2020 Annual Report

A letter to shareholders
from Mark Dankberg

Dear Shareholders,

Our fiscal year 2020 (FY2020) was another record year for Viasat. Those of you that follow us know that we often use this letter to describe how we *think* about business strategy. That's our objective again this year. Successful business strategy depends on value enhancing *differentiation* – and we are different from competitors. But, before we dive in, let's spend a few moments considering the past year's results, which we believe reflect the impact and value of our differentiated strategic approach:

- Consolidated revenue climbed 12% year-over-year to $2.3 billion, a new high. We believe that's the highest consolidated revenue among broadband satellite service providers.
- Non-GAAP diluted per share net income grew from $0.01 in FY2019 to $1.14 in FY2020[1].
- Consolidated Adjusted EBITDA jumped 35% year-over-year to $458 million, also a record.
- Government Systems segment revenue grew 19% year-over-year to a record $1.1 billion and segment Adjusted EBITDA grew 19% to $299 million amid some COVID-19 headwinds in March.
- Satellite Services segment revenue grew 21% to a record $827 million and segment Adjusted EBITDA increased 44% to $283 million – despite Q4 FY2020 impacts to our in-flight connectivity (IFC) business.
- We earned a place on the Fortune 1000 list for the first time.
- Notably, Viasat residential internet service earned a Top 10 rank by U.S. News & World Report, outperforming almost two dozen terrestrial service providers in a field of 30. That's indicative of the growth potential enabled by ViaSat-3, targeted for a 2021 satellite launch.
- Our Commercial Networks segment made substantial progress on the ViaSat-3 satellites, ground network and terminals.

Even though the COVID-19 pandemic is expected to continue to impact our IFC business in FY2021, our diverse business is anticipated to support continued Adjusted EBITDA growth in FY2021. For example, more work- and school-from-home, and other factors have increased demand for U.S. residential broadband, despite in-orbit satellite capacity constraints. Defense customers are adapting to the challenge of maintaining security in a work-from-home environment, with delays in government orders in the first quarter of FY2021 anticipated to be offset by higher awards in the second half of FY2021. Air travel is also showing some initial signs of rebounding. Connectivity demand continues to grow and we are in an enviable competitive position. Our team is committed and doing a remarkable job of coping with the effects of the pandemic and executing our business, while remaining safe. We see opportunities to emerge even stronger post-crisis.

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[1] See page 94 for a reconciliation between net income (loss) attributable to Viasat Inc. on a GAAP basis and non-GAAP basis.

In retrospect, our achievements over the past decade are striking. Our FY2010 Annual Report described the potential for ViaSat-1, the first Ka-band high-capacity satellite, to transform satellite broadband. And, that's what happened. Since FY2010, our consolidated revenue has more than tripled, and Adjusted EBITDA has increased four-fold. Satellite Services segment revenue grew over 10 times from $76 million in FY2010 (11% of sales) to $827 million in FY2020 (36% of sales) – excluding additional satellite service revenue in our Government Systems segment. In FY2018, ViaSat-2 further improved bandwidth productivity[2], expanded geographic coverage and introduced technology to better aim more bandwidth at places with higher demand. In FY2019, we began construction on our first ViaSat-3 class satellites, and the first ViaSat-3 payload is nearing completion. Each ViaSat-3 satellite in our three satellite constellation is expected to be capable of delivering greater than one Terabit per second (Tbps) of total network capacity. The ViaSat-3 constellation will also provide "visible earth" coverage, and be significantly better at steering bandwidth to places with higher demand and more attractive returns. ViaSat-1 and ViaSat-2 *have* transformed expectations for satellite broadband. Our residential plans in the U.S. deliver more speed and bandwidth than any other home satellite service – up to 100 Megabits per second (Mbps) in some areas. We pioneered the availability of free, high-quality in-flight satellite Wi-Fi to every passenger on a plane – including video and audio streaming.

> We're still in the early innings of global satellite broadband growth.

It's taken more than just breakthrough technology to transform satellite broadband. Viasat has become the most vertically-integrated company in the satellite industry. We don't do everything ourselves – just the activities and skills that combine to deliver the most customer value in our target vertical markets. That comes in two forms:

1. **"Bandwidth manufacturing"** – We're keenly focused on productivity, delivering the most capacity per capital dollar to the most valuable places. Our space and ground networks are unique and we design and make the most impactful elements.

[2] We consider bandwidth productivity to be the ratio of bandwidth of a satellite in Gigabits/sec (Gbps) multiplied by the percent of time that satellite can be used to transmit data multiplied by the useful lifetime of the satellite divided by its cost. Put more simply, it represents the useful output of the satellite divided by its cost.

2. **"Bandwidth distribution"** – We don't just offer a "data pipe." We've invested to acquire the skills and resources of "value added" service providers. By more efficiently combining our product, space services and market domain skills, we directly perform activities that otherwise require two tiers of suppliers in verticals like defense, IFC and others.

Satellite broadband growth

We're still in the early innings of global satellite broadband growth. Our opportunity stems from the same factors as broadband writ large – more people using the internet on more devices and more bandwidth consumption per person. Per capita usage grows as attention shifts *to* the internet and *away* from other activities (linear TV, radio, magazines, etc.) – and consumes more bandwidth per hour (e.g. higher resolution video). Broadband data consumption growth depends on *productivity gains* in transmission networks – the price of connectivity (speed and volume[3]) has been falling for the most significant networks (mobile, fiber and cable).

Satellite broadband growth depends on two effects:

- When the value offered by satellite (speed and/or volume per dollar) gets better than terrestrial alternatives in a location, people are more likely to switch to satellite. Of course, the converse also holds – if a terrestrial option gets better they switch away. Satellite markets grow in aggregate when we gain more locations than we lose.

- Satellite has obvious opportunities in places without any terrestrial option – that is, competing with "non-consumption" in remote areas, in-flight or at sea. But, if the value offered is not "good enough" users just wait for a better option (e.g. they wait until a plane lands, or go somewhere with terrestrial service). So even in places with no alternative, satellite value is considered relative to terrestrial options. That's why airlines want an "on-the-ground" experience with their in-flight Wi-Fi. We've shown adoption can be high in otherwise unserved places with an attractive satellite offer.

Relative "value" is important – not just price. In the U.S., cable broadband *prices* are rising, but value improves when delivered speed and volume increase more than price. We are growing satellite demand by offering increasing *value*. The key to improving customer value without decreasing margins is better bandwidth *productivity*. Speed and volume drive most purchase decisions. Delivering more speed and volume at lower cost is the definition of productivity. That's why we focus so intensely on it. Investors should, too! We can improve productivity in a few key ways – more bandwidth per satellite (at a similar satellite cost), lower cost access to internet fiber backbone, more efficient distribution or aiming more bandwidth at higher demand places (and less at low demand ones). Geographic demand dynamics can change constantly (e.g. airplanes in flight), on daily cycles (e.g. due to peak demand hours in each time zone), or gradually over time (e.g. due to changes in availability of terrestrial options, or regulatory or geopolitical change).

Demand elasticity relative to value is complex. While the macro effect is common across markets, micro effects are localized. Understanding supply and demand dynamics is key to pricing strategies. Internet bandwidth demand depends on economic "complements" – a product or service that *increases* the value of a related product or service. For us, a complement is an application that needs connectivity – especially high-speed, high-bandwidth access. Social media, information sites and media are all complements. Video is the "killer app," drawing users to higher speeds and volumes. Online video growth is driven by powerful forces. Cord-cutting turns linear TV hours into internet video – streamed live or on-demand. It's more convenient, has unique content and

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[3] Bandwidth speed can be measured as Mbps. "Volume" of bandwidth is measured in Megabytes or Gigabytes and equals speed x time. Internet applications (especially video) depend on both measures.

costs less, too. Better displays lead to higher speeds and more bandwidth usage. Most media is streamed (not downloaded), stressing networks in busy hours. We see an opportunity to improve online video viewing relative to less capable terrestrial options. Years of serving U.S. residential, IFC and emerging market customers have reinforced to us that the quality of video streaming highly influences customer satisfaction (or dissatisfaction).

We are relentless in driving down bandwidth costs – not just to compete with other satellite operators, but to grow our market.

We are relentless in driving down bandwidth costs – not just to compete with other satellite operators, but to grow our market. Of course, productivity advantage is also a powerful competitive weapon. Economist Paul Krugman said, "Productivity isn't everything, but in the long run it's almost everything." He was referring to increasing output per worker to improve the standard of living of nations. We feel the same way about the productivity of our capital investments to improve the standard of living of our investors, employees and customers.

Understanding the new playing field

We believe our vertical integration strategy for satellite networks and distribution has been effective in our growth relative to *traditional* satellite operators – and our financial results support that view. But, the large potential market also attracts *new entrants*. Most new entrants intend to use Non-Geosynchronous Orbits (NGSO); mostly Low Earth Orbit (LEO). LEOs are certainly different from the traditional Geosynchronous (GEO) satellites in Viasat's fleet – but do they create more value? LEO proponents offer two main arguments:

1. They are closer to earth, so have a shorter round trip propagation delay – yielding lower latency. The implication is that low latency is *the* key to making satellite service better.

2. LEO satellites can be smaller and cheaper than GEO satellites. The implication is that therefore they are more productive (i.e. deliver bandwidth at lower cost).

We disagree. The counter-arguments are simple. We expect LEO bandwidth will be a lot *more expensive* than GEO bandwidth because satellites in low orbits are only useful a small fraction of the time, their useful life is short (depreciation expenses are high) and the ground equipment needed for LEO is more expensive than for GEO. While lower latency is a plus, it's not as important to buying decisions as speed, volume and price. We've found that when lower latency comes with lower speed and/or volume, or higher price, most customers would choose faster speed and more volume and accept higher latency. *The relative value of speed and volume compared to latency is fundamental.* Here are a few examples:

- We've earned strong growth in IFC – and are widely acknowledged to set the industry standard for excellence. Our better satellite speeds and volumes motivated airlines to switch to our GEO satellite service over an Air-To-Ground service with less latency.

- We ranked #7 on the 2020 U.S. News & World Report ranking of U.S. internet service providers (ISPs). That means we were ranked higher than over 20 terrestrial ISPs – all with much lower latency.

- Our U.S. residential internet service successfully attracts customers away from lower latency terrestrial options.
- A study issued by the Technology Policy Institute on this specific topic found that residential internet subscribers are willing to pay more for speed and bandwidth than for lower latency.
- The same trade-offs apply to LEO satellites – which have worse latency than terrestrial.

The point is that there's a trade-off. When a GEO service is faster, and offers more volume, then it can be successful against alternatives with lower latency. There is a simple intuitive explanation. Network congestion failures due to slow speed or volume limits are obvious and often measured in seconds or minutes of delay. The difference between good and bad latency is well under one second – less perceptible in many applications. People tend to remember the worst aspects of experiences, and slow speeds or usage limits almost always cause the worst experiences – especially when streaming video is the dominant application on the internet (government subsidies might distort this, and we'll discuss that later). The key to being faster and offering more bandwidth is *better productivity*.

The most aggressive new LEO entrants have been OneWeb and SpaceX. OneWeb filed for Chapter 11 bankruptcy in the U.S. – citing COVID-19 impacts on capital markets despite raising approximately $3 billion from savvy investors. Notably, an issue for OneWeb is its bandwidth productivity. SpaceX is launching Starlink, emphasizing cost advantages relative to OneWeb. Starlink satellites are smaller and likely less expensive than OneWeb's and are intended to deliver more bandwidth – but appear to trade cost reduction for lower reliability and shorter service life. SpaceX has indicated in FCC documents that it will begin offering commercial service in the northern U.S. and southern Canada before the end of 2020. Starlink is interesting because its approach is largely the opposite of ours – huge numbers of small, cheap satellites close to the earth compared to fewer big satellites with extremely high throughput, far enough away to each "see" one-third of the earth. Let's consider how LEO competition can affect the satellite broadband market, and our growth opportunities, from three main aspects:

1. Scale
2. Bandwidth productivity
3. Unique LEO risks

Scale – There's a difference between "scale" and "productivity." Scale can come from making the same thing many times. If we had stopped innovating at ViaSat-1 and built 100 copies, we'd create scale – over 10 Terabits per second (Tbps) in space. Productivity would have improved somewhat via volume purchases and manufacturing efficiencies. But, each ViaSat-3 satellite is expected to have approximately an order of magnitude more bandwidth as compared to ViaSat-1 due to design and integration learning curves, and to have more coverage and flexibility. Our ViaSat-4 satellite design is expected to yield another significant productivity gain relative to ViaSat-3. Those productivity gains are much more powerful and could not be achieved merely through manufacturing scale. While 40,000, or even 10,000, LEOs suggests substantial *scale*, it is not clear that they will yield *productivity* gains near what we are targeting.

Productivity – LEOs assert advantages due to low satellite manufacturing and launch costs, but that's not *necessarily* the same as improving productivity. Each LEO satellite spends most of its orbit with *few or no people or things* in its coverage area, even when orbits are oriented to try to favor more populated latitudes. LEO satellites are so close to earth that their field of view is small.

The World Bank estimated that 95% of the global population lives on 10% of the land (about 2.9% of the earth's surface[4]). We've calculated utilization for 40,000 satellites based on proposed orbits against geographic databases for population, economic activity and air and sea lanes, and we estimate each satellite would be used less than 10% of the time! Adding more satellites above a few thousand *reduces* the average utilization of each – undermining manufacturing and launch cost savings. Ubiquitous global coverage is a plus – but you only want a relatively small fraction of bandwidth over oceans – not the majority! More satellites raise collision risk – necessitating higher reliability, and/or longer operational life – also raising costs. Conversely, poor reliability and short satellite lives also reduce productivity. *An entire constellation of 40,000 satellites might have to be replaced three or more times to deliver service revenue for as long as one GEO*. Finally, even LEO proponents acknowledge that ground terminals may be their Achilles' heel. For consumer-facing applications, total spending on user terminals is the dominant capital cost. Industry analysts estimate LEO user terminals will each cost two to three times more than comparable GEO terminals. Measuring *bandwidth* productivity indirectly can be quite misleading – that's why we measure it explicitly. LEOs often emphasize scale, but are less forthcoming about bandwidth productivity.

Unique LEO risks – There are also important regulatory and economic risks associated with LEO mega-constellations[5] that can inhibit scale, which will not be fully resolved for several years.

- **Space debris and safety** – One of the most daunting risks is that under current regulations mega-constellations would create an unacceptably high probability of colliding with space debris (about a half million tracked orbiting man-made objects or fragments). The FCC is considering updated rules to limit collision probability for an entire constellation as a whole. New rules are needed because the *expected* number of collisions for just a single mega-constellation under current rules could be several every year – versus only two spacecraft fragmentation events in the last 20+ years. And, there are now multiple applications for mega-constellations. The FCC's goal is to prevent collisions, and preserve access to space. But physics can't be ignored even if lobbyists stymie rule changes. Collisions are highly dangerous because they result in fragmentation that creates debris fields that increase the likelihood of even more collisions that can render orbits useless for decades. Space safety regulation would not preclude mega-constellations – but would ensure each satellite is reliable so it can maneuver to avoid potential collisions. Mega-constellations oppose the new rule, but haven't contested the physics models. They just say proposed regulations would increase costs and stifle innovation.

- **Other regulatory risks** – The International Telecommunication Union (ITU) provides a framework for nations to coordinate and share satellite spectrum. Such policies for GEO enable countries to reliably share frequencies by using the same spectrum, but in different satellite orbital locations. ITU sharing guidelines exist for LEO, but didn't anticipate mega-constellations. Rules enable smaller LEO constellations to coordinate, but a mega-constellation could completely deny nations access to spectrum for their own LEO even in their own country. A rational response for nations would be to deny "landing rights" to operate in their countries to avoid interference from undesired mega-constellations. Landing rights management among GEO satellites is common for multiple purposes in the U.S., China, Russia, India and other large markets. Being denied market access is problematic for LEOs since their overall utilization is already so low. FCC space safety rules would govern U.S. market access, and other countries may also adopt space safety rules as a condition for access.

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[4] Water makes up about 71% of the earth's surface, as noted on the USGS.gov website.

[5] A mega-constellation is a very large LEO system – generally with one thousand or more satellites.

