

VIASAT INC
Form 10-K
May 27, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended April 4, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number (000-21767)

VIASAT, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: VIASAT INC - Form 10-K

Delaware
(State or other jurisdiction of
incorporation or organization)

33-0174996
(I.R.S. Employer
Identification No.)

6155 El Camino Real
Carlsbad, California 92009
(760) 476-2200

(Address of principal executive offices and telephone number)

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

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

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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

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

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of October 4, 2013 was approximately \$2,693,762,154 (based on the closing price on that date for shares of the registrant's common stock as reported by the Nasdaq Global Select

Edgar Filing: VIASAT INC - Form 10-K

Market).

The number of shares outstanding of the registrant's common stock, \$.0001 par value, as of May 9, 2014 was 46,384,709.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with its 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K where indicated. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended April 4, 2014.

Table of Contents

VIASAT, INC.

TABLE OF CONTENTS

	Page
PART I	
Item 1. <u>Business</u>	2
Item 1A. <u>Risk Factors</u>	18
Item 1B. <u>Unresolved Staff Comments</u>	37
Item 2. <u>Properties</u>	37
Item 3. <u>Legal Proceedings</u>	37
Item 4. <u>Mine Safety Disclosures</u>	38
PART II	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	39
Item 6. <u>Selected Financial Data</u>	40
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	62
Item 8. <u>Financial Statements and Supplementary Data</u>	63
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	64
Item 9A. <u>Controls and Procedures</u>	64
Item 9B. <u>Other Information</u>	65
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	65
Item 11. <u>Executive Compensation</u>	65
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	65
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	65
Item 14. <u>Principal Accounting Fees and Services</u>	65
PART IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	66
<u>Signatures</u>	67

Table of Contents

PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. We use words such as anticipate, believe, continue, could, estimate, expect, goal, intend, may, plan, project, seek, should, target, will, would, variations of such words and phrases to identify forward-looking statements. In addition, statements that refer to projections of earnings, revenue, costs or other financial items; anticipated growth and trends in our business or key markets; future economic conditions and performance; the development, customer acceptance and anticipated performance of technologies, products or services; satellite construction activities; the performance and anticipated benefits of the ViaSat-2 satellite; the expected capacity, service, coverage, service speeds and other features of ViaSat-2, and the timing, cost, economics and other benefits associated therewith; anticipated subscriber growth; plans, objectives and strategies for future operations; and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ include: our ability to realize the anticipated benefits of the ViaSat-2 satellite; unexpected expenses related to the satellite project; our ability to successfully implement our business plan for our broadband satellite services on our anticipated timeline or at all, including with respect to the ViaSat-2 satellite system; risks associated with the construction, launch and operation of ViaSat-2 and our other satellites, including the effect of any anomaly, operational failure or degradation in satellite performance; our ability to successfully develop, introduce and sell new technologies, products and services; negative audits by the U.S. government; continued turmoil 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 and other factors affecting the communications and defense industries generally; the effect of adverse regulatory changes on our ability to sell products and services; our level of indebtedness and ability to comply with applicable debt covenants; our involvement in litigation, including intellectual property claims and litigation to protect our proprietary technology; our dependence on a limited number of key employees; and other factors identified under the heading Risk Factors in Item 1A, elsewhere in this report and our other filings with the Securities and Exchange Commission (SEC). Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

ITEM 1. BUSINESS

Corporate Information

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

Company Overview

We are a leading provider of high-speed fixed and mobile broadband services, advanced satellite and other wireless networks and secure networking systems, products and services. We have leveraged our success

Table of Contents

developing complex satellite communication systems and equipment for the U.S. government and select commercial customers to develop next-generation satellite broadband technologies and services for both fixed and mobile users. Our product, systems and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that our portfolio of products and services, combined with our ability to effectively cross-deploy technologies between government and commercial segments and across different geographic markets, provides us with a strong foundation to sustain and enhance our leadership in advanced communications and networking technologies.

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

Satellite Services

Our satellite services segment provides retail and wholesale satellite-based broadband services for our consumer, enterprise and mobile broadband customers primarily in the United States. Our Exede® broadband services are designed to offer a high-quality broadband service choice to the millions of unserved and under-served consumers in the United States and to significantly expand the quality, capability and availability of high-speed broadband satellite services for U.S. consumers and enterprises. Our satellite services business also provides a platform for the provision of network management services to domestic and international satellite service providers.

Our first high-capacity Ka-band spot-beam satellite, ViaSat-1, was placed into service in January 2012. At the time of launch we believe ViaSat-1 was the highest capacity, most cost-efficient satellite in the world, with a data throughput of approximately 140 Gigabits per second. In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite.

We believe that growth in our fixed and mobile broadband businesses will be driven in coming years by consumer demand for our Exede broadband services, as well as by increasing demand from enterprise and mobile users worldwide for mobile broadband solutions and broadband services offering greater bandwidth and higher speeds.

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

Retail and Wholesale Broadband Satellite Services. We offer retail and wholesale broadband satellite services under the Exede and WildBlue® brands that provide two-way satellite-based broadband internet access and voice over internet protocol (VOIP) to consumers and small businesses in the United States. We offer a range of service plans to both retail and wholesale customers, with pricing based on a number of different factors, including bandwidth limits, service quality levels and terms of distribution. We offer wholesale broadband services to our national and regional distribution partners, including direct-to-home satellite video providers, retail service providers and communications companies. As of April 4, 2014, we provided broadband satellite services to approximately 641,000 subscribers.

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

Enterprise Broadband Services. We also offer high-speed broadband services to enterprises, who increasingly require higher speed, more economical communications in hard-to-reach locations, as well as mobile broadband solutions. Our enterprise broadband services include in-flight WiFi (including our flagship Exede In The Air service), live on-line event streaming, oil and natural gas data gathering services and high definition satellite news gathering.

Table of Contents

Commercial Networks

Our commercial networks segment develops and produces a variety of advanced end-to-end satellite and other wireless communication systems and ground networking equipment and products that address five key market segments: consumer, enterprise, in-flight, maritime and ground mobile applications. These communication systems, networking equipment and products are generally developed through a combination of customer and discretionary internal research and development funding, and are either sold to our commercial networks customers or utilized to provide services through our satellite services segment.

With expertise in commercial satellite network engineering, gateway construction and remote terminal manufacturing for various types of interactive communication services, combined with our advanced satellite technology and systems integration experience, we have the ability to design, build, initially operate and then hand over on a turnkey basis, fully operational, customized satellite communication systems capable of serving a variety of markets and applications. Our networking equipment and products include consumer broadband networking and indoor and outdoor customer premise equipment (CPE), satellite modem and antenna technologies, earth stations and satellite networking hubs. In particular, our consumer broadband products, satellite modems and antenna technologies enable airborne, ground mobile and maritime broadband communications and support expanding mobile and consumer broadband markets worldwide. In addition, the strength of our core government systems business provides us with an effective platform to continue to design and develop new equipment and products, as we adapt and customize communication systems and products designed for the government systems segment to commercial use and vice versa.

We believe growth of the commercial satellite market will continue to be driven in the coming years by a number of factors, including: (1) the continued growth in worldwide demand for communications services and, in particular, the rise in both consumer and enterprise demand for products and systems enabling broadband internet access, (2) our ability to leverage the launch of ViaSat-1 and our ViaSat-2 satellite under construction, as well as other high-capacity Ka-band satellites worldwide, to increase sales of next-generation satellite communication systems, ground networking equipment and products that operate on Ka-band frequencies, (3) the improving cost-effectiveness of satellite communication networks for many uses, and the ability to use satellite communication systems to rapidly deploy communications services across wide geographic areas and to large numbers of people within the satellite footprint, and (4) recent technological advancements that broaden applications for and increase the capacity and efficiency of satellite-based networks. As satellite communications equipment becomes less expensive and new capabilities emerge in satellite communications technology, we believe that the market for satellite communications will offer additional growth opportunities, as service providers seek to rapidly and cost-efficiently deploy broadband communications services across wide geographic areas, both in suburban and rural areas in the developed world and in developing countries where the deployment of terrestrial high-capacity solutions such as fiber-optic cable is neither cost-effective nor practical. Satellite communications also provide cost-effective augmentation capability for existing terrestrial networks or broadband service providers to address network congestion caused by the continued exponential increase in the volume of multimedia content accessed via the internet.

Our satellite communication systems, ground networking equipment and products cater to a wide range of domestic and international commercial customers and include:

Fixed Satellite Networks. We are a leading end-to-end network technology supplier for the fixed satellite consumer and enterprise markets. Our next-generation satellite network infrastructure and ground terminals are designed to access Ka-band broadband services on high-capacity satellites such as ViaSat-1, KA-SAT (Eutelsat's high-capacity Ka-band satellite, which serves Europe and parts of the Middle East and Africa), and NBN Co. 1A and NBN Co. 1B (NBN Co.'s high capacity Ka-band satellites being built to serve Australia). Our SurfBeam® network systems and modems enable satellite broadband access for residential or home office customers. We anticipate that demand for Ka-band network infrastructure and ground terminals will be driven by additional high-capacity Ka-band satellites around the world. We also offer enterprise customers related products and services to address

Table of Contents

bandwidth constraints, latency and other issues, such as our AcceleNet® wide area network (WAN) optimization product, which enables enterprise customers to optimize cloud computing services and other applications delivered over WANs.

Mobile Broadband Satellite Communication Systems. Our mobile satellite communication systems and related products provide high-speed, cost-efficient broadband access while on the move via small transceivers, and are designed for use in aircraft, high-speed trains and seagoing vessels. We also sell similar mobile satellite systems to government customers, which is included in our government satellite communication systems business.

Antenna Systems. We develop, design, produce, test and install turnkey ground terminals and antennas for terrestrial and satellite applications, specializing in geospatial imagery, mobile satellite communication, Ka-band gateways and other multi-band antennas.

Satellite Networking Development. Through our Comsat Labs division, we offer specialized design and technology services covering all aspects of satellite communication system architecture and technology, including the analysis, design, and specification of satellites and ground systems, ASIC and MMIC design and production, and WAN compression for enterprise networks.

Government Systems

Our government systems segment develops and produces network-centric internet protocol (IP)-based fixed and mobile secure government communications systems, products, services and solutions, which are designed to enable the collection and dissemination of secure real-time digital information between command centers, communications nodes and air defense systems. Customers of our government systems segment include the U.S. Department of Defense (DoD), armed forces, public safety first-responders and remote government employees.

We believe the following dynamics and trends will continue to offer growth opportunities for a majority of the markets that we address in our government systems segment over the next several years: (1) the U.S. military's increasing emphasis on network-centric highly mobile warfare over geographically dispersed areas, which requires the development and deployment of secure, IP-based communications networks, products and service offerings capable of supporting real-time dissemination of data using multiple transmission media, and (2) increased use of IP-based network-centric applications and other more bandwidth-intensive applications at all organizational levels, which is expected to drive continued growth in government demand for bandwidth and higher-speed broadband services and associated ground systems.

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

Government Satellite Communication Systems. Our government satellite communication systems offer an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands for line-of-sight and beyond-line-of-sight Intelligence, Surveillance, and Reconnaissance (ISR) and Command and Control (C2) missions, satellite networking services and global mobile broadband capability with satellite technologies. Satellite-based systems are increasingly seen as the most reliable method of connecting rapidly moving armed forces who may out-run the range of terrestrial radio links. Our systems, products and service offerings are designed to support high-throughput broadband data links, to increase available bandwidth using existing satellite capacity, and to withstand certain catastrophic events. Our range of broadband modems, terminals and systems support high-speed broadband and multimedia transmissions over point-to-point, mesh and hub-and-spoke satellite networking systems, and include products designed for manpacks, aircraft, unmanned aerial vehicles (UAVs), seagoing vessels, ground mobile vehicles and fixed applications.

Information Assurance. Our information security and assurance products provide advanced, high-speed IP-based Type 1 and High Assurance Internet Protocol Encryption (HAIPE®)-compliant encryption

Table of Contents

solutions that enable military and government users to communicate information securely over networks, and that secure data stored on computers and storage devices. Our encryption products and modules use a programmable, high-assurance architecture that can be easily upgraded in the field or integrated into existing communication networks, and are available both on a stand-alone basis and as embedded modules within our tactical radio, information distribution and other satellite communication systems and products.

Tactical Data Links. We develop and produce advanced tactical radio and information distribution systems that enable real-time collection and dissemination of video and data using secure, jam-resistant transmission links from manned aircraft, ground mobile vehicles and other remote platforms to networked communication and command centers. Key products in this category include our Multifunctional Information Distribution System (MIDS) terminals for military fighter jets and their successor, MIDS Joint Tactical Radio System (MIDS-JTRS) terminals, disposable weapon data links and portable small tactical terminals.

Our Strengths

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

Leading Satellite and Wireless Technology Platform and Services. We believe our ability to design and deliver cost-effective satellite and wireless communications and networking solutions, covering both the provision of high-speed broadband services and the supply of advanced communications systems, ground network equipment and end-user terminals, enables us to provide our customers with a diverse portfolio of leading applications and service solutions. Our product and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that many of the market segments in which we compete have significant barriers to entry relating to the complexity of technology, the amount of required developmental funding, the willingness of the customer to support multiple suppliers and the importance of existing customer relationships. We believe our history of developing complex secure satellite and wireless networking and communications technologies demonstrates that we possess the expertise and credibility required to serve the evolving technology needs of our customers.

Innovation of Next-Generation Satellite Technology. Our first high-capacity Ka-band spot-beam satellite, ViaSat-1, was placed into service in January 2012. With the market demonstrating increasing demand for satellite broadband services, ViaSat-1 and our associated next-generation ground segment technology were designed to significantly expand the quality, capability and availability of high-speed broadband satellite services for consumers and enterprises. In February 2012, the Society of Satellite Professionals International bestowed an Industry Innovators Award on us in recognition of the development and launch of our ViaSat-1 satellite, and in 2013 ViaSat-1 earned a Guinness World Records® title as the highest-capacity communications satellite in the world. In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite, which we expect will significantly improve the speed and availability of broadband services over an expanded coverage area.

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

Experienced Management Team. Our Chief Executive Officer, Mark Dankberg, and our Chief Technology Officers have been with the company since its inception in 1986. Mr. Dankberg is

Table of Contents

considered to be a leading expert in the field of wireless and satellite communications. In 2008, Mr. Dankberg received the prestigious AIAA Aerospace International Communication award, which recognized him for shepherding ViaSat into a leading satellite communications company through outstanding leadership and technical expertise.

Innovative Product Development and Cost-Efficient Business Model. Maintaining technological competencies and innovative new product development has been one of our hallmarks and continues to be critical to our success. Our research and development efforts are supported by an employee base of over 1,600 engineers and a culture that deeply values innovation. We balance an emphasis on new product development with efficient management of our capital. For example, the majority of our research and development efforts with respect to the development of new products or applications are funded by customers. In addition, we drive capital efficiencies by outsourcing a significant portion of our manufacturing to subcontractors with whom we collaborate to ensure quality control and superior finished products.

Our Strategy

Our objective is to leverage our advanced technology and capabilities to: (1) develop high-speed, high-capacity satellite broadband technologies to grow the size of the consumer satellite broadband, commercial enterprise and networking markets, while also capturing a significant share of these growing markets, (2) maintain a leadership position, while reducing costs and increasing profitability, in our satellite and wireless communications markets, and (3) increase our role as the U.S. government increases its emphasis on IP-based, highly secure, highly mobile, network-centric warfare. The principal elements of our strategy include:

Address Increasingly Larger Markets. We have focused on addressing larger markets since our inception. As we have grown our revenues, we are able to target larger opportunities and markets more credibly and more successfully. We consider several factors in selecting new market opportunities, including whether: (1) there are meaningful entry barriers for new competitors (for example, specialized technologies or relationships), (2) the new market is the right size and consistent with our growth objectives, and (3) the customers in the market value our technology competence and focus, which makes us an attractive partner.

Evolve into Adjacent Technologies and Markets. We anticipate continued organic growth into adjacent technologies and markets. We seek to increase our share in the market segments we address by selling existing or customized versions of technologies we developed for one customer base to a different market – for instance, to different segments of the government market or between government and commercial markets. In addition, we seek to expand the breadth of technologies and products we offer by selling new, but related, technologies and products to existing customers.

Focus on International Opportunities. International revenues represented approximately 23%, 25% and 21% of our total revenues in fiscal years 2014, 2013 and 2012, respectively. We believe our comprehensive offering of satellite communications products, systems and services will continue to be attractive to government and commercial customers internationally, and that international markets represent an attractive opportunity for our business. In addition, we expect that our domestic satellite broadband services business will provide a platform for the provision of network management and back-office services to international providers of satellite broadband services.

Pursue Growth Through Strategic Alliances and Relationships. We have regularly entered into teaming arrangements with other government contractors to more effectively capture complex government programs, and we expect to continue to actively seek strategic relationships and ventures with companies whose financial, marketing, operational or technological resources can accelerate the introduction of new technologies and the penetration of new markets. We have also engaged in strategic relationships with companies that have innovative technologies and products, highly skilled personnel, market presence, or customer relationships and distribution channels that complement our

Table of Contents

strategy. We may continue to evaluate acquisitions of, or investments in, complementary companies, businesses, products or technologies to supplement our internal growth.

Our Customers

Initially, we focused primarily on developing satellite communication systems and equipment for the U.S. government, and our U.S. government contracts remain a core part of our business. We then successfully diversified into other related markets for advanced satellite communication systems, ground networking equipment and products and secure networking systems, serving a range of government and commercial customers. Over the past ten years, we have significantly expanded this customer base both domestically and internationally. More recently, we have successfully diversified into related markets for broadband satellite services, successfully placing ViaSat-1, our first high-capacity Ka-band spot-beam satellite, into service in January 2012 and offering retail and wholesale satellite-based broadband to consumer, enterprise and mobile broadband customers primarily in the United States. In May 2013, we entered into a satellite construction contract for ViaSat-2, which is expected to expand the geographic markets we address.

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

Revenues from the U.S. government as a customer comprised approximately 21%, 24% and 20% of total revenues for fiscal years 2014, 2013 and 2012, respectively. None of our commercial customers comprised 10% or more of total revenues in fiscal years 2014, 2013 and 2012.

Government Contracts

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

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

Our federal government contracts are performed under cost-reimbursement contracts, time-and-materials contracts and fixed-price contracts. Cost-reimbursement contracts provide for reimbursement of costs and payment of a fee. The fee may be either fixed by the contract or variable, based upon cost control, quality, delivery and the customer's subjective evaluation of the work. Under time-and-materials contracts, we receive a fixed amount by labor category for services performed and are reimbursed for the cost of materials purchased to

Table of Contents

perform the contract. Under a fixed-price contract, we agree to perform specific work for a fixed price and, accordingly, realize the benefit or detriment to the extent that the actual cost of performing the work differs from the contract price. In fiscal year 2014, approximately 9% of our total government revenues was generated from cost-reimbursement contracts with the federal government or our prime contractors, 1% from time-and-materials contracts and approximately 90% from fixed-price contracts.

