi-orbit, multi-band solutions that provide superior capacity, redundancy, and coverage to what any competitor on their own can provide.

Finally, we believe that network technology will continue to evolve rapidly and that partnering with new partners will be critical. By virtue of our scale within the vertical and our easily upgradable real estate on the aircraft, we believe we will be the partner of choice for new network and technology suppliers as they come to market.

Now, let me turn it over to Chris who will go over the quarter, discuss our product strategy, provide insight on our new Mil/Gov business, and provide an update on our strategic initiatives.

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

Thanks, Oak and good morning. I'm happy to join you today as CEO of Gogo. I spent the last two decades in the Global Telecoms and IT Business space, joining Satcom Direct in late 2012. In the years since, we have successfully expanded our global footprint to provide premium satellite connectivity solutions to aircraft across the global business aviation and military government sectors.

Joining forces with Gogo is an incredibly exciting opportunity. Like so many in the industry, I have long admired the Gogo team, and I am honored to lead it. As Oak noted, the synergy between the two companies is already evident, and I look forward to all we can achieve together for the benefit of our customers, partners, shareholders, and team.

Let's review our Q4 performance, which reflects the fundamental strengths of our business driven by our strong market position as the only multi-orbit connectivity company in aviation along with durable demand trends. On a stand-alone basis, Gogo met or exceeded its 2024 guidance on all metrics, excluding transaction expenses, and SD continued to show growth as demand for [GEO's] remains across the global business aviation and military government mobility markets. Zack will provide more detailed insights into our financial performance shortly, but I want to highlight some key areas of growth and success.

Oak shared the news of receiving PMA, but there is other big news on the Galileo front as well. We have added another OEM selecting Galileo HDX as a live fit option for a major small mid-air frame, which we will announce later this year. This brings Galileo availability for customers ordering new aircraft on four major OEMs in business aviation.

We also received the first EASA STC with Airbus on their A319 platform. In a few minutes when I get into our strategic initiatives, I'll provide more detail on HDX STCs and performance, all of which is positive news. For now, let me jump into how our products fared in Q4 and calendar 2024.

Our GA product line has shown impressive growth, particularly in terms of aircraft online, which grew to 1,249, an increase of 65 compared to the prior quarter. As a reminder, over 74% of our Geo contracts are more than one year. This demonstrates the power of the OEM line fit as many of these systems are installed at the factory.

It also shows the proclivity of many buyers to take both Leo and Geo offerings in order to get the capacity, redundancy, and global coverage that neither Leo or Geo can provide a loan. At the premium end of the business aviation sector, demand for more capacity is surging due to the prevalence of cloud data storage, integration of aircraft cabin networks, and video conferencing.

Demand for redundancy is also surging as busy executives want to get more work done while in the air and not suffer interruptions. And finally, coverage is critical because neither Leo or Geo are truly global. For instance, no Leo provider can provide service today over India or China, but Geo can.

And only Gogo can meet that demand with a single integrated global solution with the ability to prioritize data traffic dependent on application and location. ATG product line we achieved record upgrades from our classic to advanced platform in the fourth quarter, which are critical for the success of our LTE program and drive easily upgradable real estate on aircraft.

Additionally, we saw record [AU] at 35,000, representing a 3.4% growth compared to prior year. Furthermore, we shipped 906 advanced units in 2024, our second highest ever and up from 894 in 2023. Gogo's strategy remains focused on solidifying our position as a trusted provider in the aviation connectivity market.

This involves delivering unique multi-band and multi-orbit capability, which is particularly important for high-end users who demand redundancy, choice, and are willing to invest in maximum global capacity. Gogo's approach to multi-network open architecture platforms ensures broad mission coverage across both business aviation and military government sectors by offering dual dissimilar options such as combining air to ground with Satcom or Leo with Geo.

The flexibility that is core to our future-proofed antenna design strategy hinges on supporting multiple bearers with network agnostic modular terminals and extends across our product line, including our HDX and FDX Galileo antennas.

As a result, with our expanding fleet, Gogo has control over the most vital real estate on the aircraft and hardware and software that can utilize multiple bands, operators, and orbits. With the upcoming launch of multiple [KA] LEO networks, Gogo can leverage our terminal and network architecture so that we remain agnostic for our customers, enabling the latest developments from the satellite operator operators on any aircraft type.

Beyond our own ATG network over time, we will pursue revenue sharing agreements directly with operators to access new bands in orbits where we control retail pricing, ensuring we maintain a strong market position and deliver value to our stakeholders.

Our ongoing strategic initiatives are directly in support of this long term strategy. I'll provide some updates now on our key projects Galileo, our Leo solution, Gogo 5G, our NextGen ATG solution, and the FCC program that is providing upgrading, our EVDO network and creating a larger base of advanced customers.

I'll also provide some color on the opportunity in the Mil/Gov vertical, starting with Gogo Galileo. As a reminder, Galileo comes in two versions a smaller HDX terminal and a larger FDX terminal. The Galileo HDX terminal is our first to market all aircraft product designed to fit on any size of aircraft and will deliver peak speeds approaching 60 megabits per second, which is 12times to 60 times Gogo's current 80G product offerings. The great news is that we have aircraft on the OneWeb network.

Today, consistently getting speeds in the 50 to 60 megabits range, even better news is that we expect a software upgrade in Q2 that will increase that throughput by 20% to 30%. HDX is ideal for the 12,000 mid-sized and smaller aircraft which fly out outside of North America and have no broadband solution today. An aircraft among the 11,000 mid-sized and smaller aircraft registered inside North America that often fly regionally outside of [Konos] or want faster mean speeds than 5G can provide alone.

Our Galileo FDX terminal is a best in class product specifically designed for larger jets and will deliver consistent speeds approaching 200 megabits per second. It is ideal for the 9,700 super mid and larger jets that undergo long range intercontinental missions or long-range missions within North America. The FDX antenna is on schedule to launch in the second half of this year, with several OEMs already awarding us line for approval for the FDX on all models of their aircraft.

