2019

Annual Report

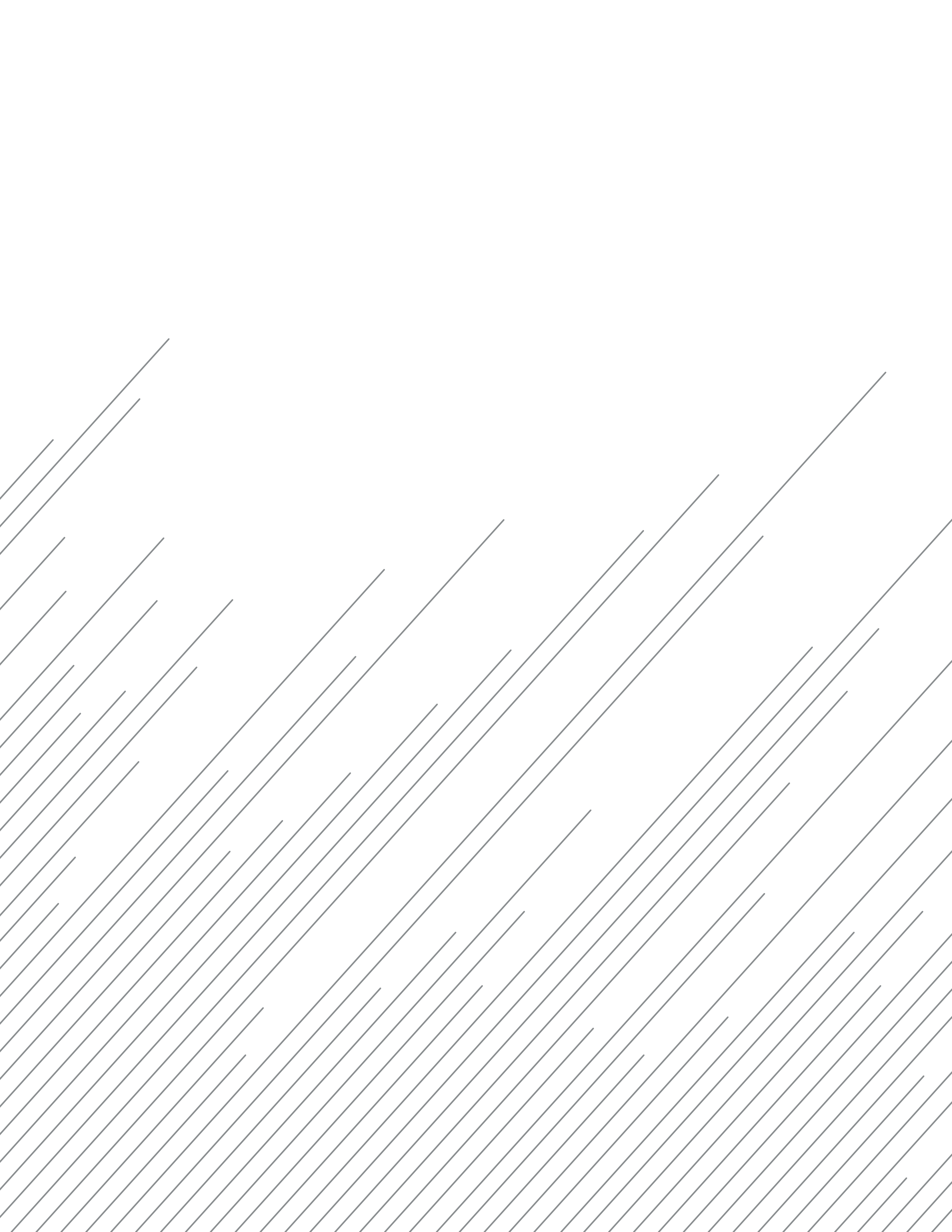
"There's never been a more exciting time **to be a part of Viasat."**

"The innovations we've developed across communications have allowed us to move farther up-market in technology and service levels, and with our ViaSat-3 constellation we expect to realize our ambition to be the **first truly global, scalable, broadband service provider."**

"Additionally, our work on cybersecurity, tactical data links, virtualization, web acceleration, digital media and more all contribute to our ability to deliver connections that can

change the world."

– Mark Dankberg



A letter to shareholders
from Mark Dankberg

Dear shareholders,

I am pleased to report fiscal year 2019, ending March 31, 2019, was one of the most rewarding in our 33 year history. The numbers are impressive and tell an exciting growth story:

- Record annual revenues of $2.1 billion, up 30% year-over-year. We added almost a half billion dollars in revenue compared to fiscal year 2018.

- New contract awards also reached a record, at $2.4 billion. That was approximately $700 million higher than fiscal year 2018, an increase of 42%, and a strong indication of growth opportunities for fiscal year 2020.

- Fourth quarter revenues set a new record at $557.2 million, a 27% increase over the same quarter of fiscal year 2018.

- Adjusted EBITDA grew 44% compared to fiscal year 2018, to $339.4 million. That growth in Adjusted EBITDA almost offset approximately $109 million in incremental depreciation, amortization and interest expense associated with placing the ViaSat-2 satellite in service. We believe our Adjusted EBITDA gain is an indicator of continued earnings growth opportunities.

We're not your traditional satellite operator

We aim to be the world's leading satellite broadband service provider. We believe there is a large attractive market opportunity where we can be the best choice for unserved, and underserved people and devices wherever they may be — on the ground, in the air or at sea. Global internet protocol (IP) traffic is expected to nearly triple over the next five years. It is anticipated the global internet community will swell by about a billion people — from 3 billion in 2015 to 4 billion by 2020. But that would still leave 4 billion unconnected people in the world, and even the otherwise "connected" often get little or no service in many locations. We believe we are well positioned to serve many of these unconnected people and places. We believe we can create greater global economic opportunities and social inclusion, while earning attractive returns by building what we believe to be the most cost effective global satellite broadband network.

Notably, fiscal year 2019 was among our best growth years yet, with fourth quarter total revenues being greater than any of our satellite operator peers. It should be obvious, highest revenue coupled with high annual growth rate is a powerful combination. However, we're going after a much larger opportunity than traditional Fixed Satellite Services (FSS) operators, the group by which Viasat has often recently been measured for investment analysis purposes. In fact, as we've highlighted in previous investor communications, we believe traditional metrics that were indicative of value in the FSS broadcast market are *counter-productive* to serving the needs of today's satellite broadband data market. Our focus on metrics unique to broadband service has positioned us as a disruptor in the satellite operator environment.

A common perception is that Viasat is a "complicated" company with a difficult to understand strategy. We'll show here that our strategic concepts are clear and simple. We strongly believe the success we achieved in fiscal year 2019 is compelling evidence of a thoughtful business strategy that is designed to create *even more* value for our shareholders, customers and partners in the coming years. We believe superior value creation depends on strategic differentiation. We *want* to be different in a value creating way. We also *want* to be difficult to imitate — to establish a moat around our success. Our main point in this year's letter is to use the market realities illustrated in fiscal year 2019 to more fully illuminate the foundations of our strategy — and why we believe Viasat can continue to be an attractive investment opportunity for years to come.

Building an effective strategy

The essence of effective strategy centers on making *difficult* choices that deliver value customers will pay for — yet that competitors are *unwilling* or *unable* to imitate. The sequence of descriptors in that last sentence is critically important when competing against entrenched incumbents. Disruption theory holds that incumbents will predictably, and in a short-term sense, rationally, cling to existing dimensions of value when those metrics are associated with success in their largest markets — even if new emergent market trajectories demand different, and often conflicting, metrics. Disruptors don't "cause" customers to seek new forms of value, they enable them to choose products or services that better meet their evolving demands.

Viasat's strategy reflects what is happening in the world: the internet is re-defining what users want in almost every form of information, entertainment and communication. Because we had no stake in the old (broadcast centric) dimensions of value we can embrace new market preferences in ways that would undermine metrics key to incumbents' identities, and/or investment theses. New entrants, or disruptors, can displace incumbents when a few conditions hold:

1. The strategic choices must be *difficult* or there's no damage to an incumbent's existing business model by embracing them. There has to be tangible downside to incumbents imitating a disruptor or there's no disruption opportunity. As a consequence, a disruptor's business model is often initially under-valued or even ridiculed — because at first there is little evidence the choices underpinning the strategy are valued by sufficiently large markets. That's because the new entrant is purposely eschewing old metrics in favor of new ones. In Viasat's case, our consistent focus is on maximizing useful bandwidth per total lifetime capital cost. We refer to this often as "bandwidth productivity" at investor conferences or on quarterly calls. We see this metric as a key factor in return on satellite investment. We believe our existing and planned satellite fleet substantially outperforms other satellite operators on bandwidth productivity and would also outperform our expectations for proposed low earth orbit (LEO) constellations from new entrants. Historically, incumbent broadcast satellite operators have been less focused on bandwidth productivity — and benefited from other metrics such as number of orbital slots, certain spectrum rights, number of satellites in orbit, network effects of video broadcast "neighborhoods," size of user installed base, 1-for-N redundancy advantages or other factors that still drive the majority of their value to customers and investors. But, those legacy metrics don't necessarily create the same value for broadband services.

2. Disruptors must choose new metrics *wisely*. When markets shift it's not always obvious what the new dimensions of value are, or will be. For instance, non-geostationary orbit (NGSO) constellation builders appear to value earth-to-satellite round trip latency as a dominant metric. It's difficult to evolve from existing metrics associated with the success of incumbents to new ones that may or may not ultimately lead to success in emergent markets. It's especially tricky when there are trade-offs that require sacrificing performance in one dimension to achieve better performance in another. A disruptor, or other aspiring new entrant, choosing the wrong new metrics is often disadvantaged. Incumbents could adopt the strategic choices a disruptor makes, but are often *unwilling* to do so when they perceive those choices as destroying value. We believe our growth rate in satellite broadband, and our success in multiple vertical and geographic markets built on bandwidth productivity, indicates Viasat has the market demand feedback to make wise choices. The commercial in-flight connectivity (IFC) market is a great example. We are recognized as the fastest growing IFC player, often causing incumbents to significantly alter their business models to compete — even when their assets or processes are poorly suited to new market demands and business models.

3. Finally, successful disruption benefits from new *learning curves* that enable the disruptor to outperform incumbents, or other new entrants, in emergent markets and eventually in the "old" markets, too. When disruptors benefit from learning curve effects that create value and separation from competitors, then eventually the incumbents are *unable* to catch up, even if they eventually decide to abandon old metrics for the new. For instance, we expect the unique ViaSat-3 system architecture can yield a faster rate of improvement in our chosen metric (bandwidth productivity) than any other currently known satellite system architecture — from other geostationary orbit (GSO) operators to the newer NGSO providers (such as LEO). If we are correct, then we could steadily improve our competitive position across satellite centric broadband markets — while also growing our addressable markets compared to some terrestrial alternatives. We can benefit from learning curves in related dimensions that are consistent with our objectives of bandwidth productivity and return on invested capital — for instance, optimizing total geographic coverage, economically

matching bandwidth geographic density to a very wide dynamic range of end-user demand and flexibility in allocating bandwidth supply to time varying demand over large geographic areas. Each generation of Viasat broadband satellites has been designed to steadily improve these metrics.

Breaking away from the past

One of the more diabolical elements of disruption is that the old metrics, honed by years or decades of refinement, are seemingly so simple, clear and logical. Inevitable even. How could they be wrong? And, how could any upstart that disdains those measures ever be successful? In the FSS industry there are financial metrics that were valued by investors and drove incumbent strategy that we believe are *counter-productive* for the satellite broadband data market.

A. Transponder market pricing is eroding steadily — a point seen as “bad” for satellite operators. In fact, Viasat is a leading contributor to the decline in air time pricing. End-user value is highly dependent on bandwidth pricing (unit bandwidth price, along with speed, are critical metrics for broadband), and demand is highly elastic to price. Bandwidth productivity gains and distribution efficiencies that lower our unit cost of delivered bandwidth can allow us to offer more value to end-users, grow addressable markets and earn attractive returns, even with lower retail prices.

B. High EBITDA margins for FSS operators have been considered “good” indicators of both operational efficiency and market demand. Operators with “low” EBITDA margins may be considered less efficient, competing in “bad” markets, or battling supply/demand imbalances. Over time, this led to strategic choices that outsourced or avoided activities that reduced margins and were often better performed by other players in a broadcast centric ecosystem. But, EBITDA margins are only proxies for value creation in a capital intensive business. Absolute return on capital is the goal — and we may do better with highly productive broadband satellites by undertaking more activities avoided by incumbents and generating much more revenue and absolute earnings per invested dollar, even if those activities reduce our EBITDA margin.

C. The combination of A and B above led to highly leveraged capital structures in a period of stable transponder pricing. But stable transponder pricing and high EBITDA margins don’t necessarily translate well to broadband service. The notion that long-term stable pricing is needed to close business models has even led some to conclude shorter satellite lives are “better” than *longer* — because longer lives make cash flow forecasting less certain. That might be true if satellites with shorter lives had commensurate bandwidth capital cost productivity, but given current technology trade-offs that’s not the case. Optimizing productivity along with business models that anticipate pricing trajectories are better ways to profitably serve broadband markets.

Our strategy is built around a few clear and simple principles

We believe space-based broadband is a tremendously exciting and potentially highly-rewarding market. Clearly prospective new entrants, successful in other markets, believe that, too. Our challenge, and opportunity, is to leverage decades of unique technology innovation in virtually every aspect of satellite networking into a highly differentiated strategy. We can prosper by taking market share in "natural" satellite markets that are unsuitable for terrestrial networks, and by driving down bandwidth costs to enable new markets. Satellite broadband — in any orbit — is very likely to be capital intensive for decades, to come. A focus on bandwidth productivity, learning curve trajectories and distribution optimized to leverage those advantages can gather momentum and snowball over a long time.

- **Capital efficiency.** Broadband satellites are capital intensive. Broadband users consume ever increasing amounts of bandwidth, and the number of users keeps growing. Trends point to global IP networks supporting up to 10 billion new devices and connections, increasing from 16.3 billion in 2015 to 26.3 billion by 2020. We have experienced that most users value speed, bandwidth volume (e.g. gigabytes per month) and economic value (how much speed and/or bandwidth volume they are getting per dollar spent) more than other attributes (e.g. latency). Speed, bandwidth volume and economic value are heavily dependent on space system bandwidth productivity metrics and distribution efficiency.

- **Prioritize the end-user.** We learned many existing distribution channels were successful by finding business models tolerant of high cost satellite bandwidth on low productivity space systems. We believed those business models were conflicted and would not deliver our productivity gains to end-users. We thought "sell-through" to end-users would be decisive in ultimately winning market share and expanding addressable markets. *That caused us to invest significantly in vertically-integrated distribution capabilities* focused on sharing space system productivity gains with end-users. We believe this is working in the market. We have had to invest in these capabilities, but are earning a reputation for high performance and value. For example, we know our U.S. government end-users require geographic reach and unique bandwidth intensive solutions. Coupling these capabilities was a key objective of our ViaSat-3 project, and will enable us to deliver the communications they need at the tactical edge. Our revenue growth is indicative of this success in residential broadband, commercial IFC and government mobile broadband. Additionally, we are pleased with our early market entry into the Community Wi-Fi and enterprise broadband markets. We anticipate substantial growth opportunities as we invest in additional verticals and geographic markets — and we believe our reputation for delivering performance, quality and high-value broadband connectivity can continue to grow.

- **Relentless execution.** We believe successful strategic differentiation derives from making *difficult* choices. Our bandwidth productivity strategy is technically *very* difficult. It would be much easier to settle for far lower productivity than what we aim for. Or, to focus on less meaningful metrics that are easier to achieve. We have an enviable track record for identifying and bringing to market impactful communications technologies in space systems. ViaSat-1 was the highest capacity communications satellite when it launched; ViaSat-2 was almost double the capacity of its predecessor; and the ViaSat-3 constellation is anticipated to have roughly eight times more capacity than Viasat's current fleet combined. We follow a rigorous methodology:

- We study and learn about *every* known approach to satellite communications. We believe we have fundamental understandings of competing/proposed broadband space systems through regulatory filings, and/or market/competitive research. We never assume we have a monopoly on innovation. We have a successful track record of acquiring and successfully integrating companies with key technologies that can enhance end-to-end space systems service delivery.

- We continually research, analyze and prototype innovative new techniques proprietary to Viasat that can improve space system productivity. We believe we have strong intellectual property protections for our unique technology.

- We *compete* to develop and deliver state-of-the-art technologies to other satellite operators, and/or government customers, as the best way to thoroughly understand those technologies. Viasat has been a leading provider of space payload and ground technologies for both satellite operators and/or government customers across narrowband LEO, broadband LEO, earth sensing NGSO, broadband mid earth orbit (MEO), and broadband GSO. We believe we are the only satellite operator with this capability.

- We buy, or lease, what we can on the open market.

- When economic analysis conclusively shows a business case for internally productizing new technology consistent with *substantial* services productivity or distribution advantages we develop the capability we need to earn those economic gains.

› **Manage for the long run.** Viasat has been in business for 33 years. We have always managed for the long run. We believe the potential learning curve advantages we can gain in space systems productivity represent the most exciting growth opportunity in our history. Learning curves accrue value when organizations get exponentially “better” in the most important dimension(s) of value with each iteration of a key operation. In this case, an iteration would be development of a new generation of broadband satellite (e.g. from ViaSat-1, to ViaSat-2, to ViaSat-3, etc.) and the dimension of value is “useful” bandwidth per time weighted unit capital invested. Organizations benefit when their exponential gain per iteration is greater than competitors, and/or when they perform iterations at a faster cadence. We seek both forms of advantage. Scalable architecture is critical to learning curves, and we believe ours can yield more exponential gain than alternatives. For instance, leveraging low cost data centers for complex spatial processing computation is a scalable way to gain high bandwidth productivity. While launch costs are coming down — that is a transient effect and is unlikely to scale at the same pace as digital computation or payload integration. Our network is pure last mile “access.” We leverage improvements in long haul, thick route terrestrial fiber cost — we don’t compete with it. We also want a faster learning curve cadence — more iterations. That is a key reason for entering multiple vertical markets. If multiple outlets “fill up” our satellites faster than competitors we can iterate faster. The long term benefits are substantial both for winning in “natural” satellite markets, as well as expanding our addressable markets. When bandwidth “learning curve” productivity is a fundamental competitive advantage, multiple vertical markets is a key element of speed down the learning curve.

Building a wider moat

We have been a leader in developing enabling system technologies and distribution approaches for satellite broadband networks. We believe our results in fiscal year 2019 offer a glimpse of the potential we can achieve as we come down our learning curve and continue to build market momentum. While we've focused a majority of this letter on our bandwidth productivity strategy — which represents the bulk of our investments over the past three years — we believe we have pragmatically addressed other avenues of space system value creation.

- **Leveraging new partner-based business models to gain traction in 'hard-to-enter' global markets.** Not all satellite broadband systems are totally economically based. Factors such as sovereign control of national infrastructure, the national interests of space-faring nations or national politics are very important considerations. We have successfully used our technology and market expertise to bring network operation and distribution solution partnerships, with innovative win-win business models, to key markets including Europe, Australia, Brazil and China leveraging partner-owned space assets. We also can use our own space assets to enhance the value of governments, state-owned enterprises or private regional operators' own assets. Different markets require different models. We are innovating steadily, learning quickly and adapting as needed.

- **Innovative integrated space/ground architectures.** While our market experience has consistently shown that bandwidth productivity is the single most important dimension of value in delivering high-speed, high-quality broadband services, that doesn't mean we have stopped innovating elsewhere. Quite the contrary. Our innovative ground system architectures, coupled with investments in artificial intelligence, machine learning, cloud/virtualization techniques and more, are enabling us to further strengthen our moat by testing new ways to reduce latency for key applications without sacrificing our productivity advantage. We are prototyping and testing different approaches to improving this aspect of our service that we believe are much more capital efficient than burdening all space assets with a trade-off that would undermine bandwidth productivity. We plan to test some of these in the market in fiscal year 2020.

- **Recognizing broadband connectivity is a means to an end, not an end in itself.** The value of the broadband network is in the applications it enables. With this understanding, we have worked closely with leading edge providers including brands such as Apple, Facebook, Amazon and Netflix to enhance end-users' experiences with their online and streaming media services over our network — helping them leverage the potential of making affordable broadband available in places where it never was before. We have also worked with leading U.S. government agencies, major airline brands on multiple continents and others to ensure their end-users have great, and affordable, broadband experiences on our network — while also being mindful of their future needs for global services reach, which we believe will be met with our ViaSat-3 constellation. And finally, we have been working with international governments to bring digital and social inclusion to their constituents, through efficient satellite-enabled Community Wi-Fi hotspots. By making broadband connectivity accessible to millions of people living in regions where traditional terrestrial and wireless internet services were either non-existent or cost prohibitive — we have been able to help generate positive socio-economic impacts — in education, e-commerce, finance, healthcare and more — at lower bandwidth costs.

Our goal is simple: connect the unconnected and underconnected through advancements in communications systems

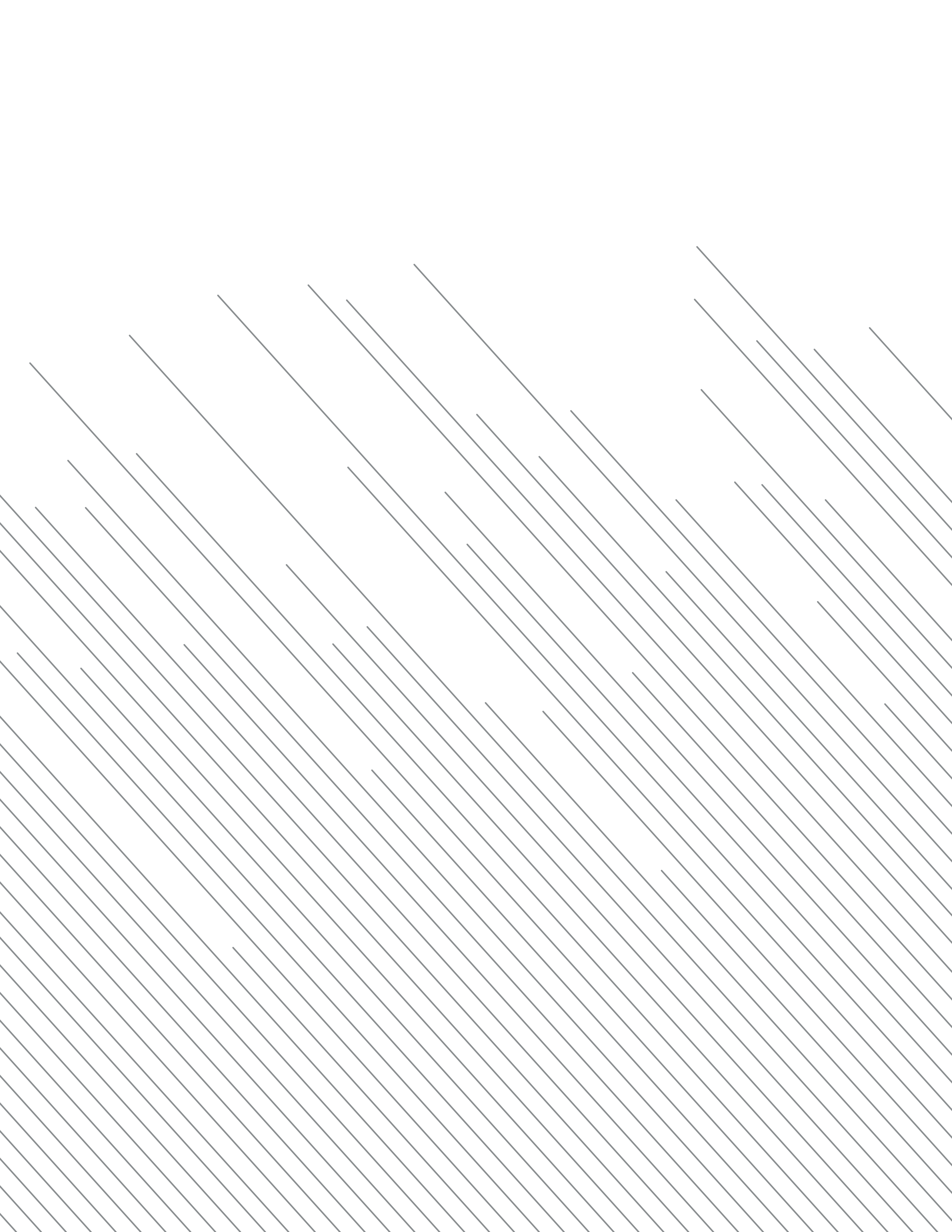
We see huge opportunity to capture value through the deployment of innovative, high-capacity and productive satellite broadband data networks. We are addressing this opportunity from a growing position of strength, founded on disruptive technology, thoughtful strategic choices, strong global partnerships, exposure to a diverse set of end markets and a vertically-integrated business model that affords us the ability to learn quickly to build on our advantages.