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

Our federal government contracts may be terminated, in whole or in part, at the convenience of the U.S. government. If a termination for convenience occurs, the U.S. government generally is obligated to pay the cost incurred by us under the contract plus a pro rata fee based upon the work completed. Contracts with prime contractors may have negotiated termination schedules that apply. When we participate as a subcontractor, we are at risk if the prime contractor does not perform its contract. Similarly, when we act as a prime contractor employing subcontractors, we are at risk if a subcontractor does not perform its subcontract.

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

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

Research and Development

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

We conduct the majority of our research and product development activities in-house and have a research and development and engineering staff, which includes over 1,600 engineers. Our product development activities focus on products that we consider viable revenue opportunities to support all of our business segments. A significant portion of our research and development efforts have generally been conducted in direct response to the specific requirements of a customer's order and, accordingly, these amounts are included in the cost of sales when incurred and the related funding is included in revenues at that time.

The portion of our contract revenues which includes research and development funded by government and commercial customers was approximately 31%, 26% and 26% during fiscal years 2014, 2013 and 2012, respectively, of our total revenues. In addition, we incurred \$60.7 million, \$35.4 million and \$25.0 million during fiscal years 2014, 2013 and 2012, respectively, on independent research and development (IR&D) expenses, which comprises research and development not directly funded by a third party. Funded research and development contains a profit component and is therefore not directly comparable to IR&D. As a U.S. government contractor, we also are able to recover a portion of our IR&D expenses, consisting primarily of salaries and other personnel-related expenses, supplies and prototype materials related to research and development programs.

Table of Contents

Intellectual Property

We seek to establish and maintain our proprietary rights in our technology and products through a combination of patents, copyrights, trademarks, trade secret laws and contractual rights. We also seek to maintain our trade secrets and confidential information through nondisclosure policies, the use of appropriate confidentiality agreements and other security measures. We have registered a number of patents and trademarks in the United States and in other countries and have a substantial number of patent filings pending determination. There can be no assurance, however, that these rights can be successfully enforced against competitive products in any particular jurisdiction. See *Legal Proceedings* in Item 3 for a discussion of certain patent infringement litigation relating to our satellites. Although we believe the protection afforded by our patents, copyrights, trademarks, trade secrets and contracts has value, the rapidly changing technology in the networking, satellite and wireless communications industries and uncertainties in the legal process make our future success dependent primarily on the innovative skills, technological expertise and management abilities of our employees rather than on the protections afforded by patent, copyright, trademark and trade secret laws and contractual rights. Accordingly, while these legal protections are important, they must be supported by other factors such as the expanding knowledge, ability and experience of our personnel, and the continued development of new products and product enhancements.

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

The industry in which we compete is characterized by rapidly changing technology, a large number of patents, and frequent claims and related litigation regarding patent and other intellectual property rights. We cannot assure you that our patents and other proprietary rights will not be challenged, invalidated or circumvented, that others will not assert intellectual property rights to technologies that are relevant to us, or that our rights will give us a competitive advantage. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws of the United States.

Sales and Marketing

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

Satellite Services Sales Organization. Our satellite services sales organization includes over 1,000 retailers, including DirecTV, and wholesale distribution relationships with DISH Network and the National Rural Telecommunications Cooperative for our satellite-based broadband services, as well as our own retail distribution channel, which sells directly to residential customers. Our satellite services sales organization also includes direct sales and business development personnel who work with enterprises to identify business opportunities and develop solutions for customers' needs.

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

Table of Contents

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

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

Our marketing team works closely with our sales, research and product development organizations and our customers to increase the awareness of the ViaSat brand through a mix of positive program performance and our customers' recommendation as well as public relations, advertising, trade show participation and conference speaking engagements by providing communications that keep the market current on our products and features. Our marketing team also identifies and sizes new target markets for our products, creates awareness of our company and products, and generates contacts and leads within these targeted markets.

Competition

The markets in which we compete are characterized by rapid change, converging technologies and a migration to solutions that offer superior advantages. These market factors represent both an opportunity and a competitive threat to us. In our satellite services and commercial networks segments, we compete with ASC Signal, Astrium, AT&T, CenturyLink, Clearwire, Comtech, DISH Network, Earthlink, Frontier, General Dynamics, Gilat, EchoStar (Hughes Network Systems), iDirect Technologies, Inmarsat, L-3 Communications, Newtec, Panasonic, Row 44, Space Systems/Loral (SS/L), Thales, Verizon and Zodiac Data Systems, each of which offers a broad range of satellite or terrestrial communications products and services, and with other internet service providers in areas where such competing services are available. Within our government systems segment, we generally compete with manufacturers of defense electronics products, systems or subsystems, such as BAE Systems, General Dynamics, Harris, L-3 Communications, Rockwell Collins and similar companies. We may also occasionally compete directly with the largest defense prime contractors, including Boeing, Lockheed Martin, Northrop Grumman or Raytheon Systems. Many of our competitors are substantially larger than we are and may have more extensive engineering, manufacturing and marketing capabilities than we do. As a result, these competitors may be able to adapt more quickly to changing technology or market conditions or may be able to devote greater resources to the development, promotion and sale of their products.

These companies, while competitors, can also be our customers or partners. Accordingly, maintaining an open and cooperative relationship is important.

The overall number of our competitors may increase, and the identity and composition of competitors may change. As we continue to expand our sales globally, we may see new competition in different geographic regions. Many of our competitors have significant competitive advantages, including strong customer relationships, more experience with regulatory compliance, greater financial and management resources and access to technologies not available to us. In addition, our satellite services segment may face increasing competition as a result of industry consolidation and vertical integration, which may enable our competitors to provide competing services to broader customer segments or to offer bundled service offerings that we are not

Table of Contents

able to duplicate, or which may reduce demand for our wholesale broadband services. Further, some of our customers continuously evaluate whether to develop and manufacture their own products and could elect to compete with us at any time.

To compete with these providers, we emphasize:

our proven designs and network integration services for complex, customized network needs;

the increased bandwidth efficiency offered by our networks, products and services;

the innovative and flexible features integrated into our products and services;

our network management experience;

the cost-effectiveness of our products and services;

our end-to-end network implementation capabilities;

the distinct advantages of satellite data networks;

technical advantages and advanced features of our antenna systems as compared to our competitors' offerings; and

the overall cost of our antenna systems and satellite networks, which can include equipment, installation and bandwidth costs, as compared to products offered by terrestrial and other satellite service providers.

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

Manufacturing

Our manufacturing objective is to produce high-quality products that conform to specifications at the lowest possible manufacturing cost. To achieve this objective, we primarily utilize a range of contract manufacturers that are selected based on the production volumes and complexity of the product. By employing contract manufacturers, we are able to reduce the costs of products and support rapid fluctuations in delivery rates when needed. As part of our manufacturing process, we conduct extensive testing and quality control procedures for all products before they are delivered to customers.

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

Our experienced management team facilitates an efficient contract manufacturing process through the development of strong relationships with a number of different domestic and off-shore contract manufacturers. By negotiating beneficial contract provisions and purchasing some of the equipment needed to manufacture our products, we retain the ability to move the production of our products from one contract manufacturing

Edgar Filing: VIASAT INC - Form 10-K

source to another if required. Our operations management has experience in the successful transition from in-house production to contract manufacturing. The degree to which we employ contract manufacturing depends on the maturity of the product and the forecasted production life cycle. We intend to limit our internal manufacturing capacity to new product development support and customized products that need to be manufactured in strict accordance with a customer's specifications and delivery schedule. Therefore, our internal manufacturing capability for standard products has been, and is expected to continue to be, very limited and we intend to

Table of Contents

continue to rely on contract manufacturers for large-scale manufacturing. We also rely on outside vendors to manufacture specific components and subassemblies used in the production of our products. Some components, subassemblies and services necessary for the manufacture of our products are obtained from a sole source supplier or a limited group of suppliers.

Regulatory Environment

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

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

Radio-frequency and Communications Regulation

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

Earth Stations. The Communications Act requires a license for the operation of transmitting satellite earth station facilities and certain receiving satellite earth station facilities in the United States. We currently hold licenses authorizing us to operate various earth stations within the United States, including but not limited to user terminals, gateway facilities and network hubs. These licenses typically are granted for 10 to 15 year terms, and renewed in the ordinary course. Material changes in these operations would require prior approval by the FCC. The operation of our earth stations is subject to various license conditions, as well as the technical and operational requirements of the FCC's rules and regulations.

Space Stations. In the United States, the FCC authorizes the launch and operation of commercial spacecraft, and also authorizes non-U.S. licensed spacecraft to be used to serve the United States. The FCC has authorized the use of the ViaSat-1, WildBlue-1 and Anik F2 spacecraft to serve the United States. The use of these spacecraft in our business is subject to various conditions in the underlying authorizations, as well as the technical and operational requirements of the FCC's rules and regulations. For example, in granting such authorization with respect to ViaSat-1, the FCC imposed implementation milestones that we had to satisfy in order to maintain that authorization. We met all of these milestones well in advance of their respective deadlines, and the FCC has confirmed that the milestones have all been satisfied.

Universal Service. Certain of our services may constitute the provision of telecommunications to, from or within the United States, and may require us to contribute a percentage of our revenues from such services to universal service support mechanisms that subsidize the provision of services to low-income consumers, high-cost areas, schools, libraries and rural health care providers. This percentage is set each calendar quarter by the FCC, and currently is 16.6%. Current FCC rules permit us to pass this universal service contribution through to our customers. The FCC also is considering whether and how to alter the regulatory framework governing federal universal service support mechanisms. For example, in November 2011, the FCC adopted an order establishing a

Table of Contents

new universal service funding mechanism to support the provision of voice and broadband services in certain high-cost areas of the United States, to be known as the Connect America Fund (CAF). Among other things, the new CAF mechanism would grant incumbent wireline carriers rights of first refusal allowing them to secure the vast majority of available support, to the exclusion of competitive service providers. Satellite broadband providers would be eligible for much more limited funding, which may place us at a competitive disadvantage in the provision of broadband services in rural areas. The CAF mechanism has not yet been fully implemented, and the FCC has sought further public comment with respect to certain details of implementation. Moreover, the FCC order establishing the CAF is the subject of pending petitions for reconsideration filed with the FCC, as well as pending judicial appeals. As such, it is uncertain how and when the CAF will be implemented, and how such implementation could impact satellite broadband providers. If the CAF, as implemented, were to give incumbents a competitive advantage in providing broadband services in supported areas, this could have a material adverse effect on our business, financial condition and results of operations.

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

Net Neutrality. In December 2010, the FCC adopted rules intended to preserve the openness of the internet, a concept generally referred to as net neutrality. These rules, among other things, prohibited facilities-based broadband internet access service providers from preventing end-user customers from accessing lawful content or running applications of their choice over the internet, and from connecting and using devices that do not harm the network; they also required facilities-based broadband internet access service providers to treat lawful content, applications, and services in a nondiscriminatory manner, and to make certain disclosures concerning their practices as they relate to the openness of their networks. Because the rules permitted us to employ reasonable techniques to manage traffic on our network and included certain other exemptions, we did not believe that these rules would have a material impact on our operations. In January 2014, the U.S. Court of Appeals for the District of Columbia Circuit found that the rules had not been adequately justified by the FCC, vacated them in large part, and remanded the matter to the FCC for further proceedings. In May 2014, the FCC initiated a rulemaking proceeding that could result in new net neutrality rules, which could have a different impact on our operations if and when they are adopted and implemented.

Foreign Licensing

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

Equipment Design, Manufacture, and Marketing

We must comply with the applicable laws and regulations and, where required, obtain the approval of the regulatory authority of each country in which we design, manufacture, or market our communications systems

Table of Contents

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

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

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

Other Regulations

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

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

Table of Contents

Availability of Public Reports

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

Employees

As of April 4, 2014, we employed approximately 3,100 individuals worldwide. We consider the relationships with our employees to be positive. Competition for technical personnel in our industry is intense. We believe our future success depends in part on our continued ability to hire, assimilate and retain qualified personnel. To date, we believe we have been successful in recruiting qualified employees, but there is no assurance we will continue to be successful in the future.

Executive Officers

Set forth below is information concerning our executive officers and their ages as of April 4, 2014.

Name	Age	Position
Mark Dankberg	58	Chairman of the Board and Chief Executive Officer
Richard Baldrige	55	President and Chief Operating Officer
Bruce Dirks	54	Vice President and Chief Financial Officer
Shawn Duffy	44	Vice President Corporate Controller and Chief Accounting Officer
Stephen Estes	59	Vice President Enterprise Services
Kevin Harkenrider	58	Senior Vice President Broadband Services
Steven Hart	60	Vice President Engineering and Chief Technical Officer
Keven Lippert	41	Vice President General Counsel and Secretary
Mark Miller	54	Vice President and Chief Technical Officer
Ken Peterman	57	Vice President Government Systems
John Zlogar	58	Vice President Commercial Networks

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

Richard Baldrige joined ViaSat in April 1999 as Vice President and Chief Financial Officer. From September 2000 to August 2002, Mr. Baldrige served as Executive Vice President, Chief Operating Officer and Chief Financial Officer. He currently serves as President and Chief Operating Officer of ViaSat. In addition,

Table of Contents

Mr. Baldrige serves as a director of Ducommun Incorporated, a provider of engineering and manufacturing services to the aerospace and defense industries, and CommNexus San Diego, a non-profit technology industry association. Prior to joining ViaSat, Mr. Baldrige served as Vice President and General Manager of Raytheon Corporation's Training Systems Division from January 1998 to April 1999. From June 1994 to December 1997, Mr. Baldrige served as Chief Operating Officer, Chief Financial Officer and Vice President Finance and Administration for Hughes Information Systems and Hughes Training Inc., prior to their acquisition by Raytheon in 1997. Mr. Baldrige's other experience includes various senior financial and general management roles with General Dynamics Corporation. Mr. Baldrige holds a B.S.B.A. degree in Information Systems from New Mexico State University.

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

Shawn Duffy joined ViaSat in 2005 as Corporate Controller. In 2009, she was appointed ViaSat's Vice President and Corporate Controller. She assumed her current position as Vice President Corporate Controller and Chief Accounting Officer in April 2012. From August 2012 until April 2013, Ms. Duffy also served as interim Chief Financial Officer. Prior to joining ViaSat, Ms. Duffy was a Senior Manager at Ernst & Young, LLP, serving the technology and consumer product markets. Ms. Duffy is a certified public accountant in the State of California, and earned a B.S.B.A. degree in Accounting from San Diego State University.

Stephen Estes first became part of the ViaSat team with the acquisition of several commercial divisions of Scientific-Atlanta in April 2000. Mr. Estes served as Vice President and General Manager of the Antenna Systems group from 2000 to 2003. From 2003 to 2005, he served as a co-founder of an entrepreneurial startup. In September 2005, Mr. Estes rejoined ViaSat as Vice President Human Resources, and during fiscal year 2012 assumed the position of Vice President Government Systems and Human Resources. In May 2013, he assumed his current position of Vice President Enterprise Services. Mr. Estes began his career as an electrical design engineer, moving into various management positions in engineering, program management, sales and marketing, and general management for companies that included Scientific-Atlanta, Loral (now part of L-3 Communications), and AEL Cross Systems (now part of BAE Systems). Mr. Estes holds a B.S. degree in Mathematics from Brescia University, an Electrical Engineering degree from Georgia Tech and an M.B.A. degree from Georgia State University focused on finance and marketing.

Kevin Harkenrider joined ViaSat in October 2006 as Director Operations, served as Vice President Operations from January 2007 until December 2009, served as Vice President of ViaSat and Chief Operating Officer of ViaSat Communications Inc. from December 2009 to April 2011, and Senior Vice President Infrastructure Operations from April 2011 to May 2012, when he assumed his current position as Senior Vice President Broadband Services. Prior to joining ViaSat, Mr. Harkenrider served as Account Executive at Computer Sciences Corporation from 2002 through October 2006. From 1992 to 2001, Mr. Harkenrider held several positions at BAE Systems, Mission Solutions (formerly GDE Systems, Marconi Integrated Systems and General Dynamics Corporation, Electronics Division), including Vice President and Program Director, Vice President Operations and Vice President Material. Prior to 1992, Mr. Harkenrider served in several director and program manager positions at General Dynamics Corporation. Mr. Harkenrider holds a B.S. degree in Civil Engineering from Union College and an M.B.A. degree from the University of Pittsburgh.

Steven Hart is a founder of ViaSat and has served as Vice President and Chief Technical Officer since March 1993, assuming his current title of Vice President Engineering and Chief Technical Officer in May 2013. From 1986 through 1993, Mr. Hart served as Engineering Manager. Prior to joining ViaSat, Mr. Hart was a Staff Engineer and Manager at M/A-COM Linkabit from 1982 to 1986. Mr. Hart holds a B.S. degree in

Table of Contents

Mathematics from the University of Nevada, Las Vegas and a M.A. degree in Mathematics from the University of California, San Diego.

Keven Lippert has served as Vice President – General Counsel and Secretary of ViaSat since April 2007, and as Associate General Counsel and Assistant Secretary from May 2000 to April 2007. Prior to joining ViaSat, Mr. Lippert was a corporate associate at the law firm of Latham & Watkins LLP. Mr. Lippert holds a J.D. degree from the University of Michigan and a B.S. degree in Business Administration from the University of California, Berkeley.

Mark Miller is a founder of ViaSat and has served as Vice President and Chief Technical Officer of ViaSat since March 1993 and as Engineering Manager since 1986. Prior to joining ViaSat, Mr. Miller was a Staff Engineer at M/A-COM Linkabit from 1983 to 1986. Mr. Miller holds a B.S.E.E. degree from the University of California, San Diego and an M.S.E.E. degree from the University of California, Los Angeles.

Ken Peterman joined ViaSat in April 2013 as Vice President – Government Systems. Mr. Peterman has over 30 years of experience in general management, systems engineering, strategic planning, portfolio management, and business leadership in the aerospace and defense industries. From July 2012 to April 2013, Mr. Peterman served as President and Chief Executive Officer of SpyGlass Group, a company he co-founded which provides executive strategic advisory services to the aerospace and defense industries. From 2011 to July 2012, Mr. Peterman served as President of Exelis Communications and Force Protection Systems, and from 2007 to 2011, he served as President of ITT Communications Systems, which are both developers and providers of command, control, communications, computers, intelligence, surveillance and reconnaissance products and systems. Previously, Mr. Peterman was Vice President and General Manager of Rockwell Collins Government System's Integrated C3 Systems and Rockwell Collins Displays and Awareness Systems. Mr. Peterman earned a B.S.E.E. degree from Tri-State University (now Trine).