Despite a late change in FAA testing requirements in December, which caused a slight delay in obtaining PMA approval for the HDX terminal, we have just commenced shipping the HDX product to dealers to start their STC project. We've already shipped 14 HDX units this week, with many more to be shipped soon.

On top of that, we added three more STC deals to the 27 we had last quarter and now cover more than 20,000 aircraft globally. We also have Tech Strong cutting the HDX into line bit on the longitude in 2025 with other models to follow.

Now let me turn our attention to the 5G ATG network which we are designing for large segments of roughly 20,000 mid-sized and smaller business jets and turboprop aircraft. That fly predominantly in North America and want an excellent connectivity experience at more affordable price than satellite solutions.

We're pleased to share that the 5G chip is in fabrication, which is scheduled for completion in May. Gogo continues to work very closely with our vendors, partners to ensure a smooth process from fabrication through launch. The market still continues to respond enthusiastically to the 5G value proposition.

By the end of the fourth quarter, we ship 404 pre-provision kits, an increase from 342 at the end of the last quarter. Out of those 2,33 kits have already been. Installed and are operational on our network with an L 5 [LIU].

These kits include the 5G MB13 antennas and an LX 5 box which we can be easily swapped with the 5G LX 5 once we receive the chip. We have 25 completed STCs, end of Q4 2024, up from 21 in Q3. We look forward to bringing this product to market later this year, which will serve a core part of the Gogo customer base and extend the life of our very profitable ATG product line.

Now turning briefly to the FCC securing Network program, what we call Gogo Evolution. Gogo was awarded 334 million grants from the FCC under the program to incentives to accelerate the removal of Chinese telecom technology from our EVDO ground network. In December, Congress passed the National Defense Authorization Act funding bill which fully funded this program.

This means that the previously anticipated shortfall of \$50 million to \$60 million has now been covered and Gogo will be reimbursed for all reimbursable expenses. We now expect that only to be \$10 million to \$15 million of our expenses associated with the program will be non-reimbursable.

As Oak pointed out, this fully funding strengthens our 2026 free cash flow projections from prior expectations and enables us to enhance incentives for customers to convert from classic to advanced or C1 ahead of our 2026 cutover.

The upgrading of customers' hardware alongside our network investments enables us to deliver a stronger product for a larger portion of our fleet, and given the ease of upgrades within our advanced system, positions us for even stickier customer relationships over longer lifetimes with systems that are futureproofed for future advancements in technology.

We are all so pleased to announce that the Gogo C1 line replacement unit has received supplemental type certification which will enable us to quickly connect classic customers to LTE. The certification covers 70% of North America's 2,500 Gogo legacy air to ground customer aircraft.

In the mil/gov vertical, we see tremendous opportunity for Gogo solutions to be integrated with SD's Geo offerings. Our current revenue mix in this segment includes a significant portion of legacy narrowband services, which are expected to decline gradually over the next several years. However, the real growth will come from the transition of mil/gov to broadband solutions.

Today, almost all mil/gov mobility aircraft still rely heavily on voiceover radio and narrowband for communications, which is limited in bandwidth. There is a significant effort underway to upgrade to new broadband satellite technologies. For example, under the proliferated Low Earth Orbit program PLEO, which Gogo is a supplier, the Department of Defense recently increased its projected spending on Leo's satellite services from 900 million over the next 10 years to 13 billion in the same period.

And the US Air Force 25 by 25 program aims to equip 25% of its 1,100-mobility aircraft with satellite communications by the end of 2025. This still leaves 75% of the fleet without satellite connectivity which the Air Force believes must be addressed, presenting a substantial opportunity for growth for Gogo.

Gogo's LEO product will be an excellent complement to our GEO products in this market due to the DOD's pace protocol, which requires military programs to have primary, alternate, contingent and emergency systems. While there's been some delays in awards as this new administration settles in and reviews programs, the general trend towards better communication systems for the aircraft aligns with the administration's broader goal of modernizing the military.

Gogo's LEO product will be an excellent complement to Gogo's GEO products in this market space. And with these initiatives in place, the mil/gov segment is very promising for Gogo's long-term outlook and adds significant diversification to our portfolio.

In conclusion, Gogo has a lot of work behind us that has positioned us uniquely well to capitalize on the opportunity of a new area era in in-flight connectivity. Though the delay in our HDX PMA will hurt us financially this year, we expect strong profitable revenue growth next year in both mil/gov and business aviation as HDX, FDX, and 5G begin to drive service revenue, offsetting flattish GEO revenue and modest declines in older Gogo ATG products and narrow band satellite products.

We expect that gross profit combined with a reduction in our net program spend reduced Galileo Catalyst marketing spend, four year synergy benefits, reduced synergy investments, and full federal funding of the SEC rip and replace program will help us drive EBITDA and cash flow growth in 2026.

And now I will turn to Zach for the numbers.

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

Thanks, Chris, and good morning everyone. I'm excited to be leading the finance organization for the newly combined company and I'm pleased to share our financial performance and strategic business. By way of a quick background, I joined Satcom Direct as CFO in 2018 and previously held roles in private equity, investment banking, as well as an international aerospace and defense business.

I'm looking forward to continue my journey with Gogo as it's a business my colleagues and I have long admired. To the closing of our transaction in the early months of our integration, the power of our combined organization is already apparent. In partnership with Oak and Chris, we're working to build a strong foundation with a focus on synergy extraction, operational execution, as well as EBITDA free cash flow discipline.

I look forward to engaging with all of you in the investment community and sharing our progress today in the coming quarters. Before we get into the details, I want to clarify a few items related to our results. First, the Q4 and full year 2024 results include the impact of the Satcom Direct acquisition, which closed on December 3, 2024. Therefore, our results include about a month of Satcom Direct results and in the case of our GAAP results, about \$60 million transaction-related payments incurred across both companies that impacted our free cash flow.

