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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 22, 2018

GOGO INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-35975**	**27-1650905**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

111 North Canal, Suite 1500 Chicago, IL	**60606**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code:
312-517-5000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 7.01. Regulation FD Disclosure.

On February 22, 2018, Gogo Inc. (the "Company") made available a presentation titled "Accounting Impact of Business Model Changes and New Revenue Recognition Standard on Commercial Aviation" (the "Presentation") to discuss the accounting impact on its Commercial Aviation business of changes in operating business models and the Company's adoption of the new revenue recognition standard, Accounting Standards Codification Topic 606, "Accounting for Contracts with Customers". The Presentation, and a copy of the script used in conjunction with the Presentation, are attached hereto as exhibits 99.1 and 99.2, respectively, and incorporated herein by reference. The Presentation is also accessible online at the Company's investor relations website at http://ir.gogoair.com.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Accounting Impact of Business Model Changes and New Revenue Recognition Standard on Commercial Aviation, dated February 22, 2018.
99.2	Script for Accounting Impact of Business Model Changes and New Revenue Recognition Standard on Commercial Aviation Presentation, dated February 22, 2018.

SIGNATURE

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

GOGO INC.

By: /s/ Barry Rowan
Barry Rowan
Executive Vice President and Chief Financial Officer

Date: February 22, 2018

Exhibit 99.1

Accounting Impact of Business Model Changes and New Revenue Recognition Standard on Commercial Aviation

February 22, 2018

Safe harbor statement

Safe Harbor Statement

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are based on management's beliefs and assumptions and on information currently available to management. Most forward-looking statements contain words that identify them as forward-looking, such as "anticipates," "believes," "continues," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions and the negatives of those terms that relate to future events. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Gogo's actual results, performance or achievements to be materially different from any projected results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent the beliefs and assumptions of Gogo Inc. ("Gogo") only as of the date of this presentation and Gogo undertakes no obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events or otherwise. As such, Gogo's future results may vary from any expectations or goals expressed in, or implied by, the forward-looking statements included in this presentation, possibly to a material degree.

Gogo cannot assure you that the assumptions made in preparing any of the forward-looking statements will prove accurate or that any long-term financial or operational goals and targets will be realized. In particular, the actual accounting or financial impact of the airline-directed model, as compared to the turnkey model, may vary significantly from that presented in this presentation, even with comparable economics, due to, among other things, changes in accounting or tax rules. For a discussion of some of the important factors that could cause Gogo's results to differ materially from those expressed in, or implied by, the forward-looking statements included in this presentation, investors should refer to the disclosures contained under the headings "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" in Gogo's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

This presentation is being provided for the exclusive purpose of providing an illustrative overview of the expected impact on Gogo's financial statements of the transition to the airline-directed model by certain of Gogo's commercial aviation airline partners and Gogo's adopting of revenue recognition standard, ASC 606 ("ASC 606"). For further information on the airline-directed model, as compared to the turnkey model, and ASC 606, as compared to Gogo's historical revenue recognition standard, ASC 605 ("ASC 605"), see Gogo's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 22, 2018. In addition, (i) this presentation may not be relied upon as a projection or expectation of Gogo's future financial results under any particular business model, (ii) for comparative purposes only, this presentation, in certain instances, reflects as assumptions identical economics to Gogo under each business model, including with respect to equipment costs and service revenues, and Gogo makes no representation regarding the actual economic comparability between such models (as they may differ significantly) and such comparability in no way reflects Gogo's existing contracts or expected performance under these contracts, (iii) this presentation illustrates the primary line items from Gogo's financial statements that are expected to be impacted solely as a result of the application of the airline-directed model as compared with the turnkey model and/or ASC 606 as compared to ASC 605, and does not represent a complete or audited presentation of Gogo's financial statements for any period, and (iv) the contract term and economic assumptions included in this presentation, including cost of service revenue, equipment cost, contract term and service revenue, are not intended to be projections or expectations and are provided solely for illustrative purposes.

