

VIASAT INC
Form 10-K
May 30, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 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 (000-21767)

VIASAT, INC.

(Exact name of registrant as specified in its charter)

Delaware 33-0174996
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

6155 El Camino Real

Carlsbad, California 92009

(760) 476-2200

Edgar Filing: VIASAT INC - Form 10-K

(Address of principal executive offices and telephone number)

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

(Title of Each Class)	(Name of Each Exchange on which Registered)
Common Stock, par value \$0.0001 per share	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 of

1933. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	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.

Edgar Filing: VIASAT INC - Form 10-K

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant as of September 30, 2017 was approximately \$3,519,366,311 (based on the closing price on that date for shares of the registrant's common stock as reported by the Nasdaq Global Select Market).

The number of shares outstanding of the registrant's common stock, \$0.0001 par value, as of May 11, 2018 was 58,908,061.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with its 2018 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K where indicated. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended March 31, 2018.

VIASAT, INC.

TABLE OF CONTENTS

	Page
<u>PART I</u>	
Item 1. <u>Business</u>	2
Item 1A. <u>Risk Factors</u>	18
Item 1B. <u>Unresolved Staff Comments</u>	35
Item 2. <u>Properties</u>	36
Item 3. <u>Legal Proceedings</u>	36
Item 4. <u>Mine Safety Disclosures</u>	36
<u>PART II</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	37
Item 6. <u>Selected Financial Data</u>	38
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	40
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	60
Item 8. <u>Financial Statements and Supplementary Data</u>	61
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	61
Item 9A. <u>Controls and Procedures</u>	62
Item 9B. <u>Other Information</u>	62
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	64
Item 11. <u>Executive Compensation</u>	64
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	64
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	64
Item 14. <u>Principal Accounting Fees and Services</u>	64
<u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	65
Item 16. <u>Form 10-K Summary</u>	67
<u>Signatures</u>	68

PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. We use words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would,” variation similar expressions to identify forward-looking statements. In addition, statements that refer to projections of earnings, revenue, costs or other financial items; anticipated growth and trends in our business or key markets; future economic conditions and performance; the development, customer acceptance and anticipated performance of technologies, products or services; satellite construction and launch activities; the performance and anticipated benefits of our ViaSat-2 and ViaSat-3 class satellites and any future satellite we may construct or acquire; the impacts on overall coverage area, planned services and financial results of the identified antenna deployment issue on the ViaSat-2 satellite; the expected completion, capacity, service, coverage, service speeds and other features of our satellites, and the timing, cost, economics and other benefits associated therewith; anticipated subscriber growth; plans, objectives and strategies for future operations; and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ materially include: our ability to realize the anticipated benefits of the ViaSat-2 and ViaSat-3 class satellites and any future satellite we may construct or acquire; unexpected expenses related to our satellite projects; our ability to realize the anticipated benefits of our strategic partnering arrangement with Eutelsat S.A. (together with its affiliates, Eutelsat) or any of our acquisitions; our ability to successfully implement our business plan for our broadband services on our anticipated timeline or at all; risks associated with the construction, launch and operation of satellites, including the effect of any anomaly, operational failure or degradation in satellite performance; our ability to successfully develop, introduce and sell new technologies, products and services; audits by the U.S. government; changes in the global business environment and economic conditions; delays in approving U.S. government budgets and cuts in government defense expenditures; our reliance on U.S. government contracts, and on a small number of contracts which account for a significant percentage of our revenues; reduced demand for products and services as a result of continued constraints on capital spending by customers; changes in relationships with, or the financial condition of, key customers or suppliers; our reliance on a limited number of third parties to manufacture and supply our products; increased competition; introduction of new technologies and other factors affecting the communications and defense industries generally; the effect of adverse regulatory changes on our ability to sell products and services; the effect of recent changes to U.S. tax laws; our level of indebtedness and ability to comply with applicable debt covenants; our involvement in litigation, including intellectual property claims and litigation to protect our proprietary technology; our dependence on a limited number of key employees; and other factors identified under the heading “Risk Factors” in Item 1A of this report, elsewhere in this report and our other filings with the Securities and Exchange Commission (the SEC). Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

ITEM 1. BUSINESS

Corporate Information

We were incorporated in California in 1986 under the name Viasat, Inc., and subsequently reincorporated in Delaware in 1996. The mailing address of our worldwide headquarters is 6155 El Camino Real, Carlsbad, California 92009, and our telephone number at that location is (760) 476-2200. Our website address is www.viasat.com. The information on our website does not constitute part of this report.

Company Overview

We are an innovator in broadband technologies and services. Our end-to-end platform of high-capacity Ka-band satellites, ground infrastructure and user terminals enables us to provide cost-effective, high-speed, high-quality broadband solutions to enterprises, consumers and government users around the globe, whether on the ground, on the move or in flight. In addition, we develop and provide advanced wireless communications systems, secure networking systems and cybersecurity and information assurance products and services. Our product, system and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that our portfolio of products and services, combined with our ability to effectively cross-deploy technologies between government and commercial segments and across different geographic markets, provides us with a strong foundation to sustain and enhance our leadership in advanced communications and networking technologies.

During the third quarter of fiscal year 2017, we completed the sale of an aggregate of 7,475,000 shares of Viasat common stock in an underwritten public offering. Our net proceeds from the offering were approximately \$503.1 million after deducting underwriting discounts and offering expenses. We used \$225.0 million of the net proceeds from the offering to repay the then-outstanding borrowings under our revolving credit facility (the Revolving Credit Facility).

We conduct our business through three segments: satellite services, commercial networks and government systems. Financial information regarding our reporting segments and the geographic areas in which we deliver our services and products is included in the consolidated financial statements and notes thereto.

Satellite Services

Our satellite services segment provides satellite-based high-speed broadband services to consumers, enterprises, commercial airlines and mobile broadband customers both in the United States and abroad. Our Viasat Internet and Viasat Business Internet fixed broadband services (formerly provided under the Exede® and WildBlue® brands) offer high-speed, high-quality broadband internet access. We also offer high-speed internet and other in-flight services for a growing number of commercial aircraft. Our satellite services business also provides a platform for the provision of network management services to domestic and international satellite service providers.

Our satellite services business uses our proprietary technology platform to provide satellite-based high-speed broadband services with multiple applications to consumers, enterprises, commercial airlines and mobile broadband customers. Our proprietary Ka-band satellites are at the core of our technology platform. The ViaSat-1 satellite (our first-generation high-capacity Ka-band spot-beam satellite) was placed into service in January 2012. On June 1, 2017, our second-generation ViaSat-2 satellite was successfully launched into orbit. In January 2018, we reported an antenna deployment issue identified by the satellite manufacturer, for which root cause analysis is still under investigation. Based on measured data and analysis of the current in-orbit performance of the satellite as well as the network as a whole, we currently expect that the issue will not materially impact the overall coverage area of the satellite, nor materially impact the planned services and the expected financial results from the ViaSat-2 system. In the fourth quarter of fiscal year 2018, we launched commercial broadband services on our ViaSat-2 satellite. Our ViaSat-2 satellite significantly expands our data throughput capacity and supports the flexible allocation of capacity, enabling us to improve the speed, availability and geographic coverage area of our broadband services and dynamically respond to changing capacity demands across different geographic areas and service offerings. We currently have two ViaSat-3 class satellites under construction, and anticipate commencing construction on a third ViaSat-3 class satellite in the future. Our ViaSat-3 class satellites are our third-generation high-capacity Ka-band satellite design and are designed to further expand our data throughput capacity and geographic coverage area and enhance our ability to flexibly allocate capacity, thereby improving the speed, availability and cost-efficiency of our proprietary Ka-band satellite network. Launch of commercial service on the first ViaSat-3 class satellite is currently targeted for the second half of calendar year 2020. We also own the WildBlue-1 satellite, which was placed into service in March 2007.

We believe that growth in our satellite services segment will be driven in the coming years by continued rapid growth in demand for high-speed broadband services across the globe, driven both by continued increases in the number of internet users and connected devices and by increasing data usage, including for video streaming and mobile and in-flight connectivity (IFC). Growth in our in-flight services business in the coming years is also expected to be driven by the installation of our IFC systems on additional commercial aircraft, with installations anticipated on approximately 955 additional aircraft under our existing customer agreements with commercial airlines as of March 31, 2018. The primary services offered by our satellite services segment are comprised of:

Fixed Broadband Services. Our satellite-based fixed broadband services provide consumers and businesses with high-speed broadband internet access and Voice over Internet Protocol (VoIP) services. We provide fixed broadband services primarily in the United States, as well as in other markets such as Europe and Mexico. We offer a range of service plans, including unlimited data plans and plans with up to 100 Mbps download speeds, with pricing and

available service offerings based on a number of different factors, including available capacity, bandwidth limits, service quality levels, bundled offerings, terms of distribution and geographic location. We also offer wholesale and retail fixed broadband services to our national, regional and foreign distribution partners, including direct-to-home satellite video providers, retail service providers and communications companies. As of March 31, 2018, we provided fixed broadband services to approximately 576,000 subscribers. In addition, we offer satellite-enabled community Wi-Fi hotspot services to provide affordable and reliable high-speed internet connectivity in unserved and underserved communities, primarily in Mexico.

3

In-Flight Services. Our award-winning in-flight services provide industry-leading in-flight internet and aviation software services to commercial airlines. The data throughput capacity of our IFC systems enables commercial airlines to offer more passengers on more flights the ability to enjoy high-speed internet services such as streaming video. As of March 31, 2018, 635 commercial aircraft were in service across the United States, Europe and Australia utilizing our Viasat IFC systems.

Mobile Broadband Services. Our mobile broadband services provide global network management and high-speed internet connectivity services for customers using airborne, maritime and ground-mobile satellite systems.

We also offer a variety of other broadband services, including business connectivity, live on-line event streaming, oil and natural gas data gathering services and high-definition satellite news gathering.

Commercial Networks

Our commercial networks segment develops and produces a variety of advanced satellite and wireless products, systems and solutions that enable the provision of high-speed fixed and mobile broadband services. Our products, systems and solutions include an array of satellite-based and wireless broadband platforms, networking equipment, space hardware, radio frequency and advanced microwave solutions, space-to-earth connectivity systems, customer premise equipment (CPE), satellite modems and antenna technologies, as well as satellite payload development and ASIC chip design. Our products, systems and solutions are generally developed through a combination of customer and discretionary internal research and development funding, are utilized to provide services through our satellite services segment and are also sold to commercial networks customers (with sales of complementary products, systems and solutions to government customers included in our government systems segment).

We believe growth in our commercial networks segment will be driven in the coming years by continued growth in worldwide demand for mobile and fixed connectivity, ground networking equipment and products that enable or support access to high-speed broadband services, and by the increasing cost-effectiveness of satellite technologies to rapidly deploy broadband services across wide geographic areas and to large numbers of people within the satellite footprint. Our commercial networks segment also leverages the deployment of our own proprietary high-capacity Ka-band satellites, as well as Ka-band satellites operated or being built for third parties around the world, by providing the ground infrastructure and user terminals that access the satellites. The primary products, systems, solutions and services offered by our commercial networks segment are comprised of:

Mobile Broadband Satellite Communication Systems. Our mobile satellite communication systems and related products provide high-speed, cost-efficient broadband access while on the move via small transceivers, and are designed for use in aircraft and seagoing vessels. As of March 31, 2018, we expected to install IFC systems on approximately 955 additional aircraft under our existing customer agreements with commercial airlines, approximately 196 of which related to accepted purchase orders (which are included in firm backlog in our commercial networks segment) and approximately 759 of which related to anticipated purchase orders and requests under existing customer agreements. There can be no assurance that all anticipated purchase orders and requests will be placed.

Fixed Satellite Networks. We are a leading end-to-end network technology supplier for the fixed satellite consumer and enterprise markets. Our next-generation satellite network infrastructure and ground terminals are designed to access Ka-band broadband services on high-capacity satellites. Our network systems and modems enable satellite broadband access for residential or home office customers. We also offer related products and services to enterprise customers to address bandwidth constraints, latency and other issues.

Antenna Systems. We develop, design, produce, test and install ground terminals and antennas for terrestrial and satellite applications, specializing in earth imaging, remote sensing, mobile satellite communication, Ka-band earth stations and other multi-band antennas.

Satellite Networking Development. We offer specialized design and technology services covering all aspects of satellite communication system architecture and technology, including the analysis, design, development and specification of satellite and ground systems, fabless semiconductor design for Application-Specific Integrated Circuit (ASIC) and Monolithic Microwave Integrated Circuit (MMIC) chips, and network function virtualization, as

well as a wide range of modules and subsystems for various commercial, military and space uses, and radio frequency and advanced microwave solutions. We also design and develop high-capacity Ka-band satellites as part of our commercial networks segment (both for our own satellite fleet and for third parties) and design, develop and produce the associated satellite payload technologies.

4

Government Systems

Our government systems segment provides global mobile broadband services to military and government users, and develops and produces network-centric Internet Protocol (IP)-based fixed and mobile secure communications products and solutions that are designed to enable the collection and dissemination of secure real-time digital information between individuals on the tactical edge, command centers, strategic communications nodes, ground and maritime platforms and airborne intelligence and defense platforms. Customers of our government systems segment include the U.S. Department of Defense (the DoD), allied foreign governments, allied armed forces, public safety first-responders and remote government employees.

We believe growth in our government systems segment in the coming years will be driven by continued growth in demand for secure, higher-capacity, higher-quality broadband services, associated ground systems and advanced cybersecurity protections. This continued demand reflects the U.S. military's emphasis on "network-centric" highly mobile warfare over geographically dispersed areas (which requires the development and deployment of secure, IP-based communications networks, products and service offerings capable of supporting real-time dissemination of data using multiple transmission media) and increased use of IP-based network-centric and bandwidth-intensive applications at all organizational levels. Satellite-based systems are increasingly seen as the most reliable method of connecting rapidly moving armed forces that may out-run the range of terrestrial line-of-sight radio links. High-speed broadband beyond-line-of-sight connectivity is increasingly required to support real-time command and control decision-making and enhanced situational awareness.

The primary products and services of our government systems segment include:

- **Government Mobile Broadband.** Our government mobile broadband products and services provide military and government users with high-speed, real-time broadband and multimedia connectivity in key regions of the world. Our government mobile broadband services include high-bandwidth global communications services in support of very important person and senior level airborne operations and emergency response, as well as line-of-sight and beyond-line-of-sight Intelligence, Surveillance, and Reconnaissance (ISR) missions. Our government mobile broadband products include mobile broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands capable of being installed and operated on a wide variety of fixed wing, rotary wing, manned and unmanned aircraft.
- **Government Satellite Communication Systems.** Our government satellite communication systems offer an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands for Command and Control (C2) missions, satellite networking services and network management systems for Wi-Fi and other internet access networks. Our systems, products and service offerings are designed to support high-throughput broadband data links, to increase available bandwidth using existing satellite capacity, and to withstand certain catastrophic events. Our range of broadband modems, terminals and systems support high-speed broadband and multimedia transmissions over point-to-point, mesh and hub-and-spoke satellite networking systems, and include products designed for manpacks, aircraft, unmanned aerial vehicles (UAVs), seagoing vessels, ground-mobile vehicles and fixed applications.
- **Cybersecurity and Information Assurance.** Our cybersecurity and information assurance products and services provide advanced, high-speed IP-based "Type 1" and High Assurance Internet Protocol Encryption (HAIZE®)-compliant encryption solutions that enable military and government users to communicate information securely over networks, and that secure data stored on computers and storage devices. Our encryption products and modules use a programmable, high-assurance architecture that can be easily upgraded in the field or integrated into existing communication networks, and are available both on a stand-alone basis and as embedded modules within our tactical radio, information distribution and other satellite communication systems and products.
- **Tactical Data Links.** We develop and produce advanced tactical radio and information distribution systems that enable secure voice and real-time collection and dissemination of video and data using secure, jam-resistant transmission links from manned and unmanned aircraft, ground mobile vehicles, individual warfighters and other remote platforms to networked communication and command centers. Key products in this category include our

Battlefield Awareness and Targeting System — Dismounted (BATS-D) handheld Link 16 radios, our KOR-24A 2-channel Small Tactical Terminal for manned and unmanned applications, “disposable” defense data links, our Multifunctional Information Distribution System (MIDS) terminals for military fighter jets and their successor, MIDS Joint Tactical Radio System (MIDS-JTRS) terminals.

5

Our Strengths

We believe the following strengths position our business to capitalize on the attractive growth opportunities presented in our business segments:

Vertically Integrated End-to-End Platform of Leading Broadband Technologies. We believe our innovative ecosystem of high-capacity Ka-band satellites, ground infrastructure and user terminals provides a vertically integrated end-to-end platform that uniquely positions us to cost-effectively deliver a diverse portfolio of high-speed, high-quality broadband solutions and applications to enterprises, consumers and government users. Our product, system and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that many of the market segments in which we compete have significant barriers to entry due to the complexity of technology and the amount of required investment, and that limited competition exists for broadband services at higher data speeds. We believe that our comprehensive and vertically integrated portfolio of satellites, products and services, combined with our ability to effectively cross-deploy technologies between government and commercial segments and across different geographic markets, provides us with a strong foundation to sustain and enhance our leadership in broadband technologies and services.

Innovation of Next-Generation Satellite Technology. We have a long history of innovation in next-generation satellite technologies. Since our inception, we have designed and produced advanced satellite communications systems and equipment. In February 2012, the Society of Satellite Professionals International bestowed an Industry Innovators Award on us in recognition of the development and launch of our award-winning first-generation high-capacity Ka-band spot-beam satellite, ViaSat-1. In 2013, ViaSat-1 earned a Guinness World Records® title as the highest-capacity communications satellite in the world with its data throughput of approximately 140 Gigabits per second. Our second-generation ViaSat-2 satellite was successfully launched into orbit on June 1, 2017 and we launched commercial broadband services on ViaSat-2 in the fourth quarter of fiscal year 2018. Our ViaSat-2 satellite significantly expands our data throughput capacity and supports the flexible allocation of capacity, enabling us to improve the speed, availability and geographic coverage area of our broadband services and dynamically respond to changing capacity demands across different geographic areas and service offerings, as well as offer compelling retail service plans that enable us to better compete against traditional telecom, wireless and low-end cable companies. In March 2018, our ViaSat-2 satellite was selected as a winner in the ‘Space, Platforms’ category of the 61 Annual Laureate Awards, honoring extraordinary achievements in the global aerospace arena. Our third-generation ViaSat-3 class satellites (two of which are currently under construction) are designed to further expand our data throughput capacity and geographic coverage area and enhance our ability to flexibly allocate capacity, thereby improving the speed, availability and cost-efficiency of our proprietary Ka-band satellite network. Our market-leading in-flight internet service has received numerous awards and accolades, including the Crystal Cabin Award for the best Passenger Comfort System in April 2015 and the Excellence in Avionics Award for In-Flight Connectivity Innovation in July 2015. JetBlue’s Fly-Fi® in-flight Wi-Fi service, which is powered by Viasat’s IFC system, recently won the 2017 APEX Passenger Choice Award for ‘Best Wi-Fi.’ This particular award was tallied from passenger-submitted data, showcasing the power of the Viasat platform to deliver an exceptional in-flight internet service. We believe that our innovative satellite technologies and investments in the associated ground infrastructure will enable us to provide greater capacity and faster broadband speeds. We believe our history of developing proprietary and innovative satellite technologies spanning spacecraft, ground infrastructure, user terminals and network design demonstrates that we possess the expertise and credibility required to serve the evolving technology needs of our customers whether on the ground, in the air or at sea.

Diversification of Business Model. Our business is highly diversified, ranging from the provision of fixed broadband services to consumers and enterprises, to the provision of in-flight services and IFC systems to commercial airlines, to the sale of complex satellite communication systems and products to communications service providers and enterprises, to the sale of advanced wireless communications systems, secure networking systems and cybersecurity and information assurance products and other communications services to government users and defense contractors. This diversification in product and service offerings, customer base and market segment helps to reduce our exposure to fluctuations in any of the individual markets we serve. In addition, the flexibility in our business model allows us to allocate our satellite capacity to markets where bandwidth usage demands and returns are highest.

During fiscal years 2018, 2017 and 2016, our satellite services segment generated 37%, 40% and 39% of total revenues, our commercial networks segment generated 15%, 16% and 18% of total revenues, and our government systems segment generated 48%, 44% and 43% of total revenues, respectively.

Blue-Chip Customer Base and Favorable Consumer Plans. Our customers include the DoD, large defense contractors, allied foreign governments, civil agencies, satellite network integrators, large communications service providers, commercial airlines and enterprises requiring complex communications and networking solutions and services. We believe that the credit strength of our key customers, including the U.S. government, leading aerospace and defense prime contractors and commercial airlines, as well as our favorable consumer broadband plans, help support more consistent financial performance.

6

Experienced Management Team. Our core management team, including our Chief Executive Officer, has been with the company since its inception in 1986. Mr. Dankberg is considered to be a leading expert in the field of satellite and wireless communications. In 2008, Mr. Dankberg received the prestigious AIAA Aerospace International Communication award, which recognized him for “shepherding Viasat into a leading satellite communications company through outstanding leadership and technical expertise.” In 2013, Mr. Dankberg received the Innovator Award from the Arthur C. Clarke Foundation. In 2015, Mr. Dankberg was inducted into the Society of Satellite Professionals Hall of Fame for his leadership and visionary role in satellite communications, and in 2017, Mr. Dankberg became an elected member of the National Academy of Engineering.

Our Strategy

Our business strategy is to be a leading provider of high-speed and cost-effective broadband and advanced communications products and services, utilizing our leading satellite and Wi-Fi technologies and capabilities. The principal elements of our strategy include:

• **Maintain Focus on Technology Leadership.** We will continue to focus on research and development to bring high-capacity, high-speed broadband communications to the global market. Our innovative satellite and product development has been one of our hallmarks, and we intend to focus on maintaining our leadership position in satellite technologies and services, while continuing to expand our efforts in wireless communications, cloud networking and security. Our research and development efforts are supported by a global employee base of over 5,200 personnel, including over 2,500 engineers, and a culture that deeply values and supports innovation.

• **Continue to Expand our Addressable Markets.** As the capacity, data throughput speeds and geographic coverage areas of our satellite systems continue to increase (with each generation of our high-capacity Ka-band satellite designs), we expect the addressable market for our broadband technologies, products and services (whether consumer, enterprise, commercial airline or government) to similarly expand. Higher capacity, more flexible satellites allow us to offer cost-effective broadband services that allow greater data usage at faster speeds, thereby enabling us to better compete against other broadband technologies (including terrestrial technologies) over large geographic areas. As the speed of our broadband offerings increases, we expect the number of companies able to provide competing broadband offerings at equivalent speeds to decrease.

• **Drive Cost Efficiencies.** We continue to drive cost efficiencies in our businesses through our strategy of vertical integration. We optimize our satellite network systems through our development of an end-to-end platform of next-generation Ka-band satellites, ground networking equipment and user terminals that enable the provision of high-speed broadband services. Our ViaSat-3 class satellites are expected to further drive cost efficiencies through their enhanced ability to efficiently and dynamically match supply and demand through the flexible allocation of capacity within the satellite footprint.

- **Focus on International Opportunities.** We believe that international markets represent an attractive opportunity for our business. As worldwide demand for broadband connectivity and services continues to grow, we expect that our comprehensive offering of next-generation Ka-band satellites, advanced end-to-end communication systems and ground networking equipment and products, and their ability to enable cost-effective, high-speed broadband services (including in-flight and fixed broadband services and satellite-enabled community Wi-Fi hotspots), will be increasingly attractive internationally. Our ViaSat-2 satellite significantly improved the geographic coverage area of our broadband services over North and Central America and the primary aeronautical and maritime routes across the Atlantic Ocean bridging North America and Europe. Our first two ViaSat-3 class satellites (currently under construction) are expected to provide broadband services over the Americas and the Europe, Middle East and Africa (EMEA) region, respectively, thereby making our cost-effective, high-speed broadband service offerings available to new markets.

• **Pursue Growth Through Strategic Alliances, Partnering Arrangements and Relationships.** In our government systems segment, we regularly enter into teaming arrangements with other government contractors to more effectively capture complex government programs. In addition, we actively seek strategic relationships and joint ventures with companies whose financial, marketing, operational or technological resources can accelerate the introduction of new technologies and the penetration of new markets. We have also engaged in strategic relationships with companies

that have innovative technologies and products, highly skilled personnel, market presence, or customer relationships and distribution channels that complement our strategy. We may continue to evaluate acquisitions of, or investments in, complementary companies, businesses, products or technologies to supplement our internal growth.

7

Our Customers

Our customer base is highly diversified. Customers in our satellite services segment include residential customers, commercial airlines, small businesses and other enterprise customers of our broadband services. The customers of our government systems and commercial networks segments include the DoD, U.S. National Security Agency, the U.S. Department of Homeland Security, allied foreign governments, select other U.S. federal, state and local government agencies, commercial and defense contractors, satellite network integrators, large communications service providers and enterprises requiring complex communications and networking solutions. We enter into government contracts either directly with U.S. or foreign governments, or indirectly through domestic or international partners or resellers. In our commercial networks segment, we also act as both a prime contractor and subcontractor for the sale of equipment and services.

Revenues from the U.S. government as an individual customer comprised approximately 31%, 29% and 24% of total revenues for fiscal years 2018, 2017 and 2016, respectively. None of our other customers comprised 10% or more of total revenues in fiscal years 2018, 2017 and 2016.

U.S. Government Contracts

Substantial portions of our revenues are generated from contracts and subcontracts with the DoD and other federal government agencies. Many of our contracts are subject to a competitive bid process and are awarded on the basis of technical merit, personnel qualifications, experience and price. We also receive some contract awards involving special technical capabilities on a negotiated, noncompetitive basis due to our unique technical capabilities in special areas. The Federal Acquisition Streamlining Act of 1994 has encouraged the use of commercial type pricing, such as firm fixed-price contracts, on dual use products. Our future revenues and income could be materially affected by changes in government procurement policies and related oversight, a reduction in expenditures for the products and services we provide, and other risks generally associated with federal government contracts.

We provide products under federal government contracts that usually require performance over a period of several months to multiple years. Long-term contracts may be conditioned upon continued availability of congressional appropriations. Variances between anticipated budget and congressional appropriations may result in a delay, reduction or termination of these contracts.

Our federal government contracts are performed under cost-reimbursement contracts, time-and-materials contracts and fixed-price contracts. Cost-reimbursement contracts provide for reimbursement of costs and payment of a fee. The fee may be either fixed by the contract or variable, based upon cost control, quality, delivery and the customer's subjective evaluation of the work. Under time-and-materials contracts, we receive a fixed amount by labor category for services performed and are reimbursed for the cost of materials purchased to perform the contract. Under a fixed-price contract, we agree to perform specific work for a fixed price and, accordingly, realize the benefit or detriment to the extent that the actual cost of performing the work differs from the contract price. In fiscal year 2018, approximately 14% of our total government revenues was generated from cost-reimbursement contracts with the federal government or our prime contractors, approximately 1% from time-and-materials contracts and approximately 85% from fixed-price contracts.

Our allowable federal government contract costs and fees are subject to audit and review by the Defense Contracting Management Agency (DCMA) and the Defense Contract Audit Agency (DCAA), as discussed below under “— Regulatory Environment — Other Regulations.”

Our federal government contracts may be terminated, in whole or in part, at the convenience of the U.S. government. If a termination for convenience occurs, the U.S. government generally is obligated to pay for work completed or services rendered and/or the cost incurred by us under the contract, which may include a fee or allowance for profit. Contracts with prime contractors may have negotiated termination schedules that apply. When we participate as a

subcontractor, we are at risk if the prime contractor does not perform its contract. Similarly, when we act as a prime contractor employing subcontractors, we are at risk if a subcontractor does not perform its subcontract.