Fiscal year 2019 was a satisfying illustration of what we can accomplish. We entered the year with an ambitious growth agenda, and a commitment to capitalize on prior period investments in ViaSat-2, in IFC and defense products. We executed well, transforming sales backlogs into record revenue and compelling Adjusted EBITDA growth. We achieved impressive market share gains and global recognition for quality and reliability. We also made good progress on our growth initiatives in new vertical and geographic markets — aided by key agreements with global strategic and regional satellite partners. But we think all of this is just the start of what we can achieve longer-term.

I'd like to thank our customers for giving us the opportunity to earn their business; our suppliers and partners for their ongoing support; the Viasat team for their dedication to innovation and execution; and to our investors for their trust in our commitment to use their resources wisely.

Sincerely,

Mark Dankberg



Founders & Executive officers

Mark Dankberg
Chairman of the Board,
CEO and Co-founder

Richard Baldridge
Director, President
and Chief Operating Officer

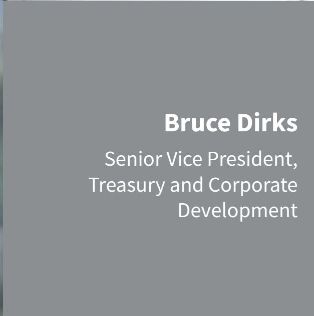
Doug Abts
Vice President,
Global Mobility

Marc Agnew
Vice President,
Commercial Networks

Robert Blair
Vice President, General Counsel
and Secretary

Girish Chandran
Vice President and
Chief Technical Officer

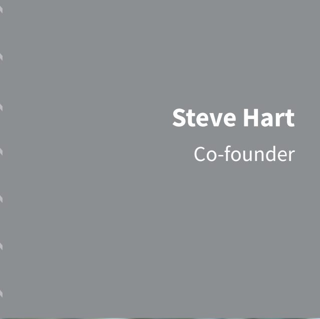
Melinda Del Toro
Senior Vice President,
People and Culture
and Chief People Officer



Bruce Dirks
Senior Vice President,
Treasury and Corporate
Development

Shawn Duffy
Senior Vice President
and Chief Financial Officer

Kevin Harkenrider
Senior Vice President
and President,
Broadband Services

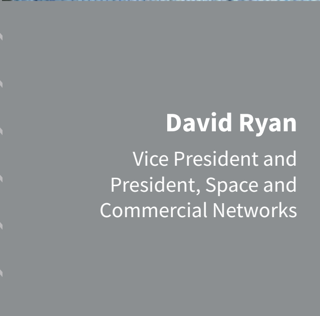


Steve Hart
Co-founder

Keven Lippert
Executive Vice President of
Strategic Initiatives and Chief
Commercial Officer

Mark Miller
Executive Vice President,
Chief Technical Officer and
Co-founder

Ken Peterman
Senior Vice President
and President,
Government Systems



David Ryan
Vice President and
President, Space and
Commercial Networks

Earnings highlights

VIASAT FISCAL YEAR 2019

$2.1B
Annual revenues
30% increase year-over-year

$339M
Adjusted EBITDA
44% increase year-over-year

$2.4B
New contract awards
42% increase year-over-year

39
Office locations globally

~5,600
Employees globally

SATELLITE SERVICES

$684M
Annual revenues
16% increase year-over-year

1,312
Commercial aircraft in-service with Viasat in-flight connectivity, a 107% increase year-over-year

>1M
Community Wi-Fi population reach in Mexico

>1.2M
Students in Brazil served by Viasat technology

586K
Total number of U.S. fixed broadband subscribers

COMMERCIAL NETWORKS

$428M
Annual revenues
84% increase year-over-year

$441M
In new contract awards, up 76% year-over-year

704
Commercial aviation shipsets delivered

$354M
In backlog, representing just over a 1:1 book-to-bill ratio

3+ Tbps
Total network capacity expected under the ViaSat-3 global constellation program

GOVERNMENT SYSTEMS

$956M
Annual revenues
24% increase year-over-year

$1.2B
In new contract awards, up 50% year-over-year

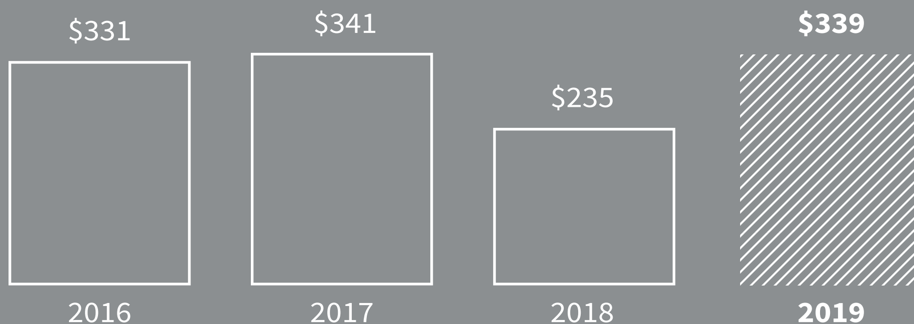
1,000+
AN/PRC-161 Battlefield Awareness Targeting System-Dismounted handheld Link 16 radios shipped

↑ 27%: Product revenues year-over-year

↑ 15%: Service revenues year-over-year

#1
Won a Platinum 'ASTORS' Homeland Security Award from American Security Today

Financial summary



Adjusted EBITDA* dollars in millions
Fiscal year

New contract awards dollars in millions
Fiscal year

Revenues dollars in millions
Fiscal year

*see page 95 for a reconciliation of Adjusted EBITDA to net income (loss) attributable to Viasat, Inc.

Financial performance

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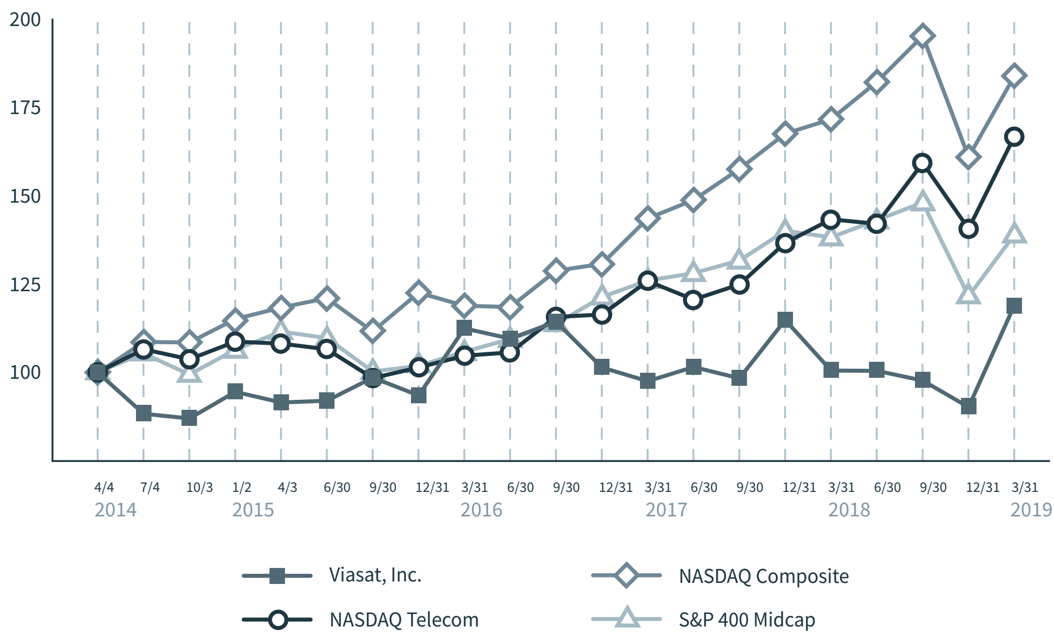
Performance graph

The following graph shows the value of an investment of $100 in cash on April 4, 2014 in (1) Viasat's common stock, (2) the NASDAQ Telecommunications Index, (3) the NASDAQ Composite Index and (4) the S&P MidCap 400 Index. The graph assumes that all dividends, if any, were reinvested. The stock price performance shown on the graph is based on historical data and should not be considered indicative of future performance. The information contained under this heading "Performance graph" shall not be deemed to be "soliciting material," or to be "filed" with the SEC, or subject to Regulation 14A or Regulation 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and shall not be deemed to be incorporated by reference into any filing of Viasat, except to the extent that Viasat specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.



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, 2019. The data as of and for each of the fiscal years in the five-year period ended March 31, 2019 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, 2019	**March 31, 2018**	**March 31, 2017**	**March 31, 2016**	**April 3, 2015**
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Product revenues	$ 1,092,691	$ 755,547	$ 713,936	$ 664,821	$ 728,074
Service revenues	975,567	839,078	845,401	752,610	654,461
Total revenues	2,068,258	1,594,625	1,559,337	1,417,431	1,382,535
Operating expenses:					
Cost of product revenues	834,472	553,677	524,026	489,246	519,483
Cost of service revenues	703,249	567,137	524,949	495,099	444,431
Selling, general and administrative	458,458	385,420	333,468	298,345	270,841
Independent research and development	123,044	168,347	129,647	77,184	46,670
Amortization of acquired intangible assets	9,655	12,231	10,788	16,438	17,966
(Loss) income from operations	(60,620)	(92,187)	36,459	41,119	83,144
Interest expense, net	(49,861)	(3,066)	(11,075)	(23,522)	(29,426)
Loss on extinguishment of debt	—	(10,217)	—	—	—
(Loss) income before income taxes	(110,481)	(105,470)	25,384	17,597	53,718
Benefit from (provision for) income taxes	41,014	35,217	(3,617)	4,173	(13,827)
Equity in income of unconsolidated affiliate, net	2,998	1,978	—	—	—
Net (loss) income	(66,469)	(68,275)	21,767	21,770	39,891
Less: net income (loss) attributable to noncontrolling interests, net of tax	1,154	(970)	(2,000)	29	(472)
Net (loss) income attributable to Viasat, Inc.	$ (67,623)	$ (67,305)	$ 23,767	$ 21,741	$ 40,363
Basic net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (1.13)	$ (1.15)	$ 0.45	$ 0.45	$ 0.86
Diluted net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (1.13)	$ (1.15)	$ 0.45	$ 0.44	$ 0.84
Shares used in computing basic net (loss) income per share	59,942	58,438	52,318	48,464	47,139
Shares used in computing diluted net (loss) income per share	59,942	58,438	53,396	49,445	48,285
Consolidated Balance Sheets Data:					
Cash and cash equivalents	$ 261,701	$ 71,446	$ 130,098	$ 42,088	$ 52,263
Working capital (1) (2)	401,692	146,096	289,339	241,567	221,685
Total assets (2)	3,915,287	3,414,109	2,954,653	2,397,312	2,147,405
Senior notes (2)	1,282,898	690,886	575,380	575,304	575,144
Other long-term debt (2) (3)	110,005	287,519	273,103	370,224	220,276
Other liabilities	120,826	121,240	42,722	37,371	39,995
Total Viasat, Inc. stockholders' equity	1,907,748	1,837,166	1,734,618	1,129,103	1,038,582

(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.

(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 our direct loan facility with the Export-Import Bank of the United States for ViaSat-2 (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 $19.9 million and $45.3 million as of March 31, 2019 and March 31, 2018, respectively. 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 Space Systems/Loral (SS/L) and Loral Space & Communications, Inc. (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 selling, general and administrative (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 Technologies, Inc. (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. Our fiscal year 2019 information presented reflects a $7.5 million gain related to ViaSat-2 insurance claims in SG&A expenses in our satellite services segment. Refer to Note 1 to the consolidated financial statements for further discussion of the ViaSat-2 insurance claims.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

We are an innovator in communications 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, military tactical data link 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.

We conduct our business through three segments: satellite services, commercial networks and government systems.

Satellite Services

Our satellite services segment uses our proprietary technology platform to provide satellite-based high-speed broadband services with multiple applications to consumers, enterprises and mobile broadband customers (including commercial airlines and maritime vessels) 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. For commercial aircraft, we offer high-speed internet and other in-flight services, including our wireless in-flight entertainment (W-IFE) platform. Our Community and Urban Wi-Fi hotspot services provide satellite-powered Wi-Fi to rural, suburban and urban areas in a number of countries in the Americas.

Our proprietary Ka-band satellites are at the core of our technology platform. We own three Ka-band 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 also have two third-generation ViaSat-3 class satellites that have entered the phase of full construction, and in January 2019 we signed an agreement to proceed for a third ViaSat-3 class satellite.

In the fourth quarter of fiscal year 2018, shortly before the launch of commercial broadband services on our ViaSat-2 satellite, we reported an antenna deployment issue. We worked with the satellite manufacturer to determine the root cause of the antenna deployment issue, potential correcting measures, and resulting damage. In the second quarter of fiscal year 2019, the root cause analysis was completed. Based on that analysis, during the second quarter of fiscal year 2019, we recorded a reduction to the carrying value of the ViaSat-2 satellite of $177.4 million, with a corresponding insurance receivable of $177.4 million, based on our estimated ViaSat-2 output capabilities as compared to the anticipated, potential and configured capacity of the ViaSat-2 satellite. During fiscal year 2019, we received $185.7 million in insurance recovery proceeds related to such claims. We recorded an insurance receivable of $2.3 million as of March 31, 2019 with respect to probable remaining ViaSat-2 related insurance claims. As a result, during fiscal year 2019, we recorded a $7.5 million gain related to ViaSat-2 insurance claims in SG&A expenses in the consolidated statements of operations and comprehensive incomes (loss). The ViaSat-2 satellite was primarily financed by the Ex-Im Credit Facility (see "Liquidity and Capital Resources—Ex-Im Credit Facility" below). Pursuant to the terms of the Ex-Im Credit Facility, insurance proceeds received from such claims were used to pay down outstanding borrowings under the Ex-Im Credit Facility.

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 Voice over Internet Protocol services. As of March 31, 2019, we provided fixed broadband services to approximately 586,000 subscribers. In addition, our satellite-powered Community and Urban Wi-Fi hotspot services are now available within walking distance to more than one million people living and working in thousands of rural, suburban and urban Mexican communities.
- In-flight services, including our flagship Viasat in-flight internet, W-IFE and aviation software services. As of March 31, 2019, 1,312 commercial aircraft were in service receiving our in-flight services through our in-flight connectivity (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 and capabilities, including live on-line event streaming and oil and natural gas data gathering services.

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 Application-Specific Integrated Circuit (ASIC) chip design. Our products, systems and solutions are generally developed through a combination of customer and discretionary internal research and development (R&D) 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 Monolithic Microwave Integrated Circuit 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.
- Space systems. We design and develop high-capacity Ka-band satellites for our own satellite fleet and for third parties, including development and production of 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 Internet Protocol (IP)-based fixed and mobile secure communications products and solutions. Our government systems products and solutions are designed to enable the collection and dissemination of secure real-time digital information and intelligence between individuals on the tactical edge, in command centers, leveraging strategic communications nodes, and those individuals on the ground, in the air or on a maritime platform. Customers of our government systems segment include the U.S. Department of Defense, those serving the Five Eye intelligence alliance (Australia, Canada, New Zealand, the United Kingdom and the United States), 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 Intelligence, Surveillance, and Reconnaissance 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 Command and Control missions, satellite networking services and network management systems for Wi-Fi and other internet access networks, and include products designed for manpacks, aircraft, unmanned aerial vehicles, seagoing vessels, ground-mobile vehicles and fixed applications.
- Cybersecurity and information assurance products, which provide advanced, high-speed IP-based “Type 1” and High Assurance Internet Protocol Encryption (HAIPE®)-compliant encryption solutions that enable military and government users to communicate information securely over networks, and that protect the integrity of data stored on computers and storage devices.
- Tactical data links, including our Battlefield Awareness and Targeting System — Dismounted AN/PRC-161 handheld Link 16 radios, our Small Tactical Terminal KOR-24A 2-channel radios 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 terminals.

Sources of Revenues

Our satellite services segment revenues are primarily derived from our fixed broadband services, in-flight services (including services using our IFC systems and W-IFE platform) and worldwide managed network services.

Revenues in our commercial networks and government systems segments are primarily derived from three types of contracts: fixed-price, cost-reimbursement and time-and-materials contracts. Fixed-price contracts (which require us to provide products and services under a contract at a specified price) comprised approximately 90%, 88% and 87% of our total revenues for these segments for fiscal years 2019, 2018 and 2017, 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 development of products. The 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 development from our customer contracts were approximately 19% of our total revenues for fiscal years 2019, 2018 and 2017.

We also incur independent R&D (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 R&D projects. IR&D expenses were approximately 6%, 11% and 8% of total revenues in fiscal years 2019, 2018 and 2017, respectively. As a government contractor, we are able to recover a portion of our IR&D expenses pursuant to our government contracts.

Approximately 11%, 12% and 13% of our total revenues in fiscal years 2019, 2018 and 2017, 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 our most recent Annual Report on Form 10-K.

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

We apply the five-step revenue recognition model under ASU 2014-09, Revenue from Contracts with Customers (commonly referred to as Accounting Standards Codification (ASC) 606) to our contracts with our customers. Under this model, we (1) identify the contract with the customer, (2) identify our performance obligations in the contract, (3) determine the transaction price for the contract, (4) allocate the transaction price to our performance obligations and (5) recognize revenue when or as we satisfy our performance obligations. These performance obligations generally include the purchase of services (including broadband capacity and the leasing of broadband equipment), the purchase of products, and the development and delivery of complex equipment built to customer specifications under long-term contracts.

The timing of satisfaction of performance obligations may require judgment. We derive a substantial portion of our revenues from contracts with customers for services, primarily consisting of connectivity services including leasing of related broadband equipment. These contracts typically require advance or recurring monthly payments by the customer. Our obligation to provide connectivity services is satisfied over time as the customer simultaneously receives and consumes the benefits provided. The measure of progress over time is based upon either a period of time (e.g., over the estimated contractual term) or usage (e.g., bandwidth used/bytes of data processed). From a recognition perspective, the leasing of broadband equipment is evaluated in accordance with the authoritative guidance for leases (ASC 840). Our accounting for equipment leases involves specific determinations under ASC 840, which may involve complex provisions and significant judgments. In accordance with ASC 840, we apply the following criteria to determine the nature of the lease (e.g., as an operating or sales type lease): (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.

We also derive a portion of our revenues from contracts with customers to provide products. Performance obligations to provide products are satisfied at the point in time when control is transferred to the customer. These contracts typically require payment by the customer upon passage of control and determining the point at which control is transferred may require judgment. To identify the point at which control is transferred to the customer, we consider indicators that include, but are not limited to, whether (1) we have the present right to payment for the asset, (2) the customer has legal title to the asset, (3) physical possession of the asset has been transferred to the customer, (4) the customer has the significant risks and rewards of ownership of the asset, and (5) the customer has accepted the asset. For product revenues, control generally passes to the customer upon delivery of goods to the customer.

The vast majority of our revenues from long-term contracts to develop and deliver complex equipment built to customer specifications are derived from contracts with the U.S. government (including foreign military sales contracted through the U.S. government). Our contracts with the U.S. government typically are subject to the Federal Acquisition Regulation (FAR) and are priced based on estimated or actual costs of producing goods or providing services. The FAR provides guidance on the types of costs that are allowable in establishing prices for goods and services provided under U.S. government contracts. The pricing for non-U.S. government contracts is based on the specific negotiations with each customer. Under the typical payment terms of our U.S. government fixed-price contracts, the customer pays us either performance-based payments (PBPs) or progress payments. PBPs are interim payments based on quantifiable measures of performance or on the achievement of specified events or milestones. Progress payments are interim payments based on a percentage of the costs incurred as the work progresses. Because the customer can often retain a portion of the contract price until completion of the contract, our U.S. government fixed-price contracts generally result in revenue recognized in excess of billings which we present as unbilled accounts receivable on the balance sheet. Amounts billed and due from our customers are classified as receivables on the balance sheet. The portion of the payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer. For our U.S. government cost-type contracts, the customer generally pays us for our actual costs incurred within a short period of time. For non-U.S. government contracts, we typically receive interim payments as work progresses, although for some contracts, we may be entitled to receive an advance payment. We recognize a liability for these advance payments in excess of revenue recognized and present it as collections in excess of revenues and deferred revenues on the balance sheet. An advance payment is not typically considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect us from the other party failing to adequately complete some or all of its obligations under the contract.

Performance obligations related to developing and delivering complex equipment built to customer specifications under long-term contracts are recognized over time as these performance obligations do not create assets with an alternative use to us and we have an enforceable right to payment for performance to date. To measure the transfer of control, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We generally use the cost-to-cost measure of progress for our contracts because that best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recognized in the period the loss is determined. A one percent variance in our future cost estimates on open fixed-price contracts as of March 31, 2019 would change our loss before income taxes by an insignificant amount.

The evaluation of transaction price, including the amounts allocated to performance obligations, may require significant judgments. Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue, and where applicable the cost at completion, is complex, subject to many variables and requires significant judgment. Our contracts may contain award fees, incentive fees, or other provisions, including the potential for significant financing components, that can either increase or decrease the transaction price. These amounts, which are sometimes variable, can be dictated by performance metrics, program milestones or cost targets, the timing of payments, and customer discretion. We estimate variable consideration at the amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. In the event an agreement includes embedded financing components, we recognize interest expense or interest income on the embedded financing components using effective interest method. This methodology uses an implied interest rate which reflects the incremental borrowing rate which would be expected to be obtained in a separate financing transaction. We have elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component if we expect, at contract inception, that the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Estimating standalone selling prices may require judgment. When available, we utilize the observable price of a good or service when we sell that good or service separately in similar circumstances and to similar customers. If a standalone selling price is not directly observable, we estimate the standalone selling price by considering all information (including market conditions, specific factors, and information about the customer or class of customer) that is reasonably available.

Deferred costs to obtain or fulfill contract

Under ASC 340-40, Other Assets and Deferred Costs – Contracts with Customers, we recognize an asset from the incremental costs of obtaining a contract with a customer, if we expect to recover those costs. The incremental costs of obtaining a contract are those costs that we incur to obtain a contract with a customer that we would not have incurred if the contract had not been obtained. ASC 340-40 also requires the recognition of an asset from the costs incurred to fulfill a contract when (1) the costs relate directly to a contract or to an anticipated contract that we can specifically identify, (2) the costs generate or enhance our resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and (3) the costs are expected to be recovered. We recognize an asset related to commission costs incurred primarily in our satellite services segment and recognize an asset related to costs incurred to fulfill contracts. Costs to acquire customer contracts are amortized over the estimated customer contract life. Costs to fulfill customer contracts are amortized in proportion to the revenue to which the costs relate. For contracts with an estimated amortization period of less than one year, we expense incremental costs immediately.

