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Global Eagle Entertainment Inc.

Form 10-K

March 18, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 001-35176

GLOBAL EAGLE ENTERTAINMENT INC.

(Exact name of registrant as specified in its charter)

Delaware

27-4757800

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification Number)

6100 Center Drive, Suite 1020

Los Angeles, California

90045

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 437-6000

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

Title of each class

Name of each exchange on which registered

Common Stock, \$0.0001 par value The Nasdaq Stock Market LLC

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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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 Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant, computed as of June 30, 2018 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately \$231,296,658.

As of March 14, 2019, there were 91,784,388 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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Portions of the registrant's definitive proxy statement relating to the registrant's 2019 Annual Meeting of Stockholders to be filed hereafter are incorporated by reference into Part III of this Annual Report on Form 10-K.

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### PART I

#### Cautionary Note Regarding Forward-Looking Statements

We make forward-looking statements in this Form 10-K and the documents incorporated by reference herein within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations or forecasts for future events, including without limitation our earnings, revenue, expenses or other future financial or business performance or strategies, or the impact of legal or regulatory matters on our business, results of operations or financial condition. These statements may be preceded by, followed by or include the words “may,” “might,” “will,” “will likely result,” “should,” “would,” “estimate,” “plan,” “project,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “continue,” “target” or similar expressions.

These forward-looking statements are based on information available to us as of the date of this Form 10-K and on our current expectations, forecasts and assumptions, and involve substantial risks and uncertainties. Actual results may vary materially from those expressed or implied by the forward-looking statements herein due to a variety of factors, including those discussed under “Risk Factors,” “Quantitative and Qualitative Disclosures about Market Risk,” and “Management’s Discussion and Analysis” in this Form 10-K, which are incorporated herein by reference. Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements except to the extent required by applicable securities laws. If in the future we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

As used herein, “Global Eagle Entertainment,” “Global Eagle,” the “Company,” “our,” “we,” or “us” and similar terms include Global Eagle Entertainment Inc. and its subsidiaries, unless the context indicates otherwise.

### ITEM 1. BUSINESS

#### Overview

We are a leading provider of media and satellite-based connectivity to fast-growing, global enterprise, consumer and government markets across air, land and sea. Supported by proprietary and best-in-class technologies, we entertain, inform and connect travelers and crew with our integrated suite of rich media content and seamless connectivity solutions capable of covering the globe. We are focused on delivering exceptional service and rapid support to a diverse base of customers around the world. As of December 31, 2018, our business comprises two operating segments: Connectivity and Media & Content. See Note 15. Segment Information for a further discussion of our reportable segments.

**Connectivity.** Our Connectivity segment provides satellite-based connectivity services to enterprise and government customers in the aviation, maritime and land vertical markets. We provide:

- Wi-Fi connectivity (utilizing specialized network equipment and technology) that enables access to the Internet, live television, messaging services, e-commerce, games, on-demand content and travel-related information; and

- Connectivity-enabled solutions for advertising, operational performance management and analytics that enable our customers to increase profitability through generation of new revenue streams and more efficient operations.

Our Connectivity segment generates revenue primarily through the sale of Internet access, data, video, client-server applications, television services, advertising, operations solutions, sponsorships and other related services and network

backhaul services, as well as equipment to support these services.

Media & Content. Our Media & Content segment buys, produces, manages and distributes wholly-owned and licensed media content, video and music programming, advertising, applications and video games, and provides post-production services, for and to customers in the airline, maritime and other “away-from-home” non-theatrical markets (also known as “mobility markets”). Our Media & Content segment generates revenue primarily through the licensing and management of owned and licensed media content, video and music programming, applications and video games to the mobility markets. Secondly, our Media & Content segment generates revenue from providing value-added services such as selection, purchase, production, customer support, software development, creative services and technical editing and curating of media content in connection with the integration and servicing of entertainment programs as well as the sourcing of advertising from agencies and directly from brands for use in those markets.

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### Operating Segments

#### Connectivity

Our Connectivity segment provides our customers with satellite-based Internet access and streaming and broadcast live television, on-demand content, texting services, games, e-commerce, travel-related information and backhaul solutions. We provide our customers and their passengers, crew and personnel with operational solutions and Wi-Fi connectivity primarily via C-band, Ka-band, Ku-band and Ku-band High Throughput Satellites (“Ku HTS”) satellite transmissions. We obtain satellite coverage through various global satellite services providers, including Hughes Network Systems, LLC (“Hughes”), New Skies Satellites B.V. (“SES”), an affiliate of SES S.A., and Intelsat Corporation (“Intelsat”). Global Eagle operates a vertically integrated teleport and ground network infrastructure that integrates leased satellite capacity from multiple satellite operators. We utilize proprietary performance-enhancing technologies to increase the efficiency of our network with patented technology that increases end-user quality of experience.

Our Connectivity segment connects aircraft, vessels and fixed ground stations to orbiting satellites which link data to ground earth stations. Our ground earth stations are connected by a terrestrial broadband network with fully-meshed Multiprotocol Label Switching (“MPLS”). Global Eagle develops, integrates and sells, leases and/or provides a right to use proprietary third-party manufactured antenna systems (including at times as part of an equipment and services bundle) for connectivity customers.

Global Eagle pioneered the application of satellite-based connectivity in large airline fleets. Our aircraft Wi-Fi connectivity system was first deployed by a commercial airline in 2009, and our in-flight broadband services became fully operational in 2010. Following the completion of our licensed and operational in-flight broadband system in 2010, we commenced installation of our connectivity system equipment on Southwest Airlines Co. (“Southwest Airlines”) aircraft and began to generate revenue. As of December 31, 2018, Global Eagle provided Internet connectivity and Wi-Fi-enabled entertainment services on 1,022 aircraft.

To expand into the maritime and land connectivity markets, Global Eagle acquired Emerging Markets Communication (“EMC”) in July 2016 (the “EMC Acquisition”). EMC was a communications services provider that delivered communications, Internet, live television, on-demand video, voice, and network backhaul services to land-based sites and marine vessels globally, and whose offerings have now been integrated into Global Eagle. Following the EMC Acquisition, EMC comprised our third operating segment, called Maritime & Land Connectivity, which we combined with our former Aviation Connectivity segment in the second quarter of 2017, to form our current reporting structure. For purposes of our goodwill impairment testing, however, we continue to have three separate reporting units: Aviation Connectivity, Maritime & Land Connectivity and Media & Content. During the fourth quarter of 2016, we recorded a \$64.0 million charge related to the impairment of goodwill in the Maritime & Land Connectivity reporting unit. This was as a result of reduced financial projections for the Maritime & Land Connectivity reporting unit, due to, among other things: lower than expected actual financial results from this reporting unit due to margin compression resulting from competition in our cellular backhaul business in Africa, which resulted in diminished financial performance relative to our original expectations; delayed new deal executions and slower than anticipated installations and upgrades, which also resulted in diminished financial performance relative to our original expectations; and operational challenges in integrating a legacy EMC acquiree into this reporting unit, which resulted in delayed acquisition synergies. Given the foregoing, we determined there was greater uncertainty in achieving our prior financial projections and so we applied a higher discount rate for purposes of our goodwill impairment analysis. The higher discount rate reduced the fair value of the Maritime & Land Connectivity reporting unit.

For the quarter ended March 31, 2017, we identified a triggering event (i.e., an event that requires us to perform an impairment analysis) due to a significant decline in our market capitalization. Accordingly, we assessed the fair value



of our three reporting units as of March 31, 2017 and, as a result, we recorded a goodwill impairment charge of \$78.0 million related to our Maritime & Land Connectivity reporting unit. This impairment was primarily due to lower than expected financial results of this reporting unit during the three months ended March 31, 2017 due to delays in new maritime installations, slower than originally estimated execution of EMC Acquisition-related synergies and other events (e.g., significant management turnover) that occurred in the first quarter of 2017. Given these indicators, we determined, at that time, that there was a higher degree of uncertainty in achieving our financial projections for this reporting unit and as such, increased its discount rate, which reduced the fair value of the unit.

For the quarter ended December 31, 2017, we again identified a triggering event due to a further decline in our market capitalization, which we believe was driven by investor uncertainty around our liquidity position and the previous delinquency of our SEC filings. Consequently, we performed another assessment of the fair value of our three reporting units for the quarter ended December 31, 2017. In performing that reassessment, we adjusted the assumptions used in the impairment analysis and increased the discount rate used in the impairment model, which negatively impacted the fair value of the Maritime & Land Connectivity and Aviation Connectivity reporting units. Following this analysis, we determined that the fair value of the Media & Content

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reporting unit exceeded its carrying value, while the fair value of the Maritime & Land Connectivity and Aviation Connectivity reporting units were below their carrying values. As such, we recorded impairment charges of \$45.0 million and \$44.0 million in our Maritime & Land Connectivity and Aviation Connectivity reporting units, respectively, during the fourth quarter of 2017. The key assumptions underlying our valuation model used for accounting purposes, as described above, were updated to reflect the delays in realizing anticipated EMC-Acquisition related synergies that impact both the Maritime & Land Connectivity and Aviation Connectivity reporting units. Additionally, network expansion to meet current and anticipated new customer demand caused a step-up in bandwidth costs in our Maritime & Land and Aviation Connectivity reporting units. Our total goodwill impairment recorded for the full year ended December 31, 2017 was \$167.0 million. No impairment was identified or recorded during the year ended December 31, 2018.

During the fourth quarter of 2017, in accordance with ASC 323, Investments—Equity Method and Joint Ventures, we completed an assessment of the recoverability of our equity method investments. We determined that the fair value of our investment in Santander Teleport S.L. (“Santander”) exceeded the carrying value; however, the carrying value of our interest in the Wireless Maritime Services, LLC (“WMS”) joint venture exceeded the estimated fair value of our interest, which management concluded was other than temporary, and accordingly we recorded an impairment charge of \$16.7 million relating to our WMS equity investment, which is in addition to the Connectivity impairment that we discussed in the foregoing paragraph. This WMS impairment was primarily the result of lower than expected financial results for the year ended December 31, 2018, due to the loss of a roaming partner. This resulted in a decline in revenue and margin which we are not expected to recover in the foreseeable future, causing us to reduce our financial projections for the WMS business for 2018 and beyond.

During the fourth quarter of 2018, in accordance with ASC 323, we completed an assessment of the recoverability of our equity method investments. We determined that the fair value of our investment in Santander exceeded the carrying value; however, the carrying value of our investment in our WMS joint venture exceeded the estimated fair value of our investment, which management concluded was other than temporary, and accordingly we recorded an impairment charge of \$51 million relating to our WMS equity investment. This WMS impairment was primarily the result of slower than expected adoption of growth initiatives, reducing our financial projections for the WMS business for 2019 and beyond.

See Note 2. Basis of Presentation and Summary of Significant Accounting Policies to our consolidated financial statements included herein for a discussion of our goodwill impairment.

### Aviation Products and Services

Global Eagle offers satellite-based IFC solutions with embedded entertainment services that provide cost-effective, high-performance passenger services to global airlines. Our platform provides airlines with a single resource for global connectivity and the latest content and digital media solutions to entertain and engage passengers. At the same time, our platform provides airlines with the opportunity to differentiate and monetize their IFC offerings.

### Airconnect

Our proprietary branded service, Airconnect, is available worldwide to meet the needs of the global airline industry. Through Airconnect, airline passengers can connect to the Internet through their personal Wi-Fi-enabled devices. Where permitted by government regulations, Airconnect can provide gate-to-gate connectivity. As a “white-label” provider of connectivity services, we provide our airline customers with the option to brand and price the Airconnect service to their passengers. Our fee structure for satellite-based Internet service varies by airline and is customarily in the form of (i) a set fee for each enplaned passenger, (ii) a fee based on the number of passengers using our services or (iii) a flat rate per installed aircraft. In order to utilize our connectivity services, we provide our airline customers with the following:

**Connectivity Equipment** – We sell and lease equipment that enables our satellite-based services to operate on aircraft. Our equipment is generally shipped and sold as a single kit, with components of the kits separately priced for spares provisioning. Significant components of our equipment kits include the radome, antenna, modems, wireless access points and activation packages. Substantially all of our equipment is manufactured and warranted by third-party manufacturers. Our antennas are proprietary to us in that we develop the specifications, and our third-party suppliers manufacture them exclusively for our use.

**Regulatory Support** – We obtain Supplemental Type Certificates (“STCs”), which are certificates issued when an applicant has received Federal Aviation Administration (“FAA”), European Aviation Safety Agency (“EASA”) or similar international regulatory approval to modify an aircraft from its original type certificate approval. An STC on a particular aircraft type enables our equipment to be installed on that aircraft type. We have STCs (or rights to STCs maintained by third parties) for installation on the Boeing 737, 757, 767, 777 and Airbus A320 aircraft families. As an

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alternative to STC-based installation, we also offer our equipment for factory installation (Boeing Line-fit) on the Boeing 737-700, 737-800, 737-900 and 737 MAX aircraft family.

Post-Installation Support – Once our equipment is installed and operational, we provide technical and network support and management services, including 24/7 operational assistance and monitoring of each aircraft's connectivity performance and bandwidth of our satellite-based services.

During the fourth quarter of 2018, we commenced installations of our next-generation IFC technology platform, which entered commercial service with Air France in January 2019. The platform provides our customers with the following additional services:

Airconnect Global® Antenna – In partnership with Quantenelektronische Systeme GmbH (“QEST”), we developed a satellite antenna that enables global usage of our services, including equatorial regions of the world (the “Global Antenna”). The Global Antenna's innovative design features a first-of-its-kind three-axis precision pointing mechanism capable of delivering superior satellite connectivity and continuous coverage, including during flights near or below the equator, at high latitudes or during banking maneuvers. It is optimized to deliver airlines a breakthrough mix of reliability, high connection speeds and global coverage. The Global Antenna utilizes a revolutionary steerable pointing system to optimize coverage anywhere a commercial aircraft flies. The Global Antenna is compatible with our current installation architecture and STCs, and is also intended to meet the requirements for future line-fit installations. During 2018, we tested the Global Antenna for compatibility with operation utilizing multi-orbit satellites constellations, including low-earth orbit satellites. In January 2019, the Global Antenna entered revenue service with Air France.