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Agenda

1. Commercial airline arrangements and business model discussion
2. New revenue recognition accounting standard

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Commercial Airline Arrangements

Commercial airline arrangements description

- Pursuant to contractual agreements with our airline partners, we place our equipment on commercial aircraft operated by the airlines for the purpose of delivering our in-flight connectivity and entertainment services to passengers on the aircraft. There are currently two types of commercial airline arrangements: turnkey and airline-directed.
  - Under the turnkey model, we account for equipment transactions as operating leases of space for our equipment on the aircraft.
  - Under the airline-directed model, which we have historically used on a limited basis, equipment transactions qualify for sale treatment resulting in recognition of equipment revenue. Starting in 2018, the airline-directed model will become the primary model of operation.
- Assuming the same economics, turnkey and airline-directed models have the same free cash flow.
- Recognition of equipment revenue and cost under the airline-directed model will impact Adjusted EBITDA, although the degree of such impact will be based on the terms of the contract and the expected service revenue.

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Commercial airline business model comparison

	Financial metric	Turnkey model (TK)	Airline-Directed model (AD)
Income Statement	Equipment revenue	No	Yes
	Equipment cost	No	Yes
	Service revenue	Yes	Yes
	Service costs:		
	Revenue share and transaction costs	Yes	No
	Amortization of deferred leasing proceeds	Yes	No
	Network and other costs	Network and other costs are the same	
	Depreciation of airborne equipment	Yes	No
Cash Flow	Capital expenditures [cash flows used in investing activities]	Yes	No
	Inventory [cash flows used in operating activities]	No	Yes
	Free cash flow	**Free cash flow is the same ***	

* Assumes identical economics, such as equipment cost and service revenue, under each model, solely for illustrative purposes, and does not represent Gogo's expectations regarding the economic impact of the transition to the airline-directed model by airline partners.

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Accounting impact of airline-directed model – Income statement and cash flow summary

The following is a summary of the accounting and financial statement impact over the life of an agreement, solely as a result of the transition from a turnkey to airline-directed business model:

Financial Metric	Airline-Directed (AD) vs Turnkey (TK)	Comments
Equipment revenue	↑	Equipment sold and recognized over the duration of the contract as revenue.
Service revenue and ARPA	↓	Gogo pays revenue share under the TK model. Under the AD model, there is no revenue share. Therefore, service revenue and ARPA are lower under AD.
Equipment gross margin	↓	AD model will have lower equipment gross margin due to equipment co-investment. We expect equipment co-investment to decline over time.
Service gross margin	VARIES	Service Cost of Sales will change due to lack of revenue share offset by lack of airborne lease amortization.
Adjusted EBITDA	↓	AD model Adjusted EBITDA impacted by equipment co-investment.
Airborne spend	=	Total airborne spend does not change; however, classification of airborne equipment purchases varies depending on turnkey or airline-directed model.
Free cash flow	=	No impact on free cash flow.*

* Assumes identical economics, such as equipment cost and service revenue, under each model, solely for illustrative purposes, and does not represent Gogo's expectations regarding the economic impact of the transition to the airline-directed model by airline partners.

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Airline-directed model vs. turnkey model – Illustrative example (under ASC 605)*

Section	Turnkey model	Install Period	Years 1-10	Total Contract
Income Statement	Equipment revenue	-	-	-
	Service revenue	-	900	900
	Equipment cost	-	-	-
	Service cost	-	(530)	(530)
	Depreciation and Amortization	-	(120)	(120)
	Net income	**-**	**250**	**250**
	EBITDA adjustments			
	Amortization of deferred lease incentive	-	(100)	(100)
	Depreciation and Amortization	-	120	120
	EBITDA	**-**	**270**	**270**
Balance Sheet	Assets			
	Cash (net of equipment cost)	(20)	250	250
	Airborne Fixed Assets	120	120	120
	Accumulated Depreciation	-	(120)	(120)
	Total Assets	**100**	**250**	**250**
	Liabilities			
	Deferred Airborne Lease Incentive (ST and LT)	100	-	-
	Equity			
	Net income (cumulative)	-	250	250
	Total liabilities and equity	**100**	**250**	**250**
Cash Flow	Net income	-	250	250
	Depreciation and amortization	-	120	120
	Deferred airborne lease incentive	100	(100)	-
	Total operating activities	**100**	**270**	**370**
	Gross Capex	(120)	-	(120)
	Total investing activities	**(120)**	**-**	**(120)**
	Free cash flow	**(20)**	**270**	**250**