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 also have two third-generation ViaSat-3 class satellites that have entered the phase of full construction, and in January 2019 we signed an agreement to proceed for a third ViaSat-3 class satellite. 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 2019, 2018 and 2017.

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 2019, 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, 2019 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 $29.0 million at March 31, 2018 to $33.5 million at March 31, 2019. The valuation allowance relates to state and foreign net operating loss carryforwards, state R&D tax credit carryforwards and foreign 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, our 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.

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, 2019	March 31, 2018	March 31, 2017
Revenues:	100.0%	100.0%	100.0%
Product revenues	53	47	46
Service revenues	47	53	54
Operating expenses:			
Cost of product revenues	40	35	34
Cost of service revenues	34	36	34
Selling, general and administrative	22	24	21
Independent research and development	6	11	8
Amortization of acquired intangible assets	—	1	1
(Loss) income from operations	(3)	(6)	2
Interest expense, net	(2)	—	(1)
Loss on extinguishment of debt	—	(1)	—
(Loss) income before income taxes	(5)	(7)	2
Benefit from income taxes	2	2	—
Net (loss) income	(3)	(4)	1
Net (loss) income attributable to Viasat, Inc.	(3)	(4)	2

Fiscal Year 2019 Compared to Fiscal Year 2018

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Product revenues	$ 1,092.7	$ 755.5	$ 337.1	45%
Service revenues	975.6	839.1	136.5	16%
Total revenues	$ 2,068.3	$ 1,594.6	$ 473.6	30%

Our total revenues grew by $473.6 million as a result of a $337.1 million increase in product revenues and a $136.5 million increase in service revenues. The product revenue increase was driven primarily by increases of $185.5 million in our commercial networks segment and $152.3 million in our government systems segment. The service revenue increase was due to increases of $95.6 million in our satellite services segment, $31.2 million in our government systems segment and $9.7 million in our commercial networks segment.

Cost of revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cost of product revenues	$ 834.5	$ 553.7	$ 280.8	51%
Cost of service revenues	703.2	567.1	136.1	24%
Total cost of revenues	$ 1,537.7	$ 1,120.8	$ 416.9	37%

Cost of revenues increased by $416.9 million due to increases of $280.8 million in cost of product revenues and $136.1 million in cost of service revenues. The cost of product revenue increase was primarily due to increased revenues, mainly from our mobile broadband satellite communication systems products and antenna systems products in our commercial networks segment and tactical data link products and government satellite communication systems products in our government systems segment, causing a $247.1 million increase in cost of product revenues on a constant margin basis. Additionally, cost of product revenues increased due to lower margins, primarily from our antenna systems products in our commercial networks segment and government satellite communication systems products in our government systems segment. The cost of service revenue increase mainly related to increased revenues, mainly from our fixed broadband services and in-flight internet services, causing a $92.3 million increase in cost of service revenues on a constant margin basis. Additionally cost of service revenues increased due to lower margins for fixed broadband services in our satellite services segment, primarily due to the ViaSat-2 service launch in the fourth quarter of fiscal year 2018.

Selling, general and administrative expenses

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 458.5	$ 385.4	$ 73.0	19%

The $73.0 million increase in SG&A expenses reflected an increase in support costs of $39.9 million and an increase in selling costs of $37.1 million, partially offset by a gain of approximately $7.5 million related to our ViaSat-2 satellite insurance claims recorded as a reduction to SG&A expenses in our satellite services segment during fiscal year 2019 (see “Liquidity and Capital Resources–Satellite-related activities” for additional information). The increase in support costs was reflected in all three segments, however we experienced the largest increase from our satellite services segment, mainly due to the higher employee-related costs supporting the ViaSat-2 service launch. The increase in selling costs was primarily due to an increase in our satellite services segment due to the ViaSat-2 service launch in the fourth quarter of fiscal year 2018. 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

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 123.0	$ 168.3	$ (45.3)	(27)%

The $45.3 million decrease in IR&D expenses was primarily the result of a decrease of $45.2 million in IR&D efforts in our commercial networks segment (primarily related to a decrease in IR&D expenses related to next-generation satellite payload technologies for our ViaSat-3 class satellites, as the first two ViaSat-3 class satellites have entered the phase of full construction, and mobile broadband satellite communication systems).

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 $2.6 million decrease in amortization of acquired intangible assets in fiscal year 2019 compared to fiscal year 2018 was primarily the result of certain acquired customer relationship intangibles in our satellite services segment becoming fully amortized during the prior fiscal year. 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 2020	$ 7,485
Expected for fiscal year 2021	5,101
Expected for fiscal year 2022	3,278
Expected for fiscal year 2023	2,973
Expected for fiscal year 2024	2,458
Thereafter	1,006
	$ 22,301

Interest income

The insignificant decrease in interest income for fiscal year 2019 compared to fiscal year 2018 was primarily the result of lower average invested cash balances during fiscal year 2019 compared to fiscal year 2018.

Interest expense

The $46.0 million increase in interest expense in fiscal year 2019 compared to fiscal year 2018 was primarily due to a decrease in the amount of interest capitalized, a net increase in interest expense related to our Ex-Im Credit Facility mainly due to the increased interest accretion related to required payments of outstanding borrowings under our Ex-Im Credit Facility upon receipt of insurance proceeds related to the ViaSat-2 satellite (see "Liquidity and Capital Resources – Ex-Im Credit Facility" for additional information) and higher outstanding borrowings under our revolving credit facility (the Revolving Credit Facility) (which outstanding borrowings were repaid prior to March 31, 2019 with proceeds from the issuance of our 5.625% Senior Secured Notes due 2027 (the 2027 Notes) in March 2019). Capitalized interest expense during fiscal year 2019 related to the construction of our ViaSat-3 class satellites, gateway and networking equipment and other assets. Capitalized interest expense during fiscal year 2018 related to the construction of our ViaSat-2 satellite, ViaSat-3 class satellites, gateway and networking equipment and other assets.

Income taxes

The income tax benefit in fiscal years 2019 and 2018 reflected the tax benefit from our loss before income taxes and the benefit from federal and state R&D tax credits. Fiscal year 2018 also included an income tax 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 H.R.1, informally known as the Tax Cuts and Jobs Act, which was enacted into law on December 22, 2017 (the Tax Reform).

Segment Results for Fiscal Year 2019 Compared to Fiscal Year 2018

Satellite services segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ —	$ 0.7	$ (0.7)	(100)%
Segment service revenues	684.2	588.6	95.6	16%
Total segment revenues	$ 684.2	$ 589.3	$ 94.9	16%

Our satellite services segment revenues increased by $94.9 million primarily as a result of a $95.6 million increase in service revenues. The increase in service revenues was primarily driven by the expansion of our fixed broadband services and in-flight internet services. The fixed broadband service revenue increase was driven by higher average revenue per fixed broadband subscriber in the United States when compared to the same period last fiscal year, reflecting a higher mix of new and existing subscribers choosing Viasat's premium highest speed plans. Total subscribers at March 31, 2019 were approximately 586,000 compared to 576,000 subscribers at March 31, 2018. The in-flight service revenue increase was driven primarily by the increase in the number of commercial aircraft receiving our in-flight services through our IFC systems, with 1,312 commercial aircraft in service utilizing our IFC systems as of March 31, 2019, compared to 635 commercial aircraft in service as of March 31, 2018.

Segment operating (loss) profit

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating (loss) profit	$ (64.3)	$ 12.0	$ (76.3)	(635)%
Percentage of segment revenues	(9)%	2%		

The decrease in our satellite services segment operating profit was driven primarily by higher selling costs of $36.8 million due to the increased promotion of our fixed broadband services following ViaSat-2 service launch, as well as an increase in support costs of $21.6 million, mainly due to the higher employee-related costs supporting the ViaSat-2 service launch. In addition, our fixed broadband services also experienced lower earnings contributions of $27.1 million, primarily due to lower margins, driven also by the ViaSat-2 service launch in the fourth quarter of fiscal year 2018. This decrease in operating profit was partially offset by a gain of approximately $7.5 million related to our ViaSat-2 satellite insurance claims recorded as a reduction to SG&A expenses in our satellite services segment during fiscal year 2019 (see "Liquidity and Capital Resources–Satellite-related activities" for additional information).

Commercial networks segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 383.5	$ 198.0	$ 185.5	94%
Segment service revenues	44.9	35.2	9.7	27%
Total segment revenues	$ 428.4	$ 233.2	$ 195.2	84%

Our commercial networks segment revenues increased by $195.2 million, primarily due to a $185.5 million increase in product revenues. The increase in product revenues was primarily due to increases of $147.5 million in mobile broadband satellite communication systems products and $37.4 million in antenna systems products. The service revenue increase was mainly due to an $8.9 million increase in mobile broadband satellite communication systems services.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar (Increase) Decrease	Percentage (Increase) Decrease
Segment operating loss	$ (166.6)	$ (229.1)	$ 62.5	27%
Percentage of segment revenues	(39)%	(98)%		

The $62.5 million decrease in our commercial networks segment operating loss was driven primarily by a $45.2 million decrease in IR&D expenses related to next-generation satellite payload technologies for our ViaSat-3 class satellites, as the first two ViaSat-3 class satellites have entered the phase of full construction, and mobile broadband satellite communication systems. In addition, we experienced higher earnings contributions of $27.9 million, primarily due to increased revenues and improved margins in our mobile broadband satellite communication systems products and satellite networking development programs. The decrease in operating loss was partially offset by higher SG&A costs of $10.7 million.

Government systems segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 709.1	$ 556.8	$ 152.3	27%
Segment service revenues	246.5	215.3	31.2	15%
Total segment revenues	$ 955.6	$ 772.1	$ 183.5	24%

Our government systems segment revenues increased by $183.5 million due to increases of $152.3 million in product revenues and $31.2 million in service revenues. The product revenue increase was due to a $62.0 million increase in tactical data link products, a $31.5 million increase in government satellite communication systems, a $27.0 million increase in cybersecurity and information assurance products and a $25.6 million increase in tactical satcom radio products. The service revenue increase was primarily due to an $18.0 million increase in government mobile broadband services, a $7.8 million increase in tactical data link services and a $4.7 million increase in government satellite communication systems services.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 180.0	$ 137.1	$ 42.8	31%
Percentage of segment revenues	19%	18%		

The $42.8 million increase in our government systems segment operating profit was primarily due to higher earnings contributions of $55.9 million, primarily due to an increase in revenues from our tactical data link products and increased revenues and improved margins in our government mobile broadband services. This increase was partially offset by higher SG&A costs of $11.6 million.

Fiscal Year 2018 Compared to Fiscal Year 2017

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Product revenues	$ 755.5	$ 713.9	$ 41.6	6%
Service revenues	839.1	845.4	(6.3)	(1)%
Total revenues	$ 1,594.6	$ 1,559.3	$ 35.3	2%

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 of payments under the Settlement Agreement with SS/L in fiscal year 2017, which were previously 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

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cost of product revenues	$ 553.7	$ 524.0	$ 29.7	6%
Cost of service revenues	567.1	524.9	42.2	8%
Total cost of revenues	$ 1,120.8	$ 1,049.0	$ 71.8	7%

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 fixed 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

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 385.4	$ 333.5	$ 52.0	16%

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

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 168.3	$ 129.6	$ 38.7	30%

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 R&D 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 Aerodocs Limited 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 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.

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 R&D tax credits. The income tax expense in fiscal year 2017 reflected the tax expense from our income before income taxes and the benefit from federal and state R&D 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 tax legislation enacted in December 2017.

Segment Results for Fiscal Year 2018 Compared to Fiscal Year 2017

Satellite services segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 0.7	$ 27.7	$ (27.0)	(98)%
Segment service revenues	588.6	601.9	(13.3)	(2)%
Total segment revenues	$ 589.3	$ 629.6	$ (40.4)	(6)%

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 March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 12.0	$ 131.1	$ (119.1)	(91)%
Percentage of segment revenues	2%	21%		

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

(In millions, except percentages)		Fiscal Years Ended			Dollar Increase (Decrease)	Percentage Increase (Decrease)
		March 31, 2018		March 31, 2017		
Segment product revenues	$	198.0	$	211.5	$ (13.4)	(6)%
Segment service revenues		35.2		33.1	2.0	6%
Total segment revenues	$	233.2	$	244.6	$ (11.4)	(5)%

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

(In millions, except percentages)		Fiscal Years Ended			Dollar (Increase) Decrease	Percentage (Increase) Decrease
		March 31, 2018		March 31, 2017		
Segment operating loss	$	(229.1)	$	(180.5)	$ (48.6)	(27)%
Percentage of segment revenues		(98)%		(74)%		

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 an $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

(In millions, except percentages)		Fiscal Years Ended			Dollar Increase (Decrease)	Percentage Increase (Decrease)
		March 31, 2018		March 31, 2017		
Segment product revenues	$	556.8	$	474.8	$ 82.1	17%
Segment service revenues		215.3		210.3	5.0	2%
Total segment revenues	$	772.1	$	685.1	$ 87.0	13%

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

(In millions, except percentages)		Fiscal Years Ended			Dollar Increase (Decrease)	Percentage Increase (Decrease)
		March 31, 2018		March 31, 2017		
Segment operating profit	$	137.1	$	96.7	$ 40.5	42%
Percentage of segment revenues		18%		14%		

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 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 R&D increases in the development of next-generation dual band mobility solutions) and overall higher SG&A costs of $5.0 million.

Backlog

As reflected in the table below, our overall firm and funded backlog increased during fiscal year 2019. The increases in both firm and funded backlog were attributable to increases in all three of our segments.

	As of March 31, 2019	As of March 31, 2018
	(In millions)	
Firm backlog		
Satellite services segment	$ 581.3	$ 130.5
Commercial networks segment	353.8	288.3
Government systems segment	931.2	671.2
Total	$ 1,866.3	$ 1,090.0
Funded backlog		
Satellite services segment	$ 581.3	$ 130.5
Commercial networks segment	353.8	288.3
Government systems segment	912.0	592.1
Total	$ 1,847.1	$ 1,010.9

The firm backlog does not include contract options. Of the $1.9 billion in firm backlog, a little over half is expected to be delivered in fiscal year 2020, with the balance delivered thereafter. We include in our backlog only those orders for which we have accepted purchase orders. Starting with the first quarter of fiscal year 2019, upon adoption of ASC 606, our backlog includes contracts with subscribers for fixed broadband services in our satellite services segment. Backlog does not 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, 2019, we expected to install IFC systems on approximately 490 additional aircraft under our existing customer agreements with commercial airlines, approximately 260 of which relate to accepted purchase orders (and are included in firm backlog in our commercial networks segment) and approximately 230 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. In addition, backlog as of March 31, 2018 does not include contracts with our subscribers for fixed broadband services in our satellite services segment.

Our total new awards exclude future revenue under recurring consumer commitment arrangements and were approximately $2.4 billion, $1.7 billion and $1.7 billion for fiscal years 2019, 2018 and 2017, 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, 2019, we had $261.7 million in cash and cash equivalents, $401.7 million in working capital, and no outstanding borrowings and borrowing availability of $680.4 million under the Revolving Credit Facility (which amount reflects the reduction of available commitments under the Revolving Credit Facility from $800.0 million to $700.0 million in March 2019). 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 our Revolving 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 R&D 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, strategic partnering arrangements 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 2019, we filed a universal shelf registration statement with the Securities and Exchange Commission (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 2019 was $327.6 million compared to cash provided by operating activities of $358.6 million for fiscal year 2018. This $31.1 million decrease was primarily driven by a $110.0 million year-over-year increase in cash used to fund net operating assets, partially offset by our operating results (net loss adjusted for depreciation, amortization and other non-cash changes) which resulted in $78.9 million of higher cash provided by operating activities year-over-year. The increase in cash used to fund net operating assets during fiscal year 2019 when compared to fiscal year 2018 was primarily due to a decrease in cash inflows year-over-year from the long-term portion of deferred revenues included in other liabilities in our satellite services segment as well as higher increase year-over-year of combined billed and unbilled accounts, receivable, net, attributable to the timing of billings in our satellite services segment.

Cash used in investing activities for fiscal year 2019 was $489.4 million compared to $584.5 million for fiscal year 2018. This $95.1 million decrease in cash used in investing activities year-over year reflects approximately $185.7 million of cash receipts related to ViaSat-2 satellite insurance claim proceeds received during fiscal year 2019, a decrease of $30.6 million year-over-year in cash used for capital software development, a decrease of $20.6 million in cash used for the construction of earth stations and network operation systems and $14.0 million of cash proceeds from sales of real property during the second quarter of fiscal year 2019, partially offset by an increase of $101.4 million in capital expenditures used for property and other general purpose equipment and $44.4 million in cash used for satellite construction.

Cash provided by financing activities for fiscal year 2019 was $354.6 million compared to $165.8 million for fiscal year 2018. This $188.8 million increase in cash provided by financing activities year-over-year was primarily due to the issuance of $600.0 million in aggregate principal amount of our 2027 Notes during the fourth quarter of fiscal year 2019. Cash provided by financing activities for both periods included cash proceeds from borrowings under our long-term debt (net of repayments), cash received from stock option exercises and employee stock purchase plan purchases, offset by cash used for payments of debt issuance costs and 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 2018 to fiscal year 2017, the $52.7 million decrease in cash provided by operating activities 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 $130.5 million decrease in cash used in investing activities reflected a year-over-year 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. The $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 5.625% Senior Notes due 2025 (the 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.

Satellite-related activities

On June 1, 2017, our second-generation ViaSat-2 satellite was successfully launched into orbit. Following satellite launch, in fiscal years 2018 and 2019 we incurred additional operating costs as we prepared for and launched commercial services on the satellite. These additional operating costs included depreciation, amortization of capitalized software development, earth station connectivity, marketing and advertising costs, logistics, customer care and various support systems, and contributed to an operating loss for our satellite services segment in fiscal year 2019. However, as the services we provide using the new satellite start to scale, we expect to expand the revenue base for our fixed broadband and in-flight services and gain operating cost efficiencies, which together we expect will yield incremental segment earnings contributions, partially offset by investments associated with our global business and emerging markets growth. However there can be no assurance that we will be successful in significantly increasing revenues or achieving operating profit in our satellite services segment. Moreover, we anticipate that we will incur a similar cycle of increased operating costs as we prepare for and launch commercial services on future satellites, including our ViaSat-3 constellation, followed by increases in revenue base and in scale.

In the fourth quarter of fiscal year 2018, shortly before the launch of commercial broadband services on the ViaSat-2 satellite, we reported an antenna deployment issue. We worked with the satellite manufacturer to determine the root cause of the antenna deployment issue, potential correcting measures, and resulting damage. In the second quarter of fiscal year 2019, the root cause analysis was completed. Based on that analysis, during the second quarter of fiscal year 2019, we recorded a reduction to the carrying value of the ViaSat-2 satellite of $177.4 million, with a corresponding insurance receivable of $177.4 million, based on our estimated ViaSat-2 output capabilities as compared to the anticipated, potential and configured capacity of the ViaSat-2 satellite. During fiscal year 2019, we received $185.7 million in insurance recovery proceeds related to such claims. We recorded an insurance receivable of $2.3 million as of March 31, 2019 with respect to probable remaining ViaSat-2 related insurance claims. As a result, during fiscal year 2019, we recorded a $7.5 million gain related to ViaSat-2 insurance claims in SG&A expenses in our satellite services segment in the consolidated statements of operations and comprehensive incomes (loss). The ViaSat-2 satellite was primarily financed by the Ex-Im Credit Facility (see "—Ex-Im Credit Facility" below). Pursuant to the terms of the Ex-Im Credit Facility, insurance proceeds received from such claims were used to pay down outstanding borrowings under the Ex-Im Credit Facility.

In July 2016, we entered into two separate agreements with The Boeing Company (Boeing) for the construction and purchase of two ViaSat-3 class satellites and the integration of Viasat's payload technologies into the satellites. Pursuant to these agreements, as amended, the aggregate purchase price for the two satellites is approximately $390.1 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 had the option to order one additional ViaSat-3 class satellite, with respect to which we signed an agreement to proceed in January 2019 for the third ViaSat-3 class satellite. The first ViaSat-3 class satellite is expected to provide broadband services over the Americas, the second is expected to provide broadband services over the Europe, Middle East and Africa (EMEA) region, and the third is expected to provide broadband services over the Asia and Pacific (APAC) region, enabling us to deliver affordable connectivity worldwide. The projected aggregate total project cost for the first 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, borrowing capacity and the cash we expect to generate from operations over the next few years.

The first two ViaSat-3 class satellites entered the phase of full construction during the second half of fiscal year 2018. IR&D investments continued throughout fiscal year 2019 and are expected to continue beyond fiscal year 2019 relating to ViaSat-3 ground infrastructure and support of our growing government and commercial air mobility businesses. We expect to continue to invest in IR&D at a significant level as we continue our focus on leadership and innovation in satellite and space technologies, although the level of investment in a given fiscal year will depend on a variety of factors, including the stage of development of our satellite projects, new market opportunities and our overall operating performance. In fiscal year 2020, capital expenditures are expected to increase when compared to fiscal year 2019, as we will have a third ViaSat-3 class satellite under construction, as well as increased ground network investments related to international expansion.

Revolving Credit Facility

As of March 31, 2019, the Revolving Credit Facility provided a $700.0 million revolving line of credit (including up to $150.0 million of letters of credit), with a maturity date of January 18, 2024. On March 27, 2019, we reduced available commitments under the Revolving Credit Facility from $800.0 million to $700.0 million.

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 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, 2019, 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.

At March 31, 2019, we had no outstanding borrowings under the Revolving Credit Facility and $19.6 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of March 31, 2019 of $680.4 million.

Ex-Im Credit Facility

The Ex-Im Credit Facility originally 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). As of March 31, 2019, we had $139.6 million in principal amount of outstanding borrowings under the Ex-Im Credit Facility.

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 and payments, exposure fees, debt issuance costs and other fees, is 4.54%. Borrowings under the Ex-Im Credit Facility are required to be repaid in 16 semi-annual principal installments, which commenced on April 15, 2018, with a maturity date of October 15, 2025. Pursuant to the terms of the Ex-Im Credit Facility, certain insurance recovery proceeds related to the ViaSat-2 satellite must be used to pay down outstanding borrowings under the Ex-Im Credit Facility upon receipt. During fiscal year 2019, we received $185.7 million of insurance proceeds related to the ViaSat-2 satellite, all of which were used to pay down outstanding borrowings under the Ex-Im Credit Facility upon receipt. 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 weighted average term of the Ex-Im Credit Facility and in accordance with the related payment obligations.

Senior Notes

Senior Secured Notes due 2027

In March 2019, we issued $600.0 million in principal amount of 2027 Notes in a private placement to institutional buyers. The 2027 Notes were issued at face value and are recorded as long-term debt, net of debt issuance costs, in our consolidated financial statements. The 2027 Notes bear interest at the rate of 5.625% per year, payable semi-annually in cash in arrears, which interest payments will commence in October 2019. Debt issuance costs associated with the issuance of the 2027 Notes are amortized to interest expense on a straight-line basis over the term of the 2027 Notes, the results of which are not materially different from the effective interest rate basis.

The 2027 Notes are required to be guaranteed on a senior secured basis by each of our existing and future subsidiaries that guarantees the Revolving Credit Facility. As of March 31, 2019, none of our subsidiaries guaranteed the 2027 Notes. The 2027 Notes are secured, equally and ratably with the Revolving Credit Facility and any future parity lien debt, by liens on substantially all of our assets.