In late 2015, we entered into an agreement with Hughes, the world's leading provider of broadband satellite solutions and services, to utilize Hughes's JUPITER™ System HT Aero Modem to power our next-generation, high-performance broadband aviation service. Hughes's HT Aero Modem, including the core router module and JUPITER mobility technology, features the JUPITER System second-generation SoC (System on a Chip) that supports over 200 Mbps of throughput per single card (with two cards per aircraft, providing capability for over 400 Mbps per plane), readily accommodating the highest demands for aviation broadband. Compared to Hughes's prior-generation mobility terminal, the new HT modem delivers more than 10 times the throughput performance to an individual aircraft. The HT technology also provides faster spot beam and satellite switchover times. The modem is compatible with our antenna system, enabling an easy and cost-effective upgrade to improve speeds for our current connected fleet. In January 2019, we began revenue services using the HT Aero Modem.

### Airconnect IFE Pro (formerly Airtime IFE)

Our Airconnect IFT Pro system enables airline passengers to access a custom suite of in-flight entertainment (“IFE”) solutions wirelessly on their personal devices. Through an in-cabin Wi-Fi solution, the Airconnect IFT Pro system is a cost-effective, easy-to-install system that can replicate portions of the Airconnect IFC passenger experience without the satellite antenna, modem or related satellite connectivity service. The Airconnect IFT Pro platform delivers content directly to all personal devices, including passenger laptops, tablets and smartphones utilizing Digital Rights Management technology to offer secured viewing of the latest Hollywood and international content.

The Airconnect IFT Pro solution also enables airlines to brand their IFE services through a customizable portal (user interface) that becomes the central platform for delivering entertainment in-flight. Airconnect IFT Pro offers a comprehensive lineup of world-class content for which airlines can determine access and pricing. The hardware required to power Airconnect IFT Pro consists of a server management unit, wireless routers and GSM antenna installed on an aircraft. Furthermore, our combined content, distribution and technology platforms provide airlines and millions of passengers worldwide with the industry's most complete offering of IFE content and can deliver the most

popular content according to geographical and passenger demographics. News content and sports programming can be refreshed daily and delivered to a passenger via Airconnect IFT Pro's near-live content capability.

#### Live Television Programming

In addition to Internet connectivity, we offer live television programming, which allows airline passengers to watch a wide range of live television channels through their personal Wi-Fi-enabled devices. Our aviation live television services include a variety of programming options such as news channels, major broadcast networks, and sports and specialty cable network channels. We also offer a large selection of video-on-demand ("VOD") content in connection with our live television channels. VOD enables customers to watch feature films or television content in-flight and over their personal Wi-Fi-enabled devices in exchange for a one-time fee.

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### Digital Media

We provide a number of value-added digital media services on our connected platforms. Through our Airtime software platform, we deliver a web-based portal for connected vessels that includes (i) VOD, (ii) digital advertising and sponsored content, (iii) interactive in-flight maps, destination and travel-related services and (iv) other relevant on-board applications such as Airgames, Airread, Airshop, Airmeal, Aircities and Airhealth. Portal services are generally subject to fee for service or revenue sharing arrangements with our customers.

Airtime offers our customers a fully customizable turn-key wireless entertainment experience, including multiple entertainment and connectivity options delivered directly to passengers' devices. The web portal is white-labeled, enabling our customers to customize the home page with their own logo, language and branding.

Our core digital media products include the Airtime series of products:

**Airtime App:** Our Airtime App is an innovative application that allows passengers to personalize their entertainment directly on their mobile devices.

**Airtime Content-to-Go:** Airtime Content-to-Go eliminates the need for airlines to install onboard hardware because it enables airlines to offer passengers a pre-flight download of digital media content. Passengers can download content as early as when they book a flight and the content remains locked until they board the plane, at which time they are able to view the purchased content.

### Maritime & Land Products and Services

Global Eagle provides connectivity services to land sites and serves cruise lines, ferries, yachts, oil and gas rigs and transport vessels, commercial shippers, enterprise locations in off-the-grid locations, government and military customers, and non-government organizations such as the United Nations. We provide land-based sites and marine vessels with a multimedia platform delivering broadband communications, Internet, live television, on-demand video, voice and backhaul services.

To service our marine and land-based customers, we operate a network of global field-support centers for installation and repair services. Our maritime and land products and services include:

**Connectivity** – We provide global satellite bandwidth (C-Band, Ku-Band, and Ka-band), terrestrial broadband network, backhaul services, remote fiber network and fully meshed MPLS interconnected teleports. We provide capacity planning and management services and on-board revenue management.

**Access** – We provide worldwide access to live television, video (on-demand and subscription), backhaul services, Internet, voice, data, high-definition video conferencing and universal portals, including through use of our patented and proprietary SpeedNet Content Distribution Network (“CDN”) architecture and application-based traffic prioritization.

**Support** – We have field support centers in several locations worldwide, several of which offer a spare parts inventory, a network operations center open 24/7, certified technicians, system integration and project management. These field centers provide third-party antenna and ship-based system integration, global installation support, and repair services.

Since the EMC Acquisition, Global Eagle has continued to integrate our aviation, maritime and land connectivity operations to harmonize our programs and services across the mobility and off-the-grid market. In 2017, we

transitioned a substantial portion of our aviation network operations into the teleport and ground network infrastructure acquired from EMC, which featured a global, fully-meshed MPLS interconnected teleport system, patented and proprietary performance-enhancing technologies, a 120,000 square foot data center in Germany to serve Europe, the Middle East and Africa, traffic-routing and traffic prioritization, and gateways with global Internet points of presence. We have also increased our maritime and land television, video and digital media services by cross-selling our IFE solutions to maritime and land markets in addition to aviation markets. In 2018, we completed the planned transition of our aviation network operations into the teleport and ground network infrastructure acquired from EMC. In addition, we expanded service performance in those regions and began planning new customer launches in Europe. We also commenced proprietary technology development for network management capabilities to be utilized across our aviation, maritime and land segments and substantially transitioned operation of our aviation television platform into the facilities acquired from EMC.

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### Media & Content

Our Media & Content segment is a market leader in the business of selecting, procuring, managing, encoding, and distributing video and music programming, and in providing e-readers and similar applications and games to the airline, maritime and other “away from home” non-theatrical markets. We deliver content compatible with our systems as well as compatible with a multitude of third-party IFE systems.

Our Media & Content segment’s operations are primarily focused on:

- acquiring non-theatrical licenses from major Hollywood, independent and international film and television producers and distributors, and marketing those rights to the airline, maritime and other non-theatrical markets;

- making content available for non-theatrical systems and all associated services;

- providing services ranging from the selection, purchase, post-production and technical adjustment of content to customer support in connection with the integration and servicing of non-theatrical programs;

- providing ancillary revenue through advertising and sponsorship of airport lounge media, IFE, IFC and live broadcast insertion on multiple platforms; and

- providing creative services such as user experience and user interface management on all IFE systems and the creation and production of special videos such as safety videos, destination guides and video promotions.

### Media & Content Products and Services

#### Movie and Audio Licensing and Distribution

Our Media & Content segment has been providing movies and audio programming as well as technical services for over 30 years. We source a broad range of theatrical programs from worldwide producers and distributors including Warner Bros., NBC Universal, Twentieth Century Fox, CBS, Paramount, BBC, Discovery, STX, Starz and The Walt Disney Company, as well as smaller domestic and international content providers. Our programmers identify content that is relevant and appropriate for each individual market. For some content, we act as a sole distributor on behalf of the content creator for the airline, maritime and other non-theatrical markets.

#### Live Television & Sporting Event Licensing and Distribution

Our Media & Content segment licenses live television content for distribution to aviation, maritime and land customers over the Global Eagle and third-party satellite infrastructure. We provide reliable and secure delivery of television content to more than 700 aircraft and more than 160 cruise ships comprised of greater than 150,000 passenger cabins. Our Live TV portfolio currently provides our customers with access to many well-known television networks including CNN, ESPN, the Disney Channel, CCTV, Colors, Cinco Mas, Discovery Channel, Fox News, RTL, USA Network, ITV Choice, BBC, NBC and Bloomberg amongst others. We license more than 30 global channels and curates its own customized channels specifically for distribution to the worldwide maritime market. In addition, we hold exclusive licenses for Live Sporting Events from around the world including the AFC Champions League, International Cricket Council, and the Emirates Australian Open, for distribution to aviation and maritime customers.

#### Technical Services and Digital Production Solutions



Our Media & Content segment addresses a variety of technical customer needs relating to content regardless of the particular IFE system being used. We provide comprehensive support for a broad-range of traditional, new and emerging technologies. Our technical services, which include encoding, editing and meta-data services, are performed in-house in our technical facilities in Singapore, India, the United Kingdom and California. These technical facilities also enable us to provide a full range of tailored digital production solutions including corporate videos, safety videos, animated video content, podcasts and broadcast-quality radio shows. We maintain a robust global digital network that allows us to transfer a wide range of file formats to our customers in minutes. We also support analog systems for customers running on older “legacy” systems and can advise on “plug and play” replacement hardware to assist our customers in implementing more cost-effective IFE hardware solutions. We can adapt content and databases to be compatible with a broad-range of devices and delivery methods, including tablets, streaming video, iOS, Android and others. We have also negotiated licensing agreements with both domestic and international rights holders for the use of materials on portable electronic devices.

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### Graphical User Interfaces

Our capabilities in Media & Content also include the development of graphical user interfaces for a variety of IFE applications, database management related to the overall management of IFE and both the technical integration of content and the operation of the varied content management systems found on aircraft and vessels across the globe.

### Software and Gaming

We believe we have a strong position in the international in-flight gaming content market. Our creative teams produce casual games customized to suit the in-flight environment. We also acquire multi-year licenses from reputable game publishers to adapt third-party-branded games and concepts for in-flight use from partners such as The Walt Disney Company, Electronic Arts Inc., PopCap Games, Rovio Entertainment, The Tetris Company, Bandai Namco Entertainment, Dorling Kindersley and Berlitz Corporation. Our Media & Content services include adapting the software and games we deliver to the language and cultural specificities of each customer's passenger demographics. In addition, our Media & Content business develops software applications for the next generation of IFE systems, including interactive electronic menus and magazines.

### Advertising Sales

We work with advertising agencies and directly with brands to source advertising for use in the airline media market. The advertising is placed on inflight TV, inflight Wi-Fi portals, live TV streams as well as premium lounges at airports.

For additional information regarding our segments, during the year ended December 31, 2018, including information about our financial results by geography, see Note 15. Segment Information to our consolidated financial statements included herein.

### Customers

We provide our Connectivity services worldwide to the aviation, maritime and land markets, with customers located in North America, the Caribbean, South America, Europe, the Middle East, Africa, and Asia. For fiscal years 2018, 2017 and 2016, our largest Connectivity customer was Southwest Airlines, which represented approximately 18%, 19% and 22% of our total consolidated revenue, respectively. The declining proportion of Southwest Airlines as a percentage of consolidated revenue is as a result of the broadening of our revenue and customer base.

We provide content-curating, management and processing services to the airline, maritime, and non-theatrical industries globally. Our customers also include major Hollywood and international studios.

Other than Southwest Airlines, no other single customer in our Connectivity or Media & Content segment constituted more than 10% of our total consolidated revenue in 2018.

### Competitive Advantages

#### Connectivity

Our satellite-based broadband services allow us to connect our customers to the Internet and deliver live-streaming television, on-demand content, texting services, shopping and other related services over land and sea. Our satellite Wi-Fi platform is capable of being operated gate-to-gate (where government regulations permit) and over the majority

of the commonly used air and maritime routes across the globe at the data throughput levels required to deliver a feature-rich IFE experience. We also have relationships with Hughes, SES and Intelsat, among others, and have network operational footprints worldwide. As a result, we believe one of our competitive advantages is our ability to rapidly on-board and service new and existing airline, maritime and land-based customers regardless of where they operate.

In addition to regional expansion, we have the ability to rapidly expand our product offerings worldwide. We launched our live television and texting services to customers in the United States and now offer similar and other related services in additional markets around the world. We target heavily air-trafficked regions, which allows us to leverage existing and add additional customers with little interruption to our base operations. Adding customers in areas with existing satellite coverage (utilized for launch customers) enables us to spread fixed costs associated with transponders over a larger network base.

We have dedicated engineering resources for our connectivity services, enabling us to deploy end-to-end solutions for our customers. For example, our engineering resources assist our airline customers with obtaining necessary regulatory approvals,

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such as STCs, which permit our equipment to be installed and operated on the applicable aircraft type covered by the STC (regardless of airline operator). As we continue to obtain STCs on a wider variety of plane types, we will be able to leverage these STCs for more rapid deployment on new airline customers in the future on a more cost-effective and efficient basis.

Our Network Operations Centers (“NOCs”) are based in the United States (Illinois and Florida), South America (Sao Paulo, Brazil), Europe (Santander, Spain) and the Middle East (Sharjah, UAE). The NOCs manage our 24/7 satellite and network operations and monitor each plane and vessel whether in operation on the ground or docked. We recently expanded our NOCs facilities to manage our growing fleet of connected aircraft and vessels and to continue driving new innovations for our IFC system and offerings.

## Media & Content

We develop, acquire and distribute video content, games and other media content and work closely with major and independent studios and other content producers. Accordingly, our significant operating and deal-making experience and relationships with companies in these industries gives us a number of competitive advantages and may present us with additional business targets and relationships to facilitate growth going forward. We believe that we have sustainable competitive advantages due to our market positions, technology and relationships with important content suppliers and airlines. In addition, our global talent and expertise provides the nuanced insight needed to make content suitable for regional, cultural, and religious requirements of our customers.

