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 September 30, 2019

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

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value $0.0001 per share	**GOGO**	**NASDAQ Global Select Market**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, anon-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	☐	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 November 4, 2019, 88,157,826 shares of $0.0001 par value common stock were outstanding.

Table of Contents

Gogo Inc.

INDEX

Table of Contents

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)

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 217,662	$ 184,155
Short-term investments	—	39,323
Total cash, cash equivalents and short-term investments	217,662	223,478
Accounts receivable, net of allowances of $3,542 and $500, respectively	102,708	134,308
Inventories	133,413	193,045
Prepaid expenses and other current assets	25,018	34,695
Total current assets	478,801	585,526
Non-current assets:		
Property and equipment, net	553,040	511,867
Goodwill and intangible assets, net	80,381	83,491
Operating lease right-of-use assets	84,483	—
Other non-current assets	83,669	84,212
Total non-current assets	801,573	679,570
Total assets	$ 1,280,374	$ 1,265,096
Liabilities and Stockholders' deficit Current liabilities:		
Accounts payable	$ 25,521	$ 23,860
Accrued liabilities	200,753	213,111
Deferred revenue	32,499	38,571
Deferred airborne lease incentives	24,954	24,145
Total current liabilities	283,727	299,687
Non-current liabilities:		
Long-term debt	1,096,166	1,024,893
Deferred airborne lease incentives	133,328	129,086
Non-current operating lease liabilities	96,208	—
Other non-current liabilities	53,774	80,191
Total non-current liabilities	1,379,476	1,234,170
Total liabilities	1,663,203	1,533,857
Commitments and contingencies (Note 12)	—	—
Stockholders' deficit		
Common stock, par value $0.0001 per share; 500,000,000 shares authorized at September 30, 2019 and December 31, 2018; 88,209,754 and 87,678,812 shares issued at September 30, 2019 and December 31, 2018, respectively; and 88,157,826 and 87,560,694 shares outstanding at September 30, 2019 and December 31, 2018, respectively	9	9
Additional paid-in-capital	975,462	963,458
Accumulated other comprehensive loss	(2,880)	(3,554)
Accumulated deficit	(1,355,420)	(1,228,674)
Total stockholders' deficit	(382,829)	(268,761)
Total liabilities and stockholders' deficit	$ 1,280,374	$ 1,265,096

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 September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
Service revenue	$158,399	$160,376	$ 497,142	$ 470,110
Equipment revenue	42,783	56,881	117,274	206,430
Total revenue	201,182	217,257	614,416	676,540
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	73,891	69,476	213,506	218,073
Cost of equipment revenue (exclusive of items shown below)	28,830	53,960	94,132	170,603
Engineering, design and development	28,877	30,018	80,517	88,204
Sales and marketing	12,334	13,963	37,646	45,291
General and administrative	20,740	24,860	70,275	71,152
Depreciation and amortization	29,292	32,590	90,008	100,447
Total operating expenses	193,964	224,867	586,084	693,770
Operating income (loss)	7,218	(7,610)	28,332	(17,230)
Other (income) expense:				
Interest income	(987)	(903)	(3,366)	(3,307)
Interest expense	30,740	30,743	99,444	91,938
Loss on extinguishment of debt	—	—	57,962	—
Other (income) expense	143	72	(2,779)	(59)
Total other expense	29,896	29,912	151,261	88,572
Loss before income taxes	(22,678)	(37,522)	(122,929)	(105,802)
Income tax provision (benefit)	213	195	724	(3,459)
Net loss	$ (22,891)	$ (37,717)	$(123,653)	$(102,343)
Net loss attributable to common stock per share—basic and diluted	$ (0.28)	$ (0.47)	$ (1.54)	$ (1.28)
Weighted average number of shares—basic and diluted	80,908	80,196	80,370	79,948

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 September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss	$(22,891)	$(37,717)	$(123,653)	$(102,343)
Currency translation adjustments, net of tax	(663)	378	674	(1,835)
Comprehensive loss	$(23,554)	$(37,339)	$(122,979)	$(104,178)

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Operating activities:		
Net loss	$(123,653)	$(102,343)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	90,008	100,447
Loss on asset disposals, abandonments and write-downs	8,246	8,103
Gain on transition to airline-directed model	—	(21,551)
Deferred income taxes	133	(3,866)
Stock-based compensation expense	12,711	12,531
Amortization of deferred financing costs	3,901	3,143
Accretion and amortization of debt discount and premium	11,490	14,000
Loss on extinguishment of debt	57,962	—
Changes in operating assets and liabilities:		
Accounts receivable	28,496	(28,501)
Inventories	12,823	(37,451)
Prepaid expenses and other current assets	9,752	(1,141)
Contract assets	(18,982)	(21,557)
Accounts payable	993	5,568
Accrued liabilities	(11,292)	13,211
Deferred airborne lease incentives	(1,729)	(4,040)
Deferred revenue	(1,412)	(2,216)
Accrued interest	(1,993)	(24,955)
Warranty reserves	2,289	5,888
Other non-current assets and liabilities	(4,404)	(7,166)
Net cash provided by (used in) operating activities	75,339	(91,896)
Investing activities:		
Purchases of property and equipment	(65,516)	(107,096)
Acquisition of intangible assets—capitalized software	(12,712)	(17,316)
Purchases of short-term investments	—	(39,323)
Redemptions of short-term investments	39,323	163,540
Other, net	2,504	—
Net cash used in investing activities	(36,401)	(195)
Financing activities:		
Proceeds from issuance of senior secured notes	920,683	—
Redemption of senior secured notes	(741,360)	—
Repurchase of convertible notes	(159,502)	—
Payment of debt issuance costs	(23,433)	—
Payments on financing leases	(552)	(1,626)
Stock-based compensation activity	88	81
Net cash used in financing activities	(4,076)	(1,545)
Effect of exchange rate changes on cash	(357)	(530)
Increase (decrease) in cash, cash equivalents and restricted cash	34,505	(94,166)
Cash, cash equivalents and restricted cash at beginning of period	191,116	203,729
Cash, cash equivalents and restricted cash at end of period	$ 225,621	$ 109,563
Cash, cash equivalents and restricted cash at end of period	$ 225,621	$ 109,563
Less: current restricted cash	535	1,773
Less: non-current restricted cash	7,424	5,126
Cash and cash equivalents at end of period	$ 217,662	$ 102,664
Supplemental Cash Flow Information:		
Cash paid for interest	$ 86,477	$ 99,823
Cash paid for taxes	456	390
Noncash Investing and Financing Activities:		
Purchases of property and equipment in current liabilities	$ 15,363	$ 14,739
Purchases of property and equipment paid by commercial airlines	13,653	5,920

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share data)

	For the Three Months Ended September 30, 2019					
	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	
	Shares	Par Value	Capital	Loss	Deficit	Total
Balance at June 30, 2019	88,062,965	$ 9	$ 971,130	$ (2,217)	$(1,332,529)	$(363,607)
Net loss	—	—	—	—	(22,891)	(22,891)
Currency translation adjustments, net of tax	—	—	—	(663)	—	(663)
Stock-based compensation expense	—	—	4,066	—	—	4,066
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	13,892	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(27)	—	—	(27)
Issuance of common stock in connection with employee stock purchase plan	80,969	—	293	—	—	293
Balance at September 30, 2019	88,157,826	$ 9	$ 975,462	$ (2,880)	$(1,355,420)	$(382,829)

	For the Three Months Ended September 30, 2018					
	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	
	Shares	Par Value	Capital	Loss	Deficit	Total
Balance at June 30, 2018	87,351,300	$ 9	$ 907,071	$ (3,146)	$(1,132,146)	$(228,212)
Net loss	—	—	—	—	(37,717)	(37,717)
Currency translation adjustments, net of tax	—	—	—	378	—	378
Stock-based compensation expense	—	—	3,932	—	—	3,932
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	16,370	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(27)	—	—	(27)
Issuance of common stock in connection with employee stock purchase plan	90,761	—	365	—	—	365
Balance at September 30, 2018	87,458,431	$ 9	$ 911,341	$ (2,768)	$(1,169,863)	$(261,281)

See the Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share data)

	For the Nine Months Ended September 30, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Par Value				
Balance at January 1, 2019	87,560,694	$ 9	$963,458	$ (3,554)	$(1,228,674)	$(268,761)
Net loss	—	—	—	—	(123,653)	(123,653)
Currency translation adjustments, net of tax	—	—	—	674	—	674
Stock-based compensation expense	—	—	12,711	—	—	12,711
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	359,005	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(834)	—	—	(834)
Issuance of common stock in connection with employee stock purchase plan	238,127	—	922	—	—	922
Repurchase of 2020 Convertible Notes	—	—	(795)	—	—	(795)
Impact of the adoption of ASC 842	—	—	—	—	(3,093)	(3,093)
Balance at September 30, 2019	88,157,826	$ 9	$975,462	$ (2,880)	$(1,355,420)	$(382,829)

	For the Nine Months Ended September 30, 2018					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Par Value				
Balance at January 1, 2018	86,843,928	$ 9	$898,729	$ (933)	$(1,089,369)	$(191,564)
Net loss	—	—	—	—	(102,343)	(102,343)
Currency translation adjustments, net of tax	—	—	—	(1,835)	—	(1,835)
Stock-based compensation expense	—	—	12,531	—	—	12,531
Issuance of common stock upon exercise of stock options	2,500	—	21	—	—	21
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	380,242	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(1,154)	—	—	(1,154)
Issuance of common stock in connection with employee stock purchase plan	231,761	—	1,214	—	—	1,214
Impact of the adoption of ASC 606	—	—	—	—	21,849	21,849
Balance at September 30, 2018	87,458,431	$ 9	$911,341	$ (2,768)	$(1,169,863)	$(261,281)

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation

The Business - Gogo ("we," "us," "our") is the global leader in providing broadband connectivity solutions and wirelessin-flight entertainment to the aviation industry. We operate through the following three segments: Commercial Aviation North America, or "CA-NA," Commercial Aviation Rest of World, or "CA-ROW," and Business Aviation, or "BA." Services provided by ourCA-NA and CA-ROW businesses include Passenger Connectivity, which allows passengers to connect to the Internet from their personal Wi-Fi-enabled devices; Passenger Entertainment, which offers passengers the opportunity to enjoy a broad selection of in-flight entertainment options on their personalWi-Fi enabled devices; and Connected Aircraft Services ("CAS"), which offers airlines connectivity for various operations and currently include, among other services, real-time credit card transaction processing, electronic flight bags and real-time weather information. Services are provided by CA-NA on commercial aircraft flying routes that generally begin and end within North America, which for this purpose includes the United States, Canada and Mexico. CA-ROW provides service on commercial aircraft operated by foreign-based commercial airlines and flights outside of North America for North American-based commercial airlines. The routes included in our CA-ROW segment are those that begin and/or end outside of North America (as defined above) on which our international service is provided. BA provides in-flight Internet connectivity and other voice and data communications products and services and sells equipment for in-flight telecommunications to the business aviation market. BA services include Gogo Biz, our in-flight broadband service, Passenger Entertainment, ourin-flight entertainment service, and satellite-based voice and data services through our strategic alliances with satellite companies.

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements and notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in conformity with Article 10 of Regulation S-X promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements and should be read in conjunction with our annual audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission ("SEC") on February 21, 2019 (the "2018 10-K"). These unaudited condensed consolidated financial statements reflect, in the opinion of management, all material adjustments (which include normal recurring adjustments) necessary to fairly state, in all material respects, our financial position, results of operations and cash flows for the periods presented.

The results of operations and cash flows for the three and nine month periods ended September 30, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019.

We have one class of common stock outstanding as of September 30, 2019 and December 31, 2018.

Reclassifications – To conform with the current year presentation, $652 thousand of the current portion of financing lease liabilities has been combined with accrued liabilities within our unaudited condensed consolidated balance sheet as of December 31, 2018.

Transition of airline models—The accounting treatment for one of our airline agreements transitioned from our turnkey model to our airline-directed model in January 2018 due to specific provisions elected by the airline that resulted in the transfer of control of the previously installed connectivity equipment. Upon transition to the airline-directed model, the net book value of all previously delivered equipment classified within property and equipment was reclassified to cost of equipment revenue. Additionally, the unamortized proceeds previously received for equipment and classified within current and non-current deferred airborne lease incentives were eliminated and included as part of estimated contract value, which was then allocated amongst the various performance obligations under the agreement. The value allocated to previously delivered equipment was immediately recognized as equipment revenue in our unaudited condensed consolidated financial statements; refer to Note 3, "Revenue Recognition," for additional disclosures relating to the allocation of consideration among identified performance obligations. For amounts recognized in equipment revenue that were in excess of the amounts billed, we recorded current and non-current contract assets included within prepaid expenses and other current assets and othernon-current assets, respectively; refer to Note 3, "Revenue Recognition," for additional details. In connection with the transition of this airline agreement to the airline-directed model, we also established warranty reserves related to previously sold equipment that are still under a warranty period, which is included within accrued liabilities. See Note 8, "Warranties," for additional information. This transition from the turnkey model to the airline-directed model occurred on January 4, 2018 and the total financial statement effect on our unaudited condensed consolidated balance sheet and unaudited condensed consolidated statement of operations was as follows (*in thousands*):

	Increase (decrease)
Unaudited condensed consolidated balance sheet	
Prepaid expense and other current assets	$ 6,603
Property and equipment, net	(32,716)
Other non-current assets	18,783
Accrued liabilities	2,000
Current deferred airborne lease incentive	(13,592)
Non-current deferred airborne lease incentive	(17,289)
Unaudited condensed consolidated statement of operations	
Equipment revenue	45,396
Cost of equipment revenue	23,845

As of January 1, 2019, one airline transitioned from the airline-directed model to the turnkey model. This transition did not have a material impact to our unaudited condensed consolidated statements of operations. However, as a result of such transition, $46.8 million of Inventory was reclassified to Property and equipment, net as of January 1, 2019. See Note 2, "Summary of Significant Accounting Policies—Inventories," in our 2018 10-K for information regarding the allocation of airborne equipment between Inventories and Property and equipment, net. In September 2019, an additional airline transitioned from the airline-directed model to the turnkey model. This transition did not have a material impact to our unaudited condensed consolidated statements of operations and resulted in the reclassification of amounts primarily between other non-current assets and operating lease right-of-use assets within our unaudited condensed consolidated balance sheet.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the significant estimates and bases such estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. However, actual results could differ materially from those estimates.

2. Recent Accounting Pronouncements

Accounting standards adopted:

On January 1, 2019, we adopted Accounting Standards Codification Topic 842,*Leases* ("ASC 842") using the cumulative effect method. As a result, we recognized the cumulative effect of initially applying ASC 842 as an adjustment to the opening balance of retained earnings as of January 1, 2019. Our historical financial statements have not been restated and continue to be reported under the lease accounting standard in effect for those periods.

We elected the practical expedients regarding use of hindsight to evaluate lease terms as well as maintaining lease classifications established under the prior lease accounting standard. Through this practical expedient, we did not reevaluate contracts to determine if they contained a lease. We did not elect the practical expedients regarding short-term leases or the separation of lease and non-lease components.

Adoption of ASC 842 had a material impact on our consolidated balance sheet through recognition ofright-of-use ("ROU") assets and operating lease liabilities. Adoption did not have a material impact on our consolidated statements of operations or our consolidated statements of cash flows and did not result in the recognition of incremental financing leases, formerly referred to as capital leases.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

The discount rate used to calculate the adjustment to the opening balance was our incremental borrowing rate as of the adoption date, January 1, 2019. The cumulative effect of the adoption of ASC 842 to our unaudited condensed consolidated balance sheet as of January 1, 2019 was as follows (*in thousands)*:

	Balance at December 31, 2018	Impact of ASC 842	Balances with Adoption of ASC 842
Assets			
Operating lease right-of-use assets	$ —	$ 72,188	$ 72,188
Liabilities			
Accrued liabilities	213,111	9,019	222,130
Non-current operating lease liabilities	—	102,440	102,440
Other non-current liabilities	80,191	(36,178)	44,013
Equity			
Accumulated deficit	(1,228,674)	(3,093)	(1,231,767)

See Note 11, "Leases," for additional information.

On January 1, 2019, we adopted ASU2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*("ASU 2018-02"), which permits entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of tax reform to retained earnings. Adoption of this standard did not have a material impact on our consolidated financial statements.

On January 1, 2019, we adopted ASU2018-07, *Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"), which expands the scope of ASC 718, *Compensation – Stock Compensation*, to include share-based payment transactions for acquiring goods or services from nonemployees. Adoption of this standard did not have a material impact on our consolidated financial statements.

3. Revenue Recognition

Arrangements with commercial airlines

For CA-NA and CA-ROW, pursuant to contractual agreements with our airline partners, we place our equipment on commercial aircraft operated by the airlines in order to deliver our service to passengers on the aircraft. We currently have two types of commercial airline arrangements: turnkey and airline-directed. Under the airline-directed model, we have transferred control of the equipment to the airline and therefore the airline is our customer in these transactions. Under the turnkey model, we have not transferred control of our equipment to our airline partner and, as a result, the airline passenger is deemed to be our customer. Transactions with our airline partners under the turnkey model are accounted for as an operating lease of space on an aircraft. See Note 11, "Leases," for additional information on the turnkey model.

Remaining performance obligations

As of September 30, 2019, the aggregate amount of the transaction price in our contracts allocated to the remaining unsatisfied performance obligations is approximately $551 million, most of which relates to our commercial aviation contracts. Approximately $79 million represents future equipment revenue that is expected to be recognized within the next one to three years. The remaining $472 million primarily represents connectivity and entertainment service revenues which are recognized as services are provided, which is expected to occur through the remaining term of the contract (approximately 5-10 years). We have excluded from this amount: all variable consideration derived from our connectivity or entertainment services that is allocated entirely to our performance of obligations related to such services; consideration from contracts that have an original duration of one year or less; revenue from passenger service on airlines operating under the turnkey model; and revenue from contracts that have been executed but under which have not yet met the accounting definition of a contract since the airline has not yet determined which products in our portfolio it wishes to select, and, as a result we are unable to determine which products and services will be transferred to the customer.