The 2027 Notes are our general senior secured obligations and rank equally in right of payment with all of our existing and future unsubordinated debt. The 2027 Notes are effectively senior to all of our existing and future unsecured debt (including the 2025 Notes) as well as to all of any permitted junior lien debt that may be incurred in the future, in each case to the extent of the value of the assets securing the 2027 Notes. The 2027 Notes are effectively subordinated to any obligations that are secured by liens on assets that do not constitute a part of the collateral securing the 2027 Notes, are structurally subordinated to all existing and future liabilities (including trade payables) of our subsidiaries that do not guarantee the 2027 Notes (including obligations of the borrower under the Ex-Im Credit Facility), and are senior in right of payment to all of our existing and future subordinated indebtedness.

The indenture governing the 2027 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 April 15, 2022, we may redeem up to 40% of the 2027 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 2027 Notes prior to April 15, 2022, 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 2027 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2027 Notes on April 15, 2022 plus (2) all required interest payments due on such 2027 Notes through April 15, 2022 (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 governing the 2027 Notes) plus 50 basis points, over (b) the then-outstanding principal amount of such 2027 Notes. The 2027 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on April 15, 2022 at a redemption price of 102.813%, during the 12 months beginning on April 15, 2023 at a redemption price of 101.406%, and at any time on or after April 15, 2024 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 governing the 2027 Notes), each holder will have the right to require us to repurchase all or any part of such holder's 2027 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2027 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).

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, 2019, 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 our Revolving Credit Facility and Ex-Im Credit Facility (collectively, 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 our 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 governing the 2025 Notes) 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 governing the 2025 Notes), 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).

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 $575.0 million in aggregate principal amount of our former 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).

Contractual Obligations

The following table sets forth a summary of our obligations at March 31, 2019:

		For the Fiscal Years Ending			
(In thousands, including interest where applicable)	**Total**	**2020**	**2021-2022**	**2023-2024**	**Thereafter**
Operating leases and satellite capacity agreements	$ 629,710	$ 127,515	$ 195,511	$ 123,607	$ 183,077
2027 Notes	871,781	18,656	67,500	67,500	718,125
2025 Notes	955,938	39,375	78,750	78,750	759,063
Revolving Credit Facility	—	—	—	—	—
Ex-Im Credit Facility	150,668	21,784	44,864	42,958	41,062
Satellite performance incentive obligations	36,991	2,645	6,134	10,269	17,943
Purchase commitments including satellite-related agreements	1,638,095	937,042	454,759	197,535	48,759
Total	$ 4,283,183	$ 1,147,017	$ 847,518	$ 520,619	$ 1,768,029

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 $120.8 million and $121.2 million of “other liabilities” as of March 31, 2019 and March 31, 2018, respectively, which primarily consisted of the long-term portion of deferred revenues, the long-term portion of our satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites, our long-term warranty obligations, the long-term portion of deferred rent and deferred income taxes. With the exception of the long-term portion of our satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites (which is included under “Satellite performance incentive obligations”), 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 obligations relating to the ViaSat-1 and ViaSat-2 satellites. 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, 2019 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.

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, the 2025 Notes and the 2027 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, 2019, we had no outstanding borrowings under our Revolving Credit Facility, $139.6 million in principal amount of outstanding borrowings under our Ex-Im Credit Facility, $700.0 million in aggregate principal amount outstanding of the 2025 Notes and $600.0 million in aggregate principal amount outstanding of the 2027 Notes, and we held no short-term investments. Our 2025 Notes, 2027 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, 2019 and March 31, 2018. 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, 2019 that would have been applied to any new Eurodollar-based borrowings under the Revolving Credit Facility was approximately 4.46%. As of March 31, 2019, 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. Our investment in Euro Broadband Infrastructure Sàrl during the fourth quarter of fiscal year 2017, 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 for the fiscal years ended March 31, 2019 and March 31, 2018. 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, 2019, 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 and Australian dollars. The foreign currency forward contracts with a notional amount of $9.9 million had an insignificant amount of fair value recorded in accrued liabilities as of March 31, 2019. If the foreign currency forward rate on these foreign currency forward contracts had changed by 10%, the fair value of these foreign currency forward contracts as of March 31, 2019 and March 31, 2018 would have changed by an insignificant amount.

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 2019 and 2018 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
2019				
Total revenues	$ 438,869	$ 517,474	$ 554,694	$ 557,221
(Loss) income from operations	(54,479)	(21,571)	6,007	9,423
Net (loss) income	(35,497)	(25,598)	(10,737)	5,363
Net (loss) income attributable to Viasat, Inc.	(34,010)	(25,724)	(10,404)	2,515
Basic net (loss) income per share attributable to Viasat, Inc.	(0.57)	(0.43)	(0.17)	0.04
Diluted net (loss) income per share attributable to Viasat, Inc.	(0.57)	(0.43)	(0.17)	0.04
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)

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 for the third and fourth quarters of fiscal year 2019 reflects a $4.0 million and $3.5 million gain, respectively, related to ViaSat-2 insurance claims in SG&A expenses in our satellite services segment. Refer to Note 1 to the consolidated financial statements for further discussion of the ViaSat-2 insurance claims.

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.

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, 2019, 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, 2019.

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, 2019.

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, 2019, as stated in their report which appears on page 47.

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, 2019, 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.

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, 2019 and 2018, and the related statements of operations and comprehensive income (loss), cash flows, and equity for each of the three years in the period ended March 31, 2019, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2019 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, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in fiscal year 2019.

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.

San Diego, California
May 28, 2019

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

VIASAT, INC.
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2019	As of March 31, 2018
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 261,701	$ 71,446
Accounts receivable, net	300,307	267,665
Inventories	234,518	196,307
Prepaid expenses and other current assets	90,646	77,135
Total current assets	887,172	612,553
Satellites, net	1,215,663	1,239,987
Property and equipment, net	909,627	722,488
Other acquired intangible assets, net	22,301	31,862
Goodwill	121,719	121,085
Other assets	758,805	686,134
Total assets	$ 3,915,287	$ 3,414,109
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 157,275	$ 157,481
Accrued liabilities	308,268	263,676
Current portion of long-term debt	19,937	45,300
Total current liabilities	485,480	466,457
Senior notes	1,282,898	690,886
Other long-term debt	110,005	287,519
Other liabilities	120,826	121,240
Total liabilities	1,999,209	1,566,102
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, 2019 and 2018, respectively	—	—
Common stock, $0.0001 par value, 100,000,000 shares authorized; 60,550,093 and 58,905,274 shares outstanding at March 31, 2019 and 2018, respectively	6	6
Paid-in capital	1,656,819	1,535,635
Retained earnings	245,585	285,960
Accumulated other comprehensive income	5,338	15,565
Total Viasat, Inc. stockholders' equity	1,907,748	1,837,166
Noncontrolling interest in subsidiaries	8,330	10,841
Total equity	1,916,078	1,848,007
Total liabilities and equity	$ 3,915,287	$ 3,414,109

See accompanying notes to the consolidated financial statements.

VIASAT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
	(In thousands, except per share data)		
Revenues:			
Product revenues	$ 1,092,691	$ 755,547	$ 713,936
Service revenues	975,567	839,078	845,401
Total revenues	2,068,258	1,594,625	1,559,337
Operating expenses:			
Cost of product revenues	834,472	553,677	524,026
Cost of service revenues	703,249	567,137	524,949
Selling, general and administrative	458,458	385,420	333,468
Independent research and development	123,044	168,347	129,647
Amortization of acquired intangible assets	9,655	12,231	10,788
(Loss) income from operations	(60,620)	(92,187)	36,459
Other income (expense):			
Interest income	149	960	1,008
Interest expense	(50,010)	(4,026)	(12,083)
Loss on extinguishment of debt	—	(10,217)	—
(Loss) income before income taxes	(110,481)	(105,470)	25,384
Benefit from (provision for) income taxes	41,014	35,217	(3,617)
Equity in income of unconsolidated affiliate, net	2,998	1,978	—
Net (loss) income	(66,469)	(68,275)	21,767
Less: net income (loss) attributable to noncontrolling interests, net of tax	1,154	(970)	(2,000)
Net (loss) income attributable to Viasat, Inc.	$ (67,623)	$ (67,305)	$ 23,767
Net (loss) income per share attributable to Viasat, Inc. common stockholders:			
Basic net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (1.13)	$ (1.15)	$ 0.45
Diluted net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (1.13)	$ (1.15)	$ 0.45
Shares used in computing basic net (loss) income per share	59,942	58,438	52,318
Shares used in computing diluted net (loss) income per share	59,942	58,438	53,396
Comprehensive income (loss):			
Net (loss) income	$ (66,469)	$ (68,275)	$ 21,767
Other comprehensive income (loss), net of tax:			
Unrealized (loss) gain on hedging, net of tax	(242)	67	(182)
Foreign currency translation adjustments, net of tax	(9,985)	15,785	(2,329)
Other comprehensive (loss) income, net of tax	(10,227)	15,852	(2,511)
Comprehensive (loss) income	(76,696)	(52,423)	19,256
Less: comprehensive income (loss) attributable to noncontrolling interests, net of tax	1,154	(970)	(2,000)
Comprehensive (loss) income attributable to Viasat, Inc.	$ (77,850)	$ (51,453)	$ 21,256

See accompanying notes to the consolidated financial statements.

VIASAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Cash flows from operating activities:			
Net (loss) income	$ (66,469)	$ (68,275)	$ 21,767
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	262,289	210,441	200,686
Amortization of intangible assets	56,324	45,211	45,236
Deferred income taxes	(43,813)	(36,558)	(218)
Stock-based compensation expense	79,599	68,545	55,775
Loss on disposition of fixed assets	41,957	32,978	35,431
Loss on extinguishment of debt	—	10,217	—
Other non-cash adjustments	18,483	6,883	10,018
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(46,108)	(12,439)	16,071
Inventories	(36,593)	(37,562)	(12,386)
Other assets	(2,349)	(25,975)	(15,259)
Accounts payable	(5,714)	32,503	972
Accrued liabilities	71,478	60,042	48,039
Other liabilities	(1,533)	72,622	5,166
Net cash provided by operating activities	327,551	358,633	411,298
Cash flows from investing activities:			
Purchase of property, equipment and satellites	(636,855)	(511,634)	(514,692)
Cash paid for patents, licenses and other assets	(49,965)	(72,853)	(70,966)
Proceeds from insurance claims on ViaSat-2 satellite	185,706	—	—
Payments related to acquisition of businesses, net of cash acquired	(2,339)	—	(16,528)
Proceeds from sale of real property	14,034	—	27,559
Investment in unconsolidated affiliate	—	—	(140,378)
Net cash used in investing activities	(489,419)	(584,487)	(715,005)
Cash flows from financing activities:			
Proceeds from issuance of Notes	600,000	700,000	—
Repayment of 2020 Notes	—	(575,000)	—
Payment of debt extinguishment costs	—	(10,602)	—
Proceeds from revolving credit facility borrowings	510,000	—	90,000
Payments of revolving credit facility borrowings	(510,000)	—	(270,000)
Payments of Ex-Im credit facility borrowings	(222,840)	—	—
Proceeds from Ex-Im credit facility borrowings, net of discount	—	52,503	77,469
Payment of debt issuance costs	(9,767)	(9,759)	(6,677)
Proceeds from issuance of common stock under equity plans	26,330	26,165	22,403
Purchase of common stock in treasury (immediately retired) related to tax withholdings for stock-based compensation	(28,826)	(24,206)	(21,670)
Proceeds from common stock issued in public offering, net of issuance costs	—	—	503,061
Proceeds from noncontrolling interest capital contribution	—	8,491	—
Other financing activities	(10,280)	(1,816)	(1,802)
Net cash provided by financing activities	354,617	165,776	392,784
Effect of exchange rate changes on cash	(2,494)	1,426	(1,067)
Net increase (decrease) in cash and cash equivalents	190,255	(58,652)	88,010
Cash and cash equivalents at beginning of fiscal year	71,446	130,098	42,088
Cash and cash equivalents at end of fiscal year	$ 261,701	$ 71,446	$ 130,098
Supplemental information:			
Cash paid for interest (net of amounts capitalized)	$ 35,119	$ 3,722	$ 10,094
Cash paid for income taxes, net	$ 1,758	$ 4,021	$ 1,468
Non-cash investing and financing activities:			
Issuance of common stock in satisfaction of certain accrued employee compensation liabilities	$ 32,129	$ 16,409	$ 13,080
Capital expenditures not paid for	$ 40,619	$ 41,149	$ 29,813
Debt issuance costs not paid for	$ 2,479	$ —	$ —
Exposure fees on Ex-Im credit facility financed through Ex-Im credit facility	$ —	$ 5,764	$ 8,505
Issuance of common stock in connection with acquisition	$ —	$ —	$ 4,988

See accompanying notes to the consolidated financial statements.

VIASAT, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Viasat, Inc. Stockholders						
	Common Stock						
	Number of Shares Issued	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
	(In thousands, except share data)						
Balance at March 31, 2016	48,926,417	$ 5	$ 855,387	$ 273,704	$ 7	$ 5,321	$ 1,134,424
Exercise of stock options	273,050	—	12,117	—	—	—	12,117
Issuance of stock under Employee Stock Purchase Plan	188,938	—	10,286	—	—	—	10,286
Common stock issued in public offering, net of issuance costs	7,475,000	1	503,060	—	—	—	503,061
Stock-based compensation	—	—	62,397	—	—	—	62,397
Shares issued in settlement of certain accrued employee compensation liabilities	176,731	—	13,080	—	—	—	13,080
RSU awards vesting, net of shares withheld for taxes which have been retired	498,585	—	(21,670)	—	—	—	(21,670)
Shares issued in connection with acquisition of business	61,888	—	4,988	—	—	—	4,988
Other noncontrolling interest activity	—	—	—	—	—	(8)	(8)
Net income (loss)	—	—	—	23,767	—	(2,000)	21,767
Other comprehensive loss, net of tax	—	—	—	—	(2,511)	—	(2,511)
Balance at March 31, 2017	57,600,609	$ 6	$ 1,439,645	$ 297,471	$ (2,504)	$ 3,313	$ 1,737,931
Exercise of stock options	287,012	—	13,371	—	—	—	13,371
Issuance of stock under Employee Stock Purchase Plan	227,381	—	12,794	—	—	—	12,794
Stock-based compensation	—	—	76,512	—	—	—	76,512
Shares issued in settlement of certain accrued employee compensation liabilities	228,791	—	16,409	—	—	—	16,409
RSU awards vesting, net of shares withheld for taxes which have been retired	561,481	—	(24,206)	—	—	—	(24,206)
Cumulative effect adjustment upon adoption of new stock compensation guidance (ASU 2016-09)	—	—	1,110	58,011	—	—	59,121
Reclassification of stranded tax effects in OCI due to Tax Reform Revaluation	—	—	—	(2,217)	2,217	—	—
Proceeds from noncontrolling interest capital contribution	—	—	—	—	—	8,491	8,491
Other noncontrolling interest activity	—	—	—	—	—	7	7
Net loss	—	—	—	(67,305)	—	(970)	(68,275)
Other comprehensive income, net of tax	—	—	—	—	15,852	—	15,852
Balance at March 31, 2018	58,905,274	$ 6	$ 1,535,635	$ 285,960	$ 15,565	$ 10,841	$ 1,848,007
Exercise of stock options	275,000	—	11,087	—	—	—	11,087
Issuance of stock under Employee Stock Purchase Plan	289,024	—	15,243	—	—	—	15,243
Stock-based compensation	—	—	91,470	—	—	—	91,470
Shares and fully-vested RSUs issued in settlement of certain accrued employee compensation liabilities, net of shares withheld for taxes which have been retired	438,433	—	27,701	—	—	—	27,701
RSU awards vesting, net of shares withheld for taxes which have been retired	642,362	—	(24,398)	—	—	—	(24,398)
Cumulative effect adjustment upon adoption of new revenue recognition guidance (ASU 2014-09)	—	—	—	27,248	—	—	27,248
Other noncontrolling interest activity	—	—	81	—	—	(3,665)	(3,584)
Net (loss) income	—	—	—	(67,623)	—	1,154	(66,469)
Other comprehensive loss, net of tax	—	—	—	—	(10,227)	—	(10,227)
Balance at March 31, 2019	60,550,093	$ 6	$ 1,656,819	$ 245,585	$ 5,338	$ 8,330	$ 1,916,078

See accompanying notes to the consolidated financial statements.

Note 1 — The Company and a Summary of Its Significant Accounting Policies

The Company

Viasat, Inc. (also referred to hereafter as the "Company" or "Viasat") is an innovator in communications technologies and services, including high-speed and cost-effective broadband and advanced communications products and services.

Principles of consolidation

The Company's consolidated financial statements include the assets, liabilities and results of operations of Viasat, its wholly owned subsidiaries and its majority-owned subsidiary, TrellisWare Technologies, Inc. (TrellisWare). During the third quarter of fiscal year 2019, Viasat Europe Sàrl (formerly known as Euro Broadband Retail Sàrl), which was previously a majority-owned subsidiary, became a wholly owned subsidiary when the Company purchased the remaining 49% interest in the company for an insignificant amount. All significant intercompany amounts have been eliminated. Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investment in unconsolidated affiliate in other assets (long-term) on the consolidated balance sheets.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Recent transactions

During the third quarter of fiscal year 2017, the Company completed the acquisition of Aerodocs Limited (Arconics), a privately held company focused on wireless in-flight entertainment management software services. The Arconics purchase price of approximately $21.6 million was comprised of approximately $16.6 million in cash consideration paid to former Arconics equity holders and $5.0 million related to the fair value of 61,888 shares of the Company's common stock issued at the closing. The approximately $16.6 million in cash consideration paid to former Arconics equity holders less cash acquired of $0.6 million resulted in a net cash outlay by the Company of approximately $16.0 million. The Arconics purchase price was primarily allocated to acquired technology and customer relationships intangible assets, and goodwill. Through this acquisition, the Company gained broader expertise, aviation-grade software and mobile applications to make flying safer and more efficient for pilots, cabin crews and flight operations teams, as well as applications that are expected to create new opportunities for passenger entertainment and airline services and revenue. This acquisition was accounted for as a purchase and, accordingly, the consolidated financial statements include the operating results of Arconics in the Company's satellite services segment from the date of the acquisition.

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

Management estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information and actual results could differ from those estimates. Significant estimates made by management include revenue recognition, stock-based compensation, self-insurance reserves, allowance for doubtful accounts, warranty accruals, valuation of goodwill and other intangible assets, patents, orbital slots and other licenses, software development, property, equipment and satellites, long-lived assets, derivatives, contingencies and income taxes including the valuation allowance on deferred tax assets.

Cash equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less at the date of purchase.

Accounts receivable and allowance for doubtful accounts

The Company records any unconditional rights to consideration as receivables at net realizable value including an allowance for estimated uncollectible accounts. The allowance for doubtful accounts is based on the Company's assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of accounts receivable balances and current economic conditions that may affect a customer's ability to pay. Amounts determined to be uncollectible are charged or written off against the reserve. Historically, the Company's allowance for doubtful accounts has been minimal primarily because a significant portion of its sales has been to the U.S. government or with respect to its satellite services commercial business, the Company bills and collects in advance.

Concentration of risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and accounts receivable which are generally not collateralized. The Company limits its exposure to credit loss by placing its cash equivalents with high credit quality financial institutions and investing in high quality short-term debt instruments. The Company establishes customer credit policies related to its accounts receivable based on historical collection experiences within the various markets in which the Company operates, historical past due amounts and any specific information that the Company becomes aware of such as bankruptcy or liquidity issues of customers.

Revenues from the U.S. government as an individual customer comprised approximately 26%, 31% and 29% of total revenues for fiscal years 2019, 2018 and 2017, respectively. Billed accounts receivable to the U.S. government as of March 31, 2019 and 2018 were approximately 32% and 36%, respectively, of total billed receivables. In addition, none of the Company's commercial customers comprised 10% or more of total revenues for fiscal years 2019, 2018 and 2017. The Company's five largest contracts generated approximately 20% of the Company's total revenues for each of the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017.

The Company relies on a limited number of contract manufacturers to produce its products.

Inventory

Inventory is valued at the lower of cost and net realizable value, cost being determined by the weighted average cost method.

Property, equipment and satellites

Satellites and other property and equipment, including internally developed software, 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 incentives expected to be payable to 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. The Company also constructs earth stations, network operations systems and other assets to support its satellites, and those construction costs, including interest, are capitalized as incurred. At the time satellites are placed in service, the Company estimates the useful life of its 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. Costs incurred for additions to property, equipment and satellites, together with major renewals and betterments, are capitalized and depreciated over the remaining life of the underlying asset. Costs incurred for maintenance, repairs and minor renewals and betterments are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized in operations, which for the periods presented, primarily related to losses incurred for unreturned customer premise equipment (CPE). The Company computes depreciation using the straight-line method over the estimated useful lives of the assets ranging from two to 24 years. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the lease term or the life of the improvement.

Costs related to internally developed software for internal uses are capitalized after the preliminary project stage is complete and are amortized over the estimated useful lives of the assets, of approximately three to seven years. Capitalized costs for internal-use software are included in property and equipment, net in the Company's consolidated balance sheet.

Interest expense is capitalized on the carrying value of assets under construction, in accordance with the authoritative guidance for the capitalization of interest (Accounting Standards Codification (ASC) 835-20). With respect to the ViaSat-3 class satellites, gateway and networking equipment and other assets under construction, the Company capitalized $39.5 million of interest expense for the fiscal year ended March 31, 2019. With respect to the ViaSat-2 satellite, ViaSat-3 class satellites, gateway and networking equipment and other assets under construction, the Company capitalized $58.9 million and $49.7 million of interest expense during the fiscal years ended March 31, 2018 and March 31, 2017, respectively.

The Company owns three satellites in service: ViaSat-2 (its second-generation high-capacity Ka-band spot-beam satellite, which was placed into service in the fourth quarter of fiscal year 2018), ViaSat-1 (its 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). The Company also has two third-generation ViaSat-3 class satellites that have entered the phase of full construction, and in January 2019 it signed an agreement to proceed for a third ViaSat-3 class satellite. The Company also has 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 owns related earth stations and networking equipment for all of its satellites. The Company periodically reviews the remaining estimated useful life of its satellites to determine if revisions to estimated lives are necessary. The Company procures indoor and outdoor CPE units leased to subscribers under a retail leasing program as part of the Company's satellite services segment, which are reflected in investing activities and property and equipment in the accompanying consolidated financial statements. The Company depreciates the satellites, earth stations and networking equipment, CPE units and related installation costs over their estimated useful lives. The total cost and accumulated depreciation of CPE units included in property and equipment, net, as of March 31, 2019 were $373.4 million and $142.6 million, respectively. The total cost and accumulated depreciation of CPE units included in property and equipment, net, as of March 31, 2018 were $298.7 million and $129.0 million, respectively.

On June 1, 2017, the Company's second-generation ViaSat-2 satellite was successfully launched into orbit. In the fourth quarter of fiscal year 2018, shortly before the launch of commercial broadband services on the satellite, the Company reported an antenna deployment issue. The Company worked with the satellite manufacturer to determine the root cause of the antenna deployment issue, potential correcting measures, and resulting damage. In the second quarter of fiscal year 2019, the root cause analysis was completed. Based on that analysis, during the second quarter of fiscal year 2019, the Company recorded a reduction to the carrying value of the ViaSat-2 satellite of $177.4 million, with a corresponding insurance receivable of $177.4 million, based on the Company's estimated ViaSat-2 output capabilities as compared to the anticipated, potential and configured capacity of the ViaSat-2 satellite. During fiscal year 2019, the Company received $185.7 million in insurance recovery proceeds related to such claims. The Company recorded an insurance receivable of $2.3 million as of March 31, 2019 with respect to probable remaining ViaSat-2 related insurance claims. As a result, during fiscal year 2019, the Company recorded a $7.5 million gain related to ViaSat-2 insurance claims in selling, general and administrative (SG&A) expenses in its satellite services segment in the consolidated statements of operations and comprehensive incomes (loss). The ViaSat-2 satellite was primarily financed by the Company's direct loan facility with the Export-Import Bank of the United States for ViaSat-2 (the Ex-Im Credit Facility) (see Note 5 — Senior Notes and Other Long-Term Debt for more information). Pursuant to the terms of the Ex-Im Credit Facility, insurance proceeds received from such claims were used to pay down outstanding borrowings under the Ex-Im Credit Facility.

