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GOGO.OQ - Gogo Inc to Acquire Satcom Direct

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PRESENTATION

Operator

Good day, and welcome to the conference call to discuss the announcement of Gogo to acquire Satcom Direct. (Operator Instructions) As a reminder, this call may be recorded.

I would now like to turn the call over to Will Davis, Vice President of Investor Relations. Please go ahead.

William Davis - Gogo Inc - Vice President - Investor Relations

Good morning, everyone, and welcome to our conference call to discuss Gogo's recent agreement to acquire Satcom Direct. The press release we issued earlier this morning and our investor presentation are available on the Investor Relations section of the Gogo website. We will reference the presentation during this call, so we encourage you to follow along with the slides.

On the call today are Oakleigh Thorne, Chairman and CEO of Gogo; and Jessica Betjemann, 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 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 conference call.

Those risk factors are described in our press release we filed this morning and are more fully detailed under Risk Factors in our annual report on 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 September 30, 2024. 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.

This conference call is being broadcast on the Internet and available on the Investor Relations website at ir.gogoair.com. The press release we issued this morning and the presentation we will discuss today are 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 of the Board, Chief Executive Officer

Thanks, Will, and good morning, everybody. Thanks for joining us on a very exciting day for Gogo and for Satcom Direct.

As many of you know, Satcom Direct is a leading GEO satellite in-flight connectivity provider, serving the business aviation and militar-government mobility markets.

This acquisition strengthens Gogo's strategic, competitive and financial positions for greater long-term shareholder and customer value creation, starting by establishing the only multi-orbit, multiband, global IFC provider for the BA market and the only multi-orbit, multiband, global IFC provider with LEO connectivity for the business -- for the government mobility market.

With this offering, we'll be able to serve every segment of the BA market with the very best solutions. The air-to-ground ATG [networks] to meet the basic connectivity needs of a flyer in North America with integrated multi-orbit LEO, GEO solutions to meet high-bandwidth, high-reliability needs of global flyers.

Second, we'll bring together our shared focus on the complex and attractive BA vertical and the complementary tailor-made solutions will deliver and the customer service Gogo and Satcom Direct offer inside that vertical. It will provide a critical competitive advantage.

Remember, only 34% of the global BA jet market and 22% if you include [turboprops], has broadband connectivity today. And enhancing our ability to deliver the best products and services is keep driving our penetration of that white space.

Third, combined Gogo and Satcom serve 12,000 unique aircraft, one product or another, providing us relationships and integration opportunities to grow our business faster than competitors.

Fourth, Satcom Direct's extensive global sales and support network creates an instant springboard for the launch of Gogo Galileo outside North America immediately upon closing. That's something that would have taken years for us to do on our own.

Fifth, our combined entity will also have the deepest relationships with distribution partners, including [our OEM] linefit positions, the largest global aftermarket dealer network and the broadest fractional, charter and managed fleet relationships of any competitor.

These embedded positions ensure a steady drumbeat of new units online. And with the ease of upgrades to new technologies enabled by our AVANCE platform, we can make sure those turn into long-term service revenue relationships.

Sixth, Satcom Direct also introduces Gogo to the large and fast-growing military-government mobility and flight connectivity vertical. This is an exciting space, where Satcom Direct has been extremely successful. And our Galileo product, combined with their current multi-orbit offering, creates a unique opportunity for continued growth.

Seventh, and perhaps most important, this combination brings together two world-class teams with highly complementary skills and knowledge. They know satellite, we know ATG. They understand heavy jet connectivity needs, we understand mid- and light jet connectivity needs. They focus on global markets, we primarily focus on the very-large North American market. They have strong flight department relationships, and we have stronger dealer relationships. I could go on.

Finally, this transaction comes with meaningful financial benefits for shareholders. It more than doubles the size of our business and is immediately accretive to earnings and free cash flow per share.

As we bring Gogo and Satcom Direct together, we expect to realize significant cost synergies and greater free cash flows to support continued investment in product, in delevering our balance sheet from the debt we'll take on for this deal and returning capital to shareholders. Taken together, this transaction is a win-win, benefiting both our customers and shareholders and positioning Gogo for greater long-term value creation.