Section	Airline-directed model - 605	Install Period	Years 1-10	Total Contract
Income Statement	Equipment revenue	-	164	164
	Service revenue	-	656	656
	Equipment cost	-	(120)	(120)
	Service cost	-	(450)	(450)
	Depreciation and Amortization	-	-	-
	Net income	**-**	**250**	**250**
	EBITDA adjustments			
	Amortization of deferred lease incentive	-	-	-
	Depreciation and Amortization	-	-	-
	EBITDA	**-**	**250**	**250**
Balance Sheet	Assets			
	Cash (net of equipment cost)	(20)	250	250
	Airborne Fixed Assets	-	-	-
	Deferred Asset	120	-	-
	Total Assets	**100**	**250**	**250**
	Liabilities			
	Deferred revenue	100	-	-
	Equity			
	Net income (cumulative)	-	250	250
	Total liabilities and equity	**100**	**250**	**250**
Cash Flow	Net income	-	250	250
	Change in deferred asset	(120)	120	-
	Change in deferred revenue	100	(100)	-
	Total operating activities	**(20)**	**270**	**250**
	Gross Capex	-	-	-
	Total investing activities	**-**	**-**	**-**
	Free cash flow	**(20)**	**270**	**250**

Illustrative transaction assumptions:

- Gogo equipment cost $120K; airline equipment price $100K; Gogo co-investment $20K; contract term 10 years
- Service revenue over 10 years $900K
- Revenue allocation under airline-directed model:
  - revenue allocated to equipment revenue $164K
  - revenue allocated to service revenue $656K
- Cost of service revenue of $530K, comprised of:
  - Cost of providing services is estimated at 50% of service revenue, or $450K
  - Revenue share 20% of service revenue, or $180K
  - Non-cash deferred lease proceeds ($100K), amortized as a reduction to cost of service revenue over the duration of the contract

- Only represents accounting impact and does not represent Gogo's expectations regarding the economic impact of the transition to the airline-directed model.

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New revenue recognition accounting standard (ASC 606)

New revenue recognition accounting standard (ASC 606) summary

- Accounting Standards Codification Topic 606 (ASC 606) became effective January 1, 2018.

- Gogo is adopting ASC 606 under the modified retrospective approach, whereby the cumulative effect of adoption is recorded as an adjustment to equity as of January 1, 2018. Prior period results are not restated. Gogo will provide quarterly reconciliations to ASC 605 during 2018.

- While ASC 606 applies to all segments, the Business Aviation segment is not materially impacted by the change.

- The Commercial Aviation – North America and Commercial Aviation – Rest of World segments are impacted by ASC 606 but only for contracts under the airline-directed model:

  - Equipment and service deliverables are now separate deliverables, which results in accelerated recognition of equipment revenue and related costs
  - Optional and variable revenues are now required to be considered in day-one accounting
  - Supplemental Type Certificate ("STC") costs incurred under airline-directed contracts are now deferred and amortized over the contract term

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Impact of new revenue recognition standard

Financial Metric	606 (AD) vs 605 (AD)	Comments
Equipment revenue Equipment gross margin	↑	Equipment revenue recognized when installed as opposed to recognized over the duration of the contract. A higher portion of forecasted service revenue is now allocated to equipment.
Service revenue Service gross margin ARPA	↓	Service revenue lower due to higher portion of forecasted service revenue allocated to equipment.
Engineering, design and development expense	↓	STC costs incurred under airline-directed contracts are now deferred and amortized over the contract term.
Adjusted EBITDA	=	Over life of the contract, Adjusted EBITDA impact will be neutral.
Free cash flow	=	No impact on free cash flow