Given the timing of the closing, our results reflect limited run rate synergies that we have achieved so far and expect to realize in 2025 and beyond. Second, the combined business demonstrated strong performance across The Board in the fourth quarter. Stand-alone Gogo only revenue was in line with 2024 guidance and standalone Gogo only cash flow and profitability metrics, excluding transaction expenses exceeded standalone Gogo's 2024 guidance.

And finally, our 2024 guidance reflects the Galileo HTX terminal launch in Q1, worth revenue convincing in late Q3, and minimal 5G revenue starting in Q4. We also expect our free cash flow to improve in 2026 with the bulk of our strategic investments tied to these products coming to completion in 2025.

I'll start by walking through Gogo's fourth quarter financial performance, which includes about one month of financial contributions from Satcom Direct. Then I'll turn to the balance sheet and capital allocation priorities, and finally I'll conclude with additional context on our 2025 guidance.

For the fourth quarter, Gogo's total revenue was \$137.8 million, up 41% year over year and 37% sequentially. Total service revenue of \$119 million was up 47% over the prior year and 45% compared to the prior quarter. Growth in service revenue primarily reflects the addition of Satcom Direct. It is also worth noting that both ATG and GO units online grew sequentially in the fourth quarter.

Our total ATG aircraft online was 7,059 with 43 incremental units added in Q4, while total advanced aircraft online grew to 4,608, an increase of 16% year over year and now comprises 65% of our total ATG fleet. We achieved record advanced upgrades in the fourth quarter, reflecting our progress in driving penetration from classic to advanced within our existing ATG fleet.

Converting our classic customers to advanced remains a top priority. These upgrades helped the sequential net increases in advance to 229 aircraft online in the fourth quarter, which represented a 40% increase versus the prior quarter.

Total ATG ARPU also grew to a record \$3500 a 3% year over year increase reflecting in price increase we initiated in February 2024. The launches of Galileo and 5G are anticipated to further expand ARPU, as will the GEO service revenue we've acquired from Satcom Direct.

Now turning to the equipment revenue. Gogo delivered fourth quarter equipment revenue of \$19 million, up 12% year over year and 2% sequentially, largely due to the December results from SD. Regarding our profitability, Gogo delivered service margins of 64% in the fourth quarter compared to 77% in the previous quarter as a result of including SD's results for one month.

Stand-alone Gogo service margins were flat excluding SD results. Equipment margins were 6% in the fourth quarter, driven by a combination of higher ENO reserves and certain inventory write-offs. As a reminder, we expect Galileo pricing to be close to cost.

Now turning to operating expenses. In the fourth quarter, combined engineering, design, and development, sales and marketing, and G&A expenses increased 161% year over year, increased 111% sequentially, reaching \$91.3 million.

The year over year increase was mainly driven by \$46.5 million of transaction-related expenses which are excluded from adjusted EBITDA. I will now provide some additional commentary on our strategic initiatives around 5G, Galileo, and the FCC reimbursement program.

In the fourth quarter, our \$3.6 million of 5G spending was comprised of \$2.2 million in OpEx and \$1.4 million in CapEx. 2024 ended with approximately \$4 million of 5G OpEx and \$7 million in CapEx, with total 5G spend for 2024 at \$11 million. We maintain our estimate of \$100 million in total external development and deployment costs for a 5G program leading up to the anticipated launch later this year.

As we turn to our Galileo initiative, we recorded \$2.1 million in OpEx and \$1.4 million in CapEx in the fourth quarter. Our total 2024 expense for the project was approximately \$10 million in OpEx and approximately \$4 million in CapEx.

We continue to expect total external development costs for both HDX and FDx solutions to be less than \$50 million of which \$27 million was incurred from 2022 to 2024, and approximately \$12 million is expected in 2025 with the remainder in 2026.

We also anticipate approximately 80% of Galileo's external development costs will be in OpEx. And finally, our FCC reimbursement program. We were pleased to see the recent passage of the National Defense Authorization Act. This passage is anticipated to provide increased funding for our FCC program to support the upgrade of our ATG network to LTE and provide incentives to upgrade our classic fleet to advance.

This bill increased our expected program cash reimbursements by approximately \$50 million and reduced our total expected net cash outlays over the course of the program to approximately \$10 million. This program is a major driver for our expectations of free cash flow improvement in 2026. As a reminder, our free cash flow targets now include the impact of the FCC program.

In the fourth quarter, we received \$10.8 million in FCC grant funding, bringing our program to date total to \$41 million. As of December 31, 2024, we recorded a \$9 million receivable from the FCC and incurred \$6.9 million reimbursement spend during the quarter.

This receivable is included in pre-paid expenses and other current assets on our balance sheet with corresponding reductions to property and equipment, inventory, and contract assets with the pickup in the income statement.

And moving to our bottom line, Gogo generated \$34 million and adjusted EBITDA in the fourth quarter, which includes approximately \$2.1 million of operating expenses related to Galileo, \$2.2 million costs related to 5G, and excludes \$46.8 million of expenses related to the SD acquisition.

A significant portion of these acquisition expenses were related to contracted change of control payments for SD employees and were funded from the seller's proceeds. The \$34 million of adjusted EBITDA is a decrease of 3% compared to Q4, 2023 and 2% on a sequential basis.

Despite the addition of SD results in December, we took approximately \$8 million of non-cash impairments and write-offs that accounted for the majority of the decrease in EBITDA. In addition, we incurred a net loss of \$28.2 million compared to a net income of \$14.2 million in Q4, 2023 and \$10.6 million in Q3, 2024. The net loss includes \$46.8 million expenses related to the SD acquisition.

I will now provide some color on our synergy progress. Driving synergies following the close of the act solution was and continues to be a top priority for our management team. We achieved \$18 million of run rate synergy at close and expect another \$9 million before the end of the first quarter of 2025.

Within 2 years, we now expect run rate synergies to exceed our targeted range of \$25 million to \$30 million and believe the cost to achieve these synergies will be at the low end of our previously expected range of \$15 million to \$20 million.