We understand what our customers want so we're not compelled to respond to competitors, unless they are better in key core metrics – like bandwidth productivity. They aren't. One of the unique aspects of the satellite industry is that you can see the performance competitors are targeting years in advance by assessing their regulatory filings. The capacity of any satellite is bounded by the concept of information theoretical limits proposed by Claude Shannon, the 'Father of Information Theory.' It's not possible to exceed those – the only issue is how close each system can come to the limits of their filing. We believe our own targets for throughput gains are more aggressive than other applications filed with the FCC. That's why just three ViaSat-3 launches could yield as much useful bandwidth as two dozen launches, carrying up to 60 satellites each, of the best LEO satellites – and deliver service three to five times longer, too. Our next-generation ViaSat-4 satellite system is expected to be significantly more capable still. Investors should consider bandwidth productivity directly, not via indirect proxies such as number of satellites, per satellite cost, launch costs, etc.

Driving competitive advantage in global satellite broadband

Growing interest in satellite broadband from even the largest internet companies reflects its large potential economic value. Ubiquitous, reliable, high-speed broadband is essential for their own growth, and satellite can fill gaps that disenfranchise billions of people globally. Their interest in satellite broadband is more driven by what connectivity will enable for their core cloud-centric services, rather than in transmission revenue. That creates opportunity for us – and we're already working with some of these companies using our broadband and distribution skills to mutual advantage. The global market opportunity for satellite broadband is clearly substantial if the most valuable companies in the world believe it can materially affect their growth. Our estimates indicate the total global market for satellite broadband is meaningfully larger than any individual satellite system could serve.

ViaSat-3 will be advantaged because we expect to serve people almost anywhere in the world from very low cost, secure, internet exchange points.

We recognize the difference between *price* and *cost*. It's possible a well-capitalized competitor could price their services at a loss to create an impression of better value and performance and *hope to eventually* achieve costs below their price through scale. Financial performance tied to asset utility and depreciation may not be evident for privately held competitors. That could adversely affect some of our markets. But, lower prices will also increase total addressable markets. We have flexibility in where and how we allocate our bandwidth. If a mega-constellation were to price bandwidth lower than we are targeting that should make the total addressable market bigger. We do not anticipate the market in the long run would be over-supplied – because the lower pricing itself increases demand. We believe virtually all of our traditional competitors deliver less value than we currently do on an apples-to-apples basis.

The global broadband market is also fragmented in terms of vertical and geographic segmentation. We have substantial advantages by being uniquely vertically-integrated in distribution in key markets. ViaSat-3 will be advantaged because we expect to serve people almost anywhere in the world from very low cost, secure, internet exchange points. Current LEOs do not have satellite-to-satellite links, so they can't provide internet connections where there is no local fiber in view

(such as over oceans[6]) – a key need in big vertical markets like defense, aeronautical, maritime and energy. So, current LEOs are not able to compete well in significant portions of those markets for the foreseeable future.

Viasat has been a leading provider of satellite broadband connectivity to a number of U.S. Department of Defense organizations – serving a broad range of airborne platforms and missions (such as senior leadership, command and control and Intelligence, Surveillance and Reconnaissance) and applications to support those missions. We provide user terminals and integrated end-to-end services using both GEO and NGSO satellites that ensure high-reliability and coverage over highly remote areas including oceans. Similar skills and technologies have enabled rapid growth in our commercial IFC services.

> We believe being the best at driving down the cost of bandwidth, and sharing those productivity gains with our customers, can create a long-lasting, powerful franchise.

One of the most challenging, and rewarding, opportunities is serving rural areas in emerging markets with shared satellite internet – similar to pre-paid mobile service. Scaling that market will require innovative distribution, and a select set of international partners. We believe we are off to a good start and have some first mover advantages. We're pleased Viasat was selected by Fortune Magazine as one of the most impactful companies in its annual Change the World list – and also recognized by Fast Company on its 2020 World Changing Ideas list. Both companies recognized Viasat for connecting rural communities in Mexico and Brazil. It's one of the most exciting opportunities for enhancing global development – and a great business opportunity.

We believe being the best at driving down the cost of bandwidth, and sharing those productivity gains with our customers, can create a long-lasting, powerful franchise. We have demonstrated significant learning curve gains that can create moats against traditional or new competitors. Our focus on efficiency extends to our capital structure. We expect to finance the majority of the ViaSat-3 constellation with cash flow from operations, much of which derives from our successful existing broadband satellites. Most of the rest will be funded by debt supported by operating cash flow. Launching three global satellites, primarily boot-strapped, is an enormous undertaking, but creates a unique moment in time. It will give us resources no other satellite operator will have – including LEO – which is multiple Tbps of useable total capacity – with essentially global reach including deep water ocean. After the second ViaSat-3 satellite is in service, we're aiming to be free cash flow positive. We can continue learning curve productivity improvements with our ViaSat-4 satellite design, while extinguishing debt. It's a management challenge – but a unique opportunity for investors, with an attractive upside from a modest equity base in the COVID-19 environment.

Space broadband strategy for the long run

We've focused on new entrants because they have been more aggressive than traditional operators in investing in new technology, business models and capital raising – and because our growth relative to traditional operators is self-evident. New entrants espouse an attractive vision of

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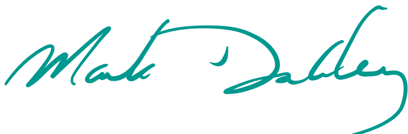
[6] Ironically LEOs spend most of their orbit periods over the ocean. But they can't reach the internet from there.

scalable, affordable, user friendly satellites enabling global market growth – principles we believe in, too. New LEO or Medium Earth Orbit (MEO) entrants may eclipse other traditional satellite operators in broadband markets because traditional operators have bandwidth productivity far lower than ours. However, huge LEO mega-constellations of expendable satellites must resolve unique regulatory and physical risks. We anticipate that multi-orbit strategies with smaller, safer LEO/MEO constellations adding a low latency component to more capital efficient GEOs could be quite powerful. That's analogous to 5G combining different network densification and transmission strategies to meld Low-, Mid- and High-band spectrum for different coverage, speed, latency and volume purposes. We also believe GEO systems can scale to serve a larger market than LEO without space safety or other new regulatory risks because we expect that our next-generation ViaSat-4 GEO satellites can each deliver multiple Tbps. We could support many of those in space[7].

Government programs may invest in, or subsidize LEO systems, to achieve specific purposes – such as potentially for the FCC Rural Digital Opportunity Fund (RDOF), or defense initiatives. Viasat actively participates in research, development, production and regulatory initiatives regarding NGSO space and ground systems. We have won defense LEO programs. We've applied for a LEO license optimized for RDOF that we expect would compete well for subsidies, in the event LEO is eligible for RDOF low latency bidding tiers[8]. Subsidies favoring LEO satellite services would have a similar effect as subsidies in terrestrial telecommunication services – that is, to offer financial incentives to locate infrastructure (e.g. fiber, cell towers or satellites) in places (or orbits) that would otherwise not be as economically attractive. We believe our highly capital-efficient space network infrastructure; unique vertically-integrated distribution assets, skills and relationships; diverse portfolio of vertical and geographic markets; fundamental patents and intellectual property on space systems; and optimized capital structure offer a powerful combination for shareholders. Viasat offers a compelling way to profit from the boom in cloud/over-the-top/streaming media driven internet growth in satellite broadband markets everywhere.

Thanks for taking the time to read through our FY2020 Annual Report. And, as always we'd like to extend our appreciation and thanks to all of our employees for their commitment and dedication, to our customers for the opportunities they've enabled for us, to our suppliers and partners for their support and to our shareholders for their trust in our commitment to value creation.

Sincerely,



Mark Dankberg
Chairman and CEO

[7] Traditional operators have as many as 50 satellites in orbit. They're just not productive for broadband use.

[8] See our fourth quarter FY2020 Shareholder Letter for a discussion of our NGSO license modification application.

Earnings highlights

VIASAT FISCAL YEAR 2020

$2.3B
Annual revenues
12% increase year-over-year

$458M
Adjusted EBITDA
35% increase year-over-year

$2.3B
New contract awards
2% decrease year-over-year

45+
Office locations globally

~5,900
Employees globally

SATELLITE SERVICES

$827M
Annual revenues
21% increase year-over-year

1,390
Commercial aircraft in-service with Viasat in-flight connectivity, a 6% increase year-over-year

11,000+
Installed sites as part of the Brazilian Government broadband initiative (GESAC)

590K
Total number of U.S. fixed broadband subscribers

Top honors
Fortune and Fast Company (Community Wi-Fi), U.S. News & World Report (U.S. Residential), La Razón (Spain Residential)

COMMERCIAL NETWORKS

$345M
Annual revenues
20% decrease year-over-year

$420M
In new contract awards, second consecutive year of over $400M in annual awards

250+
Commercial aviation shipsets shipped

$408M
In backlog, a 15% increase year-over-year

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

GOVERNMENT SYSTEMS

$1.1B
Annual revenues
19% increase year-over-year

$1.1B
In new contract awards, second consecutive year of over $1B in annual awards

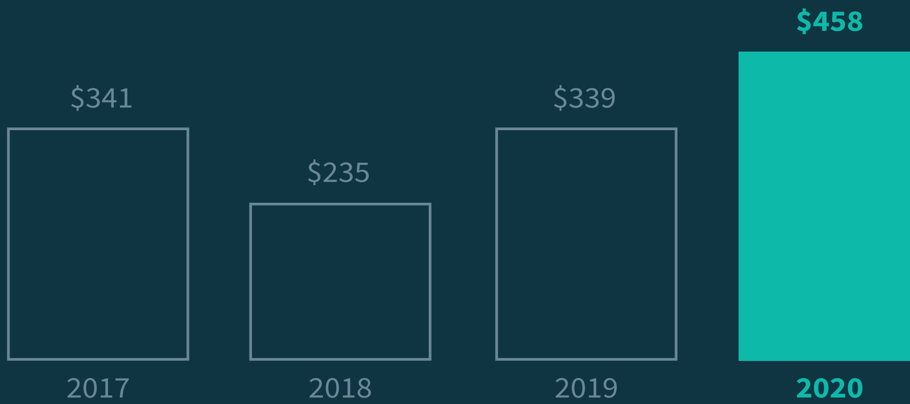
1,000+
AN/PRC-161 Battlefield Awareness Targeting System-Dismounted handheld Link 16 radios shipped in fiscal year 2020

↑ **24%:** Product revenues year-over-year

↑ **4%:** Service revenues year-over-year

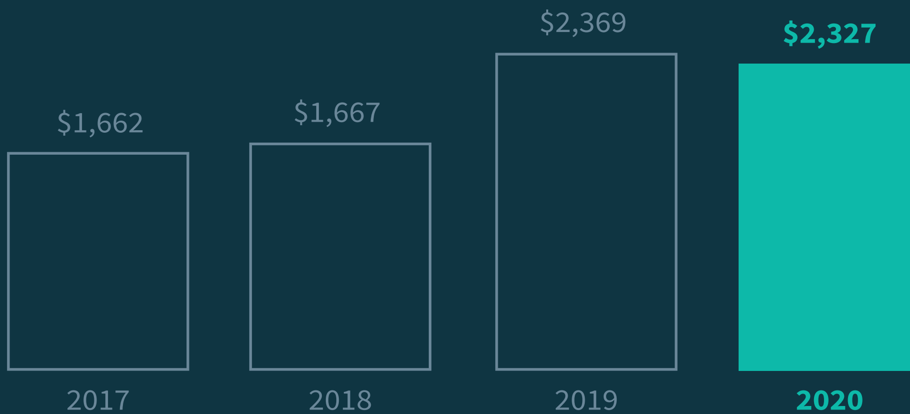
400+
Multifunctional Information Distribution System Joint Tactical Radio System production units shipped in fiscal year 2020

Financial summary

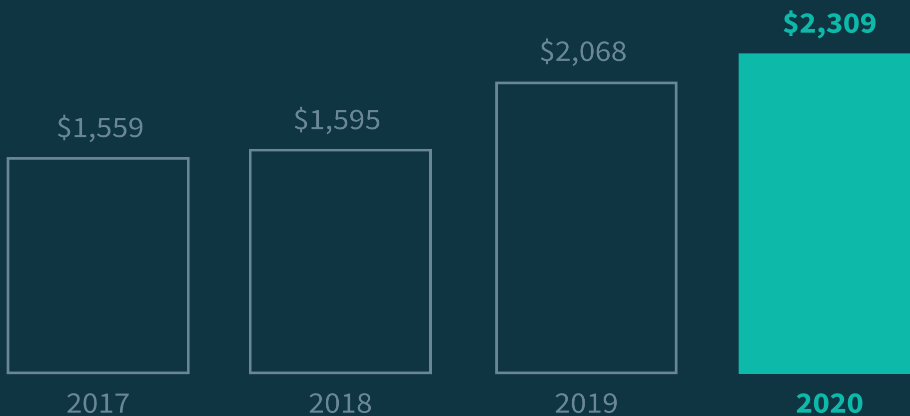


Adjusted EBITDA* dollars in millions
Fiscal year

*See page 94 for a reconciliation of Adjusted EBITDA to net income (loss) attributable to Viasat, Inc.



New contract awards dollars in millions
Fiscal year



Revenues dollars in millions
Fiscal year

Diverse goals. United by a singular vision.

Our commitment

At Viasat, we're brought together by a shared desire to tackle some of the world's toughest challenges. To bring connectivity where it's needed most, so people everywhere can unlock their potential. And to realize our own capacity to make a difference in the world – in a way that's sustainable, responsible and inclusive to all.

Environmental, Social and Governance (ESG) transparency

We are proud to announce our first Corporate Social Responsibility (CSR) report will be published in calendar year 2021, reporting in alignment with applicable and globally acknowledged frameworks. With transparency at the forefront, our report will include voluntary disclosure of our environmental data. We look forward to bringing our stakeholders and employees along with us on this journey.

The environment

Viasat is an environmentally-conscious company, and we acknowledge the impact our operations have on the world. We are committed to environmental protection and doing our part to prevent pollution within our local and greater communities. Our leaders champion this commitment to sustainability by empowering teams to implement, monitor and continually improve our Environmental Management System (EMS), enhancing environmental performance.

Diversity and inclusion

We are committed to creating an inclusive workplace that ignites the power of diversity. Viasat celebrates talented, determined team players from all backgrounds, interests and stages of life, and creates opportunities for employees to connect and appreciate how our differences make our company stronger and more competitive – leading to new ideas, solutions and approaches that help us better meet the needs of our global customers.