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New revenue recognition accounting standard (ASC 606) – illustrative example

Airline-directed model - 605

		Install Period	Years 1-10	Total Contract
Income Statement	Equipment revenue	-	164	164
	Service revenue	-	656	656
	Equipment cost	-	(120)	(120)
	Service cost	-	(450)	(450)
	Depreciation and Amortization	-	-	-
	Net income	**-**	**250**	**250**
	EBITDA adjustments			
	Amortization of deferred lease incentive	-	-	-
	Depreciation and Amortization	-	-	-
	EBITDA	**-**	**250**	**250**
Balance Sheet	Assets			
	Cash (net of equipment cost)	(20)	250	250
	Airborne Fixed Assets	-	-	-
	Deferred Asset	120	-	-
	Total Assets	**100**	**250**	**250**
	Liabilities			
	Deferred revenue	100	-	-
	Equity			
	Net income (cumulative)	-	250	250
	Total liabilities and equity	**100**	**250**	**250**
Cash Flow	Net income	-	250	250
	Change in deferred asset	(120)	120	-
	Change in deferred revenue	100	(100)	-
	Total operating activities	**(20)**	**270**	**250**
	Gross Capex	-	-	-
	Total investing activities	**-**	**-**	**-**
	Free cash flow	**(20)**	**270**	**250**

Airline-directed model - 606

		Install Period	Years 1-10	Total Contract
Income Statement	Equipment revenue	164	-	164
	Service revenue	-	656	656
	Equipment cost	(120)	-	(120)
	Service cost	-	(450)	(450)
	Depreciation and Amortization	-	-	-
	Net income	**44**	**206**	**250**
	EBITDA adjustments			
	Amortization of deferred lease incentive	-	-	-
	Depreciation and Amortization	-	-	-
	EBITDA	**44**	**206**	**250**
Balance Sheet	Assets			
	Cash (net of equipment cost)	(20)	250	250
	Airborne Fixed Assets	-	-	-
	Deferred Asset	64	-	-
	Total Assets	**44**	**250**	**250**
	Liabilities			
	Equity			
	Net income (cumulative)	44	250	250
	Total liabilities and equity	**44**	**250**	**250**
Cash Flow	Net income	44	206	250
	Change in deferred asset	(64)	64	-
	Total operating activities	**(20)**	**270**	**250**
	Gross Capex	-	-	-
	Total investing activities	**-**	**-**	**-**
	Free cash flow	**(20)**	**270**	**250**

Illustrative transaction assumptions:

- Gogo equipment cost $120K; airline equipment price $100K; Gogo co-investment $20K; contract term 10 years
- Service revenue over 10 years $720K
- Revenue allocation under airline-directed model:
  - revenue allocated to equipment revenue $164K
  - revenue allocated to service revenue $656K
- Cost of service revenue of $450K
- New account labeled *Deferred Asset* represents the amount of revenue recognized ahead of cash received
- For simplicity, the illustrative example assumes:
  - Same allocation between service and equipment revenue under both ASC 605 and ASC 606
  - Fixed consideration during the term of the contract (i.e., variable consideration is excluded from this illustrative example)

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Let’s go FARTHER

Exhibit 99.2

ACCOUNTING IMPACT OF BUSINESS MODEL CHANGES AND NEW REVENUE RECOGNITION STANDARD ON COMMERCIAL AVIATION

PRESENTATION SCRIPT – POSTED 2/22/18

SLIDE 1 – COVER PAGE / INTRO

Hello – This is Barry Rowan, CFO of Gogo Inc. With me is Mike Bayer, our Chief Accounting Officer. Thank you for joining us.

SLIDE 2 – SAFE HARBOR STATEMENT

Before we get started, let me take a moment to reference the safe harbor provisions of the U.S. securities laws for forward-looking statements, discussed on Slide 2.