John Zlogar joined ViaSat in April 2000 as part of ViaSat's acquisition of several commercial divisions of Scientific-Atlanta. From 2003 to 2011, he served as Vice President and General Manager of ViaSat's Antenna Systems group. Since August 2011, he has served as Vice President Commercial Networks. During his career, Mr. Zlogar has held various management positions in engineering, program management, business development, and general management. Mr. Zlogar holds a B.S.E.E. degree from Pennsylvania State University and an M.S.E.E. degree from Stanford University.

ITEM 1A. RISK FACTORS

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

Our Operating Results Are Difficult to Predict

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

varying subscriber addition and churn rates for our consumer broadband business;

the mix of wholesale and retail subscriber additions in our consumer broadband business;

the level of investments in the construction or acquisition of satellites, and the impact of any construction or launch delays, operational failures or other disruptions to our satellites;

Table of Contents

a complex and lengthy procurement process for most of our commercial networks and government systems customers and potential customers;

changes in the levels of research and development spending, including the effects of associated tax credits;

cost overruns on fixed-price development contracts;

the difficulty in estimating costs over the life of a contract, which may require adjustment in future periods;

the timing, quantity and mix of products and services sold;

price discounts given to some customers;

market acceptance and the timing of availability of our new products and services;

the timing of customer payments for significant contracts;

one-time charges to operating income arising from items such as acquisition expenses, impairment of assets and write-offs of assets related to customer non-payments or obsolescence;

the failure to receive an expected order or a deferral of an order to a later period; and

general economic and political conditions.

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

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

We own two satellites: ViaSat-1 (our first high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite. In addition, we have an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada's Anik F2 satellite (which was placed into service in April 2005). We utilize capacity on our ViaSat-1 and WildBlue-1 satellites, on Telesat Canada's Anik F2 satellite and on SES WorldSkies' AMC-15 satellite to support our broadband services in the United States. We also lease capacity on multiple satellites related to the provision of our international mobile broadband services to commercial and government customers. We may construct, acquire or use one or more additional satellites in the future.

Satellites utilize highly complex technology and operate in the harsh environment of space and, accordingly, are subject to significant operational risks while in orbit. These risks include malfunctions (commonly referred to as anomalies), interference from electrostatic storms, and collisions with meteoroids, decommissioned spacecraft or other space debris. Our satellites have experienced various anomalies in the past and we will likely experience anomalies in the future. Anomalies can occur as a result of various factors, such as:

Edgar Filing: VIASAT INC - Form 10-K

satellite manufacturer error, whether due to the use of new or largely unproven technology or due to a design, manufacturing or assembly defect that was not discovered before launch;

problems with the power sub-system of the satellite;

problems with the control sub-system of the satellite; and

general failures resulting from operating satellites in the harsh space environment, such as premature component failure or wear.

Table of Contents

Any single anomaly or series of anomalies, or other operational failure or degradation, on any of the satellites we own and operate or use could have a material adverse effect on our operations and revenues and our relationships with current customers and distributors, as well as our ability to attract new customers for our satellite services. Anomalies may also reduce the expected useful life of a satellite, thereby creating additional expense due to the need to provide replacement or backup capacity and potentially reducing revenues if service is interrupted or degraded on the satellites we utilize. We may not be able to obtain backup capacity or a replacement satellite on reasonable economic terms, a reasonable schedule or at all. In addition, anomalies may also cause a reduction of the revenue generated by the applicable satellite or the recognition of an impairment loss, and in some circumstances could lead to claims from third parties for damages, for example, if a satellite experiencing an anomaly were to cause physical damage to another satellite, create interference to the transmissions on another satellite or cause another satellite operator to incur expenses to avoid such physical damage or interference. Finally, the occurrence of anomalies may adversely affect our ability to insure our satellites at commercially reasonable premiums or terms, if at all. While some anomalies are covered by insurance policies, others are not or may not be covered, or may be subject to large deductibles.

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

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

Our ability to earn revenue from our satellite services depends on the continued operation of ViaSat-1, WildBlue-1, Anik F2 and any other satellite we may acquire or use in the future, such as ViaSat-2. Each satellite has a limited useful life, referred to as its design life. There can be no assurance as to the actual operational life of a satellite, which may be shorter than its design life. A number of factors affect the useful lives of the satellites, including, among other things, the quality of their design and construction, the durability of their component parts and back-up units, the ability to continue to maintain proper orbit and control over the satellite's functions, the efficiency of the launch vehicle used, consumption of remaining on-board fuel following orbit insertion, degradation and durability of solar panels, the actual space environment experienced compared to the assumed space environment for which the satellites were designed and tested, and the occurrence of any anomaly or series of anomalies or other in-orbit risks affecting the satellite. In addition, continued improvements in satellite technology may make obsolete ViaSat-1, ViaSat-2 or any other satellite we may own or acquire in the future prior to the end of its life.

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

We currently hold in-orbit insurance for ViaSat-1, WildBlue-1 and Anik F2. We also intend to seek launch and in-orbit insurance for ViaSat-2 and any other satellite we may acquire in the future. However, we may not be able to obtain insurance, or renew existing insurance, on reasonable economic terms or at all. If we are able to obtain or renew our insurance, it may contain customary exclusions, exclusions for past satellite anomalies and will not likely cover the full cost of constructing and launching or replacing the satellites, nor will it cover lost profits, business interruptions, fixed operating expenses or similar losses. In addition, the occurrence of any anomalies on other satellites, including other Ka-band satellites, or any failures of a satellite using similar components or failures of a similar launch vehicle to any launch vehicle we intend to use for any future satellite (including ViaSat-2), may materially adversely affect our ability to insure the satellites at commercially reasonable premiums or terms, if at all.

Any insurance proceeds will not fully cover our losses in the event of a satellite failure or significant degradation. For example, the policies covering the insured satellites do not cover the full cost of constructing, launching and insuring new satellites, nor will they cover, and we do not have protection against, lost profits,

Table of Contents

business interruptions, fixed operating expenses, loss of business or similar losses. Our insurance contains customary exclusions, material change and other conditions that could limit recovery under those policies. Further, any insurance proceeds may not be received on a timely basis in order to launch a spare satellite or construct and launch a replacement satellite or take other remedial measures. In addition, the policies are subject to limitations involving uninsured losses, large satellite performance deductibles and policy limits.

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

In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite, which is currently under construction. We may construct and launch one or more additional satellites in the future. The design and construction of satellites require significant investments of capital and management time. Satellite construction and launch are also subject to significant risks, including construction delays, cost overruns, regulatory conditions or delays, unavailability of launch opportunities, launch failure, damage or destruction during launch and improper orbital placement. We have in the past experienced delays in satellite construction and launch which have adversely affected our operations. Future delays may have the same effect. A significant delay in the delivery of ViaSat-2 or any other future satellite may also adversely affect our business plan for the satellite. If satellite construction schedules are not met, a launch opportunity may not be available at the time the satellite is ready to be launched. The failure to implement our satellite deployment plan on schedule could have a material adverse effect on our business, financial condition and results of operations.

A Launch Failure or Other Satellite Damage or Destruction During Launch, or the Failure of a New Satellite to Achieve its Designated Orbital Location After Launch Could Result in a Total or Partial Satellite Loss

Satellites are subject to certain risks related to failed launches. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take up to 36 months or longer, and to obtain other launch opportunities. Such significant delays could have a material adverse effect on our business, financial condition and results of operations. The overall historical loss rate in the satellite industry for all launches of commercial satellites in fixed orbits in the last five years is estimated by some industry participants to be approximately 5% but could at any time be higher. Launch vehicles may also under-perform, in which case the satellite may still be able to be placed into service by using its onboard propulsion systems to reach the desired orbital location, but this would cause a reduction in its useful life.

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

A major element of our satellite broadband services business strategy is to utilize ViaSat-1, ViaSat-2 and any additional satellites we may construct or acquire in the future to continue to expand our provision of retail and wholesale satellite broadband services. We may be unsuccessful in implementing our business plan for our satellite broadband services business, or we may not be able to achieve the revenue that we expect from our satellite broadband services business. One of our principal competitors in satellite broadband launched a new satellite and initiated a service that competes with our Exede broadband services. Any failure to realize our anticipated benefits of ViaSat-2, to attract a sufficient number of distributors or customers for our Exede service, to grow our customer base for satellite broadband services as quickly as we anticipate, may have a material adverse effect on our business, financial condition or results of operations.

We have incurred higher operating costs in connection with the late fiscal year 2012 launch and roll-out of our ViaSat-1 satellite and related ground infrastructure and our Exede broadband services, as well as higher interest expense as we capitalized a lower amount of the interest expense on our outstanding debt in fiscal year 2014 as we were in the early stages of construction of ViaSat-2, our second high-capacity Ka-band satellite. These operating costs included costs associated with depreciation, gateway connectivity, subscriber acquisition costs, logistics, customer care and various support systems. These additional operating costs attributed to our Exede service commencement have negatively impacted income from operations during recent fiscal years.

Table of Contents

However, as the total number of subscribers of our Exede broadband services increased, the resultant increase in service revenues in our satellite services segment has improved income (loss) from operations for that segment over time, despite the additional litigation expense we have incurred to protect our proprietary technology. Nonetheless, there can be no assurance that the number of subscribers of our Exede broadband services and service revenues in our satellite services segment will continue to increase. We also expect to continue to invest in subscriber acquisition costs during fiscal year 2015 as we further expand our subscriber base as well as make additional investments for the construction of ViaSat-2. If our business strategy for our satellite services segment does not succeed, we may be unable to recover our significant investments in ViaSat-1 and ViaSat-2, which could have a material adverse impact on our business, financial condition or results of operations.

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

Governmental authorizations are required in connection with the products and services that we provide. In order to maintain these authorizations, compliance with specific conditions of those authorizations, certain laws and regulations, and the payment of annual regulatory fees may be required. Failure to comply with such requirements, or comply in a timely manner, could lead to the loss of such authorizations and could have a material adverse impact on our business, financial condition or results of operations. We currently hold authorizations to, among other things, operate various satellite earth stations (including but not limited to user terminals, gateway facilities, and network hubs) and operate satellite space stations and/or use those space stations to provide service to certain jurisdictions. While we anticipate that these authorizations will be renewed in the ordinary course to the extent that they otherwise would expire, or replaced by authorizations covering more advanced facilities, we can provide no assurance that this will be the case. The inability to timely obtain required authorizations for future operations could delay or preclude our provision of new products and services. Further, changes to the regulations under which we operate could adversely affect our ability to obtain or maintain authorizations. Either circumstance could have a material adverse impact on our business.

The spacecraft we use in our business are subject to the regulatory authority of, and conditions imposed by, foreign governments, as well as contractual arrangements with third parties. Our ViaSat-1 satellite operates in an orbital slot under authority granted to ManSat Limited by the governments of the Isle of Man and the United Kingdom (as well as authority from the FCC), and pursuant to contractual arrangements we have with ManSat Limited that extend past the expected useful life of ViaSat-1. We also use Ka-band capacity on the Anik F2 satellite to provide our broadband services under an agreement with Telesat Canada, and we may do so until the end of the useful life of that satellite. Telesat Canada operates that satellite under authority granted to it by the government of Canada. We also currently use the WildBlue-1 satellite, which we own, and which is co-located with Anik F2 under authority granted to Telesat Canada by the government of Canada, and pursuant to an agreement we have with Telesat Canada that expires upon the end of the useful life of Anik F2. Accordingly, we are reliant upon ManSat Limited and Telesat Canada to maintain their respective authorizations for these orbital slots with foreign governmental authorities. The use of these spacecraft in our business is subject to various conditions in the underlying authorizations held by us, ManSat Limited and Telesat Canada, as well as the technical and operational requirements of the rules and regulations of those jurisdictions. ViaSat-2 is expected to operate in an orbital slot under the authority of the United Kingdom. Any failure to meet these FCC or foreign government conditions, maintain our contractual arrangements or authorizations, or manage potential conflicts with the orbital slot rights afforded to third parties, could lead to us losing our rights to operate from these orbital locations or may otherwise require us to modify or limit our operations from these locations, which could materially adversely affect our ability to operate a satellite at full capacity or at all.

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

We must comply with all applicable export control laws and regulations of the United States and other countries. U.S. laws and regulations applicable to us include the Arms Export Control Act, the International Traffic in Arms Regulations (ITAR), the Export Administration Regulations (EAR) and the trade sanctions laws

Table of Contents

and regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). The export of certain satellite hardware, services and technical data relating to satellites is regulated by the U.S. Department of State under ITAR. Other items are controlled for export by the U.S. Department of Commerce under the EAR. We cannot provide services to certain countries subject to U.S. trade sanctions unless we first obtain the necessary authorizations from OFAC. In addition, we are subject to the Foreign Corrupt Practices Act, which generally bars bribes or unreasonable gifts to foreign governments or officials. Violations of these laws or regulations could result in significant additional sanctions including fines, more onerous compliance requirements, more extensive debarments from export privileges or loss of authorizations needed to conduct aspects of our international business. A violation of ITAR or the other regulations enumerated above could materially adversely affect our business, financial condition and results of operations.

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

The provision of wireless and satellite communications and secure networking products and services is highly regulated. Our business is subject to the regulatory authority of the jurisdictions in which we operate, including the United States and other jurisdictions around the world. Those authorities regulate, among other things, the launch and operation of satellites, the use of radio spectrum, the licensing of earth stations and other radio transmitters, the provision of communications services, and the design, manufacture and marketing of communications systems and networking infrastructure. We cannot predict when or whether applicable laws or regulations may come into effect or change, or what the cost and time necessary to comply with such new or updated laws or regulations may be. Failure to comply with applicable laws or regulations could result in the imposition of financial penalties against us, the adverse modification or cancellation of required authorizations, or other material adverse actions.

Laws and regulations affecting the wireless and satellite communications and secure networking industries are subject to change in response to industry developments, new technology, and political considerations. Legislators and regulatory authorities in various countries are considering, and may in the future adopt, new laws, policies and regulations, as well as changes to existing regulations, regarding a variety of matters that could, directly or indirectly, affect our operations or the operations of our distribution partners, increase the cost of providing our products and services and make our products less competitive in our core markets. For example, in November 2011, the FCC adopted an order establishing a new universal service funding mechanism to support the provision of voice and broadband services in certain high-cost areas of the United States, to be known as the CAF. Among other things, the new CAF mechanism would grant incumbent wireline carriers rights of first refusal allowing them to secure the vast majority of available support, to the exclusion of competitive service providers. Satellite broadband providers would be eligible for much more limited funding, which may place us at a competitive disadvantage in the provision of broadband services in rural areas. The CAF mechanism has not yet been fully implemented, and the FCC has sought further public comment with respect to certain details of implementation. Moreover, the FCC order establishing the CAF is the subject of pending petitions for reconsideration filed with the FCC, as well as pending judicial appeals. As such, it is uncertain how and when the CAF will be implemented, and how such implementation could impact satellite broadband providers. If the CAF, as implemented, were to give incumbents a competitive advantage in providing broadband services in supported areas, this could have a material adverse effect on our business, financial condition and results of operations.

In August 2012, the SEC adopted disclosure rules regarding a company's use of conflict minerals in their products, with substantial supply chain verification requirements in the event that the conflict minerals come from, or could have come from, the Democratic Republic of the Congo or adjoining countries. These new rules and verification requirements will impose additional costs on us and on our suppliers, and may limit the sources or increase the prices of materials used in our products. Further, if we are unable to certify that our products are conflict free, we may face challenges with our customers, which could place us at a competitive disadvantage and could harm our reputation.

Table of Contents

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

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

Our government systems segment revenues were approximately 42%, 47% and 45% of our total revenues in fiscal years 2014, 2013 and 2012, respectively, and were derived primarily from U.S. government applications. Therefore, any significant disruption or deterioration of our relationship with the U.S. government would significantly reduce our revenue. U.S. government business exposes us to various risks, including:

changes in governmental procurement legislation and regulations and other policies, which may reflect military and political developments;

unexpected contract or project terminations or suspensions;

unpredictable order placements, reductions or cancellations;

reductions or delays in government funds available for our projects due to government policy changes, budget cuts or delays, changes in available funding, reductions in government defense expenditures and contract adjustments;

the ability of competitors to protest contractual awards;

penalties arising from post-award contract audits;

the reduction in the value of our contracts as a result of the routine audit and investigation of our costs by U.S. government agencies;

higher-than-expected final costs, particularly relating to software and hardware development, for work performed under contracts where we commit to specified deliveries for a fixed price;

limited profitability from cost-reimbursement contracts under which the amount of profit is limited to a specified amount;

unpredictable cash collections of unbilled receivables that may be subject to acceptance of contract deliverables by the customer and contract close-out procedures, including government approval of final indirect rates;

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

significant changes in contract scheduling or program structure, which generally result in delays or reductions in deliveries; and

intense competition for available U.S. government business necessitating increases in time and investment for design and development.

We must comply with and are affected by laws and regulations relating to the award, administration and performance of U.S. government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business, including the establishment of compliance procedures. A violation of specific laws and regulations could result in the imposition of fines and penalties, the termination of our contracts or debarment from bidding on contracts.

Substantially all of our U.S. government backlog scheduled for delivery can be terminated at the convenience of the U.S. government because our contracts with the U.S. government typically provide that

Table of Contents

orders may be terminated with limited or no penalties. If we are unable to address any of the risks described above, or if we were to lose all or a substantial portion of our sales to the U.S. government, it could materially harm our business and impair the value of our common stock.

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

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

As a government contractor, we are routinely subject to audit and review by the DCMA, the DCAA and other U.S. government agencies of our performance on government contracts, indirect rates and pricing practices, accounting and management internal control business systems, and compliance with applicable contracting and procurement laws, regulations and standards. Both contractors and the U.S. government agencies conducting these audits and reviews have come under increased scrutiny. In particular, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. Increases in congressional scrutiny and investigations into business practices and major programs supported by contractors may lead to increased legal costs and may harm our reputation and profitability if we are among the targeted companies.