We are a market leader in providing content and services to the airline, maritime and other “away from home” non-theatrical markets around the world. Our cultural expertise allows us to provide customized solutions to accommodate cultural and linguistic requirements in all key markets, across industries. We provide our content services to many airlines in markets such as the Middle East, Asia and Europe, where demand for content tends to be stronger and airlines are more widely equipped with on-board IFE solutions than in the United States. We also provide solutions for advanced, interactive IFE hardware systems. The new IFE hardware systems provide the technological basis for turning the systems previously used only for the purpose of entertaining passengers into interactive passenger platforms that offer a variety of possibilities. In the IFE industry, this strategic development entails changing IFE into a complete “passenger experience.” We intend to continue to leverage our market position and technological know-how to participate in and take advantage of this cutting-edge development in IFE for the benefit of our customers and their passengers.

With our ability to offer a wide variety of content, games and related services, we believe that we provide our customers with more content options and more cost-effective content solutions than our competitors.

## Our Growth Strategy

We believe that our combined connectivity and media and content services enhance and personalize the experience our customers deliver to their travelers. Using portals created specifically for the mobility audience, we provide Internet access, content-on-demand, and live television programming. Connectivity enhances our content capabilities by expanding our vertical markets across the mobility markets and introducing new capacity for personalized end-user advertising. Providing rich content directly to passengers’ own devices creates new opportunities for revenue from passengers and brand sponsorship. Content enhances our connectivity capabilities by differentiating our products, increasing traffic on our connectivity system, and providing licensing for television and live events. Our services are uniquely positioned to change the existing mobility model and drive towards a satellite-connected entertainment and commerce platform.

## Connectivity

We are seeking to aggressively expand our Connectivity solutions to customers worldwide. In aviation markets, we already have significant operations in North America, Europe and the Middle East. We have initiated operations in South America and Asia, and we strategically target new opportunities in markets with high populations and traffic density, such as Asia Pacific, China, India and Brazil, as well as major airlines in North America and Western Europe. In maritime and land markets, we are focused on winning large fleets and fixed terrestrial installations with a combination of efficient broadband capacity and integrated content that improves traveler experience, crew welfare and revenue generation for our customers.

#### Leverage Technology

We believe we have the most technologically advanced ground network and performance-enhancing technologies in the market today, and we plan to leverage our network strength as we incorporate the newest technology from our satellite partners. In aviation markets, our technology has proven reliability, global certifications and market-leading capabilities for performance on geostationary satellite networks at mid- and high-latitudes. In maritime and land markets, we have unique multi-band capabilities,

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patented technologies that improve the quality of experience for end-users and a global network backbone that we believe differentiates us from our competitors. We plan to leverage these advantages as we target expansion in new and emerging markets.

### Continue Technological Evolution

We work continuously to improve existing systems and user interfaces, while also developing plans to remain at the forefront of the technological curve. We recently introduced our next-generation three-axis Ku-band antenna system for aviation, and we expect to introduce our next-generation Ka-band antenna system in commercial service in the near future. We also expect to continue to develop better-performing components of our system, including new aviation components to better service long-haul carriers and new maritime components for television and premium media distribution. Our strategic decision to develop key components and systems that interface with handheld devices should enable our aviation, maritime and land customers to stay on the cutting edge of technological advancements.

### Media & Content

#### Supply-Chain Efficiency

Given our strong position in the IFE content market, we are able to manage large customer budgets, as well as provide a fully outsourced IFE solution to our customers. We believe that this quality and scale will lead to longer-term contracts and a wider variety of services as evidenced by winning multiple new contracts with terms longer than five years and covering creative user interfaces and innovation as well as traditional content. The scale we have in our post-production facilities and range in content rights management allows for a more efficient cost structure and enables us to serve newer, smaller and more remote customers.

#### Increasing the Value of Traditional Content

One of our strengths is our ability to efficiently scale our post-production facilities and provide a range of content rights management to our customers. We believe that this will lead to expanded services with existing customers and allow us to more rapidly expand our services to newer, smaller and more remote customers.

### Competition

Our Connectivity segment operates in a highly competitive environment, but we are able to combine network scale across aviation, maritime and land with a global satellite and ground network system, performance-enhancing technologies, end-to-end service management including installation and repair, and fully integrated content and media services.

In aviation, our primary in-flight connectivity competitors are Gogo, Inc., ViaSat, Inc., Thales Avionics Inc., Inmarsat plc and Panasonic Avionics Corporation. In maritime and land, our primary competitors are Speedcast, Inmarsat plc, Marlink and O3b Networks Ltd. Our competitors use different technologies, including air-to-ground mobile services and satellite connectivity on C-band, Ku-band, Ka-band and L-band networks to provide connectivity to customers. We believe our satellite services offer a competitive combination of worldwide availability, quality of experience, available high-speed bandwidth and cost compared to our competitors.

We believe our Media & Content segment services the majority of the content-services market for the worldwide airline industry. We have different competitors for our various activities in the content market. For airline content curation and post-production and advertising, we primarily compete with Spafax, which is affiliated with the

advertising and public-relations company WPP PLC. In the maritime content curation market, our primary competitor is Swank Motion Pictures Inc. We primarily compete against two companies, Envee Soft and Ensemble Media, for applications and games on seat-back systems and against numerous companies that provide applications and games for consumer mobile devices.

We believe our state-of-the-art studio services offer unparalleled solutions to our mobility and studio partners compared to our Media & Content competitors. In addition, we believe that our worldwide relationships with major airline carriers and Hollywood studios provide us with a significant competitive advantage over our competition. For software and applications, we have built up processes for certification on all the major proprietary entertainment systems that make up the bulk of airline entertainment systems.

#### Government Regulation

As a participant in the global airline and global telecommunication industries we are subject to a variety of government regulatory obligations.

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### Federal Aviation Administration/European Aviation Safety Agency

Our aviation and maritime and land connectivity services require the installation of network hardware on aircraft and maritime vessels and in remote land locations. The installation of equipment on aircraft is subject to the rules and regulations promulgated by the FAA and its global counterparts, including the EASA. Prior to installing our equipment on an aircraft type, we are required to obtain an STC, which supplements the original Type Certificate obtained by the original aircraft manufacturer from the FAA/EASA and identifies the parts to be installed and the location of the installation and will only be issued by the FAA/EASA after we comply with the airworthiness standards applicable to the installation of hardware such as ours (for example, bird strike regulation compliance). To date, we have obtained STCs for installing our connectivity solution hardware on the Boeing 737 Next Generation series of aircraft, the Boeing 757, 767 and 777 aircraft families, and the Airbus A320 aircraft family. We are also a Boeing linefit supplier for the Boeing 737 Next Generation and 737 MAX aircraft families. We currently have additional STC projects underway.

### Global Aviation Connectivity Services Regulation

In connection with our in-flight connectivity services, we are required to obtain permission to operate in each jurisdiction over which we provide services using satellite Earth Stations Aboard Aircraft (“ESAA”), also referred to globally as “ESIMs,” or Earth Stations in Motion. In the United States, we have a blanket license from the Federal Communications Commission (“FCC”) that allows us to provide ESAA services as an application of the Fixed-Satellite Service subject to compliance with various technical and operational requirements imposed by the FCC. Certain other countries also require affirmative licenses; however, many countries only require a notification of intent to provide services and certain technical details, without requiring affirmative regulatory approval. To date, we are permitted to provide our aviation connectivity services in approximately 150 countries.

### Employees

As of December 31, 2018, we had a workforce of 1,517 employees, of which 1,322 were full-time employees and the remainder temporary labor and contractors. Of the full-time employees, approximately 44% were employed in the United States. Our Brazilian employees are unionized and are employed pursuant to collective bargaining agreements. Such collective bargaining agreements are renegotiated annually on May 1, generally to account for inflation. Approximately 2% of our overall workforce is employed in Brazil.

Other than our employees in Brazil, none of our employees are represented by labor unions or are subject to collective bargaining agreements. We believe that relations with our employees are good.

On February 22, 2019, we announced our intention to reduce our global workforce by approximately 15%, as part of our operating expense savings initiative. The changes to our workforce will vary by country.

### Corporate History

We were formed in February 2011 as a “special purpose acquisition company” whose purpose was to effect a merger, capital stock exchange, asset acquisition or similar business combination with one or more businesses. In January 2013, we completed a business combination transaction and changed our name to Global Eagle Entertainment Inc. We acquired multiple other companies and assets through M&A activities subsequent to 2013, and in July 2016, we acquired EMC to expand our maritime and land connectivity markets. Our principal executive offices are located at 6100 Center Drive Suite 1020, Los Angeles, California, 90045.

### Additional Information



Our main corporate website address is [www.globaleagle.com](http://www.globaleagle.com). We use our website as a channel of distribution for company information, and financial and other material information regarding us is routinely posted and accessible on our website. Copies of our Quarterly Reports on Form 10-Q, Annual Report on Form 10-K and Current Reports on Form 8-K filed or furnished to the U.S. Securities and Exchange Commission (the “SEC”), and any amendments to the foregoing, will be provided without charge to any stockholder submitting a written request to our Corporate Secretary at our principal executive offices or by calling (310) 437-6000. All of our SEC filings are also available on our website at <http://investors.geemedia.com/sec.cfm>, as soon as reasonably practicable after having been electronically filed or furnished to the SEC. All SEC filings are also available at the SEC’s website at [www.sec.gov](http://www.sec.gov).

We also live webcast our earnings calls and certain events we participate in or host with members of the investment community on the investor relations section of our corporate website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, and press and earnings releases on the investor relations section

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of our corporate website. Investors can receive notifications of new press releases and SEC filings by signing up for email alerts on our website. Further corporate governance information, including our Board committee charters and code of ethics, is also available on our website at <http://investors.geemedia.com/corporate-governance.cfm>. If we make any amendments to our Code of Ethics other than technical, administrative or other non-substantive amendments, or grant any waiver, including any implicit waiver, from a provision of the Code of Ethics applicable to our principal executive officer, principal financial officer principal accounting officer or controller or persons performing similar functions requiring disclosure under applicable SEC or Nasdaq rules, we will disclose the nature of such amendment or waiver on our website. The information included on our website, or any of the websites of entities that we are affiliated with, is not incorporated by reference into this Form 10-K or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

## ITEM 1A. RISK FACTORS

Investing in our common stock involves substantial risks. In addition to the other information included in this Annual Report on Form 10-K, the following risk factors should be considered in evaluating our business and future prospects. The risk factors described below are not necessarily exhaustive. You should also refer to the other information contained in this Form 10-K, including Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Risks Related to Our Business and Industry

The material weaknesses in our internal control over financial reporting have not been remediated. If we are unable to remediate these material weaknesses and maintain effective internal control over financial reporting, we may not be able to generate timely and accurate financial statements.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

We previously identified material weaknesses in our internal control over financial reporting as of December 31, 2017, relating to resources and the timeliness of our financial statement close process, as reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "2017 Form 10-K"). These related to our entity level control environment, financial statement close and reporting process, intercompany process, business combination, significant and unusual non-routine transactions, inventory, content library, internally developed software, long lived assets, goodwill impairment, accounts payable and accrued liabilities, revenue processes, license fee accruals, income taxes, payroll, stock-based compensation, treasury, and information technology processes. Material weaknesses related to significant and unusual non-routine transactions and stock-based compensation have been remediated. The remaining material weaknesses have not been fully remediated.

We believe these material weaknesses are the result of the growth of our Company through mergers and acquisition ("M&A"), insufficient M&A integration, insufficient automation in our financial reporting environment, increased complexity of our business transactions, increased decentralization of our operations. In retrospect, we have concluded that the above-described changes to our business were not adequately supported by the hiring of additional personnel with sufficient, specific expertise in accounting, finance and information technology. Moreover, we experienced significant turnover in our executive management during 2017. The material weaknesses continue to exist at December 31, 2018. For additional information about the material weaknesses in our internal control over financial reporting, see Item 9A. Controls and Procedures.

We will continue to expend significant financial and information-technology resources to remediate these material weaknesses and deficiencies in our internal control over financial reporting as well as to perform additional procedures to compensate for our material weaknesses and deficiencies in order to complete our financial statement closing. The process of remediating these material weaknesses and deficiencies will divert the attention of management and other resources from our ongoing business, and this remediation process, if we are successful at all, may require several years to complete.

If we are unable to establish and maintain effective internal control over financial reporting, we may not be able to produce financial statements in a timely manner or without material misstatements. The material weaknesses and deficiencies that we have identified may impair our ability to timely identify and forecast certain business trends and certain aspects of our financial performance which could affect our operational performance. Our failure to timely produce financial statements may also constitute defaults or give rise to penalties under our debt instruments if we are unable to comply with our reporting covenants. Nasdaq could also delist our common stock if we are delinquent in our SEC filings, thereby impairing the trading liquidity of our common stock. A delisting would trigger the repurchase option under the indenture governing our convertible notes (as further described under “Risks Relating to our Common Stock”) and have an adverse impact on the trading volume, liquidity and market price of our common stock. In addition, if we are unable to remediate our material weaknesses and deficiencies in internal control over financial

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reporting, investors, customers, rating agencies, lenders or others may lose confidence in the accuracy and completeness of our financial reports, the market price of our securities could decline, we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities or litigation that results in substantial fines, penalties or liabilities and we may be unable to raise funds from debt and equity investors on terms favorable to us, if at all.

Our management has concluded that our disclosure controls are ineffective due to material weaknesses in our internal control over financial reporting. If we are unable to establish and maintain effective disclosure controls and internal control over financial reporting, our ability to produce accurate financial statements on a timely basis could continue to be impaired, and the market price of our securities may be negatively affected.

Our management has historically concluded that we do not maintain effective disclosure controls and procedures due to material weaknesses in our internal control over financial reporting. In connection with the year ended December 31, 2018, our management assessed our disclosure controls and procedures and our internal control over financial reporting and concluded that they were not effective due to the material weaknesses in our internal control over financial reporting discussed in Item 9A. Controls and Procedures.