This presentation contains certain forward-looking statements and illustrative examples, which represent the beliefs and assumptions of Gogo Inc. only as of the date of this presentation. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Gogo's actual results or performance to be materially different from any projected results or performance expressed or implied by the forward-looking statements. Gogo undertakes no obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events or otherwise. For a discussion of some of the important factors that could cause Gogo's results to differ materially from the forward-looking statements included in this presentation, please see the disclosures contained under the heading "Risk Factors" in Gogo's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed on February 22, 2018.

This presentation is posted in the Investor Relations section of Gogo's website at ir.gogoair.com. The date of this presentation is February 22, 2018.

SLIDE 3 – AGENDA

Turning to Slide 3…..On this presentation we will cover two topics:

First, we will walk through the two primary business models at our Commercial Aviation business under which we contract with our airline partners – the turnkey model and the airline-directed model. We will provide a comparison and discuss the financial statement differences between the two.

Second, we will walk through the impact of the new revenue recognition standard, ASC 606, on Gogo. We will provide a comparison of the new standard to the old standard, ASC 605, and discuss the financial statement differences between the two. Note that this discussion is limited to our Commercial Aviation business as the impact of ASC 606 to our Business Aviation business is not material.

With that, I'll turn it over to Mike.

SLIDE 4 – COMMERCIAL AIRLINE ARRANGEMENTS (DIVIDER PAGE)

Thanks Barry and hello everyone. As Barry mentioned, we'll cover two topics in this presentation: 1) a discussion of our two primary Commercial Aviation business models and 2) a discussion of the impact of the new revenue recognition standard on our financial statements. My commentary will follow the slides as laid out in our presentation. Let's get started.

SLIDE 5 – COMMERCIAL AIRLINE ARRANGEMENTS DESCRIPTION

Turning to slide 5…..The contracts with our Commercial Aviation customers are classified as one of two types of arrangements:

Under the first type of arrangement, which we refer to as the turnkey model, our airline partner purchases the equipment from Gogo and legal title transfers to the airline; however, under such arrangement, we *do not transfer* substantial control of the equipment to the airline as connectivity or entertainment service pricing to the passengers is determined by Gogo, among other factors. As a result, we account for these transactions as a lease of space for the equipment on an aircraft. The airline then receives a share of gross revenue earned by Gogo. Historically, our contracts have predominantly been under this model.

Under the second type of arrangement, which we refer to as the airline-directed model, we *do transfer* control of the equipment to our airline customer and therefore account for these types of arrangements as a sale. The airline-directed model has been used on a limited basis historically, but it will become our primary operating model beginning in 2018 as certain existing airlines transition from the turnkey model to the airline-directed model and new airlines come online under the airline-directed model.

It is important to note that, from an accounting perspective and assuming identical economics, such as equipment cost and service revenue generated, free cash flow is the same under both arrangements. However, it should not be assumed that we will experience the same economics under the airline-directed model as we have historically experienced under the turnkey model, particularly as our airline partners establish optimal price points over time.

The impact on Adjusted EBITDA between the two models is dependent upon the amount of our co-investment in equipment and the amount of revenue expected to be received from our airline customer.

SLIDE 6 – ILLUSTRATIVE COMMERCIAL AIRLINE BUSINESS MODEL COMPARISON

Turning to slide 6…..we illustrate here how the two business models are reflected within various line items of our consolidated financial statements.

As we previously mentioned, equipment transactions for contracts that fall under the turnkey model do not qualify for sale treatment and, as a result, we do not recognize equipment revenue or equipment cost. Rather, the cost of equipment is treated as a capital expenditure that is classified as property and equipment on our balance sheet and depreciated over its estimated useful life.

Revenue share payments made to our airline partners under the turnkey model are reported within cost of service.

Proceeds received from our airline partners under the turnkey model are treated as a deferred airborne lease incentive that is amortized over the life of the connectivity services contract, with such amortization reported as a reduction to cost of services.

Conversely, for contracts under the airline-directed model, we recognize equipment revenue and related costs over the duration of the contract and there is no revenue share or amortization of deferred airborne lease incentives.