Table of Contents

Disaggregation of revenue

The following table presents our revenue disaggregated by category *(in thousands)*:

	For the Three Months Ended September 30, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	$ 73,222	$ 21,580	$54,698	$149,500
Entertainment, CAS and other	7,248	1,000	651	8,899
Total service revenue	$ 80,470	$ 22,580	$55,349	$158,399
Equipment revenue				
ATG	$ 2,247	$ —	$20,099	$ 22,346
Satellite	1,178	13,127	5,292	19,597
Other	240	—	600	840
Total equipment revenue	$ 3,665	$ 13,127	$25,991	$ 42,783
Customer type				
Airline passenger and aircraft owner/operator	$ 45,744	$ 7,204	$55,349	$108,297
Airline, OEM and aftermarket dealer	28,258	26,400	25,991	80,649
Third party	10,133	2,103	—	12,236
Total revenue	$ 84,135	$ 35,707	$81,340	$201,182

	For the Three Months Ended September 30, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	$ 85,930	$ 17,168	$48,926	$152,024
Entertainment, CAS and other	7,513	478	361	8,352
Total service revenue	$ 93,443	$ 17,646	$49,287	$160,376
Equipment revenue				
ATG	$ 2,518	$ —	$20,158	$ 22,676
Satellite	12,509	17,551	4,022	34,082
Other	—	—	123	123
Total equipment revenue	$ 15,027	$ 17,551	$24,303	$ 56,881
Customer type				
Airline passenger and aircraft owner/operator	$ 53,873	$ 6,086	$49,287	$109,246
Airline, OEM and aftermarket dealer	39,336	27,146	24,303	90,785
Third party	15,261	1,965	—	17,226
Total revenue	$108,470	$ 35,197	$73,590	$217,257

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

	For the Nine Months Ended September 30, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	$243,273	$ 62,090	$161,559	$466,922
Entertainment, CAS and other	25,626	2,835	1,759	30,220
Total service revenue	$268,899	$ 64,925	$163,318	$497,142
Equipment revenue				
ATG	$ 10,755	$ —	$ 43,778	$ 54,533
Satellite	5,137	40,430	14,336	59,903
Other	1,140	—	1,698	2,838
Total equipment revenue	$ 17,032	$ 40,430	$ 59,812	$117,274
Customer type				
Airline passenger and aircraft owner/operator	$155,993	$ 19,822	$163,318	$339,133
Airline, OEM and aftermarket dealer	96,054	79,571	59,812	235,437
Third party	33,884	5,962	—	39,846
Total revenue	$285,931	$105,355	$223,130	$614,416

	For the Nine Months Ended September 30, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	$256,803	$ 45,365	$144,149	$446,317
Entertainment, CAS and other	21,169	1,711	913	23,793
Total service revenue	$277,972	$ 47,076	$145,062	$470,110
Equipment revenue				
ATG *(1)*	$ 49,534	$ —	$ 56,076	$105,610
Satellite *(1)*	44,435	40,935	12,741	98,111
Other	—	—	2,709	2,709
Total equipment revenue	$ 93,969	$ 40,935	$ 71,526	$206,430
Customer type				
Airline passenger and aircraft owner/operator	$161,515	$ 15,912	$145,062	$322,489
Airline, OEM and aftermarket dealer *(2)*	165,903	66,151	71,526	303,580
Third party	44,523	5,948	—	50,471
Total revenue	$371,941	$ 88,011	$216,588	$676,540

1) ATG and satellite equipment revenue for the CA-NA segment includes the $45.4 million related to the accounting impact of the transition of one of our airline partners to the airline-directed model. Approximately $43.4 million was included in ATG equipment revenue and approximately $2.0 million was included in satellite equipment revenue.

2) Airline, OEM and aftermarket dealer revenue includes all equipment revenue for our three segments, including the $45.4 million accounting impact of the transition of one of our airline partners to the airline-directed model.

Contract balances

Our current and non-current deferred revenue balances totaled $62.7 million and $60.1 million as of September 30, 2019 and December 31, 2018, respectively. Deferred revenue includes, among other things, equipment, multi-pack and subscription connectivity products, sponsorship activities and airline-directed connectivity and entertainment.

Our current and non-current contract asset balances totaled $61.3 million and $59.9 million as of September 30, 2019 and December 31, 2018, respectively. Contract assets represent the aggregate amount of revenue recognized in excess of billings for our airline-directed contracts.

Table of Contents

Capitalized STC balances for our airline-directed contracts were $17.6 million and $16.5 million as of September 30, 2019 and December 31, 2018, respectively. The capitalized STC costs are amortized over the life of the associated airline-directed contracts as part of our engineering, design and development costs in our unaudited condensed consolidated statements of operations. Total amortization expense was $1.3 million and $1.9 million, respectively, for the three and nine month periods ended September 30, 2019, and $0.3 million and $0.7 million for the respective prior-year periods.

4. Net Loss Per Share

Basic and diluted net loss per share have been calculated using the weighted average number of common shares outstanding for the period.

The shares of common stock effectively repurchased in connection with the Forward Transactions (as defined and described in Note 9, "Long-Term Debt and Other Liabilities") are considered participating securities requiring the two-class method to calculate basic and diluted earnings per share. Net earnings in future periods will be allocated between common shares and participating securities. In periods of a net loss, the shares associated with the Forward Transactions will not receive an allocation of losses, as the counterparties to the Forward Transactions are not required to fund losses. Accordingly, the calculation of weighted average shares outstanding as of September 30, 2019 and 2018 excludes approximately 7.2 million shares that will be repurchased as a result of the Forward Transactions.

As a result of the net loss for the three and nine month periods ended September 30, 2019 and 2018, all of the outstanding shares of common stock underlying stock options, deferred stock units and restricted stock units were excluded from the computation of diluted shares outstanding because they were anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share for the three and nine month periods ended September 30, 2019 and 2018; however, because of the undistributed losses, the shares of common stock associated with the Forward Transactions are excluded from the computation of basic earnings per share in 2019 and 2018 as undistributed losses are not allocated to these shares (*in thousands, except per share amounts*):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss	$(22,891)	$(37,717)	$(123,653)	$(102,343)
Less: Participation rights of the Forward Transactions	—	—	—	—
Undistributed losses	$(22,891)	$(37,717)	$(123,653)	$(102,343)
Weighted-average common shares outstanding-basic and diluted	80,908	80,196	80,370	79,948
Net loss attributable to common stock per share-basic and diluted	$ (0.28)	$ (0.47)	$ (1.54)	$ (1.28)

5. Inventories

Inventories consist primarily of telecommunications systems and parts and are recorded at the lower of cost (average cost) or market. We evaluate the need for write-downs associated with obsolete, slow-moving and nonsalable inventory by reviewing net realizable inventory values on a periodic basis.

Inventories as of September 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	September 30, 2019	December 31, 2018
Work-in-process component parts	$ 27,644	$ 30,340
Finished goods *(1)*	105,769	162,705
Total inventory	$ 133,413	$ 193,045

(1) The change between September 30, 2019 and December 31, 2018 includes the $46.8 million accounting impact of one of our airline partner agreements transitioning to the turnkey model in January 2019 (see Note 1, "Basis of Presentation," for additional information).

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

6. Composition of Certain Balance Sheet Accounts

Prepaid expenses and other current assets as of September 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	September 30, 2019	December 31, 2018
Contract assets	$ 11,518	$ 10,423
Prepaid satellite services	1,026	7,755
Restricted cash	535	1,535
Other	11,939	14,982
Total prepaid expenses and other current assets	$ 25,018	$ 34,695

Property and equipment as of September 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	September 30, 2019	December 31, 2018
Office equipment, furniture, fixtures and other	$ 54,833	$ 52,320
Leasehold improvements	44,832	44,838
Airborne equipment *(1)*	737,999	642,151
Network equipment	209,501	205,463
	1,047,165	944,772
Accumulated depreciation	(494,125)	(432,905)
Total property and equipment, net	$ 553,040	$ 511,867

(1) The change between September 30, 2019 and December 31, 2018 includes the $46.8 million accounting impact of one of our airline partner agreements transitioning to the turnkey model in January 2019 (see Note 1, “Basis of Presentation,” for additional information).

Other non-current assets as of September 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	September 30, 2019	December 31, 2018
Contract assets	$ 49,796	$ 49,517
Deferred STC costs	17,618	16,453
Restricted cash	7,424	5,426
Other	8,831	12,816
Total other non-current assets	$ 83,669	$ 84,212

Accrued liabilities as of September 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	September 30, 2019	December 31, 2018
Airline related accrued liabilities	$ 44,123	$ 53,527
Accrued interest	44,701	46,694
Employee compensation and benefits	25,330	19,463
Airborne equipment and installation costs	12,851	25,119
Accrued satellite network costs	16,585	19,557
Warranty reserve	11,579	12,291
Operating leases *(1)*	11,917	—
Other	33,667	36,460
Total accrued liabilities	$ 200,753	$ 213,111

(1) The change between September 30, 2019 and December 31, 2018 is due to the adoption of ASC 842. See Note 2, “Recent Accounting Pronouncements,” for additional information.

Other non-current liabilities as of September 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	September 30, 2019	December 31, 2018
Deferred revenue	$ 30,154	$ 21,482
Deferred rent (1)	—	35,897
Asset retirement obligations	11,243	9,696
Deferred tax liabilities	2,295	2,162
Other	10,082	10,954
Total other non-current liabilities	$ 53,774	$ 80,191

(1) The change between September 30, 2019 and December 31, 2018 is due to the adoption of ASC 842. See Note 2, "Recent Accounting Pronouncements," for additional information.

7. Intangible Assets

Our intangible assets are comprised of both indefinite-lived and finite-lived intangible assets. Intangible assets with indefinite lives and goodwill are not amortized; rather, they are reviewed for impairment at least annually or whenever events or circumstances indicate the carrying value of the asset may not be recoverable. We perform our annual impairment tests of our indefinite-lived intangible assets and goodwill during the fourth quarter of each fiscal year. We also reevaluate the useful life of indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. The results of our annual indefinite-lived intangible assets and goodwill impairment assessments in the fourth quarter of 2018 indicated no impairment.

As of both September 30, 2019 and December 31, 2018, our goodwill balance, all of which related to our BA segment, was $0.6 million.

Our intangible assets, other than goodwill, as of September 30, 2019 and December 31, 2018 were as follows (*in thousands, except for weighted average remaining useful life*):

	Weighted Average Remaining Useful Life (in years)	As of September 30, 2019			As of December 31, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:							
Software	2.7	$176,539	$ (131,144)	$45,395	$164,580	$ (116,873)	$47,707
Service customer relationship	0.5	8,081	(7,566)	515	8,081	(6,804)	1,277
Other intangible assets	7.8	3,000	(1,432)	1,568	3,000	(1,396)	1,604
OEM and dealer relationships		6,724	(6,724)	—	6,724	(6,724)	—
Total amortized intangible assets		194,344	(146,866)	47,478	182,385	(131,797)	50,588
Unamortized intangible assets:							
FCC Licenses		32,283	—	32,283	32,283	—	32,283
Total intangible assets		$226,627	$ (146,866)	$79,761	$214,668	$ (131,797)	$82,871

Amortization expense was $4.6 million and $15.1 million, respectively, for the three and nine month periods ended September 30, 2019 and $4.9 million and $16.5 million, respectively, for the prior-year periods.

Amortization expense for each of the next five years and thereafter is estimated to be as follows (*in thousands*):

Years ending December 31,	Amortization Expense
2019 (period from October 1 to December 31)	$ 5,151
2020	$ 18,394
2021	$ 13,573
2022	$ 8,068
2023	$ 1,310
Thereafter	$ 982

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Actual future amortization expense could differ from the estimated amount as a result of future investments and other factors.

8. Warranties

We provide warranties on parts and labor related to our products. Our warranty terms range from two to ten years. Warranty reserves are established for costs that are estimated to be incurred after the sale, delivery and installation of the products under warranty. The warranty reserves are determined based on known product failures, historical experience and other available evidence, and are included in accrued liabilities in our unaudited condensed consolidated balance sheets. Our warranty reserve balance was $11.6 million and $12.3 million, respectively, as of September 30, 2019 and December 31, 2018.

9. Long-Term Debt and Other Liabilities

Long-term debt as of September 30, 2019 and December 31, 2018 was as follows (*in thousands*):

	September 30, 2019	December 31, 2018
2024 Senior Secured Notes	$ 920,965	$ —
2022 Senior Secured Notes	—	702,670
2022 Convertible Notes	198,818	190,083
2020 Convertible Notes	2,498	149,195
Total debt	1,122,281	1,041,948
Less deferred financing costs	(26,115)	(17,055)
Total long-term debt	$ 1,096,166	$ 1,024,893

2024 Senior Secured Notes - On April 25, 2019 (the "Issue Date"), Gogo Intermediate Holdings LLC ("GIH") (a wholly owned subsidiary of Gogo Inc.) and Gogo Finance Co. Inc. (a wholly owned subsidiary of GIH) ("Gogo Finance" and, together with GIH, the "Issuers") issued $905 million aggregate principal amount of 9.875% senior secured notes due 2024 (the "Initial Notes") under an indenture (the "Base Indenture"), dated as of April 25, 2019, among the Issuers, us, as guarantor, certain subsidiaries of GIH, as guarantors (the "2024 Subsidiary Guarantors" and, together with us, the "2024 Guarantors"), and U.S. Bank National Association, as trustee (the "Trustee") and collateral agent (the "Collateral Agent"). On May 3, 2019, the Issuers, the 2024 Guarantors and the Trustee entered into the first supplemental indenture (the "First Supplemental Indenture" and, together with the Base Indenture, the "2024 Indenture") to increase the amount of indebtedness that may be incurred under Credit Facilities (as defined in the 2024 Indenture) by GIH or its subsidiaries that are 2024 Guarantors by $20 million in aggregate principal amount. On May 7, 2019, the Issuers issued an additional $20 million aggregate principal amount of 9.875% senior secured notes due 2024 (the "Additional Notes"). We refer to the Initial Notes and the Additional Notes collectively as the "2024 Senior Secured Notes". The Initial Notes were issued at a price equal to 99.512% of their face value, and the Additional Notes were issued at a price equal to 100.5% of their face value, resulting in aggregate gross proceeds of $920.7 million. Additionally, we received approximately $0.1 million for interest that accrued from April 25, 2019 through May 7, 2019 with respect to the Additional Notes that was included in our interest payment on November 1, 2019. The 2024 Senior Secured Notes are guaranteed on a senior secured basis by Gogo Inc. and all of GIH's existing and future restricted subsidiaries (other than Gogo Finance), subject to certain exceptions. The 2024 Senior Secured Notes and the related guarantees are secured by second-priority liens on the ABL Priority Collateral (as defined below) and by first-priority liens on the Cash Flow Priority Collateral (as defined below), including pledged equity interests of the Issuers and all of GIH's existing and future restricted subsidiaries guaranteeing the 2024 Senior Secured Notes, except for certain excluded assets and subject to permitted liens.

As of September 30, 2019, the outstanding principal amount of the 2024 Senior Secured Notes was $925 million, the unaccreted debt discount was $4.0 million and the net carrying amount was $921.0 million.

We used a portion of the net proceeds from the issuance of the 2024 Senior Secured Notes to fund the redemption of all the outstanding 2022 Senior Secured Notes (as defined below) and to repurchase $159 million aggregate principal amount of the 2020 Convertible Notes (as defined below). We intend to use the remaining net proceeds for general corporate purposes.

The 2024 Senior Secured Notes will mature on May 1, 2024. The 2024 Senior Secured Notes bear interest at a rate of 9.875% per year, payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2019.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

We paid approximately $22.6 million of origination fees and financing costs related to the issuance of the 2024 Senior Secured Notes, which have been accounted for as deferred financing costs. The deferred financing costs on our unaudited condensed consolidated balance sheet are being amortized over the contractual term of the 2024 Senior Secured Notes using the effective interest method. Total amortization expense was $0.9 million and $1.5 million, respectively, for the three and nine month periods ended September 30, 2019. As of September 30, 2019, the balance of unamortized deferred financing costs related to the 2024 Senior Secured Notes was $21.2 million and is included as a reduction to long-term debt in our unaudited condensed consolidated balance sheet. See Note 10, "Interest Costs," for additional information.

The 2024 Senior Secured Notes are the senior secured indebtedness of the Issuers and are:

- effectively senior to (i) all of the Issuers' existing and future senior unsecured indebtedness to the extent of the value of the collateral securing the 2024 Senior Secured Notes and (ii) the Issuers' indebtedness secured on a junior priority basis by the same collateral securing the 2024 Senior Secured Notes to the extent of the value of such collateral, including the obligations under the ABL Credit Facility (as defined below) to the extent of the value of the Cash Flow Priority Collateral;
- effectively equal in right of payment with the Issuers' existing and future (i) unsecured indebtedness that is not subordinated in right of payment to the 2024 Senior Secured Notes and (ii) indebtedness secured on a junior priority basis by the same collateral securing the 2024 Senior Secured Notes, if any, in each case to the extent of any insufficiency in the collateral securing the 2024 Senior Secured Notes;
- structurally senior to all of our existing and future indebtedness, including our 2022 Convertible Notes and 2020 Convertible Notes (each as defined below);
- senior in right of payment to any and all of the Issuers' future indebtedness that is subordinated in right of payment to the 2024 Senior Secured Notes;
- structurally subordinated to all of the indebtedness and other liabilities of anynon-2024 Guarantors (other than the Issuers); and
- effectively subordinated to all of our existing and future indebtedness secured on a senior priority basis by the same collateral securing the 2024 Senior Secured Notes to the extent of the value of such collateral, including the obligations under the ABL Credit Facility to the extent of the value of ABL Priority Collateral.

Each guarantee is a senior secured obligation of such 2024 Guarantor and is:

- effectively senior in right of payment to all existing and future (i) senior unsecured indebtedness to the extent of the value of the collateral securing such guarantee owned by such 2024 Guarantor and (ii) indebtedness secured on a junior priority basis by the same collateral securing the guarantee owned by such 2024 Guarantor to the extent of the value of the collateral securing the guarantee, including the obligations under the ABL Credit Facility to the extent of the value of the Cash Flow Priority Collateral;
- effectively equal in right of payment with all existing and future unsubordinated indebtedness and indebtedness secured on a junior priority basis by the same collateral securing the guarantee owned by such 2024 Guarantor, if any, in each case to the extent of any insufficiency in the collateral securing such guarantee;
- effectively subordinated to the obligations under the ABL Credit Facility of each 2024 Guarantor to the extent of the value of the ABL Priority Collateral owned by such 2024 Guarantor;
- effectively senior in right of payment to all existing and future subordinated indebtedness, if any, of such 2024 Guarantor; and
- structurally subordinated to all indebtedness and other liabilities of anynon-2024 Guarantor subsidiary of such 2024 Guarantor (excluding, in the case of our guarantee, the Issuers).

The security interests in certain collateral may be released without the consent of holders of the 2024 Senior Secured Notes if such collateral is disposed of in a transaction that complies with the 2024 Indenture and related security agreements, and if any grantor of such security interests is released from its obligations with respect to the

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

2024 Senior Secured Notes in accordance with the applicable provisions of the 2024 Indenture and related security agreements. Under certain circumstances, GIH and the 2024 Guarantors have the right to transfer certain intellectual property assets that on the Issue Date constitute collateral securing the 2024 Senior Secured Notes or the guarantees to a restricted subsidiary organized under the laws of Switzerland, resulting in the release of such collateral. In addition, the 2024 Indenture permits indebtedness incurred under the ABL Credit Facility to be secured on a first-priority basis by certain of the same collateral that secures the 2024 Senior Secured Notes.