Awards & Recognition

Top 10 Best Internet Service Provider of 2020*

U.S. News & World Report

Top 100 Defense Company 2019

Defense News

Named to the **Fortune 1000 list***

Fortune Magazine

Named **Global Satellite Business of the Year 2019**

Euroconsult

Ranked 12th Fortune Change the World List 2019

Fortune Magazine

Recognized as a **Best Place to Work 2020**

Glassdoor

2019 Global Passenger Choice Award Winner: **Best Wi-Fi: JetBlue Enabled by Viasat**

Airline Passenger Experience Association (APEX)

Recognized as a **Best Place to Work for Disability Inclusion 2019**

Disability Equality Index®

Recognized on **Fast Company's World Changing Ideas list 2020***

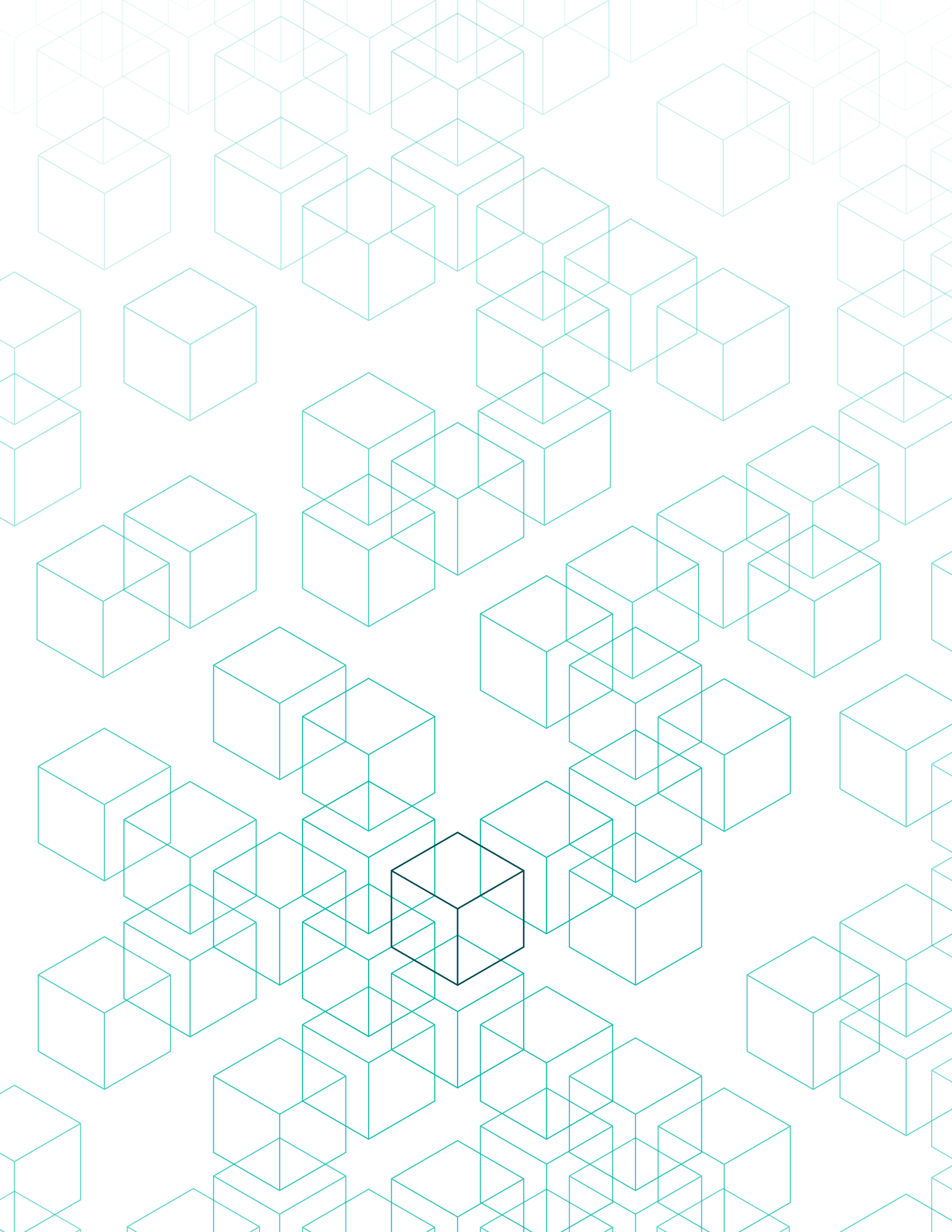
Fast Company

*Awards won in Q1 FY2021

Financial performance

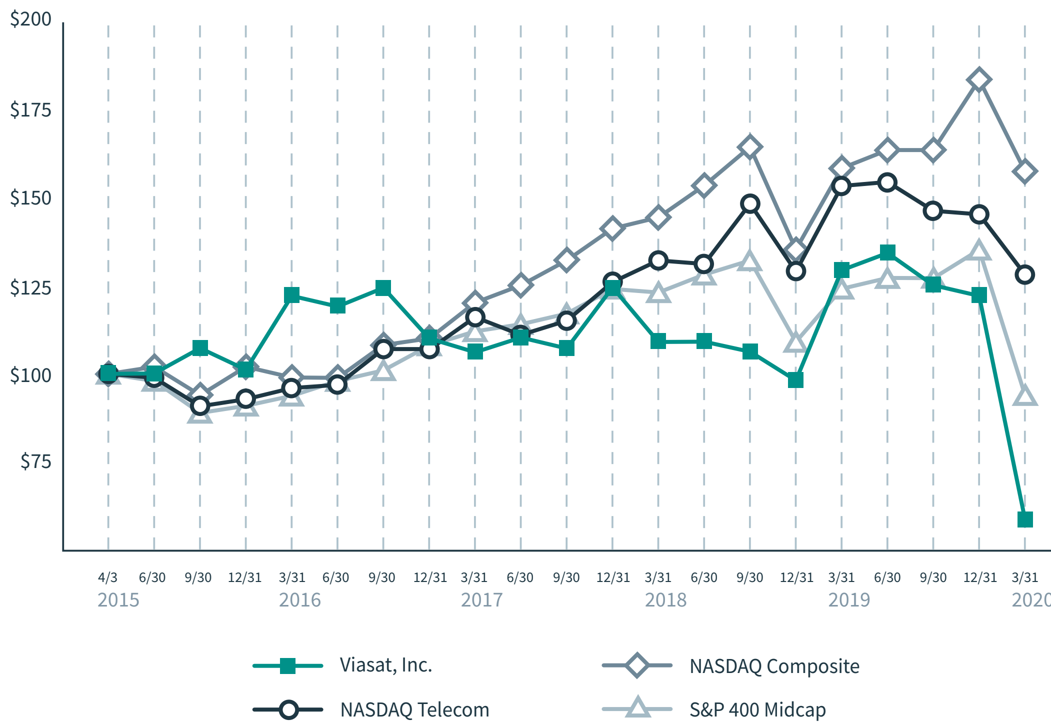
Table of contents

18	Performance graph
19	Selected financial data
21	Management's discussion and analysis of financial condition and results of operations
42	Quantitative and qualitative disclosures about market risk
43	Summarized quarterly data (unaudited)
43	Controls and procedures
45	Report of independent registered public accounting firm
48	Consolidated balance sheets
49	Consolidated statements of operations and comprehensive income (loss)
50	Consolidated statements of cash flows
51	Consolidated statements of equity
52	Notes to the consolidated financial statements
92	Valuation and qualifying accounts
93	Market for registrant's common equity and related stockholder matters
94	Use of non-GAAP financial information



Performance graph

The following graph shows the value of an investment of $100 in cash on April 3, 2015 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, 2020. The data as of and for each of the fiscal years in the five-year period ended March 31, 2020 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, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Product revenues	$ 1,172,541	$ 1,092,691	$ 755,547	$ 713,936	$ 664,821
Service revenues	1,136,697	975,567	839,078	845,401	752,610
Total revenues	2,309,238	2,068,258	1,594,625	1,559,337	1,417,431
Operating expenses:					
Cost of product revenues	845,757	834,472	553,677	524,026	489,246
Cost of service revenues	763,930	703,249	567,137	524,949	495,099
Selling, general and administrative	523,085	458,458	385,420	333,468	298,345
Independent research and development	130,434	123,044	168,347	129,647	77,184
Amortization of acquired intangible assets	7,611	9,655	12,231	10,788	16,438
Income (loss) from operations	38,421	(60,620)	(92,187)	36,459	41,119
Interest expense, net	(36,993)	(49,861)	(3,066)	(11,075)	(23,522)
Loss on extinguishment of debt	—	—	(10,217)	—	—
Income (loss) before income taxes	1,428	(110,481)	(105,470)	25,384	17,597
Benefit from (provision for) income taxes	7,915	41,014	35,217	(3,617)	4,173
Equity in income of unconsolidated affiliate, net	4,470	2,998	1,978	—	—
Net income (loss)	13,813	(66,469)	(68,275)	21,767	21,770
Less: net income (loss) attributable to noncontrolling interests, net of tax	14,025	1,154	(970)	(2,000)	29
Net (loss) income attributable to Viasat, Inc.	$ (212)	$ (67,623)	$ (67,305)	$ 23,767	$ 21,741
Basic net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (0.00)	$ (1.13)	$ (1.15)	$ 0.45	$ 0.45
Diluted net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (0.00)	$ (1.13)	$ (1.15)	$ 0.45	$ 0.44
Shares used in computing basic net (loss) income per share	61,632	59,942	58,438	52,318	48,464
Shares used in computing diluted net (loss) income per share	61,632	59,942	58,438	53,396	49,445
Consolidated Balance Sheets Data:					
Cash and cash equivalents	$ 304,309	$ 261,701	$ 71,446	$ 130,098	$ 42,088
Working capital (1) (2)	441,125	401,692	146,096	289,339	241,567
Total assets (2) (4)	4,883,868	3,915,287	3,414,109	2,954,653	2,397,312
Senior notes (2)	1,285,497	1,282,898	690,886	575,380	575,304
Other long-term debt (2) (3)	536,166	110,005	287,519	273,103	370,224
Other liabilities	120,934	120,826	121,240	42,722	37,371
Total Viasat, Inc. stockholders’ equity	2,027,787	1,907,748	1,837,166	1,734,618	1,129,103

(1) In November 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-17, Income Taxes (Accounting Standards Codification (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 other long-term debt. The current portion of other long-term debt totaled $29.8 million, $19.9 million and $45.3 million as of March 31, 2020, March 31, 2019 and March 31, 2018, respectively. There was no current portion related to other long-term debt in any other period presented.

(4) During the first quarter of fiscal year 2020, we adopted ASU 2016-02, Leases, commonly referred to as ASC 842, which resulted in the addition of operating lease right-of-use assets to our total assets.

Our fiscal year 2016 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 $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 selling, general and administrative (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. 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 6 – Senior Notes and Other Long-Term Debt to our 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 – The Company and a Summary of Its Significant Accounting Policies – Property, equipment and satellites to our 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, focused on making connectivity accessible, available and secure for all. 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, in the air or at sea. In addition, our government business includes a market-leading portfolio of military tactical data link systems, satellite communication products and services 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 vertical integration strategy and 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.

COVID-19

In March 2020, the global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. Government. The COVID-19 pandemic and attempts to contain it, such as mandatory closures, "shelter-in-place" orders and travel restrictions, have caused significant disruptions and adverse effects on U.S. and global economies, including impacts to supply chains, customer demand and financial markets. We have taken measures to protect the health and safety of our employees and to work with our customers, employees, suppliers, subcontractors, distributors, resellers and communities to address the disruptions from the pandemic. At the end of the fourth quarter of fiscal year 2020, we began to see the impacts of the evolving COVID-19 pandemic. However, financial impacts related to COVID-19, including our actions and costs in response to the pandemic, were not material to our financial position, results of operations or cash flows in the fourth quarter of fiscal year 2020. We expect our diversified businesses to provide resiliency as we enter fiscal year 2021.

Our government systems segment, which represented 49% of our total revenues during fiscal year 2020, continued to perform in line with our expectations, with the U.S. Government identifying the Defense Industrial Base as a critical infrastructure sector. Demand for products and services in our government systems segment remained strong despite the evolving COVID-19 pandemic, although our government business has experienced some administrative delays on certain contractual vehicles as government customers adjust to the challenges inherent in the remote work environment resulting from the COVID-19 pandemic.

Since mid-March 2020, we have experienced an uptick in demand for our fixed broadband services as a result of the COVID-19 pandemic, and we are currently participating in certain federal and state programs to ensure our residential and small business customers in the United States have access to connectivity during the pandemic. However, our in-flight services and mobile broadband satellite communications system businesses began to be negatively impacted by the COVID-19 pandemic in the fourth quarter of fiscal year 2020 and we expect this negative impact to continue in fiscal year 2021 and potentially beyond due to the severe decline in global air traffic and resulting downturn in the commercial aviation market. In fiscal year 2020, less than 10% of our total revenues were generated by services and products provided to commercial airlines reported in our satellite services and commercial networks segments.

The extent of the impact of the COVID-19 pandemic on our business in fiscal year 2021 and beyond will depend on many factors, including the duration and scope of the public health emergency, the extent, duration and effectiveness of containment actions taken, the extent of its disruption to important global, regional and local supply chains and economic markets and the impact of the pandemic on overall supply and demand, consumer confidence, discretionary spending levels and levels of economic activity.

Satellite Services

Our satellite services segment uses our proprietary technology platform to provide satellite-based high-speed broadband services around the globe for use in commercial applications. Our proprietary Ka-band satellites are at the core of our technology platform. The primary services offered by our satellite services segment are comprised of:

- Fixed broadband services, which provide consumers and businesses with high-speed, high-quality broadband internet access and Voice over Internet Protocol services. As of March 31, 2020, we provided fixed broadband services to approximately 590,000 U.S. subscribers (excluding subscribers whose service would have ordinarily been terminated in the absence of the federal FCC Pledge and similar state programs we are currently participating in to ensure our customers have access to connectivity during the COVID-19 pandemic). For the three months ended March 31, 2020, average revenue per fixed broadband subscriber reported in the United States (ARPU) was $93.06.
- In-flight services, which provide industry-leading in-flight connectivity (IFC), W-IFE and aviation software services. As of March 31, 2020, we provided IFC services to 1,390 commercial aircraft in service, with IFC services anticipated to be activated on approximately 750 additional commercial aircraft under our existing customer agreements with commercial airlines. The number of commercial aircraft in service may be negatively impacted in future quarters due to the grounding of installed aircraft as a result of the impact of the COVID-19 pandemic on global air traffic and the airline industry. The timing of installation and entry into service for additional aircraft under existing customer agreements may also be delayed due to COVID-19 impacts. There can be no assurance that anticipated IFC services will be activated on all such additional commercial aircraft.
- Community Internet services, which offer innovative, affordable, satellite-based connectivity in communities with poor or no other means of internet access. The services help foster digital inclusion by enabling millions of people to connect to affordable high-quality internet services via a centralized community hotspot connected to the internet via satellite. Our Community Internet services are currently offered primarily in Mexico, and we expect to expand these services to other countries in the future.
- Other mobile broadband services, which include high-speed, satellite-based internet services to seagoing vessels (such as energy offshore vessels, cruise ships, consumer ferries and yachts), as well as L-band managed services enabling real-time machine-to-machine (M2M) position tracking, management of remote assets and operations, and visibility into critical areas of the supply chain.

Commercial Networks

Our commercial networks segment develops and sells a wide array of advanced satellite and wireless products, antenna systems and terminal solutions that support or enable the provision of high-speed fixed and mobile broadband services. 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 broadband satellite communication systems, including next-generation satellite network infrastructure and ground terminals.
- Antenna systems, including ground terminals and antennas for terrestrial and satellite applications, 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.
- Space systems, including the design and development of high-capacity Ka-band satellites and associated payload technologies for our own satellite fleet as well as for third parties.

Government Systems

Our government systems segment offers a broad array of products and services designed to enable the collection and transmission of secure real-time digital information and communications between fixed and mobile command centers, intelligence and defense platforms and individuals in the field. 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 offer an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems, and include products designed for manpacks, aircraft, unmanned aerial vehicles, seagoing vessels, ground-mobile vehicles and fixed applications.
- Secure networking, cybersecurity and information assurance products and services, which provide advanced, high-speed Internet Protocol (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 handheld Link 16 radios, our Small Tactical Terminal 2-channel radios for manned and unmanned applications, "disposable" defense data links, and our Multifunctional Information Distribution System (MIDS) and MIDS Joint Tactical Radio System terminals for military fighter jets.

Sources of Revenues

Our satellite services segment revenues are primarily derived from our fixed broadband services, in-flight services, and worldwide L-band managed 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 88%, 90% and 88% of our total revenues for these segments for fiscal years 2020, 2019 and 2018, 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 24%, 19% and 19% of our total revenues during fiscal years 2020, 2019 and 2018, respectively.

We also incur internal research and development (IR&D) expenses, which are not directly funded by a third party. IR&D expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials, testing and certification related to research and development (R&D) projects. IR&D expenses were approximately 6%, 6% and 11% of total revenues in fiscal years 2020, 2019 and 2018, respectively. As a government contractor, we are able to recover a portion of our IR&D expenses pursuant to our government contracts.

Approximately 11%, 11% and 12% of our total revenues in fiscal years 2020, 2019 and 2018, 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 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. 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). We evaluate whether broadband equipment provided to our customer as part of the delivery of connectivity services represents a lease in accordance with ASC 842. As discussed in Note 1 – The Company and a Summary of Its Significant Accounting Policies – Leases to our consolidated financial statements, for broadband equipment leased to fixed broadband customers in conjunction with the delivery of connectivity services, we account for the lease and non-lease components of connectivity services arrangement as a single performance obligation as the connectivity services represent the predominant component.

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. Estimating the total costs at completion of a performance obligation requires management to make estimates related to items such as subcontractor performance, material costs and availability, labor costs and productivity and the costs of overhead. 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, 2020 would change our income 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 the 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 periodically review the remaining estimated useful life of our satellites to determine if revisions to the estimated useful lives are necessary.