Occasionally, the Company may enter into capital lease arrangements for various machinery, equipment, computer-related equipment, software, furniture or fixtures. The Company records amortization of assets leased under capital lease arrangements within depreciation expense.

Goodwill and intangible assets

The authoritative guidance for business combinations (ASC 805) requires that all business combinations be accounted for using the purchase method. The authoritative guidance for business combinations also specifies criteria for recognizing and reporting intangible assets apart from goodwill; however, acquired workforce must be recognized and reported in goodwill. The authoritative guidance for goodwill and other intangible assets (ASC 350) requires that intangible assets with an indefinite life should not be amortized until their life is determined to be finite. All other intangible assets must be amortized over their useful life. The authoritative guidance for goodwill and other intangible assets prohibits the amortization of goodwill and indefinite-lived intangible assets, but instead requires these assets to be tested for impairment at least annually and more frequently upon the occurrence of specified events. In addition, all goodwill must be assigned to reporting units for purposes of impairment testing.

Patents, orbital slots and other licenses

The Company capitalizes the costs of obtaining or acquiring patents, orbital slots and other licenses. Amortization of intangible assets that have finite lives is provided for by the straight-line method over the shorter of the legal or estimated economic life. Total capitalized costs of $3.2 million related to patents were included in other assets as of March 31, 2019 and 2018. The Company capitalized costs of $22.9 million and $15.4 million related to acquiring and obtaining orbital slots and other licenses included in other assets as of March 31, 2019 and 2018, respectively. Accumulated amortization related to these assets was $3.0 million and $2.5 million as of March 31, 2019 and 2018, respectively. Amortization expense related to these assets was an insignificant amount for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017. If a patent, orbital slot or orbital license is rejected, abandoned or otherwise invalidated, the unamortized cost is expensed in that period. During fiscal years 2019, 2018 and 2017, the Company did not write off any significant costs due to abandonment or impairment.

Debt issuance costs

Debt issuance costs are amortized and recognized as interest expense using the effective interest rate method, or, when the results are not materially different, on a straight-line basis over the expected term of the related debt. During fiscal years 2019, 2018 and 2017, $12.2 million, $9.8 million and $6.1 million, respectively, of debt issuance costs were capitalized. Unamortized debt issuance costs related to extinguished debt are expensed at the time the debt is extinguished and recorded in loss on extinguishment of debt in the consolidated statements of operations and comprehensive income. Debt issuance costs related to the Revolving Credit Facility are recorded in prepaid expenses and other current assets and in other long-term assets in the consolidated balance sheets in accordance with the authoritative guidance for imputation of interest (ASC 835-30). Debt issuance costs related to the Company's 5.625% Senior Notes due 2025 (the 2025 Notes), the Company's 5.625% Senior Secured Notes due 2027 (the 2027 Notes) and the Company's direct loan facility with the Ex-Im Credit Facility are recorded as a direct deduction from the carrying amount of the related debt, consistent with debt discounts, in accordance with the authoritative guidance for imputation of interest (ASC 835-30).

Software development

Costs of developing software for sale are charged to research and development expense when incurred, until technological feasibility has been established. Software development costs incurred from the time technological feasibility is reached until the product is available for general release to customers are capitalized and reported at the lower of unamortized cost or net realizable value. Once the product is available for general release, the software development costs are amortized based on the ratio of current to future revenue for each product with an annual minimum equal to straight-line amortization over the remaining estimated economic life of the product, generally within five years. Capitalized costs, net, of $244.4 million and $246.8 million related to software developed for resale were included in other assets as of March 31, 2019 and 2018, respectively. The Company capitalized $43.5 million and $75.6 million of costs related to software developed for resale for the fiscal years ended March 31, 2019 and 2018, respectively. Amortization expense for software development costs was $45.9 million, $32.5 million and $32.5 million during fiscal years 2019, 2018 and 2017, respectively.

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), the Company assesses potential impairments to 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. An impairment loss is recognized 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 the Company for fiscal years 2019, 2018 and 2017.

The Company accounts for its goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2011-08, Intangibles — Goodwill and Other (ASC 350): Testing Goodwill for Impairment, which simplifies how the Company tests goodwill for impairment. Current authoritative guidance allows the Company 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, the Company determines that it is more likely than not that the estimated fair value is greater than the carrying value, the Company concludes that no impairment exists. If it is more likely than not that the carrying value of the reporting unit exceeds its estimated fair value, the Company compares 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. The Company tests 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 its competitive environment since the acquisition date, (3) changes in the overall economy, its 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 the Company's qualitative assessment performed during the fourth quarter of fiscal year 2019, the Company concluded that it was more likely than not that the estimated fair value of the Company's reporting units exceeded their carrying values as of March 31, 2019, and therefore, determined it was not necessary to perform the two-step goodwill impairment test. No impairments were recorded by the Company related to goodwill and other intangible assets for fiscal years 2019, 2018 and 2017.

Warranty reserves

The Company provides limited warranties on its products for periods of up to five years. The Company records a liability for its warranty obligations when the Company ships 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, the Company estimates the warranty costs based on historical experience with the particular product. For newer products that do not have a history of warranty costs, the Company bases its estimates on its experience with the technology involved and the types of failures that may occur. It is possible that the Company's underlying assumptions will not reflect the actual experience, and in that case, the Company will make future adjustments to the recorded warranty obligation (see Note 13).

Fair value of financial instruments

The carrying amounts of the Company's financial instruments, including cash equivalents, receivables, accounts payable and accrued liabilities, approximate their fair values due to their short-term maturities. The estimated fair value of the Company's long-term borrowings and other long-term interest bearing liabilities is determined by using available market information for those securities or similar financial instruments (see Note 3).

Self-insurance liabilities

The Company has self-insurance plans to retain a portion of the exposure for losses related to employee medical benefits and workers' compensation. The self-insurance plans include policies which provide for both specific and aggregate stop-loss limits. The Company utilizes internal actuarial methods as well as other historical information for the purpose of estimating ultimate costs for a particular plan year. Based on these actuarial methods, along with currently available information and insurance industry statistics, the Company has recorded self-insurance liability for its plans of $5.4 million and $4.5 million in accrued liabilities in the consolidated balance sheets as of March 31, 2019 and 2018, respectively. The Company's estimate, which is subject to inherent variability, is based on average claims experience in the Company's industry and its own experience in terms of frequency and severity of claims, including asserted and unasserted claims incurred but not reported, with no explicit provision for adverse fluctuation from year to year. This variability may lead to ultimate payments being either greater or less than the amounts presented above. Self-insurance liabilities have been classified as a current liability in accrued liabilities in accordance with the estimated timing of the projected payments.

Indemnification provisions

In the ordinary course of business, the Company includes indemnification provisions in certain of its contracts, generally relating to parties with which the Company has commercial relations. Pursuant to these agreements, the Company will indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, including but not limited to losses relating to third-party intellectual property claims. To date, there have not been any material costs incurred in connection with such indemnification clauses. The Company's insurance policies do not necessarily cover the cost of defending indemnification claims or providing indemnification, so if a claim was filed against the Company by any party that the Company has agreed to indemnify, the Company could incur substantial legal costs and damages. A claim would be accrued when a loss is considered probable and the amount can be reasonably estimated. At March 31, 2019 and 2018, no such amounts were accrued related to the aforementioned provisions.

Noncontrolling interests

A noncontrolling interest represents the equity interest in a subsidiary that is not attributable, either directly or indirectly, to the Company and is reported as equity of the Company, separately from the Company's controlling interest. Revenues, expenses, gains, losses, net income (loss) and other comprehensive income (loss) are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to both the controlling and noncontrolling interest.

Investments in unconsolidated affiliate — equity method

Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investment in unconsolidated affiliate in other assets (long-term) on the consolidated balance sheets. The Company records its share of the results of such entities within equity in income (loss) of unconsolidated affiliate, net on the consolidated statements of operations and comprehensive income (loss). The Company monitors such investments for other-than-temporary impairment by considering factors including the current economic and market conditions and the operating performance of the entities and records reductions in carrying values when necessary. The fair value of privately held investments is estimated using the best available information as of the valuation date, including current earnings trends, undiscounted cash flows, quoted stock prices of comparable public companies, and other company specific information, including recent financing rounds.

Common stock held in treasury

As of March 31, 2019 and 2018, the Company had no shares of common stock held in treasury.

During fiscal years 2019, 2018 and 2017, the Company issued 1,201,502, 896,776 and 792,616 shares of common stock, respectively, based on the vesting terms of certain restricted stock unit agreements. In order for employees to satisfy minimum statutory employee tax withholding requirements related to the issuance of common stock underlying these restricted stock unit agreements, the Company repurchased 427,088, 335,295 and 294,031 shares of common stock at cost and with a total value of $28.8 million, $24.2 million and $21.7 million during fiscal years 2019, 2018 and 2017, respectively. Although shares withheld for employee withholding taxes are technically not issued, they are treated as common stock repurchases for accounting purposes (with such shares deemed to be repurchased and then immediately retired), as they reduce the number of shares that otherwise would have been issued upon vesting of the restricted stock units. These retired shares remain as authorized stock and are considered to be unissued. The retirement of treasury stock had no impact on the Company's total consolidated stockholders' equity.

Derivatives

The Company enters into foreign currency forward and option contracts from time to time to hedge certain forecasted foreign currency transactions. Gains and losses arising from foreign currency forward and option contracts not designated as hedging instruments are recorded in other income (expense) as gains (losses) on derivative instruments. Gains and losses arising from the effective portion of foreign currency forward and option contracts which are designated as cash-flow hedging instruments are recorded in accumulated other comprehensive income (loss) as unrealized gains (losses) on derivative instruments until the underlying transaction affects the Company's earnings, at which time they are then recorded in the same income statement line as the underlying transaction.

During fiscal years 2019, 2018 and 2017, the Company settled certain foreign exchange contracts and in connection therewith for each year recognized an insignificant gain or loss recorded in cost of revenues based on the nature of the underlying transactions. The fair value of the Company's foreign currency forward contracts was an insignificant amount recorded as an accrued liability as of March 31, 2019 and as an other current asset as of March 31, 2018. The notional value of foreign currency forward contracts outstanding was $9.9 million as of March 31, 2019 and an insignificant amount as of March 31, 2018.

At March 31, 2019 the estimated net amount of unrealized gains or losses related to foreign currency forward contracts that was expected to be reclassified to earnings within the next 12 months was insignificant. The Company's foreign currency forward contracts outstanding as of March 31, 2019 will mature within approximately 21 months from their inception. There were no gains or losses from ineffectiveness of these derivative instruments recorded for fiscal years 2019, 2018 and 2017.

Foreign currency

In general, the functional currency of a foreign operation is deemed to be the local country's currency. Consequently, assets and liabilities of operations outside the United States are generally translated into U.S. dollars, and the effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income within Viasat, Inc. stockholders' equity.

Other comprehensive loss related to the effects of foreign currency translation adjustments attributable to Viasat, Inc. during fiscal year 2019 was $11.8 million, or $10.0 million net of tax. Other comprehensive income related to the effects of foreign currency translation adjustments attributable to Viasat, Inc. during fiscal year 2018 was $22.8 million, or $15.8 million net of tax. Other comprehensive loss related to the effects of foreign currency translation adjustments attributed to Viasat, Inc. during fiscal year 2017 was $2.4 million and the related tax effect was insignificant.

Revenue recognition

Effective April 1, 2018, the Company adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (commonly referred to as ASC 606). This update established ASC 606, Revenue from Contracts with Customers and ASC 340-40, Other Assets and Deferred Costs – Contracts with Customers.

In order to assess the impact of the new accounting standards, the Company applied the new standards to all open contracts existing as of April 1, 2018. The Company elected the practical expedient to reflect the aggregate effect of all contract modifications occurring before April 1, 2018 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations. The aggregated effect of applying this practical expedient did not have a significant impact on the Company's conclusions.

To reflect the adoption of the new standards, the Company and its equity method investment investee elected to use the "modified retrospective method," which resulted in the Company recording the retrospective cumulative effect to the opening balance of retained earnings. The following table presents the summary of the impact of adopting the new standards:

	As of March 31, 2018	Adjustments Due to ASC 606	As of April 1, 2018
		(In thousands)	
Consolidated Balance Sheets:			
Accounts receivable, net	$ 267,665	$ (5,664)	$ 262,001
Inventories	196,307	1,623	197,930
Prepaid expenses and other current assets	77,135	18,098	95,233
Other assets	686,134	19,107	705,241
Accrued liabilities	263,676	5,916	269,592
Retained earnings	285,960	27,248	313,208

The key impact of adoption is the deferral of commissions primarily in the Company's satellite services segment, which were historically expensed as incurred as further described below.

The Company applied the five-step model under ASC 606 to its contracts with its customers to determine the impact of the new standard. Under this model the Company (1) identifies the contract with the customer, (2) identifies its performance obligations in the contract, (3) determines the transaction price for the contract, (4) allocates the transaction price to its performance obligations and (5) recognizes revenue when or as it satisfies its performance obligations. These performance obligations generally include the purchase of services (including broadband capacity and the leasing of broadband equipment), the purchase of products, and the development and delivery of complex equipment built to customer specifications under long-term contracts.

Performance obligations

The timing of satisfaction of performance obligations may require judgment. The Company derives a substantial portion of its revenues from contracts with customers for services, primarily consisting of connectivity services including leasing of related broadband equipment. These contracts typically require advance or recurring monthly payments by the customer. The Company's obligation to provide connectivity services is satisfied over time as the customer simultaneously receives and consumes the benefits provided. The measure of progress over time is based upon either a period of time (e.g., over the estimated contractual term) or usage (e.g., bandwidth used/bytes of data processed). From a recognition perspective, the leasing of broadband equipment is evaluated in accordance with the authoritative guidance for leases (ASC 840). The Company's accounting for equipment leases involves specific determinations under ASC 840, which may involve complex provisions and significant judgments. In accordance with ASC 840, the Company applies the following criteria to determine the nature of the lease (e.g., as an operating or sales type lease): (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, the Company considers 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.

The Company also derives a portion of its revenues from contracts with customers to provide products. Performance obligations to provide products are satisfied at the point in time when control is transferred to the customer. These contracts typically require payment by the customer upon passage of control and determining the point at which control is transferred may require judgment. To identify the point at which control is transferred to the customer, the Company considers indicators that include, but are not limited to, whether (1) the Company has the present right to payment for the asset, (2) the customer has legal title to the asset, (3) physical possession of the asset has been transferred to the customer, (4) the customer has the significant risks and rewards of ownership of the asset, and (5) the customer has accepted the asset. For product revenues, control generally passes to the customer upon delivery of goods to the customer.

The vast majority of the Company's revenues from long-term contracts to develop and deliver complex equipment built to customer specifications are derived from contracts with the U.S. government (including foreign military sales contracted through the U.S. government). The Company's contracts with the U.S. government typically are subject to the Federal Acquisition Regulation (FAR) and are priced based on estimated or actual costs of producing goods or providing services. The FAR provides guidance on the types of costs that are allowable in establishing prices for goods and services provided under U.S. government contracts. The pricing for non-U.S. government contracts is based on the specific negotiations with each customer. Under the typical payment terms of the Company's U.S. government fixed-price contracts, the customer pays the Company either performance-based payments (PBPs) or progress payments. PBPs are interim payments based on quantifiable measures of performance or on the achievement of specified events or milestones. Progress payments are interim payments based on a percentage of the costs incurred as the work progresses. Because the customer can often retain a portion of the contract price until completion of the contract, the Company's U.S. government fixed-price contracts generally result in revenue recognized in excess of billings which the Company presents as unbilled accounts receivable on the balance sheet. Amounts billed and due from the Company's customers are classified as receivables on the balance sheet. The portion of the payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer. For the Company's U.S. government cost-type contracts, the customer generally pays the Company for its actual costs incurred within a short period of time. For non-U.S. government contracts, the Company typically receives interim payments as work progresses, although for some contracts, the Company may be entitled to receive an advance payment. The Company recognizes a liability for these advance payments in excess of revenue recognized and presents it as collections in excess of revenues and deferred revenues on the balance sheet. An advance payment is not typically considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect the Company from the other party failing to adequately complete some or all of its obligations under the contract.

Performance obligations related to developing and delivering complex equipment built to customer specifications under long-term contracts are recognized over time as these performance obligations do not create assets with an alternative use to the Company and the Company has an enforceable right to payment for performance to date. To measure the transfer of control, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. The Company generally uses the cost-to-cost measure of progress for its contracts because that best depicts the transfer of control to the customer which occurs as the Company incurs costs on its contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recognized in the period the loss is determined.

Contract costs on U.S. government contracts are subject to audit and review by the Defense Contracting Management Agency (DCMA), the Defense Contract Audit Agency (DCAA), and other U.S. government agencies, as well as negotiations with U.S. government representatives. The Company's incurred cost audits by the DCAA have not been concluded for fiscal year 2019. As of March 31, 2019, the DCAA had completed its incurred cost audit for fiscal years 2004 and 2016 and approved the Company's incurred costs for those fiscal years, as well as approved the Company's incurred costs for fiscal years 2005 through 2015, 2017 and 2018 without further audit based on a determination of low risk. Although the Company has recorded contract revenues subsequent to fiscal year 2018 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company's estimates, its profitability would be adversely affected. As of March 31, 2019 and March 31, 2018, the Company had $4.9 million and $1.6 million, respectively, in contract-related reserves for its estimate of potential refunds to customers for potential cost adjustments on several multi-year U.S. government cost reimbursable contracts (see Note 12).

Evaluation of transaction price

The evaluation of transaction price, including the amounts allocated to performance obligations, may require significant judgments. Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue, and where applicable the cost at completion, is complex, subject to many variables and requires significant judgment. The Company's contracts may contain award fees, incentive fees, or other provisions, including the potential for significant financing components, that can either increase or decrease the transaction price. These amounts, which are sometimes variable, can be dictated by performance metrics, program milestones or cost targets, the timing of payments, and customer discretion. The Company estimates variable consideration at the amount to which it expects to be entitled. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company. In the event an agreement includes embedded financing components, the Company recognizes interest expense or interest income on the embedded financing components using effective interest method. This methodology uses an implied interest rate which reflects the incremental borrowing rate which would be expected to be obtained in a separate financing transaction. The Company has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Estimating standalone selling prices may require judgment. When available, the Company utilizes the observable price of a good or service when the Company sells that good or service separately in similar circumstances and to similar customers. If a standalone selling price is not directly observable, the Company estimates the standalone selling price by considering all information (including market conditions, specific factors, and information about the customer or class of customer) that is reasonably available.

Transaction price allocated to remaining performance obligations

The Company's remaining performance obligations represent the transaction price of firm contracts and orders for which work has not been performed. The Company includes in its remaining performance obligations only those contracts and orders for which it has accepted purchase orders. Remaining performance obligations associated with the Company's subscribers for fixed consumer and business broadband services in its satellite services segment exclude month-to-month service contracts in accordance with a practical expedient and are estimated using a portfolio approach in which the Company reviews all relevant promotional activities and calculates the remaining performance obligation using the average service component for the portfolio and the average time remaining under the contract. The Company's future recurring in-flight connectivity (IFC) service contracts in its satellite services segment do not have minimum service purchase requirements and therefore are not included in the Company's remaining performance obligations. As of March 31, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations was $1.9 billion, of which the Company expects to recognize a little over half over the next twelve months, with the balance recognized thereafter.

Disaggregation of revenue

The Company operates and manages its business in three reportable segments: satellite services, commercial networks and government systems. Revenue is disaggregated by products and services, customer type, contract type, and geographic area, respectively, as the Company believes this approach best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

The following sets forth disaggregated reported revenue by segment and product and services for the fiscal year ended March 31, 2019:

	Fiscal year Ended March 31, 2019			
	Satellite Services	Commercial Networks	Government Systems	Total Revenues
	(In thousands)			
Product revenues	$ —	$ 383,547	$ 709,144	$ 1,092,691
Service revenues	684,205	44,857	246,505	975,567
Total revenues	$ 684,205	$ 428,404	$ 955,649	$ 2,068,258

Revenues from the U.S. government as an individual customer comprised approximately 26% of total revenues for fiscal year ended March 31, 2019, mainly reported within the government systems segment. The Company's commercial customers, mainly reported within the commercial networks and satellite services segments, comprised approximately 74% of total revenues for the fiscal year ended March 31, 2019.

The Company's satellite services segment revenues are primarily derived from the Company's fixed broadband services, IFC services and worldwide managed network services.

Revenues in the Company's commercial networks and government systems segments are primarily derived from three types of contracts: fixed-price, cost-reimbursement and time-and-materials contracts. Fixed-price contracts (which require the Company to provide products and services under a contract at a specified price) comprised approximately 90% of the Company's total revenues for these segments for the fiscal year ended March 31, 2019. The remainder of the Company's revenues in these segments for such periods was derived primarily from cost-reimbursement contracts (under which the Company is 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 (under which the Company is reimbursed 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).

Historically, a significant portion of the Company's revenues in its commercial networks and government systems segments has been derived from customer contracts that include the development of products. The 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 the Company's funded development from its customer contracts were approximately 19% of its total revenues for the fiscal year ended March 31, 2019.

Revenues by geographic area for the fiscal year ended March 31, 2019 were as follows:

	Fiscal year Ended March 31, 2019
	(In thousands)
U.S. customers	$ 1,836,304
Non U.S. customers (each country individually insignificant)	231,954
Total revenues	$ 2,068,258

The Company distinguishes revenues from external customers by geographic area based on customer location.

Contract balances

Contract balances consist of contract assets and contract liabilities. A contract asset, or with respect to the Company, an unbilled accounts receivable, is recorded when revenue is recognized in advance of the Company's right to bill and receive consideration, typically resulting from sales under long-term contracts. Unbilled accounts receivable are generally expected to be billed and collected within one year. The unbilled accounts receivable will decrease as provided services or delivered products are billed. The Company receives payments from customers based on a billing schedule established in the Company's contracts.

When consideration is received in advance of the delivery of goods or services, a contract liability, or with respect to the Company, collections in excess of revenues or deferred revenues, is recorded. Reductions in the collections in excess of revenues or deferred revenues will be recorded as the Company satisfies the performance obligations.

The following table presents contract assets and liabilities as of March 31, 2019 and April 1, 2018:

	As of March 31, 2019	As of April 1, 2018
	(In thousands)	
Unbilled accounts receivable	$ 83,743	$ 79,492
Collections in excess of revenues and deferred revenues	125,540	127,355
Deferred revenues, long-term portion	71,230	77,831

Unbilled accounts receivable increased $4.3 million during fiscal year 2019, primarily driven by revenue recognized in the Company's satellite services segment in excess of billings.

Collections in excess of revenues and deferred revenues decreased $1.8 million during fiscal year 2019, primarily driven by revenue recognized in excess of advances on goods or services received in the Company's government systems segment.

During the fiscal year ended March 31, 2019, the Company recognized revenue of $100.0 million related to the Company's collections in excess of revenues and deferred revenues at April 1, 2018.