The Issuers may redeem the 2024 Senior Secured Notes, in whole or in part, at any time prior to May 1, 2021, at a redemption price equal to 100% of the principal amount of the 2024 Senior Secured Notes redeemed plus the make-whole premium set forth in the 2024 Indenture as of, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date.

On or after May 1, 2021, the 2024 Senior Secured Notes will be redeemable at the following redemption prices (expressed in percentages of principal amount), plus accrued and unpaid interest, if any, to (but not including) the redemption date (subject to the right of holders of record on the relevant regular record date on or prior to the redemption date to receive interest due on an interest payment date), if redeemed during the twelve-month period commencing on May 1 of the following years:

Year	Redemption Price
2021	104.938%
2022	102.469%
2023 and thereafter	100.000%

In addition, at any time prior to May 1, 2021, the Issuers may redeem up to 40% of the aggregate principal amount of the 2024 Senior Secured Notes with the proceeds of certain equity offerings at a redemption price of 109.875% of the principal amount redeemed, plus accrued and unpaid interest, if any, to (but not including) the date of redemption; provided, however, that 2024 Senior Secured Notes representing at least 50% of the principal amount of the 2024 Senior Secured Notes remain outstanding immediately after each such redemption.

In addition, if GIH receives cash proceeds in connection with the entry into or continuation of a strategic relationship, or equity from us in connection with the sale of stock to a complimentary business (in each case, a "strategic investment") at any time prior to May 1, 2020, the Issuers may redeem up to $150 million of the aggregate principal amount of the 2024 Senior Secured Notes at 103% of the principal amount of the 2024 Senior Secured Notes to be redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date with the proceeds from such strategic investment.

The 2024 Indenture contains covenants that, among other things, limit the ability of the Issuers and the 2024 Subsidiary Guarantors and, in certain circumstances, our ability, to: incur additional indebtedness; pay dividends, redeem stock or make other distributions; make investments; create restrictions on the ability of GIH's restricted subsidiaries to pay dividends to the Issuers or make other intercompany transfers; create liens; transfer or sell assets; merge or consolidate; and enter into certain transactions with the Issuers' affiliates. Most of these covenants will cease to apply if, and for as long as, the 2024 Senior Secured Notes have investment grade ratings from both Moody's Investment Services, Inc. and Standard & Poor's.

If we or the Issuers undergo specific types of change of control accompanied by a downgrade in the rating of the 2024 Senior Secured Notes prior to May 1, 2024, GIH is required to make an offer to repurchase for cash all of the 2024 Senior Secured Notes at a repurchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the payment date.

The 2024 Indenture provides for events of default, which, if any of them occur, would permit or require the principal, premium, if any, and interest on all of the then outstanding 2024 Senior Secured Notes issued under the 2024 Indenture to be due and payable immediately. As of September 30, 2019, no event of default had occurred.

ABL Credit Facility – On August 26, 2019, Gogo Inc., GIH and Gogo Finance (together GIH and Gogo Finance are referred to as the "Borrowers") entered into a credit agreement (the "ABL Credit Agreement") among the Borrowers, the other loan parties party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent"), and Morgan Stanley Senior Funding, Inc., as syndication agent, which provides for an asset-based revolving credit facility (the "ABL Credit Facility") of up to $30 million, subject to borrowing base availability, and includes letter of credit and swingline sub-facilities.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Borrowing availability under the ABL Credit Facility is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of eligible accounts receivable (including eligible unbilled accounts receivable) and eligible credit card receivables, less certain reserves and subject to certain other adjustments as set forth in the ABL Credit Agreement. Availability is reduced by issuance of letters of credit as well as any borrowings. As of September 30, 2019, no revolving loans were outstanding under the ABL Credit Facility.

The final maturity of the ABL Credit Facility is August 26, 2022, unless the aggregate outstanding principal amount of our 2022 Convertible Notes (as defined below) has not, on or prior to December 15, 2021, been repaid in full or refinanced with a new maturity date no earlier than February 26, 2023, in which case the final maturity date shall instead be December 16, 2021.

Loans outstanding under the ABL Credit Facility bear interest at a floating rate measured by reference to, at the Borrowers' option, either (i) an adjusted London inter-bank offered rate plus an applicable margin ranging from 1.50% to 2.00% per annum depending on a fixed charge coverage ratio, or (ii) an alternate base rate plus an applicable margin ranging from 0.50% to 1.00% per annum depending on a fixed charge coverage ratio. Unused commitments under the ABL Credit Facility are subject to a per annum fee ranging from 0.25% to 0.375% depending on the average quarterly usage of the revolving commitments.

The obligations under the ABL Credit Agreement are guaranteed by Gogo Inc. and all of its existing and future subsidiaries, subject to certain exceptions (collectively, the "ABL Guarantors"), and such obligations and the obligations of the ABL Guarantors are secured on a (i) senior basis by a perfected security interest in all present and after-acquired inventory, accounts receivable, deposit accounts, securities accounts, and any cash or other assets in such accounts and other related assets owned by each ABL Guarantor and the proceeds of the foregoing, subject to certain exceptions (the "ABL Priority Collateral") and (ii) junior basis by a perfected security interest in substantially all other tangible and intangible assets owned by each ABL Guarantor (the "Cash Flow Priority Collateral").

The ABL Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include restrictions on, among other things: the incurrence of additional indebtedness; the incurrence of additional liens; dividends or other distributions on equity; the purchase, redemption or retirement of capital stock; the payment or redemption of certain indebtedness; loans, guarantees and other investments; entering into other agreements that create restrictions on the ability to pay dividends or make other distributions on equity, make or repay certain loans, create or incur certain liens or guarantee certain indebtedness; asset sales; sale-leaseback transactions; swap agreements; consolidations or mergers; amendment of certain material documents; certain regulatory matters; Canadian pension plans; and affiliate transactions. The negative covenants are subject to customary exceptions and also permit dividends and other distributions on equity, investments, permitted acquisitions and payments or redemptions of indebtedness upon satisfaction of the "payment conditions." The payment conditions are deemed satisfied upon Specified Availability (as defined in the ABL Credit Agreement) on the date of the designated action and Specified Availability for the prior 30-day period exceeding agreed-upon thresholds, the absence of the occurrence and continuance of any default and, in certain cases, pro forma compliance with a fixed charge coverage ratio of no less than 1.10 to 1.00.

The ABL Credit Agreement includes a minimum fixed charge coverage ratio test of no less than 1.00 to 1.00, which is tested only when Specified Availability is less than the greater of (A) $4.5 million and (B) 15.0% of the then effective commitments under the ABL Credit Facility, and continuing until the first day immediately succeeding the last day of the calendar month which includes the thirtieth (30th) consecutive day on which Specified Availability is in excess of such threshold so long as no default has occurred and is continuing and certain other conditions are met. As of September 30, 2019, Specified Availability had not fallen below the amount specified and therefore the minimum fixed charge coverage ratio test was not applicable. Full availability under the ABL Credit Facility may be limited by our ability to comply with the fixed charge coverage ratio in future periods.

The ABL Credit Agreement provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then outstanding obligations under the ABL Credit Facility to be due and payable immediately and the commitments under the ABL Credit Facility to be terminated.

On August 26, 2019, the Borrowers and the ABL Guarantors entered into an ABL collateral agreement (the "ABL Collateral Agreement"), in favor of the Administrative Agent, whereby the Borrowers and the ABL Guarantors granted a security interest in substantially all tangible and intangible assets of each Borrower and each ABL Guarantor, to secure all obligations of the Borrowers and the ABL Guarantors under the ABL Credit Agreement, and U.S. Bank National Association, as cash flow collateral representative, and JPMorgan Chase Bank, N.A., as ABL agent, entered into a crossing lien intercreditor agreement (the "Intercreditor Agreement") to govern the relative priority of liens on the collateral that secures the ABL Credit Agreement and the 2024 Senior Secured Notes and certain other rights, priorities and interests.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

2022 Senior Secured Notes – On June 14, 2016, the Issuers issued $525 million aggregate principal amount of 12.500% senior secured notes due 2022 (the "Original 2022 Senior Secured Notes") under an Indenture, dated as of June 14, 2016 (the "Original Indenture"), among the Issuers, us, as guarantor, certain subsidiaries of GIH, as guarantors (the "2022 Subsidiary Guarantors" and, together with us, the "2022 Guarantors"), and U.S. Bank National Association, as Trustee and as Collateral Agent. On January 3, 2017, the Issuers issued $65 million aggregate principal amount of additional 12.500% senior secured notes due 2022 (the "January 2017 Additional Notes"). The January 2017 Additional Notes were issued at a price equal to 108% of their face value resulting in gross proceeds of $70.2 million. On September 20, 2017, the Issuers, the 2022 Guarantors and the Trustee entered into the first supplemental indenture (the "Supplemental Indenture" and, together with the Original Indenture, the "Indenture") to modify certain covenants, as discussed below. On September 25, 2017, the Issuers issued $100 million aggregate principal amount of additional 12.500% senior secured notes due 2022 (the "September 2017 Additional Notes"). The September 2017 Additional Notes were issued at a price equal to 113% of their face value resulting in gross proceeds of $113.0 million. Additionally, we received approximately $2.9 million for interest that accrued from July 1, 2017 through September 24, 2017, which was paid in our January 2018 interest payment. We refer to the Original 2022 Senior Secured Notes, the January 2017 Additional Notes and the September 2017 Additional Notes collectively as the "2022 Senior Secured Notes."

On April 15, 2019, the Issuers elected to call for redemption in full all $690 million aggregate principal amount outstanding of the 2022 Senior Secured Notes in accordance with the terms of the Indenture. The redemption was conditioned, among other things, upon the incurrence of indebtedness in connection with the issuance of the 2024 Senior Secured Notes or from one or more other sources, in an amount satisfactory to the Issuers which condition was satisfied by the issuance of the 2024 Senior Secured Notes. On April 25, 2019, the Issuers irrevocably deposited, or caused to be irrevocably deposited, with the Trustee funds solely for the benefit of the holders of the 2022 Senior Secured Notes, cash in an amount sufficient to pay principal, premium, if any, and accrued interest on the 2022 Senior Secured Notes to, but not including, the date of redemption and all other sums payable under the Indenture. The Trustee executed and delivered an acknowledgement of satisfaction, discharge and release, dated as of April 25, 2019, among other documents, with respect to the satisfaction and discharge of the 2022 Senior Secured Notes. On May 15, 2019, the 2022 Senior Secured Notes were fully redeemed in accordance with the terms of the Indenture, and the amount deposited with the Trustee on April 25, 2019 was paid to the holders of the 2022 Senior Secured Notes. The make-whole premium paid in connection with the redemption was $51.4 million and we wrote off the remaining unamortized deferred financing costs of $9.1 million and the remaining debt premium of $11.7 million relating to the 2022 Senior Secured Notes in connection with the redemption thereof, which together are included in the loss on extinguishment of debt in our unaudited condensed consolidated statements of operations for the nine month period ended September 30, 2019.

We paid approximately $15.9 million of aggregate origination fees and financing costs related to the issuance of the 2022 Senior Secured Notes which were accounted for as deferred financing costs. Additionally, we paid approximately $1.4 million of consent fees in connection with the Supplemental Indenture, which partially offset the net carrying value of the 2022 Senior Secured Notes. Total amortization expense was $1.0 million for the nine month period ended September 30, 2019, and $0.7 million and $2.0 million, respectively, for the three and nine month periods ended September 30, 2018. As noted above, the remaining unamortized deferred financing costs were written off as of May 15, 2019.

Convertible Notes

2022 Convertible Notes

On November 21, 2018, we issued $215.0 million aggregate principal amount of 6.00% Convertible Senior Notes due 2022 (the "2022 Convertible Notes") in private offerings to qualified institutional buyers, including pursuant to Rule 144A under the Securities Act, and in concurrent private placements. We granted an option to the initial purchasers to purchase up to an additional $32.3 million aggregate principal amount of 2022 Convertible Notes to cover over-allotments, of which $22.8 million was subsequently exercised during December 2018, resulting in a total issuance of $237.8 million aggregate principal amount of 2022 Convertible Notes. The 2022 Convertible Notes mature on May 15, 2022, unless earlier repurchased or converted into shares of our common stock under certain circumstances described below. Upon maturity, we have the option to settle our obligation through cash, shares of common stock, or a combination of cash and shares of common stock. We pay interest on the 2022 Convertible Notes semi-annually in arrears on May 15 and November 15 of each year. Interest payments began on May 15, 2019.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

The $237.8 million of proceeds received from the issuance of the 2022 Convertible Notes was initially allocated between long-term debt (the liability component) at $188.7 million and additional paid-in capital (the equity component) at $49.1 million, within the consolidated balance sheet. The fair value of the liability component was measured using rates determined for similar debt instruments without a conversion feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the aggregate face value of the 2022 Convertible Notes. If we or the note holders elect not to settle the debt through conversion, we must settle the 2022 Convertible Notes at face value. Therefore, the liability component will be accreted up to the face value of the 2022 Convertible Notes, which will result in additional non-cash interest expense being recognized in the unaudited condensed consolidated statements of operations through the 2022 Convertible Notes maturity date (see Note 10, “Interest Costs,” for additional information). The effective interest rate on the 2022 Convertible Notes, including accretion of the notes to par and debt issuance cost amortization, was approximately 13.6%. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

As of September 30, 2019 and December 31, 2018, the outstanding principal on the 2022 Convertible Notes was $237.8 million and $237.8 million, respectively, the unaccreted debt discount was $38.9 million and $47.7 million, respectively, and the net carrying amount of the liability component was $198.8 million and $190.1 million, respectively.

We incurred approximately $8.1 million of issuance costs related to the issuance of the 2022 Convertible Notes, of which $6.4 million and $1.7 million were recorded to deferred financing costs and additional paid-in capital, respectively, in proportion to the allocation of the proceeds of the 2022 Convertible Notes. The $6.4 million recorded as deferred financing costs on our consolidated balance sheet is being amortized over the term of the 2022 Convertible Notes using the effective interest method. Total amortization expense of the deferred financing costs was $0.4 million and $1.2 million, respectively, for the three and nine month periods ended September 30, 2019. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. As of September 30, 2019 and December 31, 2018, the balance of unamortized deferred financing costs related to the 2022 Convertible Notes was $4.9 million and $6.2 million, respectively, and is included as a reduction to long-term debt in our consolidated balance sheets. See Note 10, “Interest Costs,” for additional information.

The 2022 Convertible Notes had an initial conversion rate of 166.6667 common shares per $1,000 principal amount of 2022 Convertible Notes, which is equivalent to an initial conversion price of approximately $6.00 per share of our common stock. Upon conversion, we currently expect to deliver cash up to the principal amount of the 2022 Convertible Notes then outstanding. With respect to any conversion value in excess of the principal amount, we currently expect to deliver shares of our common stock. We may elect to deliver cash in lieu of all or a portion of such shares. The shares of common stock subject to conversion are excluded from diluted earnings per share calculations under the if-converted method as their impact is anti-dilutive.

Holders may convert the 2022 Convertible Notes, at their option, in multiples of $1,000 principal amount at any time prior to January 15, 2022, but only in the following circumstances:

- during any fiscal quarter beginning after the fiscal quarter ended December 31, 2018, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2022 Convertible Notes on each applicable trading day;
- during the five-business day period following any five consecutive trading day period in which the trading price for the 2022 Convertible Notes is less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the 2022 Convertible Notes on each such trading day; or
- upon the occurrence of specified corporate events.

None of the above events allowing for conversion prior to January 15, 2022 occurred during the three and nine month periods ended September 30, 2019 or the year ended December 31, 2018. Regardless of whether any of the foregoing circumstances occurs, a holder may convert its 2022 Convertible Notes, in multiples of $1,000 principal amount, at any time on or after January 15, 2022 until the second scheduled trading day immediately preceding May 15, 2022.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

In addition, if we undergo a fundamental change (as defined in the indenture governing the 2022 Convertible Notes), holders may, subject to certain conditions, require us to repurchase their 2022 Convertible Notes for cash at a price equal to 100% of the principal amount of the 2022 Convertible Notes to be purchased, plus any accrued and unpaid interest. In addition, following a make-whole fundamental change, we will increase the conversion rate in certain circumstances for a holder who elects to convert its 2022 Convertible Notes in connection with such make-whole fundamental change.

2020 Convertible Notes

On March 3, 2015, we issued $340.0 million aggregate principal amount of 3.75% Convertible Senior Notes due 2020 (the "2020 Convertible Notes") in a private offering to qualified institutional buyers, pursuant to Rule 144A under the Securities Act. We granted an option to the initial purchasers to purchase up to an additional $60.0 million aggregate principal amount of 2020 Convertible Notes to cover over-allotments, of which $21.9 million was subsequently exercised during March 2015, resulting in a total issuance of $361.9 million aggregate principal amount of 2020 Convertible Notes. The 2020 Convertible Notes mature on March 1, 2020, unless earlier repurchased or converted into shares of our common stock under certain circumstances described below. Upon maturity, we have the option to settle our obligation through cash, shares of common stock, or a combination of cash and shares of common stock. We pay interest on the 2020 Convertible Notes semi-annually in arrears on March 1 and September 1 of each year. Interest payments began on September 1, 2015. In November 2018, in connection with the issuance of the 2022 Convertible Notes, we repurchased $199.9 million outstanding principal amount of the 2020 Convertible Notes at par value. As a result of the repurchase, the carrying value of the 2020 Convertible Notes was adjusted by $17.9 million to face value and included in the loss on extinguishment of debt in our consolidated statement of operations for the year ended December 31, 2018.

On April 18, 2019, we commenced a cash tender offer (the "Tender Offer") to purchase any and all of the outstanding 2020 Convertible Notes for an amount equal to $1,000 per $1,000 principal amount of 2020 Convertible Notes purchased, plus accrued and unpaid interest from the last interest payment date on the 2020 Convertible Notes to, but not including, the date of payment for the 2020 Convertible Notes accepted in the Tender Offer. The Tender Offer expired on May 15, 2019, resulting in the purchase of $159.0 million of outstanding 2020 Convertible Notes. As a result of the Tender Offer, the carrying value of the 2020 Convertible Notes was adjusted by $8.5 million to face value and unamortized deferred financing costs of $0.6 million were expensed. These two items are included in the loss on extinguishment of debt in our unaudited condensed consolidated statements of operations for the nine month period ended September 30, 2019. During September 2019, we purchased an additional $0.5 million of outstanding 2020 Convertible Notes.