We own three satellites in service (ViaSat-2, ViaSat-1 and WildBlue-1) and have lifetime leases of Ka-band capacity on two satellites. We also have a global constellation of three third-generation ViaSat-3 class satellites under construction. In addition, we own related earth stations and networking equipment for all of our satellites. Property, equipment and satellites, net also includes the customer premise equipment units leased to subscribers under a retail leasing program as part of our satellite services segment.

Leases

For contracts entered into on or after April 1, 2019, we assess at contract inception whether the contract is, or contains, a lease. Generally, we determine that a lease exists when (i) the contract involves the use of a distinct identified asset, (ii) we obtain the right to substantially all economic benefits from use of the asset, and (iii) we have the right to direct the use of the asset. A lease is classified as a finance lease when one or more of the following criteria are met: (i) the lease transfers ownership of the asset by the end of the lease term, (ii) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (iii) the lease term is for a major part of the remaining useful life of the asset, (iv) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset or (v) the asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease is classified as an operating lease if it does not meet any of these criteria.

Starting at April 1, 2019, at the lease commencement date, we recognize a right-of-use asset and a lease liability for all leases, except short-term leases with an original term of 12 months or less. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, less any lease incentives received. All right-of-use assets are periodically reviewed for impairment in accordance with standards that apply to long-lived assets. The lease liability is initially measured at the present value of the lease payments, discounted using an estimate of our incremental borrowing rate for a collateralized loan with the same term as the underlying leases.

Lease payments included in the measurement of lease liabilities consist of (i) fixed lease payments for the noncancelable lease term, (ii) fixed lease payments for optional renewal periods where it is reasonably certain the renewal option will be exercised, and (iii) variable lease payments that depend on an underlying index or rate, based on the index or rate in effect at lease commencement. Certain of our real estate lease agreements require variable lease payments that do not depend on an underlying index or rate established at lease commencement. Such payments and changes in payments based on a rate or index are recognized in operating expenses when incurred.

Lease expense for operating leases consists of the fixed lease payments recognized on a straight-line basis over the lease term plus variable lease payments as incurred. Lease expense for finance leases consists of the depreciation of assets obtained under finance leases on a straight-line basis over the lease term and interest expense on the lease liability based on the discount rate at lease commencement. For both operating and finance leases, lease payments are allocated between a reduction of the lease liability and interest expense.

For broadband equipment leased to fixed broadband customers in conjunction with the delivery of connectivity services, we have made an accounting policy election not to separate the broadband equipment from the related connectivity services. The connectivity services are the predominant component of these arrangements. The connectivity services are accounted for in accordance ASC 606. We are also a lessor for certain insignificant communications equipment. These leases meet the criteria for operating lease classification. Lease income associated with these leases is not material.

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 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 2020, 2019 and 2018.

We account for our goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2017-04, Simplifying the Test for Goodwill Impairment, which we early adopted in the third quarter of fiscal year 2020. ASU 2017-04 simplifies how we test goodwill for impairment by removing Step 2 from the goodwill impairment test. Current authoritative guidance allows us to first assess qualitative factors to determine whether it is necessary to perform the 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, then a goodwill impairment charge will be recognized in the amount by which the carrying amount exceeds the fair value, limited to the total amount of goodwill allocated to that reporting unit. 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.

In accordance with ASC 350, we assess qualitative factors to determine whether goodwill is impaired. 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.

Furthermore, in addition to qualitative analysis, we believe it is appropriate to conduct a quantitative analysis periodically as a prudent review of our reporting unit goodwill fair values. We performed this analysis as of December 31, 2019, our annual impairment test date. Our quantitative analysis estimates the fair values of the reporting units using discounted cash flows and other indicators of fair value. The forecast of future cash flow is based on our best estimate of each reporting unit's future revenue and operating costs, based primarily on existing firm orders, expected future orders, contracts with suppliers, labor resources, general market conditions, and other relevant factors. Based on a quantitative analysis for fiscal year 2020, we concluded that estimated fair values of our reporting units significantly exceed their respective carrying values.

Based on our qualitative and quantitative assessment performed during the fourth quarter of fiscal year 2020 and the additional qualitative and quantitative considerations as of March 31, 2020 in light of the significant decline in our market capitalization following the COVID-19 outbreak, 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, 2020.

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 $33.5 million at March 31, 2019 to $42.6 million at March 31, 2020. 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, 2020	March 31, 2019	March 31, 2018
Revenues:	100.0%	100.0%	100.0%
Product revenues	51	53	47
Service revenues	49	47	53
Operating expenses:			
Cost of product revenues	37	40	35
Cost of service revenues	33	34	36
Selling, general and administrative	23	22	24
Independent research and development	6	6	11
Amortization of acquired intangible assets	—	—	1
Income (loss) from operations	2	(3)	(6)
Interest expense, net	(2)	(2)	—
Loss on extinguishment of debt	—	—	(1)
Income (loss) before income taxes	—	(5)	(7)
Benefit from income taxes	—	2	2
Net income (loss)	1	(3)	(4)
Net loss attributable to Viasat, Inc.	—	(3)	(4)

Fiscal Year 2020 Compared to Fiscal Year 2019

Revenues

	Fiscal Years Ended		Dollar	Percentage
(In millions, except percentages)	March 31, 2020	March 31, 2019	Increase (Decrease)	Increase (Decrease)
Product revenues	$ 1,172.5	$ 1,092.7	$ 79.9	7%
Service revenues	1,136.7	975.6	161.1	17%
Total revenues	$ 2,309.2	$ 2,068.3	$ 241.0	12%

Our total revenues grew by $241.0 million as a result of a $161.1 million increase in service revenues and a $79.9 million increase in product revenues. The service revenue increase was due to an increase of $142.4 million in our satellite services segment, $9.7 million in our commercial networks segment and $9.0 million in our government systems segment. The product revenue increase was driven primarily by an increase of $173.4 million in our government systems segment, partially offset by a decrease in product revenues of $93.6 million in our commercial networks segment.

Cost of revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cost of product revenues	$ 845.8	$ 834.5	$ 11.3	1%
Cost of service revenues	763.9	703.2	60.7	9%
Total cost of revenues	$ 1,609.7	$ 1,537.7	$ 72.0	5%

Cost of revenues increased by $72.0 million due to increases of $60.7 million in cost of service revenues and $11.3 million in cost of product revenues. The cost of service revenue increase was primarily due to increased revenues, mainly from our satellite services segment, causing a $116.2 million increase in cost of service revenues on a constant margin basis. The increase in cost of service revenues was partially offset by improved margins, primarily driven by our fixed broadband services and IFC services in our satellite services segment. The cost of product revenue increase mainly related to increased revenues, causing a $61.0 million increase in cost of product revenues on a constant margin basis mainly from revenue increases in our government systems segment, partially offset by decreased revenues in our commercial networks segment. The increase in cost of product revenues was partially offset by improved margins, primarily driven by our tactical satcom radio products and government satellite communication systems products in our government systems segment and our satellite networking development program products in our commercial networks segment.

Selling, general and administrative expenses

(In millions, except percentages)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 523.1	$ 458.5	$ 64.6	14%

The $64.6 million increase in SG&A expenses reflected an increase in support costs of $68.6 million, which was reflected in all three segments, with the highest increase in the satellite services segment. This increase also reflects a gain of approximately $7.5 million recorded in the prior year period as a reduction to SG&A expenses in our satellite services segment related to our ViaSat-2 satellite insurance claims. These increases in SG&A expenses were partially offset by a decrease in selling costs of $5.3 million driven by our satellite services segment. 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, 2020	Fiscal Years Ended March 31, 2019	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 130.4	$ 123.0	$ 7.4	6%

The $7.4 million increase in IR&D expenses was primarily the result of an increase of $12.1 million in IR&D efforts in our commercial networks segment (primarily related to mobile broadband satellite communication systems and next-generation satellite payload technologies), partially offset by a decrease of $4.3 million in IR&D efforts in our government systems segment (primarily related to 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 $2.0 million decrease in amortization of acquired intangible assets in fiscal year 2020 compared to fiscal year 2019 was primarily the result of certain acquired 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 2021	$ 5,120
Expected for fiscal year 2022	3,297
Expected for fiscal year 2023	2,993
Expected for fiscal year 2024	2,472
Expected for fiscal year 2025	557
Thereafter	—
	$ 14,439

Interest income

The $1.5 million increase in interest income for fiscal year 2020 compared to fiscal year 2019 was primarily the result of higher average invested cash balances during fiscal year 2020 compared to fiscal year 2019.

Interest expense

The $11.4 million decrease in interest expense in fiscal year 2020 compared to fiscal year 2019 was primarily due to a decrease in interest expense attributable to the Ex-Im Credit Facility, as the insurance recovery proceeds related to the ViaSat-2 satellite were used to pay down outstanding borrowings under the Ex-Im Credit Facility in the prior year period, coupled with an increase in the amount of interest capitalized. This decrease was partially offset by an increase in interest expense attributable to the 5.625% Senior Secured Notes due 2027 (the 2027 Notes), which were issued in March 2019. Capitalized interest during fiscal year 2020 related to construction of our ViaSat-3 class satellites, gateway and networking equipment and other assets.

Income taxes

The income tax benefit in fiscal year 2020 reflected benefit from federal and state R&D tax credits, partially offset by the tax expense from our income before income taxes. The income tax benefit in fiscal year 2019 reflected the tax benefit from our loss before income taxes and the benefit from federal and state R&D tax credits.

Segment Results for Fiscal Year 2020 Compared to Fiscal Year 2019

Satellite services segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ —	$ —	$ —	—%
Segment service revenues	826.6	684.2	142.4	21%
Total segment revenues	$ 826.6	$ 684.2	$ 142.4	21%

Our satellite services segment revenues increased by $142.4 million as a result of a $142.4 million increase in service revenues. The increase in service revenues was primarily driven by the expansion of our fixed broadband services and IFC 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. Since mid-March 2020, we have experienced an uptick in demand for our fixed broadband services as a result of the COVID-19 pandemic, and we are currently participating in certain federal and state programs to ensure our residential and small business customers have access to connectivity during the pandemic. Total subscribers at March 31, 2020 were approximately 590,000 (excluding subscribers whose service would have ordinarily been terminated in the absence of the federal FCC Pledge and similar state programs we are currently participating in related to the COVID-19 pandemic) compared to 586,000 subscribers at March 31, 2019. The IFC 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 1,390 commercial aircraft in service utilizing our IFC systems as of March 31, 2020, compared to 1,312 commercial aircraft in service as of March 31, 2019. However, our in-flight services business began to be negatively impacted by the COVID-19 pandemic in the fourth quarter of fiscal year 2020 and we expect this negative impact to continue in fiscal year 2021 and potentially beyond due to the severe decline in global air traffic and the associated grounding of installed aircraft.

Segment operating profit (loss)

(In millions, except percentages)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Dollar Increase (Decrease)	Percentage (Increase) Decrease
Segment operating profit (loss)	$ 7.0	$ (64.3)	$ 71.3	(111)%
Percentage of segment revenues	1%	(9)%		

The change in our satellite services segment operating loss to an operating profit was driven primarily by higher earnings contributions of $99.4 million, mainly due to increased revenues of our fixed broadband services and IFC services, partially offset by higher support costs and our investments in global broadband businesses.

Commercial networks segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 290.0	$ 383.5	$ (93.6)	(24)%
Segment service revenues	54.6	44.9	9.7	22%
Total segment revenues	$ 344.6	$ 428.4	$ (83.8)	(20)%

Our commercial networks segment revenues decreased by $83.8 million, primarily due to a $93.6 million decrease in product revenues, partially offset by a $9.7 million increase in service revenues. The decrease in product revenues was primarily due to a decrease of $125.4 million in mobile broadband satellite communication systems products due to accelerated IFC terminal deliveries in the prior year period, partially offset by increases of $13.5 million in satellite networking development programs products and $12.9 million in antenna systems products. The service revenue increase was mainly due to a $11.4 million increase in mobile broadband satellite communication systems services.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Dollar (Increase) Decrease	Percentage (Increase) Decrease
Segment operating loss	$ (186.9)	$ (166.6)	$ (20.3)	(12)%
Percentage of segment revenues	(54)%	(39)%		

The $20.3 million increase in our commercial networks segment operating loss was driven primarily by a $12.9 million increase in SG&A expenses and an increase of $12.1 million in IR&D expenses (primarily related to mobile broadband satellite communication systems and next-generation satellite payload technologies). The increase in operating loss was partially offset by higher earnings contributions of $4.7 million, driven by increased revenues and improved margins from our satellite networking development programs products.

Government systems segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 882.6	$ 709.1	$ 173.4	24%
Segment service revenues	255.5	246.5	9.0	4%
Total segment revenues	$ 1,138.1	$ 955.6	$ 182.4	19%

Our government systems segment revenues increased by $182.4 million due to increases of $173.4 million in product revenues and $9.0 million in service revenues. The product revenue increase was due to a $65.5 million increase in tactical satcom radio products, a $58.4 million increase in tactical data link products, a $42.6 million increase in government satellite communication systems products and a $23.1 million increase in government mobile broadband products, partially offset by a $15.5 million decrease in cybersecurity and information assurance products. The service revenue increase was primarily due to a $5.5 million increase in government mobile broadband services and a $3.7 million increase in tactical data link services.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 225.9	$ 180.0	$ 45.9	26%
Percentage of segment revenues	20%	19%		

The $45.9 million increase in our government systems segment operating profit was primarily due to higher earnings contributions of $66.9 million, primarily due to an increase in revenues and improved margins from our tactical satcom radio products and government satellite communication systems products and increased revenues from tactical data link products. This increase was partially offset by higher SG&A costs of $25.3 million.

Fiscal Year 2019 Compared to Fiscal Year 2018

For a discussion of our results of operations for fiscal year 2019 as compared to fiscal year 2018, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2019.

Backlog

As reflected in the table below, our overall firm and funded backlog increased during fiscal year 2020. The increases in both firm and funded backlog were attributable to increases in our satellite services and commercial networks segments.

	As of March 31, 2020	As of March 31, 2019
	(In millions)	
Firm backlog		
Satellite services segment	$ 611.3	$ 581.3
Commercial networks segment	408.1	353.8
Government systems segment	851.3	931.2
Total	$ 1,870.7	$ 1,866.3
Funded backlog		
Satellite services segment	$ 611.3	$ 581.3
Commercial networks segment	408.1	353.8
Government systems segment	858.7	912.0
Total	$ 1,878.1	$ 1,847.1

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 during the next twelve months, with the balance delivered thereafter. We include in our backlog only those orders for which we have accepted purchase orders, and not anticipated purchase orders and requests. In our satellite services segment, our backlog includes fixed broadband service revenues under our subscriber agreements, but does not include future recurring IFC service revenues under our agreements with commercial airlines. As of March 31, 2020, we provided IFC services to 1,390 commercial aircraft, with IFC services anticipated to be activated on approximately 750 additional commercial aircraft under our existing customer agreements with commercial airlines. The number of commercial aircraft in service may be negatively impacted in future quarters due to the grounding of installed aircraft as a result of the impact of the COVID-19 pandemic on global air traffic and the airline industry. The timing of installation and entry into service of IFC systems on additional aircraft under existing customer agreements may also be delayed as a result of the impact of the COVID-19 pandemic on the global airline industry. Accordingly, there can be no assurance that all anticipated purchase orders and requests will be placed or that anticipated IFC services will be activated.

Our total new awards exclude future revenue under recurring consumer commitment arrangements and were approximately $2.3 billion, $2.4 billion and $1.7 billion for fiscal years 2020, 2019 and 2018, 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, 2020, we had $304.3 million in cash and cash equivalents, $441.1 million in working capital, and $390.0 million in principal amount of outstanding borrowings and borrowing availability of $292.7 million under our revolving credit facility (the Revolving Credit Facility). 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. 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.

