UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022.

OR

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

For the transition period from to .

Commission File Number (000-21767)

VIASAT, INC.
(Exact name of registrant as specified in its charter)

Delaware **(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)	(Trading Symbol)	(Name of Each Exchange on which Registered)
Common Stock, par value $0.0001 per share	VSAT	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the registrant’s common stock, $0.0001 par value, as of October 21, 2022 was 75,586,954.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

VIASAT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	As of September 30, 2022	As of March 31, 2022
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 149,172	$ 310,459
Accounts receivable, net	320,249	312,172
Inventories	244,284	197,864
Prepaid expenses and other current assets	148,122	141,386
Current assets of discontinued operations	285,249	197,591
Total current assets	1,147,076	1,159,472
Property, equipment and satellites, net	4,002,742	3,704,991
Operating lease right-of-use assets	317,921	343,339
Other acquired intangible assets, net	211,273	236,043
Goodwill	162,003	168,710
Other assets	669,265	699,280
Non-current assets of discontinued operations	—	77,511
Total assets	$ 6,510,280	$ 6,389,346
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 244,917	$ 200,673
Accrued and other liabilities	452,644	482,564
Current portion of long-term debt	38,577	34,911
Current liabilities of discontinued operations	67,484	52,273
Total current liabilities	803,622	770,421
Senior notes	1,687,705	1,686,225
Other long-term debt	959,274	764,991
Non-current operating lease liabilities	289,746	316,178
Other liabilities	141,742	153,156
Non-current liabilities of discontinued operations	—	15,781
Total liabilities	3,882,089	3,706,752
Commitments and contingencies (Note 10)		
Equity:		
Viasat, Inc. stockholders' equity		
Common stock	8	7
Paid-in capital	2,496,783	2,421,950
Retained earnings	163,726	233,530
Accumulated other comprehensive income (loss)	(63,957)	(21,621)
Total Viasat, Inc. stockholders' equity	2,596,560	2,633,866
Noncontrolling interest in subsidiary	31,631	48,728
Total equity	2,628,191	2,682,594
Total liabilities and equity	$ 6,510,280	$ 6,389,346

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(In thousands, except per share data)			
Revenues:				
Product revenues	$ 254,861	$ 221,055	$ 424,106	$ 426,697
Service revenues	401,822	388,102	804,011	753,240
Total revenues	656,683	609,157	1,228,117	1,179,937
Operating expenses:				
Cost of product revenues	171,105	183,905	318,581	347,916
Cost of service revenues	267,448	249,935	536,000	480,766
Selling, general and administrative	177,191	152,724	348,816	303,393
Independent research and development	32,416	39,612	67,181	73,217
Amortization of acquired intangible assets	7,379	7,399	14,902	13,328
Income (loss) from operations	1,144	(24,418)	(57,363)	(38,683)
Other income (expense):				
Interest income	6,809	71	6,932	134
Interest expense	(4,638)	(6,093)	(10,511)	(12,385)
Other income, net	87	—	1,098	4,118
Income (loss) from continuing operations before income taxes	3,402	(30,440)	(59,844)	(46,816)
(Provision for) benefit from income taxes from continuing operations	(76,079)	9,110	(52,503)	19,490
Equity in income (loss) of unconsolidated affiliate, net	(40)	—	(40)	(256)
Net income (loss) from continuing operations	(72,717)	(21,330)	(112,387)	(27,582)
Net income (loss) from discontinued operations, net of tax	25,161	26,480	43,792	50,744
Net income (loss)	(47,556)	5,150	(68,595)	23,162
Less: net income (loss) attributable to noncontrolling interest, net of tax	684	1,859	1,209	2,903
Net income (loss) attributable to Viasat, Inc.	$ (48,240)	$ 3,291	$ (69,804)	$ 20,259
Income (loss) per share attributable to Viasat, Inc. common stockholders - basic:				
Continuing operations	$ (0.97)	$ (0.32)	$ (1.51)	$ (0.42)
Discontinued operations	0.33	0.36	0.58	0.70
Income (loss)	$ (0.64)	$ 0.04	$ (0.93)	$ 0.28
Income (loss) per share attributable to Viasat, Inc. common stockholders - diluted				
Continuing operations	$ (0.97)	$ (0.32)	$ (1.51)	$ (0.42)
Discontinued operations	0.33	0.36	0.58	0.70
Income (loss)	$ (0.64)	$ 0.04	$ (0.93)	$ 0.28
Shares used in computing basic net income (loss) per share	75,758	73,544	75,313	72,549
Shares used in computing diluted net income (loss) per share	75,758	73,544	75,313	72,549
Comprehensive income (loss):				
Net income (loss)	$ (47,556)	$ 5,150	$ (68,595)	$ 23,162
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax	(21,995)	(10,934)	(42,336)	(26,676)
Other comprehensive income (loss), net of tax	(21,995)	(10,934)	(42,336)	(26,676)
Comprehensive income (loss)	(69,551)	(5,784)	(110,931)	(3,514)
Less: comprehensive income (loss) attributable to noncontrolling interest, net of tax	684	1,859	1,209	2,903
Comprehensive income (loss) attributable to Viasat, Inc.	$ (70,235)	$ (7,643)	$ (112,140)	$ (6,417)