An adverse outcome to a review or audit or other failure to comply with applicable contracting and procurement laws, regulations and standards could result in material civil and criminal penalties and administrative sanctions being imposed on us, which may include termination of contracts, forfeiture of profits, triggering of price reduction clauses, suspension of payments, significant customer refunds, fines and suspension, or a prohibition on doing business with U.S. government agencies. In addition, if we fail to obtain an adequate determination of our various accounting and management internal control business systems from applicable U.S. government agencies or if allegations of impropriety are made against us, we could suffer serious harm to our business or our reputation, including our ability to bid on new contracts or receive contract renewals and our competitive position in the bidding process. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

Our incurred cost audits by the DCAA have not been concluded for fiscal year 2004 and subsequent fiscal years. Although we have recorded contract revenues subsequent to fiscal year 2003 based upon an estimate of costs that we believe will be approved upon final audit or review, we do not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed our estimates, our profitability would be adversely affected. For example, in the fourth quarter of fiscal year 2011, based on communications with the DCMA, changes in the regulatory environment for federal government contractors, the status of current government audits and other events, we recorded an additional \$5.0 million in contract-related reserves for our estimate of potential refunds to customers for possible cost adjustments on several multi-year U.S. government cost reimbursable contracts. There can be no assurance that audits or reviews of our incurred costs and cost accounting systems for other fiscal years will not be subject to further audit, review or scrutiny by the DCAA or other government agencies.

Table of Contents

Our Success Depends on the Investment in and Development of New Satellite and Wireless Communications and Secure Networking Products and Services and Our Ability to Gain Acceptance of these Products and Services

The wireless and satellite communications and secure networking markets are subject to rapid technological change, frequent new and enhanced product and service introductions, product obsolescence and changes in user requirements. Our ability to compete successfully in these markets depends on our success in applying our expertise and technology to existing and emerging satellite and wireless communications and secure networking markets, as well as our ability to successfully develop, introduce and sell new products and services on a timely and cost-effective basis that respond to ever-changing customer requirements, which depends on several factors, including:

our ability to enhance our product and service offerings by increasing service quality and adding innovative features that differentiate our offerings from those of our competitors;

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

timely completion and introduction of new system and product designs;

achievement of acceptable product and service costs;

timely and efficient implementation of our manufacturing and assembly processes and cost reduction efforts;

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

development of competitive products, services and technologies by existing and new competitors;

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

market acceptance of our new products and services.

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

In addition, we believe that significant investments in next generation broadband satellites and associated infrastructure will be required for satellite-based technologies to compete more effectively with terrestrial-based technologies in the consumer and enterprise markets. We are constantly evaluating the opportunities and investments related to the development of these next generation broadband systems. The development of these capital-intensive next generation systems may require us to undertake debt financing and/or the issuance of additional equity, which could expose us to increased risks and impair the value of our common stock. In addition, if we are unable to effectively or profitably design, manufacture, integrate and market such next generation technologies, it could materially harm our business, financial condition and results of operations, and impair the value of our common stock.

Table of Contents

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

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

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

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

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

A small number of our contracts account for a significant percentage of our revenues. Our five largest contracts generated approximately 26%, 24% and 20% of our total revenues in fiscal years 2014, 2013 and 2012, respectively. Our largest revenue producing contracts are related to our government satellite communication systems and services and tactical data links products. The failure of these customers or any of our key distributors to place additional orders or to maintain their contracts with us for any reason, including any downturn in their business or financial condition or our inability to renew our contracts with these customers or obtain new contracts when they expire, could materially harm our business and impair the value of our common stock.

Table of Contents

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

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

We are often party to government and commercial contracts involving the development of new products. We derived approximately 31%, 26% and 26% of our total revenues in fiscal years 2014, 2013 and 2012, respectively, from these development contracts. These contracts typically contain strict performance obligations and project milestones. We cannot assure you we will comply with these performance obligations or meet these project milestones in the future. If we are unable to comply with these performance obligations or meet these milestones, our customers may terminate these contracts and, under some circumstances, recover damages or other penalties from us. We are not currently, nor have we always been, in compliance with all outstanding performance obligations and project milestones in our contracts. We cannot assure you that the other parties to any such contract will not terminate the contract or seek damages from us. If other parties elect to terminate their contracts or seek damages from us, it could materially harm our business and impair the value of our common stock.

We May Experience Losses from Our Fixed-Price Contracts

Of our total government systems and commercial networks segments revenues, approximately 92%, 94% and 93% were derived from contracts with fixed prices in fiscal years 2014, 2013 and 2012, respectively. These contracts carry the risk of potential cost overruns because we assume all of the cost burden. We assume greater financial risk on fixed-price contracts than on other types of contracts because if we do not anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract, it may significantly reduce our net profit or cause a loss on the contract. In the past, we have experienced significant cost overruns and losses on fixed-price contracts. For example, in June 2010, we performed extensive integration testing of numerous system components that had been separately developed as part of a government satellite communication program. As a result of this testing and subsequent internal reviews and analyses, we determined that significant additional rework was required in order to complete the program requirements and specifications and to prepare for a scheduled customer test. This additional rework and engineering effort resulted in a substantial increase in estimated labor and material costs to complete the program. Accordingly, during the first quarter of fiscal year 2011, we recorded an additional forward loss of \$8.5 million related to this estimate of program costs. Because many of these contracts involve new technologies and applications and can last for years, unforeseen events, such as technological difficulties, fluctuations in the price of raw materials, problems with our suppliers and cost overruns, can result in the contractual price becoming less favorable or even unprofitable to us over time. Furthermore, if we do not meet contract deadlines or specifications, we may need to renegotiate contracts on less favorable terms, be forced to pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. We believe a high percentage of our contracts in our government systems and commercial networks segments will be at fixed prices in the future. Although we attempt to accurately estimate costs for fixed-price contracts, we cannot assure you our estimates will be adequate or that substantial losses on fixed-price contracts will not occur in the future. If we are unable to address any of the risks described above, it could materially harm our business, financial condition and results of operations, and impair the value of our common stock.

Table of Contents

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

Our internal manufacturing capacity is limited and we do not intend to expand our capability in the foreseeable future. We rely on a limited number of contract manufacturers to produce our products and expect to rely increasingly on these manufacturers in the future. In addition, some components, subassemblies and services necessary for the manufacture of our products are obtained from a sole source supplier or a limited group of suppliers.

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

The Markets We Serve Are Highly Competitive and Our Competitors May Have Greater Resources than Us

The wireless and satellite communications and secure networking industries are highly competitive and competition is increasing. In addition, because the markets in which we operate are constantly evolving and characterized by rapid technological change, it is difficult for us to predict whether, when and by whom new competing technologies, products or services may be introduced into our markets. Currently, we face substantial competition in each of our business segments. In our satellite services and commercial networks segments, we compete with ASC Signal, Astrium, AT&T, CenturyLink, Clearwire, Comtech, DISH Network, Earthlink, Frontier, General Dynamics, Gilat, EchoStar (Hughes Network Systems), iDirect Technologies, Inmarsat, L-3 Communications, Newtec, Panasonic, Row 44, SS/L, Thales, Verizon and Zodiac Data Systems each of which offers a broad range of satellite or terrestrial communications products and services, and with other internet service providers in areas where such competing services are available. Within our government systems segment, we generally compete with manufacturers of defense electronics products, systems or subsystems, such as BAE Systems, General Dynamics, Harris, L-3 Communications, Rockwell Collins and similar companies. The overall number of our competitors may increase, and the identity and composition of competitors may change. As we continue to expand globally, we may see new competition in different geographic regions. Many of our competitors and potential competitors have significant competitive advantages, including strong customer relationships, more experience with regulatory compliance, greater financial and management resources and access to technologies not available to us. In addition, our satellite services segment faces increasing competition as a result of industry consolidation and vertical integration, which enables our competitors to provide competing services to broader customer segments or to offer bundled service offerings that we are not able to duplicate, or which may reduce demand for our wholesale broadband internet services. For example, certain of our competitors have developed or are developing products that will compete directly with our ViaSat-1 based Exede broadband services. In addition, some of our customers continuously evaluate whether to develop and manufacture their own products and could elect to compete with us at any time. Our ability to compete may be adversely affected by limits on our capital resources and our ability to invest in maintaining and expanding our market share.

Table of Contents

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

We have a significant amount of indebtedness. As of April 4, 2014, our total outstanding indebtedness was \$682.8 million, which included \$575.0 million in principal amount of 6.875% Senior Notes due 2020 (2020 Notes), \$105.0 million in principal amount of outstanding borrowings under our revolving credit facility (the Credit Facility) and \$2.8 million of other obligations.

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

make it more difficult for us to satisfy our debt obligations;

increase our vulnerability to general adverse economic and industry conditions;

impair our ability to obtain additional debt or equity financing in the future for working capital, capital expenditures, product development, satellite construction, acquisitions or general corporate or other purposes;

require us to dedicate a material portion of our cash flows from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of our cash flows to fund working capital needs, capital expenditures, product development, satellite construction, acquisitions and other general corporate purposes;

expose us to the risk of increased interest rates to the extent we make borrowings under our Credit Facility, which bear interest at a variable rate;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

place us at a disadvantage compared to our competitors that have less indebtedness; and

limit our ability to adjust to changing market conditions.

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

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

We may incur significant additional indebtedness in the future, which may include financing relating to ViaSat-2 or future satellites, potential acquisitions, working capital, capital expenditures or general corporate purposes. As of April 4, 2014, we had undrawn availability of \$355.5 million under our Credit Facility. In addition, our Credit Facility and the indenture governing the 2020 Notes permit us, subject to specified limitations, to incur additional indebtedness. In March 2013, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of debt securities, common stock, preferred stock, depository shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers and agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. If new indebtedness is added to our current level of indebtedness, the related risks that we now face could intensify.

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

Edgar Filing: VIASAT INC - Form 10-K

Our ability to make scheduled payments on or to refinance our indebtedness will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general

Table of Contents

economic, financial, business, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings, including borrowings under our Credit Facility, will be available to us in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. Our Credit Facility and the indenture governing the 2020 Notes restrict our ability to dispose of assets and use the proceeds from the disposition, and may also restrict our ability to raise debt or equity capital to repay or service our indebtedness. If we cannot make scheduled payments on our debt, we will be in default and, as a result, the lenders under our Credit Facility and the holders of the 2020 Notes could declare all outstanding principal and interest to be due and payable, the lenders under our Credit Facility could terminate their commitments to loan money and foreclose against the assets securing the borrowings under our Credit Facility, and we could be forced into bankruptcy or liquidation, which could result in you losing your investment in our company.

We May Be Unable to Refinance Our Indebtedness

We may need to refinance all or a portion of our indebtedness before maturity, including the 2020 Notes and any indebtedness under our Credit Facility. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

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

The Credit Facility and the indenture governing the 2020 Notes contain covenants that may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in opportunistic transactions, such as strategic acquisitions. In addition, if we fail to satisfy the covenants contained in our Credit Facility, our ability to borrow under our Credit Facility may be restricted. The Credit Facility and the indenture governing the 2020 Notes include covenants restricting, among other things, our ability to do the following:

incur, assume or guarantee additional indebtedness;

issue redeemable stock and preferred stock;

grant or incur liens;

sell or otherwise dispose of assets, including capital stock of subsidiaries;

make loans and investments;

pay dividends, make distributions, or redeem or repurchase capital stock;

enter into transactions with affiliates;

reduce our satellite insurance; and

Edgar Filing: VIASAT INC - Form 10-K

consolidate or merge with or into, or sell substantially all of our assets to, another person.

In addition, our Credit Facility requires us to comply with certain financial covenants, including a maximum total leverage ratio and minimum interest coverage ratio. Our Credit Facility is secured by first-priority liens on substantially all of the assets of our company, including the stock of our subsidiaries, and the assets of the subsidiary guarantors under our Credit Facility.

Table of Contents

If we default under our Credit Facility or the indenture governing the 2020 Notes because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. In the past we have violated the covenants in our former revolving credit facilities and received waivers for these violations. We cannot assure you that we will be able to comply with our financial or other covenants under our Credit Facility or the indenture governing the 2020 Notes or that any covenant violations will be waived in the future. Any violation that is not waived could result in an event of default, permitting our lenders to declare outstanding indebtedness and interest thereon due and payable, and permitting the lenders under our Credit Facility to suspend commitments to make any advance or to require any outstanding letters of credit to be collateralized by an interest bearing cash account, any or all of which could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we would have sufficient funds to repay all the outstanding amounts under our Credit Facility or the indenture governing the 2020 Notes, and any acceleration of amounts due would have a material adverse effect on our liquidity and financial condition.

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

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

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

Our business and operating results are affected by the global business environment and economic conditions, including changes in interest rates, consumer credit conditions, consumer debt levels, consumer confidence, rates of inflation, unemployment rates, energy costs, geopolitical issues and other macro-economic factors. For example, high unemployment levels or energy costs may impact our consumer customer base in our satellite services segment by reducing consumers' discretionary income and affecting their ability to subscribe

for our broadband services. Our commercial networks segment similarly depends on the economic health and willingness of our customers and potential customers to make and adhere to capital and financial commitments to purchase our products and services. During periods of slowing global economic growth or recession, our customers or key suppliers may experience deterioration of their businesses, cash flow shortages, difficulty obtaining financing or insolvency. Existing or potential customers may reduce or postpone spending in response to tighter credit, negative financial news or declines in income or asset values, which could have a material negative effect on the demand for our products and services. Any of these factors could result in reduced demand for, and pricing pressure on, our products and services, which could lead to a reduction in our revenues and adversely affect our business, financial condition and results of operations.

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

Table of Contents

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

Approximately 23%, 25% and 21% of our total revenues in fiscal years 2014, 2013 and 2012, respectively, were derived from international sales. Many of our international sales may be denominated in foreign currencies. Because we do not currently engage in, nor do we anticipate engaging in, material foreign currency hedging transactions related to international sales, a decrease in the value of foreign currencies relative to the U.S. dollar could result in losses from transactions denominated in foreign currencies. This decrease in value could also make our products less price-competitive.

There are additional risks in conducting business internationally, including:

unexpected changes in laws, policies and regulatory requirements, including but not limited to regulations related to import-export control;

increased cost of localizing systems in foreign countries;

increased sales and marketing and research and development expenses;

availability of suitable export financing;

timing and availability of export licenses;

imposition of taxes, tariffs, embargoes and other trade barriers;

political and economic instability;

fluctuations in currency exchange rates;

compliance with a variety of international laws and U.S. laws affecting the activities of U.S. companies abroad;

challenges in staffing and managing foreign operations;

difficulties in managing distributors;

potentially adverse tax consequences;

potential difficulty in making adequate payment arrangements; and

potential difficulty in collecting accounts receivable.

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

Our Ability to Protect Our Proprietary Technology Is Limited

Our success depends significantly on our ability to protect our proprietary rights to the technologies we use in our products and services. We generally rely on a combination of copyrights, patents, trademarks and trade secret laws and contractual rights to protect our intellectual property rights. We also enter into confidentiality agreements with our employees, consultants and corporate partners, and control access to and distribution of our proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. If we are unable to protect our proprietary rights adequately, our competitors could use the intellectual property we have developed to enhance their own products and services, which could materially harm our business and impair the value of our common stock. Monitoring and preventing unauthorized use of our technology is difficult. From time to time, we undertake actions to prevent unauthorized use of our technology, including sending cease and desist letters. In addition, we may be

Table of Contents

required to commence litigation to protect our intellectual property rights or to determine the validity and scope of the proprietary rights of others. For example, see **Legal Proceedings** in Item 3 for a discussion of certain patent infringement litigation relating to our satellites. If we are unsuccessful in any such litigation, our rights to enforce such intellectual property may be impaired or we could lose some or all of our rights to such intellectual property. We do not know whether the steps we have taken will prevent unauthorized use of our technology, including in foreign countries where the laws may not protect our proprietary rights as extensively as in the United States. If we are unable to protect our proprietary rights, we may find ourselves at a competitive disadvantage to others who need not incur the substantial expense, time and effort required to create the innovative products. Also, we have delivered certain technical data and information to the U.S. government under procurement contracts, and the U.S. government may have unlimited rights to use that technical data and information. There can be no assurance that the U.S. government will not authorize others to use that data and information to compete with us.

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

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

We Rely on the Availability of Third-Party Licenses

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

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

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

Any Failure to Successfully Integrate Strategic Acquisitions Could Adversely Affect Our Business

In order to position ourselves to take advantage of growth opportunities, we have made, and may continue to make, strategic acquisitions that involve significant risks and uncertainties. These risks and uncertainties include:

the difficulty in integrating newly acquired businesses and operations in an efficient and effective manner;

Table of Contents

the challenges in achieving strategic objectives, cost savings and other benefits expected from acquisitions;

the risk of diverting our resources and the attention of our senior management from the operations of our business;

additional demands on management related to the increase in the size and scope of our company following an acquisition;

the risk that our markets do not evolve as anticipated and the technologies acquired do not prove to be those needed to be successful in those markets;

difficulties in combining corporate cultures;

difficulties in the assimilation and retention of key employees;

difficulties in maintaining relationships with present and potential customers, distributors and suppliers of the acquired business;

costs and expenses associated with any undisclosed or potential liabilities of the acquired business;

delays, difficulties or unexpected costs in the integration, assimilation, implementation or modification of platforms, systems, functions, technologies and infrastructure to support the combined business, as well as maintaining uniform standards, controls (including internal accounting controls), procedures and policies;

the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses;

the risks of entering markets in which we have less experience; and

the risks of potential disputes concerning indemnities and other obligations that could result in substantial costs.

To complete future acquisitions we may issue equity securities, incur debt, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could cause our earnings per share to decline. Mergers and acquisitions are inherently risky and subject to many factors outside of our control, and we cannot be certain that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results or financial condition. We do not know whether we will be able to successfully integrate the businesses, products, technologies or personnel that we might acquire in the future or that any strategic investments we make will meet our financial or other investment objectives. Any failure to do so could seriously harm our business, financial condition and results of operations.

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

In March 2013, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of debt securities, common stock, preferred stock, depository 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.

Edgar Filing: VIASAT INC - Form 10-K

We may also issue additional shares of common stock to finance future acquisitions through the use of equity. For example, during the third quarter of fiscal year 2010 we issued approximately 4.29 million shares of our common stock to former WildBlue equity and debt holders in connection with our acquisition of WildBlue Holding, Inc. (WildBlue). Additionally, a substantial number of shares of our common stock are available for future sale pursuant to stock options, warrants or issuance pursuant to our 1996 Equity Participation Plan of ViaSat, Inc. and the ViaSat, Inc. Employee Stock Purchase Plan. We cannot predict the size of future issuances of our common stock or the effect, if any, that future sales and issuances of shares of our common stock will

Table of Contents

have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued upon the exercise of stock options and warrants or in connection with acquisition financing), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock. In addition, these sales may be dilutive to existing stockholders.

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

The market price of our common stock has been volatile in the past. For example, since April 1, 2011 the market price of our common stock has ranged from \$31.18 to \$74.78. Trading prices may continue to fluctuate in response to a number of events and factors, including the following:

- quarterly variations in operating results and announcements of innovations;
- announcements relating to the acquisition, construction and launch of satellites;
- new products, services and strategic developments by us or our competitors;
- developments in our relationships with our customers, distributors and suppliers;
- regulatory developments;
- changes in our revenues, expense levels or profitability;
- changes in financial estimates and recommendations by securities analysts;
- failure to meet the expectations of securities analysts;
- changes in the satellite and wireless communications and secure networking industries; and
- changes in the economy.