We will continue to expend significant financial and information-technology resources to remediate these material weaknesses. If we are unable to establish and maintain effective disclosure controls and procedures and internal control over financial reporting, we may be unable to produce timely and accurate financial statements. If that were to happen, investors, customers, rating agencies, lenders or others may lose confidence in the accuracy and completeness of our financial reports, the market price of our securities could decline, and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities or litigation that results in substantial fines, penalties or liabilities.

We have expended significant time and resources and expect to expend additional time and resources in connection with our efforts to remediate our material weaknesses in our internal control over financial reporting, which divert management's attention from our business, reduce our liquidity and have an adverse effect on our financial performance.

We have expended significant time and resources and expect to expend additional time and resources in connection with our efforts to remediate our material weaknesses in our internal control over financial reporting. The time spent on remediation diverts our management's attention from focusing on operating and growing our business. In addition, the costs of remediation reduce our liquidity and have an adverse effect on our financial performance, and restructuring our business could constrain our liquidity further, requiring us to seek amendments or waivers to our credit agreement or obtain additional financing by issuing debt or equity securities.

If we issue equity, warrants or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses. There can be no assurance that we will be able to obtain additional financing on favorable terms, or at all.

We have undertaken restructuring activities in the past, are currently undertaking such activities and may determine to undertake additional restructuring activities in the future. These actions may not improve our financial position and may ultimately prove detrimental to our operations and sales.

Our ability to reduce operating expenses is dependent upon the nature of the actions we take to reduce expenses, our commitment to our cost-savings plans, and our subsequent ability to execute and implement those plans and actions

and realize expected cost savings. We may need to take additional restructuring actions, such as eliminating or consolidating certain of our operations, reducing our headcount, or eliminating certain positions for a variety of reasons, including deterioration in market conditions or significant declines in demand for our products and services. Failure to successfully implement such restructuring activities could adversely affect our ability to meet customer demand for our products and services, and could increase the cost of our products and services versus our projections, each of which could adversely impact our operating results. Further, expenses and cost inefficiencies associated with our restructuring activities, including severance costs and the loss of trained employees and senior management with knowledge of our business and operations, could exceed our expectations and negatively impact our financial results.

The implementation by us of a new leasing standard in 2019 (ASC 842) requires substantial preparation and expenditures, and our failure to properly implement this standard in a timely manner could result in inaccurate balances on our balance sheets and inappropriate disclosures which could cause us to fail to meet our financial reporting obligations.

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In February 2016, the Financial Accounting Standards Board (“FASB”) issued new lease accounting guidance under ASC 842 requiring lease assets and lease liabilities to be recognized on the balance sheet and disclosure of key information about leasing arrangements. In order to be able to comply with the requirements of the new guidance we need to invest significant effort in analyzing the existing lease arrangements and assessing the appropriate treatment. This may require incremental resources and could increase operating costs in future periods. If we are not able to timely implement the new guidance could result in inaccurate or incomplete presentation of our lease assets and liabilities.

Our business is dependent on the travel industry and the competitive nature of that industry makes our business sensitive to domestic and international economic conditions.

Our business is directly affected by the number of passengers flying on commercial airlines and traveling on cruise ships, the financial condition of these airlines and cruise lines and the general availability of travel and related economic conditions around the world. If demand for air or maritime travel declines, the number of aircraft and flights shrink or the travel industry is severely disrupted, the number of passengers available to use our Connectivity and Media & Content offerings will be reduced, which will have a material adverse effect on our financial condition and prospects. High unemployment rates, reduced consumer and business spending, recessionary conditions in the United States or Europe and terrorism are among the general economic and social conditions that adversely affect the travel and mobility markets. A general reduction or shift in discretionary spending can result in decreased demand for leisure and business travel and lead to a reduction in the number of airline flights or cruise lines offered, the number of passengers flying or taking cruises and the willingness of airlines and cruise lines to commit to spending funds on items such as our Connectivity and Media & Content offerings.

Each of our airline and maritime customers operates in an intensely competitive environment and constantly faces pressure for on-board connectivity and content offerings and pricing of all aspects of air and maritime travel. These competitive circumstances could cause one or more of our customers to reduce expenditures on passenger services, including the deployment of our Connectivity and Media & Content offerings, which could have a material adverse effect on our business prospects and financial condition.

In addition, instability and changes in economic and political conditions across the globe, including inflation, recession, interest rate fluctuations and actual or anticipated military or political conflicts are among the global risks that may impact our business and our plans for expansion. Our operations and performance are sensitive to fluctuations in general economic conditions, both in the U.S. and globally.

A future act or threat of terrorism or other events could result in a prohibition on the use of Wi-Fi enabled devices on aircraft and maritime vessels.

A future act of terrorism, the threat of such acts or other airline or maritime accidents could have an adverse effect on the travel industry. In the event of a terrorist attack, terrorist threat or other accident, the industry could experience significantly reduced passenger demand. The U.S. federal government could respond to such events by prohibiting the use of Wi-Fi enabled devices on aircraft and maritime vessels, which would eliminate demand for our equipment and services. As an example, the U.S. and U.K. governments passed legislation in 2017 temporarily banning laptops, tablets and other portable electronic devices as carry-on devices on aircraft vessels traveling from several Muslim-majority countries. Even though the bans have been lifted, they remain potential responses to acts of terrorism and similar bans could adversely affect our business. In addition, any association or perceived association between our equipment or services and such attacks or accidents would likely have an adverse effect on demand for our equipment and services.

In a number of countries where we operate our Connectivity segment, we are subject to increased risk of disruption to our business due to terrorist acts, conflicts, wars, adverse weather conditions, natural disasters, power outages, pandemics or other public health crises and environmental incidents, wherever located around the world. The potential for future terrorist attacks and natural disasters, the national and international responses to terrorist attacks and natural disasters or perceived threats to national security and other actual or potential conflicts or wars may create economic and political uncertainties. Heightened geopolitical risk, most notably in Africa and the Middle East, could materially adversely affect our Connectivity segment.

We may be unable to renew agreements with existing customers or attract new customers on favorable terms or at all.

A number of factors may adversely impact our ability to retain existing customers and partners and attract new and repeat customers, including dissatisfaction with our services or its consistency, our pricing, the availability of our services, actual or perceived security risks and dissatisfaction with the features of our equipment or services. Additionally, the terms of any future agreements with existing or new customers may be less favorable than our current agreements. We may ultimately fail in entering into agreements with additional customers on competitive terms, and that failure could harm our results of operations due to,

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among other factors, a diversion of resources, the actual costs of pursuing these opportunities and the inability to deploy committed satellite transponder space segments to additional customers. To the extent that we are unable to secure new customers or that any of our future agreements with existing or new customers are not as favorable as our existing arrangements, our growth and financial prospects would be materially and adversely affected.

Our customers may be unable to pay us for our services.

There is customer credit risk in the aviation and maritime industries in which we operate. Our customers include some companies that may, from time to time, encounter financial difficulties. If a customer's financial difficulties become severe, the customer may be unwilling or unable to pay our invoices in the ordinary course of business, which could adversely affect collections of both our accounts receivable balance and unbilled services. We have experienced bankruptcies by our customers in the past, and we have not been able to recover the outstanding amounts owed to us. The bankruptcy of a customer with a substantial account balance owed to us could have a material adverse effect on our financial condition and results of operations. In addition, if a customer declares bankruptcy after paying us certain invoices, a court may determine that we are not properly entitled to that payment and may require repayment of some or all of the amount we received, which could adversely affect our financial condition and results of operations. For example, during 2018, one of our Media & Content clients, Avianca Brazil, entered into a judicial recovery proceeding, and as a result we may be unable to recover the outstanding amounts it owes to us.

Failure to retain key members of senior management could harm our business.

Our business depends on the continued service and performance of our senior management team. Such individuals have acquired specialized knowledge and skills with respect to our segments and their operations. As a result, if any of these individuals were to leave, we could face substantial difficulty in hiring qualified successors. In addition, the loss of key members of senior management, as well as other key personnel, especially those who are highly skilled, could disrupt our operations and have an adverse effect on our ability to grow our business. Furthermore, we may experience a loss of productivity while the new members of senior management obtain the necessary training and expertise to integrate into our business. In early 2018, we appointed a new CEO (who was formerly our EVP, Connectivity) and appointed our former CEO as Executive Chairman of the Company. In addition, in the fourth quarter of 2018, our EVP & Chief Strategy Officer terminated employment with us and became a consultant of the Company. The process of transitioning these and other successor senior managers into their respective roles will require significant time and financial resources, and the transition may not ultimately be successful.

We may fail to recruit, train and retain the highly skilled personnel that are necessary to remain competitive and execute the growth strategy of our business.

Our business depends on the continued service and performance of key technical personnel. Such individuals have acquired specialized technical knowledge and skills with respect to our business and operations and some have terminated employment with us as a result of our restructuring activities. We may face substantial difficulty in hiring qualified successors and could experience a loss of productivity due to the departure of these individuals or the departure of other highly skilled individuals in the future. In addition, much of our key technology and systems are custom-made for our business by our personnel. The loss of key technical personnel could disrupt our operations and have an adverse effect on our ability to grow our business.

Negative perceptions or publicity could damage our reputation among existing and potential customers, investors, employees, advisors and vendors.

Our ability to attract and retain customers, investors, employees and advisors is highly dependent upon external perceptions of our Company. In addition, our ability to source necessary equipment and supplies from vendors may be affected by negative perceptions of our Company, including any actual or perceived inability to pay our vendors in a



timely manner. Damage to our reputation could cause significant harm to our business and prospects and may arise from numerous sources, including any perceived or actual weakness in our technological, cybersecurity, or other security breaches resulting in improper disclosure of customer or employee personal information, unethical behavior and misconduct by our employees, advisors and counterparties. Negative perceptions or publicity regarding these matters could damage our reputation among existing and potential customers, investors, employees, advisors and vendors and adversely affect our businesses.

The structure of our investment in the WMS joint venture subjects us to risks that may limit our anticipated cash distributions from such investment or prevent us from receiving its anticipated benefits.

We own a 49% equity interest in WMS, a provider of global cellular roaming services to off shore vessels. WMS's managing member owns a 51% equity interest in the WMS joint venture, has the right to nominate three of WMS's five voting board members and controls the day-to-day operations of WMS. WMS's profits and losses for any fiscal year are allocated between our joint-

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venture partner and the Company in proportion to percentage interests owned, after giving effect to any applicable special allocations. The WMS joint venture operating agreement provides for annual cash distributions to us and our joint-venture partner, but those distributions are subject to reduction for certain expenses and other items relating to WMS's operations, including capital expenditures, as determined by WMS's board (which we do not control). As a result, we may not receive all or part of our anticipated cash distributions in any period for reasons beyond our control.

In addition, our investment in WMS is further subject to various risks that could adversely affect our results of operations and financial condition. These risks include, but are not limited to:

- Our interests could diverge from our joint-venture partner's interests or we may not agree with our joint-venture partner on ongoing activities or on the amount, timing or nature of further investments in WMS;

• WMS profits and cash flows may prove inadequate to fund cash dividends or other distributions to us, or those amounts may be subject to reduction as noted above;

The carrying value of our interest in WMS could exceed the fair value requiring the recognition of additional impairment of the investment value (for a discussion on our 2018 impairment of WMS, refer Note 7. Equity Method Investments to the consolidated financial statements);

• Our control over the operations of and other decisions relating to WMS is limited;

- Due to differing business models or long-term business goals, our joint-venture partner may decide not to fund capital investments in WMS, impairing the value of the WMS joint venture;

• We may lose the rights to technology or products being developed by WMS, including if our joint-venture partner is acquired by another company, or experiences financial or other losses;

Many of the contractors on which WMS relies are with our joint-venture partner, and "seconded" to WMS from our joint-venture partner, such that WMS relies on these contractors, personnel and other resources provided to it by our joint-venture partner; and

• We may experience difficulties or delays in collecting amounts due to us from WMS.

We are subject to a variety of complex U.S. and foreign tax laws and regimes as a result of our global footprint, and changes in those laws-or our failure to properly interpret them-may adversely affect our business, financial condition, results of operations and cash flows.

We have numerous offices on six continents, and we provide our products and services globally. As a result, we are subject to a variety of complex U.S. and foreign tax laws and regimes, and changes in those laws and regimes-and our failure to properly conduct our operations in compliance with them-could be costly and expose us to fines, penalties or tax obligations that we did not anticipate. This could occur due to, among other things, unclear or unsettled tax laws, lack of clarity as to whether we have "permanent establishment" exposure, intercompany charges, value-added tax and income tax-liability in some countries where we conduct operations. Our failure to comply with any of these laws and regimes, or increased enforcement activity by tax regulators, could adversely affect our business, financial conditions, results of operations and cash flows.

We cannot guarantee that we will continue to be able to make claims for investment tax credits in Canada.

Our Canadian subsidiary, DTI Software, makes claims for currently available tax credits in Canada in the course of its development of games and applications in Canada, including tax credits that support multimedia, e-commerce and research and development in Canada. If governmental authorities in Canada, and, in particular, in the province of Quebec, were to reduce or eliminate the amount of tax credits that are available in respect of these activities by DTI, then our tax liabilities would likely increase, and our overall profitability would be negatively impacted.

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We are exposed to foreign currency risks in our Media & Content segment.

Within our Media & Content segment, sales to customers and purchasing are largely transacted in U.S. dollars, while most of our Media & Content segment's operating companies' fixed costs are incurred in local currencies such as euros, British pounds, Indian rupees and Canadian dollars, which exposes us to currency risks. We cannot preclude the possibility of negative foreign currency effects in the future, some of which may be substantial, due to unforeseen exchange rate fluctuations or inaccurate assessments of market developments. Additionally, global markets and foreign currencies may be adversely impacted by political and other developments such as Brexit or other similar future actions in the E.U. and elsewhere.

There are also intragroup receivables and liabilities in our Media & Content segment, such as loans, that can generate significant foreign currency effects. Changes in the exchange rates of a number of foreign currencies against the euro, especially the U.S. dollar and the Canadian dollar, could lead to the recognition of unrealized foreign exchange losses.