See accompanying notes to the condensed consolidated financial statements.

VIASAT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	September 30, 2022	September 30, 2021
Cash Flows from Continuing and Discontinued Operations	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (68,595)	$ 23,162
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	204,599	198,970
Amortization of intangible assets	43,888	42,890
Stock-based compensation expense	43,806	43,241
Loss on disposition of fixed assets	25,406	19,324
Deferred income taxes and other non-cash adjustments	65,250	(7,534)
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(42,625)	(59,047)
Inventories	(40,190)	(8,927)
Other assets	8,382	25,660
Accounts payable	13,222	21,129
Accrued liabilities	3,299	(48,981)
Other liabilities	(28,310)	(22,088)
Net cash provided by (used in) operating activities	228,132	227,799
Cash flows from investing activities:		
Purchase of property, equipment and satellites	(508,068)	(448,345)
Cash paid for patents, licenses and other assets	(46,745)	(26,633)
Payments related to acquisition of businesses, net of cash acquired	—	(138,668)
Net cash provided by (used in) investing activities	(554,813)	(613,646)
Cash flows from financing activities:		
Proceeds from debt borrowings	275,000	320,000
Payments on debt borrowings	(82,348)	(15,227)
Payments of debt issuance costs	(1,511)	—
Repurchase of shares by majority-owned subsidiary	(30,000)	—
Proceeds from issuance of common stock under equity plans	9,626	8,776
Purchase of common stock in treasury (immediately retired) related to tax withholdings for stock-based compensation	(832)	(1,742)
Other financing activities	(1,540)	(1,479)
Net cash provided by (used in) financing activities	168,395	310,328
Effect of exchange rate changes on cash	(3,001)	(2,776)
Net increase (decrease) in cash and cash equivalents	(161,287)	(78,295)
Cash and cash equivalents at beginning of period	310,459	295,949
Cash and cash equivalents at end of period	$ 149,172	$ 217,654
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 3,499	$ 18,099
Issuance of common stock in satisfaction of certain accrued compensation liabilities	$ 27,618	$ 24,488
Capital expenditures not paid for during the period	$ 45,688	$ 27,903
Issuance of common stock in connection with acquisition	$ —	$ 207,169

See accompanying notes to the condensed consolidated financial statements.