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

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

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

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

As of May 9, 2014, our executive officers and directors and their affiliates beneficially owned an aggregate of approximately 10% of our common stock. Accordingly, these stockholders may be able to substantially influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. Circumstances may arise in which the interests of these stockholders could conflict with the interests of our other stockholders. These stockholders could delay or prevent a change in control of ViaSat even if such a transaction would be beneficial to our other stockholders.

Table of Contents

We Have Implemented Anti-Takeover Provisions that Could Prevent an Acquisition of Our Business at a Premium Price

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

permit the board of directors to increase its own size and fill the resulting vacancies;

provide for a board comprised of three classes of directors with each class serving a staggered three-year term;

authorize the issuance of blank check preferred stock in one or more series; and

prohibit stockholder action by written consent.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our worldwide headquarters are located at our Carlsbad, California campus, consisting of approximately 538,000 square feet under various leases. In addition to our Carlsbad campus, we have facilities under various leases consisting of approximately: (1) 20,000 square feet in San Diego, California, (2) 113,000 square feet in Englewood, Colorado, (3) 176,000 square feet in Duluth, Georgia, (4) 69,000 square feet in Germantown, Maryland, (5) 58,000 square feet in Gilbert, Arizona, and (6) 34,000 square feet in Cleveland, Ohio. We also maintain offices or a sales presence in Arlington (Virginia), Boston (Massachusetts), Linthicum Heights and Aberdeen (Maryland), Tampa (Florida), Australia, China, Italy, Switzerland and the United Kingdom, and operate twenty-four gateway ground station locations to support our satellite broadband services business across the United States and Canada. Although we believe that our existing facilities are suitable and adequate for our present purposes, we anticipate operating additional regional sales offices in fiscal year 2015 and beyond. Each of our segments uses each of these facilities.

ITEM 3. LEGAL PROCEEDINGS

In February 2012, we filed a complaint against SS/L and its former parent company Loral Space & Communications, Inc. (Loral) in the United States District Court for the Southern District of California for patent infringement and breach of contract relating to the manufacture of ViaSat-1. We alleged, among other things, that SS/L and Loral infringed U.S. Patent Nos. 8,107,875, 8,010,043, 8,068,827 and 7,773,942 by making, using, offering to sell and/or selling other high-capacity broadband satellites, and requested monetary damages, injunctive relief and other remedies. On December 17, 2013, we voluntarily dismissed our claims against SS/L under U.S. Patent No. 7,773,942.

On June 15, 2012, SS/L filed counterclaims against us for patent infringement and declaratory relief. Specifically, SS/L sought a declaration that SS/L did not breach the parties' contract for the manufacture of ViaSat-1, that SS/L did not infringe the patents described above, and that those patents are invalid and/or unenforceable. SS/L also alleged that we infringed U.S. Patent Nos. 6,879,808, 6,400,696 and 7,219,132. On November 13, 2013, the Court granted summary judgment of non-infringement of U.S. Patent No. 6,879,808 in favor of ViaSat. On December 17, 2013, SS/L dismissed its claims against ViaSat under U.S. Patent No. 7,219,132. A jury trial on the remaining claims began on March 25, 2014.

Table of Contents

Subsequent to the fiscal year end, on April 24, 2014, a federal court jury returned a verdict in our favor, finding that our patents are valid, SS/L infringed all of our patents, and SS/L breached the parties' non-disclosure agreement and the manufacturing contract for the ViaSat-1 satellite. The jury awarded us \$283.0 million in damages for patent infringement and breach of contract. The damages award is subject to post-trial motions and appeal. We intend to seek a permanent injunction preventing SS/L from continuing to infringe our patents and using our intellectual property. During the trial, SS/L chose not to pursue its claim against us for infringing U.S. Patent No. 6,400,696. We intend to seek a judgment of non-infringement from the court with respect to that patent.

On September 5, 2013, we filed a complaint against SS/L in the United States District Court for the Southern District of California for patent infringement and breach of contract relating to SS/L's continued use of ViaSat's patented technology and intellectual property in the manufacture of high-capacity broadband satellites. We allege, among other things, that SS/L infringed U.S. Patent Nos. 7,230,908, 7,684,368, 8,213,929, 8,254,832, 8,285,202 and 8,548,377 by making, using, offering to sell and/or selling other high-capacity broadband satellites. We have requested monetary damages, injunctive relief and other remedies.

From time to time, we are involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of business, including actions with respect to intellectual property claims, breach of contract claims, labor and employment claims, tax and other matters. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, financial condition, results of operations or liquidity. Regardless of the outcome, litigation can have an adverse impact on us because of defense costs, diversion of management resources and other factors. In addition, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially and adversely affect our business, financial condition, results of operations or liquidity in a particular period.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Price Range of Common Stock**

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

	High	Low
Fiscal 2013		
First Quarter	\$ 48.88	\$ 34.84
Second Quarter	41.20	33.09
Third Quarter	40.74	34.67
Fourth Quarter	51.18	36.97
Fiscal 2014		
First Quarter	\$ 73.43	\$ 45.18
Second Quarter	73.35	62.05
Third Quarter	68.21	57.37
Fourth Quarter	74.78	55.49

As of May 9, 2014, there were approximately 1,595 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, subject to any applicable restrictions under our debt and credit agreements, 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.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

The following table provides our selected financial information for each of the fiscal years in the five-year period ended April 4, 2014. The data as of and for each of the fiscal years in the five-year period ended April 4, 2014 have been derived from our audited consolidated financial statements. 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				
	April 4, 2014	March 29, 2013	March 30, 2012	April 1, 2011	April 2, 2010
(In thousands, except per share data)					
Consolidated Statements of Operations Data:					
Revenues:					
Product revenues	\$ 785,738	\$ 664,417	\$ 542,064	\$ 523,938	\$ 584,074
Service revenues	565,724	455,273	321,563	278,268	104,006
Total revenues	1,351,462	1,119,690	863,627	802,206	688,080
Operating expenses:					
Cost of product revenues	571,855	484,973	402,794	389,945	408,526
Cost of service revenues	419,425	363,188	233,187	160,623	66,830
Selling, general and administrative	281,533	240,859	181,728	164,265	132,895
Independent research and development	60,736	35,448	24,992	28,711	27,325
Amortization of acquired intangible assets	14,614	15,584	18,732	19,409	9,494
Income (loss) from operations	3,299	(20,362)	2,194	39,253	43,010
Interest (expense) income, net	(37,903)	(43,820)	(8,247)	(2,831)	(6,733)
Loss on extinguishment of debt		(26,501)			
(Loss) income before income taxes	(34,604)	(90,683)	(6,053)	36,422	36,277
(Benefit from) provision for income taxes	(25,947)	(50,054)	(13,651)	(2)	5,438
Net (loss) income	(8,657)	(40,629)	7,598	36,424	30,839
Less: Net income (loss) attributable to noncontrolling interest, net of tax	789	543	102	309	(297)
Net (loss) income attributable to ViaSat, Inc.	\$ (9,446)	\$ (41,172)	\$ 7,496	\$ 36,115	\$ 31,136
Basic net (loss) income per share attributable to ViaSat, Inc. common stockholders	\$ (0.21)	\$ (0.94)	\$ 0.18	\$ 0.88	\$ 0.94
Diluted net (loss) income per share attributable to ViaSat, Inc. common stockholders	\$ (0.21)	\$ (0.94)	\$ 0.17	\$ 0.84	\$ 0.89
Shares used in computing basic net (loss) income per share	45,744	43,931	42,325	40,858	33,020
Shares used in computing diluted net (loss) income per share	45,744	43,931	44,226	43,059	34,839
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 58,347	\$ 105,738	\$ 172,583	\$ 40,490	\$ 89,631
Working capital	256,795	297,725	327,110	167,457	214,541

Edgar Filing: VIASAT INC - Form 10-K

Total assets	1,960,115	1,794,072	1,727,153	1,405,748	1,293,552
Senior notes, net	583,861	584,993	547,791	272,296	271,801
Other long-term debt	105,900	1,456	774	61,946	60,000
Other liabilities	48,893	52,640	50,353	23,842	24,395
Total ViaSat, Inc. stockholders' equity	941,012	903,001	887,975	840,125	753,005

Table of Contents

Fiscal year 2010 information presented reflects the acquisition of WildBlue in December of 2009 for approximately \$574.6 million. Therefore, our consolidated statements of operations data for the fiscal years ended April 4, 2014, March 29, 2013, March 30, 2012 and April 1, 2011 are not comparable to our consolidated statements of operations data for the year ended April 2, 2010. In addition, our fiscal year 2013 information presented reflects the repurchase and redemption of our former 8.875% Senior Notes due 2016 (2016 Notes) and the associated approximately \$26.5 million loss on extinguishment of debt. Refer to Note 5 to the consolidated financial statements for discussion of the repurchase and redemption of all of the 2016 Notes and loss on extinguishment of debt.

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

Company Overview

We are a leading provider of high-speed fixed and mobile broadband services, advanced satellite and other wireless networks and secure networking systems, products and services. We have leveraged our success developing complex satellite communication systems and equipment for the U.S. government and select commercial customers to develop next-generation satellite broadband technologies and services for both fixed and mobile users. Our product, systems and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that our portfolio of products and services, combined with our ability to effectively cross-deploy technologies between government and commercial segments and across different geographic markets, provides us with a strong foundation to sustain and enhance our leadership in advanced communications and networking technologies. ViaSat operates in three segments: satellite services, commercial networks and government systems.

Satellite Services

Our satellite services segment provides retail and wholesale satellite-based broadband services for our consumer, enterprise and mobile broadband customers primarily in the United States. Our Exede broadband services are designed to offer a high-quality broadband service choice to the millions of unserved and under-served consumers in the United States and to significantly expand the quality, capability and availability of high-speed broadband satellite services for U.S. consumers and enterprises. Our satellite services business also provides a platform for the provision of network management services to domestic and international satellite service providers. In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite.

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

Retail and wholesale broadband satellite services offered to consumers and small businesses under the Exede and WildBlue brands, which provide two-way satellite-based broadband internet access and VoIP. As of April 4, 2014, we provided broadband satellite services to approximately 641,000 subscribers.

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

Enterprise broadband services, which include in-flight WiFi (including our flagship Exede In The Air service), live on-line event streaming, oil and natural gas data gathering services and high definition satellite news gathering.

Commercial Networks

Our commercial networks segment develops and produces a variety of advanced end-to-end satellite and other wireless communication systems and ground networking equipment and products that address five key market segments: consumer, enterprise, in-flight, maritime and ground mobile applications. These

Table of Contents

communication systems, networking equipment and products are generally developed through a combination of customer and discretionary internal research and development funding, and are either sold to our commercial networks customers or utilized to provide services through our satellite services segment.

Our satellite communication systems, ground networking equipment and products cater to a wide range of domestic and international commercial customers and include:

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

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

Antenna systems for terrestrial and satellite applications, specializing in geospatial imagery, mobile satellite communication, Ka-band gateways and other multi-band antennas.

Satellite networking development programs, including specialized design and technology services covering all aspects of satellite communication system architecture and technology.

Government Systems

Our government systems segment develops and produces network-centric IP-based fixed and mobile secure government communications systems, products, services and solutions, which are designed to enable the collection and dissemination of secure real-time digital information between command centers, communications nodes and air defense systems. Customers of our government systems segment include the DoD, armed forces, public safety first-responders and remote government employees.

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

Government satellite communication systems, which comprise an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands for line-of-sight and beyond-line-of-sight ISR and C2 missions, satellite networking services and global mobile broadband capability, and include products designed for manpacks, aircraft, UAVs, seagoing vessels, ground mobile vehicles and fixed applications.

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

Tactical data links, including MIDS terminals for military fighter jets and their successor, MIDS-JTRS terminals, disposable weapon data links and portable small tactical terminals.

Sources of Revenues

Our satellite services segment revenues are primarily derived from our domestic satellite broadband services business and from our worldwide managed network services.

Our products in our commercial networks and government systems segments are provided primarily through three types of contracts: fixed-price, time-and-materials and cost-reimbursement contracts. Fixed-price contracts (which require us to provide products and services under a contract at a specified price) comprised approximately 92%, 94% and 93% of our total revenues for these segments for fiscal years 2014,

Edgar Filing: VIASAT INC - Form 10-K

2013 and 2012, respectively. The remainder of our revenue in these segments for such periods was derived 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-

Table of Contents

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 has been derived from customer contracts that include the research and development of products. The research and development efforts are conducted in direct response to the customer's specific requirements and, accordingly, expenditures related to such efforts are included in cost of sales when incurred and the related funding (which includes a profit component) is included in revenues. Revenues for our funded research and development from our customer contracts were approximately 31%, 26% and 26% of our total revenues during fiscal years 2014, 2013 and 2012, respectively.

We also incur IR&D expenses, which are not directly funded by a third party. IR&D expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials, testing and certification related to research and development projects. IR&D expenses were approximately 5%, 3% and 3% of total revenues in fiscal years 2014, 2013 and 2012, respectively. As a government contractor, we are able to recover a portion of our IR&D expenses pursuant to our government contracts.

Critical Accounting Policies and Estimates

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

Revenue recognition

A substantial portion of our revenues is derived from long-term contracts requiring development and delivery of complex equipment built to customer specifications. Sales related to these contracts are accounted for under the authoritative guidance for the percentage-of-completion method of accounting (Accounting Standards Codification (ASC) 605-35). Sales and earnings under these contracts are recorded either based on the ratio of actual costs incurred to date to total estimated costs expected to be incurred related to the contract, or as products are shipped under the units-of-delivery method.

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

Table of Contents

and change orders are accounted for either as an integral part of the original contract or separately depending upon the nature and value of the item. For contract claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable. During fiscal years 2014, 2013 and 2012, we recorded losses of approximately \$3.3 million, \$3.1 million and \$1.4 million, respectively, related to loss contracts.

Assuming the initial estimates of sales and costs under a contract are accurate, the percentage-of-completion method results in the profit margin being recorded evenly as revenue is recognized under the contract. Changes in these underlying estimates due to revisions in sales and future cost estimates or the exercise of contract options may result in profit margins being recognized unevenly over a contract as such changes are accounted for on a cumulative basis in the period estimates are revised. We believe we have established appropriate systems and processes to enable us to reasonably estimate future costs on our programs through regular evaluations of contract costs, scheduling and technical matters by business unit personnel and management. Historically, in the aggregate, we have not experienced significant deviations in actual costs from estimated program costs, and when deviations that result in significant adjustments arise, we disclose the related impact in Management's Discussion and Analysis of Financial Condition and Results of Operations. However, these estimates require significant management judgment and a significant change in future cost estimates on one or more programs could have a material effect on our results of operations. A one percent variance in our future cost estimates on open fixed-price contracts as of April 4, 2014 would change our loss before income taxes by approximately \$0.7 million.

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

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

In accordance with the authoritative guidance for revenue recognition for multiple element arrangements, the Accounting Standards Update (ASU) 2009-13 (ASU 2009-13), Revenue Recognition (ASC 605) Multiple-Deliverable Revenue Arrangements, which updates ASC 605-25, Revenue Recognition-Multiple element arrangements, of the Financial Accounting Standards Board (FASB) codification, for substantially all of the arrangements with multiple deliverables, we allocate revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: vendor specific objective evidence (VSOE) if available, third party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE are available (a description as to how we

Table of Contents

determine VSOE, TPE and ESP is provided below). If a tangible hardware systems product includes software, we determine whether the tangible hardware systems product and the software work together to deliver the product's essential functionality and, if so, the entire product is treated as a nonsoftware deliverable. The total arrangement consideration is allocated to each separate unit of accounting for each of the nonsoftware deliverables using the relative selling prices of each unit based on the aforementioned selling price hierarchy. Revenue for each separate unit of accounting is recognized when the applicable revenue recognition criteria for each element have been met.

To determine the selling price in multiple-element arrangements, we establish VSOE of the selling price using the price charged for a deliverable when sold separately. We also consider specific renewal rates offered to customers for software license updates, product support and hardware systems support, and other services. For nonsoftware multiple-element arrangements, TPE is established by evaluating similar and/or interchangeable competitor products or services in standalone arrangements with similarly situated customers and/or agreements. If we are unable to determine the selling price because VSOE or TPE doesn't exist, we determine ESP for the purposes of allocating the arrangement by reviewing historical transactions, including transactions whereby the deliverable was sold on a standalone basis and considering several other external and internal factors including, but not limited to, pricing practices including discounting, margin objectives, competition, the geographies in which we offer our products and services, the type of customer (i.e. distributor, value added reseller, government agency or direct end user, among others), volume commitments and the stage of the product lifecycle. The determination of ESP considers our pricing model and go-to-market strategy. As our or our competitors' pricing and go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes to our determination of VSOE, TPE and ESP. As a result, our future revenue recognition for multiple-element arrangements could differ materially from those in the current period.

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

Warranty reserves

We provide limited warranties on our products for periods of up to five years. We record a liability for our warranty obligations when we ship the products or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within twelve months are classified as a current liability and amounts expected to be incurred beyond twelve 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 incentives 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 gateway facilities, 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

Table of Contents

an analysis of each satellite's performance against the original manufacturer's orbital design life, estimated fuel levels and related consumption rates, as well as historical satellite operating trends.

We own two satellites: ViaSat-1 (our first high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite. In addition, we have an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada's Anik F2 satellite (which was placed into service in April 2005) and own related gateway and networking equipment on all of our satellites. Property and equipment also includes the CPE units leased to subscribers under a retail leasing program as part of our satellite services segment.

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

In accordance with the authoritative guidance for impairment or disposal of long-lived assets (ASC 360), we assess potential impairments to our long-lived assets, including property, equipment and satellites and other assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We periodically review the remaining estimated useful life of the satellite to determine if revisions to the estimated life are necessary. We recognize an impairment loss when the undiscounted cash flows expected to be generated by an asset (or group of assets) are less than the asset's carrying value. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. No material impairments were recorded by us for fiscal years 2014, 2013 and 2012.

We account for our goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2011-08, Testing Goodwill for Impairment, which permits us to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two step goodwill impairment test. If, after completing our qualitative assessment we determine that it is more likely than not that the carrying value exceeds estimated fair value, we compare the fair value to our carrying value (including goodwill). If the estimated fair value is greater than the carrying value, we conclude that no impairment exists. If the estimated fair value of the reporting unit is less than the carrying value, a second step is performed in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value, resulting in goodwill impairment. We test goodwill for impairment during the fourth quarter every fiscal year and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist.