Some of our federal government contracts contain options that are exercisable at the discretion of the customer. An option may extend the period of performance for one or more years for additional consideration on terms and conditions similar to those contained in the original contract. An option may also increase the level of effort and assign new tasks to us. In our experience, options are exercised more often than not.

Our eligibility to perform under our federal government contracts requires us to maintain adequate security measures. We have implemented security procedures that we believe adequately satisfy the requirements of our federal government contracts.

Research and Development

The industries in which we compete are subject to rapid technological developments, evolving standards, changes in customer requirements and continuing developments in the communications and networking environment. Our continuing ability to adapt to these changes, and to develop innovative satellite technologies and new and enhanced products and services, is a significant factor in maintaining or improving our competitive position and our prospects for growth. Therefore, we continue to make significant investments in next-generation satellite technologies and product development.

We conduct the majority of our research and product development activities in-house and have a research and development and engineering staff, which includes over 2,500 engineers. Our product development activities focus on products that we consider viable revenue opportunities to support all of our business segments. A portion of our research and development efforts for our products has been conducted in direct response to the specific requirements of a customer's order and, accordingly, these amounts are included in the cost of sales when incurred and the related funding is included in revenues at that time.

The portion of our contract revenues which includes research and development funded by government and commercial customers was approximately 19%, 19% and 20% of our total revenues during fiscal years 2018, 2017 and 2016, respectively. In addition, we incurred \$168.3 million, \$129.6 million and \$77.2 million during fiscal years 2018, 2017 and 2016, respectively, on independent research and development (IR&D) expenses, which comprise research and development not directly funded by a third party. Funded research and development contains a profit component and is therefore not directly comparable to IR&D. As a U.S. government contractor, we also are able to recover a portion of our IR&D expenses, consisting primarily of salaries and other personnel-related expenses, supplies and prototype materials related to research and development programs.

Intellectual Property

We seek to establish and maintain our proprietary rights in our technology and products through a combination of patents, copyrights, trademarks, trade secrets and contractual rights. We also seek to maintain our trade secrets and confidential information through nondisclosure policies, the use of appropriate confidentiality agreements and other security measures. We have registered a number of patents and trademarks in the United States and in other countries and have a substantial number of patent filings pending determination. There can be no assurance, however, that these rights can be successfully enforced against competitive products in any particular jurisdiction. Although we believe the protection afforded by our patents, copyrights, trademarks, trade secrets and contracts has value, the rapidly changing technology in the networking, satellite and wireless communications industries and uncertainties in the legal process make our future success dependent primarily on the innovative skills, technological expertise and management abilities of our employees rather than on the protections afforded by patent, copyright, trademark and trade secret laws and contractual rights. Accordingly, while these legal protections are important, they must be supported by other factors such as the expanding knowledge, ability and experience of our personnel, and the continued development of new products and product enhancements.

Certain of our products include software or other intellectual property licensed from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of our products, we believe, based upon past experience and standard industry practice, that such licenses generally could be obtained on commercially reasonable terms. Nonetheless, there can be no assurance that the necessary licenses would be available on acceptable terms, if at all. Our inability to obtain these licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could have a material adverse effect on our business, operating results and financial condition.

The industry in which we compete is characterized by rapidly changing technology, a large number of patents, and frequent claims and related litigation regarding patent and other intellectual property rights. We cannot assure you that

our patents and other proprietary rights will not be challenged, invalidated or circumvented, that others will not assert intellectual property rights to technologies that are relevant to us, or that our rights will give us a competitive advantage. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws of the United States.

9

Sales and Marketing

We have a sales presence in various domestic and foreign locations, and we sell our products and services both directly and indirectly through channel partners, as described below:

Satellite Services Sales Organization. Our satellite services sales organization for our broadband internet services sells directly to residential customers in our retail channel through our Viasat Internet website, sales call centers and through over 1,000 active retailer dealers (including DirecTV). Our satellite services sales organization also includes direct sales and business development personnel who work with enterprises, enterprise-focused master agents and commercial airlines to identify business opportunities and develop solutions for customers' needs.

Commercial Networks Sales Organization. Our commercial networks sales organization consists of sales managers and sales engineers, who act as the primary interface to establish account relationships and determine technical requirements for customer networks. In addition to our sales force, we maintain a highly trained service staff to provide technical product and service support to our customers. The sales cycle in the commercial network market is often lengthy and it is not unusual for a sale to take up to 18 months from the initial contact through the execution of the agreement. The sales process often includes several network design iterations, network demonstrations and pilot networks consisting of a few sites.

Government Systems Sales Organization. Our government systems sales organization consists of both direct sales personnel who sell our standard products, and business development personnel who work with engineers, program managers, marketing managers and contract managers to identify business opportunities, develop customer relationships, develop solutions for customers' needs, prepare proposals and negotiate contractual arrangements. The period of time from initial contact through the point of product sale and delivery can take over three years for more complex product developments. Products already in production can usually be delivered to a customer between 90 to 180 days from the point of product sale.

Strategic Partners. To augment our direct sales efforts, we seek to develop key strategic relationships to market and sell our products and services. We direct our sales and marketing efforts to our strategic partners, primarily through our senior management relationships. In some cases a strategic ally may be the prime contractor for a system or network installation and will subcontract a portion of the project to us. In other cases, the strategic ally may recommend us as the prime contractor for the design and integration of the network. We seek strategic relationships and partners based on many factors, including financial resources, technical capability, geographic location and market presence.

Our marketing team works closely with our sales, research and product development organizations and our customers to increase the awareness of the Viasat brand through a mix of positive program performance and our customers' recommendation as well as corporate and marketing communications, public relations, advertising, trade show participation and conference speaking engagements by providing communications that keep the market current on our products and features. In the third quarter of fiscal year 2018, we undertook a major rebranding effort to introduce "Viasat" as a unified master global brand under a new logo and visual identity system, while phasing out legacy sub-brand names. Our new unified brand is intended to grow market and consumer awareness of our company and our product and service offerings both domestically and internationally across all of our markets, as well as attract the best talent around the world. Our marketing team also identifies and sizes new target markets for our products and services, creates awareness of our company and our portfolio of offerings, and generates contacts and leads within these targeted markets.

Competition

The markets in which we compete are characterized by rapid change, converging technologies and a migration to solutions that offer higher capacity and speed and other superior advantages. These market factors represent both an opportunity and a competitive threat to us. In many cases our competitors can also be our customers or partners. Accordingly, maintaining an open and cooperative relationship is important. The overall number of our competitors may increase, and the identity and composition of competitors may change. As we continue to expand our business globally, we may see new competition in different geographic regions.

To compete, we emphasize:

- the high-speed, high-quality and broad geographic availability of our broadband services;
- our proven designs and network integration services for complex, customized network needs;
- the increased bandwidth efficiency offered by our networks, products and services;
- the innovative and flexible features integrated into our products and services;

10

- our network management experience;
- our end-to-end network implementation capabilities;
- the distinct advantages of satellite data networks;
- technical advantages and advanced features of our antenna systems as compared to our competitors' offerings; and
- the overall cost-effectiveness of our communications systems, products and services.

While we believe we compete successfully on each of these factors, we expect to continue to face intense competition in each of our markets.

In our satellite services segment, we face competition for fixed broadband services both from existing competitors and emerging technologies. Our fixed broadband service offerings compete with broadband service offerings from wireline and wireless telecommunications companies, cable companies, satellite companies and internet service providers. Many of our competitors are larger than us, have substantial capital resources, have greater brand recognition, have access to spectrum or technologies not available to us, or are able to offer bundled service offerings that we are not able to duplicate, all of which may reduce demand for our broadband services. In addition, the broadband services market continues to see industry consolidation and vertical integration, which may enable our competitors to provide competing services to broader customer segments. New entrants, some with significant financial resources, and new emerging technologies (including 5G) may compete with our broadband service offerings. Additionally, wireless telecommunications carriers such as AT&T, Sprint, T-Mobile and Verizon are currently offering unlimited data plans that could attract our existing and future subscribers. Our in-flight internet service offerings compete against air-to-ground mobile services and other satellite-based services, such as the services offered by Global Eagle, Gogo, Inmarsat and Panasonic Avionics Corporation. We believe that our Ka-band satellite-based in-flight internet services offer a competitive combination of high-speed and data throughput capacity, that enable commercial airlines to offer more passengers on more flights the ability to enjoy high-speed broadband services such as streaming video.

In our commercial networks segment, we compete with numerous other providers of satellite and terrestrial communications systems, products and equipment, including: Airbus, ASC Signal, Comtech, General Dynamics, Gilat, EchoStar (Hughes Network Systems), iDirect Technologies, L-3 Communications, Newtec, Panasonic, Space Systems/Loral (SS/L) (MacDonald Dettwiler and Associates), Thales and Zodiac Data Systems. In addition, some of our customers continuously evaluate whether to develop and manufacture their own products and could elect to compete with us at any time.

Within our government systems segment, we generally compete with government communications service providers and manufacturers of defense electronics products, systems or subsystems, such as BAE Systems, General Dynamics, Harris, Inmarsat, Intelsat, Rockwell Collins and similar companies. We may also compete directly with the largest defense prime contractors, including The Boeing Company (Boeing), Lockheed Martin, Northrop Grumman and Raytheon Systems. In many cases we partner with our competitors, and therefore maintaining an open and cooperative relationship is important.

Many of our competitors in our commercial networks and government systems segments have significant competitive advantages, including strong customer relationships, more experience with regulatory compliance, greater financial and management resources and access to technologies not available to us. Many of our competitors are also substantially larger than we are and may have more extensive engineering, manufacturing and marketing capabilities than we do. As a result, these competitors may be able to adapt more quickly to changing technology or market conditions or may be able to devote greater resources to the development, promotion and sale of their products.

Manufacturing

Our manufacturing objective is to produce high-quality products that conform to specifications at the lowest possible manufacturing cost. To achieve this objective, we primarily utilize a range of contract manufacturers that are selected based on the production volumes and complexity of the product. By employing contract manufacturers, we are able to

reduce the costs of products and support rapid fluctuations in delivery rates when needed. As part of our manufacturing process, we conduct extensive testing and quality control procedures for all products before they are delivered to customers.

Contract manufacturers produce products for many different customers and are able to pass on the benefits of large-scale manufacturing to their customers. These manufacturers are able to produce high quality products at lower costs by: (1) exercising their high-volume purchasing power, (2) employing advanced and efficient production equipment and capital intensive systems whose costs are leveraged across their broad customer base, and (3) using a cost-effective skilled workforce. Our primary contract manufacturers include Benchmark, CyberTAN, Davida Technology Partners, Harris, Hensoldt, IEC Electronics Corporation, Microelectronics Technology, Plexus, Regal Technology Partners and Sanmina-SCI.

Our experienced management team facilitates an efficient contract manufacturing process through the development of strong relationships with a number of different domestic and off-shore contract manufacturers. By negotiating beneficial contract provisions and purchasing some of the equipment needed to manufacture our products, we retain the ability to move the production of our products from one contract manufacturing source to another if required. Our operations management has experience in the successful transition from in-house production to contract manufacturing. The degree to which we employ contract manufacturing depends on the maturity of the product and the forecasted production life cycle. We intend to limit our internal manufacturing capacity to supporting new product development activities, building customized products that need to be manufactured in strict accordance with a customer's specifications or delivery schedules, and building proprietary, highly sensitive Viasat-designed products and components for use in our proprietary technology platform. Therefore, our internal manufacturing capability for standard products has been, and is expected to continue to be, very limited and we intend to continue to rely on contract manufacturers for large-scale manufacturing. We also rely on outside vendors to manufacture specific components and subassemblies used in the production of our products. Some components, subassemblies and services necessary for the manufacture of our products are obtained from a sole source supplier or a limited group of suppliers.

Regulatory Environment

We are required to comply with the laws and regulations of, and often obtain approvals from, national and local authorities in connection with the services that we provide. In particular, we provide a number of services that rely on the use of radio-frequency spectrum, and the provision of such services is highly regulated. National authorities generally require that the satellites they authorize be operated in a manner consistent with the regulations and procedures of the International Telecommunication Union (ITU), a specialized agency of the United Nations, which require the coordination of the operation of satellite systems in certain circumstances, and more generally are intended to avoid the occurrence of harmful interference among different users of the radio spectrum.

We also produce a variety of communications systems and networking equipment, the design, manufacture, and marketing of which are subject to the laws and regulations of the jurisdictions in which we sell such equipment. We are subject to export control laws and regulations, and trade and economic sanctions laws and regulations, with respect to the export of such systems and equipment. As a government contractor, we are subject to U.S. procurement laws and regulations.

Radio-frequency and Communications Regulation

International Telecommunication Union (ITU)

The orbital location and frequencies for our satellites are subject to the ITU's regulations, including its frequency registration and coordination procedures. Those procedures are specified in the ITU Radio Regulations and seek to facilitate shared international use of limited spectrum and orbital resources in a manner that avoids harmful interference. Among other things, the ITU regulations set forth procedures for establishing international priority with respect to the use of such resources, deadlines for bringing satellite networks into use in order to maintain such priority, and coordination rights and obligations with respect to other networks, which vary depending on whether such networks have higher or lower ITU priority. On our behalf, various countries have made filings, and may in the future make additional filings, for the frequency assignments at particular orbital locations that are used, or may in the

future be used, by our current satellite networks and potential future satellite networks we may build or acquire. In the event that any international coordination process that is triggered by such an ITU filing is not successfully completed, or bringing into use deadlines are not satisfied, we may be compelled to accept more limited or suboptimal orbital and spectrum rights, to operate the applicable satellite(s) on a non-interference basis, or to cease operating such satellite(s) altogether.

US Regulation

The commercial use of radio-frequency spectrum in the United States is subject to the jurisdiction of the Federal Communications Commission (FCC) under the Communications Act of 1934, as amended (Communications Act). The FCC is responsible for licensing the operation of satellite earth stations and spacecraft, regulating the technical and other aspects of the operation of these facilities, and regulating certain aspects of the provision of services to customers.

12

Earth Stations. The Communications Act requires a license for the operation of transmitting satellite earth station facilities and certain receiving satellite earth station facilities in the United States. We currently hold licenses authorizing us to operate various earth stations within the United States, including but not limited to user terminals and facilities that aggregate traffic and interconnect with the internet backbone and network hubs. These licenses typically are granted for 15 year terms, and typically are renewed in the ordinary course. Material changes in earth station operations would require prior approval by the FCC. The operation of our earth stations is subject to various license conditions, as well as the technical and operational requirements of the FCC's rules and regulations.

Space Stations. In the United States, the FCC authorizes the launch and operation of commercial spacecraft, and also authorizes non-U.S. licensed spacecraft to be used to serve the United States. The FCC has authorized the use of the ViaSat-1, ViaSat-2, WildBlue-1 and Anik F2 spacecraft to serve the United States. The FCC also has granted us the right to use certain future spacecraft to serve the United States, as long as we implement those spacecraft by certain deadlines. The use of these spacecraft in our business is subject to various conditions in the underlying authorizations, as well as the technical and operational requirements of the FCC's rules and regulations.

Universal Service. Certain of our services may constitute the provision of telecommunications to, from or within the United States, and may require us to contribute a percentage of our revenues from such services to universal service support mechanisms that subsidize the provision of services to low-income consumers, high-cost areas, schools, libraries and rural health care providers. This percentage is set each calendar quarter by the FCC, and currently is 18.4%. Current FCC rules permit us to pass this universal service contribution through to our customers. The FCC has established a universal service funding mechanism to support the provision of voice and broadband services in certain high-cost areas of the United States, known as the Connect America Fund (the CAF). Among other things, the CAF mechanism provides, or will likely provide, support to terrestrial service providers under terms and conditions that are not available to satellite-based service providers. The CAF could provide other service providers a competitive advantage in providing broadband services in supported areas, which could have a material adverse effect on our business, financial condition and results of operations.

CALEA. We are obligated to comply with the requirements of the Communications Assistance for Law Enforcement Act (CALEA), which requires telecommunications providers and broadband internet access providers to ensure that law enforcement agencies are able to conduct lawfully-authorized surveillance of users of their services.

Net Neutrality. In February 2015, the FCC adopted new rules intended to preserve the openness of the internet, a concept generally referred to as "net neutrality" or "open internet." The FCC's "net neutrality" rules, among other things, prohibit all ISPs from: (i) blocking access to legal content, applications, services, or non-harmful devices (subject to an exception for "reasonable network management"); (ii) impairing or degrading lawful internet traffic on the basis of content, applications, services, or non-harmful devices (subject to the same exception); (iii) favoring some lawful internet traffic over other lawful traffic in exchange for consideration of any kind whatsoever; and (iv) unreasonably interfering with or unreasonably disadvantaging the ability of end users to access content or the ability of content providers to access end users (again subject to the exception for "reasonable network management"). ISPs also are obligated to make certain disclosures to consumers with respect to their network management policies.

In adopting these rules, the FCC relied on Title II of the Communications Act, which authorizes the FCC to regulate telecommunications common carriers. More specifically, the FCC reclassified mass-market retail broadband internet access service as a "telecommunications service" subject to common-carrier regulation under Title II, reversing longstanding precedent classifying broadband as a lightly regulated "information service" not subject to such regulation. The FCC then took the further step of forbearing from applying most Title II requirements to internet service providers (ISPs). As a result, ISPs that provide mass-market, retail service offerings are subject to specific "net neutrality" rules and general common-carrier obligations (e.g., those requiring rates, terms, and conditions of service to be "just and reasonable") but are not subject to many of the specific common-carrier requirements found in the Communications Act and the FCC's rules.

In November 2016, the FCC adopted broadband-specific requirements intended to protect customer privacy and reduce the potential for data breaches. The FCC has received several petitions to reconsider that order and also has stayed the effectiveness of that order.

In January 2018, the FCC adopted an order restoring the classification of broadband internet access service as a lightly regulated information service, ending the Title II regulatory approach adopted in 2015. The order eliminated explicit requirements against blocking or throttling traffic and paid prioritization of traffic. At the same time, the FCC maintained the consumer disclosure requirements with some modifications and acknowledged the jurisdiction of the Federal Trade Commission to enforce consumer protection measures. The order is subject to pending appeals, and we cannot predict the outcome of these pending proceedings on ISPs. In addition, some states have recently adopted portions of the net neutrality requirements.

Satellite Spectrum. The space stations and ground network we use to provide our broadband services operate using Ka-band spectrum that is designated for use on a primary basis for certain types of the satellite services we provide, as well as additional Ka-band spectrum that is designated primarily for terrestrial wireless and other uses but that we are authorized to use on a secondary or non-interference basis. The FCC has issued orders in recent years designating a portion of the Ka-band that we use on a secondary basis, as well as other bands above 24 GHz, to be used for “5G” wireless mobile and other terrestrial broadband services. We believe that these rules provide an approach for our satellite operations to coexist and expand alongside terrestrial wireless mobile networks. The orders recognize the need for additional study of technical sharing issues, and we intend to continue working with the FCC and other stakeholders to address those concerns. The FCC separately has adopted new rules that define the terms and conditions under which our spacecraft share spectrum with other spacecraft that operate in different orbits, and the FCC has granted authority to operate large numbers of spacecraft in those other orbits, and currently is considering additional applications for such authority, consistent with these new rules. If the deployment of these new terrestrial or satellite networks results in harmful interference into our satellite operations, or if the implementation of these networks under the new rules constrains or prohibits the types of uses we have planned for this spectrum in a manner that we do not anticipate, such a development could have a material adverse effect on our business, financial condition and results of operations.

Foreign Licensing

The spacecraft we use in our business are subject to the regulatory authority of, and conditions imposed by, foreign governments, as well as contractual arrangements with third parties and the rules and procedures of the ITU. Our ViaSat-1 satellite operates under authority granted to ManSat Limited by the governments of the Isle of Man and the United Kingdom (as well as authority from the FCC), and pursuant to contractual arrangements we have with ManSat Limited that extend past the expected useful life of ViaSat-1. ViaSat-2 operates under the authority of the United Kingdom. We also use Ka-band capacity on the Anik F2 satellite to provide our broadband services under an agreement with Telesat Canada, and we may do so until the end of the useful life of that satellite. Telesat Canada operates that satellite under authority granted to it by the government of Canada. We also currently use the WildBlue-1 satellite, which we own, and which is co-located with Anik F2 under authority granted to Telesat Canada by the government of Canada, and pursuant to an agreement we have with Telesat Canada that expires upon the end of the useful life of Anik F2. Accordingly, we are reliant upon ManSat Limited and Telesat Canada to maintain their respective governmental rights on which our operating rights are based. The use of these spacecraft in our business is subject to various conditions in the underlying authorizations held by us, ManSat Limited and Telesat Canada, as well as the technical and operational requirements of the rules and regulations of those jurisdictions.

Equipment Design, Manufacture, and Marketing

We must comply with the applicable laws and regulations and, where required, obtain the approval of the regulatory authority of each country in which we design, manufacture, or market our communications systems and networking equipment. Applicable laws and regulatory requirements vary from country to country, and jurisdiction to jurisdiction. The increasing demand for wireless communications has exerted pressure on regulatory bodies worldwide to adopt new standards for these products, generally following extensive investigation and deliberation over competing technologies. The delays inherent in this government approval process have in the past caused and may in the future cause the cancellation, postponement or rescheduling of the installation of communication systems by our customers, which in turn may have a material adverse impact on the sale of our products to the customers.

Equipment Testing and Verification. In the United States, certain equipment that we manufacture must comply with applicable technical requirements intended to minimize radio interference to other communications services and ensure product safety. In the United States, the FCC is responsible for ensuring that communications devices comply with technical requirements for minimizing radio interference and human exposure to radio emissions. The FCC requires that equipment be tested either by the manufacturer or by a private testing organization to ensure compliance with the applicable technical requirements. For other classes of device, the FCC requires submission of an application,

which must be approved by the FCC or a private testing organization accredited by the FCC.

Export Controls. Due to the nature and sophistication of our communications products, we must comply with applicable U.S. government and other agency regulations regarding the handling and export of certain of our products. This often requires extra or special handling of these products and could increase our costs. Failure to comply with these regulations could result in substantial harm to the company, including fines, penalties and the forfeiture of future rights to sell or export these products.

Other Regulations

As a government contractor, we are routinely subject to audit and review by the DCMA, the DCAA and other U.S. government agencies of our performance on government contracts, indirect rates and pricing practices, accounting

and management internal control business systems, and compliance with applicable contracting and procurement laws, regulations and standards. Both contractors and the U.S. government agencies conducting these audits and reviews have come under increased scrutiny. In particular, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. Increases in congressional scrutiny and investigations into business practices and major programs supported by contractors may lead to increased legal costs and may harm our reputation and profitability if we are among the targeted companies. An adverse outcome to a review or audit or other failure to comply with applicable contracting and procurement laws, regulations and standards could result in material civil and criminal penalties and administrative sanctions being imposed on us, which may include termination of contracts, forfeiture of profits, triggering of price reduction clauses, suspension of payments, significant customer refunds, fines and suspension, or a prohibition on doing business with U.S. government agencies. In addition, if we fail to obtain an “adequate” determination of our various accounting and management internal control business systems from applicable U.S. government agencies or if allegations of impropriety are made against us, we could suffer serious harm to our business or our reputation, including our ability to bid on new contracts or receive contract renewals or our competitive position in the bidding process. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

We are also subject to a variety of U.S. and international regulations relating to the storage, discharge, handling, emission, generation, manufacture and disposal of toxic or other hazardous substances used to manufacture our products. The failure to comply with current or future regulations could result in the imposition of substantial fines on us, suspension of production, alteration of our manufacturing processes or cessation of operations. To date, these regulations have not had a material effect on our business, as we have neither incurred significant costs to maintain compliance nor to remedy past noncompliance, and we do not expect such regulations to have a material effect on our business in the current fiscal year.

Seasonality

In our satellite services segment, historically subscriber activity for our consumer broadband services has been influenced by seasonal effects related to traditional retail selling periods, with new sales activity generally anticipated to be higher in the second half of the calendar year. However, sales activity and churn can be strongly affected by other factors which may either offset or magnify any anticipated seasonal effects, including availability of capacity, promotional and subscriber retention efforts, changes in our resellers, distributors and wholesalers, changes in the competitive landscape, economic conditions, changes in credit check and subscriber approval processes and satellite beam congestion.

Our commercial networks segment is not generally affected by seasonal impacts. In our government systems segment, our results are impacted by various factors including the timing of contract awards and the timing and availability of U.S. Government funding, as well as the timing of product deliveries and customer acceptance.

Availability of Public Reports

Through a link on the Investor Relations section of our website at www.viasat.com, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings are available free of charge. They are also available free of charge on the SEC’s website at www.sec.gov. In addition, any materials filed with the SEC may be read and copied by the public at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The information on our website is not part of this report or any other report that we furnish to or file with the SEC.

Employees

As of March 31, 2018, we employed approximately 5,200 individuals worldwide. We consider the relationships with our employees to be positive. Competition for technical personnel in our industry is intense. We believe our future success depends in part on our continued ability to hire, assimilate and retain qualified personnel. To date, we believe we have been successful in recruiting qualified employees, but there is no assurance we will continue to be successful in the future.

Executive Officers

Set forth below is information concerning our executive officers and their ages:

Name	Age	Position
Mark Dankberg	63	Chairman of the Board and Chief Executive Officer
Richard Baldrige	60	Director, President and Chief Operating Officer
Doug Abts	44	Vice President, Global Mobility
Marc Agnew	58	Vice President, Commercial Networks
Robert Blair	44	Vice President, General Counsel and Secretary
Girish Chandran	53	Vice President and Chief Technical Officer
Melinda Del Toro	45	Senior Vice President, People and Culture and Chief People Officer
Bruce Dirks	58	Senior Vice President, Treasury and Corporate Development
Shawn Duffy	48	Senior Vice President and Chief Financial Officer
Kevin Harkenrider	62	Senior Vice President and President, Broadband Systems
Keven Lippert	46	Executive Vice President, Corporate Development and Chief Administrative Officer
Mark Miller	58	Executive Vice President and Chief Technical Officer
Ken Peterman	61	President, Government Systems
David Ryan	63	Vice President and President, Viasat Space Systems

Mark Dankberg is a founder of Viasat and has served as Chairman of the Board and Chief Executive Officer of Viasat since its inception in May 1986. Mr. Dankberg provides our Board with significant operational, business and technological expertise in the satellite and communications industry, and intimate knowledge of the issues facing our management. Mr. Dankberg also has significant expertise and perspective as a member of the boards of directors of companies in various industries, including communications. Mr. Dankberg serves as a director of TrellisWare Technologies, Inc. (TrellisWare), a 52% majority-owned subsidiary of Viasat that develops advanced signal processing technologies for communication applications. He also currently serves on the boards of Minnetronix, Inc., a privately-held medical device and design company, and Lytx, Inc., a privately-held company that provides fleet safety management solutions. In addition, Mr. Dankberg was elected to the Rice University Board of Trustees in 2013, and was a member of the board of directors of REMEC, Inc. from 1999 to 2010. Prior to founding Viasat, he was Assistant Vice President of M/A-COM Linkabit, a manufacturer of satellite telecommunications equipment, from 1979 to 1986, and Communications Engineer for Rockwell International Corporation from 1977 to 1979. Mr. Dankberg holds B.S.E.E. and M.E.E. degrees from Rice University.

