

Gogo Inc.
Form 10-Q
August 08, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One):

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission File Number: 001-35975

Gogo Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)
111 North Canal St., Suite 1500
Chicago, IL 60606
(Address of principal executive offices)
Telephone Number (312) 517-5000
(Registrant's telephone number, including area code)

27-1650905
(I.R.S. Employer
Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 6, 2018, 87,351,448 shares of \$0.0001 par value common stock were outstanding.

Gogo Inc.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS**Gogo Inc. and Subsidiaries****Unaudited Condensed Consolidated Balance Sheets***(in thousands, except share and per share data)*

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 140,420	\$ 196,356
Short-term investments	123,191	212,792
Total cash, cash equivalents and short-term investments	263,611	409,148
Accounts receivable, net of allowances of \$664 and \$587, respectively	141,134	117,896
Inventories	178,506	45,543
Prepaid expenses and other current assets	35,092	20,310
Total current assets	618,343	592,897
Non-current assets:		
Property and equipment, net	532,148	656,038
Goodwill and intangible assets, net	83,078	87,133
Other non-current assets	70,739	67,107
Total non-current assets	685,965	810,278
Total assets	\$ 1,304,308	\$ 1,403,175
Liabilities and Stockholders deficit		
Current liabilities:		
Accounts payable	\$ 37,257	\$ 27,130
Accrued liabilities	205,018	201,815
Deferred revenue	37,275	43,448
Deferred airborne lease incentives	27,207	42,096
Current portion of capital leases	1,442	1,789
Total current liabilities	308,199	316,278
Non-current liabilities:		
Long-term debt	1,012,155	1,000,868
Deferred airborne lease incentives	128,279	142,938
Other non-current liabilities	83,887	134,655

Total non-current liabilities	1,224,321	1,278,461
Total liabilities	1,532,520	1,594,739
Commitments and contingencies (Note 12)		
Stockholders deficit		
Common stock, par value \$0.0001 per share; 500,000,000 shares authorized at June 30, 2018 and December 31, 2017; 87,471,813 and 87,062,578 shares issued at June 30, 2018 and December 31, 2017, respectively; and 87,351,300 and 86,843,928 shares outstanding at June 30, 2018 and December 31, 2017, respectively	9	9
Additional paid-in-capital	907,071	898,729
Accumulated other comprehensive loss	(3,146)	(933)
Accumulated deficit	(1,132,146)	(1,089,369)
Total stockholders deficit	(228,212)	(191,564)
Total liabilities and stockholders deficit	\$ 1,304,308	\$ 1,403,175

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
Service revenue	\$ 159,056	\$ 154,076	\$ 309,734	\$ 300,571
Equipment revenue	68,402	18,724	149,549	37,635
Total revenue	227,458	172,800	459,283	338,206
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	73,650	69,127	148,597	133,940
Cost of equipment revenue (exclusive of items shown below)	64,350	14,649	116,643	26,297
Engineering, design and development	28,409	35,685	58,186	71,949
Sales and marketing	15,427	16,564	31,328	30,959
General and administrative	21,133	23,549	46,292	46,098
Depreciation and amortization	31,938	30,562	67,857	60,997
Total operating expenses	234,907	190,136	468,903	370,240
Operating loss	(7,449)	(17,336)	(9,620)	(32,034)
Other (income) expense:				
Interest income	(1,328)	(771)	(2,404)	(1,316)
Interest expense	30,641	27,226	61,195	54,169
Other (income) expense	374	56	(131)	94
Total other expense	29,687	26,511	58,660	52,947
Loss before income taxes	(37,136)	(43,847)	(68,280)	(84,981)
Income tax provision (benefit)	71	362	(3,654)	595
Net loss	\$ (37,207)	\$ (44,209)	\$ (64,626)	\$ (85,576)
Net loss attributable to common stock per share basic and diluted	\$ (0.47)	\$ (0.56)	\$ (0.81)	\$ (1.08)
Weighted average number of shares basic and diluted	79,783	79,334	79,718	79,237

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Loss*(in thousands)*

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$ (37,207)	\$ (44,209)	\$ (64,626)	\$ (85,576)
Currency translation adjustments	(1,379)	264	(2,213)	490
Comprehensive loss	\$ (38,586)	\$ (43,945)	\$ (66,839)	\$ (85,086)

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	For the Six Months Ended June 30,	
	2018	2017
Operating activities:		
Net loss	\$ (64,626)	\$ (85,576)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Depreciation and amortization	67,857	60,997
Loss on asset disposals, abandonments and write-downs	6,529	3,477
Gain on transition to airline-directed model	(21,551)	
Deferred income taxes	(3,911)	527
Stock-based compensation expense	8,599	9,724
Amortization of deferred financing costs	2,083	1,799
Accretion and amortization of debt discount and premium	9,204	9,142
Changes in operating assets and liabilities:		
Accounts receivable	(23,522)	(13,316)
Inventories	(6,223)	(1,775)
Prepaid expenses and other current assets	(4,472)	4,468
Contract assets	(14,469)	
Accounts payable	9,263	1,444
Accrued liabilities	6,498	2,565
Deferred airborne lease incentives	(2,986)	6,374
Deferred revenue	1,223	5,024
Accrued interest		963
Warranty reserves	5,355	57
Other non-current assets and liabilities	(3,880)	(3,506)
Net cash (used in) provided by operating activities	(29,029)	2,388
Investing activities:		
Purchases of property and equipment	(103,599)	(128,892)
Acquisition of intangible assets capitalized software	(11,567)	(16,851)
Purchases of short-term investments	(39,323)	(193,845)
Redemptions of short-term investments	128,924	249,081
Net cash used in investing activities	(25,565)	(90,507)
Financing activities:		
Proceeds from the issuance of senior secured notes		70,200
Payment of issuance costs		(1,485)
Payments on capital leases	(1,187)	(1,540)
Stock-based compensation activity	(257)	(759)

Net cash provided by (used in) financing activities	(1,444)	66,416
Effect of exchange rate changes on cash	(373)	317
Decrease in cash, cash equivalents and restricted cash	(56,411)	(21,386)
Cash, cash equivalents and restricted cash at beginning of period	203,729	125,189
Cash, cash equivalents and restricted cash at end of period	\$ 147,318	\$ 103,803