In accordance with ASC 350, we assess qualitative factors to determine whether goodwill is impaired. 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. 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 the future revenue and operating costs, based primarily on existing firm orders, expected future orders, contracts with suppliers, labor resources and general market conditions. Based on a quantitative analysis for fiscal year 2014, we concluded that estimated fair values of our reporting units significantly exceed their respective carrying value.

Our 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.

Table of Contents

Based on our qualitative and quantitative assessment performed during the fourth quarter of fiscal year 2014, we concluded that it was more likely than not that the estimated fair value of our reporting units exceeded its carrying value as of April 4, 2014 and, therefore, determined it was not necessary to perform step two of the goodwill impairment test.

Income taxes and valuation allowance on deferred tax assets

Management evaluates the realizability of our deferred tax assets and assesses the need for a valuation allowance on a quarterly basis. 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. Our valuation allowance against deferred tax assets decreased from \$16.0 million at March 29, 2013 to \$12.8 million at April 4, 2014. The valuation allowance primarily relates to state net operating loss carryforwards and research and development credit carryforwards available to reduce state income taxes.

Our analysis of the need for a valuation allowance on deferred tax assets considered the losses incurred during the fiscal years ended April 4, 2014 and March 29, 2013. The loss from fiscal year 2013 was more significant and a substantial portion of such loss resulted from an extinguishment of debt charge that was recorded upon the refinancing of our former 2016 Notes with the proceeds from the issuance of additional 2020 Notes in October 2012, which provides a benefit to net income due to the lower interest rate of the 2020 Notes. Our evaluation considered other factors, including our history of positive earnings, current earnings trends assuming our satellite subscriber base continues to grow, taxable income adjusted for certain items, our contractual backlog, and forecasted income by jurisdiction. We also considered the lengthy period over which these net deferred tax assets can be realized, and our history of not having federal tax loss carryforwards expire unused. Based on our analysis of the need for a valuation allowance on deferred tax assets, we released \$3.1 million of the valuation allowance during fiscal year 2014 which related primarily to state net operating loss carryforwards as a result of the combination of the merger of ViaSat Communications, Inc. into ViaSat and changes in the apportioned state tax rates.

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 current and 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.

Table of Contents**Results of Operations**

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

Fiscal Years Ended	April 4, 2014	March 29, 2013	March 30, 2012
Revenues:	100.0%	100.0%	100.0%
Product revenues	58.1	59.3	62.8
Service revenues	41.9	40.7	37.2
Operating expenses:			
Cost of product revenues	42.3	43.3	46.6
Cost of service revenues	31.0	32.4	27.0
Selling, general and administrative	20.8	21.5	21.0
Independent research and development	4.6	3.2	2.9
Amortization of acquired intangible assets	1.1	1.4	2.2
Income (loss) from operations	0.2	(1.8)	0.3
Interest expense, net	(2.8)	(3.9)	(1.0)
Loss on extinguishment of debt		(2.4)	
Loss before income taxes	(2.6)	(8.1)	(0.7)
Benefit from income taxes	(2.0)	(4.5)	(1.6)
Net (loss) income	(0.6)	(3.6)	0.9
Net (loss) income attributable to ViaSat, Inc.	(0.7)	(3.7)	0.9

Fiscal Year 2014 Compared to Fiscal Year 2013**Revenues**

(In millions, except percentages)	Fiscal Years Ended		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	April 4, 2014	March 29, 2013		
Product revenues	\$ 785.7	\$ 664.4	\$ 121.3	18.3%
Service revenues	565.7	455.3	110.5	24.3%
Total revenues	\$ 1,351.5	\$ 1,119.7	\$ 231.8	20.7%

Our total revenues grew by \$231.8 million as a result of a \$121.3 million increase in product revenues and a \$110.5 million increase in service revenues. The product revenue increase was comprised primarily of \$83.1 million in our commercial networks segment and \$42.9 million in our government systems segment. The service revenue increase was comprised primarily of \$118.4 million in our satellite services segment, offset by a decrease of \$5.4 million in our government systems segment.

Cost of revenues

(In millions, except percentages)	Fiscal Years Ended		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	April 4, 2014	March 29, 2013		

Edgar Filing: VIASAT INC - Form 10-K

Cost of product revenues	\$ 571.9	\$ 485.0	\$ 86.9	17.9%
Cost of service revenues	419.4	363.2	56.2	15.5%
Total cost of revenues	\$ 991.3	\$ 848.2	\$ 143.1	16.9%

Table of Contents

Cost of revenues grew by \$143.1 million due to a \$86.9 million cost of product revenues increase and a \$56.2 million cost of service revenues increase. The cost of product revenues increase was primarily due to increased revenues, causing an \$88.6 million increase in cost of product revenues on a constant margin basis. This increase mainly related to growth in fixed satellite networks (driven by consumer broadband products), mobile broadband satellite communication systems, antenna systems products and satellite payload technology development programs in our commercial networks segment, but product sales also grew in our government systems segment from information assurance products, tactical data link products, and tactical satcom radio products (relating to our majority-owned subsidiary TrellisWare). The cost of service revenues increase was primarily due to increased service revenues, generating an \$88.1 million increase in cost of service revenues on a constant margin basis. This increase mainly related to our Exede broadband services in our satellite services segment. Additionally, as our Exede subscribers have continued to grow and related revenues scale, we have also experienced improved margins from our broadband services in our satellite services segment.

Selling, general and administrative expenses

(In millions, except percentages)	Fiscal Years Ended		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	April 4, 2014	March 29, 2013		
Selling, general and administrative	\$ 281.5	\$ 240.9	\$ 40.7	16.9%

The \$40.7 million increase in selling, general and administrative (SG&A) expenses was primarily attributable to higher support costs of \$33.7 million, higher selling costs of \$4.4 million, and higher new business proposal costs of \$2.6 million. Of the higher support costs, \$23.1 million related to our satellite services segment (due to legal expense, approximately \$18.4 million, focused on protecting and extending our technology advantages), \$8.4 million to our commercial networks segment, and \$2.2 million related to our government systems 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		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	April 4, 2014	March 29, 2013		
Independent research and development	\$ 60.7	\$ 35.4	\$ 25.3	71.3%

The \$25.3 million increase in IR&D expenses reflected increased IR&D efforts in our commercial networks segment of \$17.7 million (primarily due to next-generation consumer broadband and next-generation satellite communication systems) and in our government systems segment of \$7.8 million (primarily due to development of next-generation dual-band mobility solutions and tactical satcom radio products).

Table of Contents***Amortization of acquired intangible assets***

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives ranging from three to ten years. The decrease in amortization of acquired intangible assets of approximately \$1.0 million in fiscal year 2014 compared to last fiscal year was a result of acquired trade name intangibles in our satellite services segment becoming fully amortized over the preceding twelve months. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2015	\$ 14,668
Expected for fiscal year 2016	11,024
Expected for fiscal year 2017	4,669
Expected for fiscal year 2018	3,616
Expected for fiscal year 2019	1,142
Thereafter	278
	\$ 35,397

Interest income

The slight decrease in interest income in fiscal year 2014 compared to fiscal year 2013 was primarily due to lower average invested cash balances during fiscal year 2014.

Interest expense

The decrease in interest expense year-over-year of approximately \$6.1 million was primarily due to the refinancing, in October 2012, of our former \$275.0 million in aggregate principal amount of 2016 Notes with the proceeds from the issuance of an additional \$300.0 million in aggregate principal amount of 2020 Notes, which bear interest at a lower rate, coupled with an increase of \$5.0 million in the amount of interest capitalized. Capitalized interest expense during fiscal year 2014 related to the commencement of construction of ViaSat-2 and other assets. This decrease was partially offset by interest expense on outstanding borrowings under the Credit Facility during fiscal year 2014. No borrowings were made under the Credit Facility during fiscal year 2013.

Benefit from income taxes

The effective income tax benefit in fiscal year 2014 reflected the tax benefit from the loss before income taxes and the benefit from federal and state research tax credits. Due to the December 31, 2013 expiration of the federal research tax credit, fiscal year 2014 only included nine months of the federal research tax credit. Fiscal year 2014 also included a benefit related to the valuation allowance release related primarily to state net operating loss carryforwards as a result of the combination of the merger of ViaSat Communications, Inc. into ViaSat and changes in the apportioned state tax rates. The effective income tax benefit in fiscal year 2013 reflected the tax benefit from the loss before income taxes and the benefit from federal and state research tax credits. Fiscal year 2013 included fifteen months of federal research tax credit as a result of the January 2013 reinstatement of the credit retroactively from January 1, 2012.

Table of Contents**Segment Results for Fiscal Year 2014 Compared to Fiscal Year 2013***Satellite services segment**Revenues*

(In millions, except percentages)	Fiscal Years Ended		Dollar	Percentage
	April 4,	March 29,	Increase	Increase
	2014	2013	(Decrease)	(Decrease)
Segment product revenues	\$	\$ 4.7	\$ (4.7)	(99.1)%
Segment service revenues	390.7	272.3	118.4	43.5%
Total revenues	\$ 390.7	\$ 277.0	\$ 113.7	41.1%

Our satellite services segment revenues grew by \$113.7 million, primarily due to the increase in service revenues related to retail and wholesale broadband services. The revenue increase relating to our Exede and WildBlue broadband services was driven by a 25% increase in the number of subscribers, which grew from approximately 512,000 at March 29, 2013 to approximately 641,000 at April 4, 2014, as well as a change in the mix of retail and wholesale subscribers and related higher average revenue per subscriber.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended		Dollar	Percentage
	April 4,	March 29,	(Increase)	(Increase)
	2014	2013	Decrease	Decrease
Segment operating loss	\$ (46.0)	\$ (79.2)	\$ 33.2	41.9%
Percentage of segment revenues	(11.8)%	(28.6)%		

The \$33.2 million reduction in operating loss for our satellite services segment was primarily due to \$59.1 million in higher earnings contributions as our Exede broadband services subscriber base continued to grow, which resulted in increased revenues and improved margins, partially offset by \$26.2 million in higher support and selling costs. These higher support and selling costs were mainly attributable to legal expense, approximately \$18.4 million, focused on protecting and extending our technology advantages, as well as increased sales and marketing support costs as we continued to expand our consumer broadband subscriber base.

*Commercial networks segment**Revenues*

(In millions, except percentages)	Fiscal Years Ended		Dollar	Percentage
	April 4,	March 29,	Increase	Increase
	2014	2013	(Decrease)	(Decrease)
Segment product revenues	\$ 378.6	\$ 295.5	\$ 83.1	28.1%
Segment service revenues	16.9	19.5	(2.5)	(13.0)%
Total revenues	\$ 395.5	\$ 314.9	\$ 80.6	25.6%

Our commercial networks segment revenues increased by \$80.6 million, primarily due to the \$83.1 million increase in product revenues. Of this product revenue increase, \$55.6 million related to fixed satellite networks (driven by consumer broadband products), \$18.8 million to mobile broadband satellite communication systems, \$8.6 million to antenna systems products, and \$6.7 million to satellite payload technology development programs. These increases were partially offset by a decrease in revenues for our satellite networking development programs of \$7.6 million.

Table of Contents*Segment operating loss*

(In millions, except percentages)	Fiscal Years Ended		Dollar (Increase) Decrease	Percentage (Increase) Decrease
	April 4, 2014	March 29, 2013		
Segment operating loss	\$ (12.1)	\$ (11.1)	\$ (1.1)	(9.5)%
Percentage of segment revenues	(3.1)%	(3.5)%		

The \$1.1 million increase in operating loss for our commercial networks segment was primarily due to higher IR&D costs of \$17.7 million and higher support and new business proposal costs of \$7.3 million, partially offset by \$23.9 million in higher earnings contributions from increased revenues in our consumer broadband products, mobile broadband satellite communication systems, and antenna systems products.

*Government systems segment**Revenues*

(In millions, except percentages)	Fiscal Years Ended		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	April 4, 2014	March 29, 2013		
Segment product revenues	\$ 407.1	\$ 364.2	\$ 42.9	11.8%
Segment service revenues	158.1	163.5	(5.4)	(3.3)%
Total revenues	\$ 565.2	\$ 527.8	\$ 37.5	7.1%

Our government systems segment revenues grew by \$37.5 million, due to an increase of \$42.9 million in product revenues, partially offset by a \$5.4 million decrease in service revenues. The increase in product revenues was primarily due to revenue increases of \$24.9 million in information assurance products, \$8.2 million in tactical data link products, \$7.5 million in tactical satcom radio products, and \$2.3 million in government satellite communication systems (mainly attributable to command and control situational awareness).

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	April 4, 2014	March 29, 2013		
Segment operating profit	\$ 76.0	\$ 85.5	\$ (9.4)	(11.0)%
Percentage of segment revenues	13.5%	16.2%		

The \$9.4 million decrease in our government systems segment operating profit reflected higher IR&D costs of \$7.8 million and higher selling, support and new business proposal costs of \$7.2 million, offset by \$5.6 million of higher earnings contributions (mainly from revenue growth in information assurance products and tactical data link products and services).

Fiscal Year 2013 Compared to Fiscal Year 2012*Revenues*

(In millions, except percentages)	Fiscal Years Ended		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	March 29, 2013	March 30, 2012		
Product revenues	\$ 664.4	\$ 542.1	\$ 122.4	22.6%
Service revenues	455.3	321.6	133.7	41.6%

Edgar Filing: VIASAT INC - Form 10-K

Total revenues	\$ 1,119.7	\$ 863.6	\$ 256.1	29.6%
----------------	------------	----------	----------	-------

Table of Contents

Our total revenues increased approximately \$256.1 million during fiscal year 2013 when compared to fiscal year 2012 due to an increase in both service and product revenues. The increase in service revenues of approximately \$133.7 million was primarily driven by service revenue increases in our government systems segment of approximately \$83.4 million and in our satellite services segment of approximately \$52.6 million. The increase in product revenues of approximately \$122.4 million was primarily derived from product revenue increases in our commercial networks segment of approximately \$65.5 million and in our government systems segment of approximately \$55.1 million.

Cost of revenues

	Fiscal Years Ended		Dollar	Percentage
	March 29, 2013	March 30, 2012	Increase (Decrease)	Increase (Decrease)
(In millions, except percentages)				
Cost of product revenues	\$ 485.0	\$ 402.8	\$ 82.2	20.4%
Cost of service revenues	363.2	233.2	130.0	55.7%
Total cost of revenues	\$ 848.2	\$ 636.0	\$ 212.2	33.4%

Total cost of revenues increased \$212.2 million during fiscal year 2013 when compared to fiscal year 2012 principally related to a cost of service revenues increase of approximately \$130.0 million. Cost of service revenues increased from \$233.2 million to \$363.2 million during fiscal year 2013 when compared to fiscal year 2012 primarily due to an increase in service revenues, which caused an increase of approximately \$97.0 million in cost of service revenues on a constant margin basis, mainly related to government satellite communications systems services in our government systems segment and our Exede broadband services in our satellite services segment. Additionally, in fiscal year 2013 we experienced an increase of cost of service revenues associated with our ViaSat-1 satellite, data center, billing system and costs in connection with our Exede broadband services, which commenced commercial operation in January 2012. Cost of product revenues increased from \$402.8 million to \$485.0 million during fiscal year 2013 when compared to fiscal year 2012 primarily due to increased product revenues, which caused an increase of approximately \$90.9 million in cost of product revenues on a constant margin basis, mainly related to consumer broadband products in our commercial networks segment and government satellite communications systems in our government systems segment. This increase in cost of product revenues was partially offset by improved margins in our commercial networks segment mainly related to consumer broadband products.

Selling, general and administrative expenses

	Fiscal Years Ended		Dollar	Percentage
	March 29, 2013	March 30, 2012	Increase (Decrease)	Increase (Decrease)
(In millions, except percentages)				
Selling, general and administrative	\$ 240.9	\$ 181.7	\$ 59.1	32.5%

The increase in SG&A expenses of \$59.1 million during fiscal year 2013 compared to fiscal year 2012 was primarily attributable to higher selling costs of \$44.7 million, as well as higher support costs of \$14.0 million. Of the higher selling costs, \$40.9 million related to our satellite services segment as we continued to grow our consumer broadband subscriber base. These higher support costs consisted of \$7.7 million related to our satellite services segment, \$4.4 million related to our commercial networks segment, and \$1.9 million related to our government systems 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.

Table of Contents**Independent research and development**

(In millions, except percentages)	Fiscal Years Ended		Dollar	Percentage
	March 29, 2013	March 30, 2012	Increase (Decrease)	Increase (Decrease)
Independent research and development	\$ 35.4	\$ 25.0	\$ 10.5	41.8%

The increase in IR&D expenses of approximately \$10.5 million represents a year-over-year increase in our commercial networks segment of approximately \$5.9 million (primarily due to next-generation consumer broadband and next-generation satellite communications systems development projects) and in our government systems segment of approximately \$3.8 million (primarily due to advancement of integrated government satellite communications platforms).

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives ranging from three to ten years. The decrease in amortization of acquired intangible assets of approximately \$3.1 million in fiscal year 2013 compared to the prior fiscal year was a result of certain acquired technology intangibles in our commercial networks segment becoming fully amortized over the preceding twelve months. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2014	\$ 13,747
Expected for fiscal year 2015	13,671
Expected for fiscal year 2016	10,161
Expected for fiscal year 2017	4,616
Expected for fiscal year 2018	3,597
Thereafter	1,378
	\$ 47,170

Interest income

Interest income in fiscal year 2013 compared to fiscal year 2012 increased slightly as we experienced higher average invested cash balances, but slightly lower average interest rates on our investments during fiscal year 2013 compared to fiscal year 2012.

Interest expense

The increase in interest expense year-over-year of approximately \$35.7 million was primarily due to lower capitalized interest and additional interest incurred on our initial 2020 Notes, which were issued in the fourth quarter of fiscal year 2012 (the Initial 2020 Notes). In fiscal year 2013, we capitalized approximately \$3.1 million of interest associated with other assets currently under construction, compared to approximately \$25.9 million in fiscal year 2012 associated with our ViaSat-1 satellite, related gateways and networking equipment, which were placed into service during the fourth quarter of fiscal year 2012.

Benefit from income taxes

The effective income tax benefit in fiscal year 2013 reflected the tax benefit from the loss before income taxes and the benefit from federal and state research tax credits. Fiscal year 2013 included fifteen months of federal research tax credit as a result of the January 2013 reinstatement of the credit retroactively from January 1, 2012. The effective income tax benefit in fiscal year 2012 reflected the tax benefit from the loss before income

Table of Contents

taxes and the benefit from federal and state research tax credits. Due to the December 31, 2011 expiration of the federal research tax credits, fiscal year 2012 only included nine months of the federal research tax credit.