The results of the United Kingdom's referendum to withdraw from the European Union may have a negative effect on global economic conditions, financial markets and our business and results of operations.

The formal two-year process governing the U.K.'s departure from the E.U., commonly referred to as the "Brexit," began on March 29, 2017. Discussions between the U.K. and the E.U. focused on finalizing withdrawal issues and transition agreements are ongoing but have had limited progress to date. As a result, it is possible that the U.K. will leave the E.U. without a withdrawal agreement and associated transition period in place, which is likely to cause significant market and economic disruption. The effects of Brexit, the uncertainty regarding the ultimate terms of Brexit and the perceptions as to the impact of the withdrawal of the U.K. from the E.U. have affected, and may continue to affect, business activity, political stability and economic and market conditions in the U.K., the Eurozone, the E.U. and elsewhere and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro and the British pound. Additionally, with the U.K. no longer being a part of the E.U., there may be certain regulatory changes that may impact the regulatory regime under which we operate in both the U.K. and the E.U. Given that a portion of our business is conducted in the E.U., including the U.K., any of these and other changes, implications and consequences may adversely affect our customers in the region and our business and results of operations.

## Risks Related to Our Connectivity Segment

Our Connectivity segment's revenue is largely dependent upon our existing relationship and agreement with Southwest Airlines.

Our existing supply and services agreement with Southwest Airlines, which we entered into on December 13, 2016, governs our supply of products and services to Southwest Airlines, including our broadband equipment, Wi-Fi service in connection with the use of our broadband system, live television-related services and certain additional contemplated services. Our Connectivity segment is substantially dependent on this customer relationship, which accounted for 35%, 36% and 54% of such segment's revenue for the years ended December 31, 2018, 2017 and 2016, respectively, and 18%, 19% and 22% of our consolidated revenue for the years ended December 31, 2018, 2017 and 2016, respectively. In addition, a significant source of our revenue and operating income is generated from the supply of live television-related services to Southwest Airlines. If we fail to maintain certain minimum service level requirements relating to such television service, or if we fail to meet other obligations relating to our technology, equipment or services, Southwest Airlines may have the right to terminate such television service or the supply and services agreement. In addition, if any of Southwest's planes are grounded for reasons outside of the airline's control, Southwest Airlines may have the right to suspend its services obligations with us. Further, there is no guarantee that Southwest Airlines will continue to maintain historical levels of fleet installation growth with us. Our business would

be materially adversely affected if we are unable to maintain our existing relationship with Southwest Airlines or if such television service or the supply and services agreement is terminated.

The success of our Connectivity segment depends on the investment in and development of new broadband technologies and advanced communications and secure networking systems, products and services and antenna technologies, as well as their market acceptance.

Broadband, advanced communications and secure networking markets are subject to rapid technological change, frequent new and enhanced product and service introductions, product obsolescence and changes in user requirements. Our ability to compete successfully in these markets depends on several factors, including:

- our ability to continue to develop leading technologies in existing and emerging broadband, advanced communications and secure networking markets;

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• our ability to successfully develop, introduce and sell new products and services on a timely and cost-effective basis that respond to ever-changing customer requirements;

• our ability to enhance our product and service offerings by continuing to increase satellite capacity, bandwidth cost efficiencies and service quality and adding innovative features that differentiate our offerings from those of our competitors;

• successful integration of various elements of our complex technologies and system architectures;

• timely completion and introduction of new system and product designs;

• achievement of acceptable product and service costs;

• establishment of close working relationships with major customers for the design of their new communications and secure networking systems incorporating our products and services;

• marketing and pricing strategies of our competitors with respect to competitive products and services; and

• market acceptance of our new products and services.

We previously entered into a long-term development project with QEST to develop new antenna technologies and have made and continue to make significant product development investments to our existing connectivity technology solutions to address these new technologies. In January 2019, we deployed the Ku-band version of our new Global Antenna into commercial service and continue to develop further enhancements to the Global Antenna technologies. If the technologies fail to perform as expected, our business, business prospects and results of operations may be materially adversely affected.

We cannot guarantee that our new technology, product or service offerings in our Connectivity segment will be successful or that any of the new technologies, products or services we offer will achieve sufficient market acceptance. Our Connectivity segment may experience difficulties that could delay or prevent us from successfully selecting, developing, manufacturing or marketing new technologies, products or services, and these efforts could divert our attention and resources from other projects. We cannot be sure that such efforts and expenditures will ultimately lead to the timely development of new offerings and technologies. Any delays could result in increased costs of development or divert resources from other projects. In addition, defects may be found in our products after we begin deliveries that could result in degradation of service quality, and the delay or loss of market acceptance. If we are unable to design, manufacture, integrate and market profitable new products and services for existing or emerging markets, it could materially harm our business, financial condition and results of operations.

We face increased demand for greater bandwidth, speed and performance from customers in an increasingly competitive environment featuring new technologies and market entrants, which may require us to maintain increased service levels at higher costs and make significant investments in improving our Connectivity platform.

Competition among providers of connectivity solutions, including satellite providers who can leverage their own gateways and satellite constellations to provide connectivity solutions directly to customers, may impact prices received for services. Moreover, if demand for greater bandwidth, Internet streaming, speed and performance of our network increases, we may be forced to expend substantial financial and other resources in investing in future satellite transponder capacity and network infrastructure and improve our overall satellite-based and related technologies to ensure that we meet such demands from our current and future customers. The costs of obtaining current and future

satellite capacity may also be affected by limitations in global satellite capacity. Should demand increase for greater bandwidth, speed and performance beyond our current capabilities in this increasingly competitive environment featuring new technologies and satellite providers directly competing with our offerings, we may be required to increase our investment in improving our Connectivity solution or to leverage our existing platform, including our Media & Content services offerings, to further develop and deploy more cost-effective connectivity solutions.

We may experience future customer attrition as satellite capacity providers increasingly enter into arrangements directly with customers.

We rely on satellite providers to secure the satellite capacity needed to conduct our Connectivity operations and provide Connectivity services to customers. There is no guarantee that we will be able to obtain the capacity needed to conduct our operations at current rates and levels moving forward, or to obtain capacity on commercially reasonable terms or at all. Satellite manufacturers, satellite owners and other satellite providers are increasingly seeking to enter into arrangements directly with our customers for satellite capacity and services. As a result, we may experience customer attrition and may be unable to compete

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with satellite providers who could offer greater pricing flexibility and satellite capacity options given their place in the supply chain. Our failure to compete with satellite providers, or new-entrant providers, and offer favorable pricing arrangements to customers could materially harm our business, financial condition and results of operations.

We rely on “sole source” service providers and other third parties for certain key components of, and services relating to, our Connectivity segment.

We currently source key components of our hardware and key features of our Connectivity services from sole providers of equipment and network services, respectively, including substantially all of our Connectivity segment’s satellite modems from Hughes. If we experience a disruption in the delivery of products and services from any of our key providers, it may be difficult for us to continue providing our own products and services to our customers. We have experienced component delivery issues in the past and there can be no assurance that we will avoid similar issues in the future. In addition, the supply of third-party components in general could be interrupted or halted by a termination of our relationships with such third parties, a failure of quality control or other operational problems at such suppliers or a significant decline in their financial conditions. If we are unable to continue to engage suppliers with the capabilities or capacities required by our Connectivity segment, or if such suppliers fail to deliver quality products, parts, equipment and services on a timely basis consistent with our schedule, our business prospects, financial condition and results of operations could be adversely affected. Additionally, any loss of favored nation relationships that we have with our hardware providers today could eliminate our competitive advantage in the use of satellites for in-flight connectivity in the future, which could have a material adverse effect on our business and operations.

We may need to materially increase our investments in product development and equipment in connection with our efforts to grow our Connectivity segment’s service lines and remain competitive in the future, which the Company could be unable to do if it is liquidity constrained.

We have historically incurred significant product development expenses to support the growth of our Connectivity services and offerings and we expect to continue to expend substantial financial and other resources as we continue to grow our Connectivity segment and increase our investments in satellite-based technologies and our product offerings. As current and future product development efforts progress, such as our ongoing Boeing line-fit initiative (that allows our connectivity equipment to be installed directly on certain Boeing aircraft during assembly), antenna development, expansions in our satellite-based services and capabilities, investments in current and future satellite technologies, including testing and deployment of Low Earth Orbit (“LEO”) constellations and capital investments in Connectivity equipment for new and existing customers and services, the costs of our Connectivity segment may materially fluctuate in future periods, which could negatively affect our future operating results. The amount and timing of these costs are subject to numerous variables, including the availability and timing of next-generation technologies, the need and related costs to develop and implement changes to our software and hardware or to expand our service offerings to be competitive and, with respect to satellite technologies, the need and related costs of obtaining current and future satellite capacity. The capital investments and related costs may be significant, and we may have insufficient liquidity or resources to make those investments in the future.

We may be unsuccessful in expanding our Connectivity segment internationally, and our international operations are subject to a variety of risks.

We operate our Connectivity segment in numerous countries around the world and intend to continue to expand the number of countries in which we operate. Our ability to expand our Connectivity segment internationally involves various risks, including the need to invest significant resources in unfamiliar markets and the possibility that there may not be returns on these investments in the near future comparable to our recent financial results or at all. We may need to adopt technological solutions for broadband Internet that are different than those we deploy domestically, we



may be unable to find content or service providers to partner with on commercially reasonable terms for foreign markets, or at all, and we cannot provide assurance that changes in geopolitics will not result in restrictions on the expansion of our business, such as restrictions on foreign ownership of telecommunications providers or the establishment of economic sanctions by the United States affecting businesses such as ours. In addition, in expanding our operations internationally, we expose our business to the risks and uncertainties relating to the international financial markets, compliance with international regulations and policies, the complexity of managing foreign operations and human resources and more acute exposure to the impact of international governmental and political changes and conflicts.

Many of the countries in which we operate our Connectivity segment have legal systems that are less developed and less predictable than legal systems in the United States, and, as a result, our international expansion exposes us to potential increased costs and uncertainties. New rules and regulations may be enacted, or existing rules and regulations may be applied or interpreted in a manner which could limit our ability to provide the services of our Connectivity segment in the countries in which we wish to operate.

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Our reputation and ability to attract, retain and serve our Connectivity customers may be negatively impacted by service interruptions or delays, technology failures, damage to equipment or software defects or errors.

Our reputation and ability to attract, retain and serve our customers depends, in part, upon the reliable performance of our Connectivity segment's satellite transponder capacity, network infrastructure and connectivity system. The uninterrupted operations and services of our Connectivity segment depend upon the extent to which our equipment and the equipment of our third-party network providers is protected against damage from fire, flood, earthquakes, power loss, solar flares, telecommunication failures, computer viruses, break-ins, cyberattacks, acts of war or terrorism and similar events or factors beyond our control. Our Connectivity segment has experienced interruptions in these systems in the past, including infrastructure, component and service failures that cause service disruptions, service delays or technology or systems failures. If we experience frequent system or network failures, our reputation could be harmed, and our Connectivity customers may have the right to terminate their contracts with us or pursue other remedies. Any such impact to our reputation or ability to attract, retain and serve our Connectivity customers could have a material adverse effect on our business, financial condition and results of operations.

In addition, the software underlying our Connectivity services is inherently complex and may contain material defects or errors, particularly when software is first introduced or when new versions or enhancements are released. Any defects or errors, particularly those that cause interruptions to the availability of our Connectivity services could result in termination or failure to renew contracts by our airline customers, reputational risk and reductions in sales or sales credits or refunds to our customers. The costs incurred in correcting any material defects or errors in our software may be substantial and could have a material adverse effect on our financial condition and results of operations.

The failure of our equipment or material defects or errors in our software may damage our reputation or result in claims against us that exceed our insurance coverage, requiring us to pay significant damages and impairing our ability to offer our Connectivity services.

The products offered by our Connectivity segment contain complex systems and components that could contain errors or defects, particularly when we incorporate new technologies. If any of our Connectivity products are defective, we could be required to redesign or recall those products or pay substantial damages or warranty claims. Such events could result in significant expenses and material liabilities, disrupt sales and affect our reputation and that of our products. If our Connectivity segment's on-board equipment has a severe malfunction or if there is a problem with equipment installation which damages an aircraft or maritime vessel or impairs its on-board electronics or avionics, significant property loss and serious personal injury or death could result. Any such failure could expose us to material product liability claims or costly repair obligations. Our insurance coverage may not be sufficient to fully cover the payment of any such claims. A product recall or a product liability claim not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations. In addition, our indemnity obligations to our enterprise customers may include losses due to third-party claims (such as from their end-users, e.g., their passengers) and, in certain cases, the causes for such losses may include failure of our products. Such indemnity obligations are difficult to quantify but may result in significant expenses. In addition to such costs, any material defects or errors could have a material adverse effect on our reputation, which could impair our ability to continue to offer our Connectivity services in the future.

Satellite failures or degradations in satellite performance could affect our business, financial condition and results of operations.

We use leased and Company-owned satellite capacity to support our broadband services for our Connectivity segment. Satellites utilize complex technology and operate in the harsh environment of space and, accordingly, are subject to significant operational risks while in orbit. These risks include malfunctions (commonly referred to as anomalies), interference from electrostatic storms, and collisions with meteoroids, decommissioned spacecraft or other

space debris. The satellites we employ for our Connectivity segment have experienced various anomalies in the past and will likely experience anomalies in the future. Anomalies can occur as a result of various factors, such as satellite manufacturer error, whether due to the use of new or largely unproven technology or due to a design, manufacturing or assembly defect that was not discovered before launch and general failures resulting from operating satellites in the space environment.

Additionally, the Company uses inclined orbit satellites for some of its services. These are satellites that are operating beyond their original design life and have reduced their station keeping fuel consumption rate such that they no longer remain in a zero-degree inclination orbit. Their remaining useful life is a function of how long the remaining fuel can be used to maintain an acceptable orbit inclination to allow us to provide services to our customers. Once the onboard fuel has been exhausted, these satellites are no longer able to provide useful services.