VIASAT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

	Viasat, Inc. Stockholders						
	Common Stock						
	Number of Shares Issued	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiary	Total
			(In thousands, except share data)				
For the Three Months Ended September 30, 2022							
Balance at June 30, 2022	75,551,823	$ 8	$ 2,482,847	$ 211,966	$ (41,962)	$ 49,253	$ 2,702,112
Stock-based compensation	—	—	26,046	—	—	—	26,046
RSU awards vesting, net of shares withheld for taxes which have been retired	33,398	—	(327)	—	—	—	(327)
Other noncontrolling interest activity	—	—	(11,783)	—	—	(18,306)	(30,089)
Net income (loss)	—	—	—	(48,240)	—	684	(47,556)
Other comprehensive income (loss), net of tax	—	—	—	—	(21,995)	—	(21,995)
Balance at September 30, 2022	75,585,221	$ 8	$ 2,496,783	$ 163,726	$ (63,957)	$ 31,631	$ 2,628,191
For the Three Months Ended September 30, 2021							
Balance at June 30, 2021	73,320,854	$ 7	$ 2,360,023	$ 266,032	$ (5,939)	$ 36,887	$ 2,657,010
Exercise of stock options	1,894	—	59	—	—	—	59
Stock-based compensation	—	—	23,558	—	—	—	23,558
RSU awards vesting, net of shares withheld for taxes which have been retired	75,330	—	(1,284)	—	—	—	(1,284)
Other	—	—	—	—	—	(89)	(89)
Net income (loss)	—	—	—	3,291	—	1,859	5,150
Other comprehensive income (loss), net of tax	—	—	—	—	(10,934)	—	(10,934)
Balance at September 30, 2021	73,398,078	$ 7	$ 2,382,356	$ 269,323	$ (16,873)	$ 38,657	$ 2,673,470

See accompanying notes to the condensed consolidated financial statements.

VIASAT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

	Viasat, Inc. Stockholders						
	Common Stock						
	Number of Shares Issued	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiary	Total
			(In thousands, except share data)				
For the Six Months Ended September 30, 2022							
Balance at March 31, 2022	74,428,816	$ 7	$ 2,421,950	$ 233,530	$ (21,621)	$ 48,728	$ 2,682,594
Issuance of stock under Employee Stock Purchase Plan	369,712	—	9,626	—	—	—	9,626
Stock-based compensation	—	—	50,204	—	—	—	50,204
Shares issued in settlement of certain accrued employee compensation liabilities	719,989	1	27,618	—	—	—	27,619
RSU awards vesting, net of shares withheld for taxes which have been retired	66,704	—	(832)	—	—	—	(832)
Other noncontrolling interest activity	—	—	(11,783)	—	—	(18,306)	(30,089)
Net income (loss)	—	—	—	(69,804)	—	1,209	(68,595)
Other comprehensive income (loss), net of tax	—	—	—	—	(42,336)	—	(42,336)
Balance at September 30, 2022	75,585,221	$ 8	$ 2,496,783	$ 163,726	$ (63,957)	$ 31,631	$ 2,628,191
For the Six Months Ended September 30, 2021							
Balance at March 31, 2021	68,529,133	$ 7	$ 2,092,595	$ 249,064	$ 9,803	$ 35,765	$ 2,387,234
Exercise of stock options	2,257	—	70	—	—	—	70
Issuance of stock under Employee Stock Purchase Plan	313,700	—	8,706	—	—	—	8,706
Stock-based compensation	—	—	51,070	—	—	—	51,070
Shares issued in settlement of certain accrued employee compensation liabilities	457,130	—	24,488	—	—	—	24,488
RSU awards vesting, net of shares withheld for taxes which have been retired	95,669	—	(1,742)	—	—	—	(1,742)
Shares issued in connection with acquisition of business	4,000,189	—	207,169	—	—	—	207,169
Other	—	—	—	—	—	(11)	(11)
Net income (loss)	—	—	—	20,259	—	2,903	23,162
Other comprehensive income (loss), net of tax	—	—	—	—	(26,676)	—	(26,676)
Balance at September 30, 2021	73,398,078	$ 7	$ 2,382,356	$ 269,323	$ (16,873)	$ 38,657	$ 2,673,470

See accompanying notes to the condensed consolidated financial statements.

Note 1 — Basis of Presentation

The accompanying condensed consolidated balance sheet at September 30, 2022, the condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended September 30, 2022 and 2021, the condensed consolidated statements of cash flows for the six months ended September 30, 2022 and 2021 and the condensed consolidated statements of equity for the three and six months ended September 30, 2022 and 2021 have been prepared by the management of Viasat, Inc. (also referred to hereafter as the Company or Viasat), and have not been audited. These financial statements have been prepared on the same basis as the audited consolidated financial statements for the fiscal year ended March 31, 2022 and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the Company's results for the periods presented. These financial statements should be read in conjunction with the financial statements and notes thereto for the fiscal year ended March 31, 2022 included in the Company's Annual Report on Form 10-K. Interim operating results are not necessarily indicative of operating results for the full year. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP).