Segment Results for Fiscal Year 2013 Compared to Fiscal Year 2012*Satellite services segment**Revenues*

(In millions, except percentages)	Fiscal Years Ended		Dollar	Percentage
	March 29, 2013	March 30, 2012	Increase (Decrease)	Increase (Decrease)
Segment product revenues	\$ 4.7	\$ 3.0	\$ 1.7	57.3%
Segment service revenues	272.3	219.7	52.6	23.9%
Total revenues	\$ 277.0	\$ 222.7	\$ 54.3	24.4%

The increase of approximately \$54.3 million in our satellite services segment revenue in fiscal year 2013 compared to fiscal year 2012 was predominately from increased service revenues of approximately \$52.6 million. This increase was comprised of a \$48.5 million increase in retail and wholesale broadband services and a \$4.1 million increase in mobile broadband services. The revenue increase relating to our Exede and WildBlue broadband services was primarily due to a 14% increase in the number of subscribers in fiscal year 2013 to approximately 512,000 compared to fiscal year 2012, as well as a change in the mix of retail and wholesale subscribers and related higher average revenue per subscriber.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended		Dollar	Percentage
	March 29, 2013	March 30, 2012	(Increase) Decrease	(Increase) Decrease
Segment operating loss	\$ (79.2)	\$ (16.8)	\$ (62.4)	(371.5)%
Percentage of segment revenues	(28.6)%	(7.5)%		

Our satellite services segment incurred a \$79.2 million loss in fiscal year 2013, which increased \$62.4 million from fiscal year 2012. The fiscal year 2013 loss was primarily due to the start-up effects of higher operating expenses incurred associated with our ViaSat-1 satellite and related infrastructure, as commercial operation of our Exede broadband services commenced in January 2012 and the related subscriber base was in the early phases of growth. These higher operating expenses included additional depreciation of \$34.7 million, and \$61.5 million in additional costs related to satellite services operations support costs and selling, advertising and marketing costs as we continued to expand the subscriber base of our Exede broadband services.

*Commercial networks segment**Revenues*

(In millions, except percentages)	Fiscal Years Ended		Dollar	Percentage
	March 29, 2013	March 30, 2012	Increase (Decrease)	Increase (Decrease)
Segment product revenues	\$ 295.5	\$ 229.9	\$ 65.5	28.5%
Segment service revenues	19.5	21.7	(2.3)	(10.4)%

Edgar Filing: VIASAT INC - Form 10-K

Total revenues	\$ 314.9	\$ 251.7	\$ 63.3	25.1%
----------------	----------	----------	---------	-------

Commercial networks segment revenue increased approximately \$63.3 million in fiscal year 2013 compared to fiscal year 2012, due to an increase in product revenues of approximately \$65.5 million, offset by a decrease in

Table of Contents

service revenues of approximately \$2.3 million. The product revenue increase was comprised of a \$77.8 million increase in fixed satellite networks (driven by consumer broadband products), a \$6.0 million increase in satellite payload technology development programs and a \$3.9 million increase in satellite networking development programs. This increase in product revenues was partially offset by decreases of \$19.3 million in antenna systems products and \$2.0 million in mobile broadband satellite communication systems.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended		Dollar (Increase) Decrease	Percentage (Increase) Decrease
	March	March		
	29, 2013	30, 2012		
Segment operating loss	\$ (11.1)	\$ (13.0)	\$ 1.9	14.6%
Percentage of segment revenues	(3.5)%	(5.2)%		

The reduction of our commercial networks segment operating loss in fiscal year 2013 compared to the prior fiscal year was primarily due to higher earnings contributions of approximately \$13.1 million from increased revenues and improved margins in our consumer broadband products, partially offset by higher IR&D costs of \$5.9 million and an increase in selling, support and new business proposal costs of \$5.3 million.

*Government systems segment**Revenues*

(In millions, except percentages)	Fiscal Years Ended		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	March	March		
	29, 2013	30, 2012		
Segment product revenues	\$ 364.2	\$ 309.1	\$ 55.1	17.8%
Segment service revenues	163.5	80.2	83.4	104.0%
Total revenues	\$ 527.8	\$ 389.3	\$ 138.5	35.6%

Total revenues in our government systems segment increased approximately \$138.5 million in fiscal year 2013 compared to the prior fiscal year due to an increase in service revenues of \$83.4 million and an increase in product revenues of \$55.1 million. The increase in service revenues was primarily due to a revenue increase of \$86.4 million in government satellite communication systems services (mainly attributable to broadband networking services revenues for military customers and command and control situational awareness), offset by a decrease in information assurance services of \$3.9 million. The increase in product revenues was primarily due to a revenue increase of \$34.3 million in government satellite communication systems, \$15.1 million in tactical data link products and \$10.4 million in tactical satcom radio products, offset by a revenue decrease of \$4.6 million in information assurance products.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended		Dollar Increase (Decrease)	Percentage Increase (Decrease)
	March	March		
	29, 2013	30, 2012		
Segment operating profit	\$ 85.5	\$ 50.7	\$ 34.8	68.6%
Percentage of segment revenues	16.2%	13.0%		

The increase in our government systems segment operating profit of \$34.8 million during fiscal year 2013 compared to fiscal year 2012 was primarily due to higher earnings contributions of approximately \$43.9 million mainly in our government satellite communication systems, offset by higher selling, support and new business proposal costs of approximately \$5.4 million, and higher IR&D costs of \$3.8 million.

Table of Contents**Backlog**

As reflected in the table below, our overall firm and funded backlog increased during fiscal year 2014, primarily due to an increase in new contract awards in our satellite services segment. However, on a segment basis, firm and funded backlog decreased in our government systems and commercial networks segments during fiscal year 2014. The decrease in firm and funded backlog in our government systems segment reflects lumpiness in timing of awards. Within our commercial networks segment the decrease in firm and funded backlog reflects higher new contract awards in fiscal year 2013 and the attainment of contractual milestones in existing awards.

	As of April 4, 2014	As of March 29, 2013
	(In millions)	
Firm backlog		
Satellite Services segment	\$ 160.2	\$ 24.7
Commercial Networks segment	457.4	472.1
Government Systems segment	281.9	355.1
Total	\$ 899.5	\$ 851.9
Funded backlog		
Satellite Services segment	\$ 160.2	\$ 24.7
Commercial Networks segment	457.4	472.1
Government Systems segment	235.0	345.7
Total	\$ 852.6	\$ 842.5

The firm backlog does not include contract options. Of the \$899.5 million in firm backlog, \$451.6 million is expected to be delivered in fiscal year 2015, and the balance is expected to be delivered in fiscal year 2016 and thereafter. We include in our backlog only those orders for which we have accepted purchase orders.

Our total new awards were \$1,425.9 million, \$1,373.4 million and \$1,008.6 million for fiscal years 2014, 2013 and 2012, respectively. New contract awards in fiscal year 2014 were a record for us.

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 fundings have 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 and equity financing. At April 4, 2014, we had \$58.3 million in cash and cash equivalents, \$256.8 million in working capital and \$105.0 million in outstanding borrowings under our Credit Facility. At March 29, 2013, we had \$105.7 million in cash and cash equivalents, \$297.7 million in working

Table of Contents

capital and no outstanding borrowings under our Credit Facility. We invest our cash in excess of current operating requirements in short-term, interest-bearing, investment-grade securities.

Our future capital requirements will depend upon many factors, including the timing and amount of cash required for our ViaSat-2 satellite project and any future broadband satellite projects we may engage in, expansion of our research and development and marketing efforts, and the nature and timing of orders. Additionally, we will continue to evaluate possible acquisitions of, or investments in complementary businesses, products and technologies which may require the use of cash or additional financing.

The general cash needs of our satellite services, commercial networks and government systems segments can vary significantly. The cash needs of our satellite services segment tend to be driven by the timing of capital expenditure payments (e.g., payments under satellite construction and launch contracts) and of 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 level of investments in IR&D activities 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, we may obtain additional financing, which could consist of debt, convertible debt or equity financing from public and/or private capital markets. In March 2013, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of debt securities, common stock, preferred stock, depositary shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. We believe that our current cash balances and net cash expected to be provided by operating activities along with availability under our Credit Facility will be sufficient to meet our anticipated operating requirements for at least the next twelve months.

Cash flows

Cash provided by operating activities for fiscal year 2014 was \$205.1 million compared to cash provided by operating activities of \$91.8 million for fiscal year 2013. This \$113.3 million increase was primarily driven by our operating results (net loss adjusted for depreciation, amortization and other non-cash charges) which generated \$106.8 million of higher cash inflows, coupled with a \$13.6 million year-over-year decrease in cash used to fund net operating assets needs. The decrease in cash used to fund net operating assets during fiscal year 2014 when compared to fiscal year 2013 was partially due to an increase in cash from the collection of billed accounts receivable in our government systems segment, offset partially by an increase in cash used for inventory in our commercial networks segment. Cash provided by operating activities for fiscal year 2013 included a \$7.1 million net cash inflow related to our refinancing of the 2016 Notes.

Cash used in investing activities for fiscal year 2014 was \$354.5 million compared to cash used in investing activities in fiscal year 2013 of \$201.6 million. The increase in cash used in investing activities reflected \$119.2 million in cash used during fiscal year 2014 for the construction of our ViaSat-2 satellite, as well as a \$23.7 million increase in capital expenditures year-over-year for other general purpose equipment.

Cash provided by financing activities for fiscal year 2014 was \$101.8 million compared to cash provided by financing activities of \$42.9 million for fiscal year 2013. This \$58.9 million increase in cash provided by

Table of Contents

financing activities was primarily related to the \$105.0 million in net proceeds from borrowings under our Credit Facility, offset by debt issuance costs of \$2.5 million during fiscal year 2014, compared to no borrowings in the prior year period. Cash provided by financing activities for fiscal year 2013 reflected the issuance of \$300.0 million in aggregate principal amount of additional 2020 Notes, offset by the repurchase and redemption of all of our \$275.0 million in aggregate principal amount of 2016 Notes and debt issuance costs of \$8.1 million. Cash provided by financing activities for both periods included cash received from stock option exercises and employee stock purchase plan purchases, and cash used for the repurchase of common stock related to net share settlement of certain employee tax liabilities in connection with the vesting of restricted stock unit awards.

Comparing fiscal year 2013 cash flow to fiscal year 2012, the \$49.7 million decrease in cash provided by operating activities was primarily driven by our operating results (net loss adjusted for depreciation, amortization and other non-cash charges) which generated \$32.8 million of higher cash outflows, coupled with a \$24.0 million year-over-year increase in cash used to fund net operating assets needs, offset by a \$7.1 million net cash inflow related to our refinancing of the 2016 Notes. The decrease in cash used in investing activities resulted primarily from a reduction of \$63.2 million in cash payments for the ViaSat-1 satellite, placed in service in January 2012, and a reduction of \$37.5 million in cash used for the related ViaSat-1 ground network and operating systems, offset by \$72.1 million in higher capital expenditures for new CPE units and other general purpose equipment. Cash provided by financing activities for fiscal year 2013 reflected the issuance in October 2012 of \$300.0 million in aggregate principal amount of 2020 Notes, partially offset by the repurchase and redemption of all of our \$275.0 million in aggregate principal amount of 2016 Notes and \$8.1 million in debt issuance costs. Cash provided by financing activities for fiscal year 2012 reflected the issuance in February 2012 of \$275.0 million in aggregate principal amount of 2020 Notes.

Satellite service-related activities

In May 2013, we entered into an agreement to purchase ViaSat-2, our second high-capacity Ka-band satellite, from The Boeing Company (Boeing) at a price of approximately \$358.0 million, plus an additional amount for launch support services to be performed by Boeing. The projected total cost of the ViaSat-2 project, including the satellite, launch, insurance and related gateway infrastructure, through satellite launch is estimated to be between \$600.0 million to \$650.0 million, and will depend on the timing of the gateway infrastructure roll-out. Our total required cash funding may be reduced through various third party agreements, including potential joint service offerings and other strategic partnering arrangements. We believe we have adequate sources of funding for the project, which include our cash on hand, available borrowing capacity and the cash we expect to generate from operations over the next few years.

We have incurred higher operating costs in connection with the late fiscal year 2012 launch and roll-out of our ViaSat-1 satellite and related ground infrastructure and our Exede broadband services, as well as higher interest expense as we capitalized a lower amount of the interest expense on our outstanding debt in fiscal year 2014 as we were in the early stages of construction of ViaSat-2, our second high-capacity Ka-band satellite. These operating costs included costs associated with depreciation, gateway connectivity, subscriber acquisition costs, logistics, customer care and various support systems. These additional operating costs attributed to our Exede service commencement have negatively impacted income from operations during recent fiscal years. However, as the total number of subscribers of our Exede broadband services increased, the resultant increase in service revenues in our satellite services segment has improved income (loss) from operations for that segment over time, despite the additional litigation expense we have incurred to protect our proprietary technology. Nonetheless, there can be no assurance that the number of subscribers of our Exede broadband services and service revenues in our satellite services segment will continue to increase. We also expect to continue to invest in subscriber acquisition costs during fiscal year 2015 as we further expand our subscriber base as well as make additional investments for the construction of ViaSat-2.

Table of Contents

Credit Facility

As of April 4, 2014, the Credit Facility provided a \$500.0 million revolving line of credit (including up to \$150.0 million of letters of credit) with a maturity date of November 26, 2018. We entered into the Credit Facility in November 2013 to replace our former \$325.0 million revolving credit facility. Borrowings under the 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. At April 4, 2014, the weighted average effective interest rate on our outstanding borrowings under the Credit Facility was 2.41%. The Credit Facility is required to be guaranteed by certain significant domestic subsidiaries of ViaSat (as defined in the Credit Facility) and secured by substantially all of our assets. As of April 4, 2014, none of our subsidiaries guaranteed the Credit Facility.

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

At April 4, 2014, we had \$105.0 million in principal amount of outstanding borrowings under the Credit Facility and \$39.5 million outstanding under standby letters of credit, leaving borrowing availability under the Credit Facility as of April 4, 2014 of \$355.5 million.

Senior Notes

Senior Notes due 2020

In February 2012, we issued \$275.0 million in principal amount of 2020 Notes in a private placement to institutional buyers, which were exchanged in August 2012 for substantially identical 2020 Notes that had been registered with the SEC. These initial 2020 Notes were issued at face value and are recorded as long-term debt in our consolidated financial statements. On October 12, 2012, we issued an additional \$300.0 million in principal amount of 2020 Notes in a private placement to institutional buyers at an issue price of 103.50% of the principal amount, which were exchanged in January 2013 for substantially identical 2020 Notes that had been registered with the SEC. The 2020 Notes are all treated as a single class. The 2020 Notes bear interest at the rate of 6.875% per year, payable semi-annually in cash in arrears, which interest payments commenced in June 2012. Debt issuance costs associated with the issuance of the 2020 Notes are amortized to interest expense on a straight-line basis over the term of the 2020 Notes, the results of which are not materially different from the effective interest rate basis. The \$10.5 million premium we received in connection with the issuance of the additional 2020 Notes is recorded as long-term debt in our consolidated financial statements and is being amortized as a reduction to interest expense on an effective interest rate basis over the term of those 2020 Notes.

The 2020 Notes are required to be guaranteed on an unsecured senior basis by each of our existing and future subsidiaries that guarantees the Credit Facility. During the second quarter of fiscal year 2014, the last remaining subsidiary guarantor, ViaSat Communications, Inc., was merged into ViaSat. Accordingly, as of April 4, 2014, none of our subsidiaries guaranteed the 2020 Notes. The 2020 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 2020 Notes are effectively junior in right of payment to our existing and future secured debt, including under the Credit Facility (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 2020 Notes, and are senior in right of payment to all of our existing and future subordinated indebtedness.

The indenture governing the 2020 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;

Table of Contents

sell or otherwise dispose of assets; enter into transactions with affiliates; reduce our satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to June 15, 2015, we may redeem up to 35% of the 2020 Notes at a redemption price of 106.875% 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 2020 Notes prior to June 15, 2016, 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 2020 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2020 Notes on June 15, 2016 plus (2) all required interest payments due on such 2020 Notes through June 15, 2016 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the treasury rate (as defined under the indenture) plus 50 basis points, over (b) the then-outstanding principal amount of such 2020 Notes. The 2020 Notes may be redeemed, in whole or in part, at any time during the twelve months beginning on June 15, 2016 at a redemption price of 103.438%, during the twelve months beginning on June 15, 2017 at a redemption price of 101.719%, and at any time on or after June 15, 2018 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 occurs (as defined in the indenture), each holder will have the right to require us to repurchase all or any part of such holder's 2020 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2020 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 additional \$300.0 million of 2020 Notes issued in October 2012, we repurchased and redeemed all of our \$275.0 million in aggregate principal amount of 2016 Notes then outstanding through a cash tender offer and redemption, and the indenture governing the 2016 Notes was satisfied and discharged in accordance with its terms. As a result of the repurchase and redemption of the 2016 Notes, we recognized a \$26.5 million loss on extinguishment of debt during fiscal year 2013, which was comprised of \$19.8 million in cash payments (including tender offer consideration, consent payments, redemption premium and related professional fees), and \$6.7 million in non-cash charges (including unamortized discount and unamortized debt issuance costs).

Contractual Obligations

The following table sets forth a summary of our obligations at April 4, 2014:

(In thousands, including interest where applicable)	Total	2015	For the Fiscal Years Ending		Thereafter
			2016-2017	2018-2019	
Operating leases and satellite capacity agreements	\$ 188,572	\$ 61,530	\$ 48,951	\$ 30,620	\$ 47,471
2020 Notes	831,953	39,531	79,063	79,063	634,296
Line of credit*	116,907	2,559	5,117	109,231	
Satellite performance incentives	35,904	1,861	4,140	4,723	25,180
Purchase commitments including satellite-related agreements	618,440	354,009	216,109	23,416	24,906
Other	2,756	1,856	600	300	
Total	\$ 1,794,532	\$ 461,346	\$ 353,980	\$ 247,353	\$ 731,853

* To the extent that the interest rate is variable and ultimate amounts borrowed under the Credit Facility may fluctuate, amounts reflected represent estimated interest payments on our current outstanding balances based on the weighted average effective interest rate at April 4, 2014 until the date of the revolving line of credit maturity in the principle repayment on November 2018.

Table of Contents

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 have also entered into agreements with suppliers for the construction of our ViaSat-2 satellite, and operations 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. See [Liquidity and Capital Resources](#) [Satellite service-related activities](#).

Our consolidated balance sheets included \$48.9 million and \$52.6 million of other liabilities as of April 4, 2014 and March 29, 2013, respectively, which primarily consisted of the long-term portion of our satellite performance incentives obligation, our long-term warranty obligations, the long-term portion of deferred rent, long-term portion of deferred revenue, long-term deferred income taxes and long-term unrecognized tax position liabilities. With the exception of the long-term portion of our satellite performance incentives obligation, these remaining liabilities have been excluded from the above table as the timing and/or the amount of any cash payment is uncertain. See Note 8 to our consolidated financial statements for additional information regarding our income taxes and related tax positions and Note 12 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 April 4, 2014 as defined in Regulation S-K Item 303(a)(4) other than as discussed under Contractual Obligations above or disclosed in the notes to our consolidated financial statements included in this report.