With that overview, I'll take a step back and introduce Satcom Direct. It's a business we've admired for some time. The admiration has only grown as we've gotten to know them through this process.

Satcom is predominantly a GEO satellite connectivity service provider, while Gogo is a vertically integrated owner of our own proprietary ATG network.

Satcom Direct designs and manufactures multi-bearer routers and antennas to access geostationary [earth-to-orbit] satellites of third-party network operators, including Intelsat and Ku-band, and Viasat and Ka and L-band spectrums. Like Gogo, Satcom Direct sells directly to end customers through the dealer and OEM channels.

As a reminder, GEO networks consist of a few stationary satellite sitting 22,000 miles above earth. The connectivities they deliver is near global and higher bandwidth in ATG, though still lower than home or office. It requires large antennas on the aircraft to generate enough power to reach those [satellites]. Generally, these large antennas have limited [GOISC] connectivity to large or heavy business aircraft.

In that vein, Satcom Direct's broadband solution is a premium product for the very high end of the global BA market. This segment, including corporate flight departments, charter fleets, management companies, all our high-net worth individuals and heads of states requires worldwide connectivity to support global missions.

These customers generally demand and are willing to pay for the very best connectivity and customer support and as just mentioned, have large enough [aircraft] to handle the large antenna required to access those faraway GEO satellites.

Gogo serves a limited number of these aircraft with supplemental ATG connectivity when they fly over North America. But this is generally a BA segment we have not historically been able to serve as a primary [number]. Satcom's approximately 5,000 BA aircraft customers, more than half are heavy jets, of which 1,300 are broadband connectivity customers and which generate roughly half of total revenue.

There's a very small overlap of 175 broadband customers between Gogo's 7,000 broadband customers and Satcom's 1,300 broadband customers and a further overlap of roughly 2,500 unique customers (technical difficulties).

Operator

Please continue.

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

I apologize, apologies. There was a sound outage somewhere. Didn't come from Gogo. So somewhere between us and you, it's something with -- anyhow, I'll pick up where I was.

So Satcom also serves the military-government aviation vertical -- mobility vertical, with products similar to what they sell in the BA market, but with added security. And that accounts for about 20% of revenue and a little [under] 20% of aircraft.

To serve a premium global customer [base], Satcom Direct is further differentiated with an outstanding global sales force and global customer service and support organization. They serve customers in over 100 countries and countries with white glove 24/7 service, either online, on phone or in-person with [BB]. Satcom Direct equipment is available on every Gulfstream model and has widespread [line] capability -- availability on those other models of large jets.

Satcom's strong recent growth reflects the differentiated value proposition as well as the growing demand for high-bandwidth reliable connectivity on business aircraft. Over the past four years, they generated average revenue growth of 13% and adjusted EBITDA growth of [31%]. For 2024, Satcom is projected to generate more than \$485 million in revenue with roughly 17% adjusted EBITDA margins.

One of the big differentiator between [Gogo] and Satcom is they have more revenue under contract than Gogo, [excluding] post of their mil-gov revenue, which is generally on five-year contracts, and most of their BA broadband revenue, which is generally under one, two, or three-year term contracts.

We're excited to join forces with Satcom Direct. They have an excellent leadership team and world-class talent with deep and highly complementary satellite connectivity expertise. And our combined team will bring together the best of each of our businesses to form an unmatched company in the BA market.

Slide 5 highlights our complementary offerings and strengths. Working our way down from the top, we're creating the only multi-orbit, multiband, in-flight connectivity provider for the BA market, including Satcom's leading GEO networks, Ka from Viasat and Ku from Intelsat, Gogo's forthcoming OneWeb LEO network and Gogo's ATG network down below.

And with Satcom's PSKu and PSKa GEO antennas and Gogo's Galileo ESA and Gogo's 5G MB13 antennas, we can mix and match offerings to provide the best fit network and hardware solution for any aircraft, any mission anywhere on the planet.

Moving down, let's talk about routers. Though AVANCE has much more than routing functionality, it and [SD Router] are key pieces of [LEO] with multi-bearer capabilities and are installed on 6,000 aircraft. Our open-architecture multi-bearer approach allows us to mix and match the networks I described above to deliver more bandwidth to an aircraft and provide Dual Dissimilar redundancy to guarantee complete reliable -- network reliability wherever you're allowed to fly in the plane.