Any single anomaly or series of anomalies, or other operational failure or degradation, on any of the satellites, or the complete loss of a satellite, could have a material adverse effect on our operations and revenue and our relationships with current customers

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and distributors, as well as our ability to attract new customers. Anomalies may also reduce the expected useful life of a satellite, thereby creating additional expense due to the need to provide replacement or backup capacity and potentially reducing revenue if service is interrupted or degraded on the satellites utilized. We may not be able to obtain backup capacity or a replacement satellite on reasonable economic terms, a reasonable schedule or at all.

Many satellites have redundant or backup systems and components that operate in the event of an anomaly, operational failure or degradation of primary critical components, but these redundant or backup systems and components are subject to risk of failure similar to those experienced by the primary systems and components. The occurrence of a failure of any of these redundant or backup systems and components could materially impair the useful life, capacity or operational capabilities of the satellite.

Businesses or technologies that we have acquired or invested in or that we may acquire or invest in could prove difficult to integrate, disrupt our ongoing business, dilute stockholder value or have an adverse effect on our results of operations.

We may engage in further acquisitions of businesses or technologies to augment our growth, or we may invest with third parties in certain U.S. and foreign markets. Acquisitions and investments involve challenges and risks in negotiation, execution, valuation and integration. Even if successfully negotiated, closed and integrated, certain acquisitions or investments may not advance our business strategy, may fall short of expected return-on-investment targets or may fail. Any past or future acquisition or investment could also involve additional risks, including:

- potential impact on our ability to produce financial statements in a timely manner, such as with the EMC Acquisition and which acquisition could in turn contribute to our material weaknesses in our internal controls;
- potential distraction of management from our ongoing business and from the remediation of our material weaknesses;
- difficulty integrating the operations and products of the acquired business, which could result in delays in the realization of acquisition synergies;
- use of cash to fund the acquisition or investment or for unanticipated expenses;
- limited market experience in new businesses;
- exposure to unknown liabilities, including litigation against the companies that we acquire;
- additional costs due to differences in culture, geographical locations and duplication of key talent;
- delays associated with or resources being devoted to regulatory review and approval and other ongoing compliance matters;
- acquisition-related accounting charges affecting our balance sheet and operations;
- difficulty integrating the financial results of the acquired business in our consolidated financial statements;
- controls in the acquired business;
- impairment of goodwill, intangible and tangible assets. During the years ended December 31, 2018 and 2017, we recorded goodwill impairment charges of \$0 and \$167 million, respectively.
- impairment of equity method investment. During the years ended December 31, 2018 and December 31, 2017, we recorded impairment charges of \$51.0 million and \$16.7 million, respectively, relating to our WMS investment;
- dilution to our current stockholders from the potential issuance of equity securities to consummate a proposed acquisition or investment; and
- potential loss of key employees or customers of the acquired company.

In the event that we enter into any acquisition or investment agreements, closing of the transactions could be delayed or prevented by regulatory approval requirements, including antitrust or national-security reviews or other conditions. We may not be successful in addressing these risks or any other problems encountered in connection with any attempted acquisitions or investments, and we could assume the economic risks of such failed or unsuccessful acquisitions or investments.

In certain of our previously completed acquisitions, we have agreed to make future payments, either in the form of employee bonuses or contingent purchase price payments, or earnouts, based on the performance of the acquired businesses or the employees who joined us with the acquired businesses. We may use earnouts for acquisitions in the future. The performance goals pursuant to which these future payments may be made generally relate to achievement by the acquired business or the employees who joined us from the acquired business of certain specified benchmarks during a specified period following completion of the applicable acquisition. Future acquisitions or investments may involve issuances of stock as full or partial payment of the purchase price for the acquired business or investment, grants of incentive stock or options to employees of the acquired businesses (which may be dilutive to existing stockholders), and expenditure of substantial cash resources or the incurrence of material amounts of debt. The specific performance goal levels and amounts and timing of employee bonuses or contingent purchase price payments vary with each acquisition. While we expect to derive value from an acquisition in excess of such contingent payment obligations, our strategy may change and we may be required to make certain contingent payments without deriving the anticipated value.

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Although we conducted due diligence in connection with the acquisitions and investments that we have consummated, we cannot be certain that such diligence revealed all material issues that may be present in those businesses. It may not be possible to uncover all material issues through a customary amount of due diligence, or there may be adverse factors outside of our control that later arise. Even if the due diligence that we conducted in connection with acquisitions or investments that we have already consummated or that we consummate in the future successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis.

We may be required to write down or write off assets, restructure operations, or incur impairment or other charges that could result in losses with respect to any acquisitions or investments we consummate from time to time. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. Any such write-downs, write-offs, restructuring or charges could have a significant negative effect on our financial condition, results of operations and stock price.

We may fail to realize the expected benefits of any acquisitions or investments as rapidly as the expectations of, or to the extent anticipated by, the marketplace, investors, financial analysts or industry analysts. Any such failure may have a material adverse impact on our financial condition, results of operations and stock price.

We may experience losses from fixed price Connectivity contracts or contracts where our average revenue per customer declines more quickly relative to decreasing (or potentially increasing) associated costs.

In our Connectivity segment, we typically charge customers (including our largest Aviation Connectivity customer) a fixed rate monthly recurring fee for services under several of our long term contracts, which are usually three to nine years in length. These contracts carry the risk of potential cost overruns because we assume the burden of all costs under the agreement.

We assume greater financial risk on fixed price contracts than on other types of contracts because our ability to profit on such contracts is dependent on our ability to anticipate technical problems, estimate costs accurately and control costs during the performance of such contracts. If we are unable to estimate or control costs under our fixed price contracts, the net profit of our Connectivity segment may be significantly reduced. Because many of these long-term contracts involve new technologies and applications, unforeseen events, such as technological difficulties, fluctuations in the price of materials, problems with the suppliers and cost overruns, can result in the contractual price becoming less favorable or even unprofitable to us over time. We may experience cost overruns and operating losses on at least some of our customer agreements.

We may experience losses from satellite capacity contracts that require us to make minimum payments, which we may not be able to satisfy.

We currently have multi-year contracts with satellite-capacity suppliers where we have agreed to make minimum payments over the life of those contracts. If we lose current customers and then do not obtain an adequate number of new customers, we may be unable to generate sufficient revenue to exceed the costs associated with these satellite-capacity agreements. Our commitment to our satellite-capacity suppliers may cause us to suffer significant losses in these circumstances, which could have a material adverse impact on our financial condition and results of operations. This expenditure of cash could limit our ability to make other investments in technology and in other businesses that our management may wish to pursue. Our minimum commitment under our satellite-capacity contracts may have a negative impact on our liquidity position, and we may have insufficient cash to fund our operations as a result.

## Risks Related to Our Media & Content Segment

We face competition from the increasing on-board use of personal electronic devices and the greater capabilities for passengers to access and download content to such devices prior to travel, which may, among other things, cause passengers to substitute our IFE services offered in our Media & Content segment with “over-the-top” download services.

Ever-increasing numbers of passengers have personal electronic devices or other digital platforms which have the ability to deliver passengers content in-flight, such as movies, music or games or to access on-board connectivity to the Internet, live television or content on demand. In addition, passengers also may subscribe or have access to “over-the-top” download services (such as Amazon and Netflix) that permit them to download content onto their personal electronic devices prior to travel that they can then access in transit without Wi-Fi or Internet. As on-board connectivity to the Internet improves, for reasons that may include new installations of our own industry-leading inflight connectivity solutions, these download and streaming services may provide an alternative to the media and content that we provide to our airline or maritime customers for seatback systems. Potential future devaluation of our content service offerings for seatback systems may not be fully offset by increased content services we provide for Wi-Fi-enabled Internet connectivity and entertainment systems. If passengers no longer utilize traditional IFE systems for the

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delivery of content, and the demand for our services declines, our customers may cease engaging with us for their content service provider needs, which could have a material adverse effect on our financial condition and results of operations.

Our Media & Content segment and the related media and content market faces pricing pressure and reduction in the use of intermediary content service providers.

Our Media & Content business faces pricing pressures from both our customers and studios. Studios, distributors and other content providers seek more expensive pricing for the content that we acquire, and our customers simultaneously demand and negotiate for lower prices and rates for the content and services that we provide. We cannot assure you that we can maintain any current pricing efficiencies with studios, distributors and other content providers, and we may need to provide price concessions in order to acquire new customers or retain current customers in the future. Changes to our cost structure and pricing that reduce our overall yields may have an adverse effect on our financial condition and results of operations.

In addition, our customers may reduce their use of intermediary content service providers (such as us) and seek to obtain content directly from content creators and distributors (i.e., directly from our content suppliers). If our customers execute engagements directly with studios, distributors and other content creators, then our business as a content service provider will be adversely affected.

If studios, distributors, content providers or other rights holders refuse to license content or other rights upon terms acceptable to us, our business could be adversely affected.

We receive content from studios, distributors and other content providers. Our ability to provide our customers with relevant and appropriate content depends on studios, distributors, content providers and other rights holders licensing rights to distribute such content and certain related elements thereof to us on acceptable terms. The license periods and the terms and conditions of such licenses vary. If content providers decide to self-distribute their content or seek alternate distribution channels, they may be unwilling to provide our content distribution business with access to certain content, including popular series or movies. If the studios, distributors, content providers and other rights holders are not or are no longer willing or able to license content to us upon terms acceptable to us, our ability to provide content to our customers will be adversely affected and/or our costs could increase. Similarly, if studios, distributors and other content providers consolidate with one another, it could further increase our cost of content acquisition. Certain licenses for content provide for the studios or other content providers to withdraw content from our service relatively quickly. Because of these provisions as well as other actions we may take, content available through our service can be withdrawn on short notice. As competition increases, we may see the cost of programming increase. An increase in the cost of programming could reduce the demand for our Media & Content segment's offerings and would have a negative impact on our revenue and results of operations.

Our revenue may be adversely affected by a reduction or elimination of the time between our receipt of content and the content being made more broadly publicly available to the rental or home viewing market (i.e., the "early release window").

We receive the content that we provide directly from studios, distributors and other content providers, and the timing of our receipt of such content is at the discretion of such content providers. Historically, we have received content prior to its availability to the public through the rental or retail markets or Internet streaming services and we have taken advantage of this "early release window" in our business by offering our enterprise customers media and content options before they become generally available to their passengers. However, if content providers delay the release of content in a manner that reduces or eliminates the "early release window," we may be unable to generate anticipated revenue in our Media & Content segment because passengers may have the opportunity to consume or download such



content at home rather than in-flight.

Our Connectivity segment competes with other companies that offer IFE and IFC systems, and such competition could deter those companies from engaging our Company as a content service provider.

Our Connectivity segment competes with companies that offer various products and services in the IFE and IFC supply chain. As such competition with companies in our supply chain continues to increase, our relationship with those companies may deteriorate and actively reduce potential business opportunities. For example, there are companies in our industry that not only compete with our Connectivity segment but also determine the specific IFE system to be utilized onboard. Our opportunity to provide services and offerings in our Media & Content segment with respect to such IFE system may be hindered by the competition created by the Connectivity side of our business. If our relationship with such companies that control multiple levels of the supply chain is impacted by the Connectivity solutions that we offer, our Media & Content segment could be adversely affected as a result.

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The long sales cycle of many of our Media & Content segment's products increases the difficulty of our expense planning and revenue forecasting and may cause us to expend substantial resources without any assurance of an acceptable financial return.

Many of our Media & Content segment's products have long sales cycles that involve numerous steps, including initial customer contacts, specification writing, software engineering design, software prototyping, pilot testing, device certification, regulatory approvals, marketing and sales efforts and commercial manufacture, integration and delivery. During this cycle, we may expend substantial financial resources and management time and effort without any assurance or ability to predict when or if product sales will result. Delays in sales may cause us to expend significant resources without any assurance of an acceptable financial return and increases the difficulty of our expense planning and revenue forecasting, which could have a material adverse effect on our business.

Our music content licenses could result in operational complexity that may divert resources or make our business more expensive to conduct.

The large number of licenses we maintain for purposes of operating our Media & Content services, including our music offerings, could create operational difficulties in connection with tracking the rights we have acquired and the complex structures under which we have royalty and reporting obligations. If we are unable to accurately track amounts that we must pay to the numerous parties with whom we have licenses in connection with each delivery of media content or if we do not deliver the appropriate payment in a timely fashion, we may risk financial penalties and/or termination of licenses. For instance, in some circumstances, we are responsible for obtaining licenses from music performing rights organizations and for tracking and remitting royalties to these rights organizations on behalf of our customers. To do so, we must depend on timely and accurate reporting by our customers of the information necessary to make royalty payments to the performing rights organizations. Additionally, the effort to obtain necessary rights from third parties is often significant, and in some cases such challenges could lead to disruption or delay in executing our business plans. In addition, in the context of our music offerings, if we are unable to determine which musical works correspond to specific sound recordings for purposes of obtaining necessary licenses, it could lead to a reduction in the music we are able to make available to our customers.

We may experience losses from fixed-price Media & Content contracts if the market price for that service declines relative to our committed cost.

We currently have multi-year, fixed-price delivery contracts with some of the studios from which we purchase content which enable us to purchase content during their respective terms at fixed purchase prices, or through "flat deals." Adjustments to such fixed purchase prices may be advisable or necessary, such as if there are significant changes in customer demand or content supply. If we are unable to make such adjustments or if there is a shift in the customer base under such contracts, then there is a risk that the profit margins on such fixed-price Media & Content contracts may be smaller than predicted or result in a loss. In addition, we may fail to utilize fixed-price contracts in our content supply chain (as a result of material weaknesses in our internal control over financial reporting) and such failure may also cause us to realize smaller margins than we originally forecasted. Reduced profit margins or losses in our Media & Content segment resulting from fixed-price contracts could have a material adverse impact on our financial condition and results of operations.