The $361.9 million of proceeds received from the issuance of the 2020 Convertible Notes was initially allocated between long-term debt (the liability component) at $261.9 million and additional paid-in capital (the equity component) at $100.0 million, within the consolidated balance sheet. The fair value of the liability component was measured using rates determined for similar debt instruments without a conversion feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the aggregate face value of the 2020 Convertible Notes. If we or the holders of 2020 Convertible Notes elect not to settle the debt through conversion, we must settle the 2020 Convertible Notes at face value. Therefore, the liability component was accreted up to the face value of the 2020 Convertible Notes, which resulted in additional non-cash interest expense being recognized in the unaudited condensed consolidated statements of operations (see Note 10, "Interest Costs," for additional information). The effective interest rate on the 2020 Convertible Notes, including accretion of the notes to par and debt issuance cost amortization, was approximately 11.5%. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

As of September 30, 2019 and December 31, 2018, the outstanding principal on the 2020 Convertible Notes was $2.5 million and $162.0 million, respectively, the unamortized debt discount was zero and $12.8 million, respectively, and the net carrying amount of the liability component was $2.5 million and $149.2 million, respectively.

We incurred approximately $10.4 million of issuance costs related to the issuance of the 2020 Convertible Notes, of which $7.5 million and $2.9 million were recorded to deferred financing costs and additional paid-in capital, respectively, in proportion to the allocation of the proceeds of the 2020 Convertible Notes. The $7.5 million recorded as deferred financing costs on our consolidated balance sheet is being amortized over the term of the 2020 Convertible Notes using the effective interest method. Total amortization expense of the deferred financing costs was $0.3 million for the nine month period ended September 30, 2019 and $0.4 million and $1.1 million, respectively, for the three and nine month periods ended September 30, 2018. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. As of September 30, 2019 and December 31, 2018, the balance of unamortized deferred financing costs related to the 2020 Convertible Notes was zero and $0.9 million, respectively, and is included as a reduction to long-term debt in our unaudited condensed consolidated balance sheets. See Note 10, "Interest Costs," for additional information.

The 2020 Convertible Notes had an initial conversion rate of 41.9274 common shares per $1,000 principal amount of 2020 Convertible Notes, which is equivalent to an initial conversion price of approximately $23.85 per share of our common stock. Upon conversion, we currently expect to deliver cash up to the principal amount of the 2020 Convertible Notes then outstanding. With respect to any conversion value in excess of the principal amount, we currently expect to deliver shares of our common stock. We may elect to deliver cash in lieu of all or a portion of such shares. The shares of common stock subject to conversion are excluded from diluted earnings per share calculations under the if-converted method as their impact is anti-dilutive.

Holders may convert the 2020 Convertible Notes, at their option, in multiples of $1,000 principal amount at any time prior to December 1, 2019, but only in the following circumstances:

- during any fiscal quarter beginning after the fiscal quarter ended June 30, 2015, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2020 Convertible Notes on each applicable trading day;
- during the five business day period following any five consecutive trading day period in which the trading price for the 2020 Convertible Notes is less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the 2020 Convertible Notes on each such trading day; or
- upon the occurrence of specified corporate events.

None of the above events allowing for conversion prior to December 1, 2019 occurred during the three and nine month periods ended September 30, 2019 or the year ended December 31, 2018. Regardless of whether any of the foregoing circumstances occurs, a holder may convert its 2020 Convertible Notes, in multiples of $1,000 principal amount, at any time on or after December 1, 2019 until maturity.

In addition, if we undergo a fundamental change (as defined in the indenture governing the 2020 Convertible Notes), holders may, subject to certain conditions, require us to repurchase their 2020 Convertible Notes for cash at a price equal to 100% of the principal amount of the 2020 Convertible Notes to be purchased, plus any accrued and unpaid interest. In addition, if specific corporate events occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its 2020 Convertible Notes in connection with such a corporate event in certain circumstances.

Forward Transactions

In connection with the issuance of the 2020 Convertible Notes, we paid approximately $140 million to enter into prepaid forward stock repurchase transactions (the "Forward Transactions") with certain financial institutions (the "Forward Counterparties"), pursuant to which we purchased approximately 7.2 million shares of common stock for settlement on or around the March 1, 2020 maturity date for the 2020 Convertible Notes, subject to the ability of each Forward Counterparty to elect to settle all or a portion of its Forward Transactions early. In the future, we may request that any Forward Counterparty modify the settlement terms of its Forward Transaction to provide that, in lieu of the delivery of the applicable number of shares of our common stock to us to settle a portion of its Forward Transaction in accordance with its terms, such Forward Counterparty would pay to us the net proceeds from the sale by such Forward Counterparty (or its affiliate) of a corresponding number of shares of our common stock in a registered offering (which may include block sales, sales on the NASDAQ Global Select Market, sales in the over-the-counter market, sales pursuant to negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices). Any such sales could potentially decrease (or reduce the size of any increase in) the market price of our common stock. The Forward Counterparties are not required to effect any such settlement in cash in lieu of delivery of shares of our common stock and, if we request for any Forward Counterparty to effect any such settlement, it will be entered into in the discretion of the applicable Forward Counterparty on such terms as we may agree with such Forward Counterparty at the time. We expect to amend the terms of one or more of the Forward Transactions to, among other things, extend the maturity of the Forward Transactions with respect to a portion of the shares of our common stock to be repurchased thereunder to on or around May 15, 2022. As a result of the Forward Transactions,

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

total shareholders' equity within our consolidated balance sheet was reduced by approximately $140 million. Approximately 7.2 million shares of common stock that will be effectively repurchased through the Forward Transactions are treated as retired shares for basic and diluted EPS purposes although they remain legally outstanding.

Restricted Cash - Our restricted cash balances were $8.0 million and $7.0 million, respectively, as of September 30, 2019 and December 31, 2018 and primarily consist of letters of credit and cash restricted to repurchase or repay the remaining balance of the 2020 Convertible Notes. Certain of the letters of credit require us to maintain restricted cash accounts in a similar amount, and are issued for the benefit of the landlords at our current office locations in Chicago, IL, Bensenville, IL and Broomfield, CO.

10. Interest Costs

We capitalize a portion of our interest on funds borrowed during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and amortized over the useful lives of the assets.

The following is a summary of our interest costs for the three and nine month periods ended September 30, 2019 and 2018 *(in thousands)*:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest costs charged to expense	$ 26,296	$ 24,887	$84,053	$74,795
Amortization of deferred financing costs	1,328	1,060	3,901	3,143
Accretion of debt discount	3,116	5,517	12,508	16,109
Amortization of debt premium	—	(721)	(1,018)	(2,109)
Interest expense	30,740	30,743	99,444	91,938
Interest costs capitalized to property and equipment	—	7	11	22
Interest costs capitalized to software	188	101	428	208
Total interest costs	$ 30,928	$ 30,851	$99,883	$92,168

11. Leases

Operating and Financing Leases — We determine whether a contract contains a lease at contract inception. For leases subsequent to adoption of ASC 842, lease liabilities are calculated using a discount rate based on our incremental borrowing rate at lease commencement. We have operating lease agreements for certain facilities and equipment as well as tower space and base stations. Certain tower space leases have renewal option terms that have been deemed to be reasonably certain to be exercised. These renewal options extend a lease up to 20 years. We recognize operating lease expense on a straight-line basis over the lease term. As of September 30, 2019, there are no significant leases which have not commenced.

The following is a summary of our lease expense included in the unaudited condensed consolidated statements of operations *(in thousands)*:

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Operating lease cost	$ 4,878	$ 14,990
Financing lease cost		
Amortization of leased assets	172	548
Interest on lease liabilities	8	35
Total lease cost	$ 5,058	$ 15,573

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Other information regarding our leases is as follows *(in thousands, except lease terms and discount rates)*:

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Supplemental cash flow information		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 5,842	$ 17,750
Operating cash flows used in financing leases	8	35
Financing cash flows used in financing leases	169	552
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	2,584	3,631
Weighted average remaining lease term		
Operating leases		8 years
Financing leases		1 year
Weighted average discount rate		
Operating leases		10.3%
Financing leases		8.1%

Annual future minimum lease payments as of September 30, 2019 *(in thousands)*:

Years ending December 31,	Operating Leases	Financing Leases
2019 (period from October 1 to December 31)	$ 5,733	$ 119
2020	22,030	197
2021	21,763	—
2022	20,109	—
2023	16,246	—
Thereafter	76,910	—
Total future minimum lease payments	162,791	316
Less: Amount representing interest	(54,666)	(15)
Present value of net minimum lease payments	$108,125	$ 301
Reported as of September 30, 2019		
Accrued liabilities	$ 11,917	$ 295
Non-current operating lease liabilities	96,208	—
Other non-current liabilities	—	6
Total lease liabilities	$108,125	$ 301

As of December 31, 2018, annual future minimum obligations for operating leases for each of the next five years and thereafter, were as follows (*in thousands*):

Years ending December 31,	Operating Leases
2019	$ 21,902
2020	$ 19,867
2021	$ 19,742
2022	$ 18,420
2023	$ 14,826
Thereafter	$ 78,100

Arrangements with Commercial Airlines — Under the turnkey model, we account for equipment transactions as operating leases of space for our equipment on the aircraft. We may be responsible for the costs of installing and/or deinstalling the equipment. Under the turnkey model, the equipment transactions involve the transfer of legal title but do not meet sales recognition for accounting purposes because the risks and rewards of ownership are not fully transferred due to our continuing involvement with the equipment, the length of the term of our agreements with the airlines, and restrictions in the agreements regarding the airlines' use of the equipment. Under the turnkey model, we refer to the airline as a "partner."

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Under the turnkey model, the assets are recorded as airborne equipment on our unaudited condensed consolidated balance sheets, as noted in Note 6, "Composition of Certain Balance Sheet Accounts." Any upfront equipment payments are accounted for as lease incentives and recorded as deferred airborne lease incentives on our unaudited condensed consolidated balance sheets and are recognized as a reduction of the cost of service revenue on a straight-line basis over the term of the agreement with the airline. We recognized $6.3 million and $21.3 million, respectively, for the three and nine month periods ended September 30, 2019 and $8.1 million and $23.2 million, respectively, for the prior-year periods as a reduction to our cost of service revenue in our unaudited condensed consolidated statements of operations. As of September 30, 2019, deferred airborne lease incentives of $25.0 million and $133.3 million, respectively, are included in current and non-current liabilities in our unaudited condensed consolidated balance sheet. As of December 31, 2018, deferred airborne lease incentives of $24.1 million and $129.1 million, respectively, are included in current and non-current liabilities in our unaudited condensed consolidated balance sheet.

Under the turnkey model, the revenue share paid to our airline partners represents operating lease payments. They are deemed to be contingent rental payments, as the payments due to each airline are based on a percentage of our CA-NA and CA-ROW service revenue generated from that airline's passengers, which is unknown until realized. Therefore, we cannot estimate the lease payments due to an airline at the commencement of our contract with such airline. This rental expense is included in cost of service revenue and is partially offset by the amortization of the deferred airborne lease incentives discussed above. Such rental expenses totaled a net charge of $5.0 million and $15.6 million, respectively, for the three and nine month periods ended September 30, 2019 and $5.5 million and $18.6 million, respectively, for the prior-year periods.

12. Commitments and Contingencies

Contractual Commitments - We have agreements with vendors to provide us with transponder and teleport satellite services. These agreements vary in length and amount and as of September 30, 2019 commit us to purchase transponder and teleport satellite services totaling approximately $34.2 million in 2019 (October 1 through December 31), $135.1 million in 2020, $121.3 million in 2021, $99.7 million in 2022, $78.3 million in 2023 and $217.5 million thereafter.

We have agreements with various vendors under which we have remaining commitments to purchase satellite-based systems, certifications and development services. Such commitments will become payable as we receive the equipment or certifications, or as development services are provided.

Damages and Penalties—We have entered into a number of agreements with our airline partners that require us to provide a credit or pay penalties or liquidated damages to our airline partners if we are delayed in delivering our equipment, unable to install our equipment on aircraft by specified timelines or fail to comply with service level commitments. The maximum amount of future credits or payments we could be required to make under these agreements is uncertain because the amount of future credits or payments is based on certain variable inputs.

Indemnifications and Guarantees - In accordance with Delaware law, we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under this indemnification is uncertain and may be unlimited, depending upon circumstances. However, our Directors' and Officers' insurance does provide coverage for certain of these losses.

In the ordinary course of business we may occasionally enter into agreements pursuant to which we may be obligated to pay for the failure of the performance of others, such as the use of corporate credit cards issued to employees. Based on historical experience, we believe that the risk of sustaining any material loss related to such guarantees is remote.

We have entered into a number of agreements, including our agreements with commercial airlines, pursuant to which we indemnify the other party for losses and expenses suffered or incurred in connection with any patent, copyright, or trademark infringement or misappropriation claim asserted by a third party with respect to our equipment or services. The maximum potential amount of future payments we could be required to make under these indemnification agreements is uncertain and is typically not limited by the terms of the agreements.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Linksmart Litigation—On April 20, 2018, Linksmart Wireless Technology, LLC filed suit against us and eight of our airline partners in the U.S. District Court for the Central District of California alleging that our redirection server and login portal infringe a patent owned by the plaintiff. The suits seek an unspecified amount of damages. We are required under our contracts with these airlines to indemnify them for defense costs and any liabilities resulting from the suit. The Court has stayed the suits against our airline customers pending resolution of the suit against Gogo. Linksmart has also filed suit against other defendants asserting the same patent. Following the filing by one of those defendants of a petition to commence an *inter partes* review against the asserted patent in the U.S. Patent and Trademark Office, the Court stayed the litigation against such other defendant and Gogo, but such stay was lifted in July 2019 when the U.S. Patent and Trademark Office determined that the petitioner had not met the standard of proof required to commence the *inter partes* review. We believe that the plaintiff's claims are without merit and intend to defend them vigorously. The outcome of this litigation is inherently uncertain. No amounts have been accrued for any potential losses under this matter, as we cannot reasonably predict the outcome of the litigation or any potential losses.

Securities Litigation—On June 27, 2018, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Northern District of Illinois, Eastern Division styled Pierrelouis v. Gogo Inc., naming the Company, its former Chief Executive Officer and Chief Financial Officer and its current Chief Financial Officer and President, Commercial Aviation as defendants purportedly on behalf of all purchasers of our securities from February 27, 2017 through May 4, 2018. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by us purporting to relate to our 2Ku antenna's reliability and installation and remediation costs. The plaintiffs seek to recover from us and the individual defendants an unspecified amount of damages. In December 2018 the plaintiffs filed an amended complaint and in February 2019, we filed a motion to dismiss such amended complaint. In October 2019 the judge granted the motion to dismiss on two independent grounds, finding that plaintiffs failed to plausibly allege that defendants made materially false or misleading statements and that plaintiffs failed to plead with particularity that defendants acted with scienter. The amended complaint was dismissed without prejudice, and plaintiffs have until December 20, 2019 to file a second amended complaint should they elect to do so. We believe that the claims are without merit and intend to continue to defend them vigorously if the litigation continues. In accordance with Delaware law, we will indemnify the individual named defendants for their defense costs and any damages they incur in connection with the suit. We have filed a claim with the issuer of our Directors' and Officers' insurance policy with respect to this suit. No amounts have been accrued for any potential losses under this matter, as we cannot reasonably predict the outcome of the litigation or any potential losses.

Derivative Litigation - On September 25, 2018 and September 26, 2018, two purported stockholders of the Company filed substantively identical derivative lawsuits in the United States District Court for the Northern District of Illinois, Eastern Division, styled Nanduri v. Gogo Inc. and Hutsenpiller v. Gogo Inc., respectively. Both lawsuits were purportedly brought derivatively on behalf of us and name us as a nominal defendant and name as defendants each member of the Company's Board of Directors, its former Chief Executive Officer and Chief Financial Officer and its current Chief Executive Officer, Chief Financial Officer and President, Commercial Aviation. The complaints assert claims under Section 14(a) of the Securities Exchange Act of 1934, breach of fiduciary duty, unjust enrichment, and waste of corporate assets, and allege misrepresentations or omissions by us purporting to relate to our 2Ku antenna's reliability and installation and remediation costs, as well as allegedly excessive bonuses, stock options, and other compensation paid to current Officers and Directors and excessive severance paid to former Officers. The two lawsuits were consolidated and are stayed until a final disposition of the motion to dismiss in the class action suit. We believe that the claims are without merit and intend to defend them vigorously if the litigation continues. The plaintiffs seek to recover, on our behalf, an unspecified amount of damages from the individual defendants. We have filed a claim with the issuer of our Directors' and Officers' insurance policy with respect to these suits. No amounts have been accrued for any potential costs under this matter, as we cannot reasonably predict the outcome of the litigation or any potential costs.

13. Fair Value of Financial Assets and Liabilities

A three-tier fair value hierarchy has been established which prioritizes the inputs used in measuring fair value. These tiers include:

- *Level 1* - defined as observable inputs such as quoted prices in active markets;
- *Level 2* - defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

- *Level 3* - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Long-Term Debt:

Our financial assets and liabilities that are disclosed but not measured at fair value include the 2024 Senior Secured Notes, 2022 Convertible Notes, 2020 Convertible Notes and, while outstanding, the 2022 Senior Secured Notes, which are reflected on the unaudited condensed consolidated balance sheet at cost. The fair value measurements are classified as Level 2 within the fair value hierarchy since they are based on quoted market prices of our instruments in markets that are not active. We estimated the fair value of the 2024 Senior Secured Notes, 2022 Convertible Notes, 2020 Convertible Notes, and, while outstanding, the 2022 Senior Secured Notes by calculating the upfront cash payment a market participant would require to assume these obligations. The upfront cash payment used in the calculations of fair value on our September 30, 2019 unaudited condensed consolidated balance sheet, excluding any issuance costs, is the amount that a market participant would be willing to lend at September 30, 2019 to an entity with a credit rating similar to ours and achieve sufficient cash inflows to cover the scheduled cash outflows under the 2024 Senior Secured Notes, 2022 Convertible Notes and 2020 Convertible Notes. The calculated fair value of our 2022 Convertible Notes and 2020 Convertible Notes is correlated to our stock price and as a result, significant changes to our stock price could have a significant impact on their calculated fair values.

The fair value and carrying value of long-term debt as of September 30, 2019 and December 31, 2018 were as follows *(in thousands)*:

	September 30, 2019		December 31, 2018	
	Fair Value *(1)*	Carrying Value	Fair Value *(1)*	Carrying Value
2024 Senior Secured Notes	$ 999,000	$ 920,965(2)	$ —	$ —
2022 Senior Secured Notes	—	—	737,000	702,670(3)
2022 Convertible Notes	284,000	198,818(4)	216,000	190,083(4)
2020 Convertible Notes	2,498	2,498	150,000	149,195(5)

(1) Fair value amounts are rounded to the nearest million, except for the 2020 Convertible Notes, as of September 30, 2019.
(2) Carrying value of the 2024 Senior Secured Notes reflects the unaccreted debt discount of $4.0 million as of September 30, 2019. See Note 9, "Long-Term Debt and Other Liabilities," for further information.
(3) Carrying value of the 2022 Senior Secured Notes reflects the unamortized debt premium and Consent Fees of $12.7 million as of December 31, 2018. See Note 9, "Long-Term Debt and Other Liabilities," for further information.
(4) Carrying value of the 2022 Convertible Notes reflects the unaccreted debt discount of $38.9 million and $47.7 million, respectively, as of September 30, 2019 and December 31, 2018. See Note 9, "Long-Term Debt and Other Liabilities," for further information.
(5) Carrying value of the 2020 Convertible Notes reflects the unaccreted debt discount of $12.8 million as of December 31, 2018. See Note 9, "Long-Term Debt and Other Liabilities," for further information.