Richard Baldrige joined Viasat in April 1999, serving as our Executive Vice President, Chief Financial Officer and Chief Operating Officer from 2000 and as our Executive Vice President and Chief Operating Officer from 2002. Mr. Baldrige assumed his current role as President and Chief Operating Officer in 2003. Mr. Baldrige was elected to the Board of Directors of Viasat in 2016. In addition, Mr. Baldrige serves as a director of Ducommun Incorporated, a provider of engineering and manufacturing services to the aerospace and defense industries, and EvoNexus, a San Diego based non-profit technology incubator. Prior to joining Viasat, Mr. Baldrige served as Vice President and General Manager of Raytheon Corporation's Training Systems Division from January 1998 to April 1999. From June 1994 to December 1997, Mr. Baldrige served as Chief Operating Officer and Chief Financial Officer for Hughes Information Systems and Hughes Training Inc., prior to their acquisition by Raytheon in 1997. Mr. Baldrige's other experience includes various senior financial and general management roles with General Dynamics Corporation. Mr. Baldrige holds a B.S.B.A. degree in Information Systems from New Mexico State University.

Doug Abts joined Viasat in September 2015 as Vice President, Strategy Development, Broadband Services, and in May 2018, he assumed his current role as Vice President, Global Mobility. Mr. Abts has over 20 years of experience in the areas of general management, business development, mergers and acquisitions, and strategic planning. From July 2010 to August 2015, Mr. Abts served as Executive Vice President, Strategy and Corporate Development of Bridgepoint Education. From August 2003 to June 2010, Mr. Abts operated in key management and business development roles at Science Applications International Corporation. Early in his career, he served with distinction as an officer in the United States Navy SEALs. Mr. Abts earned a B.A. degree from Stanford University and an M.B.A. degree from Harvard Business School.

Marc Agnew joined Viasat in 1988 and has held various technical, management and business positions with Viasat over the past 30 years. From 2003 to 2004, Mr. Agnew served as Vice President, Government Broadband, from 2005 to 2012, he served as Vice President and General Manager, Broadband Systems, and from February 2012 to October 2014, he served as Vice President and Chief Technology Officer, Broadband Services. From November 2014 to January 2017, Mr. Agnew worked to create Viasat's European broadband joint venture, where he then served as Chief Technology Officer until May 2018, while also leading Viasat's office in the United Kingdom from September 2016 to September 2017. Mr. Agnew was appointed to his current position of Vice President, Commercial Networks in May 2018. Prior to joining Viasat, Mr. Agnew worked at Comsat Telesystems and M/A-Com Linkabit. Mr. Agnew earned a B.S.E.E degree from The George Washington University and an M.S.E.E degree from The University of California, Berkeley.

Robert Blair joined Viasat in May 2008 as Assistant General Counsel. In April 2009, Mr. Blair was appointed Associate General Counsel and in 2014 was appointed Vice President and Deputy General Counsel. In May 2017, Mr. Blair assumed his current position as Vice President, General Counsel and Secretary. In addition, Mr. Blair has served as a director of the San Diego Regional Economic Development Corporation since 2015. Prior to joining Viasat, Mr. Blair was an associate at the law firm of Latham & Watkins LLP. Mr. Blair holds a J.D. degree from Stanford University and A.B. degrees in Broadcast Journalism and Policy Studies from Syracuse University.

Girish Chandran joined Viasat in October 2007 as a Principal Engineer. In September 2013, Mr. Chandran was appointed Chief Technology Officer — Commercial Networks. In May 2017, he assumed his current position as Vice President and Chief Technical Officer. Mr. Chandran has extensive experience building multimedia networks. Prior to joining Viasat, from 2001 to 2007, Mr. Chandran served as Vice President of Engineering at Newtec America Inc., a satellite communications equipment provider. From 1995 to 2001, he held several roles, including Vice President of Systems Engineering, at Tiernan Communications Inc. (acquired by Radyne Comstream Inc.), a provider of video compression and transmission solutions. Mr. Chandran earned a Ph.D. degree in Electrical Engineering from the University of California, San Diego, an M.S. degree in Electrical Communication Engineering from the Indian Institute of Science and a BSc. degree in Physics from the University of Kerala.

Melinda Del Toro joined Viasat in 2001 as Manager of Learning and Development. In 2003 she began to assume a broader role with the Human Resources organization. In 2008 she was appointed Director of Human Resources and in 2011 was appointed Vice President — Human Resources. In April 2016, she assumed the position of Senior Vice President — Human Resources, which was retitled Senior Vice President — People and Culture in April 2017. In May 2018, she was also named Chief People Officer. Ms. Del Toro currently serves on the board of trustees at the San Diego Museum of Art. Ms. Del Toro started her career teaching at San Diego State University within the School of Communication. Prior to joining Viasat she held roles in corporate learning and organizational development for Nicholas-Applegate Capital Management, Qualcomm Personal Electronics and Sony Electronics. Ms. Del Toro holds B.A. and M.A. degrees in Communication from San Diego State University.

Bruce Dirks joined Viasat in April 2013 as Vice President and Chief Financial Officer. He assumed his current position as Senior Vice President — Treasury and Corporate Development in June 2014. Prior to joining Viasat, Mr. Dirks served as a portfolio manager at Fidelity Management & Research Company from 2000 to April 2013, and was Vice President — Investments at TRW Investment Management Company from 1993 to 2000. Mr. Dirks began his career at Raytheon Company as a financial analyst and also worked on the corporate finance team at General Dynamics Corporation. Mr. Dirks earned a B.A. degree in Economics from Amherst College and an M.B.A. degree from the University of Chicago.

Shawn Duffy joined Viasat in 2005 as Corporate Controller. In 2009, she was appointed Viasat's Vice President and Corporate Controller and in 2012 was appointed Vice President — Corporate Controller and Chief Accounting Officer. From August 2012 until April 2013, Ms. Duffy also served as interim Chief Financial Officer. She assumed her current position as Senior Vice President and Chief Financial Officer in June 2014. Prior to joining Viasat, Ms. Duffy was a Senior Manager at Ernst & Young, LLP, serving the technology and consumer product markets. Ms. Duffy is a

certified public accountant in the State of California, and earned a B.S.B.A. degree in Accounting from San Diego State University.

Kevin Harkenrider joined Viasat in October 2006 as Director — Operations, served as Vice President — Operations from January 2007 until December 2009, served as Vice President of Viasat and Chief Operating Officer of Viasat Communications Inc. from December 2009 to April 2011, as Senior Vice President — Infrastructure Operations from April 2011 to May 2012, and as Senior Vice President — Broadband Services from May 2012 to May 2015, and as Senior Vice President — Commercial Networks from May 2015 to May 2018. Mr. Harkenrider assumed his current position as Senior Vice President and President, Broadband Systems in May 2018. Prior to joining Viasat, Mr. Harkenrider served as Account Executive at Computer Sciences Corporation from 2002 through October 2006. From 1992 to 2001, Mr. Harkenrider held several positions at BAE Systems, Mission Solutions (formerly GDE Systems, Marconi Integrated Systems and General Dynamics Corporation, Electronics Division), including Vice President and Program Director, Vice

President — Operations and Vice President — Material. Prior to 1992, Mr. Harkenrider served in several director and program manager positions at General Dynamics Corporation. Mr. Harkenrider holds a B.S. degree in Civil Engineering from Union College and an M.B.A. degree from the University of Pittsburgh.

Keven Lippert joined Viasat in May 2000 as Associate General Counsel and Assistant Secretary. In April 2007, he was appointed Viasat's Vice President, General Counsel and Secretary, in 2012 he was appointed Senior Vice President — General Counsel and Secretary, and in June 2014 he was appointed Executive Vice President — General Counsel and Secretary. In May 2017, he was appointed President, Broadband Services and Chief Legal Officer, and in May 2018, he assumed his current position as Executive Vice President, Corporate Development and Chief Administrative Officer. Prior to joining Viasat, Mr. Lippert was a corporate associate at the law firm of Latham & Watkins LLP. Mr. Lippert holds a J.D. degree from the University of Michigan and a B.S. degree in Business Administration from the University of California, Berkeley.

Mark Miller is a founder of Viasat and served as Vice President and Chief Technical Officer of Viasat from March 1993 to June 2014, when he assumed his current position as Executive Vice President and Chief Technical Officer. From 1986 through 1993, Mr. Miller served as Engineering Manager. Prior to joining Viasat, Mr. Miller was a Staff Engineer at M/A-COM Linkabit from 1983 to 1986. Mr. Miller holds a B.S.E.E. degree from the University of California, San Diego and an M.S.E.E. degree from the University of California, Los Angeles.

Ken Peterman joined Viasat in April 2013 as Vice President — Government Systems. In June 2014, he was appointed Senior Vice President — Government Systems. Mr. Peterman assumed his current position as President, Government Systems in May 2017. Mr. Peterman has over 35 years of experience in general management, systems engineering, strategic planning, portfolio management, and business leadership in the aerospace and defense industries. From July 2012 to April 2013, Mr. Peterman served as President and Chief Executive Officer of SpyGlass Group, a company he founded which provides executive strategic advisory services to the aerospace and defense industries. From 2011 to July 2012, Mr. Peterman served as President of Exelis Communications and Force Protection Systems, and from 2007 to 2011, he served as President of ITT Communications Systems, which are both developers and providers of command, control, communications, computers, intelligence, surveillance and reconnaissance products and systems. Previously, Mr. Peterman was Vice President and General Manager of Rockwell Collins Government System's Integrated C3 Systems and Rockwell Collins Displays and Awareness Systems. Mr. Peterman earned a B.S.E.E. degree from Tri-State University (now Trine).

David Ryan joined Viasat in May 2016 as Vice President — Intelligence Programs, and was appointed Vice President and President, Viasat Space Systems in May 2018. Prior to joining Viasat, Mr. Ryan held several roles at Northrop Grumman Corporation from 2005 to 2014, including Sector Vice President and General Manager of the Intelligence Systems Division. He also served in various roles at The Boeing Company from 1990 to 2005, including President of Boeing Space Systems International. Mr. Ryan currently serves as a director of Space Micro Inc., a satellite electronics product company. Mr. Ryan earned a B.S.E.E and an M.E.E degree from Rice University.

ITEM 1A. RISK FACTORS

You should consider each of the following factors as well as the other information in this Annual Report in evaluating our business and prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks actually occur, our business and financial results could be harmed. In that case, the trading price of our common stock could decline. You should also refer to the other information set forth in this Annual Report, including our financial statements and the related notes.

Our Operating Results Are Difficult to Predict

Our operating results have varied significantly from quarter to quarter in the past and may continue to do so in the future. The factors that cause our quarter-to-quarter operating results to be unpredictable include:

- the construction, launch or acquisition of satellites, the associated level of investment required and the impact of any construction or launch delays, operational or launch failures or other disruptions to our satellites;
- the uptake of our in-flight services by commercial airlines and number of aircraft being retrofitted or installed with our IFC systems;
- varying subscriber addition and churn rates for our fixed broadband business;
- the mix of wholesale and retail subscriber additions in our fixed broadband business;
- a complex and lengthy procurement process for most of our commercial networks and government systems customers and potential customers;

18

- changes in the levels of research and development spending, including the effects of associated tax credits;
- cost overruns on fixed-price development contracts;
- the difficulty in estimating costs over the life of a contract, which may require adjustment in future periods;
- the timing, quantity and mix of products and services sold;
- price discounts given to some customers;
- market acceptance and the timing of availability of our new products and services;
- the timing of customer payments for significant contracts;
- one-time charges to operating income arising from items such as acquisition expenses, impairment of assets and write-offs of assets related to customer non-payments or obsolescence;
- the failure to receive an expected order or a deferral of an order to a later period; and
- general economic and political conditions.

Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business, financial condition and results of operations that could adversely affect our stock price. In addition, it is likely that in one or more future quarters our results may fall below the expectations of analysts and investors, which would likely cause the trading price of our common stock to decrease.

Satellite Failures or Degradations in Satellite Performance Could Affect Our Business, Financial Condition and Results of Operations

We own three satellites in service: ViaSat-2 (our second-generation high-capacity Ka-band spot-beam satellite, which was placed into service in the fourth quarter of fiscal year 2018), ViaSat-1 (our first-generation high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). In addition, two ViaSat-3 class satellites (our third-generation high-capacity Ka-band satellite design) are currently under construction. We also have an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada's Anik F2 satellite (which was placed into service in April 2005). We utilize capacity primarily on our ViaSat-1 and WildBlue-1 satellites to support our broadband services in the United States. We also lease capacity on multiple satellites related to the provision of our international broadband services. We may construct, acquire or use additional satellites in the future, including a third ViaSat-3 class satellite.

Satellites utilize highly 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), including malfunctions in the deployment of subsystems and/or components, interference from electrostatic storms, and collisions with meteoroids, decommissioned spacecraft or other space debris. Our satellites have experienced various anomalies in the past and we 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;
- problems with the power sub-system of the satellite;
- problems with the control sub-system of the satellite; and
- general failures resulting from operating satellites in the harsh space environment, such as premature component failure or wear.

Any single anomaly or series of anomalies, or other operational failure or degradation, on any of the satellites we own and operate or use could have a material adverse effect on our operations and revenues and our relationships with current customers and distributors, as well as our ability to attract new customers for our satellite services. 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 revenues if service is interrupted or degraded on the satellites we utilize. We may not be able to obtain backup capacity or a replacement satellite on reasonable economic terms, a reasonable schedule or at all. In addition, anomalies may also cause a reduction of the revenues generated by the applicable satellite or the recognition of an impairment loss, and in some circumstances could lead to claims from third parties for damages, for example, if a satellite experiencing an anomaly were to cause physical damage to

another satellite, create interference to the transmissions on another satellite or cause another satellite operator to incur expenses to avoid such physical damage or interference. Finally, the occurrence of anomalies may adversely affect our ability to insure our satellites at commercially reasonable premiums or terms, if at all. While some anomalies are covered by insurance policies, others are not or may not be covered, or may be subject to large deductibles.

Although our satellites have redundant or backup systems and components that operate in the event of an anomaly, operational failure or degradation of primary critical components, 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, coverage or operational capabilities of the satellite.

Satellites Have a Finite Useful Life, and Their Actual Operational Life May Be Shorter than Their Design Life

Our ability to earn revenues from our satellite services depends on the continued operation of ViaSat-2, ViaSat-1 and WildBlue-1 and any other satellite we may acquire or use in the future, such as our ViaSat-3 class satellites. Each satellite has a limited useful life, referred to as its design life. There can be no assurance as to the actual operational life of a satellite, which may be shorter than its design life. A number of factors affect the useful lives of the satellites, including, among other things, the quality of their design and construction, the durability of their component parts and back-up units, the ability to continue to maintain proper orbit and control over the satellite's functions, the efficiency of the launch vehicle used, consumption of remaining on-board fuel following orbit insertion, degradation and durability of solar panels, the actual space environment experienced compared to the assumed space environment for which the satellites were designed and tested, and the occurrence of any anomaly or series of anomalies or other in-orbit risks affecting the satellite. In addition, continued improvements in satellite technology may make obsolete our existing satellites or any other satellite we may own or acquire in the future prior to the end of its life.

New or Proposed Satellites Are Subject to Significant Risks Related to Construction and Launch that Could Limit Our Ability to Utilize these Satellites

We currently have two ViaSat-3 class satellites under construction, and anticipate commencing construction on a third ViaSat-3 class satellite in the future. We may construct and launch additional satellites in the future. The design and construction of satellites require significant investments of capital and management time. Satellite construction and launch are also subject to significant risks, including construction delays, manufacturer error, cost overruns, regulatory conditions or delays, unavailability of launch opportunities, launch failure, damage or destruction during launch and improper orbital placement, any of which could result in significant additional cost or materially impair the useful life, capacity, coverage or operational capabilities of the satellite. Unlike our ViaSat-1 and ViaSat-2 satellites, which were constructed in their entirety by the satellite manufacturer, we are for the first time constructing the payload for our ViaSat-3 class satellites ourselves at our own facilities, and Boeing will integrate the completed payload into the satellite bus at their facilities. Moreover, the technologies in our ViaSat-3 satellite design are very complex, and there can be no assurance that the technologies will work as we expect or that we will realize any or all of the anticipated benefits of our ViaSat-3 satellite design. Difficulties or delays in the construction or integration of the payload for our ViaSat-3 class satellites or the implementation of our ViaSat-3 satellite design could adversely affect our business plan for these satellites and result in significant additional cost. We have in the past experienced delays in satellite construction and launch, such as the delay that occurred in the launch of our ViaSat-2 satellite caused by civil unrest in French Guiana (the location of the satellite launch). Moreover, we have in the past identified construction-related issues in our satellites. For example, in January 2018, we reported an antenna deployment issue identified by the satellite manufacturer in the ViaSat-2 satellite, although based on measured data and analysis of the current in-orbit performance of the satellite as well as the network as a whole, we currently expect that the issue will not materially impact the overall coverage area of the satellite, nor materially impact the planned services and the expected financial results from the ViaSat-2 system. If satellite construction schedules are not met or other events prevent satellite launch on schedule, a launch opportunity may not be available at the time the satellite is ready to be launched. In addition, delays in construction or launch could impact our ability to meet milestone conditions in our satellite authorizations and/or to maintain the rights we may enjoy under various ITU filings. A significant delay in the construction, delivery or launch of a satellite may have a material adverse effect on our operations or our business plan for the satellite.

Satellites are also subject to certain risks related to failed launches. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take up to 36 months

or longer, and to obtain other launch opportunities. Such significant delays could have a material adverse effect on our business, financial condition and results of operations. The overall historical loss rate in the satellite industry for all launches of commercial satellites in fixed orbits in the last five years is estimated by some industry participants to be approximately 4% but could at any time be higher. Launch vehicles may also under perform, in which case the satellite may still be able to be placed into service by using its onboard propulsion systems to reach the desired orbital location, but this would cause a reduction in its useful life. Moreover, even if launch is successful, following launch the satellite will need to reach its desired orbital location and undergo in-orbit testing and there can be no assurance that the satellite will successfully reach its geostationary orbital slot and pass in-orbit testing prior to transfer of control of the satellite to us. The failure to implement our satellite deployment plan on schedule could have a material adverse effect on our business, financial condition and results of operations.

Potential Satellite Losses May Not Be Fully Covered By Insurance, or at All

We currently hold in-orbit insurance for our ViaSat-2, ViaSat-1, WildBlue-1 and Anik F2, satellites. We intend to seek launch and in-orbit insurance for any satellite we may construct or acquire in the future. However, we may not be able to obtain insurance, or renew existing insurance, for our satellites on reasonable economic terms or at all. If we are able to obtain or renew our insurance, it may contain customary exclusions and exclusions for past satellite anomalies. A failure to obtain or renew our satellite insurance may also result in a default under our debt instruments. In addition, the occurrence of any anomalies on other satellites, including other Ka-band satellites, or any failures of a satellite using similar components or failures of a similar launch vehicle to any launch vehicle we intend to use for any future satellite (including our ViaSat-3 class satellites), may materially adversely affect our ability to insure the satellites at commercially reasonable premiums or terms, if at all.

The policies covering our insured satellites will not cover the full cost of constructing and launching or replacing a satellite nor fully cover our losses in the event of a satellite failure or significant degradation. Moreover, such policies do not cover, and we do not have protection against, lost profits, business interruptions, fixed operating expenses, loss of business or similar losses, including contractual payments that we may be required to make under our agreements with our customers for interruptions or degradations in service. Our insurance contains customary exclusions, material change and other conditions that could limit recovery under those policies. Further, any insurance proceeds may not be received on a timely basis in order to launch a spare satellite or construct and launch a replacement satellite or take other remedial measures. In addition, the policies are subject to limitations involving uninsured losses, large satellite performance deductibles and policy limits.

The Markets in Which We Compete Are Highly Competitive and Our Competitors May Have Greater Resources than Us

The markets in which we compete are highly competitive and competition is increasing. In addition, because the markets in which we operate are constantly evolving and characterized by rapid technological change, it is difficult for us to predict whether, when and by whom new competing technologies, products or services may be introduced into our markets. Currently, we face substantial competition in each of our business segments. In our satellite services segment, we face competition for fixed broadband services both from existing competitors and emerging technologies. Our fixed broadband service offerings compete with broadband service offerings from wireline and wireless telecommunications companies, cable companies, satellite companies and internet service providers. Many of our competitors are larger than us, have substantial capital resources, have greater brand recognition, have access to spectrum or technologies not available to us, or are able to offer bundled service offerings that we are not able to duplicate, all of which may reduce demand for our broadband services. In addition, the broadband services market continues to see industry consolidation and vertical integration, which may enable our competitors to provide competing services to broader customer segments. New entrants, some with significant financial resources, and new emerging technologies (including 5G) may compete with our broadband service offerings. Additionally, wireless telecommunications carriers such as AT&T, Sprint, T-Mobile and Verizon are currently offering unlimited data plans that could attract our existing and future fixed broadband subscribers. Our in-flight internet service offerings compete against air-to-ground mobile services and other satellite-based services, such as the services offered by Global Eagle, Gogo, Inmarsat and Panasonic Avionics Corporation. In our commercial networks segment, we compete with numerous other providers of satellite and terrestrial communications systems, products and equipment, including: Airbus, ASC Signal, Comtech, General Dynamics, Gilat, EchoStar (Hughes Network Systems), iDirect Technologies, L-3 Communications, Newtec, Panasonic, SS/L (MacDonald Dettwiler and Associates), Thales and Zodiac Data Systems. In addition, some of our customers continuously evaluate whether to develop and manufacture their own products and could elect to compete with us at any time. Within our government systems segment, we generally compete with government communications services providers and manufacturers of defense electronics products, systems or subsystems, such as BAE Systems, General Dynamics, Harris, Inmarsat, Intelsat, Rockwell Collins and similar companies. We may also compete directly with the largest defense prime contractors, including Boeing, Lockheed Martin, Northrop Grumman and Raytheon Systems. Many of our competitors in our commercial networks

and government systems segments have significant competitive advantages, including strong customer relationships, more experience with regulatory compliance, greater financial and management resources and access to technologies not available to us. Many of our competitors are also substantially larger than we are and may have more extensive engineering, manufacturing and marketing capabilities than we do. As a result, these competitors may be able to adapt more quickly to changing technology or market conditions or may be able to devote greater resources to the development, promotion and sale of their products. Our ability to compete in each of our segments may also be adversely affected by limits on our capital resources and our ability to invest in maintaining and expanding our market share.

Our Broadband Services Business Strategy May Not Succeed in the Long Term

A major element of our broadband services business strategy is to utilize our proprietary high-capacity Ka-band satellites and any additional satellites we may construct or acquire in the future to continue to expand our provision of high-speed broadband services around the globe. We may be unsuccessful in implementing our business plan for our broadband services business, or we may not be able to achieve the revenues that we expect from our broadband services business. Any failure to realize our anticipated benefits of our high-capacity Ka-band satellites, to attract a sufficient number of distributors or customers for our fixed broadband services and in-flight services, to expand our broadband services business internationally or to grow our subscriber base for fixed broadband services or number of commercial airlines utilizing our IFC systems as quickly as we anticipate, may have a material adverse effect on our business, financial condition or results of operations.

In connection with the development of any new generation satellite design, and the launch of any new satellite and the commencement of the related service, we expect to incur additional operating costs that negatively impact our financial results. For example, with ViaSat-2 placed in service in the fourth quarter of fiscal year 2018, we expect additional operating costs to be incurred in fiscal year 2019 in our satellite services segment. These increased operating costs are expected to include depreciation, amortization of capitalized software development, earth station connectivity, marketing and advertising costs, logistics, customer care and various support systems. In addition, we expect interest expense to increase during fiscal year 2019 as we no longer capitalize the interest expense relating to the debt incurred for the construction of ViaSat-2 and the related gateway and networking equipment now that the satellite is in service. We have also incurred significant IR&D investments relating to our ViaSat-3 class satellites currently under construction, which negatively impacted our financial results in our commercial networks segment in fiscal year 2018 in particular (with total IR&D expenses for fiscal year 2018 reaching \$168.3 million). Although we expect IR&D expenses for fiscal year 2019 to be lower, IR&D investments are expected to continue throughout fiscal year 2019 and beyond relating to ViaSat-3 ground infrastructure and support of our growing government and commercial air mobility businesses. If our business strategy for our satellite services segment does not succeed, we may be unable to recover our significant investments in our high-capacity Ka-band satellites, which could have a material adverse impact on our business, financial condition or results of operations.

We May Be Unable to Obtain or Maintain Required Authorizations or Contractual Arrangements

Various types of U.S. domestic and international authorizations and contractual arrangements are required in connection with the products and services that we provide. See “Regulatory Environment.” Compliance with certain laws, regulations, conditions and other requirements, including the payment of fees, may be required to maintain the rights provided by such authorizations, including the rights to operate satellite networks at certain orbital slots in certain radio frequencies. Failure to comply with such requirements, or comply in a timely manner, could lead to the loss of such authorizations and could have a material adverse impact on our business, financial condition and results of operations.

We currently hold authorizations to, among other things, operate various satellite earth stations (including but not limited to user terminals, facilities that interconnect with the internet backbone, and network hubs) and operate satellite space stations and/or use those space stations to provide service to certain jurisdictions. While we anticipate that these authorizations will be renewed in the ordinary course to the extent that they otherwise would expire, or replaced by authorizations covering more advanced facilities, we can provide no assurance that this will be the case. Our inability to timely obtain or maintain such authorizations could delay or preclude our operation of such satellites or our provision of products and services that rely upon such satellites. Further, changes to the laws and regulations under which we operate could adversely affect our ability to obtain or maintain authorizations. Any of these circumstances could have a material adverse impact on our business, financial condition and results of operations.

The spacecraft we use in our business are subject to the regulatory authority of, and conditions imposed by, foreign governments, as well as contractual arrangements with third parties and the regulations and procedures of the ITU

governing access to orbital and spectrum rights and the international coordination of satellite networks. Our ViaSat-1 satellite operates under authority granted to ManSat Limited by the governments of the Isle of Man and the United Kingdom (as well as authority from the FCC), and pursuant to contractual arrangements we have with ManSat Limited that extend past the expected useful life of ViaSat-1. Our ViaSat-2 satellite operates under the authority of the United Kingdom. We also use Ka-band capacity on the Anik F2 satellite to provide our broadband services under an agreement with Telesat Canada, and we may do so until the end of the useful life of that satellite. Telesat Canada operates that satellite under authority granted to it by the government of Canada. We also currently use the WildBlue-1 satellite, which we own, and which is co-located with Anik F2 under authority granted to Telesat Canada by the government of Canada, and pursuant to an agreement we have with Telesat Canada that expires upon the end of the useful life of Anik F2. Accordingly, we are reliant upon ManSat Limited and Telesat Canada to maintain their respective governmental rights on which our operating rights are based. The use of these spacecraft in our business is subject to various conditions in the underlying authorizations held by us, ManSat Limited and Telesat Canada, as well as the requirements of the laws and

regulations of those jurisdictions. Any failure to meet these types of requirements in a timely manner, maintain our contractual arrangements, obtain or maintain our authorizations, or manage potential conflicts with the orbital slot rights afforded to third parties, could lead to us losing our rights to operate from these orbital locations or may otherwise require us to modify or limit our operations from these locations, which could materially adversely affect our ability to operate a satellite at full capacity or at all, and could have a material adverse impact on our business, financial condition and results of operations.