To date, COVID-19 has not had a significant impact on our liquidity, cash flows or capital resources. However, we have taken measures to mitigate the impact of COVID-19 on our business and financial position, including deferring certain capital expenditures, reducing discretionary expenditures and undertaking cost-reduction actions. We also drew $280.0 million, net, under our Revolving Credit Facility during the fourth quarter of fiscal year 2020 as a precautionary measure to preserve

financial flexibility as we manage the impact of COVID-19. Given our current cash position, outlook for funds generated from operations, remaining borrowing availability under our Revolving Credit Facility of $292.7 million, cash needs and debt structure, we have not experienced to date, and do not expect to experience, any material issues with liquidity. Although we can give no assurances concerning our future liquidity, 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 2020 was $436.9 million compared to $327.6 million for fiscal year 2019. This $109.4 million increase was primarily driven by our operating results (net income adjusted for depreciation, amortization and other non-cash changes) which resulted in $136.6 million of higher cash provided by operating activities year-over-year, partially offset by a $27.3 million year-over-year increase in cash used to fund net operating assets. The increase in cash used to fund net operating assets during fiscal year 2020 when compared to fiscal year 2019 was primarily due to an increase in cash used for inventory in our commercial networks segment reflecting the accelerated install schedule in mobile broadband satellite communications systems products in the prior year period and timing of payments related to our accrued liabilities.

Cash used in investing activities for fiscal year 2020 was $758.8 million compared to $489.4 million for fiscal year 2019. This $269.4 million increase in cash used in investing activities year-over year reflects an increase of $87.3 million in cash used for satellite construction, as well as the receipt in fiscal year 2019 of $183.4 million in insurance proceeds from insurance claims relating to the ViaSat-2 satellite.

Cash provided by financing activities for fiscal year 2020 was $365.2 million compared to $354.6 million for fiscal year 2019. Cash provided by financing activities year-over-year included a decrease in payments on borrowings under our Revolving Credit Facility of $480.0 million, a decrease in payments on borrowings under the Ex-Im Credit Facility of $201.2 million and a decrease of $7.3 million in payments of debt issuance costs, offset by lower proceeds from borrowings under our Revolving Credit Facility of $90.0 million and the receipt in the prior year period of $600.0 million of gross proceeds from our 2027 Notes. Cash provided by financing activities for both periods included cash received from stock option exercises and employee stock purchase plan purchases which were $12.1 million higher year-over-year. Both periods also included 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.

Satellite-related activities

In connection with the development of any new generation satellite design, and the launch of any new satellite and the commencement of the related service, we expect to incur additional operating costs that negatively impact our financial results. For example, when ViaSat-2 was placed in service in the fourth quarter of fiscal year 2018, this resulted in additional operating costs in our satellite services segment during the ramp-up period prior to service launch and in the fiscal year following service launch. These increased operating costs included depreciation, amortization of capitalized software development, earth station connectivity, marketing and advertising costs, logistics, customer care and various support systems. In addition, interest expense increased during fiscal year 2019 as we no longer capitalized the interest expense relating to the debt incurred for the construction of ViaSat-2 and the related gateway and networking equipment once the satellite was in service. However, as the services we provide using the new satellite continue to scale, we expect to expand the revenue base for our broadband 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. 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.

Our first two ViaSat-3 class satellites, which are expected to cover the Americas and the Europe, Middle East and Africa (EMEA) region, respectively, entered the phase of full construction during the second half of fiscal year 2018. In July 2019, we entered into an agreement with The Boeing Company for the construction and purchase of a third ViaSat-3 class satellite and the integration of our payload technologies into the satellite. This satellite is expected to cover the Asia and Pacific (APAC) region. We expect our ViaSat-3 constellation, once in service, to provide a substantial amount of capacity and to enable us to deliver affordable connectivity across most of the world. 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 $1.4 billion and $1.5 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. We believe we have adequate sources of funding for the ViaSat-3 class satellites, which include, but are not limited to, our cash on hand, borrowing capacity and the cash we expect to generate from operations over the next few years. Our total cash funding may be reduced through various third-party agreements, including potential joint service offerings and other strategic partnering arrangements.

Our IR&D investments are expected to continue through fiscal year 2021 and beyond relating to ViaSat-3 ground infrastructure and support of our 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. However, 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 2021, capital expenditures are expected to increase when compared to fiscal year 2020, as we 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, 2020, 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. As of March 31, 2020, we had $390.0 million in principal amount of outstanding borrowings under the Revolving Credit Facility and $17.3 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of March 31, 2020 of $292.7 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. As of March 31, 2020, the weighted average effective interest rate on our outstanding borrowings under the Revolving Credit Facility was 2.70%. 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, 2020, 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.

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, 2020, we had $117.9 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 proceeds related to the ViaSat-2 satellite must be used to pay down outstanding borrowings under the Ex-Im Credit Facility upon receipt. During the first three months of fiscal year 2020, we received the remaining insurance proceeds of $2.3 million, which were in addition to the $185.7 million of insurance proceeds received during fiscal year 2019 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 (consisting of 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 commenced 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, 2020, 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 our 5.625% Senior Notes due 2025 (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 our 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 the 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, 2020, 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) and the 2027 Notes (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 our 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, 2020:

(In thousands, including interest where applicable)	Total	For the Fiscal Years Ending 2021	2022-2023	2024-2025	Thereafter
Operating leases	$ 487,638	$ 62,064	$ 124,765	$ 115,580	$ 185,229
Finance leases	76,350	13,350	24,000	24,000	15,000
2027 Notes	853,125	33,750	67,500	67,500	684,375
2025 Notes	916,563	39,375	78,750	78,750	719,688
Revolving Credit Facility (1)	430,611	10,679	21,359	398,573	—
Ex-Im Credit Facility	127,042	22,349	43,279	41,411	20,003
Satellite performance incentives	34,346	2,829	9,491	10,428	11,598
Purchase commitments including satellite-related agreements	1,853,750	1,045,887	721,621	59,653	26,589
Total	$ 4,779,425	$ 1,230,283	$ 1,090,765	$ 795,895	$ 1,662,482

(1) To the extent that the interest rate is variable and ultimate amounts borrowed under the Revolving Credit Facility may fluctuate, amounts reflected represent estimated interest payments on our current outstanding balances based on the weighted average effective interest rate at March 31, 2020 until the maturity date in January 2024.

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 $120.9 million and $120.8 million of “other liabilities” as of March 31, 2020 and March 31, 2019, 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 and, in fiscal year 2019 only, the long-term portion of deferred rent. 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 incentives”), 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 12 – Commitments to our consolidated financial statements for additional information regarding satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites. See Note 14 – Product Warranty 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, 2020 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 – The Company and a Summary of Its Significant Accounting Policies 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, 2020, we had $390.0 million in principal amount of outstanding borrowings under our Revolving Credit Facility, $117.9 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, 2020 and March 31, 2019. 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.

As of March 31, 2020, we had $390.0 million in principal amount of outstanding borrowings under our Revolving Credit Facility. 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. At March 31, 2020, the weighted average effective interest rate on our outstanding borrowings under the Revolving Credit Facility was 2.70%. Assuming the outstanding balance remained constant over a year, a 50 basis point increase in the interest rate would increase interest incurred, prior to effects of capitalized interest, by approximately $2.0 million over a twelve-month period.

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 income (loss) before income taxes by an insignificant amount for the fiscal years ended March 31, 2020 and March 31, 2019. 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, 2020, we had no foreign currency forward contracts outstanding. The notional value of foreign currency forward contracts outstanding was $9.9 million as of March 31, 2019. If the foreign currency forward rate on our foreign currency forward contracts had changed by 10%, the fair value of these foreign currency forward contracts as of March 31, 2019 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 2020 and 2019 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
2020				
Total revenues	$ 537,037	$ 592,256	$ 588,224	$ 591,721
(Loss) income from operations	(8,065)	18,425	13,969	14,092
Net (loss) income	(9,737)	8,062	10,590	4,898
Net (loss) income attributable to Viasat, Inc.	(11,468)	3,194	6,476	1,586
Basic net (loss) income per share attributable to Viasat, Inc.	$ (0.19)	$ 0.05	$ 0.10	$ 0.03
Diluted net (loss) income per share attributable to Viasat, Inc.	$ (0.19)	$ 0.05	$ 0.10	$ 0.03
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

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 – The Company and a Summary of Its Significant accounting Policies – Property, equipment and satellites to our 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, 2020, 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, 2020.

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, 2020.

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, 2020, as stated in their report which appears on page 45.

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, 2020, 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 Stockholders 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, 2020 and 2019, and the related statements of operations and comprehensive income (loss), of equity, and of cash flows for each of the three years in the period ended March 31, 2020, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) for each of the three years in the period ended March 31, 2020 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2020 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, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in fiscal year 2020 and 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition – Estimated Costs at Completion

As described in Note 1 to the consolidated financial statements, 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. A portion of the Company's total revenues of $2.3 billion are from long-term contracts. 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 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. Estimating the total costs at completion of a performance obligation requires management to make estimates related to items such as subcontractor performance, material costs and availability, labor costs and productivity, and the costs of overhead.

The principal considerations for our determination that performing procedures relating to revenue recognition – estimated costs at completion is a critical audit matter are there was significant judgment by management when developing the estimated costs at completion on individual fixed-price contracts. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating evidence related to the estimated costs at completion, including the evaluation of management's judgment as it relates to the subcontractor performance, material costs and availability, labor costs and productivity, and the costs of overhead.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the completeness and accuracy of estimated costs at completion. The procedures also included, among others, evaluating and testing management’s process for developing estimates of total estimated costs at completion for long-term contracts for a sample of contracts. This included testing the completeness and accuracy of costs incurred to date and evaluating the reasonableness of significant estimates used by management, including subcontractor performance, material costs and availability, labor costs and productivity, and overhead costs, and considering factors that could affect the accuracy of those estimates. Evaluating the reasonableness of the significant assumptions used involved assessing management’s ability to reasonably estimate costs at completion by (i) testing samples of third-party quotes or bids for materials and subcontractor services, (ii) assessing the reasonableness of estimates of labor and overhead in comparison to actual labor and overhead costs incurred to date, and (iii) evaluating the timely identification of circumstances that may warrant a modification to estimated costs to complete, including actual costs in excess of estimates.

San Diego, California
May 28, 2020

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

VIASAT, INC.
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2020	As of March 31, 2019
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 304,309	$ 261,701
Accounts receivable, net	330,698	300,307
Inventories	294,416	234,518
Prepaid expenses and other current assets	116,281	90,646
Total current assets	1,045,704	887,172
Property, equipment and satellites, net	2,586,735	2,125,290
Operating lease right-of-use assets	308,441	—
Other acquired intangible assets, net	14,439	22,301
Goodwill	121,197	121,719
Other assets	807,352	758,805
Total assets	$ 4,883,868	$ 3,915,287
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 183,601	$ 157,275
Accrued and other liabilities	391,190	308,268
Current portion of long-term debt	29,788	19,937
Total current liabilities	604,579	485,480
Senior notes	1,285,497	1,282,898
Other long-term debt	536,166	110,005
Non-current operating lease liabilities	286,550	—
Other liabilities	120,934	120,826
Total liabilities	2,833,726	1,999,209
Commitments and contingencies (Notes 12 and 13)		
Equity:		
Viasat, Inc. stockholders' equity		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2020 and 2019, respectively	—	—
Common stock, $0.0001 par value, 100,000,000 shares authorized; 62,147,140 and 60,550,093 shares outstanding at March 31, 2020 and 2019, respectively	6	6
Paid-in capital	1,788,456	1,656,819
Retained earnings	245,373	245,585
Accumulated other comprehensive (loss) income	(6,048)	5,338
Total Viasat, Inc. stockholders' equity	2,027,787	1,907,748
Noncontrolling interest in subsidiary	22,355	8,330
Total equity	2,050,142	1,916,078
Total liabilities and equity	$ 4,883,868	$ 3,915,287

See accompanying notes to the consolidated financial statements.

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

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
	(In thousands, except per share data)		
Revenues:			
Product revenues	$ 1,172,541	$ 1,092,691	$ 755,547
Service revenues	1,136,697	975,567	839,078
Total revenues	2,309,238	2,068,258	1,594,625
Operating expenses:			
Cost of product revenues	845,757	834,472	553,677
Cost of service revenues	763,930	703,249	567,137
Selling, general and administrative	523,085	458,458	385,420
Independent research and development	130,434	123,044	168,347
Amortization of acquired intangible assets	7,611	9,655	12,231
Income (loss) from operations	38,421	(60,620)	(92,187)
Other income (expense):			
Interest income	1,648	149	960
Interest expense	(38,641)	(50,010)	(4,026)
Loss on extinguishment of debt	—	—	(10,217)
Income (loss) before income taxes	1,428	(110,481)	(105,470)
Benefit from income taxes	7,915	41,014	35,217
Equity in income of unconsolidated affiliate, net	4,470	2,998	1,978
Net income (loss)	13,813	(66,469)	(68,275)
Less: net income (loss) attributable to noncontrolling interests, net of tax	14,025	1,154	(970)
Net loss attributable to Viasat, Inc.	$ (212)	$ (67,623)	$ (67,305)
Net loss per share attributable to Viasat, Inc. common stockholders:			
Basic net loss per share attributable to Viasat, Inc. common stockholders	$ (0.00)	$ (1.13)	$ (1.15)
Diluted net loss per share attributable to Viasat, Inc. common stockholders	$ (0.00)	$ (1.13)	$ (1.15)
Shares used in computing basic net loss per share	61,632	59,942	58,438
Shares used in computing diluted net loss per share	61,632	59,942	58,438
Comprehensive income (loss):			
Net income (loss)	$ 13,813	$ (66,469)	$ (68,275)
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on hedging, net of tax	235	(242)	67
Foreign currency translation adjustments, net of tax	(11,621)	(9,985)	15,785
Other comprehensive (loss) income, net of tax	(11,386)	(10,227)	15,852
Comprehensive income (loss)	2,427	(76,696)	(52,423)
Less: comprehensive income (loss) attributable to noncontrolling interests, net of tax	14,025	1,154	(970)
Comprehensive loss attributable to Viasat, Inc.	$ (11,598)	$ (77,850)	$ (51,453)

See accompanying notes to the consolidated financial statements.

VIASAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
Cash flows from operating activities:			
Net income (loss)	$ 13,813	$ (66,469)	$ (68,275)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	279,733	262,289	210,441
Amortization of intangible assets	62,445	56,324	45,211
Stock-based compensation expense	86,553	79,599	68,545
Loss on disposition of fixed assets	45,622	41,957	32,978
Loss on extinguishment of debt	—	—	10,217
Other non-cash adjustments	(3,154)	(25,330)	(29,675)
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of effect of acquisition:			
Accounts receivable	(44,807)	(46,108)	(12,439)
Inventories	(58,997)	(36,593)	(37,562)
Other assets	(3,313)	(2,349)	(25,975)
Accounts payable	28,175	(5,714)	32,503
Accrued liabilities	55,126	71,478	60,042
Other liabilities	(24,260)	(1,533)	72,622
Net cash provided by operating activities	436,936	327,551	358,633
Cash flows from investing activities:			
Purchase of property, equipment and satellites	(693,966)	(636,855)	(511,634)
Cash paid for patents, licenses and other assets	(67,112)	(49,965)	(72,853)
Proceeds from insurance claims on ViaSat-2 satellite	2,277	185,706	—
Proceeds from sale of real property	—	14,034	—
Payments related to acquisition of business, net of cash acquired	—	(2,339)	—
Net cash used in investing activities	(758,801)	(489,419)	(584,487)
Cash flows from financing activities:			
Proceeds from debt borrowings	420,000	1,110,000	752,503
Payments of debt borrowings	(59,691)	(732,840)	(575,000)
Payment of debt issuance costs	(2,479)	(9,767)	(9,759)
Payment of debt extinguishment costs	—	—	(10,602)
Proceeds from issuance of common stock under equity plans	38,410	26,330	26,165
Purchase of common stock in treasury (immediately retired) related to tax withholdings for stock-based compensation	(28,802)	(28,826)	(24,206)
Proceeds from noncontrolling interest capital contribution	—	—	8,491
Other financing activities	(2,253)	(10,280)	(1,816)
Net cash provided by financing activities	365,185	354,617	165,776
Effect of exchange rate changes on cash	(712)	(2,494)	1,426
Net increase (decrease) in cash and cash equivalents	42,608	190,255	(58,652)
Cash and cash equivalents at beginning of fiscal year	261,701	71,446	130,098
Cash and cash equivalents at end of fiscal year	$ 304,309	$ 261,701	$ 71,446
Supplemental information:			
Cash paid for interest (net of amounts capitalized)	$ 27,805	$ 35,119	$ 3,722
Cash paid for income taxes, net	$ 10,950	$ 1,758	$ 4,021
Non-cash investing and financing activities:			
Issuance of common stock in satisfaction of certain accrued employee compensation liabilities	$ 22,829	$ 32,129	$ 16,409
Capital expenditures not paid for	$ 43,606	$ 40,619	$ 41,149
Debt issuance costs not paid for	$ —	$ 2,479	$ —
Exposure fees on Ex-Im credit facility financed through Ex-Im credit facility	$ —	$ —	$ 5,764

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, 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
Exercise of stock options	340,373	—	21,060	—	—	—	21,060
Issuance of stock under Employee Stock Purchase Plan	311,137	—	17,350	—	—	—	17,350
Stock-based compensation	—	—	99,200	—	—	—	99,200
Shares issued in settlement of certain accrued employee compensation liabilities	255,615	—	22,829	—	—	—	22,829
RSU awards vesting, net of shares withheld for taxes which have been retired	689,922	—	(28,802)	—	—	—	(28,802)
Net (loss) income	—	—	—	(212)	—	14,025	13,813
Other comprehensive loss, net of tax	—	—	—	—	(11,386)	—	(11,386)
Balance at March 31, 2020	62,147,140	$ 6	$ 1,788,456	$ 245,373	$ (6,048)	$ 22,355	$ 2,050,142

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.