We have held-to-maturity financial instruments where carrying value approximates fair value. There were no fair value adjustments to these financial instruments during the three and nine month periods ended September 30, 2019 and 2018.

14. Income Tax

The effective income tax rates for the three and nine month periods ended September 30, 2019 were (0.9)% and (0.6)%, respectively, as compared with (0.5)% and 3.3%, respectively, for the prior-year periods. For the three and nine month periods ended September 30, 2019, our income tax expense was not significant primarily due to the recording of a valuation allowance against our net deferred tax assets. An income tax benefit was recorded for the nine month period ended September 30, 2018 resulting from a reduction in our valuation allowance of approximately $4.0 million due to the application of provisions of H.R. 1, commonly known as the Tax Cuts and Jobs Act ("U.S. Tax Reform"), to our evaluation of our deferred tax assets.

We are subject to income taxation in the United States, various states within the United States, Canada, Switzerland, Japan, Mexico, Brazil, Singapore, the United Kingdom, Hong Kong, Australia, China, India, France, Germany and the Netherlands. With few exceptions, as of September 30, 2019, we are no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2015.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

We record penalties and interest relating to uncertain tax positions in the income tax provision line item in the unaudited condensed consolidated statement of operations. No penalties or interest related to uncertain tax positions were recorded for the three and nine month periods ended September 30, 2019 and 2018. As of September 30, 2019 and December 31, 2018, we did not have a liability recorded for interest or potential penalties.

We do not expect a change in the unrecognized tax benefits within the next 12 months.

15. Business Segments and Major Customers

We operate our business through three operating segments: Commercial Aviation North America, or "CA-NA," Commercial Aviation Rest of World, or "CA-ROW," and Business Aviation, or "BA." See Note 1, "Basis of Presentation," for further information regarding our segments.

The accounting policies of the operating segments are the same as those described in Note 2, "Summary of Significant Accounting Policies," in our 2018 10-K. Intercompany transactions between segments are excluded as they are not included in management's performance review of the segments. For the three and nine month periods ended September 30, 2019 and 2018, our foreign revenue accounted for less than 15% of our consolidated revenue. We do not segregate assets between segments for internal reporting. Therefore, asset-related information has not been presented. Additionally, assets outside of the United States totaled less than 15% of our unaudited condensed consolidated assets as of September 30, 2019 and December 31, 2018, respectively. For our airborne assets, we consider only those assets installed in aircraft associated with international commercial airline partners to be owned outside of the United States.

Management evaluates performance and allocates resources to each segment based on segment profit (loss), which is calculated internally as net income (loss) attributable to common stock before interest expense, interest income, income taxes, depreciation and amortization, certain non-cash items (including amortization of deferred airborne lease incentives, stock-based compensation expense, loss on extinguishment of debt, amortization of STC costs and the accounting impact of the transition to the airline-directed model) and other income (expense). Segment profit (loss) is a measure of performance reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and evaluating segment performance. In addition, segment profit (loss) is included herein in conformity with ASC 280-10, *Segment Reporting*. Management believes that segment profit (loss) provides useful information for analyzing and evaluating the underlying operating results of each segment. However, segment profit (loss) should not be considered in isolation or as a substitute for net income (loss) attributable to common stock or other measures of financial performance prepared in accordance with GAAP. Additionally, our computation of segment profit (loss) may not be comparable to other similarly titled measures computed by other companies.

Information regarding our reportable segments is as follows (*in thousands*):

	For the Three Months Ended September 30, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue	$ 80,470	$ 22,580	$55,349	$158,399
Equipment revenue	3,665	13,127	25,991	42,783
Total revenue	$ 84,135	$ 35,707	$81,340	$201,182
Segment profit (loss)	$ 12,208	$(13,659)	$36,951	$ 35,500

	For the Three Months Ended September 30, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue	$ 93,443	$ 17,646	$49,287	$160,376
Equipment revenue	15,027	17,551	24,303	56,881
Total revenue	$108,470	$ 35,197	$73,590	$217,257
Segment profit (loss)	$ 8,699	$(22,747)	$35,178	$ 21,130

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

	For the Nine Months Ended September 30, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue	$268,899	$ 64,925	$163,318	$497,142
Equipment revenue	17,032	40,430	59,812	117,274
Total revenue	$285,931	$105,355	$223,130	$614,416
Segment profit (loss)	$ 59,921	$ (50,073)	$101,739	$111,587

	For the Nine Months Ended September 30, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue	$277,972	$ 47,076	$145,062	$470,110
Equipment revenue *(1)*	93,969	40,935	71,526	206,430
Total revenue	$371,941	$ 88,011	$216,588	$676,540
Segment profit (loss)	$ 17,396	$ (69,826)	$104,180	$ 51,750

(1) CA-NA equipment revenue for the nine month period ended September 30, 2018 includes the accounting impact of the transition of one of our airline partners to the airline-directed model. See Note 1, "Basis of Presentation," for additional information.

A reconciliation of segment profit (loss) to the relevant consolidated amounts is as follows (*in thousands*):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
CA-NA segment profit	$ 12,208	$ 8,699	$ 59,921	$ 17,396
CA-ROW segment loss	(13,659)	(22,747)	(50,073)	(69,826)
BA segment profit	36,951	35,178	101,739	104,180
Total segment profit	35,500	21,130	111,587	51,750
Interest income	987	903	3,366	3,307
Interest expense	(30,740)	(30,743)	(99,444)	(91,938)
Depreciation and amortization	(29,292)	(32,590)	(90,008)	(100,447)
Transition to airline-directed model	—	—	—	21,551
Amortization of deferred airborne lease incentives *(1)*	6,335	8,074	21,365	23,166
Amortization of STC costs	(1,259)	(292)	(1,901)	(719)
Stock-based compensation expense	(4,066)	(3,932)	(12,711)	(12,531)
Loss on extinguishment of debt	—	—	(57,962)	—
Other income (expense)	(143)	(72)	2,779	59
Loss before income taxes	$(22,678)	$(37,522)	$(122,929)	$(105,802)

(1) Amortization of deferred airborne lease incentive relates to ourCA-NA and CA-ROW segments. See Note 11, "Leases," for further information.

Major Customers and Airline Partnerships— Revenue earned from Delta Air Lines and its passengers accounted for approximately 28% of consolidated revenue for both the three and nine month periods ended September 30, 2019 and approximately 25% and 23%, respectively, for the prior-year periods. Delta Air Lines accounted for less than 10% of consolidated accounts receivable as of September 30, 2019 and approximately 11% of consolidated accounts receivable as of December 31, 2018.

Revenue earned from American Airlines accounted for less than 10% of consolidated revenue for both the three and nine month periods ended September 30, 2019 and approximately 18% and 25% of consolidated revenue, respectively, for the prior-year periods. Revenue earned from American Airlines for the nine month period ended September 30, 2018 included $45.4 million of equipment revenue recognized due to the airline's transition to the airline-directed model in January 2018. See Note 1, "Basis of Presentation," for additional information. American Airlines accounted for less than 10% of consolidated accounts receivable as of September 30, 2019 and approximately 11% of consolidated accounts receivable as of December 31, 2018.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

16. Employee Retirement and Postretirement Benefits

Stock-Based Compensation — As of September 30, 2019, we maintained three stock-based employee compensation plans ("Stock Plans"). See Note 12, "Stock-Based Compensation," in our 2018 10-K for further information regarding these plans. Most of our equity grants are awarded on an annual basis.

For the nine month period ended September 30, 2019, options to purchase 1,455,455 shares of common stock (of which 148,500 are options that contain a market condition, in addition to the time-based vesting requirements) were granted, no options to purchase shares of common stock were exercised, options to purchase 478,147 (of which 230,221 options contain a market condition) shares of common stock were forfeited, and options to purchase 561,582 shares of common stock expired.

For the nine month period ended September 30, 2019, 2,000,338 Restricted Stock Units ("RSUs") (of which 86,000 are RSUs that contain a market condition, in addition to the time-based vesting requirements) were granted, 466,886 RSUs vested and 447,503 RSUs (of which 64,445 contained a market condition) were forfeited.

For the nine month period ended September 30, 2019, 66,174 restricted shares vested. These shares are deemed issued as of the date of grant, but not outstanding until they vest.

For the nine month period ended September 30, 2019, 161,833 Deferred Stock Units were granted and vested.

For the nine month period ended September 30, 2019, 238,127 shares of common stock were issued under the employee stock purchase plan.

The following is a summary of our stock-based compensation expense by operating expense line in the unaudited condensed consolidated statements of operations *(in thousands)*:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of service revenue	$ 394	$ 303	$ 1,196	$ 1,184
Cost of equipment revenue	60	33	211	146
Engineering, design and development	717	812	2,271	2,505
Sales and marketing	849	901	2,786	3,209
General and administrative	2,046	1,883	6,247	5,487
Total stock-based compensation expense	$ 4,066	$ 3,932	$12,711	$12,531

401(k) Plan — Under our 401(k) plan, all employees who are eligible to participate are entitled to maketax-deferred contributions, subject to Internal Revenue Service limitations. We match 100% of the employee's first 4% of contributions made, subject to annual limitations. Our matching contributions were $1.2 million and $3.8 million, respectively, during the three and nine month periods ended September 30, 2019, and $1.2 million and $3.8 million, respectively, for the prior-year periods.

17. Research and Development Costs

Expenditures for research and development are charged to expense as incurred and totaled $21.2 million and $52.9 million, respectively, during the three and nine month periods ended September 30, 2019, and $19.2 million and $56.3 million, respectively, for the prior-year periods. Research and development costs are reported as a component of engineering, design and development expenses in our unaudited condensed consolidated statements of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our business outlook, industry, business strategy, plans, goals and expectations concerning our market position, international expansion, future technologies, future operations, margins, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "future" and the negative of these or similar terms and phrases are intended to identify forward-looking statements in this Quarterly Report on Form 10-Q.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following:

- the loss of, or failure to realize the anticipated benefits from, agreements with our airline partners or customers on a timely basis or any failure to renew any existing agreements upon expiration or termination;
- the failure to maintain airline and passenger satisfaction with our equipment or our service;
- any inability to timely and efficiently deploy our 2Ku service or develop and deploy the technology to which our ATG network evolves or other components of our technology roadmap for any reason, including technological issues and related remediation efforts, changes in regulations or regulatory delays or failures affecting us or our suppliers, some of whom are single source, or the failure by our airline partners or customers to roll out equipment upgrades or new services or adopt new technologies in order to support increased network capacity demands;
- the timing of deinstallation of our equipment from aircraft, including deinstallations resulting from aircraft retirements and other deinstallations permitted by certain airline contract provisions;
- the loss of relationships with original equipment manufacturers or dealers;
- our ability to make our equipment factory linefit available on a timely basis;
- our ability to develop or purchase ATG and satellite network capacity sufficient to accommodate current and expected growth in passenger demand in North America and internationally as we expand;
- our reliance on third-party suppliers, some of whom are single source, for satellite capacity and other services and the equipment we use to provide services to commercial airlines and their passengers and business aviation customers;
- unfavorable economic conditions in the airline industry and/or the economy as a whole;
- governmental action restricting trade with China or other foreign countries;
- our ability to expand our international or domestic operations, including our ability to grow our business with current and potential future airline partners and customers and the effect of shifts in business models;
- an inability to compete effectively with other current or future providers ofin-flight connectivity services and other products and services that we offer, including on the basis of price, service performance and linefit availability;
- our ability to successfully develop and monetize new products and services such as Gogo Vision and Gogo TV, including those that were recently released, are currently being offered on a limited or trial basis, or are in various stages of development;
- our ability to certify and install our equipment and deliver our products and services, including newly developed products and services, on schedules consistent with our contractual commitments to customers;

- the failure of our equipment or material defects or errors in our software resulting in recalls or substantial warranty claims;
- a revocation of, or reduction in, our right to use licensed spectrum, the availability of otherair-to-ground spectrum to a competitor or the repurposing by a competitor of other spectrum for air-to-ground use;
- our use of open source software and licenses;
- the effects of service interruptions or delays, technology failures and equipment failures or malfunctions arising from defects or errors in our software or defects in or damage to our equipment, including quality and performance issues related to de-icing fluid or other moisture entering our antennas;
- the limited operating history of our CA-ROW segment;
- contract changes and implementation issues resulting from decisions by airlines to transition from the turnkey model to the airline-directed model or vice versa;
- increases in our projected capital expenditures due to, among other things, unexpected costs incurred in connection with theroll-out of our technology roadmap or our international expansion;
- compliance with U.S. and foreign government regulations and standards, including those related to regulation of the Internet, including e-commerce or online video distribution changes, and the installation and operation of satellite equipment and our ability to obtain and maintain all necessary regulatory approvals to install and operate our equipment in the United States and foreign jurisdictions;
- our, or our technology suppliers', inability to effectively innovate;
- obsolescence of, and our ability to access, parts, products, equipment and support services compatible with our existing products and technologies;
- changes as a result of U.S. federal tax reform;
- costs associated with defending existing or future intellectual property infringement, securities and derivative litigation and other litigation or claims and any negative outcome or effect of pending or future litigation;
- our ability to protect our intellectual property;
- breaches of the security of our information technology network, resulting in unauthorized access to our customers' credit card information or other personal information;
- our substantial indebtedness;
- limitations and restrictions in the agreements governing our indebtedness and our ability to service our indebtedness;
- our ability to obtain additional financing for operations, or financing intended to refinance our existing indebtedness, on acceptable terms or at all;
- fluctuations in our operating results;
- our ability to attract and retain customers and to capitalize on revenue from our platform;
- the demand for and market acceptance of our products and services;
- changes or developments in the regulations that apply to us, our business and our industry, including changes or developments affecting the ability of passengers or airlines to use our in-flight connectivity services;
- a future act or threat of terrorism, cyber-security attack or other events that could result in adverse regulatory changes or developments as referenced above, or otherwise adversely affect our business and industry;

- our ability to attract and retain qualified employees, including key personnel;
- the effectiveness of our marketing and advertising and our ability to maintain and enhance our brands;
- our ability to manage our growth in a cost-effective manner and integrate and manage acquisitions;
- compliance with anti-corruption laws and regulations in the jurisdictions in which we operate, including the Foreign Corrupt Practices Act and the (U.K.) Bribery Act 2010;
- restrictions on the ability of U.S. companies to do business in foreign countries, including, among others, restrictions imposed by the U.S. Office of Foreign Assets Control;
- difficulties in collecting accounts receivable;
- our ability to successfully implement our new enterprise resource planning system, our new integrated business plan and other improvements to systems, operations, strategy and procedures needed to support our growth; and
- other risks and factors listed under “Risk Factors” in our Annual Report on Form10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (“SEC”) on February 21, 2019 (the “2018 10-K”), in Item 1A of our Quarterly Report on Form10-Q for the quarter ended June 30, 2019, as filed with the SEC on August 8, 2019 (the “2019 2Q 10-Q”) and in Item 1A of this report.

Any one of these factors or a combination of these factors could materially affect our financial condition or future results of operations and could influence whether any forward-looking statements contained in this report ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and you should not place undue reliance on them. All forward-looking statements speak only as of the date made and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition, while we do, from time to time, communicate with securities analysts, it is against our policy to disclose to them any materialnon-public information or other confidential information. Accordingly, stockholders should not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts, or opinions, such reports are not our responsibility.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our unaudited condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q. Unless the context otherwise indicates or requires, the terms "we," "our," "us," "Gogo," and the "Company," as used in this report, refer to Gogo Inc. and its directly and indirectly owned subsidiaries as a combined entity, except where otherwise stated or where it is clear that the terms refer only to Gogo Inc. exclusive of its subsidiaries.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" in the 2018 10-K, in Item 1A of the 2019 2Q10-Q and in Item 1A and "Special Note Regarding Forward-Looking Statements" in this report. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Our fiscal year ends December 31 and, unless otherwise noted, references to "years" or "fiscal" are for fiscal years ended December 31. See "—Results of Operations."

Company Overview

Gogo ("we," "us," "our") is the global leader in providing broadband connectivity solutions and wirelessin-flight entertainment to the aviation industry. We operate through the following three segments: Commercial Aviation North America, or "CA-NA," Commercial Aviation Rest of World, or "CA-ROW," and Business Aviation, or "BA."

Services provided by our CA-NA and CA-ROW businesses include Passenger Connectivity, which allows passengers to connect to the Internet from their personal Wi-Fi-enabled devices; Passenger Entertainment, which offers passengers the opportunity to enjoy a broad selection ofin-flight entertainment options on their personal Wi-Fi enabled devices; and Connected Aircraft Services ("CAS"), which offers airlines connectivity for various operations and currently include, among others, real-time credit card transaction processing, electronic flight bags and real-time weather information. Services are provided by CA-NA on commercial aircraft flying routes that generally begin and end within North America, which for this purpose includes the United States, Canada and Mexico. CA-ROW provides service on commercial aircraft operated by foreign-based commercial airlines and flights outside of North America for North American based commercial airlines. The routes included in our CA-ROW segment are those that begin and/or end outside of North America (as defined above) on which our international service is provided. BA provides in-flight Internet connectivity and other voice and data communications products and services and sells equipment for in-flight telecommunications to the business aviation market. BA services include Gogo Biz, ourin-flight broadband service, Gogo Vision, our in-flight entertainment service, and satellite-based voice and data services through our strategic alliances with satellite companies.

