



Press Release

For Immediate Release

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Gogo Announces First Quarter Results

Total Revenue of \$104.3 million, up 6% Year-over-Year; Record First Quarter Service Revenue of \$81.7 million, up 4% Year-over-Year

Q1 Net Income of \$30.5 million; Adjusted EBITDA⁽¹⁾ of \$43.3 million

Updates 2024 Adjusted EBITDA Guidance and Reiterates Long-Term Targets

BROOMFIELD, Colo. – May 7, 2024 – Gogo Inc. (NASDAQ: GOGO) (“Gogo” or the “Company”), the world’s largest provider of broadband connectivity services for the business aviation market, today announced its financial results for the quarter ended March 31, 2024.

Q1 2024 Highlights

- Total revenue of \$104.3 million increased 6% compared to Q1 2023 and 7% compared to Q4 2023.
 - Record service revenue of \$81.7 million increased 4% compared to Q1 2023 and 1% compared to Q4 2023.
 - Equipment revenue of \$22.6 million increased 13% compared to Q1 2023 and increased 34% compared to Q4 2023.
- AVANCE equipment units shipped totaled 258, an increase of 16% compared to Q1 2023 and an increase of 28% compared to Q4 2023.
- Total ATG aircraft online (“AOL”) reached 7,136, an increase of 1% compared to Q1 2023 and a decrease of 1% compared to Q4 2023.
- Total AVANCE AOL grew to 4,110, an increase of 19% compared to Q1 2023 and 3% compared to Q4 2023. AVANCE units comprised approximately 58% of total AOL as of March 31, 2024, up from 49% as of March 31, 2023 and up from 55% as of December 31, 2023.
 - Average Monthly Revenue per ATG aircraft online (“ARPU”) of \$3,458, an increase of 2% compared to both Q1 2023 and Q4 2023.
- Net income of \$30.5 million increased 49% from \$20.4 million in Q1 2023, and 111% from \$14.5 million in Q4 2023. Net income in the first quarter of 2024 included \$9.9 million of an after-tax unrealized gain from a \$5 million investment in a convertible note.
 - Diluted earnings per share was \$0.23 compared to \$0.15 in Q1 2023, of which approximately \$0.07 is attributable to an unrealized gain from an investment in a convertible note.

- Adjusted EBITDA⁽¹⁾ of \$43.3 million, which includes approximately \$2.6 million of operating expenses related to Gogo Galileo, increased 9% compared to Q1 2023 and 23% compared to Q4 2023.
- Cash provided by operating activities of \$29.7 million in Q1 2024 increased from \$18.5 million in the prior year period and \$26.2 million in Q4 2023.
 - Record Free Cash Flow⁽¹⁾ of \$32.1 million in Q1 2024, an increase from \$20.0 million in the prior-year period and \$28.4 million in Q4 2023.
 - Cash and cash equivalents totaled \$152.8 million as of March 31, 2024, compared to \$139.0 million as of December 31, 2023.
- In Q1 2024, the Company repurchased approximately 1.1 million shares for a total cost of approximately \$10.1 million. The Company repurchased over 1.6 million shares for nearly \$15 million in the last two quarters. In April 2024, the Company repurchased approximately 1.1 million shares for \$9.3 million.
- The Company announced two milestones in April 2024 in preparation for the planned commercial launch of Gogo Galileo later this year:
 - The FCC granted regulatory approval for the Gogo Galileo HDX and FDX antenna terminals for business aircraft.
 - Atlas Air Service AG is developing the first European Supplemental Type Certification (STC) for the Galileo HDX antenna for the Cessna CJ Series of light jet aircraft and another STC for the Embraer Phenom 300.

"We're excited about the upcoming launches of Gogo Galileo and Gogo 5G, which will substantially increase our global addressable market and provide our customers with a step-change improvement in speed and performance," said Oakleigh Thorne, Chairman and CEO. "Additionally, our accelerating conversion of customers from our old Classic products to the AVANCE platform will allow customers to benefit from better LTE performance and provides a simple and cost-effective upgrade path to Galileo and 5G."

"Strong first quarter results drove an increase in Gogo's 2024 Adjusted EBITDA guidance to the high end of the range and supported strong share repurchases," said Jessi Betjemann, Executive Vice President and CFO. "As our strategic investments roll-off and we benefit from the launch of Gogo Galileo and 5G, we expect to generate substantial Free Cash Flow in 2025 and beyond."