Acquisitions, Joint Ventures and Other Strategic Alliances May Have an Adverse Effect on Our Business

In order to position ourselves to take advantage of growth opportunities, from time to time we make strategic acquisitions and enter into joint ventures and other strategic alliances that involve significant risks and uncertainties. For example, in March 2017, we consummated a strategic partnering arrangement with Eutelsat to expand broadband services in Europe and the Mediterranean region using the KA-SAT satellite. Risks and uncertainties relating to acquisitions, joint ventures and other strategic alliances include:

- the difficulty in integrating and managing newly acquired businesses or any businesses of a joint venture or strategic alliance in an efficient and effective manner;
 - the challenges in achieving strategic objectives, cost savings and other benefits expected from such transactions;
 - the risk of diverting our resources and the attention of our senior management from the operations of our business;
 - additional demands on management related to the increase in the size and scope of our company following an acquisition or to the complexities of a joint venture or strategic alliance;
 - the risk that the targeted markets do not evolve as anticipated and the technologies acquired or the joint venture or strategic alliance entered into do not prove to be those needed to be successful in those markets;
 - difficulties in combining or managing different corporate cultures;
 - difficulties in the assimilation and retention of key employees and in maintaining relationships with present and potential customers, distributors and suppliers of an acquired business;
 - the lack of unilateral control over a joint venture or strategic alliance and the risk that joint venture or strategic partners have business goals and interests that are not aligned with ours;
 - the failure of a joint venture or strategic partner to satisfy its obligations or the bankruptcy or malfeasance of such person or entity;
 - costs and expenses associated with any undisclosed or potential liabilities of an acquired business or with respect to any joint venture or strategic alliance;
 - delays, difficulties or unexpected costs in the integration, assimilation, implementation or modification of platforms, systems, functions, technologies and infrastructure to support the combined business, joint venture or strategic alliance, as well as maintaining uniform standards, controls (including internal accounting controls), procedures and policies;
 - the risk that we do not realize a satisfactory return on our investments;
 - the risk that funding requirements may be significantly greater than anticipated;
 - the risks of entering markets in which we have less experience; and
 - the risks of potential disputes concerning indemnities and other obligations that could result in substantial costs.
- In connection with the Eutelsat strategic partnering arrangement and any future acquisitions, joint ventures or strategic alliances, we may incur debt, issue equity securities, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could cause our earnings per share to decline. Mergers, acquisitions, joint ventures and strategic alliances are inherently risky and subject to many factors outside of our control, and we cannot be certain that our previous or future acquisitions, joint ventures and strategic alliances will be successful and will not materially adversely affect our business, operating results or financial condition. We do not know whether we will be able to successfully integrate the businesses, products, technologies or personnel that we might acquire in the future or that any strategic investments we make will meet our financial or other investment objectives. Any failure to do so could seriously harm our business, financial condition and results of operations.

Our International Sales and Operations Are Subject to Applicable Laws Relating to Trade, Export Controls and Foreign Corrupt Practices, the Violation of Which Could Adversely Affect Our Operations

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 us 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). The export of certain satellite hardware, services and technical data relating to satellites is regulated by the U.S. Department of State under ITAR. Other items are controlled for export by the U.S. Department of Commerce under the EAR. We 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. Violations of these laws or regulations could result in significant additional sanctions including fines, more onerous compliance requirements, more extensive debarments from export privileges or loss of authorizations needed to conduct aspects of our international business. A violation of ITAR or the other regulations enumerated above could materially adversely affect our business, financial condition and results of operations.

Changes in the Regulatory Environment Could Have a Material Adverse Impact on Our Competitive Position, Growth and Financial Performance

Our business is highly regulated. We are subject to the regulatory authority of the jurisdictions in which we operate, including the United States and other jurisdictions around the world. Those authorities regulate, among other things, the launch and operation of satellites, the use of radio spectrum, the licensing of earth stations and other radio transmitters, the provision of communications services, and the design, manufacture and marketing of communications systems and networking infrastructure. The space stations and ground network we use to provide our broadband services operate using spectrum that is regulated for use on a primary basis for certain types of the satellite services we provide, as well as additional spectrum that is regulated primarily for terrestrial wireless and other uses but that we are authorized to use on a secondary or non-interference basis.

Laws and regulations affecting our business are subject to change in response to industry developments, new technology, and political considerations, among other things. Legislators and regulatory authorities in various countries are considering, and may in the future adopt, new laws, policies and regulations, as well as changes to existing regulations. We cannot predict when or whether applicable laws or regulations may come into effect or change, or what the cost and time necessary to comply with such new or updated laws or regulations may be.

Changes in laws or regulations, including changes in the way spectrum is regulated and/or is used by others, and in regulations governing our products and services, could, directly or indirectly, affect our operations or the operations of our distribution partners, increase the cost of providing our products and services and make our products and services less competitive in our core markets; in certain instances, such changes could have a material adverse effect on our business, financial condition and results of operations.

The Trump Administration has called for substantial changes to regulatory policies. We cannot predict the impact, if any, of these changes to our business or the industries in which we operate. However, it is possible that these changes could adversely affect our business. It is likely that some policies adopted by the new administration will benefit us and others will negatively affect us. Until we know what changes are enacted, we will not know whether in total we benefit from, or are negatively affected by, the changes. At various times, President Trump has expressed antipathy towards existing trade agreements, including the North American Free Trade Agreement (NAFTA) and has called for greater restrictions on free trade generally. Additionally, the Trump administration has suggested introducing and has imposed tariffs or other restrictions on goods imported into the United States. Changes in U.S. political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the countries where we do business or source goods and materials for our products, and any negative sentiments

towards the United States as a result of such changes, could adversely affect our business.

Among other things, changes to laws and regulations could materially harm our business by (1) affecting our ability to obtain or retain required governmental authorizations, (2) restricting our ability to provide certain products or services, (3) restricting development efforts by us and our customers, (4) making our current products and services less attractive or obsolete, (5) increasing our operational costs, or (6) making it easier or less expensive for our competitors to compete with us. 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. Any such matters could materially harm our business and impair the value of our common stock.

Recent U.S. Tax Legislation May Materially Adversely Affect our Financial Condition, Results of Operations and Cash Flows

Recently enacted U.S. tax legislation has significantly changed the U.S. federal income taxation of U.S. corporations, including by reducing the U.S. corporate income tax rate, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, imposing a one-time transition tax (or repatriation tax) on all undistributed earnings and profits of certain U.S.-owned foreign corporations, revising the rules governing net operating losses and the rules governing foreign tax credits, and introducing new anti-base erosion provisions. Many of these changes are effective immediately, without any transition periods or grandfathering for existing transactions. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the Treasury and Internal Revenue Service (IRS), any of which could lessen or increase certain adverse impacts of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While our analysis and interpretation of this legislation is preliminary and ongoing, based on our current evaluation, we have preliminarily concluded that these changes, including the one-time transition tax on unrepatriated foreign earnings, will not have a material impact on our consolidated financial statements or ability to realize our deferred tax assets. However, we believe that the limitation on interest deductions could negatively impact our cash flows going forward. Further, there may be other material adverse effects resulting from the legislation that we have not yet identified.

While some of the changes made by the tax legislation may adversely affect us in one or more reporting periods and prospectively, other changes may be beneficial on a going forward basis. We continue to work with our tax advisors and auditors to determine the full impact that the recent tax legislation as a whole will have on us. We urge our investors to consult with their legal and tax advisors with respect to such legislation and the potential tax consequences of investing in our securities.

Our Reliance on U.S. Government Contracts Exposes Us to Significant Risks

Our government systems segment revenues were approximately 48%, 44% and 43% of our total revenues in fiscal years 2018, 2017 and 2016, respectively, and were derived primarily from U.S. government applications. Therefore, any significant disruption or deterioration of our relationship with the U.S. government would significantly reduce our revenues. U.S. government business exposes us to various risks, including:

- changes in governmental procurement legislation and regulations and other policies, which may reflect military and political developments;
- unexpected contract or project terminations or suspensions;
- unpredictable order placements, reductions or cancellations;
- reductions or delays in government funds available for our projects due to government policy changes, budget cuts or delays, changes in available funding, reductions in government defense expenditures and contract adjustments;
- the ability of competitors to protest contractual awards;
- penalties arising from post-award contract audits;
- the reduction in the value of our contracts as a result of the routine audit and investigation of our costs by U.S. government agencies;
- higher-than-expected final costs, particularly relating to software and hardware development, for work performed under contracts where we commit to specified deliveries for a fixed price;
- limited profitability from cost-reimbursement contracts under which the amount of profit is limited to a specified amount;
- unpredictable cash collections of unbilled receivables that may be subject to acceptance of contract deliverables by the customer and contract close-out procedures, including government approval of final indirect rates;

competition with programs managed by other government contractors for limited resources and for uncertain levels of funding;

25

- significant changes in contract scheduling or program structure, which generally result in delays or reductions in deliveries; and
- intense competition for available U.S. government business necessitating increases in time and investment for design and development.

We must comply with and are affected by laws and regulations relating to the award, administration and performance of U.S. government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business, including the establishment of compliance procedures. A violation of specific laws and regulations could result in the imposition of fines and penalties, the termination of our contracts or debarment from bidding on contracts. For example, in March 2016, our 52% majority-owned subsidiary TrellisWare was informed by the Civil Division of the U.S. Attorney's Office for the Southern District of California that it was investigating TrellisWare's eligibility for certain prior government contracts and whether TrellisWare's conduct in connection therewith violated the False Claims Act. In February 2017, based on further developments in that investigation, including TrellisWare's discussions with the U.S. Attorney's Office, we accrued a total loss contingency of \$11.8 million in selling, general and administrative (SG&A) expenses in our government systems segment, which consisted of \$11.4 million in uncharacterized damages and \$0.4 million in penalties. The impact of the loss contingency on net income attributable to ViaSat, Inc. stockholders for fiscal year 2017, net of tax, was \$4.0 million, with the related amount of \$3.7 million recorded to net (loss) income attributable to noncontrolling interests, net of tax. The impact of the loss contingency on basic and diluted net income per share attributable to ViaSat, Inc. common stockholders for fiscal year 2017 was \$0.08 per share and \$0.07 per share, respectively. In the fourth quarter of fiscal year 2018, the TrellisWare investigation was settled, resulting in a payment by TrellisWare of \$11.4 million in uncharacterized damages and \$0.4 million in penalties. Refer to Note 12 to the consolidated financial statements for further discussion of the False Claims Act civil investigation.

Substantially all of our U.S. government backlog scheduled for delivery can be terminated at the convenience of the U.S. government because our contracts with the U.S. government typically provide that orders may be terminated with limited or no penalties. If we are unable to address any of the risks described above, or if we were to lose all or a substantial portion of our sales to the U.S. government, it could materially harm our business and impair the value of our common stock.

The funding of U.S. government programs is subject to congressional appropriations. Congress generally appropriates funds on a fiscal year basis even though a program may extend over several fiscal years. Consequently, programs are often only partially funded initially and additional funds are committed only as Congress makes further appropriations. In the event that appropriations for one of our programs become unavailable, or are reduced or delayed, our contract or subcontract under such program may be terminated or adjusted by the government, which could have a negative impact on our future sales and results of operations. Budget cuts to defense spending, such as those that took effect in March 2013 under the Budget Control Act of 2011, can exacerbate these problems. From time to time, when a formal appropriation bill has not been signed into law before the end of the U.S. government's fiscal year, Congress may pass a continuing resolution that authorizes agencies of the U.S. government to continue to operate, generally at the same funding levels from the prior year, but does not authorize new spending initiatives, during a certain period. During such period (or until the regular appropriation bills are passed), delays can occur in procurement of products and services due to lack of funding, and such delays can affect our results of operations during the period of delay.

Our Business Could Be Adversely Affected by a Negative Audit by the U.S. Government

As a government contractor, we are routinely subject to audit and review by the DCMA, the DCAA and other U.S. government agencies of our performance on government contracts, indirect rates and pricing practices, accounting and management internal control business systems, and compliance with applicable contracting and procurement laws, regulations and standards. Both contractors and the U.S. government agencies conducting these audits and reviews have come under increased scrutiny. In particular, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an

adverse outcome. Increases in congressional scrutiny and investigations into business practices and major programs supported by contractors may lead to increased legal costs and may harm our reputation and profitability if we are among the targeted companies.

An adverse outcome to a review or audit or other failure to comply with applicable contracting and procurement laws, regulations and standards could result in material civil and criminal penalties and administrative sanctions being imposed on us, which may include termination of contracts, forfeiture of profits, triggering of price reduction clauses, suspension of payments, significant customer refunds, fines and suspension, or a prohibition on doing business with U.S. government agencies. In addition, if we fail to obtain an “adequate” determination of our various accounting and management internal control business systems from applicable U.S. government agencies or if allegations of impropriety

are made against us, we could suffer serious harm to our business or our reputation, including our ability to bid on new contracts or receive contract renewals and our competitive position in the bidding process. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

Our incurred cost audits by the DCAA have not been concluded for fiscal year 2016 and subsequent fiscal years. As of March 31, 2018, the DCAA had completed its incurred cost audit for fiscal year 2004 and approved our incurred cost claims for fiscal years 2005 through 2015 without further audit. Although we have recorded contract revenues subsequent to fiscal year 2015 based upon an estimate of costs that we believe will be approved upon final audit or review, we do not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed our estimates, our profitability would be adversely affected. For example, in the fourth quarter of fiscal year 2011, based on communications with the DCMA, changes in the regulatory environment for federal government contractors, the status of current government audits and other events, we recorded an additional \$5.0 million in contract-related reserves for our estimate of potential refunds to customers for possible cost adjustments on several multi-year U.S. government cost reimbursable contracts. There can be no assurance that audits or reviews of our incurred costs and cost accounting systems for other fiscal years will not be subject to further audit, review or scrutiny by the DCAA or other government agencies.

Our Success Depends on the Investment in and Development of New Broadband Technologies and Advanced Communications and Secure Networking Systems, Products and Services, 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 our success in applying our expertise and technology to existing and emerging broadband, advanced communications and secure networking markets, as well as 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, which depends on several factors, including:

- our ability to continue to develop leading satellite technologies, including the design of market-leading high-capacity Ka-band satellites;
- 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;
- timely and efficient implementation of our manufacturing and assembly processes and cost reduction efforts;
- establishment of close working relationships with major customers for the design of their new communications and secure networking systems incorporating our products and services;
- development of competitive products, services and technologies by existing and new competitors;
- marketing and pricing strategies of our competitors with respect to competitive products and services; and
- market acceptance of our new products and services.

We cannot assure you that our new technology, product or service offerings will be successful or that any of the new technologies, products or services we offer will achieve sufficient market acceptance. The period of time from conception through satellite launch for a new satellite design may be three or four years or longer, thereby delaying our ability to realize the benefits of our investments in new satellite designs and technologies. We 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, and impair the value of our common stock.

In addition, we believe that significant investments in next-generation broadband satellites and associated infrastructure will continue to be required as demand for broadband services and satellite systems with higher capacity and higher speed continues to grow. We are constantly evaluating the opportunities and investments related to the development of these next-generation broadband systems. The development of these capital-intensive next-generation

systems may require us to undertake debt financing and/or the issuance of additional equity, which could expose us to increased risks and impair the value of our common stock. In addition, if we are unable to effectively or profitably design, manufacture, integrate and market such next-generation technologies, it could materially harm our business, financial condition and results of operations, and impair the value of our common stock.

Because Our Products Are Complex and Are Deployed in Complex Environments, Our Products May Have Defects that We Discover Only After Full Deployment, which Could Seriously Harm Our Business

We produce highly complex products that incorporate leading-edge technology, including both hardware and software. Software typically contains defects or programming flaws that can unexpectedly interfere with expected operations. In addition, our products are complex and are designed to be deployed across complex networks, which in some cases may include over a million users. Because of the nature of these products, there is no assurance that our pre-shipment testing programs will be adequate to detect all defects. As a result, our customers may discover errors or defects in our hardware or software, or our products may not operate as expected after they have been fully deployed. If we are unable to cure a product defect, we could experience damage to our reputation, reduced customer satisfaction, loss of existing customers and failure to attract new customers, failure to achieve market acceptance, cancellation of orders, loss of revenues, reduction in backlog and market share, increased service and warranty costs, diversion of development resources, legal actions by our customers, product returns or recalls, issuance of credit to customers and increased insurance costs. Further, due to the high volume nature of our consumer broadband business, defects of products in this business could significantly increase these risks. Defects, integration issues or other performance problems in our products could also result in financial or other damages to our customers. Our customers could seek damages for related losses from us, which could seriously harm our business, financial condition and results of operations. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly. The occurrence of any of these problems would seriously harm our business, financial condition and results of operations.

Our Reputation and Business Could Be Materially Harmed as a Result of Data Breaches, Data Theft, Unauthorized Access or Hacking

Our success depends, in part, on the secure and uninterrupted performance of our information technology systems. 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. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If unauthorized parties gain access to our information technology systems, they may be able to misappropriate assets or sensitive information (such as personally identifiable information of our customers, business partners and employees), cause interruption in our operations, corruption of data or computers, or otherwise damage our reputation and business. In such circumstances, we could be held liable to our customers or other parties, or be subject to regulatory or other actions for breaching privacy rules. Any compromise of our security could result in a loss of confidence in our security measures, and subject us to litigation, civil or criminal penalties, and negative publicity that could adversely affect our financial condition and results of operations. Further, if we are unable to comply with the security standards established by banks and the payment card industry, we may be subject to fines, restrictions, and expulsion from card acceptance programs, which could adversely affect our operations.

A Significant Portion of Our Revenues Is Derived from a Few of Our Contracts

A small number of our contracts account for a significant percentage of our revenues. Our five largest contracts generated approximately 20%, 20% and 19% of our total revenues in fiscal years 2018, 2017 and 2016, respectively. Our largest revenue-producing contracts are related to our tactical data links products and fixed satellite networks. The failure of these customers or any of our key distributors to place additional orders or to maintain their contracts with us for any reason, including any downturn in their business or financial condition or our inability to renew our

contracts with these customers or obtain new contracts when they expire, could materially harm our business and impair the value of our common stock.

A number of our commercial customers have in the past, and may in the future, experience financial difficulties. Many of our commercial customers face risks that are similar to those we encounter, including risks associated with market growth, product defects, acceptance by the market of products and services, and the ability to obtain sufficient capital. Further, many of our customers and strategic partners that provide satellite-based services (including Xplornet and Eutelsat) could be materially affected by a satellite failure as well as by partial satellite failure, satellite performance degradation, satellite manufacturing errors and other failures resulting from operating satellites in the harsh environment of space. We cannot assure you that our customers will be successful in managing these risks. If our customers do not successfully manage these types of risks, it could impair our ability to generate revenues and collect amounts due from these customers and materially harm our business.

Our Development Contracts May Be Difficult for Us to Comply with and May Expose Us to Third-Party Claims for Damages

We are often party to government and commercial contracts involving the development of new products. We derived approximately 19%, 19% and 20% of our total revenues in fiscal years 2018, 2017 and 2016, respectively, from these development contracts. These contracts typically contain strict performance obligations and project milestones. We cannot assure you we will comply with these performance obligations or meet these project milestones in the future. If we are unable to comply with these performance obligations or meet these milestones, our customers may terminate these contracts and, under some circumstances, recover damages or other penalties from us. We are not currently, nor have we always been, in compliance with all outstanding performance obligations and project milestones in our contracts. We cannot assure you that the other parties to any such contract will not terminate the contract or seek damages from us. If other parties elect to terminate their contracts or seek damages from us, it could materially harm our business and impair the value of our common stock.

We May Experience Losses from Our Fixed-Price Contracts

Of our total government systems and commercial networks segments revenues, approximately 88%, 87% and 90% were derived from contracts with fixed prices in fiscal years 2018, 2017 and 2016, respectively. These contracts carry the risk of potential cost overruns because we assume all of the cost burden. We assume greater financial risk on fixed-price contracts than on other types of contracts because if we do not anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract, it may significantly reduce our net profit or cause a loss on the contract. In the past, we have experienced significant cost overruns and losses on fixed-price contracts. For example, in June 2010, we performed extensive integration testing of numerous system components that had been separately developed as part of a government satellite communication program. As a result of this testing and subsequent internal reviews and analyses, we determined that significant additional rework was required in order to complete the program requirements and specifications and to prepare for a scheduled customer test. This additional rework and engineering effort resulted in a substantial increase in estimated labor and material costs to complete the program. Accordingly, during the first quarter of fiscal year 2011, we recorded an additional forward loss of \$8.5 million related to this estimate of program costs. Because many of these contracts involve new technologies and applications and can last for years, unforeseen events, such as technological difficulties, fluctuations in the price of raw materials, problems with our suppliers and cost overruns, can result in the contractual price becoming less favorable or even unprofitable to us over time. Furthermore, if we do not meet contract deadlines or specifications, we may need to renegotiate contracts on less favorable terms, be forced to pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. We believe a high percentage of our contracts in our government systems and commercial networks segments will be at fixed prices in the future. Although we attempt to accurately estimate costs for fixed-price contracts, we cannot assure you our estimates will be adequate or that substantial losses on fixed-price contracts will not occur in the future. If we are unable to address any of the risks described above, it could materially harm our business, financial condition and results of operations, and impair the value of our common stock.

Our Reliance on a Limited Number of Third Parties to Manufacture and Supply Our Products and the Components Contained therein Exposes Us to Various Risks

We expect our internal manufacturing capacity to be limited to supporting new product development activities, building customized products that need to be manufactured in strict accordance with a customer's specifications or delivery schedules, and building proprietary, highly sensitive Viasat-designed products and components for use in our proprietary technology platform. Therefore, our internal manufacturing capacity has been, and is expected to continue to be, very limited and we intend to continue to rely on contract manufacturers to produce the majority of our products. In addition, some components, subassemblies and services necessary for the manufacture of our products are obtained from a sole source supplier or a limited group of suppliers.

Our reliance on contract manufacturers and on sole source suppliers or a limited group of suppliers involves several risks. We may not be able to obtain an adequate supply of required components, and our control over the price, timely delivery, reliability and quality of finished products may be reduced. The process of manufacturing our products and some of our components and subassemblies is extremely complex. We have in the past experienced and may in the future experience delays in the delivery of and quality problems with products and components and subassemblies from vendors. Some of the suppliers we rely upon have relatively limited financial and other resources. Some of our vendors have manufacturing facilities in areas that may be prone to natural disasters and other natural occurrences that may affect their ability to perform and deliver under our contract. If we are not able to obtain timely deliveries of components and subassemblies of acceptable quality or if we are otherwise required to seek alternative sources of supply or to substitute alternative technology, or to manufacture our finished products or components and subassemblies internally, our ability to satisfactorily and timely complete our customer obligations could be negatively impacted which could result in reduced sales, termination of contracts and damage to our reputation and relationships with our customers. This failure could also

result in a customer terminating our contract for default. A default termination could expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, a delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability.

Our Level of Indebtedness May Adversely Affect Our Ability to Operate Our Business, Remain in Compliance with Debt Covenants, React to Changes in Our Business or the Industry in which We Operate, or Prevent Us from Making Payments on Our Indebtedness

We have a significant amount of indebtedness. As of March 31, 2018, the aggregate principal amount of our total outstanding indebtedness was \$1.1 billion, which comprised \$700.0 million in principal amount of 5.625% Senior Notes due 2025 (the 2025 Notes), no outstanding borrowings under the Revolving Credit Facility and \$362.4 million in principal amount of outstanding borrowings under our direct loan facility with the Export-Import Bank of the United States for ViaSat-2 (the Ex-Im Credit Facility and, together with the Revolving Credit Facility, the Credit Facilities).

Our high level of indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our debt obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- impair our ability to obtain additional debt or equity financing in the future for working capital, capital expenditures, product development, satellite construction, acquisitions or general corporate or other purposes;
- require us to dedicate a material portion of our cash flows from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of our cash flows to fund working capital needs, capital expenditures, product development, satellite construction, acquisitions and other general corporate purposes;
- expose us to the risk of increased interest rates to the extent we make borrowings under our Revolving Credit Facility, which bear interest at a variable rate;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage compared to our competitors that have less indebtedness; and
- limit our ability to adjust to changing market conditions.

Any of these risks could materially impact our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition and results of operations.

We May Incur Additional Indebtedness, which Could Further Increase the Risks Associated with Our Leverage

We may incur significant additional indebtedness in the future, which may include financing relating to future satellites, potential acquisitions, joint ventures and strategic alliances, working capital, capital expenditures or general corporate purposes. For example, we may incur additional indebtedness to fund our investments in our ViaSat-3 class satellites. As of March 31, 2018, we had undrawn availability of \$770.4 million under our Revolving Credit Facility. In addition, our Credit Facilities and the indenture governing the 2025 Notes permit us, subject to specified limitations, to incur additional indebtedness, including secured indebtedness. In February 2016, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of debt securities, common stock, preferred stock, depositary shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers and agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. If our level of indebtedness increases significantly, the related risks that we now face would intensify.

We May Not Be Able to Generate Sufficient Cash to Service All of Our Indebtedness and Fund Our Working Capital and Capital Expenditures, and May Be Forced to Take Other Actions to Satisfy Our Obligations under Our Indebtedness, which May Not Be Successful

Our ability to make scheduled payments on or to refinance our indebtedness will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings, including borrowings under our Credit Facilities, will be available to us in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may

not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. Our Credit Facilities and the indenture governing the 2025 Notes restrict our ability to dispose of assets and use the proceeds from the disposition, and may also restrict our ability to raise debt or equity capital to repay or service our indebtedness. If we cannot make scheduled payments on our debt, we will be in default and, as a result, the lenders under our Credit Facilities and the holders of the 2025 Notes could declare all outstanding principal and interest to be due and payable, the lenders under our Credit Facilities could terminate their commitments to loan money and foreclose against the assets securing the borrowings under our Credit Facilities, and we could be forced into bankruptcy or liquidation, which could result in you losing your investment in our company.

We May Be Unable to Refinance Our Indebtedness

We may need to refinance all or a portion of our indebtedness before maturity, including the 2025 Notes and any indebtedness under our Credit Facilities. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

Covenants in Our Debt Agreements Restrict Our Business and Could Limit Our Ability to Implement Our Business Plan

The Credit Facilities and the indenture governing the 2025 Notes contain covenants that may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in opportunistic transactions, such as strategic acquisitions. In addition, if we fail to satisfy the covenants contained in our Credit Facilities, our ability to borrow under our Credit Facilities may be restricted. The Credit Facilities and the indenture governing the 2025 Notes include covenants restricting, among other things, our ability to do the following:

- incur, assume or guarantee additional indebtedness;
- issue redeemable stock and preferred stock;
- grant or incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- make loans and investments;
- pay dividends, make distributions, or redeem or repurchase capital stock;
- enter into transactions with affiliates;
- reduce our satellite insurance; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

In addition, our Credit Facilities require us to comply with certain financial covenants, including a maximum total leverage ratio and minimum interest coverage ratio. Our Revolving Credit Facility is secured by first-priority liens on substantially all of the assets of our company, including the stock of our significant subsidiaries, and the assets of the subsidiary guarantors under our Revolving Credit Facility. Our Ex-Im Credit Facility is guaranteed by Viasat and is secured by first-priority liens on the ViaSat-2 satellite and related assets, as well as the stock of our foreign subsidiary that owns the ViaSat-2 satellite.

If we default under our Credit Facilities or the indenture governing the 2025 Notes because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. In the past we have violated covenants in our former revolving credit facilities and received waivers for these violations. We cannot assure you that we will be able to comply with our financial or other covenants under our Credit Facilities or the indenture governing the 2025 Notes or that any covenant violations will be waived in the future. Any violation that is not waived could result in an event of default, permitting our lenders to declare outstanding indebtedness and interest thereon due and payable, and permitting the lenders under our Credit Facilities to suspend commitments to make any advance or, with respect to the Revolving Credit Facility, require any outstanding letters of credit to be collateralized by an interest bearing cash account, any or all of which could have a material adverse effect on our business, financial

condition and results of operations. In addition, if we fail to comply with our financial or other covenants under our Credit Facilities or the indenture governing the 2025 Notes, we may need additional financing in order to service or extinguish our indebtedness. We may not be able to obtain financing or refinancing on terms acceptable to us, if at all. We cannot assure you that we would have sufficient funds to repay all the outstanding amounts under our Credit Facilities or the indenture governing the 2025 Notes, and any acceleration of amounts due would have a material adverse effect on our liquidity and financial condition.