The 6,000 aircraft have one of our routers already installed also gives us an intense -- installation advantage over our LEO competitors because the GEO customer will not need to add additional equipment inside the aircraft when installing our Galileo antenna.

Starlink's routers are consumer grade, single bearer and only compatible with Starlink's network. As a result, they can't integrate capacities from combined networks for superior speed or redundancy. We believe that many customers globally may be reluctant to be single [threaded] with Starlink for their full connectivity needs.

Next, our combined Software-as-a-Service portfolio will integrate Satcom Direct's SD Pro with our DASH product. Both provide [reporting] and connectivity management tools and are integrated into how our customers manage their day-to-day business, thereby driving stickiness for our network solutions. FlightDeck Freedom is a cockpit data link tool that taps into the data networks on the aircraft, including the flight planning system.

A cool example of the SD Pro and FlightDeck Freedom functionality is their flight planning module. Because FlightDeck Freedom taps into the aircraft's flight plan, it knows where the aircraft is going; and because SD Pro can monitor connectivity issues like network congestion, combined, the two systems are able to spot problems and map new flight [routs] over territory that will have the best passenger connectivity.

Finally, our combination with Satcom Direct activates a 30-person global multilingual BA-fluid sales force, covering OEMs, dealers and end customers to drive Galileo penetration. And it has a 15-person rest of world white glove customer support team to serve Galileo and Satcom Direct customers outside the US, 24-7 remote support and on-site support, if needed, within 12 hours.

Now let's turn to slide 6, which offers a deeper look at key strategic benefits of this transaction. Those who follow Gogo closely know that its powerful forces shape the future of our industry, namely rapid technology advancement with LEO networks and the ESAs that access them, and increasing competition in the business aviation vertical.

Our [now and next] strategy has been focused on best positioning Gogo for the future, first, by expanding globally and growing our total addressable market by [60%] with the launch of our Galileo electronically steerable antenna and our low-earth-orbit LEO satellite solution; second, by driving penetration of our flexible and extensible AVANCE platform that enables customers to easily upgrade to new technologies and networks, thereby driving long customer lifetimes; and third, driving market penetration by offering tailored solutions and customer support to meet the unique needs of each segment of the [Gogo] 40,000 aircraft business aviation market.

Our acquisition of Satcom Direct accelerates all three components of our strategy. Let's start with expanding the TAM and Galileo.

Our global expansion is accelerated by the 30 Satcom Direct's sales reps outside North America that I talked about a moment ago, that have deep relationships with customers around the world. It's furthered by the fact that many of Satcom Direct's 1,300 broadband customers are outside North America, and they would see solid prospects to add our [HDX] Galileo offering. That would have taken us years to build.

Second, moving to our AVANCE and Satcom router penetration. Our combined strong positions in OEM linefit will drive continued SDR and AVANCE growth in units online and secure us [real estate] on aircraft that we can utilize to provide easier or cheaper upgrades to new technologies and networks than our competitors can, thereby extending the revenue-producing lifetime of an aircraft.

Gogo, as previously announced, it has one OEM signed up to install Galileo on the line, and we are now about to sign another major OEM for the same. That, combined with Satcom's deep OEM relationships, should produce a steady stream of new units online for our LEO, GEO and ATG networks in the future.

And finally, this combination gives us [entree] into a lucrative segment of the market that we did not have the product to serve in the past, the high net intercontinental jet market. This is Satcom Direct's core segment. The combination of their relationships and our Galileo products should position us well for success there in the future.

Okay. In closing, our combined platform that is in a formidable position in two highly attractive markets as LEO [catalyzes] greater IFC penetration. I'll start with BA.

As I've mentioned, only 34% of global business jets have broadband connectivity today, that's 22% of business aircraft if you include for turboprops. But demand for more ubiquitous and faster BA connectivity is growing, as passengers demand connectivity on every aircraft they fly and demand more capacity as they use more data-heavy applications, like video conferencing, streaming and cloud-based computing.

Those trends, plus the low penetration of the global BA IFC market, create enormous opportunity for Satcom Direct and Gogo.