2024 Financial Guidance and Long-Term Financial Targets

The Company updates the following guidance for 2024 and reiterates long-term financial targets. The guidance and targets include the impact of the Federal Communications Commission's Secure and Trusted Communications Networks Reimbursement Program ("FCC Reimbursement Program"), except for 2025 Free Cash Flow. The guidance and targets do not reflect a potential delay in Gogo 5G beyond 2024.

The Company updates the following 2024 guidance:

- Total revenue in the range of \$410 million to \$425 million.
- Adjusted EBITDA⁽¹⁾ at the high end of the previously guided range of \$110 million to \$125 million reflecting operating expenses of approximately \$33 million for strategic and operational initiatives including Gogo 5G and Gogo Galileo and \$5 million in legal expenses tied to the SmartSky litigation.
- Free Cash Flow⁽¹⁾ in the range of \$20 million to \$40 million, which includes \$45 million in reimbursements tied to the FCC Reimbursement Program.
- Capital expenditures of approximately \$45 million including \$30 million for strategic initiatives including Gogo 5G, Gogo Galileo and the LTE network build.

The Company reiterates the following long-term financial targets:

- Revenue growth at a compound annual growth rate of approximately 15%-17% from 2023 through 2028. The Company continues to expect that Gogo Galileo will contribute revenue beginning in 2025.
- Annual Adjusted EBITDA Margin⁽¹⁾ reaching 40% in 2028.
- Free Cash Flow⁽¹⁾ in the range of \$150 million to \$200 million in 2025, without the effect of the FCC Reimbursement Program.

(1) See “Non-GAAP Financial Measures” below

Conference Call

The Company will host its first quarter conference call on May 7, 2024 at 8:30 a.m. ET. A live webcast of the conference call, as well as a replay, will be available online on the Investor Relations section of the Company’s investor website at <https://ir.gogopair.com>.

Participants can also join the call by dialing +1 844-543-0451 (within the United States and Canada). Please use the below link to retrieve your unique conference ID to use to access the earnings call.

<https://register.vevent.com/register/BI94b9fc1e540f40e3a15f37414b934a81>

Non-GAAP Financial Measures

We report certain non-GAAP financial measurements, including Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow in the discussion above. Management uses Adjusted EBITDA, Adjusted EBITDA Margin and 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, Adjusted EBITDA Margin and 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 Adjusted EBITDA Margin or liquidity with 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 and Adjusted EBITDA Margin in addition to, and not as an alternative to, net income (loss) attributable to common stock as a measure of operating results, and (iii) use 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. No reconciliation of the forecasted amounts of Adjusted EBITDA for fiscal 2024, Adjusted EBITDA Margin for fiscal 2028 or Free Cash Flow for fiscal 2025 is included in this release because we are unable to quantify certain amounts that would be required to be included in the corresponding GAAP measure without unreasonable efforts, due to high variability and complexity with respect to estimating certain forward-looking amounts, and we believe such reconciliation would imply a degree of precision that would be confusing or misleading to investors.

Cautionary Note Regarding Forward-Looking Statements

Certain disclosures in this press release and related comments by our management include 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,” “forecast,” “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 press release. Forward-looking statements are based on 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: our ability to continue to generate revenue from the provision of our connectivity services; our reliance on our key OEMs and dealers for equipment sales; the impact of competition; our reliance on third parties for equipment components and services; the impact of global supply chain and logistics issues and inflationary trends; our ability to expand our business outside of the United States; our ability to recruit, train and retain highly skilled employees; the impact of pandemics or other outbreaks of contagious diseases, and the measures implemented to combat them; the impact of adverse economic conditions; our ability to fully utilize portions of our deferred tax assets; the impact of increased attention to climate change, ESG matters and conservation measures; our ability to evaluate or pursue strategic opportunities; our ongoing delay and the risk of future delays in deploying 5G, and our ability to develop and deploy Gogo 5G, Gogo Galileo or other next generation technologies; our ability to maintain our rights to use our licensed 3Mhz of ATG spectrum in the United States and obtain rights to additional spectrum if needed; the impact of service interruptions or delays, technology failures, equipment damage or system disruptions or failures; the impact of assertions by third parties of infringement, misappropriation or other violations; our ability