We Depend on a Limited Number of Key Employees Who Would Be Difficult to Replace

We depend on a limited number of key technical, marketing and management personnel to manage and operate our business. In particular, we believe our success depends to a significant degree on our ability to attract and retain highly skilled personnel, including our Chairman of the Board and Chief Executive Officer, Mark Dankberg, and those highly skilled design, process and test engineers involved in the manufacture of existing products and the development of new products and processes. The competition for these types of personnel is intense, and the loss of key employees could materially harm our business and impair the value of our common stock. To the extent that the demand for qualified personnel exceeds supply, we could experience higher labor, recruiting or training costs in order to attract and retain such employees, or could experience difficulties in performing under our contracts if our needs for such employees were unmet.

The Global Business Environment and Economic Conditions Could Negatively Affect Our Business, Financial Condition and Results of Operations

Our business and operating results are affected by the global business environment and economic conditions, including changes in interest rates, consumer credit conditions, consumer debt levels, consumer confidence, rates of inflation, unemployment rates, energy costs, geopolitical issues and other macro-economic factors. For example, high unemployment levels or energy costs may impact our consumer customer base in our satellite services segment by reducing consumers' discretionary income and affecting their ability to subscribe for our broadband services. Our commercial networks segment similarly depends on the economic health and willingness of our customers and potential customers to make and adhere to capital and financial commitments to purchase our products and services. During periods of slowing global economic growth or recession, our customers or key suppliers may experience deterioration of their businesses, cash flow shortages, difficulty obtaining financing or insolvency. Existing or potential customers may reduce or postpone spending in response to tighter credit, negative financial news or declines in income or asset values, which could have a material negative effect on the demand for our products and services. Any of these factors could result in reduced demand for, and pricing pressure on, our products and services, which could lead to a reduction in our revenues and adversely affect our business, financial condition and results of operations.

In addition, U.S. credit and capital markets have experienced significant dislocations and liquidity disruptions from time to time. Uncertainty or volatility in credit or capital markets may negatively impact our ability to access additional debt or equity financing or to refinance existing indebtedness in the future on favorable terms or at all. Any of these risks could impair our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition and results of operations.

Because We Conduct Business Internationally, We Face Additional Risks Related to Global Political and Economic Conditions, Changes in Regulation and Currency Fluctuations

Approximately 12%, 13% and 15% of our total revenues in fiscal years 2018, 2017 and 2016, respectively, were derived from international sales. Many of our international sales may be denominated in foreign currencies. Because we do not currently engage in, nor do we anticipate engaging in, material foreign currency hedging transactions related to international sales, a decrease in the value of foreign currencies relative to the U.S. dollar could result in losses from transactions denominated in foreign currencies. This decrease in value could also make our products less price-competitive.

There are additional risks in conducting business internationally, including:

- unexpected changes in laws, policies and regulatory requirements, including but not limited to regulations related to import-export control;
- increased cost of localizing systems in foreign countries;

- increased sales and marketing and research and development expenses;
- availability of suitable export financing;
- timing and availability of export licenses;
- imposition of taxes, tariffs, embargoes and other trade barriers, including new tariffs suggested or implemented by the Trump administration;
- political and economic instability or issues related to the political relationship between the United States and other countries;
- fluctuations in currency exchange rates, foreign exchange controls and restrictions on cash repatriation;
- compliance with a variety of international laws and U.S. laws affecting the activities of U.S. companies abroad;

32

- challenges in staffing and managing foreign operations;
- difficulties in managing distributors;
- requirements for additional liquidity to fund our international operations;
- ineffective legal protection of our intellectual property rights in certain countries;
- potentially adverse tax consequences;
- potential difficulty in making adequate payment arrangements; and
- potential difficulty in collecting accounts receivable.

In addition, some of our customer purchase agreements are governed by foreign laws, which may differ significantly from U.S. laws. We may be limited in our ability to enforce our rights under these agreements and to collect damages, if awarded. If we are unable to address any of the risks described above, it could materially harm our business and impair the value of our common stock.

Our Ability to Protect Our Proprietary Technology Is Limited

Our success depends significantly on our ability to protect our proprietary rights to the technologies we use in our products and services. We generally rely on a combination of patents, copyrights, trademarks and trade secret laws and contractual rights to protect our proprietary rights in our technology and products. We also enter into confidentiality agreements with our employees, consultants and corporate partners, and 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 and impair the value of our common stock. Monitoring and preventing unauthorized use of our technology is difficult. From time to time, we undertake actions to prevent unauthorized use of our technology, including sending cease and desist letters. In addition, we may be required to commence litigation to protect our intellectual property rights or to determine the validity and scope of the proprietary rights of others. For example, in February 2012 we successfully sued SS/L and its former parent company Loral Space & Communications, Inc. (Loral) for patent infringement and breach of contract relating to the manufacture of ViaSat-1. If we are unsuccessful in any such litigation in the future, our rights to enforce 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 the innovative products. Also, we have delivered certain technical data and information to the U.S. government under procurement contracts, and the U.S. government may have unlimited rights to use that technical data and information. There can be no assurance that the U.S. government will not authorize others to use that data and information to compete with us.

Our Involvement in Litigation Relating to Intellectual Property Claims May Have a Material Adverse Effect on Our Business

We may be party to intellectual property infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification resulting from infringement claims. Regardless of the merit of these claims, intellectual property litigation can be time consuming and costly and may result in the diversion of the attention of technical and management personnel. An adverse result in any litigation could have a material adverse effect on our business, financial condition and results of operations. Asserted claims or initiated litigation can include claims against us or our manufacturers, suppliers or customers alleging infringement of their proprietary rights with respect to our existing or future products, or components of those products. If our products are found to infringe or violate the intellectual property rights of third parties, we may be forced to (1) seek licenses or royalty arrangements from such third parties, (2) stop selling, incorporating or using products that included the challenged intellectual property, or (3) incur substantial costs to redesign those products that use the technology. We cannot assure you that we would be able to obtain any such licenses or royalty arrangements on reasonable terms or at all or to develop redesigned products or, if

these redesigned products were developed, they would perform as required or be accepted in the applicable markets.

33

We Rely on the Availability of Third-Party Licenses

Many of our products are designed to include software or other intellectual property licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various elements of the technology used to develop these products. We cannot assure you that our existing or future third-party licenses will be available to us on commercially reasonable terms, if at all. Our inability to maintain or obtain any third-party license required to sell or develop our products and product enhancements could require us to obtain substitute technology of lower quality or performance standards, or at greater cost.

Adverse Resolution of Litigation May Harm Our Operating Results or Financial Condition

We are a party to various lawsuits and claims in the normal course of our business. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, financial condition and results of operations.

Future Sales of Our Common Stock Could Lower Our Stock Price and Dilute Existing Stockholders

In February 2016, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of common stock, preferred stock, debt securities, depositary shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. For example, during the third quarter of fiscal year 2017 we completed the sale of approximately 7.5 million shares of our common stock in an underwritten public offering.

We may also issue additional shares of common stock to finance future acquisitions through the use of equity. For example, during the third quarter of fiscal year 2010 we issued approximately 4.3 million shares of our common stock to former equity and debt holders of WildBlue Holding, Inc. (WildBlue) in connection with our acquisition of WildBlue. Additionally, a substantial number of shares of our common stock are available for future sale pursuant to stock options, warrants or issuance pursuant to our 1996 Equity Participation Plan of ViaSat, Inc. and the ViaSat, Inc. Employee Stock Purchase Plan. We cannot predict the size of future issuances of our common stock or the effect, if any, that future sales and issuances of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued upon the exercise of stock options and warrants or in connection with acquisition financing), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock. In addition, these sales may be dilutive to existing stockholders.

We Expect Our Stock Price to Be Volatile, and You May Lose All or Some of Your Investment

The market price of our common stock has been volatile in the past. For example, since April 1, 2015, the market price of our common stock has ranged from \$56.02 to \$82.19. Trading prices may continue to fluctuate in response to a number of events and factors, including the following:

- quarterly variations in operating results and announcements of innovations;
- announcements relating to the acquisition, construction and launch of satellites or the uptake of our in-flight services and IFC systems by commercial airlines;
- new products, services and strategic developments by us or our competitors;
- developments in our relationships with our customers, distributors, suppliers and joint venture partners;
- regulatory developments;
- changes in our revenues, expense levels or profitability;
- changes in financial estimates and recommendations by securities analysts;
- failure to meet the expectations of securities analysts;

changes in the satellite and wireless communications and secure networking industries; and
changes in the economy.

Any of these events may cause the market price of our common stock to fall. In addition, the stock market in general and the market prices for technology companies in particular have experienced significant volatility that often has been unrelated to the operating performance of these companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance.

We May Not Be Able to Utilize All of Our Deferred Tax Assets

We currently believe that we are likely to have sufficient taxable income in the future to realize the benefit of all of our net deferred tax assets (consisting primarily of net operating loss and tax credit carryforwards, reserves and accruals that are not currently deductible for tax purposes). However, some or all of these deferred tax assets could expire unused if we are unable to generate sufficient taxable income in the future to take advantage of them or we enter into transactions that limit our right to use them. If it became more likely than not that deferred tax assets would expire unused, we would have to increase our valuation allowance against deferred tax assets to reflect this fact, which could materially increase our income tax expense, and therefore adversely affect our results of operations and tangible net worth in the period in which it is recorded.

Moreover, our ability to utilize our net operating loss and tax credit carryforwards to offset future taxable income and reduce future cash tax liabilities would be negatively impacted if we were to experience an “ownership change,” as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the Code). In general terms, an “ownership change” can occur whenever the ownership of a company by one or more “5% shareholders” changes by more than 50 percentage points within a three-year period. The determination of whether an ownership change has occurred for purposes of Section 382 of the Code is complex and requires significant judgment. Moreover, the number of shares of our common stock outstanding at any particular time for purposes of Section 382 of the Code may differ from the number of shares that we report as outstanding in our filings with the SEC. In the event that an ownership change occurs, our ability to utilize our net operating loss and tax credit carryforwards would be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operations.

Under recently enacted U.S. federal tax legislation, although the treatment of net operating loss carryforwards arising in tax years beginning on or before December 31, 2017 has generally not changed, net operating loss carryforwards arising in tax years beginning after December 31, 2017 may be used to offset only 80% of taxable income. In addition, net operating losses arising in tax years ending after December 31, 2017 may be carried forward indefinitely, as opposed to the 20-year carryforward under prior law.

Our Executive Officers and Directors Own a Significant Percentage of Our Common Stock and May Exert Significant Influence over Matters Requiring Stockholder Approval

As of March 31, 2018, our executive officers and directors and their affiliates beneficially owned an aggregate of approximately 8% of our common stock. Accordingly, these stockholders may be able to significantly influence matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. Circumstances may arise in which the interests of these stockholders could conflict with the interests of our other stockholders. These stockholders could delay or prevent a change in control of Viasat even if such a transaction would be beneficial to our other stockholders.

Provisions in Our Certificate of Incorporation and Bylaws, under Delaware Law and in Our Credit Facilities May Discourage, Delay or Prevent a Change in Control or Prevent an Acquisition of Our Business at a Premium Price

Some of the provisions of our certificate of incorporation, our bylaws and Delaware law could discourage, delay or prevent an acquisition of our business, even if a change in control of Viasat would be beneficial to the interests of our stockholders and was made at a premium price. These provisions:

- permit the board of directors to increase its own size and fill the resulting vacancies;
- provide for a board comprised of three classes of directors with each class serving a staggered three-year term;
- authorize the issuance of blank check preferred stock in one or more series; and
- prohibit stockholder action by written consent.

We are also subject to Section 203 of the Delaware General Corporation Law, which imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock. In addition, under

the indenture governing the 2025 Notes, if certain “change of control” events occur, each holder of 2025 Notes may require us to repurchase all of such holder’s 2025 Notes at a purchase price equal to 101% of the principal amount of such notes. Additionally, our Credit Facilities provide for an event of default upon the occurrence of certain specified “change of control” events.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

35

ITEM 2. PROPERTIES

Our worldwide headquarters are located at our Carlsbad, California campus, consisting of approximately 695,000 square feet under various leases. In addition to our Carlsbad campus, we have facilities under various leases consisting of approximately: (1) 4,000 square feet in San Diego, California, (2) 158,000 square feet in Englewood, Colorado, (3) 215,000 square feet in Duluth, Georgia, (4) 75,000 square feet in Germantown, Maryland, (5) 151,000 square feet in Tempe, Arizona, (6) 31,000 square feet in Cleveland, Ohio and (7) 20,000 square feet in San Jose, California. We also maintain offices or a sales presence in Washington, D.C., Marlborough and Boston (Massachusetts), Linthicum Heights (Maryland), Tampa (Florida), Austin, Bryan and College Station (Texas), Fort Bragg (North Carolina), Seattle (Washington), Australia, China, India, Israel, Italy, Ireland, Switzerland and the United Kingdom, and operate 47 earth station locations to support our satellite broadband services business across the United States and Canada. Although we believe that our existing facilities are suitable and adequate for our present purposes, we anticipate operating additional regional sales offices in fiscal year 2019 and beyond. Each of our segments uses each of these facilities.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of business, including government investigations and claims, and other claims and proceedings with respect to intellectual property, breach of contract, labor and employment, tax and other matters. Such matters could result in fines; penalties, compensatory, treble or other damages; or non-monetary relief. A violation of government contract laws and regulations could also result in the termination of our government contracts or debarment from bidding on future government contracts. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, financial condition, results of operations or liquidity. Regardless of the outcome, litigation can have an adverse impact on us because of defense costs, diversion of management resources and other factors. In addition, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially and adversely affect our business, financial condition, results of operations or liquidity in a particular period. For further information on the risks we face from existing and future claims, suits, investigations and proceedings, see "Risk Factors" in Part I, Item 1A of this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is traded on the Nasdaq Global Select Market under the symbol "VSAT." The following table sets forth, for the periods indicated, the range of high and low sales prices of our common stock as reported by Nasdaq.

	High	Low
Fiscal Year 2017		
First Quarter	\$79.15	\$65.80
Second Quarter	76.77	68.84
Third Quarter	82.19	65.89
Fourth Quarter	69.72	62.25
Fiscal Year 2018		
First Quarter	\$72.62	\$61.85
Second Quarter	67.94	57.75
Third Quarter	75.88	60.65
Fourth Quarter	80.26	62.85

As of May 11, 2018, there were approximately 575 holders of record of our common stock. A substantially greater number of holders of Viasat common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividend Policy

To date, we have neither declared nor paid any dividends on our common stock. We currently intend to retain all future earnings, if any, for use in the operation and development of our business and, therefore, do not expect to declare or pay any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, general business condition and such other factors as the Board of Directors may deem relevant. In addition, as more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, the existing terms of our Credit Facilities and the indenture governing our 2025 Notes restrict our ability to declare or pay dividends on our common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following table provides our selected financial information for each of the fiscal years in the five-year period ended March 31, 2018. The data as of and for each of the fiscal years in the five-year period ended March 31, 2018 have been derived from our audited consolidated financial statements, except as otherwise noted. You should consider the financial statement data provided below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes which are included elsewhere in this Annual Report.

	Fiscal Years Ended				
	March 31, 2018	March 31, 2017	March 31, 2016	April 3, 2015	April 4, 2014
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Product revenues	\$755,547	\$ 713,936	\$ 664,821	\$ 728,074	\$ 785,738
Service revenues	839,078	845,401	752,610	654,461	565,724
Total revenues	1,594,625	1,559,337	1,417,431	1,382,535	1,351,462
Operating expenses:					
Cost of product revenues	553,677	524,026	489,246	519,483	571,855
Cost of service revenues	567,137	524,949	495,099	444,431	419,425
Selling, general and administrative	385,420	333,468	298,345	270,841	281,533
Independent research and development	168,347	129,647	77,184	46,670	60,736
Amortization of acquired intangible assets	12,231	10,788	16,438	17,966	14,614
(Loss) income from operations	(92,187)	36,459	41,119	83,144	3,299
Interest expense, net	(3,066)	(11,075)	(23,522)	(29,426)	(37,903)
Loss on extinguishment of debt	(10,217)	—	—	—	—
(Loss) income before income taxes	(105,470)	25,384	17,597	53,718	(34,604)
Benefit from (provision for) income taxes	35,217	(3,617)	4,173	(13,827)	25,947
Equity in income of unconsolidated affiliate, net	1,978	—	—	—	—
Net (loss) income	(68,275)	21,767	21,770	39,891	(8,657)
Less: net (loss) income attributable to					
noncontrolling interests, net of tax	(970)	(2,000)	29	(472)	789
Net (loss) income attributable to Viasat, Inc.	\$(67,305)	\$ 23,767	\$ 21,741	\$ 40,363	\$(9,446)
Basic net (loss) income per share attributable to					
Viasat, Inc. common stockholders	\$(1.15)	\$ 0.45	\$ 0.45	\$ 0.86	\$(0.21)
Diluted net (loss) income per share attributable to					
Viasat, Inc. common stockholders	\$(1.15)	\$ 0.45	\$ 0.44	\$ 0.84	\$(0.21)
Shares used in computing basic net (loss) income	58,438	52,318	48,464	47,139	45,744

per share					
Shares used in computing diluted net (loss)					
income per share	58,438	53,396	49,445	48,285	45,744
Consolidated Balance Sheets Data:					
Cash and cash equivalents	\$71,446	\$ 130,098	\$ 42,088	\$ 52,263	\$ 58,347
Working capital (1) (2)	146,096	289,339	241,567	221,685	217,641
Total assets (2)	3,414,109	2,954,653	2,397,312	2,147,405	1,951,160
Senior notes (2)	690,886	575,380	575,304	575,144	574,906
Other long-term debt (2) (3)	287,519	273,103	370,224	220,276	105,900
Other liabilities	121,240	42,722	37,371	39,995	48,893
Total Viasat, Inc. stockholders' equity	1,837,166	1,734,618	1,129,103	1,038,582	941,012

(1) In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-17, Income Taxes (ASC 740): Balance Sheet Classification of Deferred Taxes, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as non-current on the balance sheet. We early adopted this standard retrospectively during the fourth quarter of fiscal year 2016 and reclassified all of our current deferred tax assets to non-current deferred tax assets on our consolidated balance sheets for all periods presented.

38

- (2) During the first quarter of fiscal year 2017, we adopted ASU 2015-03. The retrospective adoption of this guidance resulted in the reclassification of unamortized debt issuance costs as a direct deduction from the carrying amounts of our former 6.875% Notes due 2020 (the 2020 Notes) and the Ex-Im Credit Facility, consistent with unamortized discount, for all periods presented.
- (3) Includes only the long-term portion of the Ex-Im Credit Facility. The current portion of the Ex-Im Credit Facility totaled \$45.3 million as of March 31, 2018. There was no current portion related to the Ex-Im Credit Facility in any other period presented.

Our fiscal year 2015 information presented reflects the amounts realized under our settlement agreement with SS/L and Loral (the Settlement Agreement) of \$53.7 million, of which \$33.0 million was recognized as product revenues in our satellite services segment, \$18.7 million was recognized as a reduction to SG&A expenses in our satellite services segment, and \$2.0 million was recognized as interest income in the consolidated financial statements. Our fiscal year 2016 information presented reflects the amounts realized under the Settlement Agreement of \$27.5 million, of which \$25.3 million was recognized as product revenues in our satellite services segment, and \$2.2 million was recognized as interest income in the consolidated financial statements. Our fiscal year 2017 information presented reflects amounts realized under the Settlement Agreement of \$27.5 million, of which \$26.8 million was recognized as product revenues in our satellite services segment, and an insignificant amount was recognized as interest income in the consolidated financial statements. As of March 31, 2017 all payments pursuant to the Settlement Agreement had been made. Our fiscal year 2017 information presented also reflects the amounts accrued for uncharacterized damages and penalties of \$11.4 million and \$0.4 million, respectively, in connection with the False Claims Act civil investigation related to our 52% majority-owned subsidiary TrellisWare, recognized in SG&A expenses in our government systems segment. The impact of the loss contingency on net income attributable to Viasat, Inc. stockholders for fiscal year 2017, net of tax, was \$4.0 million, with the related amount of \$3.7 million recorded to net (loss) income attributable to noncontrolling interests, net of tax. The impact of the loss contingency on basic and diluted net income per share attributable to Viasat, Inc. common stockholders for fiscal year 2017 was \$0.08 per share and \$0.07 per share, respectively. In the fourth quarter of fiscal year 2018, the TrellisWare investigation was settled and the accrued amount of loss contingency was paid out in full. Refer to Note 12 to the consolidated financial statements for further discussion of the False Claims Act civil investigation. Our fiscal year 2018 information presented reflects the repurchase and redemption of our former 2020 Notes and the associated \$10.2 million loss on extinguishment of debt. Refer to Note 5 to the consolidated financial statements for discussion of the repurchase and redemption of all of the 2020 Notes and loss on extinguishment of debt.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

We are an innovator in broadband technologies and services. Our end-to-end platform of high-capacity Ka-band satellites, ground infrastructure and user terminals enables us to provide cost-effective, high-speed, high-quality broadband solutions to enterprises, consumers and government users around the globe, whether on the ground, on the move or in flight. In addition, we develop and provide advanced wireless communications systems, secure networking systems and cybersecurity and information assurance products and services. Our product, system and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that our portfolio of products and services, combined with our ability to effectively cross-deploy technologies between government and commercial segments and across different geographic markets, provides us with a strong foundation to sustain and enhance our leadership in advanced communications and networking technologies. Viasat operates in three segments: satellite services, commercial networks and government systems.

During the third quarter of fiscal year 2017, we completed the sale of an aggregate of 7,475,000 shares of Viasat common stock in an underwritten public offering. Our net proceeds from the offering were approximately \$503.1 million after deducting underwriting discounts and offering expenses. We used \$225.0 million of the net proceeds from the offering to repay the then-outstanding borrowings under the Revolving Credit Facility.

Satellite Services

Our satellite services segment provides satellite-based high-speed broadband services to consumers, enterprises, commercial airlines and mobile broadband customers both in the United States and abroad. Our Viasat Internet and Viasat Business Internet fixed broadband services offer high-speed, high-quality broadband internet access. We also offer high-speed internet and other in-flight services for a growing number of commercial aircraft. Our satellite services business also provides a platform for the provision of network management services to domestic and international satellite service providers.

Our satellite services business uses our proprietary technology platform to provide satellite-based high-speed broadband services with multiple applications to consumers, enterprises, commercial airlines and mobile broadband customers. Our proprietary Ka-band satellites are at the core of our technology platform. Our ViaSat-1 satellite (our first-generation high-capacity Ka-band spot-beam satellite) was placed into service in January 2012. On June 1, 2017, our second-generation ViaSat-2 satellite was successfully launched into orbit, and in the fourth quarter of fiscal year 2018 we launched commercial broadband services on the ViaSat-2 satellite. We currently have two third-generation ViaSat-3 class satellites under construction, and anticipate commencing construction on a third ViaSat-3 class satellite in the future. We also own the WildBlue-1 satellite, which was placed into service in March 2007.

The primary services offered by our satellite services segment are comprised of:

• Fixed broadband services, which provide consumers and businesses with high-speed broadband internet access and VoIP services. As of March 31, 2018, we provided fixed broadband services to approximately 576,000 subscribers. In addition, we offer satellite-enabled community Wi-Fi hotspot services, primarily in Mexico.

- In-flight services, including our flagship Viasat in-flight internet services and aviation software services. As of March 31, 2018, 635 commercial aircraft were in service utilizing our Viasat IFC systems.

• Mobile broadband services, which provide global network management and high-speed internet connectivity services for customers using airborne, maritime and ground-mobile satellite systems.

We also offer a variety of other broadband services, including business connectivity, live on-line event streaming, oil and natural gas data gathering services and high-definition satellite news gathering.

In September 2014, we entered into the Settlement Agreement with SS/L and Loral, pursuant to which SS/L and Loral were required to pay us a total of \$108.7 million, inclusive of interest, over a two and a half year period from the date of settlement. In exchange, we dismissed both lawsuits against SS/L and Loral. The parties further agreed not to sue each other with respect to the patents and intellectual property that were the subject of the lawsuits and, for a period of two years, not to sue each other or each other's customers for any intellectual property claims. We recorded payments under the Settlement Agreement as product revenues and as a reduction of SG&A expenses in our satellite services segment, and as interest income. As of March 31, 2017, all payments pursuant to this Settlement Agreement had been recorded and no further impacts to our consolidated financial statements are anticipated related to this Settlement Agreement.

Commercial Networks

Our commercial networks segment develops and produces a variety of advanced satellite and wireless products, systems and solutions that enable the provision of high-speed fixed and mobile broadband services. Our products, systems and solutions include an array of satellite-based and wireless broadband platforms, networking equipment, space hardware, radio frequency and advanced microwave solutions, space-to-earth connectivity systems, CPE, satellite modems and antenna technologies, as well as satellite payload development and ASIC chip design. Our products, systems and solutions are generally developed through a combination of customer and discretionary internal research and development funding, are utilized to provide services through our satellite services segment and are also sold to commercial networks customers (with sales of complementary products, systems and solutions to government customers included in our government systems segment). The primary products, systems, solutions and services offered by our commercial networks segment are comprised of:

- Mobile broadband satellite communication systems, designed for use in aircraft and seagoing vessels.

• Fixed satellite networks, including next-generation satellite network infrastructure and ground terminals to access Ka-band broadband services on high-capacity satellites.

• Antenna systems specializing in earth imaging, remote sensing, mobile satellite communication, Ka-band earth stations and other multi-band antennas.

• Satellite networking development, including specialized design and technology services covering all aspects of satellite communication system architecture and technology, including satellite and ground systems, fabless semiconductor design for ASIC and MMIC chips and network function virtualization, as well as modules and subsystems for various commercial, military and space uses and radio frequency and advanced microwave solutions. We also design and develop high-capacity Ka-band satellites as part of our commercial networks segment (both for our own satellite fleet and for third parties) and design, develop and produce the associated satellite payload technologies.

Government Systems

Our government systems segment provides global mobile broadband services to military and government users, and develops and produces network-centric IP-based fixed and mobile secure communications products and solutions that are designed to enable the collection and dissemination of secure real-time digital information between individuals on the tactical edge, command centers, strategic communications nodes, ground and maritime platforms and airborne intelligence and defense platforms. Customers of our government systems segment include the DoD, allied foreign governments, allied armed forces, public safety first-responders and remote government employees.

The primary products and services of our government systems segment include:

• Government mobile broadband products and services, which provide military and government users with high-speed, real-time, broadband and multimedia connectivity in key regions of the world, as well as line-of-sight and beyond-line-of-sight ISR missions.

• Government satellite communication systems, which comprise an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands for C2 missions, satellite networking services and network management systems for Wi-Fi and other internet access networks, and include products designed for manpacks, aircraft, UAVs, seagoing vessels, ground-mobile vehicles and fixed applications.

- Cybersecurity and information assurance products, which provide advanced, high-speed IP-based “Type 1” and HAIPE-compliant encryption solutions that enable military and government users to communicate information securely over networks, and that secure data stored on computers and storage devices.

• Tactical data links, including our BATS-D handheld Link 16 radios, our KOR-24A 2-channel Small Tactical Terminal for manned and unmanned applications, “disposable” defense data links, our MIDS terminals for military fighter jets and their successor, MIDS-JTRS terminals.

Sources of Revenues

Our satellite services segment revenues are primarily derived from our fixed broadband services business, our in-flight services business and our worldwide managed network services.