Other assets and deferred costs – contracts with customers

The adoption of ASU 2014-09 also included the establishment of ASC 340-40, Other Assets and Deferred Costs – Contracts with Customers. The new standard requires the recognition of an asset from the incremental costs of obtaining a contract with a customer, if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. ASC 340-40 also requires the recognition of an asset from the costs incurred to fulfill a contract when (1) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify, (2) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and (3) the costs are expected to be recovered. Adoption of the standard has resulted in the recognition of an asset related to commission costs incurred primarily in the Company's satellite services segment, and recognition of an asset related to costs incurred to fulfill contracts. Costs to acquire customer contracts are amortized over the estimated customer contract life. Costs to fulfill customer contracts are amortized in proportion to the revenue to which the costs relate. For contracts with an estimated amortization period of less than one year, the Company elected the practical expedient and expenses incremental costs immediately. The Company's deferred customer contract acquisition costs and costs to fulfill contract balances were $52.0 million and $9.9 million as of March 31, 2019, respectively. Of the Company's total deferred customer contract acquisition costs and costs to fulfill contracts, $20.6 million was included in prepaid expenses and other current assets and $41.3 million was included in other assets on the Company's consolidated balance sheet as of March 31, 2019. For total deferred customer contract acquisition costs and contract fulfillment costs, the Company's amortization and reduction of carrying value associated with contract termination was $41.6 million for the fiscal year ended March 31, 2019.

Comparative results

The Company adopted ASC 606 as of April 1, 2018 using the “modified retrospective method” under which the Company is required to provide additional disclosures comparing results to previous accounting standards. Accordingly, the following table presents the Company’s reported results under ASC 606 and the Company’s pro forma results using the historical accounting method under ASC 605 for the fiscal year ended March 31, 2019 and as of March 31, 2019:

	Fiscal Year Ended March 31, 2019		
	As Reported	Impact of ASC 606	Historical Accounting Method
	(In thousands, except per share data)		
Consolidated Statements of Operations and Comprehensive Income (Loss):			
Product revenues	$ 1,092,691	$ (5,263)	$ 1,087,428
Service revenues	975,567	(3,062)	972,505
Total revenues	2,068,258	(8,325)	2,059,933
Cost of product revenues	834,472	(3,877)	830,595
Cost of service revenues	703,249	(263)	702,986
Selling, general and administrative	458,458	9,278	467,736
Independent research and development	123,044	7,498	130,542
Loss from operations	(60,620)	(20,961)	(81,581)
Interest expense	(50,010)	4,206	(45,804)
Loss before income taxes	(110,481)	(16,754)	(127,235)
Benefit from income taxes	41,014	4,499	45,513
Net loss	(66,469)	(12,256)	(78,725)
Net loss attributable to Viasat, Inc.	(67,623)	(12,256)	(79,879)
Basic net loss per share attributable to Viasat, Inc. common stockholders	$ (1.13)	$ (0.20)	$ (1.33)
Diluted net loss per share attributable to Viasat, Inc. common stockholders	$ (1.13)	$ (0.20)	$ (1.33)

	As of March 31, 2019		
	As Reported	Impact of ASC 606	Historical Accounting Method
	(In thousands)		
Consolidated Balance Sheets:			
Accounts receivable, net	$ 300,307	$ 1,774	$ 302,081
Inventories	234,518	(1,681)	232,837
Prepaid expenses and other current assets	90,646	(18,562)	72,084
Other assets	758,805	(26,723)	732,082
Accrued liabilities	308,268	(5,687)	302,581
Retained earnings	245,585	(39,504)	206,081

Advertising costs

In accordance with the authoritative guidance for advertising costs (ASC 720-35), advertising costs are expensed as incurred and included in SG&A expenses. Advertising expenses for fiscal years 2019, 2018 and 2017 were $37.8 million, $14.4 million and $4.8 million, respectively.

Stock-based compensation

In accordance with the authoritative guidance for share-based payments (ASC 718), the Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award. Expense for restricted stock units and stock options is recognized on a straight-line basis over the employee's requisite service period. Expense for total shareholder return (TSR) performance stock options that vest is recognized regardless of the actual TSR outcome achieved and is recognized on a graded-vesting basis. Effective April 1, 2017, the Company adopted a change in accounting policy in accordance with ASU 2016-09, Compensation — Stock Compensation (ASC 718) to account for forfeitures as they occur. Prior to April 1, 2017, forfeitures were estimated at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differed from those estimates.

Independent research and development

Independent research and development (IR&D), which is not directly funded by a third party, is expensed as incurred. IR&D expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials and other expenses related to research and development programs.

Rent expense, deferred rent obligations and deferred lease incentives

The Company leases all of its facilities under operating leases. Some of these lease agreements contain tenant improvement allowances funded by landlord incentives, rent holidays and rent escalation clauses. The authoritative guidance for leases (ASC 840) requires rent expense to be recognized on a straight-line basis over the lease term. The difference between the rent due under the stated periods of the lease compared to that of the straight-line basis is recorded as deferred rent within other long-term liabilities in the consolidated balance sheets.

For purposes of recognizing landlord incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date that it obtains the legal right to use and control the leased space to begin recording rent expense, which is generally when the Company enters the space and begins to make improvements in preparation of occupying new space. For tenant improvement allowances funded by landlord incentives and rent holidays, the Company records a deferred lease incentive liability in accrued and other long-term liabilities on the consolidated balance sheets and amortizes the deferred liability as a reduction to rent expense on the consolidated statements of operations and comprehensive income (loss) over the term of the lease.

Certain lease agreements contain rent escalation clauses which provide for scheduled rent increases during the lease term or for rental payments commencing at a date other than the date of initial occupancy. Such increasing rent expense is recorded in the consolidated statements of operations and comprehensive income (loss) on a straight-line basis over the lease term.

At March 31, 2019 and 2018, deferred rent included in other long-term liabilities in the Company's consolidated balance sheets was $16.8 million and $13.8 million, respectively.

Income taxes

Accruals for uncertain tax positions are provided for in accordance with the authoritative guidance for accounting for uncertainty in income taxes (ASC 740). The Company 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 for accounting for uncertainty in income taxes also provides guidance on 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. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense.

A deferred income tax asset or liability is established for the expected future tax consequences resulting from differences in the financial reporting and tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax credit and loss carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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

Earnings per share

Basic earnings per share is computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share is based upon the weighted average number of common shares outstanding and potential common stock, if dilutive during the period. Potential common stock includes options granted (including TSR performance stock options) and restricted stock units awarded under the Company's equity compensation plan which are included in the earnings per share calculations using the treasury stock method, common shares expected to be issued under the Company's employee stock purchase plan, and shares potentially issuable under the ViaSat 401(k) Profit Sharing Plan in connection with the Company's decision to pay a discretionary match in common stock or cash.

Segment reporting

The Company's reporting segments, namely its satellite services, commercial networks and government systems segments, are primarily distinguished by the type of customer and the related contractual requirements. The Company's satellite services segment provides satellite-based broadband services to customers, enterprises, commercial airlines and mobile broadband customers. The Company's commercial networks segment develops and offers advanced satellite and wireless broadband platforms, ground networking equipment, radio frequency and advanced microwave solutions, Application-Specific Integrated Circuit (ASIC) chip design, satellite payload development and space-to-earth connectivity systems, some of which are ultimately used by the Company's satellite services segment. The Company's government systems segment develops and offers network-centric, Internet Protocol (IP)-based fixed and mobile secure government communications systems, products, services and solutions and provides global mobile broadband service and product offerings. The more regulated government environment is subject to unique contractual requirements and possesses economic characteristics which differ from the satellite services and commercial networks segments. The Company's segments are determined consistent with the way management currently organizes and evaluates financial information internally for making operating decisions and assessing performance (see Note 14).

Recent authoritative guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer. This guidance replaced most existing revenue recognition guidance and became effective for the Company in fiscal year 2019, including interim periods within that reporting period, based on the FASB decision in July 2015 (ASU 2015-14, Revenue from Contracts with Customers — Deferral of the Effective Date) to delay the effective date of the new revenue recognition standard by one year, but providing entities a choice to adopt the standard as of the original effective date. In March 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing, which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, which provides practical expedient for contract modifications and clarification on assessing the collectability criterion, presentation of sales taxes, measurement date for non-cash consideration and completed contracts at transition. In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to ASC 606, Revenue from Contracts with Customers, which provides for correction or improvement to the guidance previously issued in ASU 2014-09. These standards permit the use of either the retrospective or cumulative effect transition method. The Company adopted this standard effective as of April 1, 2018 utilizing the "modified retrospective method." For additional information see Note 1 – *Revenue recognition*.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASC 825-10). ASU 2016-01 requires that most equity investments (except those accounted for under the equity method for accounting or those that result in consolidation of the investee) be measured at fair value, with subsequent changes in fair value recognized in net income (loss). The new guidance also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The new guidance was required to be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. In February 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments – Overall (ASC 825-10), which clarified certain aspects of the guidance issued in ASU 2016-01. ASU 2016-01 became effective for the Company in fiscal year 2019. The Company adopted the guidance in ASU 2016-01 beginning in the first quarter of fiscal year 2019 on a modified retrospective basis and adopted the guidance in ASU 2018-03 beginning in the second quarter of fiscal year 2019. The guidance in both ASU 2016-01 and ASU 2018-03 did not have a material impact on the Company's consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842). ASU 2016-02 requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and eliminates certain real estate-specific provisions. In January 2018, the FASB issued ASU 2018-01, Leases (ASC 842). ASU 2018-01 permits an entity to elect an optional transition practical expedient to not evaluate land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to ASC 842, Leases, which was issued to provide more detailed guidance and additional clarification for implementing ASU 2016-02. In July 2018, the FASB issued ASU 2018-11, Leases (ASC 842): Targeted Improvements, which provides an additional (and optional) transition method whereby the new lease standard is applied at the adoption date and recognized as an adjustment to retained earnings. In December 2018, the FASB issued ASU 2018-20, Leases (ASC 842): Narrow-Scope Improvements for Lessors, and in March 2019, the FASB issued ASU 2019-01 (ASC 842): Codification Improvements, both of which provide certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. The new guidance will become effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. The Company expects to adopt the new guidance using the optional transition method. Therefore, it is expected that periods prior to the effective date of adoption will continue to be reported under the current authoritative guidance for leases (ASC 840). Upon adoption, the Company expects a material impact to its consolidated balance sheet due to the recognition of lease liabilities and right-of-use assets. The Company does not expect the new guidance to have a material impact on its consolidated statement of operations and comprehensive income (loss) or statement of cash flows.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (ASC 326). ASU 2016-13 requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. Subsequently, in November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses (ASC 326), which clarifies that impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842, Leases. The new guidance will become effective for the Company beginning in fiscal year 2021, with early adoption permitted. The new guidance is required to be applied on a modified-retrospective basis. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (ASC 230). ASU 2016-15 makes eight targeted changes to how companies present and classify certain cash receipts and cash payments in the statement of cash flows. The new standard requires adoption on a retrospective basis unless it is impracticable to apply, in which case the Company would be required to apply the amendments prospectively as of the earliest date practicable. The Company early adopted the guidance on a retrospective basis in the second quarter of fiscal year 2018 and as a result cash payments for debt prepayment and extinguishment are classified as cash outflows for financing activities. Otherwise the adoption of this guidance did not have a material impact on its consolidated financial statements and disclosures.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (ASC 740). ASU 2016-16 requires that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs as opposed to when the asset has been sold to an outside party. The new standard became effective for the Company beginning in the first quarter of fiscal year 2019. The new standard requires adoption on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period. The Company adopted this guidance beginning in the first quarter of fiscal year 2019 on a modified retrospective basis and the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows: Restricted Cash (ASC 230). The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash and require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. During the third quarter of fiscal year 2017, the Company early adopted this standard on a retrospective basis. The guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 2017-01, Business Combinations: Clarifying the Definition of a Business (ASC 805). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The new standard became effective for the Company beginning in the first quarter of fiscal year 2019. The Company adopted this guidance beginning in the first quarter of fiscal year 2019 on a prospective basis and the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles — Goodwill and Other: Simplifying the Test for Goodwill Impairment (ASC 350). ASU 2017-04 removes Step 2 from the goodwill impairment test. The standard will become effective for the Company beginning in fiscal year 2021, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In February 2017, the FASB issued ASU 2017-05, Other Income — Gains and Losses from the Derecognition of Nonfinancial Assets (ASC 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. ASU 2017-05 clarifies the scope and accounting of a financial asset that meets the definition of an "in-substance nonfinancial asset" and defines the term "in-substance nonfinancial asset." ASU 2017-05 also adds guidance for partial sales of nonfinancial assets. The standard became effective for the Company beginning in the first quarter of fiscal year 2019. The Company adopted this guidance beginning in the first quarter of fiscal year 2019 on a prospective basis and the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-08, Receivables — Nonrefundable Fees and Other Costs (ASC 310-20): Premium Amortization on Purchased Callable Debt Securities. ASU 2017-08 amends the amortization period for certain callable debt securities held at a premium. The amendments require the premium to be amortized to the earliest call date. The standard will become effective for the Company beginning in fiscal year 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In May 2017, the FASB issued ASU 2017-09, Compensation — Stock Compensation (ASC 718): Scope of Modification Accounting. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The standard became effective for the Company beginning in the first quarter of fiscal year 2019. The Company early adopted this standard beginning in the fourth quarter of fiscal year 2018 and the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (ASC 815): Targeted Improvements to Accounting for Hedging Activities. ASU 2017-12 improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in this update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. In October 2018, the FASB issued ASU 2018-16, Derivatives and Hedging (ASC 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index SWAP (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes. ASU 2018-16 permits use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes. These standards will become effective for the Company beginning in fiscal year 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (ASC 220) which permits a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate under H.R.1, informally known as the Tax Cuts and Jobs Act, which was enacted into law on December 22, 2017 (the Tax Reform). During the fourth quarter of fiscal year 2018, the Company early adopted this standard and elected to reclassify the stranded tax effects from accumulated other comprehensive income to retained earnings. Adoption of this standard resulted in a reclassification of $2.2 million from accumulated other comprehensive income to retained earnings, which is reflected as a separate line within the Company's consolidated statements of equity.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (ASC 718): Improvements to Nonemployee Share-Based Payment Accounting. ASU 2018-07 simplifies the accounting for nonemployee share-based payment transactions. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The Company early adopted the guidance in the first quarter of fiscal year 2019 and the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In July 2018, the FASB issued ASU 2018-09, Codification Improvements, which is related to a project by the FASB to facilitate codification updates for technical corrections, clarifications and other minor improvements. The new standard contains amendments that affect a wide variety of topics in the ASC. The effective date of the standard is dependent on the facts and circumstances of each amendment. Some amendments do not require transition guidance and were effective upon the issuance of this standard. A majority of the amendments in ASU 2018-09 will become effective for the Company beginning in fiscal year 2020. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures, however this standard has not and is not expected to have a material impact on its consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (ASC 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The new standard will become effective for the Company beginning in fiscal year 2021, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (ASC 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company early adopted the guidance in the second quarter of fiscal year 2019 on a prospective basis and the adoption of the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

Note 2 — Composition of Certain Balance Sheet Captions

	As of March 31, 2019	As of March 31, 2018
	(In thousands)	
Accounts receivable, net:		
Billed	$ 218,276	$ 184,536
Unbilled	83,743	85,156
Allowance for doubtful accounts	(1,712)	(2,027)
	$ 300,307	$ 267,665
Inventories:		
Raw materials	$ 77,834	$ 62,252
Work in process	52,084	47,465
Finished goods	104,600	86,590
	$ 234,518	$ 196,307
Prepaid expenses and other current assets:		
Prepaid expenses	$ 72,369	$ 68,516
Other	18,277	8,619
	$ 90,646	$ 77,135
Satellites, net:		
Satellites (estimated useful life of 10-17 years)	$ 978,118	$ 1,152,503
Capital lease of satellite capacity — Anik F2 (estimated useful life of 10 years)	99,090	99,090
Satellites under construction	590,000	362,342
	1,667,208	1,613,935
Less: accumulated depreciation and amortization	(451,545)	(373,948)
	$ 1,215,663	$ 1,239,987
Property and equipment, net:		
Equipment and software (estimated useful life of 3-7 years)	$ 1,027,293	$ 864,140
CPE leased equipment (estimated useful life of 4-5 years)	373,357	298,746
Furniture and fixtures (estimated useful life of 7 years)	46,678	35,234
Leasehold improvements (estimated useful life of 2-17 years)	126,528	111,841
Building (estimated useful life of 24 years)	8,923	8,923
Land	2,291	15,322
Construction in progress	167,178	108,192
	1,752,248	1,442,398
Less: accumulated depreciation	(842,621)	(719,910)
	$ 909,627	$ 722,488
Other assets:		
Investment in unconsolidated affiliate	$ 160,711	$ 163,835
Deferred income taxes	258,834	222,274
Capitalized software costs, net	244,368	246,792
Patents, orbital slots and other licenses, net	23,059	16,100
Other	71,833	37,133
	$ 758,805	$ 686,134
Accrued liabilities:		
Collections in excess of revenues and deferred revenues	$ 125,540	$ 121,439
Accrued employee compensation	56,454	46,106
Accrued vacation	43,077	39,022
Warranty reserve, current portion	5,877	5,357
Other	77,320	51,752
	$ 308,268	$ 263,676
Other liabilities:		
Deferred revenue, long-term portion	$ 71,230	$ 77,831
Deferred rent, long-term portion	16,810	13,769
Warranty reserve, long-term portion	1,707	1,557
Satellite performance incentive obligation, long-term portion	25,324	18,181
Other	5,755	9,902
	$ 120,826	$ 121,240

Note 3 — Fair Value Measurements

In accordance with the authoritative guidance for financial assets and liabilities measured at fair value on a recurring basis (ASC 820), the Company determines fair value based on the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants, and prioritizes the inputs used to measure fair value from market-based assumptions to entity specific assumptions:

- Level 1 — Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Inputs which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The Company had no assets and an insignificant amount of liabilities (Level 2) measured at fair value on a recurring basis as of March 31, 2019, and had an insignificant amount of assets (Level 1) and no liabilities measured at fair value on a recurring basis as of March 31, 2018.

The following section describes the valuation methodologies the Company uses to measure financial instruments at fair value:

Cash equivalents — The Company's cash equivalents consist of money market funds. Money market funds are valued using quoted prices for identical assets in an active market with sufficient volume and frequency of transactions (Level 1).

Foreign currency forward contracts — The Company uses derivative financial instruments to manage foreign currency risk relating to foreign exchange rates. The Company does not use these instruments for speculative or trading purposes. The Company's objective is to reduce the risk to earnings and cash flows associated with changes in foreign currency exchange rates. Derivative instruments are recognized as either assets or liabilities in the accompanying consolidated financial statements and are measured at fair value. Gains and losses resulting from changes in the fair values of those derivative instruments are recorded to earnings or other comprehensive income (loss) depending on the use of the derivative instrument and whether it qualifies for hedge accounting. The Company's foreign currency forward contracts are valued using standard calculations/models that are primarily based on observable inputs, such as foreign currency exchange rates, or can be corroborated by observable market data (Level 2).

Long-term debt — The Company's long-term debt consists of borrowings under its Revolving Credit Facility and Ex-Im Credit Facility (collectively, the Credit Facilities), as well as $700.0 million in aggregate principal amount of 2025 Notes and $600.0 million in aggregate principal amount of 2027 Notes. Long-term debt related to the Revolving Credit Facility is reported at the outstanding principal amount of borrowings, while long-term debt related to the Ex-Im Credit Facility, 2025 Notes and 2027 Notes is reported at amortized cost. However, for disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. The fair value of the Company's outstanding long-term debt as of March 31, 2019 related to the 2027 Notes approximates its carrying amount due to the proximity of the closing of the 2027 Notes compared to the reporting date. As of March 31, 2019 and 2018, the estimated fair value of the Company's outstanding long-term debt related to the 2025 Notes was determined based on actual or estimated bids and offers for the 2025 Notes in an over-the-counter market (Level 2) and was $670.3 million and $674.0 million, respectively. The fair value of the Company's long-term debt related to the Revolving Credit Facility approximates its carrying amount due to its variable interest rate, which approximates a market interest rate. As of March 31, 2019 and 2018, the fair value of the Company's long-term debt related to the Ex-Im Credit Facility was determined based on a discounted cash flow analysis using observable market interest rates for instruments with similar terms (Level 2) and was approximately $134.9 million and $347.4 million, respectively.

Satellite performance incentive obligations — The Company's contracts with the manufacturers of the ViaSat-1 and ViaSat-2 satellites require the Company to make monthly in-orbit satellite performance incentive payments, including interest, through approximately fiscal year 2028, subject to the continued satisfactory performance of the applicable satellites. The Company records the net present value of these expected future payments as a liability and as a component of the cost of the satellites. However, for disclosure purposes, the Company is required to measure the fair value of outstanding satellite performance incentive obligations on a recurring basis. The fair value of the Company's outstanding satellite performance incentive obligations is estimated to approximate their carrying value based on current rates (Level 2). As of March 31, 2019 and 2018, the Company's estimated satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites, including accrued interest, were $28.2 million and $21.0 million, respectively.

Note 4 — Goodwill and Acquired Intangible Assets

During fiscal year 2019, the increase in the Company's goodwill related to an insignificant acquisition, partially offset by the effects of foreign currency translation recorded within all three of the Company's segments. During fiscal year 2018, the increase in the Company's goodwill reflected the effects of foreign currency translation recorded within all three of the Company's segments.

During fiscal year 2019, other acquired intangibles increased slightly due to an insignificant acquisition. Other acquired intangible assets are amortized using the straight-line method over their estimated useful lives of two to ten years. Amortization expense related to other acquired intangible assets was $9.7 million, $12.2 million and $10.8 million for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017, respectively.

The expected amortization expense of amortizable acquired intangible assets may change due to the effects of foreign currency fluctuations as a result of international businesses acquired. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization
	(In thousands)
Expected for fiscal year 2020	$ 7,485
Expected for fiscal year 2021	5,101
Expected for fiscal year 2022	3,278
Expected for fiscal year 2023	2,973
Expected for fiscal year 2024	2,458
Thereafter	1,006
	$ 22,301

The allocation of the other acquired intangible assets and the related accumulated amortization as of March 31, 2019 and 2018 is as follows:

		As of March 31, 2019			As of March 31, 2018		
	Weighted Average Useful Life	Total	Accumulated Amortization	Net Book Value	Total	Accumulated Amortization	Net Book Value
	(In years)	(In thousands)					
Technology	6	$ 89,972	$ (73,992)	$ 15,980	$ 90,652	$ (69,387)	$ 21,265
Contracts and customer relationships	7	103,283	(96,970)	6,313	103,808	(94,584)	9,224
Satellite co-location rights	9	8,600	(8,592)	8	8,600	(7,668)	932
Trade name	3	5,940	(5,940)	—	5,940	(5,940)	—
Other	6	9,989	(9,989)	—	10,137	(9,696)	441
Total other acquired intangible assets		$217,784	$ (195,483)	$ 22,301	$219,137	$ (187,275)	$ 31,862

Note 5 — Senior Notes and Other Long-Term Debt

Total long-term debt consisted of the following as of March 31, 2019 and 2018:

	As of March 31, 2019	As of March 31, 2018
	(In thousands)	
2027 Notes	$ 600,000	$ —
2025 Notes	700,000	700,000
Revolving Credit Facility	—	—
Ex-Im Credit Facility	139,560	362,401
Total debt	1,439,560	1,062,401
Unamortized discount and debt issuance costs	(26,720)	(38,696)
Less: current portion of long-term debt	19,937	45,300
Total long-term debt	$ 1,392,903	$ 978,405

The estimated aggregate amounts and timing of payments on the Company's long-term debt obligations as of March 31, 2019 for the next five fiscal years and thereafter were as follows (excluding the effects of discount accretion under the 2025 Notes, the 2027 Notes and the Ex-Im Credit Facility):

For the Fiscal Years Ending	(In thousands)
2020	$ 19,937
2021	19,937
2022	19,937
2023	19,937
2024	19,937
Thereafter	1,339,875
	1,439,560
Plus: unamortized discount and debt issuance costs	(26,720)
Total	$ 1,412,840

Revolving Credit Facility

As of March 31, 2019, the Revolving Credit Facility provided a $700.0 million revolving line of credit (including up to $150.0 million of letters of credit), with a maturity date of January 18, 2024. On March 27, 2019, the Company reduced available commitments under the Revolving Credit Facility from $800.0 million to $700.0 million.