to innovate and provide products and services; our ability to protect our intellectual property rights; the impact of our use of open-source software; the impact of equipment failure or material defects or errors in our software; our ability to comply with applicable foreign ownership limitations; the impact of government regulation of communication networks, and the internet; our possession and use of personal information; risks associated with participation in the FCC Reimbursement Program; our ability to comply with anti-bribery, anti-corruption and anti-money laundering laws; the extent of expenses, liabilities or business disruptions resulting from litigation; the impact of global climate change and legal, regulatory or market responses to it; the impact of our substantial indebtedness; our ability to obtain additional financing to refinance or repay our existing indebtedness; the impact of restrictions and limitations in the agreements and instruments governing our debt; the impact of increases in interest rates; the impact of a substantial portion of our indebtedness being secured by substantially all of our assets; the impact of a downgrade, suspension or withdrawal of the rating assigned by a rating agency; the volatility of our stock price; our ability to fully utilize our tax losses; the dilutive impact of future stock issuances; the impact of our stockholder concentration and of our CEO and Chair of the Board being a significant stockholder; our ability to fulfill our obligations associated with being a public company; and the impact of anti-takeover provisions, ownership provisions and certain other provisions in our charter, our bylaws, Delaware law, and our existing and any future credit facilities.

Additional information concerning these and other factors can be found under the caption “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission (“SEC”) on February 28, 2024 and in our subsequent quarterly reports on Form 10-Q as filed with the SEC.

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.

About Gogo

Gogo is the world's largest provider of broadband connectivity services for the business aviation market. We offer a customizable suite of smart cabin systems for highly integrated connectivity, inflight entertainment and voice solutions. Gogo's products and services are installed on thousands of business aircraft of all sizes and mission types from turboprops to the largest global jets, and are utilized by the largest fractional ownership operators, charter operators, corporate flight departments and individuals.

As of March 31, 2024, Gogo reported 7,136 business aircraft flying with its broadband ATG systems onboard, 4,110 of which are flying with a Gogo AVANCE L5 or L3 system; and 4,285 aircraft with narrowband satellite connectivity installed. Connect with us at www.gogoair.com.

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2024	2023
Revenue:		
Service revenue	\$ 81,673	\$ 78,499
Equipment revenue	22,649	20,098
Total revenue	<u>104,322</u>	<u>98,597</u>
Operating expenses:		
Cost of service revenue (exclusive of amounts shown below)	17,871	16,797
Cost of equipment revenue (exclusive of amounts shown below)	15,786	18,126
Engineering, design and development	9,216	7,879
Sales and marketing	8,283	6,877
General and administrative	14,651	14,199
Depreciation and amortization	3,841	2,791
Total operating expenses	<u>69,648</u>	<u>66,669</u>
Operating income	<u>34,674</u>	<u>31,928</u>
Other expense (income):		
Interest income	(2,048)	(1,916)
Interest expense	8,410	8,976
Other (income) expense, net	(13,099)	31
Total other (income) expense	<u>(6,737)</u>	<u>7,091</u>
Income before income taxes	41,411	24,837
Income tax provision	10,921	4,388
Net income	<u>\$ 30,490</u>	<u>\$ 20,449</u>
Net income attributable to common stock per share:		
Basic	\$ 0.24	\$ 0.16
Diluted	\$ 0.23	\$ 0.15
Weighted average number of shares:		
Basic	<u>129,272</u>	<u>129,136</u>
Diluted	<u>132,441</u>	<u>133,602</u>

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
(in thousands)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 152,820	\$ 139,036
Accounts receivable, net of allowances of \$1,855 and \$2,091, respectively	49,405	48,233
Inventories	69,298	63,187
Prepaid expenses and other current assets	63,782	64,138
Total current assets	<u>335,305</u>	<u>314,594</u>
Non-current assets:		
Property and equipment, net	96,042	98,129
Intangible assets, net	57,870	55,647
Operating lease right-of-use assets	69,804	70,552
Investment in convertible note	18,132	—
Other non-current assets, net of allowances of \$614 and \$591, respectively	25,577	25,979
Deferred income taxes	206,223	216,638
Total non-current assets	<u>473,648</u>	<u>466,945</u>
Total assets	<u><u>\$ 808,953</u></u>	<u><u>\$ 781,539</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 22,823	\$ 16,094
Accrued liabilities	47,643	47,649
Deferred revenue	2,150	1,003
Current portion of long-term debt	7,250	7,250
Total current liabilities	<u>79,866</u>	<u>71,996</u>
Non-current liabilities:		
Long-term debt	586,274	587,501
Non-current operating lease liabilities	71,784	73,047
Other non-current liabilities	8,590	8,270
Total non-current liabilities	<u>666,648</u>	<u>668,818</u>
Total liabilities	<u>746,514</u>	<u>740,814</u>
Stockholders' equity		
Common stock	14	14
Additional paid-in capital	1,404,217	1,402,003
Accumulated other comprehensive income	14,966	15,796
Treasury stock, at cost	(173,357)	(163,197)
Accumulated deficit	(1,183,401)	(1,213,891)
Total stockholders' equity	<u>62,439</u>	<u>40,725</u>
Total liabilities and stockholders' equity	<u><u>\$ 808,953</u></u>	<u><u>\$ 781,539</u></u>