41

Revenues in our commercial networks and government systems segments are primarily derived from three types of contracts: fixed-price, time-and-materials and cost-reimbursement contracts. Fixed-price contracts (which require us to provide products and services under a contract at a specified price) comprised approximately 88%, 87% and 90% of our total revenues for these segments for fiscal years 2018, 2017 and 2016, respectively. The remainder of our revenues in these segments for such periods was derived primarily from cost-reimbursement contracts (under which we are reimbursed for all actual costs incurred in performing the contract to the extent such costs are within the contract ceiling and allowable under the terms of the contract, plus a fee or profit) and from time-and-materials contracts (which reimburse us for the number of labor hours expended at an established hourly rate negotiated in the contract, plus the cost of materials utilized in providing such products or services).

Our ability to grow and maintain our revenues in our commercial networks and government systems segments has to date depended on our ability to identify and target markets where the customer places a high priority on the technology solution, and our ability to obtain additional sizable contract awards. Due to the nature of this process, it is difficult to predict the probability and timing of obtaining awards in these markets.

Historically, a significant portion of our revenues in our commercial networks and government systems segments has been derived from customer contracts that include the research and development of products. The research and development efforts are conducted in direct response to the customer's specific requirements and, accordingly, expenditures related to such efforts are included in cost of sales when incurred and the related funding (which includes a profit component) is included in revenues. Revenues for our funded research and development from our customer contracts were approximately 19%, 19% and 20% of our total revenues during fiscal years 2018, 2017 and 2016, respectively.

We also incur IR&D expenses, which are not directly funded by a third party. IR&D expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials, testing and certification related to research and development projects. IR&D expenses were approximately 11%, 8% and 5% of total revenues in fiscal years 2018, 2017 and 2016, respectively. As a government contractor, we are able to recover a portion of our IR&D expenses pursuant to our government contracts.

Approximately 12%, 13% and 15% of our total revenues in fiscal years 2018, 2017 and 2016, respectively, were derived from international sales. Doing business internationally creates additional risks related to global political and economic conditions and other factors identified under the heading "Risk Factors" in Item 1A and elsewhere in this report.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We consider the policies discussed below to be critical to an understanding of our financial statements because their application places the most significant demands on management's judgment, with financial reporting results relying on estimation about the effect of matters that are inherently uncertain. We describe the specific risks for these critical accounting policies in the following paragraphs. For all of these policies, we caution that future events rarely develop exactly as forecast, and even the best estimates routinely require adjustment.

Revenue recognition

A substantial portion of our revenues is derived from long-term contracts requiring development and delivery of complex equipment built to customer specifications. Sales related to these contracts are accounted for under the

authoritative guidance for the percentage-of-completion method of accounting (Accounting Standards Codification (ASC) 605-35). Sales and earnings under these contracts are recorded either based on the ratio of actual costs incurred to date to total estimated costs expected to be incurred related to the contract, or as products are shipped under the units-of-delivery method.

The percentage-of-completion method of accounting requires management to estimate the profit margin for each individual contract and to apply that profit margin on a uniform basis as sales are recorded under the contract. The estimation of profit margins requires management to make projections of the total sales to be generated and the total costs that will be incurred under a contract. These projections require management to make numerous assumptions and estimates relating to items such as the complexity of design and related development costs, performance of subcontractors, availability and cost of materials, labor productivity and cost, overhead and capital costs and manufacturing efficiency. These contracts often include purchase options for additional quantities and customer change

orders for additional or revised product functionality. Purchase options and change orders are accounted for either as an integral part of the original contract or separately depending upon the nature and value of the item. For contract claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable. During fiscal years 2018, 2017 and 2016, we recorded losses of approximately \$10.2 million, \$6.0 million and \$5.1 million, respectively, related to loss contracts.

Assuming the initial estimates of sales and costs under a contract are accurate, the percentage-of-completion method results in the profit margin being recorded evenly as revenue is recognized under the contract. Changes in these underlying estimates due to revisions in sales and future cost estimates or the exercise of contract options may result in profit margins being recognized unevenly over a contract as such changes are accounted for on a cumulative basis in the period estimates are revised. We believe we have established appropriate systems and processes to enable us to reasonably estimate future costs on our programs through regular evaluations of contract costs, scheduling and technical matters by business unit personnel and management. Historically, in the aggregate, we have not experienced significant deviations in actual costs from estimated program costs, and when deviations that result in significant adjustments arise, we disclose the related impact in Management's Discussion and Analysis of Financial Condition and Results of Operations. However, these estimates require significant management judgment and a significant change in future cost estimates on one or more programs could have a material effect on our results of operations. A one percent variance in our future cost estimates on open fixed-price contracts as of March 31, 2018 would change our loss before income taxes by an insignificant amount.

We also derive a substantial portion of our revenues from contracts and purchase orders where revenue is recorded on delivery of products or performance of services in accordance with the authoritative guidance for revenue recognition (ASC 605). Under this standard, we recognize revenue when an arrangement exists, prices are determinable, collectability is reasonably assured and the goods or services have been delivered.

We also enter into certain leasing arrangements with customers and evaluate the contracts in accordance with the authoritative guidance for leases (ASC 840). Our accounting for equipment leases involves specific determinations under the authoritative guidance for leases, which often involve complex provisions and significant judgments. In accordance with the authoritative guidance for leases, we classify the transactions as sales type or operating leases based on: (1) review for transfers of ownership of the equipment to the lessee by the end of the lease term, (2) review of the lease terms to determine if it contains an option to purchase the leased equipment for a price which is sufficiently lower than the expected fair value of the equipment at the date of the option, (3) review of the lease term to determine if it is equal to or greater than 75% of the economic life of the equipment, and (4) review of the present value of the minimum lease payments to determine if they are equal to or greater than 90% of the fair market value of the equipment at the inception of the lease. Additionally, we consider the cancelability of the contract and any related uncertainty of collections or risk in recoverability of the lease investment at lease inception. Revenue from sales type leases is recognized at the inception of the lease or when the equipment has been delivered and installed at the customer site, if installation is required. Revenues from equipment rentals under operating leases are recognized as earned over the lease term, which is generally on a straight-line basis.

In accordance with the authoritative guidance for revenue recognition for multiple element arrangements, ASU 2009-13, Revenue Recognition (ASC 605) Multiple-Deliverable Revenue Arrangements, which updates ASC 605-25, Revenue Recognition-Multiple element arrangements, of FASB codification, for substantially all of the arrangements with multiple deliverables, we allocate revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: vendor specific objective evidence (VSOE) if available, third-party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE are available (a description as to how we determine VSOE, TPE and ESP is provided below). If a tangible hardware systems product includes software, we determine whether the tangible hardware systems product and the software work together to deliver the product's essential functionality and, if so, the

entire product is treated as a nonsoftware deliverable. The total arrangement consideration is allocated to each separate unit of accounting for each of the nonsoftware deliverables using the relative selling prices of each unit based on the aforementioned selling price hierarchy. Revenue for each separate unit of accounting is recognized when the applicable revenue recognition criteria for each element have been met.

To determine the selling price in multiple-element arrangements, we establish VSOE of the selling price using the price charged for a deliverable when sold separately. We also consider specific renewal rates offered to customers for software license updates, product support and hardware systems support, and other services. For nonsoftware multiple-element arrangements, TPE is established by evaluating similar and/or interchangeable competitor products or services in standalone arrangements with similarly situated customers and/or agreements. If we are unable to determine the selling price because VSOE or TPE doesn't exist, we determine ESP for the purposes of allocating the arrangement by reviewing historical transactions, including transactions whereby the deliverable was sold on a standalone basis and considering

several other external and internal factors including, but not limited to, pricing practices including discounting, margin objectives, competition, the geographies in which we offer our products and services, the type of customer (i.e. distributor, value added reseller, government agency or direct end user, among others), volume commitments and the stage of the product lifecycle. The determination of ESP considers our pricing model and go-to-market strategy. As our, or our competitors', pricing and go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes to our determination of VSOE, TPE and ESP. As a result, our future revenue recognition for multiple-element arrangements could differ materially from those in the current period.

Collections in excess of revenues and deferred revenues represent cash collected from customers in advance of revenue recognition and are recorded in accrued liabilities for obligations within the next 12 months. Amounts for obligations extending beyond the 12 months are recorded within other liabilities in the consolidated financial statements.

Warranty reserves

We provide limited warranties on our products for periods of up to five years. We record a liability for our warranty obligations when we ship the products or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within 12 months are classified as accrued liabilities and amounts expected to be incurred beyond 12 months are classified as other liabilities in the consolidated financial statements. For mature products, we estimate the warranty costs based on historical experience with the particular product. For newer products that do not have a history of warranty costs, we base our estimates on our experience with the technology involved and the types of failures that may occur. It is possible that our underlying assumptions will not reflect the actual experience, and in that case, we will make future adjustments to the recorded warranty obligation.

Property, equipment and satellites

Satellites and other property and equipment are recorded at cost or in the case of certain satellites and other property acquired, the fair value at the date of acquisition, net of accumulated depreciation. Capitalized satellite costs consist primarily of the costs of satellite construction and launch, including launch insurance and insurance during the period of in-orbit testing, the net present value of performance incentive payments expected to be payable to the satellite manufacturers (dependent on the continued satisfactory performance of the satellites), costs directly associated with the monitoring and support of satellite construction, and interest costs incurred during the period of satellite construction. We also construct earth stations, network operations systems and other assets to support our satellites, and those construction costs, including interest, are capitalized as incurred. At the time satellites are placed in service, we estimate the useful life of our satellites for depreciation purposes based upon an analysis of each satellite's performance against the original manufacturer's orbital design life, estimated fuel levels and related consumption rates, as well as historical satellite operating trends.

We own three satellites in service: ViaSat-2 (our second-generation high-capacity Ka-band spot-beam satellite, which was placed into service in the fourth quarter of fiscal year 2018), ViaSat-1 (our first-generation high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). We currently have two third-generation ViaSat-3 class satellites under construction. In addition, we have an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada's Anik F2 satellite (which was placed into service in April 2005) and own related earth stations and networking equipment for all of our satellites. Property and equipment also includes the CPE units leased to subscribers under a retail leasing program as part of our satellite services segment.

Impairment of long-lived and other long-term assets (property, equipment and satellites, and other assets, including goodwill)

In accordance with the authoritative guidance for impairment or disposal of long-lived assets (ASC 360), we assess potential impairments to our long-lived assets, including property, equipment and satellites and other assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We periodically review the remaining estimated useful life of the satellite to determine if revisions to the estimated life are necessary. We recognize an impairment loss when the undiscounted cash flows expected to be generated by an asset (or group of assets) are less than the asset's carrying value. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. No material impairments were recorded by us for fiscal years 2018, 2017 and 2016.

We account for our goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2011-08, Testing Goodwill for Impairment, which simplifies how we test goodwill for impairment. Current authoritative guidance allows us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If, after completing the qualitative assessment, we determine that it is more likely than not that the estimated fair value is greater than the carrying value, we conclude that no impairment exists. If it is more likely than not that the carrying value of the reporting unit exceeds its estimated fair value, we compare the fair

value of the reporting unit to its carrying value. If the estimated fair value of the reporting unit is less than the carrying value, a second step is performed in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value, resulting in goodwill impairment. We test goodwill for impairment during the fourth quarter every fiscal year and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist.

The qualitative analysis includes assessing the impact of changes in certain factors including: (1) changes in forecasted operating results and comparing actual results to projections, (2) changes in the industry or our competitive environment since the acquisition date, (3) changes in the overall economy, our market share and market interest rates since the acquisition date, (4) trends in the stock price and related market capitalization and enterprise values, (5) trends in peer companies total enterprise value metrics, and (6) additional factors such as management turnover, changes in regulation and changes in litigation matters.

Based on our qualitative assessment performed during the fourth quarter of fiscal year 2018, we concluded that it was more likely than not that the estimated fair value of our reporting units exceeded their carrying value as of March 31, 2018 and, therefore, determined it was not necessary to perform the two-step goodwill impairment test.

Income taxes and valuation allowance on deferred tax assets

Management evaluates the realizability of our deferred tax assets and assesses the need for a valuation allowance on a quarterly basis to determine if the weight of available evidence suggests that an additional valuation allowance is needed. In accordance with the authoritative guidance for income taxes (ASC 740), net deferred tax assets are reduced by a valuation allowance if, based on all the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the event that our estimate of taxable income is less than that required to utilize the full amount of any deferred tax asset, a valuation allowance is established which would cause a decrease to income in the period such determination is made. Our valuation allowance against deferred tax assets increased from \$17.7 million at March 31, 2017 to \$29.0 million at March 31, 2018. The valuation allowance primarily relates to state net operating loss carryforwards and state research and development tax credit carryforwards.

Our analysis of the need for a valuation allowance on deferred tax assets considered historical as well as forecasted future operating results. In addition, our evaluation considered other factors, including our contractual backlog, history of positive earnings, current earnings trends assuming our satellite services segment continues to grow, taxable income adjusted for certain items, and forecasted income by jurisdiction. We also considered the period over which these net deferred tax assets can be realized and our history of not having federal tax loss carryforwards expire unused.

Accruals for uncertain tax positions are provided for in accordance with the authoritative guidance for accounting for uncertainty in income taxes (ASC 740). Under the authoritative guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative guidance addresses the derecognition of income tax assets and liabilities, classification of deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures.

We are subject to income taxes in the United States and numerous foreign jurisdictions. In the ordinary course of business, there are calculations and transactions where the ultimate tax determination is uncertain. In addition, changes in tax laws and regulations as well as adverse judicial rulings could adversely affect the income tax provision. We believe we have adequately provided for income tax issues not yet resolved with federal, state and foreign tax authorities. However, if these provided amounts prove to be more than what is necessary, the reversal of the reserves would result in tax benefits being recognized in the period in which we determine that provision for the liabilities is no longer necessary. If an ultimate tax assessment exceeds our estimate of tax liabilities, an additional charge to expense

would result.

45

Results of Operations

The following table presents, as a percentage of total revenues, income statement data for the periods indicated.

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Revenues:	100.0%	100.0%	100.0%
Product revenues	47.4	45.8	46.9
Service revenues	52.6	54.2	53.1
Operating expenses:			
Cost of product revenues	34.7	33.6	34.5
Cost of service revenues	35.6	33.7	34.9
Selling, general and administrative	24.2	21.4	21.0
Independent research and development	10.6	8.3	5.4
Amortization of acquired intangible assets	0.8	0.7	1.2
(Loss) income from operations	(5.8)	2.3	2.9
Interest expense, net	(0.2)	(0.7)	(1.7)
Loss on extinguishment of debt	(0.6)	—	—
(Loss) income before income taxes	(6.6)	1.6	1.2
Benefit from (provision for) income taxes	2.2	(0.2)	0.3
Net (loss) income	(4.3)	1.4	1.5
Net (loss) income attributable to Viasat, Inc.	(4.2)	1.5	1.5

Fiscal Year 2018 Compared to Fiscal Year 2017

Revenues

	Fiscal Years Ended		Dollar	Percentage
	March 31, 2018	March 31, 2017	Increase	Increase
(In millions, except percentages)	2018	2017	(Decrease)	(Decrease)
Product revenues	\$755.5	\$713.9	\$ 41.6	5.8 %
Service revenues	839.1	845.4	(6.3)	(0.7 %)
Total revenues	\$1,594.6	\$1,559.3	\$ 35.3	2.3 %

Our total revenues grew by \$35.3 million as a result of a \$41.6 million increase in product revenues, offset by a \$6.3 million decrease in service revenues. The product revenue increase was driven by an increase of \$82.1 million in our government systems segment, partially offset by decreases of \$27.0 million in our satellite services segment and \$13.4 million in our commercial networks segment. The decrease in product revenue in our satellite services segment reflected the completion in fiscal year 2017 of payments under the Settlement Agreement with SS/L recognized as product revenue. The service revenue decrease was driven by a decrease of \$13.3 million in our satellite services segment, partially offset by increases of \$5.0 million in our government systems segment and \$2.0 million in our commercial networks segment.

Cost of revenues

	Fiscal Years Ended		Dollar	Percentage
	March	March	Increase	Increase
	31,	31,		
(In millions, except percentages)	2018	2017	(Decrease)	(Decrease)
Cost of product revenues	\$553.7	\$524.0	\$ 29.7	5.7 %
Cost of service revenues	567.1	524.9	42.2	8.0 %
Total cost of revenues	\$1,120.8	\$1,049.0	\$ 71.8	6.8 %

Edgar Filing: VIASAT INC - Form 10-K

Cost of revenues increased by \$71.8 million due to increases of \$42.2 million in cost of service revenues and \$29.7 million in cost of product revenues. The cost of service revenue increase mainly related to lower margins for Viasat Internet broadband services and in-flight internet services in our satellite services segment primarily due to preparation for the ViaSat-2 service launch in the fourth quarter of fiscal year 2018 and the ramp-up of large-scale commercial air in-flight IFC systems, partially offset by improved margins in global mobile broadband services in our government systems segment. The cost of product revenue increase was mainly due to increased revenues, causing a \$52.2 million increase in cost of product revenues on a constant margin basis (excluding the effect of the payments under the Settlement Agreement in the prior year period recognized as product revenues), partially offset by improved margins mainly related to our tactical data links products, global mobile broadband products and cybersecurity and information assurance products in our government systems segment.

Selling, general and administrative expenses

	Fiscal Years		Dollar	Percentage
	Ended			
	March 31,	March 31,	Increase	Increase
(In millions, except percentages)	2018	2017	(Decrease)	(Decrease)
Selling, general and administrative	\$385.4	\$333.5	\$ 52.0	15.6 %

The \$52.0 million increase in SG&A expenses reflected a \$34.2 million increase in support costs primarily in our satellite services and commercial networks segments, mainly due to the higher employee-related costs supporting the ViaSat-2 service launch and our commercial air growth activities, as well as in support of the expansion of our international business. In addition, selling costs increased \$11.9 million, primarily due to an increase in our satellite services segment in preparation for the ViaSat-2 service launch in the fourth quarter of fiscal year 2018. New business proposal costs also increased \$5.9 million, driven primarily by increases in our government systems and commercial networks segments. SG&A expenses consisted primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, facilities, finance, contract administration and general management.

Independent research and development

	Fiscal Years		Dollar	Percentage
	Ended			
	March 31,	March 31,	Increase	Increase
(In millions, except percentages)	2018	2017	(Decrease)	(Decrease)
Independent research and development	\$168.3	\$129.6	\$ 38.7	29.9 %

The \$38.7 million increase in IR&D expenses was primarily the result of increases of \$22.2 million in IR&D efforts in our commercial networks segment (primarily related to an increase in IR&D efforts relating to next-generation satellite payload technologies for our ViaSat-3 class satellites and next-generation consumer broadband integrated networking technologies) and \$15.8 million in our government systems segment (primarily related to research increases in the development of next-generation dual band mobility solutions).

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives, which range from two to ten years. The \$1.4 million increase in amortization of acquired intangible assets in fiscal year 2018 compared to fiscal year 2017 was primarily the result of our acquisition of Arconics in November 2016. Current and expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2019	\$ 9,571
Expected for fiscal year 2020	7,726
Expected for fiscal year 2021	5,277
Expected for fiscal year 2022	3,451
Expected for fiscal year 2023	3,146
Thereafter	2,691
	\$ 31,862

Interest income

The slight decrease in interest income for fiscal year 2018 compared to fiscal year 2017 was primarily due to the effect of payments in the prior year period under the Settlement Agreement recognized as interest income. This decrease was partially offset by slightly higher average interest rates on our investments coupled with higher average invested cash balances during fiscal year 2018 compared to fiscal year 2017.

Interest expense

The \$8.1 million decrease in interest expense in fiscal year 2018 compared to fiscal year 2017 was primarily due to an increase of \$9.2 million in the amount of interest capitalized during fiscal year 2018 compared to fiscal year 2017. Capitalized interest expense during fiscal years 2018 and 2017 related to the construction of our ViaSat-2 satellite and related gateway and networking equipment, construction of our ViaSat-3 class satellites and other assets.

Benefit from (provision for) income taxes

The income tax benefit in fiscal year 2018 reflected the tax benefit from our loss before income taxes and the benefit from federal and state research tax credits. The effective income tax expense in fiscal year 2017 reflected the tax expense from our income before income taxes and the benefit from federal and state research tax credits. Fiscal year 2018 also included an expense due to the revaluation of net deferred tax assets resulting from the lowering of the corporate federal income tax rate from 35% to 21% under the tax legislation enacted in December 2017.

Segment Results for Fiscal Year 2018 Compared to Fiscal Year 2017

Satellite services segment

Revenues

	Fiscal Years		Dollar	Percentage
	Ended			
	March	March		
	31,	31,	Increase	Increase
(In millions, except percentages)	2018	2017	(Decrease)	(Decrease)
Segment product revenues	\$0.7	\$27.7	\$ (27.0)	(97.6 %)
Segment service revenues	588.6	601.9	(13.3)	(2.2 %)
Total segment revenues	\$589.3	\$629.6	\$ (40.4)	(6.4 %)

Our satellite services segment revenues decreased by \$40.4 million as a result of a \$27.0 million decrease in product revenues and a \$13.3 million decrease in service revenues. The \$27.0 million decrease in product revenue in our satellite services segment reflected the completion in fiscal year 2017 of payments under the Settlement Agreement. The decrease in service revenues was primarily driven by a decrease in our fixed broadband services due to a decrease in the overall number of subscribers, partially offset by higher average revenue per fixed broadband subscriber in the United States compared to the prior year period and the expansion of our in-flight internet services. As of March 31, 2018, 635 commercial aircraft were in service utilizing our IFC systems, compared to 559 commercial aircraft in service as of March 31, 2017. Total subscribers of our fixed broadband services decreased year over year, with

approximately 576,000 subscribers at March 31, 2018 compared to 659,000 subscribers at March 31, 2017.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended		Dollar	Percentage
	March 31, 2018	March 31, 2017	Increase (Decrease)	Increase (Decrease)
Segment operating profit	\$ 12.0	\$ 131.1	\$ (119.1)	(90.8 %)
Percentage of segment revenues	2.0 %	20.8 %		

The decrease in our satellite services segment operating profit was driven primarily by lower earnings contributions of \$82.7 million, reflecting the decrease in product revenues resulting from the completion in fiscal year 2017 of payments under the Settlement Agreement, as well as lower margins related to in-flight internet services and fixed broadband services due to large-scale commercial air IFC ramp-up and preparation for the ViaSat-2 service launch in the fourth quarter of fiscal year 2018. The decrease in operating profit was further impacted by higher SG&A costs of \$35.6 million compared to the prior year period mainly due to the higher employee-related costs supporting the ViaSat-2 service launch, as well as in support of the expansion of our international businesses and higher selling costs due to promotion of our fixed broadband services in preparation for the ViaSat-2 service launch.

Commercial networks segment

Revenues

	Fiscal Years Ended		Dollar	Percentage
	March 31,	March 31,	Increase	Increase
(In millions, except percentages)	2018	2017	(Decrease)	(Decrease)
Segment product revenues	\$198.0	\$211.5	\$ (13.4)	(6.3 %)
Segment service revenues	35.2	33.1	2.0	6.1 %
Total segment revenues	\$233.2	\$244.6	\$ (11.4)	(4.7 %)

Our commercial networks segment revenues decreased by \$11.4 million, due to a \$13.4 million decrease in product revenues, partially offset by a \$2.0 million increase in service revenues. The decrease in product revenues was primarily due to a decrease of \$52.1 million in fixed satellite networks products (mainly due to a decrease in broadband terminal orders from our large-scale Australian Ka-band infrastructure project that completed last fiscal year and a decrease from our next-generation Ka-band system contract in Canada) and a decrease of \$3.7 million in satellite networking development programs products, partially offset by an increase of \$34.4 million in mobile broadband satellite communication systems products and an increase of \$7.8 million in antenna systems products. The increase in service revenues was primarily due to an increase of \$2.6 million in mobile broadband satellite communication systems services.

Segment operating loss

	Fiscal Years Ended		Dollar	Percentage
	March 31,	March 31,	(Increase)	(Increase)
(In millions, except percentages)	2018	2017	Decrease	Decrease
Segment operating loss	\$(229.1)	\$(180.5)	\$ (48.6)	(26.9 %)
Percentage of segment revenues	(98.2)%	(73.8)%		

The \$48.6 million increase in our commercial networks segment operating loss was driven primarily by a \$22.2 million increase in IR&D expenses (primarily due to an increase in IR&D efforts relating to next-generation satellite payload technologies for our ViaSat-3 class satellites and next-generation consumer broadband integrated networking technologies). In addition, we experienced lower earnings contributions of \$15.1 million (primarily due to lower margins in our satellite networking development programs products) and a \$11.4 million increase in overall SG&A costs (primarily due to the higher employee-related costs supporting our commercial air growth activities and the ViaSat-2 service launch).

Government systems segment

Revenues

Edgar Filing: VIASAT INC - Form 10-K

	Fiscal Years Ended		Dollar	Percentage
	March 31,	March 31,	Increase	Increase
(In millions, except percentages)	2018	2017	(Decrease)	(Decrease)
Segment product revenues	\$556.8	\$ 474.8	\$ 82.1	17.3 %
Segment service revenues	215.3	210.3	5.0	2.4 %
Total segment revenues	\$772.1	\$ 685.1	\$ 87.0	12.7 %

Our government systems segment revenues increased by \$87.0 million due to increases of \$82.1 million in product revenues and \$5.0 million in service revenues. The product revenue increase was primarily due to a \$55.2 million increase in tactical data link products, a \$14.8 million increase in global mobile broadband products, a \$7.5 million increase in cybersecurity and information assurance products and a \$5.9 million increase in tactical satcom radio products. The service revenue increase was primarily due to an \$8.6 million increase in government satellite communication systems services, a \$4.6 million increase in global mobile broadband services and a \$1.7 million increase in tactical data link services, partially offset by a \$10.9 million decrease in our network management services for Wi-Fi and other internet access networks.

Segment operating profit

	Fiscal Years		Dollar	Percentage
	Ended	March	Increase	Increase
	March 31,	31,		
(In millions, except percentages)	2018	2017	(Decrease)	(Decrease)
Segment operating profit	\$137.1	\$96.7	\$ 40.5	41.9 %
Percentage of segment revenues	17.8 %	14.1 %		

The \$40.5 million increase in our government systems segment operating profit reflected higher earnings contributions of \$61.3 million, primarily due to higher revenues in our tactical data links products, global mobile broadband

Edgar Filing: VIASAT INC - Form 10-K

products, government satellite communication systems services and cybersecurity and information assurance products, coupled with improved margins in global mobile broadband products and services. This operating profit increase was partially offset by higher IR&D costs of \$15.8 million (primarily related to research increases in the development of next-generation dual band mobility solutions) and overall higher SG&A costs of \$5.0 million.

Fiscal Year 2017 Compared to Fiscal Year 2016

Revenues

	Fiscal Years Ended		Dollar	Percentage	
	March 31, March 31,		Increase	Increase	
(In millions, except percentages)	2017	2016	(Decrease)	(Decrease)	
Product revenues	\$713.9	\$664.8	\$49.1	7.4	%
Service revenues	845.4	752.6	92.8	12.3	%
Total revenues	\$1,559.3	\$1,417.4	\$141.9	10.0	%

Our total revenues grew by \$141.9 million as a result of a \$92.8 million increase in service revenues and a \$49.1 million increase in product revenues. The service revenue increase was comprised of an increase of \$68.3 million in our satellite services segment, \$13.4 million in our government systems segment and \$11.1 million in our commercial networks segment. The product revenue increase was primarily driven by an increase of \$64.2 million in our government systems segment, partially offset by a \$17.2 million decrease in our commercial networks segment.