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, allowance for doubtful accounts, valuation of goodwill and other intangible assets, patents, orbital slots and other licenses, software development, property, equipment and satellites, long-lived assets, 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 30%, 26% and 31% of total revenues for fiscal years 2020, 2019 and 2018, respectively. Billed accounts receivable to the U.S. government as of March 31, 2020 and 2019 were approximately 35% and 32%, respectively, of total billed receivables. In addition, none of the Company's commercial customers comprised 10% or more of total revenues for fiscal years 2020, 2019 and 2018. The Company's five largest contracts generated approximately 18%, 20% and 20% of the Company's total revenues for the fiscal years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively.

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. The Company periodically reviews the remaining estimated useful life of its satellites to determine if revisions to estimated useful lives are necessary. 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 17 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, which are approximately three to seven years. Capitalized costs for internal-use software are included in property, equipment and satellites, net in the Company's consolidated balance sheets.

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 $54.1 million and $39.5 million of interest expense for the fiscal years ended March 31, 2020 and March 31, 2019, respectively. 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 of interest expense during the fiscal year ended March 31, 2018.

The Company owns three satellites in service (ViaSat-2, ViaSat-1 and WildBlue-1) and has lifetime leases of Ka-band capacity on two satellites. The Company also has a global constellation of three third-generation ViaSat-3 class satellites under construction. In addition, the Company owns related earth stations and networking equipment for all of its satellites. 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, equipment and satellites, net

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, equipment and satellites, net, as of March 31, 2020 were $399.3 million and $165.7 million, respectively. The total cost and accumulated depreciation of CPE units included in property, equipment and satellites, net, as of March 31, 2019 were $373.4 million and $142.6 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 corrective 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 the first three months of fiscal year 2020, the Company received the remaining insurance proceeds of $2.3 million, which were in addition to the $185.7 million of insurance proceeds received in fiscal year 2019 related to the ViaSat-2 satellite. 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 6 — Senior Notes and Other Long-Term Debt for more information). Pursuant to the terms of the Ex-Im Credit Facility, the proceeds received from the insurance claims for ViaSat-2 were used to pay down outstanding borrowings under the Ex-Im Credit Facility.

Occasionally, the Company may enter into finance lease arrangements for various machinery, equipment, computer-related equipment, software, furniture, fixtures, or satellites. The Company records amortization of assets leased under finance lease arrangements within depreciation expense (see Note 1 — The Company and a Summary of Its Significant Accounting Policies – Leases and Note 5 – Leases for more information).

Leases

The Company adopted ASU 2016-02, Leases, as amended, commonly referred to as ASC 842, on April 1, 2019 using the optional transition method. Under the optional transition method, the Company applied the new guidance to all leases that commenced before and were existing as of April 1, 2019. Accordingly, the Company did not adjust comparative periods or make the new required lease disclosures for periods before the adoption date of April 1, 2019. The primary impact of ASC 842 on the Company's consolidated financial statements is the recognition of right-of-use assets and related liabilities on its consolidated balance sheet for operating leases where the Company is the lessee. The Company's adoption of ASC 842 did not have a material impact on its results of operations for fiscal year ended March 31, 2020, or on its cash flow for the fiscal year ended March 31, 2020.

The Company elected certain practical expedients under its transition method, including the practical expedient package to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the classification of existing leases, and (iii) initial direct costs for any existing leases. The Company also elected the land easement transition practical expedient, and did not reassess whether an existing or expired land easement is a lease or contains a lease if it has not historically been accounted for as a lease. In addition, for real estate leases, the Company has elected not to separate non-lease components from lease components and instead will account for each separate lease and non-lease component as a single lease component.

The following table presents the summary of the impact of adopting the new standard:

	As of March 31, 2019	Impact of ASC 842	As of April 1, 2019
		(In thousands)	
Consolidated Balance Sheets:			
Prepaid expenses and other current assets	$ 90,646	$ (467)	$ 90,179
Operating lease right-of-use assets	—	327,329	327,329
Total assets	3,915,287	326,862	4,242,149
Accrued and other liabilities	308,268	38,406	346,674
Non-current operating lease liabilities	—	305,167	305,167
Other liabilities	120,826	(16,711)	104,115
Total liabilities	1,999,209	326,862	2,326,071
Total liabilities and equity	3,915,287	326,862	4,242,149

Lessee accounting

For contracts entered into on or after April 1, 2019, the Company assesses at contract inception whether the contract is, or contains, a lease. Generally, the Company determines that a lease exists when (i) the contract involves the use of a distinct identified asset, (ii) the Company obtains the right to substantially all economic benefits from use of the asset, and (iii) the Company has the right to direct the use of the asset. A lease is classified as a finance lease when one or more of the following criteria are met: (i) the lease transfers ownership of the asset by the end of the lease term, (ii) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (iii) the lease term is for a major part of the remaining useful life of the asset, (iv) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset or (v) the asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease is classified as an operating lease if it does not meet any of these criteria.

At the lease commencement date, the Company recognizes a right-of-use asset and a lease liability for all leases, except short-term leases with an original term of 12 months or less. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, less any lease incentives received. All right-of-use assets are periodically reviewed for impairment in accordance with standards that apply to long-lived assets. The lease liability is initially measured at the present value of the lease payments, discounted using an estimate of the Company's incremental borrowing rate for a collateralized loan with the same term as the underlying leases.

Lease payments included in the measurement of lease liabilities consist of (i) fixed lease payments for the noncancelable lease term, (ii) fixed lease payments for optional renewal periods where it is reasonably certain the renewal option will be exercised, and (iii) variable lease payments that depend on an underlying index or rate, based on the index or rate in effect at lease commencement. Certain of the Company's real estate lease agreements require variable lease payments that do not depend on an underlying index or rate established at lease commencement. Such payments and changes in payments based on a rate or index are recognized in operating expenses when incurred.

Lease expense for operating leases consists of the fixed lease payments recognized on a straight-line basis over the lease term plus variable lease payments as incurred. Lease expense for finance leases consists of the depreciation of assets obtained under finance leases on a straight-line basis over the lease term and interest expense on the lease liability based on the discount rate at lease commencement. For both operating and finance leases, lease payments are allocated between a reduction of the lease liability and interest expense.

Lessor accounting

For broadband equipment leased to fixed broadband customers in conjunction with the delivery of connectivity services, the Company has made an accounting policy election not to separate the broadband equipment from the related connectivity services. The connectivity services are the predominant component of these arrangements. The connectivity

services are accounted for in accordance with ASC 606. The Company is also a lessor for certain insignificant communications equipment. These leases meet the criteria for operating lease classification. Lease income associated with these leases is not material.

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 $3.3 million and $3.2 million related to patents were included in other assets as of March 31, 2020 and 2019, respectively. The Company capitalized costs of $39.5 million and $22.9 million related to acquiring and obtaining orbital slots and other licenses included in other assets as of March 31, 2020 and 2019, respectively. Accumulated amortization related to these assets was $3.7 million and $3.0 million as of March 31, 2020 and 2019, respectively. Amortization expense related to these assets was an insignificant amount for the fiscal years ended March 31, 2020, 2019 and 2018. If a patent, orbital slot or other license is rejected, abandoned or otherwise invalidated, the unamortized cost is expensed in that period. During fiscal years 2020, 2019 and 2018, 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 year 2020 no debt issuance costs were capitalized, and in 2019 and 2018, $12.2 million and $9.8 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 (loss). 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 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 independent 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 $242.7 million and $244.4 million related to software developed for resale were included in other assets as of March 31, 2020 and 2019, respectively. The Company capitalized $51.3 million and $43.5 million of costs related to software developed for

resale for the fiscal years ended March 31, 2020 and 2019, respectively. Amortization expense for software development costs was $53.0 million, $45.9 million and $32.5 million during fiscal years 2020, 2019 and 2018, 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 2020, 2019 and 2018.

The Company accounts for its goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2017-04, Simplifying the Test for Goodwill Impairment, which the Company early adopted in the third quarter of fiscal year 2020. ASU 2017-04 simplifies how the Company tests goodwill for impairment by removing Step 2 from the goodwill impairment test. Current authoritative guidance allows the Company to first assess qualitative factors to determine whether it is necessary to perform the 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, then a goodwill impairment charge will be recognized in the amount by which the carrying amount exceeds the fair value, limited to the total amount of goodwill allocated to that reporting unit. 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.

In accordance with ASC 350, the Company assesses qualitative factors to determine whether goodwill is impaired. 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.

Furthermore, in addition to qualitative analysis, the Company believes it is appropriate to conduct a quantitative analysis periodically as a prudent review of its reporting unit goodwill fair values. The Company performed this analysis as of December 31, 2019, the Company's annual impairment test date. The Company's quantitative analysis estimates the fair values of the reporting units using discounted cash flows and other indicators of fair value. The forecast of future cash flow is based on the Company's best estimate of each reporting unit's future revenue and operating costs, based primarily on existing firm orders, expected future orders, contracts with suppliers, labor resources, general market conditions, and other relevant factors. Based on a quantitative analysis for fiscal year 2020, the Company concluded that estimated fair values of the Company's reporting units significantly exceed their respective carrying values.

Based on the Company's qualitative and quantitative assessment performed during the fourth quarter of fiscal year 2020 and the additional qualitative and quantitative consideration as of March 31, 2020 in light of the significant decline in the Company's market capitalization following the COVID-19 outbreak, 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, 2020. No impairments were recorded by the Company related to goodwill and other intangible assets for fiscal years 2020, 2019 and 2018.

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 14 – Product Warranty).

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 – Fair Value Measurements).

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 $6.2 million and $5.4 million in accrued and other liabilities in the consolidated balance sheets as of March 31, 2020 and 2019, 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 and other 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, 2020 and 2019, 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, 2020 and 2019, the Company had no shares of common stock held in treasury.

During fiscal years 2020, 2019 and 2018, the Company issued 1,075,526, 1,201,502 and 896,776 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 385,604, 427,088 and 335,295 shares of common stock at cost and with a total value of $28.8 million, $28.8 million and $24.2 million during fiscal years 2020, 2019 and 2018, 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.

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 2020 was $12.8 million, or $11.6 million net of tax. 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 attributed to Viasat, Inc. during fiscal year 2018 was $22.8 million, or $15.8 million net of tax.

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) using the modified retrospective method of adoption. This update established ASC 606, Revenue from Contracts with Customers and ASC 340-40, Other Assets and Deferred Costs – Contracts with Customers.

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. 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). The Company evaluates whether broadband equipment provided to its customers as part of the delivery of connectivity services represents a lease in accordance with ASC 842. As discussed further above under "Leases - Lessor accounting", for broadband equipment leased to consumer broadband customers in conjunction with the delivery of connectivity services, the Company accounts for the lease and non-lease components of connectivity service arrangements as a single performance obligation as the connectivity services represent the predominant component.

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. Estimating the total costs at completion of a performance obligation requires management to make estimates related to items such as subcontractor performance, material costs and availability, labor costs and productivity and the costs of overhead. 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 years 2019 or 2020. As of March 31, 2020, 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 the 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, 2020 and March 31, 2019, the Company had $7.8 million and $4.9 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 13 – Contingencies).

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 the 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, 2020, 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 years ended March 31, 2020 and 2019:

	Fiscal Year Ended March 31, 2020			
	Satellite Services	Commercial Networks	Government Systems	Total Revenues
	(In thousands)			
Product revenues	$ —	$ 289,959	$ 882,582	$ 1,172,541
Service revenues	826,583	54,598	255,516	1,136,697
Total revenues	$ 826,583	$ 344,557	$ 1,138,098	$ 2,309,238

	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 30% and 26% of total revenues for the fiscal years ended March 31, 2020 and 2019, respectively, mainly reported within the government systems segment. The Company's commercial customers, mainly reported within the commercial networks and satellite services segments, comprised approximately 70% and 74% of total revenues for the fiscal years ended March 31, 2020 and 2019, respectively.

The Company's satellite services segment revenues are primarily derived from the Company's fixed broadband services, in-flight services and worldwide L-band managed 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 88% and 90% of the Company's total revenues for these segments for the fiscal years ended March 31, 2020 and March 31, 2019, respectively. 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 24% and 19% of its total revenues for the fiscal years ended March 31, 2020 and March 31, 2019, respectively.

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, 2020 and March 31, 2019:

	As of March 31, 2020	As of March 31, 2019
	(In thousands)	
Unbilled accounts receivable	$ 75,661	$ 83,743
Collections in excess of revenues and deferred revenues	123,019	125,540
Deferred revenues, long-term portion	80,802	71,230

Unbilled accounts receivable decreased $8.1 million during fiscal year 2020, primarily driven by an increase in billings in the Company's satellite services and commercial networks segments.

Collections in excess of revenues and deferred revenues decreased $2.5 million during fiscal year 2020, 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, 2020, the Company recognized revenue of $93.1 million related to the Company's collections in excess of revenues and deferred revenues at March 31, 2019.

Other assets and deferred costs – contracts with customers

Per ASC 340-40, Other Assets and Deferred Costs – Contracts with Customers, the Company recognizes 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 $58.1 million and $18.9 million as of March 31, 2020, respectively. Of the Company's total deferred customer contract acquisition costs and costs to fulfill contracts, $23.5 million was included in prepaid expenses and other current assets and $53.5 million was included in other assets on the Company's consolidated balance sheet as of March 31, 2020. 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 $46.4 million for the fiscal year ended March 31, 2020. 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.

Advertising costs

In accordance with the authoritative guidance for advertising costs (ASC 720-35), advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses for fiscal years 2020, 2019 and 2018 were $25.8 million, $37.8 million and $14.4 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. The Company accounts for forfeitures as they occur.

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.

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 15 – Segment Information).

Recent authoritative guidance

In February 2016, the Financial Accounting Standards Board (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 Company adopted the new guidance using the optional transition method in the first quarter of fiscal year 2020. Therefore, the periods prior to the effective date of adoption continue to be reported under the current authoritative guidance for leases (ASC 840). The adoption of this guidance materially impacted the Company's consolidated balance sheet upon adoption due to the recognition of lease liabilities and right-of-use assets. The new guidance did not have a material impact on the Company's consolidated statements of operations and comprehensive income (loss) or consolidated statements of cash flows (see Note 1 – The Company and a Summary of Its Significant Accounting Policies – Leases and Note 5 – Leases for more information).