We plan to fund these costs with proceeds from the sale of the SD headquarters building in Melbourne, Florida. And now moving to some free cash flow metrics. We reported negative \$39.6 million of free cash flow for the quarter and \$41.9 million of free cash flow for the full year.

Those reported figures reflect the full \$60 million in transaction-related payments. It's important to note that \$13.2 million of these payments did not hit Gogo's P&L as they were incurred by SD prior to close and funded from the seller's proceeds.

As I mentioned, we expect 2025 to be a trough of our free cash flow as we benefit from the ramp of new products and the rolling off of related investments. We believe that the sustained free cash flow growth minus expected future earn out payments is key to driving shareholder value and will help to support the return of cash to shareholders over time.

Before I turn to the balance sheet, I'll remind you that stand-alone Gogo only cash flow and profitability metrics excluding SD and transaction expenses exceeded standalone Gogo's 2024 guidance. Now it's turn to discussion of our balance sheet which reflects our use of \$150 million in cash to fund our acquisition of SD as well as our new \$250 million dollar term loan.

As we shared a closing, the interest rate on Gogo's incremental debt so for 6%, and our annual cash interest expense will increase by an estimated 25% to \$27 million due to the additional financing. Gogo's net leverage ratio at year end was 3.6 times, which was better than our original expectation of four times. The improvement was largely due to increased operating cash flow and stronger adjusted EBITDA Gogo into the fourth quarter with \$41.8 million in cash and short term investments and \$850.8 million in outstanding principal on our two term loans.

With our \$122 million revolver remaining undrawn, we expect to be back within our target range of 2.5 times to 3 times in the next 12 to 24 months. Our cash interest paid for the fourth quarter net of hedge cash flow was \$9.5 million.

As we mentioned in prior quarters, we have a hedge agreement in place, and at the end of July, the hedge stepped down to \$350 million with the strike rate increasing from 75 basis points to 125 basis points, resulting in 41% of the loans currently hedged.

The cash interest paid for 2024 net of hedge cash flow was approximately \$33 million. As the new Gogo, our capital allocation priorities remain consistent with prior quarters. We are focused on executing across the following four priorities in order.

First, maintaining adequate liquidity. Second, continuing to invest in our strategic opportunities to drive competitive positioning and financial value primarily through Galileo and 5G. Third, maintaining an appropriate level of leverage for the economic environment with a target net leverage ratio of 2.5 times to 3.5 times, and finally returning capital to shareholders.

In fiscal 2024, we execute across all these priorities. We repurchased approximately \$4 million of shares at a total cost of \$33.2 million including about \$2.4 million buybacks in the fourth quarter. Gogo has approximately \$12 million remaining of the \$50 million repurchased authorization our board approved in September 2023.

Looking ahead, we have committed that we will not pursue any further share repurchases until our net leverage ratio returns to our target range. We believe our expected free cash flow growth over the next few years will provide ample excess cash to pay down debt, reduce our interest expense, and ultimately return capital to shareholders. Now I'll turn to the guidance we announced this morning.

For 2025, we expect total revenue in the range of \$870 million to \$910 million reflecting our HDX launch in Q1 and 5G generating modest revenue in Q4. Adjusted EBITDA even on the range of \$200 million to \$220 million reflecting operating expenses of approximately \$25 million for strategic and operational initiatives, including 5G in Galileo.

And free cash flow in the range of \$60 million to \$90 million. We expect 2025 to be a trough of our free cash flow reaching an inflection point in 2026. Our combined Gogo SD business expands and accelerates our growth platform by leveraging SD's strong sales and service organization outside North America and their position in the mil/gov market. And finally, we expect capital expenditures of approximately \$60 million containing \$45 million for strategic initiatives, including 5G, Galileo and LTE network build out.

The CapEx guidance excludes \$20 million of reimbursement from the FCC. Directionally, we are seeing our first quarter of 2025 play out in align with our outlook, particularly on the free cash flow front. We're still working on our long term model, but in the interim, we remind you that preliminary targets for the combined company assumed 10% long term revenue growth and adjusted EBITDA margins in the mid-20s.

In summary, Gogo's performance in the fourth quarter and throughout the year demonstrates our dedication to strategic investments and prudent financial management. During this critical phase of our product lifecycle, we're concentrating on investments that will drive long-term growth and value, particularly through our key initiatives of Galileo and 5G.

The acquisition of Satcom Direct has already positively impacted our business, and we are confident in our market position and long-term value creation strategies. Before we open the floor for questions, I want to express my gratitude to the entire Gogo team for their hard work, commitment to our business, and dedication to providing exceptional service to our customers. Operator, this concludes our prepared remarks and we're now ready to take our first question.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Ric Prentiss, Raymond James, and Associates.

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### Ric Prentiss - Raymond James - Analyst

Thanks, good morning, everybody. How you doing?

Good. Welcome, Chris and Zach. Good to chat with you guys. Want to start, Chris since this is your first call out there, you touched on some of it, but clearly, the elephant in the room is the competitive landscape. Walk us through kind of how you see the competitive landscape playing out and Gogo's position in particular.

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

Yeah, well, first of all, it's nice to speak to you, Ric. So yeah, when I look at it, I think we're in a really strong position and I think that really goes to the remarks we've made around multi-orbit capability. When I look at business aviation customers in particular, especially the high-end ones with mid to long range aircraft, the fact that those aircraft fly globally, and they fly into areas in the world that currently don't have LEO connectivity.

Gogo can provide not only LEO but also GEO connectivity. For instance, we obviously do flight deck communications as well, and there were 400 flights last month inside of India that we tracked, and we can provide connectivity for all of those 400 flights with our GEO licensing within country. LEO currently isn't able to have communications within that territory because of regulatory.

So, it's really quite important to kind of clarify that need for multi-orbit with that mid to long range customer base, and it has a really good similarity as well with military governments where they will not fly, they could kind of go to operations anywhere in the world. So, therefore having multi-networks and multi capability is an essential need for not only the DOD but overseas governments within Europe as well.