Factors and Trends Affecting Our Results of Operations

We believe that our operating and business performance is driven by various factors that affect the commercial airline and business aviation industries, including trends affecting the travel industry and trends affecting the customer bases that we target, as well as factors that affect wireless Internet service providers and general macroeconomic factors. Key factors that may affect our future performance include:

- costs associated with the implementation of, and our ability to implement on a timely basis our technology roadmap, upgrades and installation of our ATG-4 and 2Ku technologies, the technology to which our ATG network evolves and other new technologies (including technological issues and related remediation efforts and failures or delays on the part of antenna and other equipment developers and providers, some of which are single source, or delays in obtaining STCs including as a result of any government shutdown), the roll-out of our satellite services, the potential licensing of additional spectrum, and the implementation of improvements to our network and operations as technology changes and we experience increased network capacity constraints;
- costs associated with, and our ability to execute, our international expansion, including modifications of our network to accommodate satellite technology, development and implementation of new satellite-based technologies, and our ability to obtain and comply with foreign telecommunications, aviation and other licenses and approvals necessary for our international operations;

- costs associated with managing a rapidly growing company;
- our ability to obtain sufficient satellite capacity, including for heavily-trafficked areas, in the United States and internationally;
- costs of satellite capacity in the United States and internationally, to which we may have to commit well in advance;
- the pace and extent of adoption of our service for use on domestic and international commercial aircraft by our current and new airline partners and customers;
- the number of aircraft in service in our markets, including consolidation of the airline industry or changes in fleet size by one or more of our commercial airline partners or BA fractional ownership customers;
- the economic environment and other trends that affect both business and leisure aviation travel;
- the extent of passengers' and aviation partners' adoption of our products and services, which is affected by, among other things, willingness to pay for the services that we provide, the quality and reliability of our products and services, changes in technology and competition from current competitors and new market entrants;
- our ability to enter into and maintain long-term connectivity arrangements with airline partners and customers, which depends on numerous factors including the real or perceived availability, quality and price of our services and product offerings as compared to those offered by our competitors;
- the impact of a change in business models and contract terms on the profitability of our connectivity agreements with airline partners, including as a result of changes in accounting standards;
- our ability to engage suppliers of equipment components and network services on a timely basis and on commercially reasonable terms;
- costs relating to the implementation of our ongoing integrated business planning process, including restructuring charges;
- continued demand for connectivity and proliferation of Wi-Fi enabled devices, including smartphones, tablets and laptops;
- changes in domestic or foreign laws, regulations or policies that affect our business or the business of our customers and suppliers;
- changes in laws, regulations and interpretations affecting telecommunications services, including those affecting our ability to maintain our licenses for ATG spectrum in the United States, obtain sufficient rights to use additional ATG spectrum and/or other sources of broadband connectivity to deliver our services, expand our service offerings and manage our network; and
- changes in laws, regulations and interpretations affecting aviation, including, in particular, changes that impact the design of our equipment and our ability to obtain required certifications for our equipment.

Key Business Metrics

Our management regularly reviews financial and operating metrics, including the following key operating metrics for the CA-NA, CA-ROW and BA segments, to evaluate the performance of our business and our success in executing our business plan, make decisions regarding resource allocation and corporate strategies, and evaluate forward-looking projections.

Commercial Aviation North America

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Aircraft online (at period end)	2,422	2,712	2,422	2,712
Satellite	820	637	820	637
ATG	1,602	2,075	1,602	2,075
Total aircraft equivalents (average during the period)	2,486	2,809	2,495	2,866
Net annualized average monthly service revenue per aircraft equivalent (annualized ARPA) (in thousands)	$ 112	$ 114	$ 125	$ 110

Commercial Aviation Rest of World

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Aircraft online (at period end)	721	513	721	513
Total aircraft equivalents (average during the period)	659	445	609	391
Net annualized ARPA (in thousands)	$ 128	$ 148	$ 133	$ 151

- *Aircraft online.* We define aircraft online as the total number of commercial aircraft on which our equipment is installed and service has been made commercially available as of the last day of each period presented. We assign aircraft to CA-NA or CA-ROW at the time of contract signing as follows: (i) all aircraft operated by North American airlines and under contract for ATG or ATG-4 service are assigned to CA-NA, (ii) all aircraft operated by North American airlines and under a contract for satellite service are assigned to CA-NA or CA-ROW based on whether the routes flown by such aircraft under the contract are anticipated to be predominantly within or outside of North America at the time the contract is signed, and (iii) all aircraft operated by non-North American airlines and under a contract are assigned to CA-ROW. All aircraft online for the CA-ROW segment are equipped with our satellite equipment. The decline in CA-NA's aircraft online is due to the deinstallation of our equipment from certain American Airlines aircraft during 2018 and the first half of 2019.

- *Aircraft equivalents.* We define aircraft equivalents for a segment as the number of commercial aircraft online (as defined above) multiplied by the percentage of flights flown by such aircraft within the scope of that segment, rounded to the nearest whole aircraft and expressed as an average of the month-end figures for each month in the period. This methodology takes into account the fact that during a particular period certain aircraft may fly routes outside the scope of the segment to which they are assigned for purposes of the calculation of aircraft online. The decline in CA-NA's aircraft equivalents is due to the deinstallation of our equipment from certain American Airlines aircraft during 2018 and the first half of 2019.

- *Net annualized average monthly service revenue per aircraft equivalent* ("ARPA"). We define net annualized ARPA as the aggregate service revenue plus monthly service fees, some of which are reported as a reduction to cost of service revenue for that segment for the period, less revenue share expense and other transactional expenses which are included in cost of service revenue for that segment, divided by the number of months in the period, and further divided by the number of aircraft equivalents (as defined above) for that segment during the period, which is then annualized and rounded to the nearest thousand.

Business Aviation

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Aircraft online (at period end)				
Satellite	5,043	5,137	5,043	5,137
ATG	5,527	5,019	5,527	5,019
Average monthly service revenue per aircraft online				
Satellite	$ 244	$ 246	$ 244	$ 241
ATG	3,087	3,008	3,083	3,024
Units Sold				
Satellite	137	98	345	315
ATG	293	296	666	827
Average equipment revenue per unit sold (in thousands)				
Satellite	$ 39	$ 41	$ 42	$ 40
ATG	69	68	66	66

- *Satellite aircraft online*. We define satellite aircraft online as the total number of business aircraft for which we provide satellite services as of the last day of each period presented.
- *ATG aircraft online.* We define ATG aircraft online as the total number of business aircraft for which we provide ATG services as of the last day of each period presented.
- *Average monthly service revenue per satellite aircraft online*. We define average monthly service revenue per satellite aircraft online as the aggregate satellite service revenue for the period divided by the number of months in the period, divided by the number of satellite aircraft online during the period (expressed as an average of the month-end figures for each month in such period).
- *Average monthly service revenue per ATG aircraft online.* We define average monthly service revenue per ATG aircraft online as the aggregate ATG service revenue for the period divided by the number of months in the period, divided by the number of ATG aircraft online during the period (expressed as an average of the month-end figures for each month in such period).
- *Units sold*. We define units sold as the number of satellite or ATG units for which we recognized revenue during the period.
- *Average equipment revenue per satellite unit sold*. We define average equipment revenue per satellite unit sold as the aggregate equipment revenue earned from all satellite units sold during the period, divided by the number of satellite units sold.
- *Average equipment revenue per ATG unit sold.* We define average equipment revenue per ATG unit sold as the aggregate equipment revenue from all ATG units sold during the period, divided by the number of ATG units sold.

Key Components of Consolidated Statements of Operations

There have been no material changes to our key components of unaudited condensed consolidated statements of operations and segment profit (loss) as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") in our 2018 10-K.

Off-Balance Sheet Arrangements

We do not have any obligations that meet the definition of an off-balance sheet arrangement.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of our unaudited condensed consolidated financial statements and related disclosures require us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related exposures. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. In some instances, we could reasonably use different accounting estimates, and in some instances results could differ significantly from our estimates. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that the assumptions and estimates associated with revenue recognition, long-lived assets, indefinite-lived assets and stock-based compensation have the greatest potential impact on our unaudited condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in MD&A in our 2018 10-K.

Recent Accounting Pronouncements

See Note 2, "Recent Accounting Pronouncements," to our unaudited condensed consolidated financial statements for additional information.

Results of Operations

The following table sets forth, for the periods presented, certain data from our unaudited condensed consolidated statements of operations. The information contained in the table below should be read in conjunction with our unaudited condensed consolidated financial statements and related notes.

Unaudited Condensed Consolidated Statement of Operations Data
(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
Service revenue	$158,399	$160,376	$ 497,142	$ 470,110
Equipment revenue	42,783	56,881	117,274	206,430
Total revenue	201,182	217,257	614,416	676,540
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	73,891	69,476	213,506	218,073
Cost of equipment revenue (exclusive of items shown below)	28,830	53,960	94,132	170,603
Engineering, design and development	28,877	30,018	80,517	88,204
Sales and marketing	12,334	13,963	37,646	45,291
General and administrative	20,740	24,860	70,275	71,152
Depreciation and amortization	29,292	32,590	90,008	100,447
Total operating expenses	193,964	224,867	586,084	693,770
Operating income (loss)	7,218	(7,610)	28,332	(17,230)
Other (income) expense:				
Interest income	(987)	(903)	(3,366)	(3,307)
Interest expense	30,740	30,743	99,444	91,938
Loss on extinguishment of debt	—	—	57,962	—
Other (income) expense	143	72	(2,779)	(59)
Total other expense	29,896	29,912	151,261	88,572
Loss before income taxes	(22,678)	(37,522)	(122,929)	(105,802)
Income tax provision (benefit)	213	195	724	(3,459)
Net loss	$ (22,891)	$ (37,717)	$(123,653)	$(102,343)

Three and Nine Months Ended September 30, 2019 and 2018

Revenue:

Revenue by segment and percent change for the three and nine month periods ended September 30, 2019 and 2018 were as follows *(in thousands, except for percent change)*:

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	% Change 2019 over 2018
Service Revenue:			
CA-NA	$ 80,470	$ 93,443	(13.9)%
BA	55,349	49,287	12.3%
CA-ROW	22,580	17,646	28.0%
Total Service Revenue	$158,399	$160,376	(1.2)%
Equipment Revenue:			
CA-NA	$ 3,665	$ 15,027	(75.6)%
BA	25,991	24,303	6.9%
CA-ROW	13,127	17,551	(25.2)%
Total Equipment Revenue	$ 42,783	$ 56,881	(24.8)%
Total Revenue:			
CA-NA	$ 84,135	$108,470	(22.4)%
BA	81,340	73,590	10.5%
CA-ROW	35,707	35,197	1.4%
Total Revenue	$201,182	$217,257	(7.4)%

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018	% Change 2019 over 2018
Service Revenue:			
CA-NA	$268,899	$277,972	(3.3)%
BA	163,318	145,062	12.6%
CA-ROW	64,925	47,076	37.9%
Total Service Revenue	$497,142	$470,110	5.8%
Equipment Revenue:			
CA-NA	$ 17,032	$ 93,969	(81.9)%
BA	59,812	71,526	(16.4)%
CA-ROW	40,430	40,935	(1.2)%
Total Equipment Revenue	$117,274	$206,430	(43.2)%
Total Revenue:			
CA-NA	$285,931	$371,941	(23.1)%
BA	223,130	216,588	3.0%
CA-ROW	105,355	88,011	19.7%
Total Revenue	$614,416	$676,540	(9.2)%

Commercial Aviation North America:

CA-NA revenue decreased to $84.1 million and $285.9 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $108.5 million and $371.9 million, respectively, for the prior-year periods, due to a decrease in both equipment and service revenue.

Equipment revenue decreased to $3.7 million and $17.0 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $15.0 million and $94.0 million, respectively, for the prior-year periods. Equipment revenue decreased during the three and nine month periods ended September 30, 2019 due to fewer 2Ku installations and a shift in mix from airline-directed to turnkey installations during 2019 as compared with 2018.

Additionally, equipment revenue decreased during the nine month period ended September 30, 2019 due to the transition to the airline-directed model by one airline in January 2018, which increased revenue by approximately $45.4 million for the nine month period ended September 30, 2018; see Note 1, "Basis of Presentation" for additional information.

A summary of the components of CA-NA's service revenue for the three and nine month periods ended September 30, 2019 and 2018 is as follows *(in thousands, except for percent change)*:

	For the Three Months Ended September 30,		% Change 2019 over
	2019	2018	2018
Connectivity revenue *(1)*	$ 73,222	$ 85,930	(14.8)%
Entertainment and CAS revenue	7,248	7,513	(3.5)%
Total service revenue	$ 80,470	$ 93,443	(13.9)%

	For the Nine Months Ended September 30,		% Change 2019 over
	2019	2018	2018
Connectivity revenue *(1)*	$243,273	$256,803	(5.3)%
Entertainment and CAS revenue	25,626	21,169	21.1%
Total service revenue	$268,899	$277,972	(3.3)%

(1) Includes non-session related revenue of $1.0 million and $7.6 million, respectively, for the three and nine month periods ended September 30, 2019, and $1.6 million and $5.5 million, respectively, for the prior-year periods.

CA-NA service revenue decreased to $80.5 million and $268.9 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $93.4 million and $278.0 million, respectively, for the prior-year periods. The decrease during the three month period ended September 30, 2019 was due to a decrease in connectivity, entertainment and CAS revenue, while the decrease during the nine month period ended September 30, 2019 was primarily due to a decrease in connectivity revenue offset in part by an increase in entertainment and CAS revenue.

Connectivity revenue decreased to $73.2 million and $243.3 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $85.9 million and $256.8 million, respectively, for the prior-year periods. The decrease during the three and nine month periods ended September 30, 2019 was due primarily to the deinstallation of Gogo equipment from certain American Airlines aircraft during 2018 and the first half of 2019 and the full impact of American Airlines switching to the airline-directed model, offset in part by an increase in passenger-paid revenue and airline-paid revenue from non-American Airlines aircraft. The decrease for the nine month period was also partially offset by the one-time impact from a contract renewal with one of our airline customers.

CA-NA entertainment and CAS revenue decreased to $7.2 million for the three month period ended September 30, 2019 as compared with $7.5 million for the prior-year period, but increased to $25.6 million for the nine month period ended September 30, 2019 as compared with $21.2 million for the prior-year period. The decrease during the three month period ended September 30, 2019 was due primarily to the deinstallation of Gogo equipment from certain American Airlines aircraft during 2018 and the first half of 2019. The increase during the nine month period ended September 30, 2019 was due primarily to the recognition of product development-related revenue for one of our airline partners in the first quarter of 2019 offset in part by the deinstallation of Gogo equipment from certain American Airlines aircraft during 2018 and the first half of 2019.

Net annualized ARPA decreased slightly to $112 thousand for the three month period ended September 30, 2019, as compared with $114 thousand for the prior-year period primarily due to the full impact of American Airlines switching to the airline-directed model. Net annualized ARPA increased to $125 thousand for the nine month period ended September 30, 2019, as compared with $110 thousand for the prior-year period primarily due to the one-time impact from a contract renewal with one of our airline customers and the product development-related revenue mentioned above, offset in part by the full impact of American Airlines switching to the airline-directed model. The connectivity take rate, which is the number of sessions expressed as a percentage of passengers, increased to 12.7% and 13.1%, respectively, for the three and nine month periods ended September 30, 2019, as compared with 12.0% and 11.2%, respectively, for the prior-year periods, reflecting increased passenger adoption including the impact of third party-paid and airline-paid offerings, primarily under the airline-directed model.

We expect service revenue for CA-NA to remain fairly flat in the near-term but increase in the long-term as we expect the connectivity take rate and net annualized ARPA to grow.

As the recognition of CA-NA equipment revenue is a function of equipment installation schedules, equipment revenue will be driven by our ability to execute our existing airline partner contracts and enter into new contracts.

Business Aviation:

BA revenue increased to $81.3 million and $223.1 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $73.6 million and $216.6 million, respectively, for the prior-year periods. The increase for the three month period ended September 30, 2019 was due to an increase in both equipment and service revenue, while the increase during the nine month period ended September 30, 2019 was due to an increase in service revenue, offset in part by a decrease in equipment revenue.

BA service revenue increased to $55.3 million and $163.3 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $49.3 million and $145.1 million, respectively, for the prior-year periods primarily due to additional customers subscribing to our Gogo Biz (ATG) service. The number of ATG aircraft online increased 10% to 5,527 as of September 30, 2019, as compared with 5,019 as of September 30, 2018.

BA equipment revenue increased to $26.0 million for the three month period ended September 30, 2019, as compared with $24.3 million for the prior-year period due primarily to increased sales of satellite equipment. BA equipment revenue decreased to $59.8 million for the nine month period ended September 30, 2019, as compared with $71.5 million for the prior-year period due primarily to a decrease in sales of ATG equipment.

Commercial Aviation Rest of World:

CA-ROW revenue increased to $35.7 million and $105.4 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $35.2 million and $88.0 million, respectively, for the prior-year periods due to an increase in service revenue offset in part by a decrease in equipment revenue.

CA-ROW service revenue increased to $22.6 million and $64.9 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $17.6 million and $47.1 million, respectively, for the prior-year periods, due to an increase in aircraft equivalents. Net annualized ARPA for the CA-ROW segment decreased to $128 thousand and $133 thousand for the three and nine month periods ended September 30, 2019, as compared with $148 thousand and $151 thousand, respectively, for the prior-year periods due to an increase in aircraft online from new airline partners.

CA-ROW equipment revenue decreased to $13.1 million and $40.4 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $17.6 million and $40.9 million, respectively, for the prior-year periods due to fewer installations under the airline-directed model.

As the recognition of CA-ROW equipment revenue is a function of equipment installation schedules, equipment revenue will be driven by our ability to execute our existing airline partner contracts and enter into new contracts.

Cost of Service Revenue:

Cost of service revenue by segment and percent change for the three and nine month periods ended September 30, 2019 and 2018 were as follows *(in thousands, except for percent change)*:

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	% Change 2019 over 2018
CA-NA	$ 38,931	$ 39,664	(1.8)%
BA	13,022	10,450	24.6%
CA-ROW	21,938	19,362	13.3%
Total	$ 73,891	$ 69,476	6.4%

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018	% Change 2019 over 2018
CA-NA	$114,001	$131,811	(13.5)%
BA	39,175	31,650	23.8%
CA-ROW	60,330	54,612	10.5%
Total	$213,506	$218,073	(2.1)%

CA-NA cost of service revenue decreased to $38.9 million and $114.0 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $39.7 million and $131.8 million, respectively, for the prior-year periods due to decreases in allocated ATG network costs, de-icing-related costs and revenue share, offset in part by increased satellite service fees.

BA cost of service revenue increased to $13.0 million and $39.2 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $10.5 million and $31.7 million, respectively, for the prior-year periods. The increase was primarily due to allocated ATG network costs.

CA-ROW cost of service revenue increased to $21.9 million and $60.3 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $19.4 million and $54.6 million, respectively, for the prior-year period primarily due to an increase in satellite and network fees.

We expect cost of service revenue for CA-NA to plateau over time mainly due to increased satellite service fees for additional aircraft operating on our satellite network, offset by a reduction in operational costs.

As we expand our CA-ROW business, we expect to incur additional cost of service revenue in CA-ROW, reflecting increased satellite usage and network related expenses. However, we expect to see increased utilization of our network as we install additional aircraft.

We expect cost of service revenue for BA to increase over time, mainly due to allocated ATG network costs.

Cost of Equipment Revenue:

Cost of equipment revenue by segment and percent change for the three and nine month periods ended September 30, 2019 and 2018 were as follows *(in thousands, except for percent change)*:

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	% Change 2019 over 2018
CA-NA	$ 1,943	$ 18,722	(89.6)%
BA	14,915	14,720	1.3%
CA-ROW	11,972	20,518	(41.7)%
Total	$28,830	$ 53,960	(46.6)%

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018	% Change 2019 over 2018
CA-NA	$ 9,399	$ 83,520	(88.7)%
BA	38,122	42,444	(10.2)%
CA-ROW	46,611	44,639	4.4%
Total	$94,132	$ 170,603	(44.8)%

Cost of equipment revenue decreased to $28.8 million and $94.1 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $54.0 million and $170.6 million, respectively, for the prior-year periods.