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 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. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to ASC 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. In April 2019, the FASB issued ASU 2019-04, Codification Improvements to ASC 326, Financial Instruments – Credit Losses, in May 2019, the FASB issued ASU 2019-05, Financial Instruments — Credit Losses (ASC 326) Targeted Relief, and in November 2019, the FASB issued ASU 2019-11, Codification Improvements to ASC 326, Financial Instruments – Credit Losses. These recently issued ASUs do not change the core principle of the guidance in ASU 2016-13 but rather are intended to clarify and improve operability of certain topics included within ASU 2016-13. ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 have the same effective date and transition requirements as ASU 2016-13. 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 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 early adopted this guidance beginning in the third quarter of fiscal year 2020 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 Company adopted this guidance beginning in the first quarter of fiscal year 2020 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, which permits use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes and has the same effective date as ASU 2017-12. In April 2019, the FASB issued ASU 2019-04, Codification Improvements to ASC 815, Derivatives and Hedging, which clarifies certain aspects of ASC 815 and has the same effective date as ASU 2017-12. The Company adopted this guidance beginning in the first quarter of fiscal year 2020 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 became effective for the Company beginning in fiscal year 2020. The Company adopted the remainder of the amendments of this guidance in the first quarter of fiscal year 2020 and the guidance did not 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 July 2019, the FASB issued ASU 2019-07, Codification Updates to SEC Sections. ASU 2019-07 modifies the disclosure and presentation requirements for a variety of codification topics by aligning them with the Securities and Exchange Commission's (the SEC) regulations to eliminate redundancies and simplify the application of the codification. The Company adopted this guidance in the second quarter of fiscal year 2020 and the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In November 2019, the FASB issued ASU 2019-08, Compensation – Stock Compensation (ASC 718) and Revenue from Contracts with Customers (ASC 606): Codification Improvements – Share-Based Consideration Payable to a Customer. ASU 2019-08 expands the scope of ASC 718 to provide guidance for share-based payment awards granted to a customer in conjunction with selling goods or services accounted for under ASC 606. The Company early adopted this guidance beginning in the third quarter of fiscal year 2020 and the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes, which is intended to simplify various areas related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning in fiscal year 2022, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In January 2020, the FASB issued ASU 2020-01, Investments – Equity Securities (ASC 321), Investments – Equity Method and Joint Ventures (ASC 323) and Derivatives and Hedging (ASC 815). ASU 2020-01 clarifies the interaction of the accounting for equity securities under ASC 321 and investments accounted for under the equity method of accounting under ASC 323, and the accounting for certain forward contracts and purchased options accounted for under ASC 815. The new standard will become effective for the Company beginning in fiscal year 2022, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

Note 2 — Composition of Certain Balance Sheet Captions

	As of March 31, 2020	As of March 31, 2019
	(In thousands)	
Accounts receivable, net:		
Billed	$ 260,431	$ 218,276
Unbilled	75,661	83,743
Allowance for doubtful accounts	(5,394)	(1,712)
	$ 330,698	$ 300,307
Inventories:		
Raw materials	$ 83,353	$ 77,834
Work in process	59,429	52,084
Finished goods	151,634	104,600
	$ 294,416	$ 234,518
Prepaid expenses and other current assets:		
Prepaid expenses	$ 84,872	$ 72,369
Other	31,409	18,277
	$ 116,281	$ 90,646
Property, equipment and satellites, net:		
Equipment and software (estimated useful life of 3-7 years)	$ 1,229,926	$ 1,027,293
CPE leased equipment (estimated useful life of 4-5 years)	399,343	373,357
Furniture and fixtures (estimated useful life of 7 years)	54,688	46,678
Leasehold improvements (estimated useful life of 2-17 years)	137,287	126,528
Building (estimated useful life of 12 years)	8,923	8,923
Land	2,291	2,291
Construction in progress	220,703	167,178
Satellites (estimated useful life of 12-17 years)	969,952	978,118
Satellite Ka-band capacity obtained under finance leases (estimated useful life of 7-11 years)	171,801	99,090
Satellites under construction	906,720	590,000
	4,101,634	3,419,456
Less: accumulated depreciation and amortization	(1,514,899)	(1,294,166)
	$ 2,586,735	$ 2,125,290
Other assets:		
Investment in unconsolidated affiliate	$ 160,204	$ 160,711
Deferred income taxes	276,331	258,834
Capitalized software costs, net	242,741	244,368
Patents, orbital slots and other licenses, net	39,135	23,059
Other	88,941	71,833
	$ 807,352	$ 758,805
Accrued and other liabilities:		
Collections in excess of revenues and deferred revenues	$ 123,019	$ 125,540
Accrued employee compensation	72,654	56,454
Accrued vacation	48,963	43,077
Warranty reserve, current portion	6,233	5,877
Operating lease liabilities	42,146	—
Other	98,175	77,320
	$ 391,190	$ 308,268
Other liabilities:		
Deferred revenues, long-term portion	$ 80,802	$ 71,230
Deferred rent, long-term portion	—	16,810
Warranty reserve, long-term portion	5,410	1,707
Satellite performance incentive obligations, long-term portion	24,349	25,324
Other	10,373	5,755
	$ 120,934	$ 120,826

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 $5.0 million in cash equivalents (Level 1) and no liabilities measured at fair value on a recurring basis as of March 31, 2020. The Company had no assets and an insignificant amount of foreign currency forward contract liabilities (Level 2) measured at fair value on a recurring basis as of March 31, 2019.

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), $700.0 million in aggregate principal amount of 2025 Notes, $600.0 million in aggregate principal amount of 2027 Notes and finance lease obligations reported at the present value of future minimum lease payments with current accrued interest. 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 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, 2020 and 2019, 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 $118.1 million and $134.9 million, respectively. As of March 31, 2020 and 2019, 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 $653.6 million and $670.3 million, respectively. As of March 31, 2020, the estimated fair value of the Company's outstanding long-term debt related to the 2027 Notes was determined based on actual or estimated bids and offers for the 2027 Notes in an over-the-counter market (Level 2) and was $603.2 million. The fair value of the Company's outstanding long-term debt as of March 31, 2019 related to the 2027 Notes approximated its carrying amount due to the proximity of the closing of the 2027 Notes compared to the reporting date. The fair value of the Company's finance lease obligations is estimated at the carrying value based on current rates (Level 2).

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, 2020 and 2019, the Company's estimated satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites, including accrued interest, were $27.4 million and $28.2 million, respectively.

Note 4 — Goodwill and Acquired Intangible Assets

During fiscal year 2020, the decrease in the Company's goodwill related to the effects of foreign currency translation recorded within all three of the Company's segments. 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.

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 $7.6 million, $9.7 million and $12.2 million for the fiscal years ended March 31, 2020, March 31, 2019 and March 31, 2018, 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 2021	$ 5,120
Expected for fiscal year 2022	3,297
Expected for fiscal year 2023	2,993
Expected for fiscal year 2024	2,472
Expected for fiscal year 2025	557
Thereafter	—
	$ 14,439

The allocation of the other acquired intangible assets and the related accumulated amortization as of March 31, 2020 and 2019 is as follows:

	Weighted Average Useful Life	As of March 31, 2020			As of March 31, 2019		
		Total	Accumulated Amortization	Net Book Value	Total	Accumulated Amortization	Net Book Value
	(In years)	(In thousands)					
Technology	6	$ 89,228	$ (78,935)	$ 10,293	$ 89,972	$ (73,992)	$ 15,980
Contracts and customer relationships	7	103,114	(98,968)	4,146	103,283	(96,970)	6,313
Satellite co-location rights	9	8,600	(8,600)	—	8,600	(8,592)	8
Trade name	3	5,940	(5,940)	—	5,940	(5,940)	—
Other	8	6,399	(6,399)	—	9,989	(9,989)	—
Total other acquired intangible assets		$ 213,281	$ (198,842)	$ 14,439	$ 217,784	$ (195,483)	$ 22,301

Note 5 — Leases

The Company's operating leases consist primarily of leases for office space, data centers and satellite ground facilities and have remaining terms from less than one year to ten years, some of which include renewal options, and some of which include options to terminate the leases within one year. Certain earth station leases have renewal terms that have been deemed to be reasonably certain to be exercised and as such have been recognized as part of the Company's right-of-use assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company recognized right-of-use assets and lease liabilities for such leases in connection with its adoption of ASC 842 as of April 1, 2019 (see Note 1 — The Company and a Summary of Its Significant Accounting Policies — Leases for more information). The Company reports operating lease right-of-use assets in operating lease right-of-use assets and the current and non-current portions of its operating lease liabilities in accrued and other liabilities and non-current operating lease liabilities, respectively.

The Company's finance leases consist primarily of satellite lifetime Ka-band capacity leases and have remaining terms from one to six years. The Company reports assets obtained under finance leases in property, equipment and satellites, net and the current and non-current portions of its finance lease liabilities in current portion of long-term debt and other long-term debt, respectively.

The components of the Company's lease costs, weighted average lease terms and discount rates are presented in the tables below:

		Fiscal Year Ended March 31, 2020 (In thousands)
Lease cost:		
Operating lease cost	$	60,861
Finance lease cost:		
Depreciation of assets obtained under finance leases		11,328
Interest on lease liabilities		2,144
Short-term lease cost		4,750
Variable lease cost		8,608
Net lease cost	$	87,691

	As of March 31, 2020
Lease term and discount rate:	
Weighted average remaining lease term (in years):	
Operating leases	7.0
Finance leases	6.3
Weighted average discount rate:	
Operating leases	5.4%
Finance leases	5.4%

The following table details components of the consolidated statements of cash flows for operating and finance leases:

		Fiscal Year Ended March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	58,987
Operating cash flows from finance leases	$	1,856
Financing cash flows from finance leases	$	8,044
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$	25,420
Finance leases	$	72,711

The following table presents maturities of the Company's lease liabilities as of March 31, 2020:

	Operating Leases	Finance Leases
	(In thousands)	
Expected for fiscal year 2021	$ 58,466	$ 13,350
Expected for fiscal year 2022	59,171	12,000
Expected for fiscal year 2023	54,558	12,000
Expected for fiscal year 2024	54,389	12,000
Expected for fiscal year 2025	50,405	12,000
Thereafter	120,311	15,000
Total future lease payments required	397,300	76,350
Less: interest	68,604	11,394
Total	$ 328,696	$ 64,956

As of March 31, 2020, the Company had $90.3 million of additional lease commitments that will commence in fiscal year 2021 with lease terms of three to 12 years.

As discussed in Note 1 — The Company and a Summary of Its Significant Accounting Policies — Leases, the Company has adopted ASC 842 using the optional transition method presenting prior period amounts and disclosures under ASC 840. The following table presents the Company's future minimum lease payments for operating leases under ASC 840 at March 31, 2019:

	Operating Leases March 31, 2019
	(In thousands)
Expected for fiscal year 2020	$ 59,164
Expected for fiscal year 2021	59,452
Expected for fiscal year 2022	57,500
Expected for fiscal year 2023	50,933
Expected for fiscal year 2024	51,000
Thereafter	183,077
Total minimum payments required	$ 461,126

Rent expense was $53.5 million for the fiscal year ended March 31, 2019.

Note 6 — Senior Notes and Other Long-Term Debt

Total long-term debt consisted of the following as of March 31, 2020 and 2019:

	As of March 31, 2020	As of March 31, 2019
	(In thousands)	
2027 Notes	$ 600,000	$ 600,000
2025 Notes	700,000	700,000
Revolving Credit Facility	390,000	—
Ex-Im Credit Facility	117,913	139,560
Finance lease obligations (see Note 5)	64,956	—
Total debt	1,872,869	1,439,560
Unamortized discount and debt issuance costs	(21,418)	(26,720)
Less: current portion of long-term debt	29,788	19,937
Total long-term debt	$ 1,821,663	$ 1,392,903

The estimated aggregate amounts and timing of payments on the Company's long-term debt obligations as of March 31, 2020 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)
2021	$ 29,788
2022	28,945
2023	29,454
2024	419,992
2025	30,559
Thereafter	1,334,131
	1,872,869
Plus: unamortized discount and debt issuance costs	(21,418)
Total	$ 1,851,451

Revolving Credit Facility

As of March 31, 2020, 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. At March 31, 2020, the Company had $390.0 million in principal amount of outstanding borrowings under the Revolving Credit Facility and $17.3 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of March 31, 2020 of $292.7 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. As of March 31, 2020, the weighted average effective interest rate on the Company's outstanding borrowings under the Revolving Credit Facility was 2.70%. 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, 2020, 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, 2020.

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, 2020, the Company had $117.9 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 proceeds related to the ViaSat-2 satellite must be used to pay down outstanding borrowings under the Ex-Im Credit Facility upon receipt. During the first three months of fiscal year 2020, the Company received the remaining insurance proceeds of $2.3 million, which were in addition to the $185.7 million of insurance proceeds received in fiscal year 2019 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 – The Company and a Summary of Its Significant Accounting Policies – 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, 2020.

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 (consisting of 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, 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 commenced 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, 2020, 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, 2020, 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 and the 2027 Notes (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 7 — 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 2019 through various amendments of the Equity Participation Plan, the Company increased the maximum number of shares reserved for issuance under this plan to 35,350,000 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 2019 through various amendments of the Employee Stock Purchase Plan, the Company increased the maximum number of shares reserved for issuance under this plan to 4,450,000 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, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
Stock-based compensation expense before taxes	$ 86,553	$ 79,599	$ 68,545
Related income tax benefits	(20,388)	(18,824)	(16,278)
Stock-based compensation expense, net of taxes	$ 66,165	$ 60,775	$ 52,267

In accordance with the authoritative guidance for share-based payments (ASC 718), 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.

The compensation cost that has been charged against income for the Equity Participation Plan under the authoritative guidance for share-based payments was $81.5 million, $75.3 million and $65.1 million, and for the Employee Stock Purchase Plan was $5.0 million, $4.3 million and $3.4 million, for the fiscal years ended March 31, 2020, March 31, 2019 and March 31, 2018, respectively. The Company capitalized $12.6 million, $11.9 million and $8.0 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 and satellites included in property, equipment and satellites, net for fiscal years 2020, 2019 and 2018, respectively.

As of March 31, 2020, 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 $197.3 million and $1.2 million, respectively. These costs are expected to be recognized over a weighted average period of less than one year, 1.8 years and 2.7 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 stock options typically have a simple four-year vesting schedule (except for one- and three-year vesting schedules for options granted to the Board of Directors) and a six-year contractual term. In 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 2020, 2019 and 2018 was $30.41, $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 2020 was $20.15 and $17.15 per share, respectively, during fiscal year 2019 was $18.35 and $15.14 per share, respectively, and during fiscal year 2018 was $19.86 and $15.09 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 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Volatility	27.9%	27.9%	30.4%	27.7%	28.2%	27.5%	24.6%	32.8%	22.0%
Risk-free interest rate	1.3%	2.8%	1.9%	1.7%	2.8%	1.9%	1.8%	2.4%	1.3%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected life	5.0 years	5.0 years	5.4 years	5.0 years	5.0 years	5.0 years	0.5 years	0.5 years	0.5 years

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 stock option activity for fiscal year 2020 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, 2019	1,531,500	$ 64.87		
Options granted	39,000	74.64		
Options canceled	(5,000)	77.47		
Options exercised	(340,267)	61.89		
Outstanding at March 31, 2020	1,225,233	$ 65.96	1.91	$ —
Vested and exercisable at March 31, 2020	1,076,983	$ 65.30	1.71	$ —

The total intrinsic value of stock options exercised during fiscal years 2020, 2019 and 2018 was $7.9 million, $7.9 million and $5.2 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 insignificant excess tax benefits during fiscal years 2020 and 2019, and an insignificant excess tax deficiency during fiscal year 2018 related to stock options exercises.

A summary of TSR performance stock option activity for fiscal year 2020 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, 2019	1,027,500	$ 71.34		
TSR performance options granted	603,306	71.83		
TSR performance options canceled	—	—		
TSR performance options exercised	—	—		
Outstanding at March 31, 2020	1,630,806	$ 71.52	4.70	$ —
Vested and exercisable at March 31, 2020	—	$ —	—	$ —

(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 2020, 2019 and 2018, the Company recognized $62.4 million, $58.8 million and $54.0 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 2020, 2019 and 2018 was $71.59, $67.88 and $72.89, respectively. A summary of restricted stock unit activity for fiscal year 2020 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Share
Outstanding at March 31, 2019	2,904,242	$ 67.99
Awarded	1,284,684	71.59
Forfeited	(93,092)	70.26
Vested	(1,075,526)	68.27
Outstanding at March 31, 2020	3,020,308	$ 69.35
Vested and deferred at March 31, 2020	182,334	$ 44.53

The total fair value of shares vested related to restricted stock units during the fiscal years 2020, 2019 and 2018 was $80.4 million, $81.1 million and $64.6 million, respectively.