So, we see the competitive landscape, obviously, with the launch of, Galileo HDX, we're in a prime position to take on competition. We're actually the only competitor, for Starlink, and the difference is we're not just selling one service. We have that multiple capability of selling multiple services to customers. So, we actually believe that's really going to set us apart and then also we have multiple opportunities for different revenue streams coming off the aircraft as well. Is that answer your question?

**Ric Prentiss** - *Raymond James - Analyst*

It does. And one of the things we've been hearing, certainly in the last couple of months and certainly in the last couple of weeks has been, seems to be an international brewing pushback against Starlink. Any thoughts on what you're hearing out there in the global space?

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

Yeah, I think it's kind of an interesting time at the moment for people. I think we're going to see more of a push towards kind of like how sovereign-based communication networks work and, that need for differentiating services that I mentioned before between LEO and GEO, I think that's going to play really well for Gogo and the fact that we're regulatory compliant globally and we have differentiation of service.

I think that's going to be really attractive to a lot of sovereign nations who are currently looking at mission critical infrastructure and also high net worth individuals as well. So, I actually think kind of the opportunity for us is really great. So, I'm really excited about the launch of HDX and to follow FDX. I think it's a really great time for our business.

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**Oakleigh Thorne** - *Gogo Inc - Executive Chairman*

I would just add one thing, Chris, which is the whole notion of being upgradable to new technologies. If you buy Starlink, you're stuck with Starlink, and today they serve their customers of the KU network for instance KA networks are going to come along. They're going to be much faster.

They're not going to want to upgrade customers and customers are starting to get that that they're kind of going to be trapped in the Starlink ecosystem if they don't, go with us and into something that's highly flexible and upgradable. The other big thing, of course, Chris also is support and Satcom Direct's famous for its levels of customer support, and that's something that people really value.

You spend \$80 million on a jet; the last thing you want is not to be able to get somebody to answer the phone if you have an issue. So, both Gogo and Starlink are very good at that. And as a result of a very loyal customer bases and so, that's another big difference.

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

Yeah. I think the big differentiation to any competitor is if something goes wrong in an aircraft, we can get somebody in under 24 hours to that airplane anywhere in the world.

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**Ric Prentiss** - *Raymond James - Analyst*

Great. That's good. And then, one for Zach, nice to meet you as well. Clearly, a lot of work going on. You mentioned that you're still working on the long-term modeling. What should we think? What is it exactly that you need? When should we expect some more long-term, financial targets to be restored out there?

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

Yeah, so we're kind of trying to decide if we're going to do it on the Q1 call and or have like an investor day because there's a lot of moving pieces with this. We'll have it wrapped up in the next four to six weeks and we're just trying to figure out the best way to disseminate that information.

Obviously, there's a lot of moving pieces with kind of the GEO market, the mill Gogo's new to the combined business and there's a lot of variables that we want people to understand. So, we'll keep you guys abreast of the plan, but it's all forthcoming.

**Ric Prentiss** - *Raymond James - Analyst*

Be great. And the last one for me is a lot of buzz on directed device, right? So, satellite connectivity to the smartphones, a lot of different satellite companies playing in the space, carriers playing in the space. People get asked the question,

then, why couldn't people just use their smartphone in a plane if they're truly able to get not just emergency connectivity, but some of the operators and plans for directive device or broadband. So, maybe just a little touch on that. What does directive device mean in the future here?

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

Yeah, I think directed device when we're looking at that with some of the announcements really kind of voice text capability, whereas really what's driving, our mission, if you look at it is true broadband capability within the aircraft. So, therefore things like video conferencing, the ability to be actually on your corporate network, full cybersecurity, it is a lot more advanced.

So, I think kind of if you look at that office in the sky concept also from a military point of view it's about mission critical communications. So, it's really interesting technology, but obviously we've kind of over the years moved away from that kind of voice to text and really, we're a true broadband capable business and driving broadband services across those connections.

So, we see kind of like the video conferencing, high resolution streaming straight to the bulkhead monitors within the aircraft, HD, capable, systems watching over the top, applications like Netflix. That's really kind of the business aviation community and the government then has its own requirements as well.

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**Oakleigh Thorne** - *Gogo Inc - Executive Chairman*

There are direct device through an airplane fuselage as well, which is not.

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

Yeah and I think that's the other bit as well when you're flying at 500 miles an hour it's all. Kind of prospect on that I touched on the service and the quality as well is making sure that you can fly anywhere in the world and you have for these types of customers have a consistent service globally. So, it's interesting but not really in our space.

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**Ric Prentiss** - *Raymond James - Analyst*

Cool, great, thanks so many guys.

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

Thank you. Thank you for your question.

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**Operator**

Simon Flannery, Morgan Stanley.

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**Simon Flannery** - Morgan Stanley - Analyst

Great, thanks very much. Good morning and nice to connect as well best of luck with it. Just following up on Ric's questions, could you talk a little bit more about FDX? Is that like six months behind HDX when do you expect to see service revenues coming from that and what's been the reception from investors and then, Zach, just help us with the Satcom Direct revenue model if you could.

I see \$23.9 million revenues for the stub quarter. I see 1,249 aircraft. You didn't give us an ARPU., presumably there's other stuff in your satellite broadband revenues like mil gov and so forth. So, is ARPU \$10,000 a month? What's the trend in that ARPU? Any color if you have around how we think about that as we, build our models going forward? Thank you.

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

Yeah, thanks Simon. I'll handle the FDX question first. So, we're pretty excited. We've already got FDX antennas at our headquarters in Broomfield, working great. The big thing is making sure that the antennas are airworthy parts. We've learned a lot from the HDX PMA. So, we're very confident we can, launch that product in the summer.

And we'll then start developing STCs, a little bit of probably modest revenue before the end of the year, but that's really kind of we see the revenue on that kind of picking up in kind of Q1 2026. So, super excited about that because that gives us that.

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**Simon Flannery** - Morgan Stanley - Analyst

That's equipment revenue, is it? Yeah.

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

No, service revenue. So, and obviously you need to sell the equipment anyway to get the service, so it'd be a mixture of both. But that gives us then the full portfolio between HDX and FDX.