We may be unable to retain or attract Media & Content customers if we do not develop new products or enhance those we currently provide.

The IFE market is faced with rapid technological change, evolving standards in IFE and computer hardware, software development, communications and security infrastructure, and changing needs and expectations of customers. Building new products and service offerings requires significant investment in development. Our investment in software and other product development may ultimately prove to be unsuccessful, and the Company may be required

to impair the capitalized value associated with those investments. We also face uncertainty when we develop or acquire new products for our Media & Content segment because there is no assurance that a sufficient market will develop for those products or that such products will result in the cost-savings and synergies that we anticipate.

In addition, a substantial portion of our Media & Content segment's research and development resources are devoted to maintenance requirements and product upgrades that address new technology support. These demands put significant constraints on the resources that we have available for new product development. If we are unable to develop new products or enhance those we currently provide in an environment of technological change and evolving standards and customer needs, we may be unable to retain or attract Media & Content customers and our financial condition and results of operations would be materially adversely impacted as a result.

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### Risks Related to our Intellectual Property and Information Technology

We may not succeed in implementing operating systems, including a single and effective enterprise resources planning (“ERP”) system across all of our businesses to assist with remediating our material weaknesses in our internal controls.

We have numerous material weaknesses in our internal controls as a result of our failure to have an effective system of operations, including a robust ERP system. See Item 9A. Controls and Procedures. Our ability to remediate our material weaknesses in our internal controls depends in part on our ability to implement an effective operating system and enhanced ERP system and adequately train our personnel to effectively utilize the new system. We believe that a new ERP system, for instance, will provide greater depth and breadth of functionality than our current ERP systems, which will allow us to more effectively integrate past and future acquisitions and manage business and financial data, manufacturing and resource planning functions and other business processes and information that is important to our management team. We currently utilize several ERP systems, some of which have been only partially integrated from our acquired businesses. We intend to streamline these disparate systems into a single Oracle ERP system which will require significant time and resources. To date, we have successfully completed the integration of the EMC business into our Oracle ERP system; however, we have not yet completed the implementation of an effective company-wide ERP system that would integrate our foreign entities. Additional time and resources will be necessary to fully operationalize a new ERP system during 2019. However, we can make no assurance that our efforts to implement such system will be achieved by that date, that such system will be successful or that such system will meet our expectations in respect of our efforts to remediate certain of our material weaknesses.

Our intellectual property rights are valuable, and any failure or inability to sufficiently protect them could harm our business and operating results.

Our proprietary rights to the technologies we use in our products and services, particularly with respect to our proprietary SpeedNet product that improves the web-browsing experience over a satellite connection by proactively storing web content close to the user, are important to the success of our business. We generally rely on a combination of patents, copyrights, trademarks, trade secret laws and contractual rights to protect our proprietary rights in our technology and products. We also generally enter into confidentiality agreements with our employees, consultants and corporate partners, and endeavor to control access to and distribution of our proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. If we are unable to protect our proprietary rights adequately, our competitors could use the intellectual property we have developed to enhance their own products and services, which could materially harm our business. Monitoring and preventing unauthorized use of our technology is difficult. In addition, we may be required to commence litigation to protect our intellectual property rights or to defend against or determine the validity and scope of the proprietary rights of others. If we are unsuccessful in any such litigation in the future or elect not to pursue litigation for business or reputational reasons, our rights to enforce or use such intellectual property may be impaired or we could lose some or all of our rights to such intellectual property. We do not know whether the steps we have taken will prevent unauthorized use of our technology, including in foreign countries where the laws may not protect our proprietary rights as extensively as in the United States. If we are unable to protect our proprietary rights, we may find ourselves at a competitive disadvantage to others who need not incur the substantial expense, time and effort required to create innovative products.

Our business and reputation could be materially harmed as a result of cybersecurity attacks, data breaches, data theft, unauthorized access or hacking.

The success of our business depends, in part, on the secure and uninterrupted performance of our information technology systems. In addition, because we engage suppliers and vendors to process personal and payment card

information of our customers and end-users, our business is dependent on the security and performance of the information technology systems of those suppliers and vendors. While we select these third-party suppliers and vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from cyber-attacks and security breaches at a supplier or vendor, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. An increasing number of companies have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on their computer networks. As an example, the content and media industry has recently encountered numerous recent hacks by third parties that have resulted in the premature release of valuable content and the associated loss of revenue and the connectivity industry has had recently alleged hacking attempts where the hacker has claimed to seize aircraft avionics. For example, in 2018, a security-industry consultant informed us that he discovered an in-flight Wi-Fi system vulnerability that could allow a third party to access through the Internet on-aircraft equipment utilized in our passenger connectivity system. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often, and as a result the techniques are often not recognized until launched against a target. Accordingly, we may be unable to anticipate such threatening techniques or to implement adequate preventative measures to protect our business from cyber and similar unauthorized attacks on our information technology systems. Despite our efforts to prevent, detect and mitigate these threats, including continuously

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working to install new, and upgrade our existing, information technology systems and increasing employee awareness around phishing, malware, and other cyber risks, there is no guarantee that such measures will be successful in protecting us from a cyber-attack. In addition, the cost and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly intense, complex, and sophisticated global cyber threats. Any material breaches of cybersecurity or media reports of perceived security vulnerabilities to our systems or those of our suppliers or vendors, even if no breach has been attempted or occurred, could cause us to experience reputational harm, loss of customers and revenue, regulatory actions and scrutiny, sanctions or other statutory penalties, litigation, liability for failure to safeguard our customers' information, or financial losses that are either not insured against or not fully covered through any insurance maintained by us. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

We rely on technology in our business and any cybersecurity incident, other technology disruption or delay in implementing new technology could negatively affect our business and our relationships with customers.

We use technology in substantially all aspects of our business operations, and our ability to serve customers most effectively depends on the reliability of our technology systems. These technology systems and our uses thereof are vulnerable to disruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, espionage, cyber-attacks, viruses, theft and inadvertent release of information. Any such disruption to these software and other technology systems, or the technology systems of third parties on which we rely, the failure of these systems to otherwise perform as anticipated, or the theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability, including litigation or other legal actions against us or the imposition of penalties, fines, fees or liabilities, which may not be covered by our insurance policies, and competitive disadvantage, any or all of which would potentially adversely affect our customer service, decrease the volume of our business and result in increased costs and lower profits. Moreover, a cybersecurity breach could require us to devote significant management resources to address the problems associated with the breach and to expend significant additional resources to upgrade further the security measures we employ to protect personal information against cyber-attacks and other wrongful attempts to access such information, which could result in a disruption of our operations.

Furthermore, as we pursue our strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure, we are also expanding and improving our information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks.

While the Company has invested, and continues to invest, in technology security initiatives and other measures to prevent security breaches and cyber incidents, as well as disaster recovery plans, these initiatives and measures may not be entirely effective to insulate us from technology disruption that could result in adverse effects on our results of operations. Additionally, information technology systems continue to evolve and, in order to remain competitive, we must implement new technologies in a timely and efficient manner. If our competitors implement new technologies more quickly or successfully than we do, such competitors may be able to provide lower cost or enhanced services of superior quality compared to those we provide, which could have an adverse effect on our results of operations.

In addition, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries where we do business. For example, the European Union adopted a new regulation that became effective in May 2018, the General Data Protection Regulation ("GDPR"), which requires companies to meet new requirements regarding the handling of personal data. Our failure to successfully implement or comply with

appropriate processes to adhere to the requirements of GDPR and other laws and regulations in this area could result in substantial fines or penalties and legal liability and could tarnish our reputation.

We are subject to civil litigation involving allegations of copyright and patent infringement and related claims for indemnification, which could result in our having to pay damages. We may also be subject to additional similar litigation in the future.

We have been, and in the future may be, subject to civil litigation by parties claiming that certain of our audio and music programming offerings infringe the copyright and other intellectual property rights of such parties. For example, during 2016, we entered into settlements with music-rights holders, which resulted in large cash and stock payments by us to resolve the litigations. In addition, during 2018, BMG Rights Management filed suit in the United States District Court for the Central District of California against us and Inflight Productions Ltd, our indirect subsidiary, for copyright infringement and related claims. See our discussion of our “Sound Recording Settlements” in Note 10. Commitments and Contingencies to our consolidated financial statements. Music and related content are subject to complex licensing and intellectual property rights regimes, and if we are unable to successfully navigate those regimes we may incur damages and liability for any rights infringement. In addition, we are, and in

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the future may be, subject to civil litigation by patent owners that claim that our connectivity systems infringe their patents and other intellectual property rights.

We will continue to incur costs to defend and/or settle such lawsuits and such costs may be material. We may be required to pay substantial damages and/or be subject to injunctive relief as a result of these matters, and until resolved, these matters may divert the attention of our management and other resources. The outcome of the foregoing ongoing matters is inherently uncertain and could have a materially adverse effect on our business, financial condition and results of operations.

In addition, in recent years there has been significant litigation involving intellectual property rights in many technology-based industries, including the wireless communications industry. Any infringement, misappropriation or related claims, whether or not meritorious, are time-consuming, divert technical and management personnel and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease providing certain products or services or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. Some of our suppliers may not provide us with an indemnity for the use of the products and services that these providers supply to us, even if we are exposed to liability for their infringement. At the same time, we generally offer third-party intellectual property infringement indemnity to the customers of our Connectivity segment which, in some cases, do not cap our indemnity obligations and thus could render us liable for both defense costs and any judgments. Any of these events could result in increases in our operating expenses, limit our service offerings or result in a loss of business if we are unable to meet our indemnification obligations and our airline customers terminate or fail to renew their contracts.

### Risks Related to Legal, Governmental and Regulatory Matters

We may face changes in regulations and difficulties in obtaining regulatory approvals to provide our services or to operate our business in particular countries or territorial waters, which could have a material adverse impact on the competitive position, growth and financial performance of our Connectivity segment.

In a number of countries where we operate our Connectivity segment, the provision of our services is highly regulated. We may be required to obtain approvals from national and local authorities in connection with most of the telecommunication services that we provide. In many jurisdictions, we must maintain such approvals through compliance with license conditions or payment of annual regulatory fees. For example, many of our Connectivity customers to whom we provide maritime and land products and services utilize our services on mobile vessels or drilling platforms that may enter into new countries on short notice. If we do not already have a license to provide our service in that country or to operate in that country's territorial waters, if required, we may be required to obtain a license or other regulatory approval on short notice, which may not be feasible in some countries. Failure to comply with such regulatory requirements could subject us to various sanctions including fines, penalties, arrests or criminal charges, loss of authorizations and the denial of applications for new authorizations or for the renewal of existing authorizations or cause us to delay or terminate our service to such vessel or platform until such license or regulatory approval may be obtained. In some areas of international waters, it is ambiguous as to which country's regulations apply, if any, and thus difficult and costly for us to determine which licenses or other regulatory approvals we should obtain. In such areas, we could be subject to various penalties or sanctions if we fail to comply with the applicable country's regulations.

We are unable to predict with any certainty the arrival of new or changed regulations from regulatory authorities with jurisdiction over the products and services we provide in our Connectivity segment, including the operation of satellites, the use of satellite bandwidth, the use of radio spectrum, the licensing of earth stations and other radio transmitters, the provision of communications services, the design, manufacture and marketing of communications systems and networking infrastructure and maritime activity. Failure to comply with applicable laws or regulations



could result in the imposition of financial penalties against us, the adverse modification or cancellation of required authorizations, or other material adverse actions.

Laws and regulations affecting our Connectivity segment are subject to change in response to industry developments, new technology, and political considerations. Legislators and regulatory authorities in various countries are considering, and may adopt, new laws, policies and regulations, as well as changes to existing regulations, regarding a variety of matters that could, directly or indirectly, affect our operations or the operations of our distribution partners, increase the cost of providing products and services and make the products and services of our Connectivity segment less competitive in our core markets, including by making it easier or less expensive for competitors to compete with us. In addition, regulation by United States and foreign government agencies, such as the Committee on Foreign Investment in the United States (“CFIUS”), may impair our ability to raise funds from foreign sources.

Regulation by United States government agencies, such as the FAA (which regulates design, production, operations and maintenance under the United States’ international regulatory jurisdiction), the FCC (which regulates the United States telecommunications industry), the FTC (which regulates competition and consumer protection) and their foreign equivalents

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may increase our costs of providing services, may require us to change our services, or, if we are not in compliance with relevant requirements, may lead to costly regulatory enforcement actions against us that can result in the imposition of significant penalties.

Our Connectivity segment is subject to extensive regulation by U.S. and foreign government agencies. The U.S. government agency that has primary regulatory authority over our operations is the FAA. Similar government agencies in foreign countries also exercise regulatory oversight over our business operations. The commercial and private aviation industries, including civil aviation manufacturing and repair industries, are highly regulated by the FAA and FAA-like organizations. FAA certification is (and similar certification in foreign countries may be) required for all equipment that we install on commercial aircraft, and certain of our operating activities require that we obtain FAA certification or similar foreign certifications as a parts manufacturer. For example, in the United States, FAA approvals required to operate our Connectivity segment include STCs and Parts Manufacturer Approvals (“PMAs”). Obtaining STCs and PMAs is an expensive and time-consuming process that requires significant expenditures of time and resources. Any inability to obtain, delay in obtaining, or change in, needed FAA certifications or their foreign equivalents, authorizations or approvals could have an adverse effect on our ability to meet the installation commitments of our Connectivity segment, to manufacture and sell parts for installation on aircraft, or to expand our business and could, therefore, materially adversely affect our growth prospects, business and operating results. If we fail to comply with the many regulations and standards that apply to our activities, we could lose our FAA certifications or their foreign equivalents, authorizations or other approvals on which the manufacturing, installation, maintenance, preventive maintenance and alteration capabilities of our Connectivity segment rely. In addition, the FAA and other similar government agencies may adopt new regulations or amend existing regulations. These government agencies could also change their policies regarding the delegation of compliance determinations to private companies (as opposed to government agencies) (which private companies we currently engage for these services), which could adversely affect our business. To the extent that any such new regulations or amendments to existing regulations or policies apply to our activities, they would generally increase our costs of compliance.