Beginning in 2018, the purchase of airborne equipment to fulfill our airline-directed contracts will be classified as inventory on the balance sheet, with the net change in inventory balances reflected in cash flows from operations on the statement of cash flows.

Network and other operational costs are treated the same under both types of arrangements.

Lastly, we would like to again emphasize that free cash flow is the same under both operating models from an accounting perspective assuming identical economics.

SLIDE 7 – ILLUSTRATIVE ACCOUNTING IMPACT OF AIRLINE-DIRECTED MODEL – INCOME STATEMENT AND CASH FLOW SUMMARY

Now that we've described the differences between our two operating models at Commercial Aviation, the graphic on Slide 7 illustrates how these differences will directionally impact our financial statements.

As more of our airline partners transition to the airline-directed model, equipment revenue will increase as we do not recognize equipment revenue under the turnkey model. Based on the prior ASC 605 revenue accounting standard effective through 2017, we deferred both the equipment revenue and equipment cost at inception and recognize both over the length of the contract.

Equipment gross margins for our Commercial Aviation business will decrease primarily due to the level of co-investment, although we expect that this will improve over time.

Service revenue and average revenue per aircraft, or ARPA, will decrease as more of our airline partners transition to the airline-directed model, which does not have revenue share. However, the reduction in service revenue under the airline-directed model is expected to be largely offset by the elimination of revenue share payments made to our airline partners previously reported within cost of service. Assuming identical contract economics, from an accounting perspective equipment and service revenue, net of revenue share, would be the same under the airline-directed model as under the turnkey model.

The impact to service gross margin of a transition from the turnkey model to the airline-directed model will be dependent on the extent to which the elimination of revenue share payments made to our airline partners is offset by the elimination of the amortization of deferred airborne lease incentives.

Adjusted EBITDA will decline as more airlines shift to the airline-directed model. Here's why: We currently exclude both the depreciation of airborne equipment and the amortization of deferred airborne lease incentives from Adjusted EBITDA. We do *not* make similar adjustments for airline-directed arrangements and, as a result, our equipment co-investment lowers Adjusted EBITDA.

Once again, this slide illustrates that free cash flow is the same under both the turnkey and airline-directed models, from an accounting perspective and assuming identical economics.

SLIDE 8 – AIRLINE-DIRECTED MODEL VS. TURNKEY MODEL – ILLUSTRATIVE EXAMPLE

Now that we've described the difference between the two models and have shown directionally how the transition from the turnkey model to the airline-directed model will impact our financial statements, let's turn to Slide 8, where we present an illustrative transaction to demonstrate how the two models flow through our financial statements.

We would like to remind you that this is a simplified example used for illustrative purposes only and is not intended to represent the actual economics within, or expected performance under, our contracts. Additionally, we've assumed that the economics are identical under both arrangements, which may not be representative of the economics under our contracts when an airline switches from the turnkey model to the airline-directed model, particularly as our airline partners establish optimal price points over time.

Walking through this illustration, we'll highlight once again some of the key similarities and differences under the two models. First, free cash flow and earnings through the life of the contract are unchanged.

The most significant changes relate to the accounting treatment of equipment revenue and related cost, equipment proceeds received from our airline partners, service revenue, revenue share payments and the classification of equipment purchases. We'll briefly walk through each of these changes which were discussed on the previous slides.

First, we will recognize equipment revenue and related cost of equipment under the airline-directed model in our financial statements, which is recognized over the life of the arrangement under the revenue recognition accounting standard in effect as of December 31, 2017.

Looking at service revenue, you will see that it is lower under the airline-directed model. Again, for illustration purposes, we've assumed identical economics when an airline transitions from the turnkey model to the airline-directed model. That is, total service revenue when presented net of revenue share is the same. However, revenue share payments are reflected within cost of service and, as a result, you'll see the reduction in service revenue along with a corresponding reduction in cost of service.

Adjusted EBITDA will decrease as airlines move to the airline-directed model since we will no longer recognize airborne equipment depreciation or amortization of deferred airborne lease incentives, which were removed from Adjusted EBITDA under the turnkey model. This now means that our equipment co-investment is included within Adjusted EBITDA.