Borrowings under the Revolving Credit Facility bear interest, at the Company's 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 time, or (2) the Eurodollar rate, plus, in the case of each of (1) and (2), an applicable margin that is based on the Company's total leverage ratio. The Company has capitalized certain amounts of interest expense on the Revolving Credit Facility in connection with the construction of various assets during the construction period. The Revolving Credit Facility is required to be guaranteed by certain significant domestic subsidiaries of the Company (as defined in the Revolving Credit Facility) and secured by substantially all of the Company's and any such subsidiaries' assets. As of March 31, 2019, none of the Company's 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, the Company's ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments.

The Company was in compliance with its financial covenants under the Revolving Credit Facility as of March 31, 2019. At March 31, 2019, the Company had no outstanding borrowings under the Revolving Credit Facility and $19.6 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of March 31, 2019 of $680.4 million.

Ex-Im Credit Facility

The Ex-Im Credit Facility originally 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). As of March 31, 2019, the Company had $139.6 million in principal amount of outstanding borrowings under the Ex-Im Credit Facility.

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 the Company's outstanding borrowings under the Ex-Im Credit Facility, which takes into account timing and amount of borrowings and payments, exposure fees, debt issuance costs and other fees, is 4.54%. Borrowings under the Ex-Im Credit Facility are required to be repaid in 16 semi-annual principal installments, which commenced on April 15, 2018, with a maturity date of October 15, 2025. Pursuant to the terms of the Ex-Im Credit Facility, certain insurance recovery proceeds related to the ViaSat-2 satellite must be used to pay down outstanding borrowings under the Ex-Im Credit Facility upon receipt. During fiscal year 2019, the Company received $185.7 million of insurance proceeds related to the ViaSat-2 satellite, all of which were used to pay down outstanding borrowings under the Ex-Im Credit Facility upon receipt (see Note 1 – Property, equipment and satellites for more information). 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, the Company's ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments. The Company was in compliance with its financial covenants under the Ex-Im Credit Facility as of March 31, 2019.

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 the Company's 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 is amortized to interest expense on an effective interest rate basis over the weighted average term of the Ex-Im Credit Facility and in accordance with the related payment obligations.

Senior Notes

Senior Secured Notes due 2027

In March 2019, the Company issued $600.0 million in principal amount of 2027 Notes in a private placement to institutional buyers. The 2027 Notes were issued at face value and are recorded as long-term debt, net of debt issuance costs, in the Company's consolidated financial statements. The 2027 Notes bear interest at the rate of 5.625% per year, payable semi-annually in cash in arrears, which interest payments will commence in October 2019. Debt issuance costs associated with the issuance of the 2027 Notes are amortized to interest expense on a straight-line basis over the term of the 2027 Notes, the results of which are not materially different from the effective interest rate basis.

The 2027 Notes are required to be guaranteed on a senior secured basis by each of the Company's existing and future subsidiaries that guarantees the Revolving Credit Facility. As of March 31, 2019, none of the Company's subsidiaries guaranteed the 2027 Notes. The 2027 Notes are secured, equally and ratably with the Revolving Credit Facility and any future parity lien debt, by liens on substantially all of the Company's assets.

The 2027 Notes are the Company's general senior secured obligations and rank equally in right of payment with all of its existing and future unsubordinated debt. The 2027 Notes are effectively senior to all of the Company's existing and future unsecured debt (including the 2025 Notes) as well as to all of any permitted junior lien debt that may be incurred in the future, in each case to the extent of the value of the assets securing the 2027 Notes. The 2027 Notes are effectively subordinated to any obligations that are secured by liens on assets that do not constitute a part of the collateral securing the 2027 Notes, are structurally subordinated to all existing and future liabilities (including trade payables) of the Company's subsidiaries that do not guarantee the 2027 Notes (including obligations of the borrower under the Ex-Im Credit Facility), and are senior in right of payment to all of the Company's existing and future subordinated indebtedness.

The indenture governing the 2027 Notes limits, among other things, the Company's and its 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 the Company's satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to April 15, 2022, the Company may redeem up to 40% of the 2027 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. The Company may also redeem the 2027 Notes prior to April 15, 2022, 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 2027 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2027 Notes on April 15, 2022 plus (2) all required interest payments due on such 2027 Notes through April 15, 2022 (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 governing the 2027 Notes) plus 50 basis points, over (b) the then-outstanding principal amount of such 2027 Notes. The 2027 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on April 15, 2022 at a redemption price of 102.813%, during the 12 months beginning on April 15, 2023 at a redemption price of 101.406%, and at any time on or after April 15, 2024 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 governing the 2027 Notes), each holder will have the right to require the Company to repurchase all or any part of such holder's 2027 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2027 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).

Senior Notes due 2025

In September 2017, the Company 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 the Company's 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 the Company's existing and future subsidiaries that guarantees the Revolving Credit Facility. As of March 31, 2019, none of the Company's subsidiaries guaranteed the 2025 Notes. The 2025 Notes are the Company's general senior unsecured obligations and rank equally in right of payment with all of the Company's existing and future unsecured unsubordinated debt. The 2025 Notes are effectively junior in right of payment to the Company's 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 the Company's subsidiaries that do not guarantee the 2025 Notes, and are senior in right of payment to all of the Company's existing and future subordinated indebtedness.

The indenture governing the 2025 Notes limits, among other things, the Company's and its 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 the Company's satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to September 15, 2020, the Company 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. The Company 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 governing the 2025 Notes) 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 governing the 2025 Notes), each holder will have the right to require the Company 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).

Discharge of indenture and loss on extinguishment of debt

In connection with the Company's issuance of the 2025 Notes in September 2017, the Company repurchased and redeemed all of its $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, the Company 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, the Company 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 the obligations of the Company (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, the Company 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).

Note 6 — Common Stock and Stock Plans

In February 2019, the Company 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 the Company, 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.

In November 1996, the Company adopted the 1996 Equity Participation Plan (the Equity Participation Plan). The Equity Participation Plan provides for the grant to executive officers, other key employees, consultants and non-employee directors of the Company a broad variety of stock-based compensation alternatives such as nonqualified stock options, incentive stock options, restricted stock units and performance awards. From November 1996 to September 2018 through various amendments of the Equity Participation Plan, the Company increased the maximum number of shares reserved for issuance under this plan to 31,850,000 shares. The Company believes that such awards better align the interests of its employees with those of its stockholders. Shares of the Company's common stock granted under the Equity Participation Plan in the form of stock options or stock appreciation right are counted against the Equity Participation Plan share reserve on a one for one basis and performance-based stock options are calculated assuming "maximum" performance. Shares of the Company's common stock granted under the Equity Participation Plan as an award other than as an option or as a stock appreciation right with a per share purchase price lower than 100% of fair market value on the date of grant are counted against the Equity Participation Plan share reserve as two shares for each share of common stock prior to September 22, 2010 and subsequent to September 19, 2012, and as 2.65 shares for each share of common stock during the period beginning on September 22, 2010 and ending on September 19, 2012. Restricted stock units are granted to eligible employees and directors and represent rights to receive shares of common stock at a future date.

In November 1996, the Company adopted the ViaSat, Inc. Employee Stock Purchase Plan (the Employee Stock Purchase Plan) to assist employees in acquiring a stock ownership interest in the Company and to encourage them to remain in the employment of the Company. The Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code. From November 1996 to September 2017 through various amendments of the Employee Stock Purchase Plan, the Company increased the maximum number of shares reserved for issuance under this plan to 3,650,000 shares. To facilitate participation for employees located outside of the United States in light of non-U.S. law and other considerations, the amended Employee Stock Purchase Plan also provides for the grant of purchase rights that are not intended to be tax-qualified. The Employee Stock Purchase Plan permits eligible employees to purchase common stock at a discount through payroll deductions during specified six-month offering periods. No employee may purchase more than $25,000 worth of stock in any calendar year. The price of shares purchased under the Employee Stock Purchase Plan is equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower.

Total stock-based compensation expense recognized in accordance with the authoritative guidance for share-based payments was as follows:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Stock-based compensation expense before taxes	$ 79,599	$ 68,545	$ 55,775
Related income tax benefits	(18,824)	(16,278)	(21,057)
Stock-based compensation expense, net of taxes	$ 60,775	$ 52,267	$ 34,718

Effective April 1, 2017, in accordance with ASU 2016-09, on a prospective basis, the Company recognizes excess tax benefits or deficiencies on vesting or settlement of awards as discrete items within income tax benefit or provision within net income (loss) and the related cash flows classified within operating activities. Prior to April 1, 2017 any unrealized excess tax benefits were tracked off the balance sheet and recognition of the benefits was deferred until realized through a reduction in taxes payable. When the excess tax benefits or deficiencies were realized, they were recognized in paid-in-capital and the related cash flows were classified as an outflow from operating activities and an inflow from financing activities.

The compensation cost that has been charged against income for the Equity Participation Plan under the authoritative guidance for share-based payments was $75.3 million, $65.1 million and $52.6 million, and for the Employee Stock Purchase Plan was $4.3 million, $3.4 million and $3.1 million, for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017, respectively. The Company capitalized $11.9 million, $8.0 million and $6.6 million of stock-based compensation expense as a part of the cost for software development for resale included in other assets and as a part of the equipment and software for internal use included in property and equipment for fiscal years 2019, 2018 and 2017, respectively.

As of March 31, 2019, total unrecognized compensation cost related to unvested stock-based compensation arrangements granted under the Equity Participation Plan (including stock options, TSR performance stock options and restricted stock units) and the Employee Stock Purchase Plan was $186.6 million and $1.3 million, respectively. These costs are expected to be recognized over a weighted average period of 1.2 years, 1.9 years and 2.6 years, for stock options, TSR performance stock options and restricted stock units, respectively, under the Equity Participation Plan and less than six months under the Employee Stock Purchase Plan.

Stock options, TSR performance stock options and employee stock purchase plan. The Company's employee stock options typically have a simple four-year vesting schedule and a six year contractual term. During the third quarter of fiscal year 2018, the Company began granting TSR performance stock options to executive officers under the 1996 Equity Participation Plan. The number of shares of TSR performance stock options that will become eligible to vest based on the time-based vesting schedule described below is based on a comparison over a four-year performance period of the Company's TSR to the TSR of the companies included in the S&P Mid Cap 400 Index. The number of options that may become vested and exercisable will range from 0% to 175% of the target number of options based on the Company's relative TSR ranking for the performance period. The Company's TSR performance stock options have a four-year time-based vesting schedule and a six year contractual term. The TSR performance stock options must be vested under both the time-based vesting schedule and the performance-based vesting conditions in order to become exercisable. Expense for TSR performance stock options that time-vest is recognized regardless of the actual TSR outcome achieved and is recognized on a graded-vesting basis. The weighted average estimated fair value of TSR performance stock options granted during fiscal years 2019 and 2018 was $32.32 and $32.04 per share, respectively, using the Monte Carlo simulation. The weighted average estimated fair value of employee stock options granted and employee stock purchase plan shares issued during fiscal year 2019 was $18.35 and $15.14 per share, respectively, during fiscal year 2018 was $19.86 and $15.09 per share, respectively, and during fiscal year 2017 was $23.62 and $16.27 per share, respectively, using the Black-Scholes model. The weighted average assumptions (annualized percentages) used in the Black-Scholes model and Monte Carlo simulation were as follows:

	Employee Stock Options			TSR Performance Stock Options		Employee Stock Purchase Plan		
	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2019	Fiscal Year 2018 *	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Volatility	27.9%	30.4%	33.4%	28.2%	27.5%	32.8%	22.0%	31.1%
Risk-free interest rate	2.8%	1.9%	1.7%	2.8%	1.9%	2.4%	1.3%	0.5%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected life	5.0 years	5.4 years	5.5 years	5.0 years	5.0 years	0.5 years	0.5 years	0.5 years

* The Company began granting TSR performance stock options to executive officers in the third quarter of fiscal year 2018.

The Company's expected volatility is a measure of the amount by which its stock price is expected to fluctuate over the expected term of the stock-based award. The estimated volatilities for stock options and TSR performance options are based on the historical volatility calculated using the daily stock price of the Company's stock over a recent historical period equal to the expected term. The risk-free interest rate that the Company uses in determining the fair value of its stock-based awards is based on the implied yield on U.S. Treasury zero-coupon issues with remaining terms equivalent to the expected term of its stock-based awards. The expected terms or lives of employee stock options and TSR performance stock options represent the expected period of time from the date of grant to the estimated date that the stock options under the Company's Equity Participation Plan would be fully exercised. The expected term assumption is estimated based primarily on the options' vesting terms and remaining contractual life and employees' expected exercise and post-vesting employment termination behavior.

A summary of employee stock option activity for fiscal year 2019 is presented below:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2018	1,766,500	$ 61.13		
Options granted	40,000	61.60		
Options canceled	—	—		
Options exercised	(275,000)	40.32		
Outstanding at March 31, 2019	1,531,500	$ 64.87	2.55	$ 19,337
Vested and exercisable at March 31, 2019	1,164,250	$ 64.34	2.22	$ 15,321

The total intrinsic value of stock options exercised during fiscal years 2019, 2018 and 2017 was $7.9 million, $5.2 million and $8.3 million, respectively. All options issued under the Company's stock option plans have an exercise price equal to the fair market value of the Company's stock on the date of the grant. The Company recorded an insignificant excess tax benefit during fiscal year 2019 and an insignificant excess tax deficiency during fiscal year 2018 related to stock options exercises. No excess tax benefits were realized from stock options exercised during fiscal year 2017 as the excess tax benefit from stock options exercised increased the Company's net operating loss carryforward.

A summary of TSR performance stock option activity for fiscal year 2019 is presented below:

	Number of Shares (1)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2018	497,500	$ 73.77		
TSR performance options granted	530,000	69.05		
TSR performance options canceled	—	—		
TSR performance options exercised	—	—		
Outstanding at March 31, 2019	1,027,500	$ 71.34	5.15	$ 6,334
Vested and exercisable at March 31, 2019	—	$ —	—	$ —

(1) Number of shares is based on the target number of options under each TSR performance stock option.

Restricted stock units. Restricted stock units represent a right to receive shares of common stock at a future date determined in accordance with the participant's award agreement. There is no exercise price and no monetary payment required for receipt of restricted stock units or the shares issued in settlement of the award. Instead, consideration is furnished in the form of the participant's services to the Company. Restricted stock units generally vest over four years. Compensation cost for these awards is based on the fair value on the date of grant and recognized as compensation expense on a straight-line basis over the requisite service period. For fiscal years 2019, 2018 and 2017, the Company recognized $58.8 million, $54.0 million and $44.9 million, respectively, in stock-based compensation expense related to these restricted stock unit awards.

The per unit weighted average grant date fair value of restricted stock units granted during fiscal years 2019, 2018 and 2017 was $67.88, $72.89 and $69.99, respectively. A summary of restricted stock unit activity for fiscal year 2019 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Share
Outstanding at March 31, 2018	2,862,194	$ 67.64
Awarded	1,321,914	67.88
Forfeited	(78,364)	69.19
Released	(1,201,502)	66.98
Outstanding at March 31, 2019	2,904,242	$ 67.99
Vested and deferred at March 31, 2019	173,334	$ 42.59

The total fair value of shares vested related to restricted stock units during the fiscal years 2019, 2018 and 2017 was $81.1 million, $64.6 million and $58.4 million, respectively.

Note 7 — Shares Used In Computing Diluted Net (Loss) Income Per Share

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Weighted average:			
Common shares outstanding used in calculating basic net (loss) income per share attributable to Viasat, Inc. common stockholders	59,942	58,438	52,318
Options to purchase common stock as determined by application of the treasury stock method	—	—	246
TSR performance options to purchase common stock as determined by application of the treasury stock method	—	—	*
Restricted stock units to acquire common stock as determined by application of the treasury stock method	—	—	658
Potentially issuable shares in connection with certain terms of the ViaSat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan	—	—	174
Shares used in computing diluted net (loss) income per share attributable to Viasat, Inc. common stockholders	59,942	58,438	53,396

* The Company began granting TSR performance stock options to executive officers in the third quarter of fiscal year 2018 (see Note 6).

The weighted average number of shares used to calculate basic and diluted net loss per share attributable to Viasat, Inc. common stockholders is the same for fiscal years ended 2019 and 2018, as the Company incurred a net loss attributable to Viasat, Inc. common stockholders for such periods and inclusion of potentially dilutive weighted average shares of common stock would be antidilutive. Potentially dilutive weighted average shares of common stock excluded from the calculation for fiscal years 2019 and 2018 were 1,291,503 and 1,358,275, respectively, relating to stock options (other than TSR performance stock options), 871,343 and 175,598, respectively, relating to TSR performance stock options, 612,318 and 1,053,649, respectively, relating to restricted stock units, and 215,956 and 193,608, respectively, relating to certain terms of the ViaSat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan.

Antidilutive shares relating to stock options excluded from the calculation consisted of 582,315 shares for the fiscal year ended March 31, 2017. Antidilutive shares relating to restricted stock units excluded from the calculation consisted of 24 shares for the fiscal year ended March 31, 2017.

Note 8 — Income Taxes

The components of (loss) income before income taxes by jurisdiction are as follows:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
United States	$ (102,643)	$ (92,767)	$ 29,649
Foreign	(7,838)	(12,703)	(4,265)
	$ (110,481)	$ (105,470)	$ 25,384

The benefit from (provision for) income taxes includes the following:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Current tax provision			
Federal	$ (821)	$ (284)	$ (2,041)
State	(690)	(401)	(1,167)
Foreign	(1,619)	(953)	(600)
	(3,130)	(1,638)	(3,808)
Deferred tax benefit (provision)			
Federal	34,099	24,833	(4,410)
State	8,738	10,450	4,509
Foreign	1,307	1,572	92
	44,144	36,855	191
Total benefit from (provision for) income taxes	$ 41,014	$ 35,217	$ (3,617)

Significant components of the Company's net deferred tax assets are as follows:

	As of	
	March 31, 2019	March 31, 2018
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 197,486	$ 184,177
Tax credit carryforwards	220,060	189,970
Other	57,246	52,958
Deferred revenue	24,421	1,127
Valuation allowance	(33,499)	(29,049)
Total deferred tax assets	465,714	399,183
Deferred tax liabilities:		
Intangible assets	(72,776)	(73,403)
Property, equipment and satellites	(113,188)	(96,661)
Other	(21,160)	(7,709)
Total deferred tax liabilities	(207,124)	(177,773)
Net deferred tax assets	$ 258,590	$ 221,410

A reconciliation of the benefit from (provision for) income taxes to the amount computed by applying the statutory federal income tax rate to (loss) income before income taxes is as follows:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Tax benefit (provision) at federal statutory rate	$ 23,201	$ 22,149	$ (8,885)
State tax benefit (provision), net of federal benefit	1,815	2,605	(1,681)
Tax credits, net of valuation allowance	26,836	21,898	15,121
Non-deductible compensation	(4,527)	(2,852)	(2,659)
Non-deductible transaction costs	(70)	—	(645)
Non-deductible meals and entertainment	(929)	(727)	(794)
Stock-based compensation	180	799	(886)
Change in federal tax rate due to Tax Reform	—	(5,335)	—
Change in state effective tax rate	(684)	(235)	(417)
Foreign effective tax rate differential, net of valuation allowance	(1,552)	(2,054)	(2,391)
Unremitted subsidiary gains	(1,388)	(864)	162
Other	(1,868)	(167)	(542)
Total benefit from (provision for) income taxes	$ 41,014	$ 35,217	$ (3,617)

Effective January 1, 2018, the Tax Reform reduced the corporate federal income tax rate from 35% to 21%. The Company applied the 21% federal tax rate in the rate reconciliation for fiscal year 2019 and 2018. As the Company has a March 31 fiscal year-end, the phase-in of tax rate from 35% to 21% in fiscal year 2018 resulted in a blended tax rate of 31.6%. However, the Company applied the 21% federal tax rate in the rate reconciliation for fiscal year 2018 as the fiscal year 2018 taxable loss will not be subject to federal tax at the 31.6% blended tax rate. Instead, the taxable loss increases the net operating loss carryforwards and will be subject to the lower 21% federal tax rate in future periods.

As of March 31, 2019, the Company had federal and state research credit carryforwards of $163.5 million and $146.3 million, respectively, which begin to expire in fiscal year 2026 and fiscal year 2020, respectively. As of March 31, 2019, the Company also had foreign tax credit carryforwards of approximately $1.6 million, which begin to expire in fiscal year 2021. As of March 31, 2019, the Company had federal and state net operating loss carryforwards of $761.5 million and $585.1 million, respectively, which begin to expire in fiscal year 2021 and fiscal year 2020, respectively. The Tax Reform repealed the alternative minimum tax (AMT) for tax years beginning January 1, 2018, and provides that existing AMT credit carryovers are refundable beginning in calendar year 2018. The Company has an insignificant amount of AMT credit carryovers that are expected to be fully refunded by fiscal year 2022.

In accordance with ASU 2016-09, which the Company adopted during the first quarter of fiscal year 2018, the Company recorded a cumulative effect adjustment as of the beginning of the first quarter of fiscal year 2018 to increase retained earnings by $58.7 million with a corresponding increase to deferred tax assets to recognize net operating loss carryforwards attributable to excess tax benefits on share-based compensation that had not been previously recognized. On a prospective basis the Company recognizes excess tax benefits or deficiencies on vesting or settlement of awards as discrete items within income tax benefit or provision within net income (loss) and the related cash flows classified within operating activities.

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. Future realization of existing deferred tax assets ultimately depends on future profitability and the existence of sufficient taxable income of appropriate character (for example, ordinary income versus capital gains) within the carryforward period available under tax law. In the event that the Company's 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. A valuation allowance of $33.5 million at March 31, 2019 and $29.0 million at March 31, 2018 has been established relating to state and foreign net operating loss carryforwards, state R&D tax credit carryforwards, and foreign tax credit carryforwards that, based on management's estimate of future taxable income attributable to such jurisdictions and generation of additional research credits, are considered more likely than not to expire unused.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

	As of		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Balance, beginning of fiscal year	$ 55,474	$ 49,066	$ 45,080
Decrease related to prior year tax positions	(1,183)	(155)	(421)
Increases related to current year tax positions	13,865	6,563	4,407
Balance, end of fiscal year	$ 68,156	$ 55,474	$ 49,066

Of the total unrecognized tax benefits at March 31, 2019, $61.2 million would reduce the Company's annual effective tax rate if recognized, subject to valuation allowance consideration.

In the next 12 months it is reasonably possible that the amount of unrecognized tax benefits will not change significantly.

The Company is subject to periodic audits by domestic and foreign tax authorities. By statute, the Company's U.S. federal income tax returns are subject to examination by the Internal Revenue Service (IRS) for fiscal years 2016 through 2018. Additionally, tax credit carryovers that were generated in prior years and utilized in these years may also be subject to examination by the IRS. With few exceptions, fiscal years 2015 to 2018 remain open to examination by state and foreign taxing jurisdictions. The Company believes that it has appropriate support for the income tax positions taken on its tax returns and its accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. There were no accrued interest or penalties associated with uncertain tax positions as of March 31, 2019 and 2018.

U.S. Tax Reform

On December 22, 2017, the Tax Reform was enacted into law. Among other matters, the Tax Reform lowered the corporate federal income tax rate from 35% to 21%, effective January 1, 2018, and transitioned U.S. international taxation from a worldwide tax system to a modified territorial tax system, including a one-time transition tax on accumulated foreign earnings, and created new taxes on certain foreign earnings.