We are also subject to the rules and regulations of the FCC and similar rules and regulations in foreign countries. For example, as part of our authorization to provide satellite-based Wi-Fi services in our Connectivity segment, we have licenses from the FCC that obligate us to comply with various technical, operational and service requirements specifically identified in such licenses as well as other rules and regulations promulgated by the FCC. Our Connectivity business could in the future become subject to the laws and regulations in the United States applicable to mass-market retail providers of broadband Internet access services, and pursuant to an agreement with U.S. federal law enforcement agencies, our aviation connectivity operations must comply with the Communications Assistance for Law Enforcement Act of 1994 (“CALEA”), under which communications carriers and some other service providers must ensure that their equipment, facilities and services can accommodate technical capabilities in executing authorized wiretapping and other electronic surveillance. Many non-U.S. countries have similar lawful-intercept requirements. Other portions of our Connectivity business may also be subject to CALEA. We could be subject to an enforcement action by the FCC and other U.S. and foreign telecommunications regulators or law enforcement agencies for our failure to satisfy any of these laws, regulations and commitments, or these laws and regulations may change in a manner adverse to us. This could subject us to fines, cease and desist orders, loss of licenses and other penalties, as well as increased compliance burdens and costs, all of which could adversely affect our business.

We are also subject to U.S. federal and state and foreign consumer protection requirements, including data privacy and security requirements and restrictions on international personal-data transfers. For example, Section 5 of the Federal Trade Commission (“FTC”) Act prohibits “unfair or deceptive acts or practices in or affecting commerce.” The FTC has brought enforcement actions under the FTC Act against companies that: collect, use, share, or retain personal information in a way that is inconsistent with the representations, commitments, and promises that they make in their privacy policies and other public statements; have privacy policies that do not adequately inform consumers about the company’s actual practices; and/or fail to reasonably protect the security, privacy and confidentiality of nonpublic

consumer information. In addition, in May 2018, the European Union’s General Data Protection Regulation (“GDPR”) became effective, imposing significant personal-data protection requirements on us and many of our customers and restricting the transfer of personal data outside the European Union. We continue to analyze the GDPR in respect of its burden and applicability to our global business operations. We may fail to comply with any of these requirements, and compliance with these requirements may increase our compliance burden and costs.

Adverse decisions or regulations of any of the foregoing U.S. and foreign regulators could negatively impact our operations, increase our costs of doing business and potentially expose us to significant liability. We are unable to predict the scope, pace or financial impact of legal, regulatory and policy changes that could be adopted by those entities.

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Our customers are regulated by civil aviation authorities such as the FAA. If such authorities issue orders, airworthiness directives or other regulations that restrict their ability to operate the aircraft on which we provide service, our service revenue could be negatively affected.

We serve global airlines that are subject to extensive regulation by U.S. and foreign civil aviation authorities. These authorities exercise regulatory oversight over the maintenance and operation of aircraft, including airworthiness matters. From time to time, these authorities issue orders, airworthiness directives and other regulations relating to the maintenance and operation of aircraft that could require, among other things, operational restrictions by our customers or the grounding of an entire aircraft type if these authorities identify design, manufacturing, maintenance or other issues requiring immediate corrective action. If these orders, directives or other regulations restrict the ability of our customers to operate the aircraft on which we provide service, our revenue could be negatively affected.

Regulation by foreign government agencies may increase our costs of providing services or require us to change our services.

Our Connectivity segment is subject to regulation by regulatory agencies and legislative bodies outside the United States where we do, or in the future may do, business. These foreign bodies may require us to obtain certifications for equipment that we install and certain of our operating activities may require that we obtain foreign regulatory certifications as a parts manufacturer. Obtaining these certifications could be an expensive and time-consuming process requiring significant focus and resources. Adverse decisions or regulations of these foreign government agencies could delay the roll-out of our services and have other adverse consequences for us.

Any inability to obtain, delay in obtaining, or change in, needed certifications, authorizations, or approvals, could have an adverse effect on our ability to meet the installation commitments of our Connectivity segment, manufacture and sell parts for installation, or expand our business and could, therefore, materially adversely affect our growth prospects, business and operating results. If we fail to comply with the many foreign regulations and standards that apply to our activities, we could lose the foreign certifications, authorizations or other approvals on which the manufacturing, installation, maintenance, preventive maintenance and alteration capabilities of our Connectivity segment are based. In addition, from time to time, the foreign bodies that regulate our activities may adopt new regulations, amend existing regulations or change their policies, all of which could adversely affect our business. To the extent that any such new regulations or amendments to existing regulations or policies apply to our activities, those new regulations or amendments to existing regulations would generally increase our costs of compliance.

Changes in government regulation of the Internet, including e-commerce or online video distribution, may cause us to change our Connectivity operations and incur greater operating costs in order to maintain compliance.

The current legal environment for Internet communications, products and services is uncertain and subject to statutory, regulatory or interpretive change. Certain laws and regulations applicable to our Connectivity segment often do not contemplate or address specific issues associated with those technologies, and regulators may disagree with our interpretations of existing laws or regulations or the applicability of existing laws or regulations to our business, and existing laws, regulations and interpretations may change in unexpected ways. We cannot be certain what positions regulators may take regarding our compliance with, or lack of compliance with, current and future legal and regulatory requirements or what positions regulators may take regarding any past or future actions that our Connectivity segment has taken or may take in any jurisdiction. Regulators may determine that we are not in compliance with legal and regulatory requirements, and impose penalties, or we may need to make changes to our connectivity system, which could be costly and difficult or could result in lower revenues. Our failure, or the failure of our vendors and media partners, customers and others with whom we transact business, to comply with legal or regulatory requirements could materially adversely affect our business, financial condition and results of operations.

The international sales and operations of our business are subject to extensive trade, export, anti money laundering, foreign corrupt practices and data protection laws.

We must comply with all applicable export control laws and regulations of the United States and other countries. U.S. laws and regulations applicable to it include the Arms Export Control Act, the International Traffic in Arms Regulations (“ITAR”), the Export Administration Regulations (“EAR”) and the trade sanctions laws and regulations administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) as well as various anti-bribery, anti-corruption and data privacy laws. The export of certain of our satellite hardware, services and technical data relating to satellites may in the future be regulated by the U.S. Department of State under ITAR. Other products and services we provide are controlled for export by the U.S. Department of Commerce under the EAR. We also cannot provide services to certain countries subject to U.S. trade sanctions unless we first obtain the necessary authorizations from OFAC. In addition, we are subject to the Foreign Corrupt Practices Act, which generally bars bribes or unreasonable gifts to foreign governments or officials. A substantial portion of our business is with airlines and non-governmental organizations, which constitute “government officials” for many anti-bribery laws in many jurisdictions, which

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could increase the risk of potential anti-corruption compliance issues. Violations of these laws or regulations could result in significant sanctions including fines, onerous compliance requirements, extensive debarments from export privileges or loss of authorizations needed to conduct aspects of our international business. We are also subject to the United Kingdom's new Corporate Criminal Offence of the Failure to Prevent the Facilitation of Tax Evasion based on our large U.K. footprint. A violation of any of the regulations described above could materially adversely affect our business, financial condition and results of operations.

As we continue to expand our operations to include a physical international presence, or otherwise expand our collection of personally identifiable information of residents in other countries, we may be subject to the data protection regulations of the relevant countries. In May 2018, the European Union's GDPR took effect, which resulted in even more restrictive privacy-related requirements for entities outside the European Union that process personally identifiable information about European data subjects. Penalties for non-compliance with the GDPR are considerable, allowing E.U. regulators to impose a monetary penalty of up to 4% of an entity's annual global turnover or €20 million, whichever is greater. We may fail to comply with any of these requirements, and compliance with these requirements may increase our compliance burden and costs. In addition, certain countries have laws which restrict the transfer of personally identifiable information outside of such countries. For example, both Switzerland and the member states of the European Union impose restrictions on transferring data to countries that they do not deem to offer a similar standard of protection as they require. The United States is a jurisdiction whose processes these countries do not deem adequate for purposes of cross-border personal data transfers.

Certain mechanisms apply under European Union member state laws that permit the cross-border transfer of personal information to countries that are not deemed adequate, such as the United States. We have entered into standard contractual clauses approved by the European Union to legitimize these transfers. There is a risk that these standard contractual clauses may be invalidated by the Court of Justice for the European Union as a lawful data transfer mechanism on the grounds that they do not provide adequate protection of European data subjects' personally identifiable information. There is also a risk that E.U. data protection authorities may investigate or bring enforcement actions with criminal and administrative sanctions. Such actions could also damage our business and harm our reputation.

We have been subject to civil stockholder litigation involving allegations that certain of our investor disclosures were false or misleading. We may be subject to additional similar litigation in the future.

We and certain of our former officers and directors were named as defendants in certain purported stockholder class action lawsuits. Specifically, on February 23, 2017 and on March 17, 2017, following the Company's announcement that it anticipated a delay in its 2016 Form 10-K filing and that its former CEO Dave Davis and former CFO Tom Severson would separate from the Company, three putative securities class action lawsuits were filed in United States District Court for the Central District of California. These lawsuits alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act against the Company, Mr. Davis, Mr. Severson and Michael Zemetra (who was our CFO prior to Mr. Severson). The plaintiffs voluntarily dismissed two of these lawsuits. The third lawsuit, brought by putative stockholder M&M Hart Living Trust and Randi Williams (the "Hart complaint"), alleged that the Company and the other defendants made misrepresentations and/or omitted material information about the EMC Acquisition, the Company's projected financial performance and synergies following that acquisition, and the impact of that acquisition on the Company's internal controls over financial reporting. Plaintiffs sought unspecified damages, attorneys' fees and costs. On November 30, 2017, the plaintiffs filed a motion to alter or amend the Court's previous judgment of dismissal to permit them to file a further amended complaint. On January 8, 2018 the Court denied the plaintiffs' motion to alter or amend the previous judgment. On January 29, 2018, the plaintiffs filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit from the Court's denial of the plaintiffs' motion to alter or amend the judgment. In October 2018, the parties agreed to a \$1.1 million settlement, which was fully covered by our directors' and officers' insurance ("D&O insurance") provider. On January 28, 2019, plaintiffs filed a motion for final

approval of the settlement. On March 5, 2019, the Court issued its final approval of the settlement and dismissed the Hart complaint with prejudice.

We incurred costs to defend and settle such lawsuits and may incur additional costs to defend and/or settle similar matters. In addition, we may be required to pay substantial damages in connection with such matters if we do not ultimately prevail. Further, such lawsuits divert the attention of our management and consume other resources. Our D&O insurance may not be adequate to cover our obligations to indemnify our directors and officers, fund a settlement of such lawsuits or pay an adverse judgment. We are currently unable to estimate the possible loss or possible range of loss, if any, associated with such lawsuits, in part because the outcome of the foregoing matters is inherently uncertain. An unfavorable outcome from the lawsuits could have a material adverse effect on our consolidated financial position, results of operations, future cash flows or future reputation.

In addition to the lawsuit described above, we and our current and/or former officers and directors may face additional suits from stockholders in the future. Any such suits may similarly cause us to incur substantial costs, result in management distraction, and expose us to significant damages. There can be no assurance that we will prevail in any such litigation, and any adverse outcome of such cases could have a material adverse effect on our reputation, business and results of operations.

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Our potential indemnification obligations and limitations of our director and officer liability insurance could result in significant legal expenses or damages and could have a material adverse effect on our reputation, business and results of operations.

Both current and former officers and members of our Board of Directors (the “Board”), as individual defendants, could be the subject of lawsuits related to the Company. Under Delaware law, our by-laws and certain indemnification agreements, we may have an obligation to indemnify both current and former officers and directors in relation to these matters. If the Company incurs significant uninsured indemnity obligations, our indemnity obligations could have a material adverse effect on our reputation, business and results of operations.

## Risks Related to Our Liquidity and Indebtedness

We may not be able to generate cash to meet our debt services needs or fund our operations.

As of December 31, 2018, our sources of liquidity included cash on hand of \$39.2 million, restricted cash of \$0.8 million and remaining availability on our revolving credit facility of \$31.0 million (excluding approximately \$5.6 million in letters of credit outstanding thereunder). Our short-term and long-term liquidity requirements include primarily paying our debt service obligations and funding our operating costs. In addition, in 2019 we expect to have increased liquidity requirements relating to our investment in the installation and support of our equipment in Southwest and Air France aircraft. Our ability to make payments on or to refinance our indebtedness and to fund our operations will depend on our ability to generate cash in the future, which is subject in part to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may need to raise additional capital in order to fund ongoing operations or to capitalize on business opportunities. We may not be able to generate sufficient cash flow from operations and future borrowings or equity may not be available in amounts sufficient to enable us to service our indebtedness or to fund our operations or other liquidity needs. If we are unable to generate sufficient cash, we may be forced to take actions such as revising or delaying our strategic plans, reducing or delaying capital expenditures and/or the investment in new satellites, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to implement any of these actions on satisfactory terms, or at all. In addition, if we lack sufficient cash to make timely payments to our vendors, we may be unable to source the components needed to provide equipment and services to our customers, which could negatively affect our reputation and our business. The agreements governing our indebtedness limit our ability to dispose of assets and use the proceeds from such dispositions. Therefore, we may not be able to consummate those dispositions on satisfactory terms, or at all, or to use those proceeds in a manner we may otherwise prefer. The Tax Cuts and Jobs Act of 2017 enacted in December 2017 (the “2017 Tax Act”) limits the deductibility of interest expense for U.S. federal income tax purposes. If these limitations or other newly enacted provisions become applicable to us, they could minimize such reductions or otherwise require us to pay additional federal income taxes, which in turn could result in additional liquidity needs.

In addition, conditions in the financial markets could make it difficult for us to access capital markets at acceptable terms or at all. Instability