As evidence of the demand that Satcom's been satisfying, that broadband [GOA] units online grew 16% in Q2 2024 from Q2 2023. And year-to-date, they have added a net 110 new broadband units online, and they did that despite [Starlink].

That said, we believe ESA, LEO technology, and Gogo's in particular, will dramatically accelerate LEO penetration. It supports lightning-fast connectivity. It enables smaller [ES equipment] that's cheaper and easier to install than GEO equipment. It will have better coverage than GEO or ATG offer, and it is more affordable to install and use. We think that, that demand will play out a few ways for Gogo.

Starting with HDX, a smaller antenna, which will launch late this year and address segments that Starlink cannot easily address with this large antenna.

First, we expect widespread adoption of our HDX outside North America as the 5,000 jet combined rest of rest of world medium and light jet segments where there's no broadband option available today and where Satcom Direct's sales force can drive rapid adoption.

And second, we expect many of the 12,000 North American medium and light aircraft to fly regionally outside the US, where [the] demand for connectivity that ATG can provide to adopt HDX inside North America.

There is ample evidence that our projections are on track. [19 dealers] to date from around the world have contracted to create 25 HDX STCs, covering [18,000] aircraft over the next year. NetJets, by far the largest fleet in the world, will start installing HDX on many of their aircraft in [2025]. And one of the largest OEMs in the world that we can not name at present, will cut HDX into production on 3 of the medium and light jet models in 2025.

We also expect strong demand for our larger FDX terminal, which will launch late first half next year and is targeted as the core Satcom Direct customer segment, with 7,000 heavy jets to fly global routes. Though still early, we see demand for FDX growing. We've just won a second OEM contract, but this time for FDX terminals. It should be announced in the next few months. And we also have strong demands from dealers wanting an aviation-grade alternative to Starlink's consumer-grade terminal.

Satcom Direct is performing well and driving penetration with its current GEO product, and we expect that to continue at the OEMs but to slow in the aftermarket as we introduce our larger Galileo FDX terminal. However, evidence thus far is that many aircraft operators who have GEO connectivity do not drop the service when they add LEO connectivity, thereby creating an opportunity for [ARPA] enhancement.

Now moving to the mil-gov market. Satcom Direct's existing products and expertise immediately diversify Gogo's revenue. And with the addition of Galileo to their portfolio, create unique growth opportunities to provide integrated LEO, GEO products to military and government customers as they upgrade to new generations of technology.

In mil-gov, Satcom has pursued an efficient R&D product development strategy by taking products they have developed for the business aviation market and re-purposing them for military-governance. Today, many government departments and agencies find themselves with either no connectivity or very dated connectivity solutions on their mobility aviation fleet, which includes everything from cargo planes to Air Force One, and are now rushing to catch up, creating a tailwind for mil-gov connectivity suppliers.

For instance, the US Air Force has set a goal of installing 20% -- 25% of their mobility aircraft with connectivity by 2025. That still leaves 75% of aircraft mobility with nothing, creating opportunity for us.

To put parameters around the connectivity it buys, the US government has adopted the PACE program, P-A-C-E, Primary Alternate Contingency and Emergency connectivity; which they mandate, thereby necessitating multi-network installations. The combined Gogo and Satcom will be the only current government contractor with integrated LEO, GEO, L-band and ATG connectivity, and therefore, is uniquely positioned to win contracts under PACE.

Many NATO countries are now adopting PACE as well, and Satcom has recently won several PACE contracts that will begin producing revenue next year. Beyond that, Satcom Direct has qualified for the US government's commercial Satcom communication offices Proliferated LEO, or PLEO, program, which just raised its contract budget ceiling to \$13 billion over the next nine years. And now Satcom will be able to sell Gogo Galileo to agencies under that program.

Now I'll turn to the financial benefits of this merger. This combination more than doubles the size of our business and unlock significant synergies. The margins will come down, the total dollars go up, creating strong free cash flow to invest in further building our business to delever the debt we are taking on to fund this acquisition and to return cash to shareholders.

We expect this transition to be immediately accretive and that the pro forma combined company will generate 2024 revenue of more than \$890 million with approximately 24% adjusted EBITDA margins and more than \$100 million in free cash flow.

