

GOGO TO ACQUIRE SATCOM DIRECT

News / Business aviation



Gogo and Satcom Direct announced entry into a definitive agreement under which Gogo will acquire Satcom Direct to create the only in-flight connectivity provider able to satisfy the performance and cost needs of every segment of the global business aviation and military/government mobility markets. Under the terms of the agreement, Satcom Direct will receive \$375 million in cash and five million shares of Gogo stock at closing, and up to an additional \$225 million in payments tied to realizing certain performance thresholds over the next four years.

Satcom Direct has an extensive international sales and service footprint and is the leading global BA geostationary satellite in-flight connectivity service provider. In 2024, Satcom Direct is expected to generate approximately \$485 million in revenue with EBITDA margins of approximately 17% on a pro forma adjusted basis. Satcom Direct generates approximately 80% of its revenue from the BA market, and approximately 20% from the military/government mobility market.

Oakleigh Thorne, Gogo Chairman and CEO commented: "This transaction accelerates our growth strategies of expanding our total addressable market to include the 14,000 business aircraft

outside North America, and delivering solutions that meet the needs of every segment of the BA market. Together, Gogo and Satcom Direct will offer integrated GEO-LEO satellite solutions that provide the highest performance of any satellite solution, along with the world-class customer support that the global heavy jet segment demands. This transaction also uniquely positions us to sell our Galileo LEO solution integrated into Satcom Direct's GEO and L-band offerings as part of a multi-band, multi-orbit solution for the fast-growing military/government mobility market. We look forward to welcoming the world-class Satcom Direct team to Gogo."

Chris Moore, Satcom Direct President stated: "Satcom Direct is thrilled to be joining forces with Gogo, a company that shares our focus on delivering outstanding service and leading innovation. Our businesses have highly complementary core competencies, and our combined financial strength and expertise unlocks opportunities to invest in new technology and deliver significant long-term value creation."

Strategic and Financial Benefits

- **Establishes a unique LEO-GEO-ATG product line for BA.** Unmatched offerings for all segments of the BA market expected to drive revenue growth – from North America ATG to meet basic connectivity needs, to integrated multi-orbit LEO-GEO solutions via combination of Gogo Galileo and Satcom's Plane Simple GEO solutions.
- **Combines two respected BA-focused companies.** Activates a global BA-fluent sales force and white-glove customer support team to serve Gogo and Satcom Direct customers worldwide and drive global sales of Gogo Galileo.
- **Provides Gogo entry into the large and fast-growing military/government mobility vertical.** Satcom Direct's existing products and expertise immediately diversify Gogo's revenue, and when combined with Gogo Galileo, create a growth opportunity with unique integrated LEO-GEO products to serve military and government customers.
- **Expands platform for the sale and service of new products as technology evolves.** A combined installed base of 12,000 unique global customers creates an advantageous pathway to sell upgrades to new technologies that can be installed faster and more cost-effectively than competitors' products.
- **Complementary OEM and aftermarket positions will drive enhanced recurring revenue with long customer lifetimes.** The combined company will be linefit offerable on more OEM aircraft models than any competitor, and have the largest aftermarket dealer network and fractional, charter and managed fleets relationships in the world.
- **Unlocks immediate accretion and significant cost savings.** The transaction is expected to be immediately accretive to earnings and free cash flow per share and is expected to generate \$25-30 million in annual run-rate cost synergies in the two years following closing.
- **Strengthens financial profile with enhanced scale, attractive margins and greater cash flows.** Expected pro forma 2024 revenue of approximately \$890 million, adjusted EBITDA margin of approximately 24% and free cash flow of more than \$100 million. Including the anticipated launch of Gogo Galileo, the combined company is expected to deliver long-term annual revenue growth in the 10% range, adjusted EBITDA margins in the mid-20% range and significant free cash flow accretion, which will support strategic investments, de-levering and return of capital to shareholders.

Transaction Details

Under the terms of the agreement, Gogo will acquire Satcom Direct for \$375 million in cash, subject to customary adjustments, and five million shares of Gogo stock at closing. The agreement also provides for potential additional consideration, capped at \$225 million, based on retaining and growing broadband customers above certain performance thresholds in the form of:

- A royalty earnout from 2025-2028; and
- A buyout earnout based on 2028 results.

The transaction will be financed with a combination of cash-on-hand and \$275 million in committed new debt. Gogo expects net leverage to be in the 4x range post-closing and anticipates returning to its target net leverage range of 2.5-3.5x two years post-closing.

The transaction has been unanimously approved by the Board of Directors of Gogo and remains

subject to regulatory approvals and customary closing conditions and is expected to close by the end of 2024.

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