Note 8 — Shares Used In Computing Diluted Net Loss Per Share

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 2020, 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 excluded from the calculation for fiscal years 2020, 2019 and 2018, respectively, consisted of 591,396, 1,291,503 and 1,358,275 shares related to stock options (other than TSR performance stock options), 138,026, 871,343 and 175,598 shares related to TSR performance stock options, 841,890, 612,318 and 1,053,649 shares related to restricted stock units, and 446,603, 215,956 and 193,608 shares related to certain terms of the ViaSat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan.

Note 9 — Income Taxes

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

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
United States	$ 27,000	$ (102,643)	$ (92,767)
Foreign	(25,572)	(7,838)	(12,703)
	$ 1,428	$ (110,481)	$ (105,470)

The benefit from income taxes includes the following:

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
Current tax provision			
Federal	$ (5,935)	$ (821)	$ (284)
State	(1,465)	(690)	(401)
Foreign	(327)	(1,619)	(953)
	(7,727)	(3,130)	(1,638)
Deferred tax benefit			
Federal	9,889	34,099	24,833
State	5,797	8,738	10,450
Foreign	(44)	1,307	1,572
	15,642	44,144	36,855
Total benefit from income taxes	$ 7,915	$ 41,014	$ 35,217

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

	As of	
	March 31, 2020	March 31, 2019
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 217,883	$ 197,486
Tax credit carryforwards	248,425	220,060
Operating lease liabilities	78,114	—
Deferred revenue	24,840	24,421
Other	62,691	57,246
Valuation allowance	(42,621)	(33,499)
Total deferred tax assets	589,332	465,714
Deferred tax liabilities:		
Intangible assets	(71,116)	(72,776)
Property, equipment and satellites	(142,049)	(113,188)
Operating lease assets	(73,446)	—
Other	(27,374)	(21,160)
Total deferred tax liabilities	(313,985)	(207,124)
Net deferred tax assets	$ 275,347	$ 258,590

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

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
Tax (provision) benefit at federal statutory rate	$ (300)	$ 23,201	$ 22,149
State tax (provision) benefit, net of federal benefit	(1,093)	1,815	2,605
Tax credits, net of valuation allowance	25,153	26,836	21,898
Non-deductible compensation	(7,150)	(4,527)	(2,852)
Non-deductible meals and entertainment	(1,075)	(929)	(727)
Stock-based compensation	780	180	799
Change in federal tax rate due to 2020 CARES Act and 2017 Tax Reform	567	—	(5,335)
Change in state effective tax rate	(14)	(684)	(235)
Foreign effective tax rate differential, net of valuation allowance	(5,707)	(1,552)	(2,054)
Unremitted subsidiary gains	(2,742)	(1,388)	(864)
Other	(504)	(1,938)	(167)
Total benefit from income taxes	$ 7,915	$ 41,014	$ 35,217

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 all fiscal years presented. 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, 2020, the Company had federal and state research & development (R&D) tax credit carryforwards of $189.9 million and $162.6 million, respectively, which begin to expire in fiscal year 2026 and fiscal year 2021, respectively. As of March 31, 2020, the Company also had foreign tax credit carryforwards of approximately $1.9 million, which begin to expire in fiscal year 2021. As of March 31, 2020, the Company had federal and state net operating loss carryforwards of $831.9 million and $603.9 million, respectively, both of which begin to expire in fiscal year 2021.

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 $42.6 million at March 31, 2020 and $33.5 million at March 31, 2019 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, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
Balance, beginning of fiscal year	$ 68,156	$ 55,474	$ 49,066
Decrease related to prior year tax positions	(949)	(1,183)	(155)
Increases related to current year tax positions	13,384	13,865	6,563
Balance, end of fiscal year	$ 80,591	$ 68,156	$ 55,474

Of the total unrecognized tax benefits at March 31, 2020, $72.6 million would reduce the Company's annual effective tax rate if recognized, subject to valuation allowance consideration. 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, 2020 and 2019.

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 and state income tax returns are subject to examination by the tax authorities for fiscal years 2017 and thereafter. Additionally, net operating loss and R&D tax credit carryovers that were generated in prior years may also be subject to examination. With few exceptions, fiscal years 2016 and thereafter remain open to examination by foreign tax authorities. 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.

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.

Note 10 — 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 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 $3.8 million, a 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, 2020, 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 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, 2019 and 2018 in its consolidated financial statements for the fiscal years ended March 31, 2020 and 2019, respectively. 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, 2020 and 2019 is summarized as follows:

	As of March 31, 2020	As of March 31, 2019
	(In thousands)	
Carrying value of investment in Euro Infrastructure Co.	$ 160,204	$ 160,711
Less: proportionate share of net assets of Euro Infrastructure Co.	144,769	145,016
Excess carrying value of investment over proportionate share of net assets	$ 15,435	$ 15,695
The excess carrying value has been primarily assigned to:		
Goodwill	$ 21,777	$ 22,476
Identifiable intangible assets	8,799	10,670
Tangible assets	(16,142)	(18,522)
Deferred income taxes	1,001	1,071
	$ 15,435	$ 15,695

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 $4.5 million, $3.0 million, and $2.0 million for the fiscal years ended March 31, 2020, 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.

Since acquiring its interest in Euro Infrastructure Co., the Company has recorded $10.8 million in retained earnings of undistributed cumulative earnings in equity interests, net of tax, as of March 31, 2020.

Condensed financial information of the Company's significant non-consolidated equity method investment in Euro Infrastructure Co. is shown below with amounts presented under GAAP:

	Fiscal Years Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
		(In thousands)	
Total revenues	$ 69,559	$ 81,299	$ 70,477
Gross profit	52,653	57,941	49,579
Income from continuing operations	8,869	6,684	3,575
Net income	8,869	6,684	3,575
Net income attributable to Euro Infrastructure Co.	4,523	3,409	1,823

	As of December 31, 2019	As of December 31, 2018
	(In thousands)	
Current assets	$ 129,928	$ 110,464
Noncurrent assets	211,619	226,194
Total assets	$ 341,547	$ 336,658
Current liabilities	$ 16,066	$ 16,335
Noncurrent liabilities	30,259	24,608
Noncontrolling interest	144,659	144,900
Total equity	295,222	295,715
Total liabilities and equity	$ 341,547	$ 336,658

Related-party transactions

Transactions with the equity method investee are considered related-party transactions. The following tables set forth the material related-party transactions entered into between Euro Infrastructure Co. and its subsidiaries, 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, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
Revenue – Euro Infrastructure Co.	$ 9,993	$ 8,365	$ 9,277
Expense – Euro Infrastructure Co.	18,854	14,302	7,134
Cash received – Euro Infrastructure Co.	12,848	11,276	7,460
Cash paid – Euro Infrastructure Co.	13,463	15,191	7,040

	As of March 31, 2020	As of March 31, 2019
	(In thousands)	
Collections in excess of revenues and deferred revenues – Euro Infrastructure Co.	$ 5,832	$ 4,703
Accounts payable - Euro Infrastructure Co.	5,446	*

* Amount was insignificant.

Note 11 — 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 2020 fiscal year end, the Company elected to settle the discretionary contributions liability in shares of the Company's common stock, consistent with fiscal year 2019. Based on the closing price of the Company's common stock at the 2020 fiscal year end, the Company would issue approximately 708,104 shares of common stock at this time. Discretionary contributions accrued by the Company as of March 31, 2020 and 2019 amounted to $25.4 million and $22.9 million, respectively.

Note 12 — 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, 2020, the Company's estimated satellite performance incentive obligations and accrued interest for the ViaSat-1 and ViaSat-2 satellites were approximately $27.4 million, of which $3.1 million and $24.3 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 $34.3 million in total costs for satellite performance incentive obligations and related interest earned through approximately fiscal year 2028 with potential future minimum payments of $2.8 million, $4.5 million, $5.0 million, $5.3 million and $5.2 million in fiscal years 2021, 2022, 2023, 2024 and 2025, respectively, with $11.5 million in commitments thereafter.

In July 2016, the Company entered into two separate agreements with Boeing for the construction and purchase of the Company's first two ViaSat-3 class satellites and the integration of Viasat's payload technologies into the satellites. In July 2019, the Company entered into an agreement with Boeing for the construction and purchase of a third ViaSat-3 class satellite and the integration of Viasat's payload technologies into the satellite.

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 its satellites and satellite insurance. As of March 31, 2020, 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)
2021	$ 320,079
2022	269,528
2023	108,705
2024	20,334
2025	2,244
Thereafter	11,905
	$ 732,795

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 $87.6 million, $47.1 million, $31.0 million, $2.4 million and an insignificant amount in fiscal years 2021, 2022, 2023, 2024 and 2025, respectively, and an insignificant amount of further minimum payments thereafter.

Note 13 — 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.

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 years 2019 or 2020. As of March 31, 2020, 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 the 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, 2020 and 2019, the Company had $7.8 million and $4.9 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 14 — 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 2020, 2019 and 2018.

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
Balance, beginning of period	$ 7,584	$ 6,914	$ 11,058
Change in liability for warranties issued in period	9,107	5,080	897
Settlements made (in cash or in kind) during the period	(5,048)	(4,410)	(5,041)
Balance, end of period	$ 11,643	$ 7,584	$ 6,914

Note 15 — 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, Community Internet hotspot users, enterprises, commercial airlines and other 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 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, internet protocol-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, 2020, 2019 and 2018 were as follows:

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
		(In thousands)	
Revenues:			
Satellite services			
Product	$ —	$ —	$ 664
Service	826,583	684,205	588,623
Total	826,583	684,205	589,287
Commercial networks			
Product	289,959	383,547	198,034
Service	54,598	44,857	35,187
Total	344,557	428,404	233,221
Government systems			
Product	882,582	709,144	556,849
Service	255,516	246,505	215,268
Total	1,138,098	955,649	772,117
Elimination of intersegment revenues	—	—	—
Total revenues	$ 2,309,238	$ 2,068,258	$ 1,594,625
Operating profits (losses):			
Satellite services	$ 7,015	$ (64,321)	$ 12,018
Commercial networks	(186,877)	(166,613)	(229,105)
Government systems	225,894	179,969	137,131
Elimination of intersegment operating profits	—	—	—
Segment operating profit (loss) before corporate and amortization of acquired intangible assets	46,032	(50,965)	(79,956)
Corporate	—	—	—
Amortization of acquired intangible assets	(7,611)	(9,655)	(12,231)
Income (loss) from operations	$ 38,421	$ (60,620)	$ (92,187)

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, 2020 and 2019 were as follows:

	As of March 31, 2020	As of March 31, 2019
	(In thousands)	
Segment assets:		
Satellite services	$ 86,252	$ 85,907
Commercial networks	188,269	183,200
Government systems	484,237	408,422
Total segment assets	758,758	677,529
Corporate assets	4,125,110	3,237,758
Total assets	$ 4,883,868	$ 3,915,287

Other acquired intangible assets, net and goodwill included in segment assets as of March 31, 2020 and 2019 were as follows:

	Other Acquired Intangible Assets, Net		Goodwill	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	As of March 31, 2019
	(In thousands)			
Satellite services	$ 7,368	$ 10,453	$ 13,489	$ 13,617
Commercial networks	257	1,798	43,981	43,933
Government systems	6,814	10,050	63,727	64,169
Total	$ 14,439	$ 22,301	$ 121,197	$ 121,719

Amortization of acquired intangible assets by segment for the fiscal years ended March 31, 2020, 2019 and 2018 was as follows:

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
	(In thousands)		
Satellite services	$ 2,897	$ 4,857	$ 7,622
Commercial networks	1,539	1,542	1,563
Government systems	3,175	3,256	3,046
Total amortization of acquired intangible assets	$ 7,611	$ 9,655	$ 12,231

Revenue information by geographic area for the fiscal years ended March 31, 2020, 2019 and 2018 was as follows:

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
	(In thousands)		
U.S. customers	$ 2,057,458	$ 1,836,304	$ 1,403,473
Non U.S. customers (each country individually insignificant)	251,780	231,954	191,152
Total revenues	$ 2,309,238	$ 2,068,258	$ 1,594,625

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 $64.7 million at March 31, 2020 and $70.4 million at March 31, 2019.

VALUATION AND QUALIFYING ACCOUNTS

For the Three Fiscal Years Ended March 31, 2020

		Allowance for Doubtful Accounts
		(In thousands)
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
Charged (credited) to costs and expenses		13,709
Deductions		(10,027)
Balance, March 31, 2020	$	5,394

		Deferred Tax Asset Valuation Allowance
		(In thousands)
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
Charged (credited) to costs and expenses		9,122
Deductions		—
Balance, March 31, 2020	$	42,621

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 15, 2020, there were approximately 420 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 table below.

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

Fiscal Years Ended	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
(In thousands)				
GAAP net (loss) income attributable to Viasat Inc.	$ (212)	$ (67,623)	$ (67,305)	$ 23,767
(Benefit from) provision for income taxes	(7,915)	(41,014)	(35,217)	3,617
Interest expense, net	36,993	49,861	3,066	11,075
Depreciation and amortization	342,178	318,613	255,652	245,922
Stock-based compensation expense	86,553	79,599	68,545	55,775
Loss on extinguishment of debt	—	—	10,217	—
Acquisition related expenses	—	—	—	615
Adjusted EBITDA	$ 457,597	$ 339,436	$ 234,958	$ 340,771

An itemized reconciliation between net income (loss) attributable to Viasat Inc. on a GAAP basis and non-GAAP basis is as follows:

Fiscal Years Ended	March 31, 2020	March 31, 2019
(In thousands, except per share data)		
GAAP net loss attributable to Viasat Inc.	$ (212)	$ (67,623)
Amortization of acquired intangible assets	7,611	9,655
Stock-based compensation expense	86,553	79,599
Income tax effect [1]	(21,930)	(20,746)
Non-GAAP net income attributable to Viasat Inc.	$ 72,022	$ 885
Non-GAAP diluted net income per share attributable to Viasat Inc. common stockholders	$ 1.14	$ 0.01
Diluted common equivalent shares [2]	63,021	59,942

[1] The income tax effect is calculated using the tax rate applicable for the non-GAAP adjustments.

[2] As the fiscal years ended March 31, 2020 and 2019 financial information resulted in a net loss, the weighted average number of shares used to calculate basic and diluted net loss per share is the same, as diluted shares would be anti-dilutive. However, as the non-GAAP financial information for the fiscal year ended March 31, 2020 resulted in non-GAAP net income, diluted weighted average number of shares were used instead to calculate non-GAAP diluted net income per share.

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 the impact of the novel coronavirus (COVID-19) pandemic on our business; projections of earnings, revenue, costs or other financial items; anticipated growth and trends in our business or key markets; future economic conditions and performance; the development, customer acceptance and anticipated performance of technologies, products or services; satellite construction and launch activities; the performance and anticipated benefits of our ViaSat-2, ViaSat-3 and ViaSat-4 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; the number of in-flight connectivity (IFC) systems expected to be installed under existing contracts with commercial airlines; the expected bandwidth productivity advantages and other features of our satellites relative to alternative satellites; the financing plan for our satellites; our ability to compete effectively for the FCC Rural Digital Opportunity Fund (RDOF), or other government subsidies; 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, ViaSat-3 and ViaSat-4 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; the impact of the COVID-19 pandemic on our business, suppliers, consumers, customers, and employees or the overall economy; 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

Dr. Robert Johnson
Venture Capital Investor

Sean Pak
Lead Independent Director, Partner, Quinn Emanuel Urquhart & Sullivan LLP

Varsha Rao
Chief Executive Officer, Nurx Inc.

John Stenbit
Private Consultant

Harvey White*
Chairman, (SHW)2 Enterprises

Theresa Wise
Chief Executive Officer, Utaza, LLC

Executive officers

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

Richard Baldridge
Director, President and Chief Operating Officer

Robert Blair
Vice President, General Counsel and Secretary

Girish Chandran
Vice President and Chief Technical Officer

James Dodd
President, Global Mobile Solutions

Shawn Duffy
Senior Vice President and Chief Financial Officer

Kevin Harkenrider
Executive Vice President, Global Operations and Chief Operations Officer

Melinda Kimbro
Senior Vice President, People and Culture and Chief People Officer

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
Senior Vice President and President, Space and Commercial Networks

Annual meeting

The 2020 Annual Meeting will be held on September 3 at 8:30 a.m. PT. This year's annual meeting will be completely virtual, and may be accessed at www.virtualshareholdermeeting.com/VSAT2020

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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.

* Harvey White will not be standing for re-election at the 2020 Annual Meeting.