In the two years post-closing, we expect to realize between \$25 million and \$30 million in annual run rate synergies as we consolidate our activities. And achieving those synergies will cost roughly \$20 million. Over the long term, as we launch and generate service revenue from Gogo Galileo, we expect the combined company's long-term annual revenue growth to be roughly 10%, with adjusted EBITDA margins in the mid-20%.

Keep in mind that these long-term figures are off a revenue base greater than 2x what we have today to drive significantly greater absolute dollars in both adjusted EBITDA and free cash flow that Gogo delivers today.

Now let me describe our transaction. Consideration for this transaction consists of 2 tranches: an upfront cash payment of \$370 million -- \$375 million, plus 5 million Gogo shares at closing and an additional 4 years of royalties and an earn-out payment in 2029 capped at a combined \$225 million, based on hitting certain performance thresholds.

Gogo expects to finance this transaction with cash from the balance sheet and \$275 million in committed new debt. We expect closing net leverage to be temporarily in the 4x range, which will be quickly reduced to our target net leverage range of 2.5 times to 3.5 times in two years' time.

We will be making regulatory filings that are customary for a transaction of this nature, including an HSR filing in the US and filing to several other global competition authorities. We also have customary and routine filings with the SEC and other global telecommunications authorities. And we will also need consents for certain material contracts. In all, we expect to close by the end of the year.

So let me just finish by saying we could not be more excited about this combination. We're confident that it will drive substantial value for our shareholders and customers alike. And with that, we'll go ahead and open it up to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Scott Searle with ROTH MKM.

Scott Searle - Roth Capital Partners, LLC - Analyst

Congrats on the deal. Congratulations. Sounds like it's very exciting. Nice to see this accretive out of the gate. Maybe just a couple of quick blocking and tackling. Are there any [colors], breakup fees on the transaction? And what's the expected rate on the debt?

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

In terms of -- there are breakup fees on the transaction, we highly doubt that they would be exercised. And I'm not going to give you exact figure on it, but they'd be pretty substantial, I'll put it that way. But we've been working very closely with Satcom and work very hard on this transaction, and we don't think is going to be any (inaudible).

In terms of the rate, we're not ready to talk about that yet. We'll provide more information as we get closer to actually issuing [that] debt.

Scott Searle - Roth Capital Partners, LLC - Analyst

Got you. And just in terms of the Satcom Direct business, it looks like about, I guess, 50% is related to, I'll call it, traditional BA services, another 20% of the military. What's that remaining portion? It seems like there's some white glove services in there as well. I was wondering if you could help us understand some of the other revenue contributors that are in that mix.

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

Yes. They have still a fair amount the narrowband business, Scott, Iridium, SwiftBroadband and the like. So the product breakdown goes like this, it's like about 54% in broadband across both military and BA. 22% is legacy connectivity, which is SwiftBroadband and Iridium, both again in mil-gov and BA. You know a lot of that is sort of safety services kind of connectivity, is pretty sticky.

Then 6% is in the software services, FlightDeck Freedom. And -- I'm missing ahead on that, hold on a second. 10% on FlightDeck Freedom. And then 8% is just other, which is a combination of some other land mobile businesses and in some training services and stuff like that.

So 54% in broadband, 22% legacy -- apologies. Let me do that again. 54% broadband, 22% legacy connectivity, 6% software and then 10% equipment and then 8% other.

Scott Searle - *Roth Capital Partners, LLC - Analyst*

Got you. Okay. Helpful. And it sounds like this is usually complementary to the Galileo constellation as well. You've got an existing channel now that's going to come along with Satcom Direct. How quickly can AVANCE support the Satcom Direct antenna or solution overall? And how quickly can you get Galileo ramped up into the SD channel?

Oakleigh Thorne - *Gogo Inc - Chairman of the Board, Chief Executive Officer*

We'll be able to start selling HCX through the SATCOM channel the day after we close. That's going to be -- obviously, we've got to get people trained and up to speed, but I think some of that can be perhaps accomplished before closing even. So we'll be ready to start selling very, very soon. Closing and about -- and the launch of that product are probably going to happen right around the same time.

In terms of the ability to add GEO on top of an AVANCE install, that would be also very easily accomplished because we've designed AVANCE to be multi-bearer so it can accept other networks. And then the other way is their router is also a multi-bearer router, the Satcom Direct router, which is on a lot of aircraft, close to 2,000 -- 1,750 aircrafts. So that can accommodate our Galileo antenna quite easily as well. So that can be -- that will be very easily, very quickly accomplished.