Recent Authoritative Guidance

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, short-term and long-term obligations, including the Credit Facility and the 2020 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 April 4, 2014, we had \$105.0 million in principal amount of outstanding borrowings under our Credit Facility and \$575.0 million in aggregate principal amount outstanding of the 2020 Notes, and we held no short-term investments. Our 2020 Notes bear interest at a fixed rate and therefore our exposure to market risk for changes in interest rates relates primarily to borrowings under our 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 portion of our cash balance in money market funds. In general, money market funds 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 approximately \$0.1 million and \$0.4 million for the fiscal years ended April 4, 2014 and March 29, 2013, respectively. Because our investment policy restricts us to invest in conservative,

Table of Contents

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 April 4, 2014, we had \$105.0 million in principal amount of outstanding borrowings under our Credit Facility. Our primary interest rate under the Credit Facility is the Eurodollar rate plus an applicable margin that is based on our total leverage ratio. At April 4, 2014, the weighted average effective interest rate on our outstanding borrowings under the Credit Facility was 2.41%. 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 \$0.5 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 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 April 4, 2014, we had a number of foreign currency forward contracts outstanding which are intended to reduce the foreign currency risk for amounts payable to vendors in Euros. The foreign currency forward contracts with a notional amount of \$3.3 million had a fair value of less than \$0.1 million and were recorded in other current assets as of April 4, 2014. If the foreign currency forward rate for the Euro to the U.S. dollar on these foreign currency forward contracts had changed by 10%, the fair value of these foreign currency forward contracts as of April 4, 2014 would have changed by approximately \$0.3 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements at April 4, 2014 and March 29, 2013 and for each of the three fiscal years in the period ended April 4, 2014, and the Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, are included in this report on pages F-1 through F-39.

Summarized Quarterly Data (Unaudited)

The following financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for the fair statement of the results for the interim periods. Summarized quarterly data for fiscal years 2014 and 2013 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
2014				
Total revenues	\$ 321,102	\$ 353,881	\$ 332,555	\$ 343,924
Income (loss) from operations	3,424	(510)	1,524	(1,139)
Net (loss) income	(1,487)	2,281	(5,960)	(3,491)
Net (loss) income attributable to ViaSat, Inc.	(1,834)	1,897	(5,993)	(3,516)
Basic net (loss) income per share	(0.04)	0.04	(0.13)	(0.08)
Diluted net (loss) income per share	(0.04)	0.04	(0.13)	(0.08)
2013				
Total revenues	\$ 241,763	\$ 282,822	\$ 286,442	\$ 308,663
(Loss) income from operations	(13,789)	(859)	1,266	(6,980)
Net (loss) income	(14,433)	(7,857)	(20,614)	2,275
Net (loss) income attributable to ViaSat, Inc.	(14,420)	(7,907)	(20,776)	1,931
Basic net (loss) income per share	(0.33)	(0.18)	(0.47)	0.04
Diluted net (loss) income per share	(0.33)	(0.18)	(0.47)	0.04

Table of Contents

Summarized quarterly data for the third quarter of fiscal year 2013 reflects a \$26.5 million loss on extinguishment of debt. Refer to Note 5 to the consolidated financial statements for discussion of the refinancing of the 2016 Notes and associated loss on extinguishment of debt.

Basic and diluted net income (loss) 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 (loss) per share.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As required by SEC Rule 13a-15(b), we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of April 4, 2014, 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 April 4, 2014.

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 (1992)* 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 April 4, 2014.

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 April 4, 2014, as stated in their report which appears on page F-1.

Table of Contents

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 April 4, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is included in our definitive Proxy Statement to be filed with the SEC in connection with our 2014 Annual Meeting of Stockholders (the Proxy Statement) under the headings Corporate Governance Principles and Board Matters, Election of Directors and Ownership of Securities, and is incorporated herein by reference.

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

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

ITEM 11. EXECUTIVE COMPENSATION

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

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

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

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

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

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

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

Table of Contents

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements

	Page Number
<u>(1) Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets as of April 4, 2014 and March 29, 2013</u>	F-2
<u>Consolidated Statements of Operations and Comprehensive Income (Loss) for the fiscal years ended April 4, 2014, March 29, 2013 and March 30, 2012</u>	F-3
<u>Consolidated Statements of Cash Flows for the fiscal years ended April 4, 2014, March 29, 2013 and March 30, 2012</u>	F-4
<u>Consolidated Statements of Equity for the fiscal years ended April 4, 2014, March 29, 2013 and March 30, 2012</u>	F-5
<u>Notes to the Consolidated Financial Statements</u>	F-6
<u>(2) Schedule II - Valuation and Qualifying Accounts</u>	II-1

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

Exhibits

The Exhibit Index on page 68 is incorporated herein by reference as the list of exhibits required as part of this report.

Table of Contents**SIGNATURES**

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

VIASAT, INC.

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

Date: May 23, 2014

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

Signature	Title	Date
/s/ MARK DANKBERG	Chairman of the Board and	May 23, 2014
Mark Dankberg	Chief Executive Officer (Principal Executive Officer)	
/s/ BRUCE DIRKS	Chief Financial Officer	May 23, 2014
Bruce Dirks	(Principal Financial Officer)	
/s/ SHAWN DUFFY	Vice President, Corporate Controller and Chief Accounting Officer	May 23, 2014
Shawn Duffy	(Principal Accounting Officer)	
/s/ ROBERT BOWMAN	Director	May 23, 2014
Robert Bowman		
/s/ ROBERT JOHNSON	Director	May 23, 2014
Robert Johnson		
/s/ ALLEN LAY	Director	May 23, 2014
Allen Lay		
/s/ JEFFREY NASH	Director	May 23, 2014
Jeffrey Nash		

Edgar Filing: VIASAT INC - Form 10-K

/s/ JOHN STENBIT

Director

May 23, 2014

John Stenbit

/s/ HARVEY WHITE

Director

May 23, 2014

Harvey White

Table of Contents**EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Second Amended and Restated Certificate of Incorporation of ViaSat, Inc.	10-Q	000-21767	3.1	11/14/2000	
3.2	Second Amended and Restated Bylaws of ViaSat, Inc.	8-K	000-21767	3.1	12/04/2012	
4.1	Form of Common Stock Certificate	S-1/A	333-13183	4.1	11/05/1996	
4.2	Indenture dated as of February 27, 2012 by and among ViaSat, Inc., Wilmington Trust, National Association, as trustee, and the guarantors party thereto	8-K	000-21767	4.1	02/27/2012	
4.3	Form of 6.875% Senior Note due 2020 of ViaSat, Inc. (attached as Exhibit A to the Indenture filed as Exhibit 4.2 hereto)	8-K	000-21767	4.1	02/27/2012	
10.1	Form of Indemnification Agreement between ViaSat, Inc. and each of its directors and officers	8-K	000-21767	99.1	03/07/2008	
10.2*	ViaSat, Inc. Employee Stock Purchase Plan (as Amended and Restated Effective September 18, 2013)	8-K	000-21767	10.1	09/19/2013	
10.3*	1996 Equity Participation Plan of ViaSat, Inc. (As Amended and Restated Effective September 20, 2012)	8-K	000-21767	10.1	09/20/2012	
10.4*	Form of Stock Option Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.	8-K	000-21767	10.2	10/02/2008	
10.5*	Form of Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.	8-K	000-21767	10.3	10/02/2008	
10.6*	Form of Executive Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.	8-K	000-21767	10.4	10/02/2008	
10.7*	Form of Non-Employee Director Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.	8-K	000-21767	10.3	10/05/2009	
10.8*	Form of Change in Control Severance Agreement between ViaSat, Inc. and each of its executive officers	8-K	000-21767	10.1	08/04/2010	
10.9*	Separation Agreement dated as of August 22, 2012 between ViaSat, Inc. and Ronald Wangerin	8-K	000-21767	10.1	08/23/2012	
10.10	Credit Agreement dated as of November 26, 2013, by and among ViaSat, Inc., Union Bank, N.A. (as administrative agent and collateral agent) and the other lenders party thereto	8-K	000-21767	10.1	11/26/2013	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.11	Award/Contract dated March 10, 2010 between ViaSat, Inc. and Space and Naval Warfare Systems	10-K/A	000-21767	10.19	08/03/2010	
21.1	Subsidiaries					X
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm					X
24.1	Power of Attorney (see signature page)					X
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer					X
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer					X
32.1	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase					X

* Indicates management contract, compensatory plan or arrangement.

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

Table of Contents

Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(1) present fairly, in all material respects, the financial position of ViaSat, Inc. and its subsidiaries at April 4, 2014 and March 29, 2013, and the results of their operations and their cash flows for each of the three years in the period ended April 4, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 4, 2014, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, 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 these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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

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

/s/ PricewaterhouseCoopers LLP

San Diego, California

May 23, 2014

F-1

Table of Contents**VIASAT, INC.****CONSOLIDATED BALANCE SHEETS**

	As of April 4, 2014	As of March 29, 2013
(In thousands, except share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,347	\$ 105,738
Accounts receivable, net	271,891	266,970
Inventories	119,601	106,281
Deferred income taxes	37,712	25,065
Prepaid expenses and other current assets	44,070	40,819
Total current assets	531,621	544,873
Satellites, net	630,836	535,090
Property and equipment, net	421,666	378,691
Other acquired intangible assets, net	35,397	47,170
Goodwill	83,627	83,000
Other assets	256,968	205,248
Total assets	\$ 1,960,115	\$ 1,794,072
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 98,852	\$ 83,009
Accrued liabilities	174,118	161,909
Current portion of other long-term debt	1,856	2,230
Total current liabilities	274,826	247,148
Senior notes, net	583,861	584,993
Other long-term debt	105,900	1,456
Other liabilities	48,893	52,640
Total liabilities	1,013,480	886,237
Commitments and contingencies (Notes 10 and 11)		
Equity:		
ViaSat, Inc. stockholders' equity		
Series A, convertible preferred stock, \$.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding at April 4, 2014 and March 29, 2013, respectively		
Common stock, \$.0001 par value, 100,000,000 shares authorized; 46,229,259 and 44,974,186 shares outstanding at April 4, 2014 and March 29, 2013, respectively		
	5	4
Paid-in capital	776,452	715,115
Retained earnings	211,600	221,046
Common stock held in treasury, at cost, 1,190,572 and 947,607 shares at April 4, 2014 and March 29, 2013, respectively	(49,358)	(33,770)
Accumulated other comprehensive income	2,313	606
Total ViaSat, Inc. stockholders' equity	941,012	903,001
Noncontrolling interest in subsidiary	5,623	4,834

Edgar Filing: VIASAT INC - Form 10-K

Total equity	946,635	907,835
Total liabilities and equity	\$ 1,960,115	\$ 1,794,072

See accompanying notes to the consolidated financial statements.

F-2

Table of Contents**VIASAT, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

	April 4, 2014	Fiscal Years Ended March 29, 2013	March 30, 2012
	(In thousands, except per share data)		
Revenues:			
Product revenues	\$ 785,738	\$ 664,417	\$ 542,064
Service revenues	565,724	455,273	321,563
Total revenues	1,351,462	1,119,690	863,627
Operating expenses:			
Cost of product revenues	571,855	484,973	402,794
Cost of service revenues	419,425	363,188	233,187
Selling, general and administrative	281,533	240,859	181,728
Independent research and development	60,736	35,448	24,992
Amortization of acquired intangible assets	14,614	15,584	18,732
Income (loss) from operations	3,299	(20,362)	2,194
Other income (expense):			
Interest income	35	173	60
Interest expense	(37,938)	(43,993)	(8,307)
Loss on extinguishment of debt		(26,501)	
Loss before income taxes	(34,604)	(90,683)	(6,053)
Benefit from income taxes	(25,947)	(50,054)	(13,651)
Net (loss) income	(8,657)	(40,629)	7,598
Less: Net income attributable to the noncontrolling interest, net of tax	789	543	102
Net (loss) income attributable to ViaSat, Inc.	\$ (9,446)	\$ (41,172)	\$ 7,496
Net (loss) income per share attributable to ViaSat, Inc. common stockholders:			
Basic net (loss) income per share attributable to ViaSat, Inc. common stockholders	\$ (0.21)	\$ (0.94)	\$ 0.18
Diluted net (loss) income per share attributable to ViaSat, Inc. common stockholders	\$ (0.21)	\$ (0.94)	\$ 0.17
Shares used in computing basic net (loss) income per share	45,744	43,931	42,325
Shares used in computing diluted net (loss) income per share	45,744	43,931	44,226
Comprehensive (loss) income:			
Net (loss) income	\$ (8,657)	\$ (40,629)	\$ 7,598
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on hedging, net of tax	219	76	(452)
Foreign currency translation adjustments, net of tax	1,488	(909)	(386)
Other comprehensive income (loss), net of tax	1,707	(833)	(838)
Comprehensive (loss) income	(6,950)	(41,462)	6,760
Less: comprehensive income attributable to the noncontrolling interest, net of tax	789	543	102
Comprehensive (loss) income attributable to ViaSat, Inc.	\$ (7,739)	\$ (42,005)	\$ 6,658

Edgar Filing: VIASAT INC - Form 10-K

See accompanying notes to the consolidated financial statements.

F-3

Table of Contents**VIASAT, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	April 4, 2014	Fiscal Years Ended March 29, 2013	March 30, 2012
		(In thousands)	
Cash flows from operating activities:			
Net (loss) income	\$ (8,657)	\$ (40,629)	\$ 7,598
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	159,089	134,133	101,507
Amortization of intangible assets	25,975	23,038	24,004
Deferred income taxes	(27,182)	(50,728)	(13,330)
Stock-based compensation expense	33,639	27,035	21,382
Loss on disposition of fixed assets	33,752	12,109	5,814
Non-cash loss on extinguishment of debt		6,726	
Repayment of discount on the 2016 Notes		(3,418)	
Receipt of premium on the Additional 2020 Notes		10,500	
Other non-cash adjustments	6,153	4,301	1,793
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of effects of acquisition:			
Accounts receivable	(9,219)	(57,124)	(21,026)
Inventories	(11,422)	21,233	(25,271)
Other assets	(6,561)	(15,471)	(9,266)
Accounts payable	(7,404)	4,564	7,679
Accrued liabilities	17,730	9,406	33,280
Other liabilities	(753)	6,123	7,285
Net cash provided by operating activities	205,140	91,798	141,449
Cash flows from investing activities:			
Purchase of property, equipment and satellites, net	(307,625)	(176,295)	(204,973)
Cash paid for patents, licenses and other assets	(44,461)	(25,270)	(24,049)
Payments related to acquisition of businesses, net of cash acquired	(2,400)		
Net cash used in investing activities	(354,486)	(201,565)	(229,022)
Cash flows from financing activities:			
Proceeds from revolving credit facility borrowings	295,000		130,000
Payments of revolving credit facility borrowings	(190,000)		(190,000)
Proceeds from issuance of 2020 Notes		300,000	275,000
Repayment of 2016 Notes		(271,582)	
Payment of debt issuance costs	(2,512)	(8,059)	(5,706)
Proceeds from issuance of common stock under equity plans	18,617	31,001	19,341
Purchase of common stock in treasury	(15,588)	(8,412)	(7,451)
Other	(3,690)		(1,386)
Net cash provided by financing activities	101,827	42,948	219,798
Effect of exchange rate changes on cash	128	(26)	(132)
Net (decrease) increase in cash and cash equivalents	(47,391)	(66,845)	132,093
Cash and cash equivalents at beginning of fiscal year	105,738	172,583	40,490
Cash and cash equivalents at end of fiscal year	\$ 58,347	\$ 105,738	\$ 172,583
Supplemental information:			
Cash paid for interest (net of amounts capitalized)	\$ 34,446	\$ 32,004	\$ 5,964
Cash paid (received) for income taxes, net	\$ 1,185	\$ 931	\$ (3,966)
Non-cash investing and financing activities:			

Edgar Filing: VIASAT INC - Form 10-K

Issuance of stock in satisfaction of certain accrued employee compensation liabilities	\$ 8,018	\$ 7,060	\$ 6,340
Capital expenditures not paid for	\$ 30,237	\$ 747	\$ 26,102

See accompanying notes to the consolidated financial statements.

F-4

Table of Contents**VIASAT, INC.****CONSOLIDATED STATEMENTS OF EQUITY**

	ViaSat, Inc. Stockholders								
	Common Stock			Retained Earnings	Common Stock Held in Treasury		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiary	Total
	Number of Shares Issued	Amount	Paid-in Capital		Number of Shares	Amount			
	(In thousands, except share data)								
Balance at April 1, 2011	42,225,130	\$ 4	\$ 601,029	\$ 254,722	(560,363)	\$ (17,907)	\$ 2,277	\$ 4,116	\$ 844,241
Exercise of stock options	795,634		14,681						14,681
Issuance of stock under Employee Stock Purchase Plan	126,302		4,660						4,660
Stock-based compensation			22,962						22,962
Shares issued in settlement of certain accrued employee compensation liabilities	156,825		6,340						6,340
RSU awards vesting	472,311								
Purchase of treasury shares pursuant to vesting of certain RSU agreements					(167,311)	(7,451)			(7,451)
Net income				7,496				102	7,598
Other comprehensive loss, net of tax							(838)		(838)
Balance at March 30, 2012	43,776,202	\$ 4	\$ 649,672	\$ 262,218	(727,674)	\$ (25,358)	\$ 1,439	\$ 4,218	\$ 892,193
Exercise of stock options	1,178,573		25,915						25,915
Issuance of stock under Employee Stock Purchase Plan	157,636		5,086						5,086
Stock-based compensation			27,382						27,382
Shares issued in settlement of certain accrued employee compensation liabilities	197,149		7,060						7,060
RSU awards vesting	612,233								
Purchase of treasury shares pursuant to vesting of certain RSU agreements					(219,933)	(8,412)			(8,412)
Other noncontrolling interest activity								73	73
Net (loss) income				(41,172)				543	(40,629)
Other comprehensive loss, net of tax							(833)		(833)
Balance at March 29, 2013	45,921,793	\$ 4	\$ 715,115	\$ 221,046	(947,607)	\$ (33,770)	\$ 606	\$ 4,834	\$ 907,835
Exercise of stock options	592,971	1	12,910						12,911
Issuance of stock under Employee Stock Purchase Plan	137,921		5,706						5,706
Stock-based compensation			34,703						34,703
Shares issued in settlement of certain accrued employee compensation liabilities	113,126		8,018						8,018
RSU awards vesting	654,020								