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**Simon Flannery** - Morgan Stanley - Analyst

Right.

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

Hey, morning, so regarding the revenue, I'll, I get it's a little bit hard to follow because of the stub period and all that, but just to remind folks, it was December 3, right. So, it wasn't a full month, almost a month. The full months are, been trending in the low \$40 million, and that's on a combined basis, right?

And then when you think about that \$40 million, about 20% has been, mil/gov, right, the rest is business aviation, connectivity and piece of the equipment, right, and we're not releasing our pov yet for the GEO product but I will say like, the vast majority of that is our JX product which is which is within Marsat right and that's grown very nicely, over the past few years and we anticipate that to continue to grow modestly this year

but obviously we will see some pressure on the ARPU as well as, the units online just because of natural attrition, but regarding the guidance, we think it's pretty reasonable. We try to be as mathematical and thoughtful about the aggregate degradation and the ARPA. So, that's kind of high level the revenue model that's helpful.

**Simon Flannery** - *Morgan Stanley - Analyst*

That's great and back to Ric's question on competition are you seeing any changes in industry pricing in the last few months here?

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

No, actually, it's not seeing any changes in pricing or additional pressures within the last few months.

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**Simon Flannery** - *Morgan Stanley - Analyst*

Thanks so much.

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

Thank you. Thanks.

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**Operator**

Louie DiPalma, William Blair.

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**Louie DiPalma** - *William Blair & Company - Analyst*

Chris and Zach, good morning and congrats on your new roles and also congrats on closing the monumental merger.

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

Thanks, Louie.

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**Louie DiPalma** - *William Blair & Company - Analyst*

For everyone, in the prepared remarks, you mentioned revenue sharing arrangements with your satellite operators and this seems to be a potentially new economic model. Could revenue sharing arrangements potentially enable you to maintain your margins with multi-orbit offerings such that if you're putting both the one web connectivity and the Inmarsat JX connectivity the same aircraft, can you potentially maintain the same margins? Thanks.

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

Yeah. So, that's a good question though. So, we've moved all kind of our main arrangements are all now with rev shares with the operators, which actually I think mutually beneficial for them and for us, because it's high upper sector, when you look at both business aviation and military.

And then the opportunity with the multi-orbit really is with that there is a level of consistency across those revenue shares. They vary a little bit differently, but that enables us greater flexibility and service pricing and capability for the customer, which we're pretty excited about.

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**Louie DiPalma** - *William Blair & Company - Analyst*

Great, and another one, following up on the competitive environment questions, are the expectations that Satcom Direct will continue to achieve positive net additions for the JX product in 2025, I think you reported strong net additions in the fourth quarter, but should that momentum continue in 2025 as Starlink has also continued to gain traction.

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

Yeah, like we said, we think it will, we're anticipating modest improvement, not the same kind of growth that we've seen in years past, and I think it just a big driver of that to remind folks is, the JX has historically not been Satcom Direct equipment. We've been the service provider, right, and that's line fit, on a lot of aircraft, especially Gulfstream.

So, it's going to keep getting delivered, it's still getting turned on, just not as much, not at the clip it was before because if you think about it if you. If you buy a new jet, typically you're not going to put it down and spend another \$600,000 to \$700,000 to put a different antenna on, and like we said we've seen the ARPU hold up pretty well.

It's honestly held up better in the last 18 months than we've anticipated, and largely that's because the switching cost is a nuisance, right and it and it's been working quite well.

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**Louie DiPalma** - *William Blair & Company - Analyst*

Thanks Zach, that makes sense. And yeah, my question was mostly focused on the service revenue and the net additions just because I don't think investors care as much about the equipment revenue because it's one time and Gulfstream, I think two months ago put out a press release regarding how they're going to promote like Starlink like factory installations. So, I was just wondering, has that impacted your backlog and do you expect like continued positive net ads for [JX], and it seems like you do so.

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

Yeah, and I think to what Zach said is we put it down as like modest, but I think the benefit is with our JX services and also plain simple KU with Intel out services if I just particularly look at goal stream, but the JX services in some instances are type certified into the airframes, on some airframes which makes them particularly sticky.

And then that going back to that multi-orbit position, Louie, if you're buying a G600 or a G700 or a G800, these are global mission aircraft, so having that need for multi-orbit capability. We believe even if the customers are putting on a competitive product, we're still there as well because, also remember we sell the cabin routing environment as well.

So, having that kind of seamless connectivity experience, no matter where they fly globally is really important for those type of customers and I think Goldstream believes in that too.

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**Oakleigh Thorne** - *Gogo Inc - Executive Chairman*

I mean if you're spending \$80 million on a jet. And they say to you, okay, you want Starlink, do you still want the GEO, Starlink doesn't cover China, India, etcetera, has some other blank spots, do you want continuous coverage or not? And most people say, especially corporations, yeah, we do, and so they're going to want it as a backup.

And for those people more capacity is better and the more they can get the better. So, if you look at Sterling giving you 200, but then GEO starting to provide 100 megabits per second more in a year or two, why not add it so yeah.

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**Louie DiPalma** - *William Blair & Company - Analyst*

Excellent, thanks. Thanks, Chris, Zack and Oak.

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

Thanks, Louie.

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**Operator**

Sebastiano Petti, JP Morgan.

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

Hi, welcome Chris and Zach, and oh, it's hard to believe it's been seven years, just maybe some housekeeping questions perhaps. As we're thinking about 5G and fabrication now, are we out of the woods here given some of these slips, that we saw in 2024?

I mean, what is the confidence that, maybe that product is indeed, continues to progress from here has anticipated, I guess maybe how you're thinking about that and maybe the timeline and the next, milestones there and then sec maybe for Zach, the press release also talks about, you're going to exceed the high end of the \$25million to \$30 million range you're going to be at \$27 million exiting the first quarter.