Scott Searle - *Roth Capital Partners, LLC - Analyst*

Okay. And one last question -- and but back in the -- sorry, go ahead.

Oakleigh Thorne - *Gogo Inc - Chairman of the Board, Chief Executive Officer*

I was just asking if that was responsive to what you were asking.

Scott Searle - *Roth Capital Partners, LLC - Analyst*

Yes. Very good. And Oak, on the government and the military front, could you just calibrate us in terms of what the growth rate looks like in that business? I think you indicated that at the end of next year, it will be about 25% penetrated. But how aggressive are the outer targets in terms of growing that opportunity?

And maybe as well, you had some comments on Starlink, it sounds like this is going to put you in a nice competitive position now to offer a multiband satellite solution out there. The expectation is basically now you can service every aspect within the BA connectivity market. Thanks and congrats again.

Oakleigh Thorne - *Gogo Inc - Chairman of the Board, Chief Executive Officer*

Yes. So, no, the 25% was just related to the Air Force's mobility market. And the point I was trying to make there is that can you imagine the Air Force in their mobility side, which is cargo planes, fueling planes, transport for Air Force people, et cetera. In that mobility market, they're only -- their target is to get to 25% penetrated next year and then address the other 75%. So that just shows you how wide open some of the government market is.

We think of combat aircraft, and of course, they're highly connected. But here, we're talking about the mobility market which is the vast, cargo planes, it's Air Force One, et cetera. So that's the part of the market we're talking about.

The PACE principle kind of requires the government to have multiband on an aircraft because of the acronym, everything has got to be redundant, it's got to be resilient, et cetera. So that does position us uniquely right now as a company that can provide you with GEO and LEO in that market because we can integrate those two through the same router on the aircraft.

Now Starlink can serve that market with LEO. They would have to partner with somebody for the GEO, which I doubt they'll do, and they would have to develop another router because their router is only a single-bearer model. So I think that for them, remember, what they're trying to do is take consumer equipment that they build for millions of homes and then repurpose it for aviation needs. And the idea they have is that that's going to be very efficient, and they can do that very cheaply.

If they have to start creating multi-bearer routers, that's not going to be cheap or easy and it's not going to be consistent with the strategy of repurposing consumer-grade equipment for other verticals. It's going to require them to -- they could do it easily. I mean they're very smart. But it's going to be expensive, and it's not going to be something they're going to be able to sell in large verticals where that's not a requirement.

So I don't know if they're going to get interested in it or not. But for now, anyhow, our multi-bearer capability is an advantage.

Operator

Caleb Henry with Quilty Space.

Caleb Henry - Quilty - Analyst

Just a couple of questions. It sounds like the two businesses are really complementary and differentiated, but I just wanted to ask if you have any concerns about how easy this will be from a regulatory perspective? I'm thinking a little bit about the Viasat, Inmarsat merger and how that was tied up briefly over the in-flight connectivity market.

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

Yes. I mean, Viasat and Inmarsat are two pretty similar companies, in that they were satellite network operators. We're two very different companies. We are a network operator and ATG on the ground in the United States. And Satcom is a connectivity service provider, reselling third-party network. So we think those are very different.

We also think we are now all participants in the satellite industry, which is -- I don't know exactly how many billion, but let's just say \$10 billion, \$15 billion industry. And we are two small tiny little companies, a tiny little part of that market. So we don't think -- we really don't think that there will be a lot of issues with the competition authorities.

Caleb Henry - Quilty - Analyst

Okay. And then on the technology front, I think Gogo has been a little more bullish on LEO as opposed to GEO. Is that something that, I guess, we should expect to continue? Or is now there's going to be more of a focus on kind of having sort of the PACE mindset with the redundancy, multi-orbit and those types of things, going forward?

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

We certainly want to take advantage of our unique capabilities in multi-orbit, and so we will be selling that. We do think, however, that over the next five years, LEO and ESA technology will be the predominant technology installed on new aircraft sort of new installations in the aftermarket. And we're well positioned for that.