Cost of revenues

	Fiscal Years Ended		Dollar	Percentage	
	March 31, March 31,		Increase	Increase	
(In millions, except percentages)	2017	2016	(Decrease)	(Decrease)	
Cost of product revenues	\$524.0	\$489.2	\$34.8	7.1	%
Cost of service revenues	524.9	495.1	29.9	6.0	%
Total cost of revenues	\$1,049.0	\$984.3	\$64.6	6.6	%

Cost of revenues increased by \$64.6 million due to a \$34.8 million increase in cost of product revenues and \$29.9 million increase in cost of service revenues. The cost of product revenue increase was primarily due to increased revenues, causing a \$36.1 million increase in cost of product revenues on a constant margin basis. This cost of product revenue increase mainly related to our cybersecurity and information assurance products and tactical data links products in our government systems segment. The cost of service revenue increase was primarily due to increased service revenues, which generated a \$61.0 million increase in cost of service revenues on a constant margin basis. This increase mainly related to our fixed broadband services and in-flight internet services in our satellite services segment, as well as our network management services for Wi-Fi and other internet access networks in our government systems segment, and was partially offset by improved margins from our fixed broadband services resulting from a higher mix of subscribers choosing premium service plans and value-added service bundles compared to the prior year period in our satellite services segment and improved margins in our government mobile broadband services in our government systems segment.

Selling, general and administrative expenses

	Fiscal Years Ended		Dollar	Percentage
	March 31,	March 31,	Increase	Increase
(In millions, except percentages)	2017	2016	(Decrease)	(Decrease)
Selling, general and administrative	\$333.5	\$ 298.3	\$ 35.1	11.8 %

The \$35.1 million increase in SG&A expenses was primarily attributable to higher support costs of \$41.4 million spread across all three segments. The increase in SG&A expenses included the amounts accrued in fiscal year 2017 in our government systems segment for uncharacterized damages and penalties of \$11.4 million and \$0.4 million, respectively, in connection with the False Claims Act civil investigation related to our 52% majority-owned subsidiary TrellisWare. Refer to Note 12 to the consolidated financial statements for further discussion of the False Claims Act civil investigation, which was settled in the fourth quarter of fiscal year 2018. The increase in SG&A expenses was partially offset by lower new business proposal costs mainly in our government systems segment as well as lower selling costs in our satellite services segment. Other than the amounts accrued for the TrellisWare False Claims Act civil investigation, SG&A expenses consisted primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, facilities, finance, contract administration and general management.

Independent research and development

	Fiscal Years Ended		Dollar	Percentage
	March 31,	March 31,	Increase	Increase
(In millions, except percentages)	2017	2016	(Decrease)	(Decrease)
Independent research and development	\$ 129.6	\$ 77.2	\$ 52.5	68.0 %

The \$52.5 million increase in IR&D expenses was primarily the result of increased IR&D efforts in our commercial networks segment of \$51.1 million, primarily related to research increases in next-generation satellite payload technologies for our ViaSat-3 class satellites, mobile broadband satellite communication systems and next-generation consumer broadband integrated networking technologies.

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives, which range from two to ten years. The \$5.7 million decrease in amortization of acquired intangible assets in fiscal year 2017 compared to fiscal year 2016 was primarily the result of certain acquired customer relationship intangibles in our satellite services segment becoming fully amortized over the preceding fiscal year. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2018	\$ 11,733
Expected for fiscal year 2019	9,076
Expected for fiscal year 2020	7,312
Expected for fiscal year 2021	4,993
Expected for fiscal year 2022	3,171
Thereafter	5,392
	\$ 41,677

Interest income

The \$1.2 million decrease in interest income in fiscal year 2017 compared to fiscal year 2016 was due to a decrease of \$1.5 million in the amount of payments under the Settlement Agreement recognized as interest income during fiscal year 2017 compared to fiscal year 2016. As of March 31, 2017 all payments pursuant to the Settlement Agreement were recorded and no further impacts to our consolidated financial statements are anticipated related to the Settlement Agreement.

Interest expense

The \$13.7 million decrease in interest expense year-over-year was primarily due to an increase of \$19.6 million in the amount of interest capitalized during fiscal year 2017 compared to fiscal year 2016. This decrease was partially offset by increased interest expense due to the overall higher amount of outstanding borrowings during fiscal year 2017 compared to fiscal year 2016. Capitalized interest expense during fiscal years 2017 and 2016 related to the

construction of our ViaSat-2 and related gateway and networking equipment, construction of our ViaSat-3 class satellites, and other assets.

Provision for (benefit from) income taxes

Income tax expense in fiscal year 2017 reflected the tax expense from our income before income taxes and the benefit from federal and state research tax credits. The effective income tax benefit in fiscal year 2016 reflected the tax expense from our income before income taxes and the benefit from federal and state research tax credits. The Protecting Americans from Tax Hikes (PATH) Act of 2015 enacted on December 18, 2015 extended the federal research and development credit permanently, retroactive to January 2015. As a result, fiscal year 2016 included 15 months of federal research tax credit (comprising three months from fiscal year 2015 and 12 months from fiscal year 2016), whereas fiscal year 2017 only included 12 months of federal research tax credit. Fiscal year 2016 also included an expense related to the increase in valuation allowance related primarily to state net operating loss carryforwards and research and development credit carryforwards available to reduce state income taxes.

Edgar Filing: VIASAT INC - Form 10-K

Segment Results for Fiscal Year 2017 Compared to Fiscal Year 2016

Satellite services segment

Revenues

	Fiscal Years Ended		Dollar	Percentage	
	March 31,	March 31,	Increase	Increase	
(In millions, except percentages)	2017	2016	(Decrease)	(Decrease)	
Segment product revenues	\$27.7	\$ 25.6	\$ 2.1	8.2	%
Segment service revenues	601.9	533.6	68.3	12.8	%
Total segment revenues	\$629.6	\$ 559.2	\$ 70.4	12.6	%

Our satellite services segment revenues grew by \$70.4 million as a result of a \$68.3 million increase in service revenues and a \$2.1 million increase in product revenues. The increase in service revenues was primarily driven by higher average revenue per fixed broadband subscriber in the United States, as well as the expansion of our in-flight internet services compared to the prior year period. As of March 31, 2017, 559 commercial aircraft were in service utilizing our IFC systems, compared to 476 commercial aircraft in service as of March 31, 2016. Total subscribers of our fixed broadband services decreased year over year, with approximately 659,000 subscribers at March 31, 2017 compared to 697,000 subscribers at March 31, 2016.

Segment operating profit

	Fiscal Years		Dollar	Percentage	
	Ended	Ended	Increase	Increase	
	March	March			
	31,	31,			
(In millions, except percentages)	2017	2016	(Decrease)	(Decrease)	
Segment operating profit	\$131.1	\$81.8	\$ 49.3	60.2	%
Percentage of segment revenues	20.8 %	14.6 %			

The \$49.3 million increase in operating profit for our satellite services segment was driven primarily by higher earnings contributions of \$52.6 million primarily due to the increase in service revenues. In the United States, the higher average revenue per fixed broadband subscriber in the current year period was primarily driven by a higher mix of subscribers choosing premium service plans and value-added service bundles compared to the prior year period, and resulted in increased service revenues and improved margins. We also experienced positive contributions from our mobile broadband services and in-flight services in fiscal year 2017.

Commercial networks segment

Revenues

Edgar Filing: VIASAT INC - Form 10-K

	Fiscal Years Ended		Dollar	Percentage
	March 31,	March 31,	Increase	Increase
(In millions, except percentages)	2017	2016	(Decrease)	(Decrease)
Segment product revenues	\$211.5	\$228.7	\$ (17.2)	(7.5)%
Segment service revenues	33.1	22.0	11.1	50.4 %
Total segment revenues	\$244.6	\$250.7	\$ (6.1)	(2.4)%

Our commercial networks segment revenues decreased by \$6.1 million, due to a \$17.2 million decrease in product revenues partially offset by a \$11.1 million increase in service revenues. The product revenue decrease was comprised mainly of a decrease of \$21.1 million in mobile broadband satellite communication systems and a decrease of \$7.4 million in fixed satellite networks (reflecting the nearing of completion of the Australian Ka-band infrastructure project and a decrease from our next-generation Ka-band system contract in Canada), partially offset by an increase of \$6.0 million related to satellite networking development programs and an increase of \$5.3 million in antenna systems products. The service revenue increase was primarily due to a \$10.5 million increase related to fixed satellite networks support agreements.

Segment operating loss

	Fiscal Years Ended		Dollar	Percentage
	March 31,	March 31,	(Increase)	(Increase)
(In millions, except percentages)	2017	2016	Decrease	Decrease
Segment operating loss	\$(180.5)	\$(111.3)	\$ (69.2)	(62.1)%
Percentage of segment revenues	(73.8)%	(44.4)%		

The \$69.2 million increase in operating loss for our commercial networks segment was driven primarily by a \$51.1 million increase in IR&D expenses (primarily due to an increase in IR&D efforts relating to next-generation satellite payload technologies for our ViaSat-3 class satellites, mobile broadband satellite communication systems and next-generation consumer broadband integrated networking technologies) and lower earnings contributions of \$10.6 million primarily due to lower revenues and lower margins in our mobile broadband satellite communication systems. Additionally, support costs increased \$8.5 million compared to the prior year period.

Government systems segment

Revenues

	Fiscal Years		Dollar	Percentage	
	Ended	March			
	March	31,			
	31,	2017	2016	(Decrease)	(Decrease)
(In millions, except percentages)					
Segment product revenues	\$474.8	\$410.5	\$ 64.2	15.6	%
Segment service revenues	210.3	196.9	13.4	6.8	%
Total segment revenues	\$685.1	\$607.5	\$ 77.6	12.8	%

Our government systems segment revenues increased by \$77.6 million, due to a \$64.2 million increase in product revenues and a \$13.4 million increase in service revenues. The product revenue increase was primarily due to a \$25.9 million increase in cybersecurity and information assurance products, a \$19.1 million increase in tactical data link products, an \$11.4 million increase in tactical satcom radio products and a \$7.8 million increase in government satellite communications systems. Of the service revenues increase, \$11.1 million related to our network management services for Wi-Fi and other internet access networks.

Segment operating profit

	Fiscal Years		Dollar	Percentage	
	Ended	March			
	March	31,			
	31,	2017	2016	(Decrease)	(Decrease)
(In millions, except percentages)					
Segment operating profit	\$96.7	\$87.1	\$ 9.6	11.0	%
Percentage of segment revenues	14.1%	14.3%			

The \$9.6 million increase in our government systems segment operating profit reflected higher earnings contributions of \$35.3 million primarily due to higher revenues and improved margins in our cybersecurity and information assurance products, tactical data link products and tactical satcom radio products. This operating profit increase was partially offset by higher overall SG&A expenses of \$24.4 million. The increase in our government systems segment

SG&A expenses included the amounts accrued in fiscal year 2017 for uncharacterized damages and penalties of \$11.4 million and \$0.4 million, respectively, in connection with the False Claims Act civil investigation related to our 52% majority-owned subsidiary TrellisWare. Refer to Note 12 to the consolidated financial statements for further discussion of the False Claims Act civil investigation, which was settled in the fourth quarter of fiscal year 2018.

Backlog

As reflected in the table below, our overall firm and funded backlog increased during fiscal year 2018. The increases in both firm and funded backlog were attributable primarily to increases in our government systems and commercial networks segments.

	As of	As of
	March 31, 2018	March 31, 2017
	(In millions)	
Firm backlog		
Satellite services segment	\$ 130.5	\$ 125.2
Commercial networks segment	288.3	265.9
Government systems segment	671.2	633.3
Total	\$ 1,090.0	\$ 1,024.4
Funded backlog		
Satellite services segment	\$ 130.5	\$ 125.2
Commercial networks segment	288.3	265.9
Government systems segment	592.1	546.8
Total	\$ 1,010.9	\$ 937.9

The firm backlog does not include contract options. Of the \$1.1 billion in firm backlog, \$624.6 million is expected to be delivered in fiscal year 2019, and the balance is expected to be delivered in fiscal year 2020 and thereafter. We include in our backlog only those orders for which we have accepted purchase orders. Backlog does not include contracts with our subscribers for fixed broadband services in our satellite services segment, nor does it include anticipated purchase orders and requests for the installation of IFC systems or future recurring in-flight internet service revenues under commercial in-flight internet agreements recorded in our commercial networks and satellite services segments, respectively. As of March 31, 2018, we expected to install IFC systems on approximately 955 additional aircraft under our existing customer agreements with commercial airlines, approximately 196 of which relate to accepted purchase orders (and are included in firm backlog in our commercial networks segment) and approximately 759 of which relate to anticipated purchase orders and requests under existing customer agreements. There can be no assurance that all anticipated purchase orders and requests will be placed.

Our total new awards were approximately \$1.7 billion, \$1.7 billion and \$1.5 billion for fiscal years 2018, 2017 and 2016, respectively.

Backlog is not necessarily indicative of future sales. A majority of our contracts can be terminated at the convenience of the customer. Orders are often made substantially in advance of delivery, and our contracts typically provide that orders may be terminated with limited or no penalties. In addition, purchase orders may present product specifications that would require us to complete additional product development. A failure to develop products meeting such specifications could lead to a termination of the related contract.

Firm backlog amounts are comprised of funded and unfunded components. Funded backlog represents the sum of contract amounts for which funds have been specifically obligated by customers to contracts. Unfunded backlog represents future amounts that customers may obligate over the specified contract performance periods. Our customers allocate funds for expenditures on long-term contracts on a periodic basis. Our ability to realize revenues from contracts in backlog is dependent upon adequate funding for such contracts. Although we do not control the funding of our contracts, our experience indicates that actual contract funding has ultimately been approximately equal to the

aggregate amounts of the contracts.

Liquidity and Capital Resources

Overview

We have financed our operations to date primarily with cash flows from operations, bank line of credit financing, debt financing, export credit agency financing and equity financing. At March 31, 2018, we had \$71.4 million in cash and cash equivalents, \$146.1 million in working capital, and no outstanding borrowings and borrowing availability of \$770.4 million under the Revolving Credit Facility. As of March 31, 2018, our \$362.4 million Ex-Im Credit Facility was fully drawn. At March 31, 2017, we had \$130.1 million in cash and cash equivalents, \$289.3 million in working capital, no outstanding borrowings and borrowing availability of \$761.4 million under our Revolving Credit Facility and \$274.6 million in principal amount of outstanding borrowings under our Ex-Im Credit Facility. We invest our cash in excess of current operating requirements in short-term, highly liquid bank money market accounts.

Our future capital requirements will depend upon many factors, including the timing and amount of cash required for our satellite projects and any future broadband satellite projects we may engage in, expansion of our research and development and marketing efforts, and the nature and timing of orders. Additionally, we will continue to evaluate possible acquisitions of, or investments in complementary businesses, products and technologies which may require the use of cash or additional financing.

The general cash needs of our satellite services, commercial networks and government systems segments can vary significantly. The cash needs of our satellite services segment tend to be driven by the timing and amount of capital expenditures (e.g., payments under satellite construction and launch contracts and investments in ground infrastructure roll-out), investments in joint ventures and strategic partnering arrangements (such as our Eutelsat strategic partnering arrangement) and network expansion activities, as well as the quality of customer, type of contract and payment terms. In our commercial networks segment, cash needs tend to be driven primarily by the type and mix of contracts in backlog, the nature and quality of customers, the timing and amount of investments in IR&D activities (including with respect to next-generation satellite payload technologies) and the payment terms of customers (including whether advance payments are made or customer financing is required). In our government systems segment, the primary factors determining cash needs tend to be the type and mix of contracts in backlog (e.g., product or service, development or production) and timing of payments (including restrictions on the timing of cash payments under U.S. government procurement regulations). Other factors affecting the cash needs of our commercial networks and government systems segments include contract duration and program performance. For example, if a program is performing well and meeting its contractual requirements, then its cash flow requirements are usually lower.

To further enhance our liquidity position or to finance the construction and launch of any future satellites, acquisitions, strategic partnering arrangements, joint ventures or other business investment initiatives, we may obtain additional financing, which could consist of debt, convertible debt or equity financing from public and/or private credit and capital markets. In February 2016, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of common stock, preferred stock, debt securities, depositary shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. We believe that our current cash balances and net cash expected to be provided by operating activities along with availability under our Revolving Credit Facility will be sufficient to meet our anticipated operating requirements for at least the next 12 months.

Cash flows

Cash provided by operating activities for fiscal year 2018 was \$358.6 million compared to cash provided by operating activities of \$411.3 million for fiscal year 2017. This \$52.7 million decrease was primarily driven by our operating results (net (loss) income adjusted for depreciation, amortization and other non-cash changes) which resulted in \$99.3 million of higher cash outflows year-over-year, partially offset by a \$46.6 million year-over-year decrease in cash used to fund net operating assets. The decrease in cash used to fund net operating assets during fiscal year 2018 when compared to fiscal year 2017 was primarily due to an increase in the long-term portion of deferred revenues included in other liabilities in our satellite services segment.

Cash used in investing activities for fiscal year 2018 was \$584.5 million compared to \$715.0 million for fiscal year 2017. This \$130.5 million decrease in cash used in investing activities year-over year reflects a decrease of \$140.4 million in cash used for investment in unconsolidated affiliates, a decrease of \$81.7 million in cash used for satellite construction, and a decrease of \$16.5 million in cash used for acquisitions. This decrease was partially offset by an increase of \$70.1 million in capital expenditures for property and other general purpose equipment, a year-over-year decrease of \$27.6 million in proceeds from the sale of real property adjacent to our current headquarters location in fiscal year 2017 and an increase of \$8.5 million in cash used for the construction of earth stations and network operation systems related to the ViaSat-2 satellite.

Cash provided by financing activities for fiscal year 2018 was \$165.8 million compared to \$392.8 million for fiscal year 2017. This \$227.0 million decrease in cash provided by financing activities year-over-year was primarily related to the repurchase and redemption of \$575.0 million in aggregate principal amount of our former 2020 Notes and the related payment of \$10.6 million of debt extinguishment costs during the second quarter of fiscal year 2018, a year-over-year decrease of \$25.0 million in net proceeds from borrowings under our Ex-Im Credit Facility, and a year-over-year increase of \$3.1 million related to payments of debt issuance costs during fiscal year 2018, as well as the \$503.1 million we received in net proceeds from a public offering of our common stock in the third quarter of fiscal year 2017 (after deducting underwriting discounts and offering expenses). This decrease was partially offset by the issuance of \$700.0 million in aggregate principal amount of our 2025 Notes during the second quarter of fiscal year 2018 and a year-over-year decrease of \$180.0 million in net payments on borrowings under our Revolving Credit Facility. Cash provided by

financing activities for both periods included cash received from stock option exercises and employee stock purchase plan purchases, offset by cash used for the repurchase of common stock related to net share settlement of certain employee tax liabilities in connection with the vesting of restricted stock unit awards.

Comparing cash flows in fiscal year 2017 to fiscal year 2016, the \$114.4 million increase in cash provided by operating activities was primarily driven by a \$94.9 million year-over-year decrease in cash used to fund net operating assets needs, coupled with our operating results (net income adjusted for depreciation, amortization and other non-cash charges) which generated cash inflows in fiscal year 2017 that were \$19.4 million higher than in fiscal year 2016. The \$258.7 million increase in cash used in investing activities reflected a year-over-year increase of \$139.1 million in cash used for investment in unconsolidated affiliates, \$101.3 million in cash used for satellite construction, \$18.6 million in cash used for the construction of earth stations and network operation systems related to ViaSat-2, \$16.9 million in capital expenditures for property and other general purchase equipment and \$12.1 million in cash used for acquisitions, offset by \$27.6 million in proceeds from the sale of real property adjacent to our current headquarters location. The \$243.7 million increase in cash provided by financing activities year-over-year was primarily related to \$503.1 million in net proceeds from a public offering of our common stock during the third quarter of fiscal year 2017 (after deducting underwriting discounts and offering expenses). This increase was partially offset by a year-over-year increase of \$150.0 million in net payments under our Revolving Credit Facility, as well as a \$98.4 million year-over-year decrease in net proceeds from borrowings under our Ex-Im Credit Facility.

Satellite-related activities

On June 1, 2017, our second-generation ViaSat-2 satellite was successfully launched into orbit and in the fourth quarter of fiscal year 2018 we launched commercial broadband services on our ViaSat-2 satellite. With ViaSat-2 now in service, we expect additional operating costs to be incurred in fiscal year 2019 in our satellite services segment. These increased operating costs are expected to include depreciation, amortization of capitalized software development, earth station connectivity, marketing and advertising costs, logistics, customer care and various support systems. In addition, we expect interest expense to increase during fiscal year 2019 as we no longer capitalize the interest expense relating to the debt incurred for the construction of ViaSat-2 and the related gateway and networking equipment now that the satellite is in service. However, we expect the relative impact of the launch of service on the ViaSat-2 satellite and roll-out of related ground infrastructure to our financial results to be less than we experienced in relation to ViaSat-1. In fiscal year 2019, we expect the total number of subscribers of our fixed broadband services to increase, and that the resultant increase in service revenues in our satellite services segment will improve operating profit for that segment over time. However, there can be no assurance that we will be successful in our subscriber expansion plans. We also expect our capital expenditures to increase significantly during fiscal year 2019 compared to fiscal year 2018 as a result of increased CPE-related capital expenditures relating to the expected increase in the number of subscribers of our fixed broadband services. In addition, we expect to capitalize certain contract-related costs as a result of our adoption of ASC 606, Revenue from Contracts with Customers in fiscal year 2019.

In July 2016, we entered into two separate agreements with Boeing for the construction and purchase of two ViaSat-3 class satellites and the integration of Viasat's payload technologies into the satellites. The aggregate purchase price for the two satellites is approximately \$379.5 million (subject to purchase price adjustments based on factors such as launch delay and early delivery), plus an additional amount for launch support services to be performed by Boeing. In addition, under one of these agreements, we have the option to order up to two additional ViaSat-3 class satellites. The first ViaSat-3 class satellite is expected to provide broadband services over the Americas, and the second is expected to provide broadband services over the EMEA region. The projected aggregate total project cost for the two ViaSat-3 class satellites, including the satellites, launches, insurance and related earth station infrastructure, through satellite launch is estimated to be between \$1.2 billion and \$1.4 billion, and will depend on the timing of the earth station infrastructure roll-out of each satellite and the method we use to procure fiber access. Our total cash funding may be reduced through various third-party agreements, including potential joint service offerings and other strategic partnering arrangements. We believe we have adequate sources of funding for the ViaSat-3 class satellites, which include our cash on hand, available borrowing capacity and the cash we expect to generate from operations over the

next few years.

During the second half of fiscal year 2018, our two ViaSat-3 class satellites currently under construction entered the phase of full construction. Although IR&D investments are expected to continue throughout fiscal year 2019 and beyond relating to ViaSat-3 ground infrastructure and support of our growing government and commercial air mobility businesses, we expect the level of our IR&D investments to be lower in fiscal year 2019 compared to fiscal year 2018.

Revolving Credit Facility

As of March 31, 2018, the Revolving Credit Facility provided an \$800.0 million revolving line of credit (including up to \$150.0 million of letters of credit) with a maturity date of May 24, 2021.

Borrowings under the Revolving Credit Facility bear interest, at our option, at either (1) the highest of the Federal Funds rate plus 0.50%, the Eurodollar rate plus 1.00%, or the administrative agent's prime rate as announced from time to

56

time, or (2) the Eurodollar rate, plus, in the case of each of (1) and (2), an applicable margin that is based on our total leverage ratio. The Revolving Credit Facility is required to be guaranteed by certain significant domestic subsidiaries of Viasat (as defined in the Revolving Credit Facility) and secured by substantially all of our assets. As of March 31, 2018, none of our subsidiaries guaranteed the Revolving Credit Facility.

The Revolving Credit Facility contains financial covenants regarding a maximum total leverage ratio and a minimum interest coverage ratio. In addition, the Revolving Credit Facility contains covenants that restrict, among other things, our ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments. Subsequent to the fiscal year end, on May 24, 2018, the Revolving Credit Facility was amended to, among other matters, increase the maximum permitted total leverage ratio for each of the quarters of fiscal year 2019.

At March 31, 2018, we had no outstanding borrowings under the Revolving Credit Facility and \$29.6 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of March 31, 2018 of \$770.4 million.

Ex-Im Credit Facility

As of March 31, 2018, the Ex-Im Credit Facility provided a \$362.4 million senior secured direct loan facility, which was fully drawn. Of the \$362.4 million in principal amount of borrowings made under the Ex-Im Credit Facility, \$321.2 million was used to finance up to 85% of the costs of construction, launch and insurance of the ViaSat-2 satellite and related goods and services (including costs incurred on or after September 18, 2012), with the remaining \$41.2 million used to finance the total exposure fees incurred under the Ex-Im Credit Facility (which included all previously accrued completion exposure fees).

Borrowings under the Ex-Im Credit Facility bear interest at a fixed rate of 2.38%, payable semi-annually in arrears. The effective interest rate on our outstanding borrowings under the Ex-Im Credit Facility, which takes into account timing and amount of borrowings, exposure fees, debt issuance costs and other fees, is 4.6%. Borrowings under the Ex-Im Credit Facility are required to be repaid in 16 approximately equal semi-annual principal installments, which commenced on April 15, 2018, with a maturity date of October 15, 2025. The Ex-Im Credit Facility is guaranteed by Viasat and is secured by first-priority liens on the ViaSat-2 satellite and related assets as well as a pledge of the capital stock of the borrower under the facility.

The Ex-Im Credit Facility contains financial covenants regarding Viasat's maximum total leverage ratio and minimum interest coverage ratio. In addition, the Ex-Im Credit Facility contains covenants that restrict, among other things, our ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments.

The borrowings under the Ex-Im Credit Facility are recorded as current portion of long-term debt and as other long-term debt, net of unamortized discount and debt issuance costs, in our consolidated financial statements. The discount of \$42.3 million (comprising the initial \$6.0 million pre-exposure fee, \$35.3 million of completion exposure fees and other customary fees) and deferred financing cost associated with the issuance of the borrowings under the Ex-Im Credit Facility are amortized to interest expense on an effective interest rate basis over the term of the borrowings under the Ex-Im Credit Facility.

Senior Notes

Discharge of indenture and loss on extinguishment of debt

In connection with our issuance of the 2025 Notes in September 2017, we repurchased and redeemed all of our \$575.0 million in aggregate principal amount of 2020 Notes then outstanding through a cash tender offer and

redemption, and the indenture governing the 2020 Notes was satisfied and discharged in accordance with its terms. In September 2017, we repurchased \$298.2 million in aggregate principal amount of the 2020 Notes pursuant to the tender offer. The total cash payment to repurchase the tendered 2020 Notes in the tender offer, including accrued and unpaid interest to, but excluding, the repurchase date, was \$309.3 million. Also in September 2017, in connection with the redemption of the remaining \$276.8 million in aggregate principal amount of 2020 Notes, we irrevocably deposited \$287.4 million with Wilmington Trust, as trustee, as trust funds solely for the benefit of the holders of such 2020 Notes. The redemption price for the 2020 Notes was 101.719% of the principal amount so redeemed, plus accrued and unpaid interest to, but excluding, the redemption date of October 5, 2017.

In connection with the satisfaction and discharge of the indenture governing the 2020 Notes, all of our obligations (other than certain customary provisions of the indenture that expressly survive pursuant to the terms of the indenture) were discharged in September 2017.

As a result of the repurchase of the 2020 Notes in the tender offer and the redemption of the remaining 2020 Notes, we recognized a \$10.2 million loss on extinguishment of debt during the second quarter of fiscal year 2018, which was comprised of \$10.6 million in cash payments (including tender offer consideration, redemption premium and related professional fees), net of an insignificant amount in non-cash gain (including unamortized premium, net of unamortized debt issuance costs).