The decrease in CA-NA for the three and nine month periods ended September 30, 2019, as compared with the prior-year periods was due to fewer installations under the airline-directed model during 2019 as compared with 2018. The decrease for the nine month period ended September 30, 2019 was also impacted by the transition to the airline-directed model by one airline in January 2018, which included cost of equipment revenue of approximately $26.1 million, while we had no such activity in 2019; see Note 1, “Basis of Presentation” for additional information. Additionally, the decrease for the nine month period ended September 30, 2019 as compared with the prior-year period was due to a decrease in costs associated with remediation of certain issues related to our 2Ku technology.

BA cost of equipment increased slightly for the three month period ended September 30, 2019 as compared with the prior-year period, while the decrease for the nine month period ended September 30, 2019 as compared with the prior-year period was due to a decrease in equipment revenue and changes in product mix.

The decrease in CA-ROW during the three month period was due to the decrease in activity under airline-directed model, while the increase during the nine month period was due to an increase in activity under the airline-directed model.

We expect that our cost of equipment revenue will vary with changes in equipment revenue.

Engineering, Design and Development Expenses:

Engineering, design and development expenses decreased 3.8% and 8.7% to $28.9 million and $80.5 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $30.0 million and $88.2 million, respectively, for the prior-year periods due to decreased program and personnel-related expenses in CA-ROW and CA-NA, offset in part by increased 5G network development costs at BA.

We expect consolidated engineering, design and development expenses to increase as a percentage of consolidated service revenue in the near-term as we develop our 5G network and decrease as a percentage of consolidated service revenue in the long-term.

Sales and Marketing Expenses:

Sales and marketing expenses decreased 11.7% and 16.9% to $12.3 million and $37.6 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $14.0 million and $45.3 million, respectively, for the prior-year periods due to decreases in all three segments. Consolidated sales and marketing expenses as a percentage of total consolidated service revenue was 7.8% and 7.6%, respectively, for the three and nine month periods ended September 30, 2019, as compared with 8.7% and 9.6% for the prior-year periods.

We expect consolidated sales and marketing expenses to decrease as a percentage of consolidated service revenue over time.

General and Administrative Expenses:

General and administrative expenses decreased 16.6% and 1.2% to $20.7 million and $70.3 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $24.9 million and $71.2 million, respectively, for the prior-year periods. The decrease for the three month period ended September 30, 2019 was primarily due to decreases in CA-NA due to the reduction of a bad debt reserve for a non-airline customer and a reduction in various administrative costs. The decrease for the nine month period ended September 30, 2019 was primarily due to decreases in CA-NA, offset in part by increases in BA. Consolidated general and administrative expenses as a percentage of total consolidated service revenue was 13.1% and 14.1%, respectively, for the three and nine month periods ended September 30, 2019, as compared with 15.5% and 15.1% for the prior-year periods.

We expect general and administrative expenses to decrease as a percentage of consolidated service revenue over time.

Segment Profit (Loss):

CA-NA's segment profit increased 40.3% and 244.5% to $12.2 million and $59.9 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $8.7 million and $17.4 million, respectively, for the prior-year periods due to the changes as discussed above.

BA's segment profit increased 5.0% to $37.0 million for the three month period ended September 30, 2019, as compared with $35.2 million for the prior-year period and decreased 2.3% to $101.7 million for the nine month period ended September 30, 2019, as compared with $104.2 million for the prior-year period primarily due to the changes as discussed above.

CA-ROW's segment loss decreased 40.0% and 28.3% to $13.7 million and $50.1 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $22.7 million and $69.8 million, respectively, for the prior-year periods due to the changes as discussed above.

Depreciation and Amortization:

Depreciation and amortization expense decreased 10.1% and 10.4% to $29.3 million and $90.0 million, respectively, for the three and nine month periods ended September 30, 2019, as compared with $32.6 million and $100.4 million, respectively, for the prior-year periods due to decreased amortization of capitalized software and accelerated depreciation expense for certain upgrades and decommission programs that were completed in the first half of 2018.

We expect that our depreciation and amortization expense will vary in the future depending upon the number of installations under the turnkey model.

Other (Income) Expense:

Other (income) expense and percent change for the three and nine month periods ended September 30, 2019 and 2018 were as follows *(in thousands, except for percent change)*:

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	% Change 2019 over 2018
Interest income	$ (987)	$ (903)	9.3%
Interest expense	30,740	30,743	0.0%
Other expense	143	72	98.6%
Total	$ 29,896	$29,912	(0.1)%

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018	% Change 2019 over 2018
Interest income	$ (3,366)	$ (3,307)	1.8%
Interest expense	99,444	91,938	8.2%
Loss on extinguishment of debt	57,962	—	n/a
Other income	(2,779)	(59)	4,610.2%
Total	$151,261	$88,572	70.8%

Total other expense of $29.9 million was flat for the three month period ended September 30, 2019, as compared with the prior-year period. Total other expense increased to $151.3 million for the nine month period ended September 30, 2019, as compared with $88.6 million for the prior-year period due to the loss on extinguishment of debt and increased interest expense due to higher average debt levels outstanding during the current year as compared with the prior-year period; for the nine month period ended September 30, 2019 these factors were offset in part by $3.2 million of net proceeds from a litigation settlement in the first quarter of 2019.

We expect an increase in our full-year interest expense as compared with 2018 due to higher average debt outstanding because of the issuances of the 2024 Senior Secured Notes in April and May 2019 and the 2022 Convertible Notes in November 2018 and the associated accretion expense and amortization of deferred financing costs for such issuances. These increases will be partially offset by the reduction in interest expense related to the 2022 Senior Secured Notes, which were redeemed in full in May 2019, and the partial repurchase of the 2020 Convertible Notes. See Note 9, "Long-Term Debt and Other Liabilities," in our unaudited condensed consolidated financial statements for additional information.

Income Taxes:

The effective income tax rates for the three and nine month periods ended September 30, 2019 were (0.9)% and (0.6)%, respectively, as compared with (0.5)% and 3.3%, respectively, for the prior-year periods. For the three and nine month periods ended September 30, 2019, our income tax expense was not significant primarily due to the recording of a valuation allowance against our net deferred tax assets. An income tax benefit was recorded for the nine month period ended September 30, 2018 resulting from a reduction in our valuation allowance of approximately $4.0 million due to the application of provisions of H.R. 1, commonly known as the Tax Cuts and Jobs Act ("U.S. Tax Reform"), to our evaluation of our deferred tax assets.

We expect our income tax provision to increase in future periods to the extent we become profitable.

Non-GAAP Measures

In our discussion below, we discuss certain non-GAAP financial measurements, including Adjusted EBITDA, Free Cash Flow and Unlevered Free Cash Flow as defined below. Management uses Adjusted EBITDA, Free Cash Flow and Unlevered Free Cash Flow for business planning purposes, including managing our business against internally projected results of operations and measuring our performance and liquidity. These supplemental performance measures also provide another basis for comparing period-to-period results by excluding potential differences caused by non-operational and unusual or non-recurring items. These supplemental performance measurements may vary from and may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA, Free Cash Flow and Unlevered Free Cash Flow are not recognized measurements under accounting principles generally accepted in the United States, or GAAP; when analyzing our performance with Adjusted EBITDA or liquidity with Free Cash Flow or Unlevered Free Cash Flow, as applicable, investors should (i) evaluate each adjustment in our reconciliation to the corresponding GAAP measure, and the explanatory footnotes regarding those adjustments, (ii) use Adjusted EBITDA in addition to, and not as an alternative to, net loss attributable to common stock as a measure of operating results, and (iii) use Free Cash Flow or Unlevered Free Cash Flow in addition to, and not as an alternative to, consolidated net cash provided by (used in) operating activities when evaluating our liquidity.

Definition and Reconciliation of Non-GAAP Measures

EBITDA represents net loss attributable to common stock before interest expense, interest income, income taxes, depreciation expense and amortization of other intangible assets.

Adjusted EBITDA represents EBITDA adjusted for (i) stock-based compensation expense, (ii) amortization of deferred airborne lease incentives, (iii) amortization of STC costs, (iv) the accounting impact of the transition to the airline-directed model, (v) proceeds from litigation settlement and (vi) loss on extinguishment of debt. Our management believes that the use of Adjusted EBITDA eliminates items that, management believes, have less bearing on our operating performance, thereby highlighting trends in our core business which may not otherwise be apparent. It also provides an assessment of controllable expenses, which are indicators management uses to determine whether current spending decisions need to be adjusted in order to meet financial goals and achieve optimal financial performance.

We believe the exclusion of stock-based compensation expense from Adjusted EBITDA is appropriate given the significant variation in expense that can result from using the Black-Scholes model to determine the fair value of such compensation. The fair value of our stock options is determined using the Black-Scholes model and varies based on fluctuations in the assumptions used in this model, including inputs that are not necessarily directly related to the performance of our business, such as the expected volatility, the risk-free interest rate and the expected life of the options. Therefore, we believe the exclusion of this cost provides a clearer view of the operating performance of our business. Further, stock option grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time. While we believe that investors should have information about any dilutive effect of outstanding options and the cost of that compensation, we also believe that stockholders should have the ability to consider our performance using a non-GAAP financial measure that excludes these costs and that management uses to evaluate our business.

We believe the exclusion of the amortization of deferred airborne lease incentives and amortization of STC costs from Adjusted EBITDA is useful as it allows an investor to view operating performance across time periods in a manner consistent with how management measures segment profit and loss (see Note 15, "Business Segments and Major Customers," for a description of segment profit (loss) in our unaudited condensed consolidated financial statements). Management evaluates segment profit and loss in this manner, excluding the amortization of deferred airborne lease incentives and amortization of STC costs, because such presentation reflects operating decisions and activities from the current period, without regard to the prior period decision or the form of connectivity agreements.

We believe it is useful for an understanding of our operating performance to exclude the accounting impact of the transition by one of our airline partners to the airline-directed model and the loss on extinguishment of debt from Adjusted EBITDA because of the non-recurring nature of these activities.

We believe the exclusion of litigation proceeds from Adjusted EBITDA is appropriate as this is non-recurring in nature and represents an infrequent financial benefit to our operating performance.

We also present Adjusted EBITDA as a supplemental performance measure because we believe that this measure provides investors, securities analysts and other users of our financial statements with important supplemental information with which to evaluate our performance and to enable them to assess our performance on the same basis as management.

Free Cash Flow represents net cash provided by (used in) operating activities, less purchases of property and equipment and the acquisition of intangible assets. We believe Free Cash Flow provides meaningful information regarding the Company's liquidity.

Unlevered Free Cash Flow represents Free Cash Flow adjusted for cash interest payments and interest income. We believe that Unlevered Free Cash Flow provides an additional view of the Company's liquidity, excluding the impact of our capital structure.

Gogo Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share amounts)
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Adjusted EBITDA:				
Net loss attributable to common stock (GAAP)	$(22,891)	$(37,717)	$(123,653)	$(102,343)
Interest expense	30,740	30,743	99,444	91,938
Interest income	(987)	(903)	(3,366)	(3,307)
Income tax provision (benefit)	213	195	724	(3,459)
Depreciation and amortization	29,292	32,590	90,008	100,447
EBITDA	36,367	24,908	63,157	83,276
Stock-based compensation expense	4,066	3,932	12,711	12,531
Amortization of deferred airborne lease incentives	(6,335)	(8,074)	(21,365)	(23,166)
Amortization of STC costs	1,259	292	1,901	719
Transition to airline-directed model	—	—	—	(21,551)
Loss on extinguishment of debt	—	—	57,962	—
Proceeds from litigation settlement	—	—	(3,215)	—
Adjusted EBITDA	$ 35,357	$ 21,058	$ 111,151	$ 51,809
Unlevered Free Cash Flow:				
Net cash provided by (used in) operating activities (GAAP)*(1)*	$ 69,804	$(62,867)	$ 75,339	$ (91,896)
Consolidated capital expenditures *(1)*	(35,983)	(9,246)	(78,228)	(124,412)
Free cash flow	33,821	(72,113)	(2,889)	(216,308)
Cash paid for interest *(1)*	57	49,912	86,477	99,823
Interest income *(2)*	(987)	(903)	(3,366)	(3,307)
Unlevered free cash flow	$ 32,891	$(23,104)	$ 80,222	$(119,792)

(1) See unaudited condensed consolidated statements of cash flows.
(2) See unaudited condensed consolidated statements of operations.

Material limitations of Non-GAAP measures

Although EBITDA, Adjusted EBITDA and Free Cash Flow are measurements frequently used by investors and securities analysts in their evaluations of companies, EBITDA, Adjusted EBITDA, Free Cash Flow and Unlevered Free Cash Flow each have limitations as an analytical tool, and you should not consider them in isolation or as a substitute for, or more meaningful than, amounts determined in accordance with GAAP.

Some of these limitations include:

- EBITDA and Adjusted EBITDA do not reflect interest income or expense;
- EBITDA and Adjusted EBITDA do not reflect cash requirements for our income taxes;
- EBITDA and Adjusted EBITDA do not reflect depreciation and amortization, which are significant and unavoidable operating costs given the level of capital expenditures needed to maintain our business;
- Adjusted EBITDA does not reflect non-cash components of employee compensation;
- Free Cash Flow and Unlevered Free Cash Flow do not represent the total increase or decrease in our cash balance for the period; and
- since other companies in our or related industries may calculate these measures differently from the way we do, their usefulness as comparative measures may be limited.

Liquidity and Capital Resources

The following table presents a summary of our cash flow activity for the periods set forth below*(in thousands)*:

	For the Nine Months Ended September 30,	
	2019	2018
Net cash provided by (used in) operating activities	$ 75,339	$ (91,896)
Net cash used in investing activities	(36,401)	(195)
Net cash used in financing activities	(4,076)	(1,545)
Effect of foreign exchange rate changes on cash	(357)	(530)
Net increase (decrease) in cash, cash equivalents and restricted cash	34,505	(94,166)
Cash, cash equivalents and restricted cash at the beginning of period	191,116	203,729
Cash, cash equivalents and restricted cash at the end of period	$225,621	$109,563
Supplemental information:		
Cash, cash equivalents and restricted cash at the end of period	$225,621	$109,563
Less: current restricted cash	535	1,773
Less: non-current restricted cash	7,424	5,126
Cash and cash equivalents at the end of the period	$217,662	$102,664
Short-term investments	$ —	$ 88,575

We have historically financed our growth and cash needs primarily through the issuance of common stock,non-convertible debt, senior convertible preferred stock, convertible debt, term facilities and cash from operating activities. We continually evaluate our ongoing capital needs in light of increasing demand for our services, capacity requirements, evolving technologies in our industry and related strategic, operational and technological opportunities. We actively consider opportunities to raise additional capital in the public and private markets utilizing one or more of the types of capital raising transactions through which we have historically financed our growth and cash needs, as well as other means of capital raising not previously used by us.

Liquidity:

Excluding the impact of our initial public offering, our prior credit facility, the 2022 Convertible Notes, the 2020 Convertible Notes, the 2024 Senior Secured Notes and the 2022 Senior Secured Notes, to date we have not generated positive cash flows on a consolidated basis. However, based on our current plans, we believe that our cash, cash equivalents, cash flows provided by operating activities and access to the ABL Credit Facility will be sufficient to meet our near- and long-term operating obligations, including our capital expenditure requirements. As detailed in Note 9, “Long-Term Debt and Other Liabilities,” in April 2019 and May 2019, we entered into financing transactions that extended the maturity of our senior secured indebtedness to 2024 and generated funds sufficient to repay, repurchase or retire our 2020 Convertible Notes (of which we repurchased $159 million aggregate principal amount in May 2019 and an additional $0.5 million in September 2019). In August 2019, we entered into the ABL Credit Facility, which provides for a revolving line of credit of up to $30 million, subject to borrowing base availability, and includes letter of credit and swingline sub-facilities. The ABL Credit Agreement provides that the revolving line of credit may be increased by up to an additional $30 million under certain circumstances. Our intent is to continue to access the capital markets to refinance our future debt obligations on an as-needed basis.

The 2024 Indenture and the ABL Credit Agreement contain covenants that limit the ability of GIH and its subsidiaries to incur additional indebtedness. Further, market conditions and/or our financial performance may limit our access to additional sources of equity or debt financing, or our ability to pursue potential strategic alternatives. As a result, we may be unable to finance growth of our business to the extent that our cash, cash equivalents and short-term investments and cash generated through operating activities prove insufficient or we are unable to raise additional financing through the issuance of additional equity, permitted incurrences of debt by us or by GIH and its subsidiaries, or the pursuit of potential strategic alternatives.

For additional information on the 2024 Senior Secured Notes, the ABL Credit Facility, the 2022 Senior Secured Notes, the 2022 Convertible Notes and the 2020 Convertible Notes, see Note 9, “Long-Term Debt and Other Liabilities,” to our unaudited condensed consolidated financial statements.

Table of Contents

Cash flows provided by (used in) Operating Activities:

The following table presents a summary of our cash flows from operating activities for the periods set forth below *(in thousands)*:

	For the Nine Months Ended September 30,	
	2019	2018
Net loss	$(123,653)	$(102,343)
Non-cash charges and credits	184,451	112,807
Changes in operating assets and liabilities	14,541	(102,360)
Net cash provided by (used in) operating activities	$ 75,339	$ (91,896)

For the nine month period ended September 30, 2019, cash provided by operating activities was $75.3 million as compared with net cash used in operating activities of $91.9 million in the prior-year period. The principal contributors to the change in operating cash flows were:

- A $50.3 million change in net loss adjusted for non-cash charges and credits and
- A $116.9 million change in cash flows related to operating assets and liabilities resulting from:
  - An increase in cash flows due to the following:
    - Changes in CA-NA's and CA-ROW's accounts receivable due primarily to the timing of collections;
    - Changes in all three segments' inventories. CA-NA's and CA-ROW's inventories decreased as we allocated a smaller portion of our uninstalled airborne equipment to inventory due to the transition of two airline partners from the airline-directed model to the turnkey model in 2019 and BA's inventory decreased due to an increase in equipment revenue during the quarter;
    - Changes in accrued interest due to changes in the timing of payments as compared to the prior-year;
    - Changes in all three segments' prepaid expenses due to the timing of payments; and
    - Changes in BA's accounts payable and accrued liabilities due primarily to the timing of payments;
  - Offset in part by a decrease in cash flows due to the following:
    - Changes in CA-NA's and CA-ROW's accrued liabilities due to the timing of payments;
    - Changes in CA-NA's accounts payable due primarily to the timing of payments; and
    - Changes in BA's accounts receivable due to an increase in revenue during the quarter.