The Company re-measured its deferred tax balances as of December 22, 2017 to reflect the 21% reduced tax rate and recognized an income tax expense of $5.3 million for the fiscal year ended March 31, 2018. The one-time transition tax had no impact to the Company's income tax provision.

The Securities and Exchange Commission issued rules under SAB 118 that allowed for a measurement period of up to one year after the enactment date of the Tax Reform to finalize the recording of the related enactment-date tax impacts. The Company finalized its accounting for the related enactment-date tax impacts during fiscal year 2019 with no adjustments to the provisional estimate recorded at December 31, 2017. The Company has accounted for the fiscal year 2019 impacts of the Tax Reform in its benefit from (provision for) income taxes in accordance with its interpretation of the Tax Reform and available guidance. However, additional Treasury regulations and other interpretive guidance are expected. The impact of any additional guidance will be recorded in the subsequent periods in which the additional guidance is released.

Note 9 — Equity Method Investments and Related Party Transactions

Eutelsat strategic partnering arrangement

In March 2017, the Company acquired a 49% interest in Euro Broadband Infrastructure Sàrl (Euro Infrastructure Co.) for $139.5 million as part of the consummation of the Company's strategic partnering arrangement with Eutelsat. The Company's total net cash outlay for its investment in Euro Infrastructure Co., including approximately $2.4 million of transaction costs, was approximately $141.9 million. The Company's investment in Euro Infrastructure Co. is accounted for under the equity method and the total investment, including basis difference allocated to tangible assets, identifiable intangible assets, deferred income taxes and goodwill, is classified as a single line item, as an investment in unconsolidated affiliate, on the Company's consolidated balance sheets. Because the underlying net assets in Euro Infrastructure Co. and the related excess carrying value of investment over the proportionate share of net assets are denominated in Euros, foreign currency translation gains or losses impact the recorded value of the Company's investment. The Company recorded a foreign currency translation loss, net of tax, of approximately $5.6 million and a gain, net of tax, of approximately $12.7 million for the fiscal years ended March 31, 2019 and 2018, respectively, in accumulated other comprehensive income (loss). The Company records its proportionate share of the results of Euro Infrastructure Co., and any related basis difference amortization expense, within equity in income (loss) of unconsolidated affiliate, net, one quarter in arrears. Accordingly, the Company included its share of the results of Euro Infrastructure Co. from the date of the Company's investment in Euro Infrastructure Co. on March 3, 2017 through December 31, 2017 in its consolidated financial statements for the fiscal year ended March 31, 2018 and included its share of the results of Euro Infrastructure Co. for the twelve months ended December 31, 2018 in its consolidated financial statements for the fiscal year ended March 31, 2019. The Company's investment in Euro Infrastructure Co. is presented at cost of investment plus its accumulated proportional share of income or loss, including amortization of the difference in the historical basis of the Company's contribution, less any distributions it has received.

The difference between the Company's carrying value of its investment in Euro Infrastructure Co. and its proportionate share of the net assets of Euro Infrastructure Co. as of March 31, 2019 and March 31, 2018 is summarized as follows:

	As of March 31, 2019	As of March 31, 2018
	(In thousands)	
Carrying value of investment in Euro Infrastructure Co.	$ 160,711	$ 163,835
Less: proportionate share of net assets of Euro Infrastructure Co.	145,016	147,115
Excess carrying value of investment over proportionate share of net assets	$ 15,695	$ 16,720
The excess carrying value has been primarily assigned to:		
Goodwill	$ 22,476	$ 23,523
Identifiable intangible assets	10,670	12,839
Tangible assets	(18,522)	(21,342)
Deferred income taxes	1,071	1,700
	$ 15,695	$ 16,720

The identifiable intangible assets have useful lives of up to 11 years and a weighted average useful life of approximately ten years, and tangible assets have useful lives of up to 11 years and a weighted average useful life of approximately 11 years. Goodwill is not deductible for tax purposes.

The Company's share of income on its investment in Euro Infrastructure Co. was $3.0 million and $2.0 million for the fiscal years ended March 31, 2019 and 2018, respectively, consisting of the Company's share of equity in Euro Infrastructure Co.'s income, including amortization of the difference in the historical basis of the Company's contribution. As the Company records its proportionate share of the results of Euro Infrastructure Co., and any related basis difference amortization expense, within equity in income (loss) of unconsolidated affiliate, net, one quarter in arrears, the Company did not have any share of income on its investment in Euro Infrastructure Co. in fiscal year 2017.

Since acquiring its interest in Euro Infrastructure Co., the Company has recorded $6.4 million in retained earnings of undistributed cumulative earnings in equity interests, net of tax, as of March 31, 2019.

Related-party transactions

Transactions with the equity method investee are considered related-party transactions. In addition, Richard Baldridge, the President and Chief Operating Officer and a Director of the Company, also serves on the board of directors of Ducommun Inc. The following tables set forth the material related-party transactions entered into between Euro Infrastructure Co. and its subsidiaries, or Ducommon Inc. (inventory procurement) on the one hand, and the Company and its subsidiaries, on the other hand, in the ordinary course of business for the time periods presented:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Revenue – Euro Infrastructure Co.	$ 8,365	$ 9,277	$ *
Expense – Euro Infrastructure Co.	14,302	7,134	*
Cash received – Euro Infrastructure Co.	11,276	7,460	*
Cash paid – Euro Infrastructure Co.	15,191	7,040	*
Cash paid – Ducommun Inc.	20,059	**	**

	As of March 31, 2019	As of March 31, 2018
	(In thousands)	
Accounts receivable – Euro Infrastructure Co.	$ *	$ 3,307
Collections in excess of revenues and deferred revenues – Euro Infrastructure Co.	4,703	3,246
Accounts payable – Ducommun Inc.	*	2,073

* Amount was insignificant.
** There was no related-party activity for the periods indicated.

Note 10 — Employee Benefits

The Company is a sponsor of a voluntary deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, the Company may make discretionary contributions to the plan which vest over three years. The Company's discretionary matching contributions to the plan are based on the amount of employee contributions and can be made in cash or the Company's common stock at the Company's election. Subsequent to the 2019 fiscal year end, the Company elected to settle the discretionary contributions liability in shares of the Company's common stock, consistent with fiscal year 2018. Based on the closing price of the Company's common stock at the 2019 fiscal year end, the Company would issue approximately 294,839 shares of common stock at this time. Discretionary contributions accrued by the Company as of March 31, 2019 and 2018 amounted to $22.9 million and $19.4 million, respectively.

Note 11 — Commitments

In January 2008, the Company entered into several agreements with Space Systems/Loral, Inc. (SS/L), its former parent company Loral Space & Communications, Inc. (Loral) and Telesat Canada related to the Company's ViaSat-1 satellite, which was placed into service in January 2012. In May 2013, the Company entered into an agreement to purchase the ViaSat-2 satellite from The Boeing Company (Boeing), which satellite was placed into service during the fourth quarter of fiscal year 2018. The Company's contracts with SS/L and Boeing require the Company to make monthly in-orbit satellite performance incentive payments, including interest through approximately fiscal year 2028, subject to the continued satisfactory performance of the satellites. The Company records the net present value of these expected future payments as a liability and as a component of the cost of the satellites. As of March 31, 2019, the Company's estimated satellite performance incentive obligations and accrued interest for the ViaSat-1 and ViaSat-2 satellites were approximately $28.2 million, of which $2.9 million and $25.3 million have been classified as current in accrued liabilities and non-current in other liabilities, respectively. Under the satellite construction contracts with SS/L and Boeing, the Company may incur up to $37.0 million in total costs for satellite performance incentive obligations and related interest earned through approximately fiscal year 2028 with potential future minimum payments of $2.6 million, $2.8 million, $3.3 million, $5.0 million and $5.3 million in fiscal years 2020, 2021, 2022, 2023 and 2024, respectively, with $18.0 million in commitments thereafter.

In July 2016, the Company 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. Pursuant to these agreements, as amended, the aggregate purchase price for the two satellites is approximately $390.1 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, the Company had the option to order one additional ViaSat-3 class satellite, with respect to which the Company signed an agreement to proceed in January 2019 for the third ViaSat-3 class satellite. The first ViaSat-3 class satellite is expected to provide broadband services over the Americas, the second is expected to provide broadband services over the Europe, Middle East and Africa (EMEA) region, and the third is expected to provide broadband services over Asia and Pacific (APAC) region, enabling the Company to deliver affordable connectivity worldwide.

In addition to the satellite construction agreements described above, the Company also enters into various other satellite-related purchase commitments, including with respect to the provision of launch services, operation of our satellites and satellite insurance. As of March 31, 2019, future minimum payments under the Company's satellite construction contracts and other satellite-related purchase commitments for the next five fiscal years and thereafter were as follows:

Fiscal Years Ending	(In thousands)
2020	$ 362,800
2021	147,386
2022	162,091
2023	107,304
2024	7,234
Thereafter	14,178
	$ 800,993

The Company has various other purchase commitments under satellite capacity agreements which are used to provide satellite networking services to its customers for future minimum payments of approximately $68.4 million, $53.0 million, $25.6 million, $19.8 million and $1.8 million in fiscal years 2020, 2021, 2022, 2023 and 2024, respectively, and no further minimum payments thereafter.

The Company leases office and other facilities under non-cancelable operating leases which expire between fiscal year 2020 and fiscal year 2033 with initial terms ranging from one to 15 years and which provide for pre-negotiated fixed rental rates during the terms of the lease. Certain of the Company's facilities leases contain option provisions which allow for extension of the lease terms.

For operating leases, minimum lease payments, including minimum scheduled rent increases, are recognized as rent expense on a straight-line basis over the lease term as that term is defined in the authoritative guidance for leases including any option periods considered in the lease term and any periods during which the Company has use of the property but is not charged rent by a landlord (rent holiday). Leasehold improvement incentives paid to the Company by a landlord are recorded as a liability and amortized as a reduction of rent expense over the lease term. Total rent expense was $53.5 million, $41.2 million and $34.0 million in fiscal years 2019, 2018 and 2017, respectively.

As of March 31, 2019, future minimum lease payments for the next five fiscal years and thereafter were as follows:

Fiscal Years Ending	(In thousands)
2020	$ 59,164
2021	59,452
2022	57,500
2023	50,933
2024	51,000
Thereafter	183,077
	$ 461,126

Note 12 — Contingencies

From time to time, the Company is 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 its 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, the Company believes that the resolution of its current pending matters will not have a material adverse effect on its business, financial condition, results of operations or liquidity.

In March 2016, the Company's 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. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Company regularly evaluates current information available to determine whether such accruals should be adjusted and whether new accruals are required. During the fourth quarter of fiscal year 2017, based on further developments in that investigation and TrellisWare's discussions with the U.S. Attorney's Office, the Company accrued a total loss contingency of $11.8 million in SG&A expenses in its 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, while the impact 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. As of March 31, 2017, the total loss contingency was recorded in accrued liabilities and other long term liabilities in the consolidated balance sheet in the amounts of $8.8 million and $3.0 million, 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.

The Company has contracts with various U.S. government agencies. Accordingly, the Company is routinely subject to audit and review by the DCMA, the DCAA and other U.S. government agencies of its 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. 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 the Company, 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 the Company fails to obtain an "adequate" determination of its various accounting and management internal control business systems from applicable U.S. government agencies or if allegations of impropriety are made against it, the Company could suffer serious harm to its business or its reputation, including its ability to bid on new contracts or receive contract renewals and its competitive position in the bidding process. The Company's incurred cost audits by the DCAA have not been concluded for fiscal year 2019. As of March 31, 2019, the DCAA had completed its incurred cost audit for fiscal years 2004 and 2016 and approved the Company's incurred costs for those fiscal years, as well as approved the Company's incurred costs for fiscal years 2005 through 2015, 2017 and 2018 without further audit based on a determination of low risk. Although the Company has recorded contract revenues subsequent to fiscal year 2018 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company's estimates, its profitability would be adversely affected. As of March 31, 2019 and 2018, the Company had $4.9 million and $1.6 million, respectively, in contract-related reserves for its estimate of potential refunds to customers for potential cost adjustments on several multi-year U.S. government cost reimbursable contracts. This reserve is classified as either an element of accrued liabilities or as a reduction of unbilled accounts receivable based on the status of the related contracts.

Note 13 — Product Warranty

The Company provides limited warranties on its products for periods of up to five years. The Company records a liability for its warranty obligations when products are shipped 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, the warranty cost estimates are based on historical experience with the particular product. For newer products that do not have a history of warranty costs, the Company bases its estimates on its experience with the technology involved and the types of failures that may occur. It is possible that the Company's underlying assumptions will not reflect the actual experience and in that case, future adjustments will be made to the recorded warranty obligation. The following table reflects the change in the Company's warranty accrual in fiscal years 2019, 2018 and 2017.

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Balance, beginning of period	$ 6,914	$ 11,058	$ 11,434
Change in liability for warranties issued in period	5,080	897	7,815
Settlements made (in cash or in kind) during the period	(4,410)	(5,041)	(8,191)
Balance, end of period	$ 7,584	$ 6,914	$ 11,058

Note 14 — Segment Information

The Company's reporting segments, comprised of the satellite services, commercial networks and government systems segments, are primarily distinguished by the type of customer and the related contractual requirements. The Company's satellite services segment provides satellite-based broadband and related services to residential customers, customers accessing our services via our Community and Urban Wi-Fi hotspot distribution channels, enterprises, commercial airlines and mobile broadband customers. The Company's commercial networks segment develops and offers advanced satellite and wireless broadband platforms, ground networking equipment, radio frequency and advanced microwave solutions, ASIC chip design, satellite payload development and space-to-earth connectivity systems, some of which are ultimately used by the Company's satellite services segment. The Company's government systems segment provides global mobile broadband services to military and government users and develops and offers network-centric, IP-based fixed and mobile secure communications products and solutions. The more regulated government environment is subject to unique contractual requirements and possesses economic characteristics which differ from the satellite services and commercial networks segments. The Company's segments are determined consistent with the way management currently organizes and evaluates financial information internally for making operating decisions and assessing performance.

Segment revenues and operating profits (losses) for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017 were as follows:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
Revenues:			
Satellite services			
Product (1)	$ —	$ 664	$ 27,711
Service	684,205	588,623	601,936
Total	684,205	589,287	629,647
Commercial networks			
Product	383,547	198,034	211,458
Service	44,857	35,187	33,149
Total	428,404	233,221	244,607
Government systems			
Product	709,144	556,849	474,767
Service	246,505	215,268	210,316
Total	955,649	772,117	685,083
Elimination of intersegment revenues	—	—	—
Total revenues	$ 2,068,258	$ 1,594,625	$ 1,559,337
Operating profits (losses):			
Satellite services (1)	$ (64,321)	$ 12,018	$ 131,085
Commercial networks	(166,613)	(229,105)	(180,496)
Government systems (2)	179,969	137,131	96,658
Elimination of intersegment operating profits	—	—	—
Segment operating (loss) profit before corporate and amortization of acquired intangible assets	(50,965)	(79,956)	47,247
Corporate	—	—	—
Amortization of acquired intangible assets	(9,655)	(12,231)	(10,788)
(Loss) income from operations	$ (60,620)	$ (92,187)	$ 36,459

(1) Product revenues and operating profits in the satellite services segment included $26.8 million for the fiscal year ended March 31, 2017, relating to amounts realized under the Company's settlement agreement entered into in fiscal year 2015 with SS/L and its former parent company Loral. As of March 31, 2017, all payments pursuant to this settlement agreement had been recorded and no further impacts to the Company's consolidated financial statements are anticipated related to this settlement agreement.

(2) Operating profits for the government systems segment reflected $11.8 million of SG&A expenses for the fiscal year ended March 31, 2017, relating to uncharacterized damages and penalties in connection with the False Claims Act civil investigation related to the Company's 52% majority-owned subsidiary TrellisWare. 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. See Note 12.

Assets identifiable to segments include: accounts receivable, unbilled accounts receivable, inventory, acquired intangible assets and goodwill. The Company's property and equipment, including its satellites, earth stations and other networking equipment, are assigned to corporate assets as they are available for use by the various segments throughout their estimated useful lives. Segment assets as of March 31, 2019 and March 31, 2018 were as follows:

	As of March 31, 2019	As of March 31, 2018
	(In thousands)	
Segment assets:		
Satellite services	$ 85,907	$ 66,830
Commercial networks	183,200	211,447
Government systems	408,422	337,451
Total segment assets	677,529	615,728
Corporate assets	3,237,758	2,798,381
Total assets	$ 3,915,287	$ 3,414,109

Other acquired intangible assets, net and goodwill included in segment assets as of March 31, 2019 and 2018 were as follows:

	Other Acquired Intangible Assets, Net		Goodwill	
	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019	As of March 31, 2018
	(In thousands)			
Satellite services	$ 10,453	$ 16,580	$ 13,617	$ 13,991
Commercial networks	1,798	3,340	43,933	44,011
Government systems	10,050	11,942	64,169	63,083
Total	$ 22,301	$ 31,862	$ 121,719	$ 121,085

Amortization of acquired intangible assets by segment for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017 was as follows:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
	(In thousands)		
Satellite services	$ 4,857	$ 7,622	$ 5,866
Commercial networks	1,542	1,563	1,679
Government systems	3,256	3,046	3,243
Total amortization of acquired intangible assets	$ 9,655	$ 12,231	$ 10,788

Revenue information by geographic area for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017 was as follows:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
		(In thousands)	
U.S. customers	$ 1,836,304	$ 1,403,473	$ 1,352,002
Non U.S. customers (each country individually insignificant)	231,954	191,152	207,335
Total revenues	$ 2,068,258	$ 1,594,625	$ 1,559,337

The Company distinguishes revenues from external customers by geographic area based on customer location.

The net book value of long-lived assets located outside the United States was $70.4 million at March 31, 2019 and $53.4 million at March 31, 2018.

VALUATION AND QUALIFYING ACCOUNTS

For the Three Fiscal Years Ended March 31, 2019

	Allowance for Doubtful Accounts (In thousands)
Balance, March 31, 2016	$ 1,153
Charged (credited) to costs and expenses	7,139
Deductions	(6,822)
Balance, March 31, 2017	$ 1,470
Charged (credited) to costs and expenses	8,357
Deductions	(7,800)
Balance, March 31, 2018	$ 2,027
Charged (credited) to costs and expenses	7,462
Deductions	(7,777)
Balance, March 31, 2019	$ 1,712

	Deferred Tax Asset Valuation Allowance (In thousands)
Balance, March 31, 2016	$ 17,089
Charged (credited) to costs and expenses	639
Deductions	—
Balance, March 31, 2017	$ 17,728
Charged (credited) to costs and expenses	11,321
Deductions	—
Balance, March 31, 2018	$ 29,049
Charged (credited) to costs and expenses	4,450
Deductions	—
Balance, March 31, 2019	$ 33,499

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Nasdaq Global Select Market under the symbol "VSAT." As of May 10, 2019, there were approximately 486 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" included elsewhere in this Annual Report, the existing terms of our Credit Facilities and the indentures governing our 2025 Notes and 2027 Notes restrict our ability to declare or pay dividends on our common stock.

USE OF NON-GAAP FINANCIAL INFORMATION

To supplement Viasat's consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), Viasat uses Adjusted EBITDA, a measure Viasat believes is appropriate to provide meaningful comparison with, and enhance an overall understanding of, Viasat's past financial performance and prospects for the future. We believe Adjusted EBITDA provides useful information to both management and investors by excluding specific expenses that we believe are not indicative of our core operating results. In addition, since we have historically reported non-GAAP results to the investment community, we believe the inclusion of non-GAAP numbers provides consistency in our financial reporting and facilitates comparisons to the company's historical operating results. Further, these non-GAAP results are among the primary indicators that management uses as a basis for evaluating the operating performance of our segments, allocating resources to such segments, planning and forecasting in future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for measures of financial performance prepared in accordance with GAAP. A reconciliation of specific adjustments to GAAP results is provided in the tables below.

An itemized reconciliation between net income (loss) attributable to Viasat, Inc. and Adjusted EBITDA is as follows:

Fiscal Years Ended	**March 31, 2019**	**March 31, 2018**	**March 31, 2017**	**March 31, 2016**
(In thousands)				
Net (loss) income attributable to Viasat Inc.	$ (67,623)	$ (67,305)	$ 23,767	$ 21,741
(Benefit from) provision for income taxes	(41,014)	(35,217)	3,617	(4,173)
Interest expense, net	49,861	3,066	11,075	23,522
Depreciation and amortization	318,613	255,652	245,922	242,076
Stock-based compensation expense	79,599	68,545	55,775	47,510
Loss on extinguishment of debt	-	10,217	-	-
Acquisition related expenses	-	-	615	-
Adjusted EBITDA	$ 339,436	$ 234,958	$ 340,771	$ 330,676

Forward-looking statements

This Annual Report, 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,” variations of such words and 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, and the entry into a construction contract for our third ViaSat-3 class satellite to replace and supersede our existing limited agreement to proceed for the satellite; 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 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 realize the anticipated benefits of our acquisitions or strategic partnering arrangements; 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 (including changes affecting spectrum availability or permitted uses) on our ability to sell or deploy our products and services; changes in the way others use spectrum; our inability to access additional spectrum, use spectrum for additional purposes, and/or operate satellites at additional orbital locations; competing uses of the same spectrum or orbital locations that we utilize or seek to utilize; 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 in our most recent reports on Form 10-K, 10-Q and 8-K and our other filings with 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.

Corporate information

Board of directors

Mark Dankberg
Chairman of the Board, CEO and Co-founder

Richard Baldridge
Director, President and Chief Operating Officer

Frank J. Biondi, Jr.
Senior Managing Director, WaterView Advisors LLC

Dr. Robert Johnson
Venture Capital Investor

Allen Lay *
Private Investor

Dr. Jeffrey Nash *
Private Investor

Sean Pak
Partner, Quinn Emanuel Urquhart & Sullivan LLP

Varsha Rao
Chief Executive Officer, Nurx Inc.

John Stenbit
Private Consultant

Harvey White
Chairman, (SHW)2 Enterprises

Executive officers

Mark Dankberg
Chairman of the Board, CEO and Co-founder

Richard Baldridge
Director, President and Chief Operating Officer

Doug Abts
Vice President, Global Mobility

Marc Agnew
Vice President, Commercial Networks

Robert Blair
Vice President, General Counsel and Secretary

Girish Chandran
Vice President and Chief Technical Officer

Melinda Del Toro
Senior Vice President, People and Culture
and Chief People Officer

Bruce Dirks
Senior Vice President, Treasury and
Corporate Development

Shawn Duffy
Senior Vice President and Chief Financial Officer

Kevin Harkenrider
Senior Vice President and President,
Broadband Services

Keven Lippert
Executive Vice President of Strategic Initiatives
and Chief Commercial Officer

Mark Miller
Executive Vice President, Chief Technical Officer
and Co-founder

Ken Peterman
Senior Vice President and President,
Government Systems

David Ryan
Vice President and President, Space
and Commercial Networks

Annual meeting

The 2019 Annual Meeting will be held at Viasat's offices, located at 2501 Gateway Road, Pacific Conference Room, Carlsbad, California 92009 on September 4 at 8:30 a.m. Pacific Time.

Independent registered public accounting firm

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5375 Mira Sorrento Place, Suite 300
San Diego, California 92121

General legal counsel

Latham & Watkins LLP
12670 High Bluff Drive
San Diego, California 92130

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Investor relations

For investor information, financial information, SEC filings, and other useful information, visit our website at www.viasat.com. To obtain a printed copy of our Form 10-K without charge, or to receive additional copies of this Annual Report or other financial information, please contact our Investor Relations department at:

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The following are trademarks or service marks of Viasat, Inc.: Viasat and the Viasat logo. All other product and company names mentioned herein are the property of their respective owners.

* Allen Lay and Dr. Jeffrey Nash will not be standing for re-election at the 2019 Annual Meeting.