Senior Notes due 2025

In September 2017, we issued \$700.0 million in principal amount of 2025 Notes in a private placement to institutional buyers. The 2025 Notes were issued at face value and are recorded as long-term debt, net of debt issuance costs, in our consolidated financial statements. The 2025 Notes bear interest at the rate of 5.625% per year, payable semi-annually in cash in arrears, which interest payments commenced in March 2018. Debt issuance costs associated with the issuance of the 2025 Notes are amortized to interest expense on a straight-line basis over the term of the 2025 Notes, the results of which are not materially different from the effective interest rate basis.

The 2025 Notes are required to be guaranteed on an unsecured senior basis by each of our existing and future subsidiaries that guarantees the Revolving Credit Facility. As of March 31, 2018, none of our subsidiaries guaranteed the 2025 Notes. The 2025 Notes are our general senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated debt. The 2025 Notes are effectively junior in right of payment to our existing and future secured debt, including under the Credit Facilities (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of our subsidiaries that do not guarantee the 2025 Notes, and are senior in right of payment to all of their existing and future subordinated indebtedness.

The indenture governing the 2025 Notes limits, among other things, our and our restricted subsidiaries' ability to: incur, assume or guarantee additional debt; issue redeemable stock and preferred stock; pay dividends, make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase subordinated debt; make loans and investments; grant or incur liens; restrict dividends, loans or asset transfers from restricted subsidiaries; sell or otherwise dispose of assets; enter into transactions with affiliates; reduce our satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to September 15, 2020, we may redeem up to 40% of the 2025 Notes at a redemption price of 105.625% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. We may also redeem the 2025 Notes prior to September 15, 2020, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and any accrued and unpaid interest, if any, thereon to the redemption date. The applicable premium is calculated as the greater of: (i) 1.0% of the principal amount of such 2025 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2025 Notes on September 15, 2020 plus (2) all required interest payments due on such 2025 Notes through September 15, 2020 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the treasury rate (as defined under the indenture) plus 50 basis points, over (b) the then-outstanding principal amount of such 2025 Notes. The 2025 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on September 15, 2020 at a redemption price of 102.813%, during the 12 months beginning on September 15, 2021 at a redemption price of 101.406%, and at any time on or after September 15, 2022 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date.

In the event a change of control triggering event occurs (as defined in the indenture), each holder will have the right to require us to repurchase all or any part of such holder's 2025 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2025 Notes repurchased, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Contractual Obligations

The following table sets forth a summary of our obligations at March 31, 2018:

(In thousands, including interest where applicable)	Total	For the Fiscal Years Ending			
		2019	2020-2021	2022-2023	Thereafter
Operating leases and satellite capacity					
agreements	\$590,935	\$95,541	\$197,752	\$122,216	\$175,426
2025 Notes	995,422	39,484	78,750	78,750	798,438
Revolving Credit Facility	—	—	—	—	—
Ex-Im Credit Facility	399,052	53,633	104,093	99,763	141,563
Satellite performance incentive obligation	28,471	2,460	5,474	6,285	14,252
Purchase commitments including satellite-					
related agreements (1)	1,111,211	738,745	307,369	30,111	34,986
Total	\$3,125,091	\$929,863	\$693,438	\$337,125	\$1,164,665

- (1) Our satellite performance incentive obligation relating to the ViaSat-2 satellite under our contract with Boeing for the construction of the satellite is included under “Purchase commitments including satellite-related agreements” in the above table. Under this contract, we are required to make approximately \$21.0 million of in-orbit satellite performance incentive payments, excluding interest, payable monthly over a nine-year period commencing one month after the completion of in-orbit testing (as defined in the contract), subject to the continued satisfactory performance of the satellite. See Note 11 to our consolidated financial statements for additional information regarding satellite performance incentive obligation relating to the ViaSat-2 satellite.

We purchase components from a variety of suppliers and use several subcontractors and contract manufacturers to provide design and manufacturing services for our products. During the normal course of business, we enter into agreements with subcontractors, contract manufacturers and suppliers that either allow them to procure inventory based upon criteria defined by us or that establish the parameters defining our requirements. We also enter into agreements and purchase commitments with suppliers for the construction, launch, and operation of our satellites. In certain instances, these agreements allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to firm orders being placed. Consequently, only a portion of our reported purchase commitments arising from these agreements are firm, non-cancelable and unconditional commitments.

Our consolidated balance sheets included \$121.2 million and \$42.7 million of “other liabilities” as of March 31, 2018 and March 31, 2017, respectively, which primarily consisted of the long-term portion of our satellite performance incentive obligation relating to the ViaSat-1 satellite, our long-term warranty obligations, the long-term portion of deferred rent, long-term portion of deferred revenue and long-term deferred income taxes. With the exception of the long-term portion of our satellite performance incentive obligation relating to the ViaSat-1 satellite (which is included under “Satellite performance incentive obligation”), these remaining liabilities have been excluded from the above table as the timing and/or the amount of any cash payment is uncertain. See Note 11 to our consolidated financial statements for additional information regarding satellite performance incentive obligation relating to the ViaSat-1 satellite. See Note 8 to our consolidated financial statements for additional information regarding our income taxes and related tax positions and Note 13 to our consolidated financial statements for a discussion of our product warranties.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at March 31, 2018 as defined in Regulation S-K Item 303(a)(4) other than as discussed under Contractual Obligations above or disclosed in the notes to our consolidated financial statements included in this report.

Recent Authoritative Guidance

For information regarding recently adopted and issued accounting pronouncements, see Note 1 to the consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, short-term and long-term obligations, including the Credit Facilities and the 2025 Notes, and foreign currency forward contracts. We consider investments in highly liquid instruments purchased with a remaining maturity of three months or less at the date of purchase to be cash equivalents. As of March 31, 2018, we had no outstanding borrowings under our Revolving Credit Facility, \$362.4 million in principal amount of outstanding borrowings under our Ex-Im Credit Facility, and \$700.0 million in aggregate principal amount outstanding of the 2025 Notes, and we held no short-term investments. Our 2025 Notes and borrowings under our Ex-Im Credit Facility bear interest at a fixed rate and therefore our exposure to market risk for changes in interest rates relates primarily to borrowings under our Revolving Credit Facility, cash equivalents, short-term investments and short-term obligations.

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. To minimize this risk, we maintain a significant amount of our cash balance in money market accounts. In general, money market accounts are not subject to interest rate risk because the interest paid on such funds fluctuates with the prevailing interest rate. Our cash and cash equivalents earn interest at variable rates. Our interest income has been and may continue to be negatively impacted by low market interest rates. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. If the underlying weighted average interest rate on our cash and cash equivalents, assuming balances remain constant over a year, changed by 50 basis points, interest income would have increased or decreased by an insignificant amount for the fiscal years ended March 31, 2018 and March 31, 2017. Because our investment policy restricts us to invest in conservative, interest-bearing investments and because our business strategy does not rely on generating material returns from our investment portfolio, we do not expect our market risk exposure on our investment portfolio to be material.

Our primary interest rate under the Revolving Credit Facility is the Eurodollar rate plus an applicable margin that is based on our total leverage ratio. Under the Revolving Credit Facility, the effective interest rate as of March 31, 2018 that would have been applied to any new Eurodollar-based borrowings under the Revolving Credit Facility was approximately 4.15%. As of March 31, 2018, we had no outstanding borrowings under our Revolving Credit Facility. Accordingly, assuming the outstanding balance remained constant over a year, changes in interests rates applicable to our Revolving Credit Facility would have no effect on our interest incurred and cash flow.

Foreign Exchange Risk

We generally conduct our business in U.S. dollars. However, as our international business is conducted in a variety of foreign currencies, we are exposed to fluctuations in foreign currency exchange rates. The closing of our strategic partnering arrangement with Eutelsat during the fourth quarter of fiscal year 2017 and related investment in Euro Broadband Infrastructure Sàrl., which is denominated in Euros, increases our exposure to foreign currency risk. A five percent variance in foreign currencies in which our international business is conducted would change our loss before income taxes by an insignificant amount. Our objective in managing our exposure to foreign currency risk is to reduce earnings and cash flow volatility associated with foreign exchange rate fluctuations. Accordingly, from time to time, we may enter into foreign currency forward contracts to mitigate risks associated with foreign currency denominated assets, liabilities, commitments and anticipated foreign currency transactions.

As of March 31, 2018, we had a number of foreign currency forward contracts outstanding which are intended to reduce the foreign currency risk for amounts payable to vendors in Euros. The foreign currency forward contracts had an insignificant notional amount and had an insignificant amount of fair value recorded in other current assets as of March 31, 2018. If the foreign currency forward rate for the Euro to the U.S. dollar on these foreign currency forward

contracts had changed by 10%, the fair value of these foreign currency forward contracts as of March 31, 2018 would have changed by an insignificant amount.

60

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements at March 31, 2018 and March 31, 2017 and for each of the three fiscal years in the period ended March 31, 2018, and the Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, are included in this report on pages F-1 through F-39.

Summarized Quarterly Data (Unaudited)

The following financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for the fair statement of the results for the interim periods. Summarized quarterly data for fiscal years 2018 and 2017 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
2018				
Total revenues	\$380,044	\$393,074	\$381,837	\$439,670
Loss from operations	(17,950)	(15,860)	(25,326)	(33,051)
Net loss	(9,246)	(13,892)	(25,621)	(19,516)
Net loss attributable to Viasat, Inc.	(9,039)	(13,689)	(24,631)	(19,946)
Basic net loss per share attributable to				
Viasat, Inc.	(0.16)	(0.24)	(0.42)	(0.34)
Diluted net loss per share attributable to				
Viasat, Inc.	(0.16)	(0.24)	(0.42)	(0.34)
2017				
Total revenues	\$363,130	\$399,158	\$380,630	\$416,419
Income from operations	7,778	18,414	7,591	2,676
Net income	2,157	10,739	4,622	4,249
Net income attributable to Viasat, Inc.	1,855	11,019	4,243	6,650
Basic net income per share attributable to Viasat, Inc.	0.04	0.22	0.08	0.12
Diluted net income per share attributable to Viasat, Inc.	0.04	0.22	0.08	0.11

Summarized quarterly data for the second quarter of fiscal year 2018 reflects a \$10.2 million loss on extinguishment of debt. Refer to Note 5 to the consolidated financial statements for discussion of the refinancing of the 2020 Notes and associated loss on extinguishment of debt. Summarized quarterly data reflects product revenue recognized with respect to amounts realized under the Settlement Agreement of approximately \$6.7 million for each quarter of fiscal year 2017.. As of March 31, 2017, all payments pursuant to the Settlement Agreement were recorded. In addition, summarized quarterly data for the fourth quarter of fiscal year 2017 reflects (under income from operations and net income) \$11.4 million of uncharacterized damages and \$0.4 million of penalties, and (under net income attributable to Viasat, Inc.) approximately \$4.0 million, net of tax, related to the impact of the loss contingency, in each case accrued in SG&A expenses in our government systems segment in connection with the False Claims Act civil investigation related to our 52% majority-owned subsidiary TrellisWare. The TrellisWare False Claims Act civil investigation also resulted in a \$0.07 per share impact to basic and diluted net income per share attributable to Viasat Inc. in the fourth quarter of fiscal year 2017. In the fourth quarter of fiscal year 2018, the TrellisWare investigation was settled and the accrued amount of loss contingency was paid out in full. Refer to Note 12 to the consolidated financial statements for further discussion of the TrellisWare False Claims Act civil investigation.

Basic and diluted net (loss) income per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted net income per share.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

61

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance of achieving the objective that information in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified and pursuant to the requirements of the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of March 31, 2018, the end of the period covered by this report. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2018.

Management's Report on Internal Control Over Financial Reporting

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the company's management, including our Chief Executive Officer and Chief Financial Officer, the company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the company's management concluded that its internal control over financial reporting was effective as of March 31, 2018.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company's independent registered public accounting firm has audited the effectiveness of the company's internal control over financial reporting as of March 31, 2018, as stated in their report which appears on page F-1.

Changes in Internal Control Over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes. During the quarter ended March 31, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Amendment of Revolving Credit Facility

On May 24, 2018, we entered into the Third Amendment to Credit Agreement by and among Viasat, Inc., MUFG Union Bank, N.A. (as administrative and collateral agent) and the lenders party thereto (the Amendment). The Amendment amended our Revolving Credit Facility by, among other matters, raising the maximum permitted Total Leverage Ratio (as defined in the Revolving Credit Facility) thereunder for the first, second, third and fourth quarters of fiscal year 2019.

Certain of the lenders under the Revolving Credit Facility and their respective affiliates have performed, and may in the future perform, various commercial banking, investment banking, financial advisory or other services for us, for which they have received and/or may in the future receive customary compensation and expense reimbursement.

The description of the Amendment contained herein does not purport to be complete and is qualified in its entirety by reference to the complete text of the Amendment, which is filed herewith as Exhibit 10.10.3 to this Annual Report on Form 10-K and is incorporated herein by reference.

Annual Performance Bonuses

On May 25, 2018, the Compensation and Human Resources Committee of our Board approved annual performance bonuses for fiscal year 2018 for each of our executive officers, with such bonuses payable in the form of an award of fully vested shares of our common stock issued under our 1996 Equity Participation Plan.

63

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is included in our definitive Proxy Statement to be filed with the SEC in connection with our 2018 Annual Meeting of Stockholders (the Proxy Statement) under the headings “Corporate Governance Principles and Board Matters,” “Election of Directors” and “Ownership of Securities,” and is incorporated herein by reference.

The information required by this item relating to our executive officers is included under the caption “Executive Officers” in Part I of this Form 10-K and is incorporated herein by reference into this section.

We have adopted a code of ethics applicable to all of our employees (including our principal executive officer, principal financial officer, principal accounting officer and controller). The code of ethics is designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The full text of our code of ethics is published on our website at www.viasat.com. We intend to disclose future amendments to certain provisions of our code of ethics, or waivers of such provisions granted to executive officers and directors, on our website within four business days following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is included in the Proxy Statement under the heading “Executive Compensation” and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is included in the Proxy Statement under the headings “Ownership of Securities” and “Executive Compensation — Equity Compensation Plan Information,” and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is included in the Proxy Statement under the headings “Corporate Governance Principles and Board Matters” and “Certain Relationships and Related Transactions,” and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is included in the Proxy Statement under the heading “Ratification of Appointment of Independent Registered Public Accounting Firm” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements

	Page Number
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets as of March 31, 2018 and March 31, 2017</u>	F-2
<u>Consolidated Statements of Operations and Comprehensive Income (Loss) for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016</u>	F-3
<u>Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016</u>	F-4
<u>Consolidated Statements of Equity for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016</u>	F-5
<u>Notes to the Consolidated Financial Statements</u>	F-6
<u>(2) Schedule II — Valuation and Qualifying Accounts</u>	II-1

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference		Filed or Furnished Herewith
		Form File No.	Exhibit Filing Date	
3.1	<u>Second Amended and Restated Certificate of Incorporation of ViaSat, Inc.</u>	10-Q	000-217673.1	11/14/2000
3.2	<u>Second Amended and Restated Bylaws of ViaSat, Inc.</u>	8-K	000-217673.1	12/04/2012
4.1	Form of Common Stock Certificate (p)	S-1/A	333-131834.1	11/05/1996
4.2	<u>Indenture dated as of September 21, 2017 between ViaSat, Inc. and Wilmington Trust, National Association, as trustee</u>	8-K	000-217674.1	9/21/2017
4.3	<u>Form of 5.625% Senior Note due 2025 of ViaSat, Inc. (attached as Exhibit A to the Indenture filed as Exhibit 4.2</u>	8-K	000-217674.1	9/21/2017

hereto)

10.1	<u>Form of Indemnification Agreement between ViaSat, Inc. and each of its directors and officers</u>	8-K	000-2176799.1	03/07/2008
10.2*	<u>ViaSat, Inc. Employee Stock Purchase Plan (as Amended and Restated Effective September 7, 2017)</u>	8-K	000-2176710.1	09/8/2017
10.3*	<u>1996 Equity Participation Plan of ViaSat, Inc. (As Amended and Restated Effective September 7, 2017)</u>	8-K	000-2176710.2	09/8/2017
10.4*	<u>Form of Stock Option Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.</u>	10-K	000-2176710.4	05/26/2015
10.5*	<u>Form of Performance Stock Option Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.</u>	10-Q	000-2176710.1	2/9/2018
10.6*	<u>Form of Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.—Global</u>	10-K	000-2176710.5	05/25/2017
10.7*	<u>Form of Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.—Independent Director</u>	10-K	000-2176710.6	05/26/2015
10.8*	<u>Form of Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.—Executive</u>	10-K	000-2176710.7	05/26/2015
10.9*	<u>Form of Change in Control Severance Agreement between ViaSat, Inc. and each of its executive officers</u>	8-K	000-2176710.1	08/04/2010
10.10	<u>Credit Agreement dated as of November 26, 2013, by and among ViaSat, Inc., Union Bank, N.A. (as agent) and the other lenders party thereto</u>	8-K	000-2176710.1	11/26/2013
10.10.1	<u>First Amendment to Credit Agreement and Other Loan Documents dated as of March 12, 2015, by and among ViaSat, Inc., Union Bank, N.A. (as agent) and the other lenders party thereto</u>	8-K	000-2176710.2	03/13/2015
10.10.2	<u>Second Amendment to Credit Agreement and Other Loan Documents dated as of May 24, 2016, by and among ViaSat, Inc., MUFG Union Bank, N.A. (as agent) and the other lenders party thereto</u>	8-K	000-2176710.1	05/24/2016

Edgar Filing: VIASAT INC - Form 10-K

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Date Herewith
		Form	File No.	Exhibit Filing	
10.10.3	<u>Third Amendment to Credit Agreement dated as of May 24, 2018 by and among ViaSat, Inc., MUFG Union Bank, N.A. (as agent) and the other lenders party thereto</u>				X
10.11	<u>Credit Agreement dated as of March 12, 2015, by and among ViaSat Technologies Limited, ViaSat, Inc., JPMorgan Chase Bank, National Association (as Ex-Im facility agent) and the Export-Import Bank of the United States</u>	8-K	000-2176710.1	03/13/2015	
10.11.1	<u>First Amendment to Credit Agreement, dated as of June 12, 2015, by and among ViaSat Technologies Limited, ViaSat, Inc., JPMorgan Chase Bank, National Association (as Ex-Im Facility Agent) and the Export-Import Bank of the United States</u>	10-Q	000-2176710.1	08/10/2015	
10.11.2	<u>Second Amendment Agreement, dated as of March 23, 2016, by and among ViaSat Technologies Limited, ViaSat, Inc., JPMorgan Chase Bank, National Association (as Ex-Im Facility Agent) and the Export-Import Bank of the United States</u>	8-K	000-2176710.1	03/24/2016	
10.11.3	<u>Third Amendment Agreement, dated as of October 11, 2016, by and among ViaSat Technologies Limited, ViaSat, Inc., JPMorgan Chase Bank, National Association (as Ex-Im Facility Agent) and the Export-Import Bank of the United States</u>	8-K	000-2176710.1	10/12/2016	
10.12†	<u>Award/Contract dated March 10, 2010 between ViaSat, Inc. and Space and Naval Warfare Systems</u>	10-K/A	000-2176710.19	08/03/2010	
21.1	<u>Subsidiaries</u>				X
23.1	<u>Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm</u>				X
24.1	<u>Power of Attorney (see signature page)</u>				X
31.1	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer</u>				X
31.2	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer</u>				X
32.1					X

Certifications Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act
of 2002

101.INS XBRL Instance Document	X
101.SCHXBRL Taxonomy Extension Schema	X
101.CALXBRL Taxonomy Extension Calculation Linkbase	X
101.DEF XBRL Taxonomy Extension Definition Linkbase	X
101.LABXBRL Taxonomy Extension Labels Linkbase	X
101.PRE XBRL Taxonomy Extension Presentation Linkbase	X

*Indicates management contract, compensatory plan or arrangement.

Portions of this exhibit (indicated by asterisks) have been omitted and separately filed with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

(p) Filed in paper.

ITEM 16. FORM 10-K SUMMARY

None.

67

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIASAT, INC.

By: /s/ MARK DANKBERG
Chairman and Chief Executive Officer

Date: May 30, 2018

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Mark Dankberg and Shawn Duffy, jointly and severally, his or her attorneys-in-fact, each with the full power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MARK DANKBERG	Chairman of the Board and	May 30,
Mark Dankberg	Chief Executive Officer	2018
	(Principal Executive Officer)	
/s/ SHAWN DUFFY	Senior Vice President and	May 30,
Shawn Duffy	Chief Financial Officer	2018
	(Principal Financial and Accounting Officer)	
/s/ RICK BALDRIDGE	Director, President and Chief Operating Officer	May 30,
Rick Baldrige		2018
/s/ FRANK J. BIONDI, JR.	Director	May 30,
Frank J. Biondi, Jr.		2018
/s/ ROBERT JOHNSON	Director	May 30,
Robert Johnson		2018

Edgar Filing: VIASAT INC - Form 10-K

/s/ ALLEN LAY	Director	May 30, 2018
Allen Lay		
/s/ JEFFREY NASH	Director	May 30, 2018
Jeffrey Nash		
/s/ SEAN PAK	Director	May 30, 2018
Sean Pak		
/s/ VARSHA RAO	Director	May 30, 2018
Varsha Rao		
/s/ JOHN STENBIT	Director	May 30, 2018
John Stenbit		
/s/ HARVEY WHITE	Director	May 30, 2018
Harvey White		

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Viasat, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Viasat, Inc. and its subsidiaries (the "Company") as of March 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income (loss), cash flows, and equity for each of the three years in the period ended March 31, 2018, including the related notes and financial statement schedule listed in the accompanying index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Diego, California

May 30, 2018

We have served as the Company's auditors since 1992.

F-1

VIASAT, INC.

CONSOLIDATED BALANCE SHEETS

	As of March 31, 2018 (In thousands, except share data)	As of March 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 71,446	\$ 130,098
Accounts receivable, net	267,665	263,721
Inventories	196,307	163,201
Prepaid expenses and other current assets	77,135	57,836
Total current assets	612,553	614,856
Satellites, net	1,239,987	1,108,270
Property and equipment, net	722,488	540,608
Other acquired intangible assets, net	31,862	41,677
Goodwill	121,085	119,876
Other assets	686,134	529,366
Total assets	\$ 3,414,109	\$ 2,954,653
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 157,481	\$ 100,270
Accrued liabilities	263,676	224,959
Current portion of long-term debt	45,300	288
Total current liabilities	466,457	325,517
Senior notes	690,886	575,380
Other long-term debt	287,519	273,103
Other liabilities	121,240	42,722
Total liabilities	1,566,102	1,216,722
Commitments and contingencies (Notes 11 and 12)		
Equity:		
Viasat, Inc. stockholders' equity		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized;		
no shares issued and outstanding at March 31, 2018 and 2017,		
respectively		
	—	—
Common stock, \$0.0001 par value, 100,000,000 shares authorized;		
	6	6

Edgar Filing: VIASAT INC - Form 10-K

58,905,274 and 57,600,609 shares outstanding at March 31, 2018

and 2017, respectively

Paid-in capital	1,535,635	1,439,645
Retained earnings	285,960	297,471
Accumulated other comprehensive income (loss)	15,565	(2,504)
Total Viasat, Inc. stockholders' equity	1,837,166	1,734,618
Noncontrolling interest in subsidiaries	10,841	3,313
Total equity	1,848,007	1,737,931
Total liabilities and equity	\$ 3,414,109	\$ 2,954,653

See accompanying notes to the consolidated financial statements.

F-2

VIASAT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Fiscal Years Ended		
	March 31,	March 31,	March 31,
	2018	2017	2016
	(In thousands, except per share data)		
Revenues:			
Product revenues	\$755,547	\$713,936	\$664,821
Service revenues	839,078	845,401	752,610
Total revenues	1,594,625	1,559,337	1,417,431
Operating expenses:			
Cost of product revenues	553,677	524,026	489,246
Cost of service revenues	567,137	524,949	495,099
Selling, general and administrative	385,420	333,468	298,345
Independent research and development	168,347	129,647	77,184
Amortization of acquired intangible assets	12,231	10,788	16,438
(Loss) income from operations	(92,187)	36,459	41,119
Other income (expense):			
Interest income	960	1,008	2,226
Interest expense	(4,026)	(12,083)	(25,748)
Loss on extinguishment of debt	(10,217)	—	—
(Loss) income before income taxes	(105,470)	25,384	17,597
Benefit from (provision for) income taxes	35,217	(3,617)	4,173
Equity in income of unconsolidated affiliate, net	1,978	—	—
Net (loss) income	(68,275)	21,767	21,770
Less: net (loss) income attributable to noncontrolling			
interests, net of tax	(970)	(2,000)	29
Net (loss) income attributable to Viasat, Inc.	\$(67,305)	\$23,767	\$21,741
Net (loss) income per share attributable to Viasat, Inc.			
common stockholders:			
Basic net (loss) income per share attributable to			
Viasat, Inc. common stockholders	\$(1.15)	\$0.45	\$0.45
Diluted net (loss) income per share attributable to			
Viasat, Inc. common stockholders	\$(1.15)	\$0.45	\$0.44
Shares used in computing basic net (loss) income			
per share	58,438	52,318	48,464
Shares used in computing diluted net (loss) income			
per share	58,438	53,396	49,445

Edgar Filing: VIASAT INC - Form 10-K

Comprehensive income (loss):			
Net (loss) income	\$ (68,275)	\$ 21,767	\$ 21,770
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on hedging, net of tax	67	(182)	122
Foreign currency translation adjustments, net of tax	15,785	(2,329)	(262)
Other comprehensive income (loss), net of tax	15,852	(2,511)	(140)
Comprehensive (loss) income	(52,423)	19,256	21,630
Less: comprehensive (loss) income attributable to			
noncontrolling interests, net of tax	(970)	(2,000)	29
Comprehensive (loss) income attributable to			
Viasat, Inc.	\$ (51,453)	\$ 21,256	\$ 21,601

See accompanying notes to the consolidated financial statements.

VIASAT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	March 31,	March 31,	March 31,
	2018	2017	2016
	(In thousands)		
Cash flows from operating activities:			
Net (loss) income	\$(68,275)	\$21,767	\$21,770
Adjustments to reconcile net (loss) income to net cash provided			
by operating activities:			
Depreciation	210,441	200,686	193,086
Amortization of intangible assets	45,211	45,236	48,990
Deferred income taxes	(36,558)	(218)	(5,003)
Stock-based compensation expense	68,545	55,775	47,510
Loss on disposition of fixed assets	32,978	35,431	33,960
Loss on extinguishment of debt	10,217	—	—
Other non-cash adjustments	6,883	10,018	8,957
Increase (decrease) in cash resulting from changes in operating assets			
and liabilities, net of effects of acquisitions:			
Accounts receivable	(12,439)	16,071	(26,342)
Inventories	(37,562)	(12,386)	(26,749)
Other assets	(25,975)	(15,259)	(3,335)
Accounts payable	32,503	972	5,250
Accrued liabilities	60,042	48,039	(337)
Other liabilities	72,622	5,166	(820)
Net cash provided by operating activities	358,633	411,298	296,937
Cash flows from investing activities:			
Purchase of property, equipment and satellites	(511,634)	(514,692)	(377,894)
Investment in unconsolidated affiliate	—	(140,378)	(1,258)
Cash paid for patents, licenses and other assets	(72,853)	(70,966)	(72,731)
Payments related to acquisition of businesses, net of cash acquired	—	(16,528)	(4,402)
Proceeds from sale of real property	—	27,559	—
Net cash used in investing activities	(584,487)		