Under the airline-directed model, we account for airborne equipment purchases as inventory, which will be reflected as an operating activity within the statement of cash flows. Conversely, airborne equipment purchases under the turnkey model are accounted for as capital expenditures, which are depreciated over their estimated useful lives. Proceeds received from our airline partners are presented as deferred airborne lease incentives and amortized over the life of the contract as a reduction to cost of service revenue.

SLIDE 9 – NEW REVENUE RECOGNITION STANDARD (ASC 606) (DIVIDER PAGE)

We would like to now walk through the accounting impacts on our financial statements upon adoption of the FASB's new revenue recognition standard, Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers."

Throughout the remainder of this presentation, we'll refer to this new standard as "ASC 606" or the "new standard" and we'll refer to the prior standard as "ASC 605" or the "old standard." ASC 606 is a complex technical accounting standard which we hope to simplify for you and provide clarity with respect to its impact on Gogo's financial statements.

SLIDE 10 – NEW REVENUE RECOGNITION ACCOUNTING STANDARD (ASC 606) SUMMARY

Turning to slide 10….We are required to adopt the new revenue standard in the first quarter of 2018. We have elected to adopt the standard using the modified retrospective approach, which requires us to record a cumulative catch-up adjustment to opening retained earnings at January 1, 2018 for all revenue contracts existing at that date. Note that this approach will not result in a restatement of historical periods presented within our financial statements – however, for each quarter during fiscal 2018 we will be required to disclose what our revenues would have been under the old accounting standard, ASC 605.

ASC 606 applies to all of our revenue contracts across all segments, although the most significant impact upon adoption, and to our operations after adoption, will be within our Commercial Aviation segments, both North America and Rest of World. As I previously mentioned, the impact to our Business Aviation segment is not material. Because the new standard only addresses *revenue* arrangements, we would like to remind you that adoption affects our airline-directed contracts only; turnkey arrangements are largely unaffected as they will continue to be governed by lease accounting rules.

We have identified three topics that will have a material change from our prior accounting treatment: 1) the separability of deliverables related to connectivity equipment and connectivity services, 2) the accounting for variable revenue and options, and 3) the accounting for costs to obtain or fulfill contracts with our customers. We'll briefly discuss each of these changes and their impact on our financial statements.

First, regarding the separability of deliverables:

Our equipment and services were previously combined and accounted for as a single deliverable under the old standard. This resulted in the deferral of equipment revenue and equipment cost, both of which were recognized ratably over the life of the contract. Under the new standard, for airline-directed contracts we have identified connectivity equipment and connectivity services each as a separate performance obligation, resulting in the full recognition of equipment revenue and related costs as we fulfill our requirement to provide equipment to our customers, generally when equipment has been installed and the airline has commercially launched our services to its passengers. We expect this change to have a material impact on our equipment revenues through periods of significant installations, especially as we fulfill our large number of 2Ku awards.

Second, regarding the accounting for variable revenue and options:

Under both the old and new accounting standard, we are required to allocate contractual consideration among all identified performance obligations and recognize the allocated revenue amounts as the performance obligations are satisfied. The change from the old standard to the new standard relates to the *amount* of contractual consideration eligible for allocation. Specifically, the old standard excluded all contingent or variable consideration from the allocation among performance obligations, resulting in the full recognition of contingent or variable revenue when the related deliverable was provided to the customer.

Contingent or variable revenue in our contracts range from those with *limited* variability, for example overages in instances where an airline customer commits to a minimum connectivity plan, to those with *significant* variability, for example contracts without a minimum commitment such as pay-per-session arrangements. The new standard now establishes allocation objectives, which generally require variable consideration to be estimated and allocated at contract inception, with the estimate updated each quarter thereafter. Due to the significant variability among our Commercial Aviation airline-directed contracts, we anticipate that estimated consideration expected to be received in exchange for future connectivity sessions will result in additional contractual value allocated to equipment revenue and, conversely, amounts allocated to service revenue will decrease as compared to our treatment under the old revenue standard. Based on this revised allocation, we expect equipment margin to improve.