Help us, obviously, we always as south siders would like more information. Help us maybe triangulate, where are you in terms of what other cost initiatives may be coming out of that and how high could those synergies be and just maybe triangulate? Are you just running ahead or is there more just latent opportunity there? And then lastly just on the capital allocation.

In the press release and talk about evaluating a return of capital to shareholders once leverage falls below 3.5, but on the in your prepared remarks, I believe Zach as well, you also did talk about getting to your leverage range I think within the next 12 to 24 months.

So, you can help us try to square those two, even if you do go below 3.5 and you're not necessarily at your leverage range, should the implication there that maybe at that point you would evaluate shareholder returns in some capacity. Thank you.

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**Oakleigh Thorne** - *Gogo Inc - Executive Chairman*

Alright, that's a lot of questions, Sebastiano. So, we'll start with the 5G. There was a bit of a slippage in GCT schedule, but they're still scheduled to come out of fabrication in the second quarter, and I would say that that is the one critical item remaining in terms of getting the 5G product done. I mean, the network's built, all the equipment's frankly already STC and PMA. There are planes flying with the equipment installed today.

That we'll just need a box swap for a box that has a 5G chip instead of a 4G chip. So, we're really pretty well primed to deliver and I think the only risk is around to bring up on the chip. This chip has been looked at so many ways by so many smart companies and people at this point that we feel like the risk of it failing on bringing up is pretty low, but that risk is always obviously still there.

So, you know we can't, I can't tell you that that that risk has gone to zero because it has not. I think the market, especially sort of, light mid-size jets that fly mostly in North America and are relatively more price sensitive than people who go for satellite. It's a big market and a big opportunity for us.

We don't have a lot of competition in that space either, so we're still very, optimistic about the prospects for that product. The next question is the \$60 million net save Zach; you want to jump on that?

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

Yeah, just more the not only the \$60 million net saves but just the synergy run rate already being at the, you, you're already almost at the high end here exiting the first quarter you talked about that being. Yeah, a multi-year thing and just trying to maybe size the savings there that's perhaps in the context of the \$60 million, but.

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

Yeah so. I, I'll start with the synergy, so, obviously these companies were of a similar size, right? And as we all know, naturally there's a lot of labor pieces to this just because of redundancies. So, the positive thing is that the vast majority of 75% have been labor related right? So, these aren't kind of pie in the sky sort of, go get so to speak, Chris and I've only been here for about three months.

So, we haven't been able to get into a lot of the other kind of operational type synergies, like software expenses for one, there's a lot of redundancies on those that we have to go through. In addition, I don't know that you publicly said it, but we're moving manufacturing from Canada down to, Broomfield. So, that should be some incremental savings, but I think the positive thing is, we originally kind of talked about up to 24 months, but the, almost all of these will be executed this year, right?

So, we'll be in a good spot, but and I get it because you guys want to figure out how to model this, and that's what's tricky because you know there are offsetting costs right that we have to kind of think about and so that's why when you see the flattish EBITDA, it's like where the synergy is going and really you have to think about, we have a little bit of compression on the JX and GEO connectivity business

as well as there's some compression on the, ATG service, margin and revenue. So, a lot of this is kind of sucked up by some of the top line margin pressures. So, I know that's a little bit hard to model, but like that's kind of the way you have to think about is the is the service and equipment margins are kind of offsetting the some of the synergies.

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

That makes sense.

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

Yes, and then on the capital allocation I'll try to address that as best we can. So, obviously this is a board approved allocation. We haven't really refreshed it yet. I've worked in quite a few levered businesses and as CFO my priority is really getting leveraged down interest rates down especially just the return on capital, right?

What's the best use of our cash so we're going to explore that with the board, kind of looking at the different return profiles of returning cash to shareholders versus certainty leveraging initiatives over the next 12 months? We do believe that we'll be below the target leverage at year end, I think pretty conservatively. So, I would just say stay tuned over the next quarter or two as we kind of refine the capital allocation strategy.

**Oakleigh Thorne** - *Gogo Inc - Executive Chairman*

Yes, I mean a little bit, Zach to make sure credit goes where credit is due. I mean today totally achieved synergies of \$27 million run rate have already been achieved. I mean there's no debating that those changes have been made, and the savings are real.

There's more already in the works for later this year, and I think that Chris and Zach will continue to upgrade the street on where those synergies are going. I would say that this is a highly organized effort. There're 36 value streams that are under analysis and teams that are working on taking the best of both companies and integrating them into single processes.

There's going to be a lot of synergy realized in that, and I think that that will help you guys add over the years or two to that that synergy achievement. So, it's really been a great effort and a very highly organized effort. So, congrats and hats off to you guys.

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

Thanks man.

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**Operator**

Scott Searle, Roth Capital.

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**Scott Searle** - *Roth Capital - Analyst*

Hey, good morning. Thanks for taking my questions. Oh, Zach, Chris, congrats on getting the deal done. Zach and Chris, nice to meet you, over the conference call here. Hey, maybe just to quickly dive in again on the 5G front. So, kind of piggybacking on the last set of questions, spent a lot of time at Mobile World Congress with different guys within the ecosystem and sounds like the silicon is increasingly confident that we're at that point.

Could you just two things take us through the timeline in terms of getting that to commercialization in your product, from a firmware in the testing standpoint on your end and then I'm kind of curious, we've had a lot of discussion today about multi-orbit, but ATG seems like it's taken a smaller position in the dialogue today. How important is 5G to growth? Is ATG still a real growth category as you're looking out over the next, several years given the penetration rates in North America?

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

Yeah, so, like, why don't I just kind of cover the multi-orbit piece. When I talk about multi orbits obviously, it's a little bit of an interesting one with 5G as in obviously it's coming from the ground, but, we see that as a key part of the multi-orbit capability on the fact that not only could you be using satellite communications within North America for instance, but you can also augment certain services over the 5G service and the fact that 5G is moving to a true broadband service.

So, we actually see obviously the kind of revenue for it, probably is going to be a little bit less as a primary. However, it makes a really good backup service and also an alternative means service for people like the crew and allowing that capacity for a product like HDX or FDX to be a primary communication for the principal or the team in the back of the aircraft if it's a military aircraft,.