Cash flows used in Investing Activities:

Cash used in investing activities is primarily for capital expenditures related to airborne equipment, cell site construction, software development, and data center upgrades. See "— Capital Expenditures" below. Additionally, cash used in investing activities includes net changes in our short-term investments of a cash inflow of $39.3 million and $124.2 million, respectively, for the nine month periods ended September 30, 2019 and 2018.

Cash flows used in Financing Activities:

Cash used in financing activities for the nine month period ended September 30, 2019 was $4.1 million primarily due to the full redemption of outstanding 2022 Senior Secured Notes (including the make-whole premium payable under the indenture governing the 2022 Senior Secured Notes), totaling $741.4 million, the repurchase of $159.5 million of outstanding 2020 Convertible Notes and the payment of $23.4 million of deferred financing costs associated with the issuance of the 2024 Senior Secured Notes, offset in part by $920.7 million of proceeds from the issuance of the 2024 Senior Secured Notes.

Cash used in financing activities for the nine month period ended September 30, 2018 was $1.5 million primarily due to financing lease payments.

Capital Expenditures

Our operations continue to require significant capital expenditures, primarily for technology development, equipment and capacity expansion. Capital expenditures for the CA-NA and CA-ROW segments include the purchase of airborne equipment for the turnkey model, which correlates directly to the roll out and/or upgrade of service to our airline partners' fleets. Capital spending is also associated with the expansion of our ATG and satellite network and data centers. We capitalize software development costs related to network technology solutions, the Gogo platform and new product/service offerings. We also capitalized costs related to the build out of our office locations.

Capital expenditures for the nine month periods ended September 30, 2019 and 2018 were $78.2 million and $124.4 million, respectively. The decrease in capital expenditures was primarily due to a decrease in airborne equipment purchases as well as a decrease in capitalized software.

We expect that our airborne-related capital expenditures will vary in the future depending upon the number of installations under the turnkey model and network-related capital expenditures will increase over time as we build out the 5G ATG network.

Other

We have agreements with vendors to provide us with transponder and teleport satellite services that vary in length and amount. See Note 12, "Commitments and Contingencies," to our unaudited condensed consolidated financial statements for additional information.

We have agreements with various vendors under which we have remaining commitments to purchase satellite-based systems, certifications and development services. Such commitments will become payable as we receive the equipment or certifications, or as development services are provided.

Leases and Cell Site Contracts: We have lease agreements relating to certain facilities and equipment, which are considered operating leases. See Note 11, "Leases," to our unaudited condensed consolidated financial statements for additional information.

The revenue share paid to our airline partners represents operating lease payments and are deemed to be contingent rental payments, as the payments due to each airline are based on a percentage of our CA-NA and CA-ROW service revenue generated from that airline's passengers, which is unknown until realized. As such, we cannot estimate the lease payments due to an airline at the commencement of our contract with such airline. Rental expense related to the arrangements with commercial airlines included in cost of service revenue is primarily comprised of these revenue share payments offset by the amortization of the deferred airborne lease incentive discussed above. See Note 11, "Leases," to our unaudited condensed consolidated financial statements for additional information**.**

Indemnifications and Guarantees: In accordance with Delaware law, we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under this indemnification is uncertain and may be unlimited, depending upon circumstances. However, our Directors' and Officers' insurance does provide coverage for certain of these losses.

In the ordinary course of business we may occasionally enter into agreements pursuant to which we may be obligated to pay for the failure of performance of others, such as the use of corporate credit cards issued to employees. Based on historical experience, we believe that the risk of sustaining any material loss related to such guarantees is remote.

We have entered into a number of agreements, including our agreements with commercial airlines, pursuant to which we indemnify the other party for losses and expenses suffered or incurred in connection with any patent, copyright, or trademark infringement or misappropriation claim asserted by a third party with respect to our equipment or services. The maximum potential amount of future payments we could be required to make under these indemnification agreements is uncertain and is typically not limited by the terms of the agreements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is currently confined to our cash and cash equivalents, short-term investments and our debt. We have not used derivative financial instruments for speculation or trading purposes. The primary objectives of our investment activities are to preserve our capital for the purpose of funding operations while at the same time maximizing the income we receive from our investments without significantly increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash equivalents and short-term investments through a variety of securities, including U.S. Treasury securities, U.S. government agency securities, and money market funds. Our cash and cash equivalents as of September 30, 2019 and December 31, 2018 primarily included amounts in bank deposit accounts and money market funds. We believe that a change in average interest rates would not affect our interest income and results of operations by a material amount.

The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on the overall economic activity, nor do they consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

Interest: Our earnings are affected by changes in interest rates due to the impact those changes have on interest income generated from our cash, cash equivalents and short-term investments. Our cash and cash equivalents as of September 30, 2019 and December 31, 2018 included amounts in bank deposit accounts and money market funds; and as of December 31, 2018 our short-term investments consisted of U.S. Treasury bills. We believe we have minimal interest rate risk as a 10% change in the average interest rate on our portfolio would have reduced interest income for the three and nine month periods ended September 30, 2019 and 2018 by an immaterial amount.

Inflation: We do not believe that inflation has had a material effect on our results of operations. However, there can be no assurance that our business will not be affected by inflation in the future.

Seasonality: Our results of operations for any interim period are not necessarily indicative of those for any other interim period for the entire year because the demand for air travel, including business travel, is subject to significant seasonal fluctuations. We generally expect overall passenger opportunity to be greater in the second and third quarters compared to the rest of the year due to an increase in leisure travel offset in part by a decrease in business travel during the summer months and holidays. We expect seasonality of the air transportation business to continue, which may affect our results of operations in any one period.

ITEM 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of September 30, 2019. Based upon this evaluation, our Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2019.

(b) Changes in Internal Control over Financial Reporting

There have been no changes to our internal control over financial reporting in connection with the evaluation required by Rules13a-15(f) and 15d-15(f) under the Exchange Act during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Linksmart Litigation—On April 20, 2018, Linksmart Wireless Technology, LLC filed suit against us and eight of our airline partners in the U.S. District Court for the Central District of California alleging that our redirection server and login portal infringe a patent owned by the plaintiff. The suits seek an unspecified amount of damages. We are required under our contracts with these airlines to indemnify them for defense costs and any liabilities resulting from the suit. The Court has stayed the suits against our airline customers pending resolution of the suit against Gogo. Linksmart has also filed suit against other defendants asserting the same patent. Following the filing by one of those defendants of a petition to commence an *inter partes* review against the asserted patent in the U.S. Patent and Trademark Office, the Court stayed the litigation against such other defendant and Gogo, but such stay was lifted in July 2019 when the U.S. Patent and Trademark Office determined that the petitioner had not met the standard of proof required to commence the *inter partes* review. We believe that the plaintiff's claims are without merit and intend to defend them vigorously. The outcome of this litigation is inherently uncertain. No amounts have been accrued for any potential losses under this matter, as we cannot reasonably predict the outcome of the litigation or any potential losses.

Securities Litigation—On June 27, 2018, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Northern District of Illinois, Eastern Division styled Pierrelouis v. Gogo Inc., naming the Company, its former Chief Executive Officer and Chief Financial Officer and its current Chief Financial Officer and President, Commercial Aviation as defendants purportedly on behalf of all purchasers of our securities from February 27, 2017 through May 4, 2018. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by us purporting to relate to our 2Ku antenna's reliability and installation and remediation costs. The plaintiffs seek to recover from us and the individual defendants an unspecified amount of damages. In December 2018 the plaintiffs filed an amended complaint and in February 2019, we filed a motion to dismiss such amended complaint. In October 2019 the judge granted the motion to dismiss on two independent grounds, finding that plaintiffs failed to plausibly allege that defendants made materially false or misleading statements and that plaintiffs failed to plead with particularity that defendants acted with scienter. The amended complaint was dismissed without prejudice, and plaintiffs have until December 20, 2019 to file a second amended complaint should they elect to do so. We believe that the claims are without merit and intend to continue to defend them vigorously if the litigation continues. In accordance with Delaware law, we will indemnify the individual named defendants for their defense costs and any damages they incur in connection with the suit. We have filed a claim with the issuer of our Directors' and Officers' insurance policy with respect to this suit. No amounts have been accrued for any potential losses under this matter, as we cannot reasonably predict the outcome of the litigation or any potential losses.

Derivative Litigation - On September 25, 2018 and September 26, 2018, two purported stockholders of the Company filed substantively identical derivative lawsuits in the United States District Court for the Northern District of Illinois, Eastern Division, styled Nanduri v. Gogo Inc. and Hutsenpiller v. Gogo Inc., respectively. Both lawsuits were purportedly brought derivatively on behalf of us and name us as a nominal defendant and name as defendants each member of the Company's Board of Directors, its former Chief Executive Officer and Chief Financial Officer and its current Chief Executive Officer, Chief Financial Officer and President, Commercial Aviation. The complaints assert claims under Section 14(a) of the Securities Exchange Act of 1934, breach of fiduciary duty, unjust enrichment, and waste of corporate assets, and allege misrepresentations or omissions by us purporting to relate to our 2Ku antenna's reliability and installation and remediation costs, as well as allegedly excessive bonuses, stock options, and other compensation paid to current Officers and Directors and excessive severance paid to former Officers. The two lawsuits were consolidated and are stayed until a final disposition of the motion to dismiss in the class action suit. We believe that the claims are without merit and intend to defend them vigorously if the litigation continues. The plaintiffs seek to recover, on our behalf, an unspecified amount of damages from the individual defendants. We have filed a claim with the issuer of our Directors' and Officers' insurance policy with respect to these suits. No amounts have been accrued for any potential costs under this matter, as we cannot reasonably predict the outcome of the litigation or any potential costs.

From time to time we may become involved in other legal proceedings arising in the ordinary course of our business. We cannot predict with certainty the potential for or outcome of any future litigation. Regardless of the outcome of any particular litigation and the merits of any particular claim, litigation can have a material adverse impact on our company due to, among other reasons, any injunctive relief granted, which could inhibit our ability to operate our business, amounts paid as damages or in settlement of any such matter, diversion of management resources and defense costs.

ITEM 1A. Risk Factors

The following risk factor updates the corresponding risk factor in our 201810-K. Except as set forth below and in Item 1A of our 2019 2Q10-Q, there have been no material changes to the risk factors previously disclosed in our 2018 10-K.

We have experienced and continue to experience capacity constraints in the United States on our ATG network and may in the future experience additional capacity demands on that network and our United States and international satellite networks. If we fail to meet capacity demands, our business and results of operations may be materially and adversely affected.

The success of our CA business depends on our ability to provide adequate bandwidth to meet customer demands. The capacity of our ATG network is limited by the spectrum licensed and, as a result, we have in the past experienced significant capacity constraints in the United States and continue to encounter occasional capacity constraints on flights where demand for our service is high and certain routes on which multiple ATG aircraft are within range of the same cell site at one time. As part of our plan to alleviate such constraints, we are deploying our satellite-based technology and developing a next-generation ATG technology, which will provide additional capacity, but the successful implementation of such technology is subject to certain risks and uncertainties as described in the Risk Factors section of the 2018 10-K under the heading "*—We may be unsuccessful or delayed in developing and deploying our next-generation ATG technology.*" In addition, our ability to meet capacity demands on our ATG network depends in part on the willingness of airline partners to agree to install or upgrade to our next generation ATG network if and when we deploy that solution.

In addition, we may in the future experience capacity constraints on our satellite network. We obtain the capacity required for our Ku and 2Ku satellite-based systems from satellite partners with whom we contract on a non-exclusive basis, and our ability to obtain sufficient capacity in the United States and internationally is subject to certain risks and uncertainties. See the Risk Factors section of the 2018 10-K under the heading "*—We face risks related to satellites and satellite capacity.*"

We expect capacity demands to increase on both our ATG and satellite networks as we install our equipment on more airlines and aircraft and as passenger adoption and bandwidth requirements grow. In particular, we are currently negotiating amendments to contracts with certain airline partners under which our services would be provided by the airlines to passengers free of charge. We expect passenger adoption and associated capacity demands to increase significantly if airline partners implement free passenger connectivity service. If our airline partners move to a free-to-passengers business model, in order to meet such demands, we will be required to negotiate agreements with existing and new satellite providers to obtain additional Ku-band satellite capacity. Our ability to successfully support our airline partners, including those providing free service to passengers, will depend in part on our ability to obtain sufficient satellite capacity, particularly in the continental United States, at prices and on other terms acceptable to us. If our airline partners implement free service to passengers on aircraft operating on our ATG network, the capacity constraints discussed above could be exacerbated. Furthermore, we may be required to develop and deploy systems employing Ka-band satellite technology for our airline partners and to obtain sufficient Ka-based capacity to support such technologies. We may be required to commit to purchase and, in some circumstances, pay for our satellite capacity in advance of employing it.

We use bandwidth management tools to manage capacity in both our ATG and satellite networks. In June 2015, the FCC adopted broad net neutrality rules pursuant to an order released in March 2015 (the "Open Internet Order"). The Open Internet Order prohibited broadband providers from blocking access to lawful content, applications, services or non-harmful devices; impairing or degrading lawful Internet traffic on the basis of content, applications, services or non-harmful devices; favoring some lawful Internet traffic over other lawful traffic in exchange for consideration of any kind; or prioritizing the content and services of their affiliates. Other than for paid prioritization, the rules contained an exception for "reasonable network management." In June 2018, the FCC's partial repeal of the Open Internet Order (the "Repeal Order") became effective, eliminating virtually all of the then-existing net neutrality obligations applicable to us. A federal appeals court upheld the Repeal Order in October 2019 with some exceptions that include vacating provisions of the Repeal Order preempting states from imposing any rule or requirement that the FCC repealed or deferred from imposing in the Repeal Order, or that was more stringent than the Repeal Order. Members of Congress have proposed legislation that would reinstate certain net neutrality rules and the outcome of such proposal or other attempts to reinstate net neutrality rules cannot be predicted at this time. In addition, several states, including California, have proposed or enacted net neutrality legislation similar in substance to the Open Internet Order. The U.S. Department of Justice has filed suit to block the California legislation and California has agreed to delay implementation of the law pending the outcome of such litigation. If the federal neutrality rules were reinstated, they could constrain our ability to manage our network and make it more difficult for us to meet capacity demands, as could existing or future state net neutrality laws or additional federal net neutrality laws.

There can be no assurance that the actions we are taking will be sufficient to provide enough capacity in the United States or internationally. If we fail to meet capacity demands, it could negatively affect our relationship with our airline partners and our reputation among passengers and other airlines and constitute a breach of contract resulting in penalties, claims for damages or termination rights, and our business prospects and results of operations may be materially adversely affected.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

a) Sales of Unregistered Securities

None.

b) Use of Proceeds from Public Offering of Common Stock

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

The Company’s Board of Directors (the “Board”) has determined that it intends to hold the Company’s next Annual Meeting of Stockholders (the “2020 Annual Meeting”) on April 29, 2020 or shortly thereafter, at a time and location to be specified in the Company’s proxy statement for the 2020 Annual Meeting (the “Proxy Statement”). The record date for determining stockholders eligible for notice of, and to vote at, the 2020 Annual Meeting has not yet been set by the Board and will also be included in the Proxy Statement. In accordance with Section 1.12 of the Company’s Amended and Restated Bylaws (the “Bylaws”), the foregoing information constitutes a public announcement of the date of the 2020 Annual Meeting.

Because the date of the 2020 Annual Meeting has been changed by more than 30 calendar days from the date of the previous year’s annual meeting, pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, stockholders of the Company who wish to have a proposal considered for inclusion in the Company’s proxy materials for the 2020 Annual Meeting pursuant to Rule 14a-8 must ensure that their proposal is received by Marguerite M. Elias, Executive Vice President, General Counsel and Secretary of the Company, at 111 N. Canal St., Suite 1500, Chicago, Illinois 60606 by December 9, 2019, which the Company has determined to be a reasonable time before it expects to begin to print and send its proxy materials. Rule 14a-8 proposals must also comply with the requirements of Rule 14a-8 and other applicable laws in order to be eligible for inclusion in the Company’s proxy materials for the 2020 Annual Meeting. The December 9, 2019 deadline will also apply in determining whether notice of a stockholder proposal is timely for purposes of exercising discretionary voting authority with respect to proxies under Rule 14a-4(c) under the Securities Exchange Act of 1934, as amended.

In accordance with the Company’s Bylaws, stockholder proposals not included in the Proxy Statement may be brought before the 2020 Annual Meeting outside of compliance with Rule 14a-8 by a stockholder of the Company who is entitled to vote at the meeting, has given a written notice to the Secretary of the Company containing certain information specified in, and within the timing requirements set forth in, the Bylaws, and was and will be a stockholder of record at the time such notice was given and at the date of the 2020 Annual Meeting. Such notice must be delivered to the address in the preceding paragraph no earlier than December 31, 2019 and no later than January 30, 2020.

Table of Contents

ITEM 6. Exhibits

Exhibit Number	Description of Exhibits
10.8.20	Credit Agreement, dated as of August 26, 2019, among Gogo Intermediate Holdings LLC and Gogo Finance Co. Inc., as the Borrowers, Gogo Inc., the other loan parties party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Morgan Stanley Senior Funding, Inc., as Syndication Agent (incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 28, 2019 (File No. 001-35975)).
10.8.21	ABL Collateral Agreement, dated as of August 26, 2019, among Gogo Inc., Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc. and certain of their subsidiaries in favor of JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to Form 8-K filed on August 28, 2019 (File No. 001-35975)).
10.8.22	Patent Security Agreement, dated August 26, 2019, by Gogo LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.3 to Form 8-K filed on August 28, 2019 (File No. 001-35975)).
10.8.23	Trademark Security Agreement, dated August 26, 2019, by Gogo LLC and Gogo Business Aviation LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.4 to Form 8-K filed on August 28, 2019 (File No. 001-35975)).
10.8.24	Copyright Security Agreement, dated August 26, 2019, by Gogo LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.5 to Form 8-K filed on August 28, 2019 (File No. 001-35975)).
10.8.25	Crossing Lien Intercreditor Agreement, dated as of August 26, 2019, between U.S. Bank National Association, as Cash Flow Collateral Representative, and JPMorgan Chase Bank, N.A., as ABL Agent (incorporated by reference to Exhibit 10.6 to Form 8-K filed on August 28, 2019 (File No. 001-35975)).
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 *	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 *	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Gogo Inc.

Date: November 7, 2019

/s/ Oakleigh Thorne
Oakleigh Thorne
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Barry Rowan
Barry Rowan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

Gogo Inc.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Oakleigh Thorne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gogo Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Oakleigh Thorne
Oakleigh Thorne
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Gogo Inc.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Barry Rowan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gogo Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Barry Rowan
Barry Rowan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Gogo Inc.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Oakleigh Thorne, President and Chief Executive Officer of Gogo Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2019

/s/ Oakleigh Thorne
Oakleigh Thorne
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Gogo Inc.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Barry Rowan, Executive Vice President and Chief Financial Officer of Gogo Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2019

/s/ Barry Rowan
Barry Rowan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)