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

	For the Three Months Ended March 31,	
	2024	2023
Operating activities:		
Net income	\$ 30,490	\$ 20,449
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	3,841	2,791
Loss on asset disposals, abandonments and write-downs	15	107
Provision for expected credit losses	(132)	93
Deferred income taxes	10,641	4,273
Stock-based compensation expense	4,840	5,041
Amortization of deferred financing costs and interest rate caps	1,375	764
Accretion of debt discount	100	108
Change in fair value of convertible note investment	(13,132)	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,017)	7,405
Inventories	(6,111)	(5,003)
Prepaid expenses and other current assets	(5,904)	(8,632)
Contract assets	6	557
Accounts payable	4,809	1,191
Accrued liabilities	(1,442)	(9,620)
Deferred revenue	1,146	(1,054)
Accrued interest	(2)	130
Other non-current assets and liabilities	134	(86)
Net cash provided by operating activities	<u>29,657</u>	<u>18,514</u>
Investing activities:		
Purchases of property and equipment	(1,451)	(3,112)
Acquisition of intangible assets—capitalized software	(2,720)	(1,484)
Proceeds from FCC Reimbursement Program for property, equipment and intangibles	28	—
Proceeds from interest rate caps	6,539	6,087
Redemptions of short-term investments	—	24,796
Purchases of short-term investments	—	(24,728)
Purchase of convertible note investment	(5,000)	—
Net cash (used in) provided by investing activities	<u>(2,604)</u>	<u>1,559</u>
Financing activities:		
Payments on term loan	(1,813)	(1,813)
Repurchases of common stock	(10,137)	—
Payments on financing leases	(3)	(57)
Stock-based compensation activity	(1,343)	(5,575)
Net cash used in financing activities	<u>(13,296)</u>	<u>(7,445)</u>
Effect of exchange rate changes on cash	27	88
Increase in cash, cash equivalents and restricted cash	13,784	12,716
Cash, cash equivalents and restricted cash at beginning of period	139,366	150,880
Cash, cash equivalents and restricted cash at end of period	<u>\$ 153,150</u>	<u>\$ 163,596</u>
Cash, cash equivalents and restricted cash at end of period	\$ 153,150	\$ 163,596
Less: non-current restricted cash	330	330
Cash and cash equivalents at end of period	<u>\$ 152,820</u>	<u>\$ 163,266</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 14,207	\$ 15,014
Cash paid for taxes	11	12
Non-cash investing activities:		
Purchases of property and equipment in current liabilities	\$ 6,520	\$ 9,973

Gogo Inc. and Subsidiaries
Supplemental Information – Key Operating Metrics

	For the Three Months Ended March 31,	
	2024	2023
Aircraft online (at period end)		
ATG AVANCE	4,110	3,447
Gogo Biz	3,026	3,599
Total ATG	7,136	7,046
Narrowband satellite	4,285	4,458
Average monthly connectivity service revenue per aircraft online		
ATG	\$ 3,458	\$ 3,389
Narrowband satellite	292	304
Units sold		
ATG	258	223
Narrowband satellite	41	49
Average equipment revenue per unit sold (in thousands)		
ATG	\$ 75	\$ 70
Narrowband satellite	41	54

- *ATG AVANCE aircraft online.* We define ATG AVANCE aircraft online as the total number of business aircraft equipped with our AVANCE L5 or L3 system for which we provide ATG services as of the last day of each period presented.
- *Gogo Biz aircraft online.* We define Gogo Biz aircraft online as the total number of business aircraft not equipped with our AVANCE L5 or L3 system for which we provide ATG services as of the last day of each period presented. This number excludes commercial aircraft operated by Intelsat's airline customers receiving ATG service.
- *Narrowband satellite aircraft online.* We define narrowband satellite aircraft online as the total number of business aircraft for which we provide narrowband satellite services as of the last day of each period presented.
- *Average monthly connectivity service revenue per ATG aircraft online.* We define average monthly connectivity service revenue per ATG aircraft online as the aggregate ATG connectivity 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). Revenue share earned from the ATG Network Sharing Agreement with Intelsat is excluded from this calculation.
- *Average monthly connectivity service revenue per narrowband satellite aircraft online.* We define average monthly connectivity service revenue per narrowband satellite aircraft online as the aggregate narrowband satellite connectivity service revenue for the period divided by the number of months in the period, divided by the number of narrowband satellite 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 ATG or narrowband satellite units for which we recognized revenue during the period.
- *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.
- *Average equipment revenue per narrowband satellite unit sold.* We define average equipment revenue per narrowband satellite unit sold as the aggregate equipment revenue earned from all narrowband satellite units sold during the period, divided by the number of narrowband satellite units sold.