So we don't -- in the markets we serve today, we don't view it as LEO or GEO, we view it as the LEO and GEO. We think in the high end of the market, given the need for redundancy and capacity and the heavy usage on the heavy jets, and that would probably persist.

Caleb Henry - Quilty - Analyst

Okay. And then one last question. I was wondering if you could give any more color on the performance thresholds that would trigger the additional up to \$225 million in payments?

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

Yes. We've got -- we don't want to get into too many specifics there, but basically, we -- they're here due to the performance of the legacy business. And as such, we make sure that what we bought is what we still have a couple of years from now.

Operator

(Operator Instructions)

Louie DiPalma, William Blair.

Louie DiPalma - William Blair - Analyst

I was wondering, Starlink received its first Gulfstream STCs last fall. And for the Gulfstream section of the market, Satcom Direct and the other like Inmarsat resellers, they historically have been the main provider serving this market.

But what has been like the growth in aircraft online for Satcom Direct, like since Starlink entered the market? Have they been able to continue to grow their aircraft online for the Gulfstreams and the Bombardier Global? Or are they starting to see a lot of pressure there?

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

So they've added 110 [net] this year in terms of unit growth in broadband. And their second quarter units online at the end of the quarter were up 16% from the end of the second quarter prior year. So yes, they've been able to continue growing. They have a big backlog at the OEMs, still a lot jets on order with that come in it from Gulfstream and Bombardier. So they've been able to grow.

I think they've seen Satcom added to -- and Starlink added into some planes. But by far, the majority of those planes, it's not a lot, its a handful. But by far, the majority of those have kept the GEO connectivity.

Louie DiPalma - William Blair - Analyst

Great. And do you believe that like Gulfstream is on board with this partnership? They've had, I think, a very close relationship with Satcom Direct as well as you've also had a close relationship with Gulfstream over the years. Do you think that they -- have you been in discussions with them? And do you think they view this combination of enhancing the value to their customers?

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

Well, we haven't been able to, with [MNPI] rules, et cetera go and talk to all the OEMs about this deal yet. So I anticipate that they will be enthusiastic. I think Satcom has a very good relationship there. We -- one from another, they are linefit or post-linefit installable on every aircraft. Every Gulfstream has something from Satcom on it. So that is a very strong relationship. So -- and we have a good relationship there, and we are a linefit on some models.

So I think they're going to be supportive. Our customers generally, the end-flight departments and the like, have always told us that they -- why don't you get together with Satcom? You'd be a great combination. We have a customer advisory council, which is all of our large customers, end-user customers like NetJets, [aviation], et cetera. They're all there.

They're -- every year at our meeting, they are telling us, You guys ought to combine with Satcom. So it's almost a customer-driven idea in that respect. And obviously, we're reaching out to all of them today to tell them about it, fill them in on what our plans are and hopefully get their support.

Louie DiPalma - William Blair - Analyst

Great. And can you go over again in terms of the compatibility and interoperability with the Satcom Direct router with the AVANCE system, such that if those long-haul aircraft wanted to fit the Galileo antenna on top of the existing -- the Ka-band system, like is that manageable in terms of -- from an equipment perspective?

Oakleigh Thorne - Gogo Inc - Chairman of the Board, Chief Executive Officer

Yes. I mean, the routers band agnostic, right? It doesn't care if it's Ka or Ku or terrestrial spectrum like our ATG spectrum. So the routers' diagnostic. And both their router and ours are designed to be multi-bearer. We designed the AVANCE platform, one of the key tenets was that we would be able to house multiple networks coming to the aircraft, including GEO, for instance. So both of those are -- can accept these other networks.

So basically, as a Satcom Direct aircraft or a Satcom Direct, they want to add our LEO, they're going to have to put our fuselage-mounted antenna on the top of the plane and run power in and data -- run power [out -- router] data in, and they're good to go. Nothing has changed inside the aircraft, just like AVANCE.

Operator

I'm showing no further questions at this time. I'd like to turn the call back over to Will Davis for closing remarks.

William Davis - Gogo Inc - Vice President - Investor Relations

Thank you for your participation in our conference call this morning. We look forward to speaking with you soon, and this concludes our call. Thank you.

Operator

Thank you for your participation. You may now disconnect. Everyone, have a great day.

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