So, we can actually start doing some really cool prioritization of service via our access or FDR range of routers as well. So, we do see it as a primary product and then if you go downstream into the small jet market, it really does become very cost effective for aircraft not leaving North America. You then have a true broadband solution and it's obviously, the Gogo team's done a great job of making that very upgradable in the current air to ground ecosystem.

So, there's two aspects to it, really the small jet customers who we've got great enthusiasm from our MRO partners who are installing the hardware, still a lot of interest from those small jet customers and then going into the mid large jet and military aircraft, there's a real high potential, there of having this as a backup solution and an alternative means for communication.

And it becomes really interesting as well with removing the Chinese equipment out of there from a cybersecurity posture point of view, which is something really serious and the traditional SD business has always done very well on that because of our military government heritage as well. So, we really do see a lot of future with the product and the way it's kind of adopted by customers might change a little bit, but it's a great pairing solution with our LEO strategy.

**Oakleigh Thorne** - Gogo Inc - Executive Chairman

Yeah, then the 5G piece I think Scott you're familiar with the, when that chips coming out of fabrication obviously, we have to, it has to go through a series of testing. There's GCT and Samsung's testing and then it gets to [ASpan] and they do some testing and then we're trying to run as much in parallel as we can, but then there's certain things we have to test before we can start putting that in boxes and shipping it.

So, we expect that we will be getting that into boxes, late Q3, shipping and starting to produce revenue in Q4. There are some people that will go to service revenue fairly quickly because they already have. All they've got to do is swap an LX5 for an L5 with a 4G chip that'll be re relatively easy conversion for those that are already are pre-provisioned.

So, those people will get the service revenue relatively quickly. So, I think you'll see sort of a mix of service and equipment revenue in Q4.

**Scott Searle** - Roth Capital - Analyst

Great, thank you, very helpful. And lastly, if I could to just kind of wrap up on some house cleaning, and I apologize I've been going in and out of coverage if this was covered, but can you calibrate us in terms of what, non-GAAP OpEx is going to look like in the first quarter and then as we get to the end of this year, it sounds like you're well ahead from a cost production standpoint, but there are some additional one-time cost in terms of, being able to get the Galileo customers and channel up and running.

Could you remind us then how much is going to come out of one-time cost in 2025 then as we go into 26 to think about what that cost structure really looks like. And maybe one other calibration question on Satcom Direct, what is the growth rate been in the last couple of quarters, specifically in the fourth quarter in that core business? How has that been progressing and maybe if you could just update us on the gross margin profile there. Thank you.

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

Yeah, that's a lot.

**Oakleigh Thorne** - Gogo Inc - Executive Chairman

We got to break your question down a little bit, Scott. We're not, we haven't provided specific guidance for Q1, and I don't think we will, so there's that piece in terms of Satcom growth fourth quarter over prior year fourth quarter was strong, I don't know if you have it handy.

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

Yeah, I mean the to get that from a legacy perspective, the business aviation growth, has been growing at low double digits to mid double digits for the last five years and that's largely because of that JX business y like I said I joined. Yeah, well, yeah, [Flex exec] is another one we're doing with Intelsat, but you know I joined Satcom six years ago and we were consistently at 120 to 140 tails,

associate with JX and they're very sticky right as Chris their annual, long-term contracts and typically, our, the net tail growth has increased every single year because like I mentioned, people don't want to put the aircraft down to kind of swap and it's and it's worked, reasonably well.

I don't have quite the OpEx, details you're asking for, but what I will say is that the EBITDAA guidance we've provided is pretty steady throughout the year. It's modest increases in Q3 and Q4. So, it's not like a P&L hockey stick for to hit this guidance. Obviously, some of the revenue is coming in Q3, Q4 with the once HDX starts generate revenue because you know these initial shipments are STCs and the catalyst program.

So, there's no real revenue associated with that and then like I mentioned on the 5G front its minimal revenue because like you said there's risk there right? And we're trying not to be overly aggressive because we are dependent on other parties to get that done, and that's in Q4 and I think was there another question we had?

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**Oakleigh Thorne** - *Gogo Inc - Executive Chairman*

Well, I think there was a question around the shift from '25 to '26. I think the things that, yeah, or things that come off our investments and 5G and GBB largely. Also on a net basis, the FCC, program improves in terms of cash flow. There's some, sat com product developments that also matures in this year and will go down quite a bit next year.

The Catalyst program which I noted was \$25 million that will hit cash flow this year will be largely behind us, next year. Let's see, the cost to achieve synergies would be largely behind us. We guided I think that that was \$13 to \$15 million something along those lines. I think about \$13 million of that will be this year. So, it be pretty minimal, next year.

And then, we have, you probably are familiar with our AirSpan revolver we think we may need that we're counting on having to maybe lend them some money this year that, would not repeat next year. So, you get all that stuff comes off, then you that gets offset by some additional product investment we're going to make in some other places, but it won't be anywhere near as large as what we've been doing.

And that's how you kind of get to a net reduction of roughly \$60 million which I alluded to in my script in terms of investment dollars both CapEx and OpEx.

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**Scott Searle** - *Roth Capital - Analyst*

Great okay thanks so much guys.

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

Yeah, I really appreciate it. Nice to talk to you.

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**Operator**

Thank you. At this time, I would now like to turn the conference back over to Oakleigh for closing remarks.

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**Oakleigh Thorne** - *Gogo Inc - Executive Chairman*

Oh, thank you very much, everybody. This will actually be the last Gogo conference call that I lead, and I'm turning the con over to Chris will be leading the next call. I just wanted to say a quick word to the sell side guys who've been following us for all these years and the investors have followed us, and it's been a real pleasure dealing with you all every quarter on these calls and I thank you for your smart questions and hard work on understanding Gogo and paying attention to our story. So, thank you very much.

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**Operator**

This concludes today's conference call. Thank you for participating. You may now disconnect.

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