Gogo Inc. and Subsidiaries
Supplemental Information – Revenue and Cost of Revenue
(in thousands, unaudited)

	For the Three Months Ended March 31,		% Change
	2024	2023	2024 over 2023
Service revenue	\$ 81,673	\$ 78,499	4.0%
Equipment revenue	22,649	20,098	12.7%
Total revenue	<u>\$ 104,322</u>	<u>\$ 98,597</u>	<u>5.8%</u>

	For the Three Months Ended March 31,		% Change
	2024	2023	2024 over 2023
Cost of service revenue ⁽¹⁾	\$ 17,871	\$ 16,797	6.4%
Cost of equipment revenue ⁽¹⁾	\$ 15,786	\$ 18,126	(12.9)%

⁽¹⁾ Excludes depreciation and amortization expense.

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

	For the Three Months Ended March 31,		For the Three Months Ended December 31,
	2024	2023	2023
Adjusted EBITDA:			
Net income attributable to common stock (GAAP)	\$ 30,490	\$ 20,449	\$ 14,467
Interest expense	8,410	8,976	8,249
Interest income	(2,048)	(1,916)	(1,894)
Income tax provision	10,921	4,388	4,636
Depreciation and amortization	<u>3,841</u>	<u>2,791</u>	<u>4,679</u>
EBITDA	51,614	34,688	30,137
Stock-based compensation expense	4,840	5,041	5,559
Change in fair value of convertible note investment	(13,132)	—	—
Gain on sale of equity investment	<u>—</u>	<u>—</u>	<u>(570)</u>
Adjusted EBITDA	<u>\$ 43,322</u>	<u>\$ 39,729</u>	<u>\$ 35,126</u>
Free Cash Flow:			
Net cash provided by operating activities (GAAP) ⁽¹⁾	\$ 29,657	\$ 18,514	\$ 26,152
Consolidated capital expenditures ⁽¹⁾	(4,171)	(4,596)	(5,371)
Proceeds from FCC Reimbursement Program for property, equipment and intangibles ⁽¹⁾	28	—	1,127
Proceeds from interest rate caps ⁽¹⁾	<u>6,539</u>	<u>6,087</u>	<u>6,510</u>
Free cash flow	<u>\$ 32,053</u>	<u>\$ 20,005</u>	<u>\$ 28,418</u>

⁽¹⁾ See Unaudited Condensed Consolidated Statements of Cash Flows

Gogo Inc. and Subsidiaries

Reconciliation of Estimated Full-Year GAAP Net Cash

Provided by Operating Activities to Non-GAAP Measures

(in millions, unaudited)

	FY 2024 Range	
	Low	High
Free Cash Flow:		
Net cash provided by operating activities (GAAP)	\$ 37	\$ 57
Consolidated capital expenditures	(45)	(45)
Proceeds from FCC Reimbursement Program for property, equipment and intangibles	8	8
Proceeds from interest rate caps	20	20
Free cash flow	<u>\$ 20</u>	<u>\$ 40</u>

Definition of Non-GAAP Measures

EBITDA represents net income attributable to common stock before interest expense, interest income, income taxes and depreciation and amortization expense.

Adjusted EBITDA represents EBITDA adjusted for (i) stock-based compensation expense, (ii) change in fair value of convertible note investment and (iii) gain on sale of equity investment. 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 that the exclusion of stock-based compensation expense from Adjusted EBITDA provides a clearer view of the operating performance of our business and is appropriate given that 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 it is useful for an understanding of our operating performance to exclude from Adjusted EBITDA the gain on sale of equity investment and changes in fair value of our \$5 million convertible note investment because these activities are not related 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 consolidated 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.

Adjusted EBITDA Margin represents Adjusted EBITDA divided by total revenue. We present Adjusted EBITDA Margin as a supplemental performance measure because we believe that it provides meaningful information regarding our operating efficiency.

Free Cash Flow represents net cash provided by operating activities, plus the proceeds received from the FCC Reimbursement Program and the interest rate caps, less purchases of property and equipment and the acquisition of intangible assets. We believe that Free Cash Flow provides meaningful information regarding our liquidity. Management believes that Free Cash Flow is useful for investors because it provides them with an important perspective on the cash available for strategic measures, after making necessary capital investments in property and equipment to support the Company's ongoing business operations and provides them with the same measures that management uses as the basis of making capital allocation decisions.