Third, regarding costs incurred to obtain or fulfill a contract with a customer:

Under the new standard, these costs are required to be capitalized and amortized over the term of an airline contract. Our most significant cost subject to this guidance relates to aircraft certification costs, including supplemental type certificates, or STC's, service bulletins, and other contract-related costs. Within our Commercial Aviation segment, we would like to again note that this guidance only applies to airline-directed arrangements; certification costs incurred to fulfill our turnkey arrangements will continue to be expensed as incurred.

For a further discussion of our significant accounting conclusions surrounding the adoption of ASC 606, see Footnote 2, "Summary of Significant Accounting Policies" in our Report on Form 10-K for the fiscal year ended December 31, 2017.

SLIDE 11 – ILLUSTRATIVE IMPACT OF NEW REVENUE RECOGNITION STANDARD (ASC 606)

Turning to slide 11….Now that we've described the main impact of the new revenue recognition standard on Gogo, this graphic illustrates how these differences will directionally impact our financial statements. For this illustration and discussion, the comparison is only between airline-directed contracts under both the old and the new standard.

Equipment revenue and related cost for airline-directed contracts will increase primarily due to the acceleration of recognition upon installation versus the old standard which required equipment revenue and related costs to be deferred and recognized over the life of the contract. Additionally, we expect equipment margin under these contracts to increase as the amount of variable contractual consideration derived from future connectivity sessions is allocated to equipment.

Conversely, we expect that the shift in the allocation from service revenue to equipment revenue will decrease our service margins and ARPA.

The impact of certification costs on engineering, design, and development expense will decline as such costs, *for airline-directed contracts only*, will be deferred and amortized over the life of the contract.

However, we emphasize that adoption of the new standard has *no impact* on free cash flow or Adjusted EBITDA over the life of the contract. The impact within individual periods is expected to be minimal as the lower service margins are largely offset by the elimination of the equipment co-investment that was previously amortized over the life of the contract. However, the actual impact within a period will be dependent upon individual airline contract terms and how the contractual consideration is allocated.

SLIDE 12 – NEW REVENUE RECOGNITION ACCOUNTING STANDARD (ASC 606) – AIRLINE-DIRECTED MODEL EXAMPLE

Now that we've described the impact to Gogo of the adoption of the new revenue recognition standard and have shown directionally how the adoption will impact our financial statements, let's turn to Slide 12, where we present a simplified

side-by-side comparison to illustrate how an airline-directed contract is accounted for under both the old and new accounting standards, which again assumes identical economics.

For simplicity in highlighting how our financials are affected under ASC 605 and ASC 606, we have assumed fixed contractual consideration at contract inception. Note, however, a highly variable contract may result in a different amount of equipment revenue recognized at contract inception under ASC 606, with subsequent adjustments to equipment revenue as the variability becomes known.

Additionally, we did not model a change in allocation methodology so that you can easily see how the new standard affects our financials. However, the new allocation requirement will result in higher equipment revenue and lower service revenue under the new standard. Adjusted EBITDA over the contract term is the *same under both standards*.

As you can see in this illustration, the timing of equipment revenue for airline-directed contracts changes as it is recognized immediately upon installation under the new standard compared to deferred recognition over the term of the agreement under the old standard.

You will also see we have added a new line to our balance sheet within this illustration labeled *Deferred Asset*. This account represents the amount of revenue recognized ahead of the cash collected, primarily due to the allocation of contractual consideration among our performance obligations previously discussed. This differs from *Deferred Revenue*, which represents the amount of cash collected which exceeds the amount of revenue recognized.

SLIDE 13 – CLOSING

Thank you for joining this presentation. We hope it accomplished our objective of providing a clear understanding of the differences in our two business models at Commercial Aviation and the impact to Gogo of adopting the new revenue recognition standard.

If you have any questions regarding this presentation or our accounting treatment, please contact Gogo’s Investor Relations team at ir@gogoair.com.

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