The Company's condensed consolidated financial statements include the assets, liabilities and results of operations of Viasat, its wholly owned subsidiaries and its majority-owned subsidiary, TrellisWare Technologies, Inc. (TrellisWare). During the first quarter of fiscal year 2022, the Company completed the acquisitions of the remaining 51% interest in Euro Broadband Infrastructure Sàrl (EBI) and RigNet, Inc. (RigNet) (see Note 5 – Acquisitions for more information). The acquisitions were accounted for as purchases and accordingly, the condensed consolidated financial statements include the operating results of EBI and RigNet from the dates of acquisition.

All significant intercompany amounts have been eliminated. Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investment in unconsolidated affiliate in other assets (long-term) on the condensed consolidated balance sheets.

On October 1, 2022, the Company entered into an Asset Purchase Agreement to sell certain assets and assign certain liabilities comprising its Link-16 Tactical Data Links business (the Link-16 TDL Business) to L3Harris Technologies, Inc. in exchange for approximately $1.96 billion in cash (subject to certain adjustments), on and subject to the terms and conditions set forth therein (the Link-16 TDL Sale). In accordance with authoritative guidance for discontinued operations (Accounting Standards Codification (ASC) 205-20), the Company determined that the Link-16 TDL Business met held-for-sale and discontinued operations accounting criteria at the end of the second quarter of fiscal year 2023. Accordingly, the Company classified the results of the Link-16 TDL Business as discontinued operations in its condensed consolidated statements of operations for all periods presented. Additionally, the related assets and liabilities associated with the Link-16 TDL Business are classified as held for sale and discontinued operations in the condensed consolidated balance sheets for all periods presented. The cash flows related to discontinued operations have not been segregated and are included in the condensed consolidated statements of cash flows. Unless otherwise noted, discussion within the notes to the condensed consolidated financial statements relates to continuing operations only and excludes the Link-16 TDL Business. See Note 4 — Discontinued Operations for additional information.

On July 8, 2022, Cisco Systems, Inc., which previously acquired Acacia Communications, Inc. (Acacia), paid the Company approximately $62.2 million. The payment fully satisfied the July 2019 judgment previously entered against Acacia related to Acacia's breach of contract and misuse of the Company's soft decision forward error correction technology. For the three and six months ended September 30, 2022, the Company recorded $55.8 million as product revenues in the Company's commercial networks segment and $6.4 million as interest income with respect to such payment.

On November 8, 2021, the Company entered into a Share Purchase Agreement to combine with Connect Topco Limited, a private company limited by shares and incorporated in Guernsey (Inmarsat), with the shareholders of Inmarsat and certain management and employees who hold options and shares of a subsidiary of Inmarsat whose options and shares will be exchanged for shares of Inmarsat prior to closing (collectively, the Sellers). Pursuant to the Share Purchase Agreement, the Company will purchase all of the issued and outstanding shares of Inmarsat from the Sellers upon the terms and subject to the conditions set forth therein (the Inmarsat Transaction). See Note 5 – Acquisitions for more information.

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

Revenue recognition

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

Performance obligations

The timing of satisfaction of performance obligations may require judgment. The Company derives a substantial portion of its revenues from contracts with customers for services, primarily consisting of connectivity services. These contracts typically require advance or recurring monthly payments by the customer. The Company's obligation to provide connectivity services is satisfied over time as the customer simultaneously receives and consumes the benefits provided. The measure of progress over time is based upon either a period of time (e.g., over the estimated contractual term) or usage (e.g., bandwidth used/bytes of data processed). The Company evaluates whether broadband equipment provided to its customers as part of the delivery of connectivity services represents a lease in accordance with the authoritative guidance for leases (ASC 842). As discussed further below under "Leases - Lessor accounting", for broadband equipment leased to consumer broadband customers in conjunction with the delivery of connectivity services, the Company accounts for the lease and non-lease components of connectivity service arrangements as a single performance obligation as the connectivity services represent the predominant component.

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

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

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

Contract costs on U.S. Government contracts are subject to audit and review by the Defense Contracting Management Agency (DCMA), the Defense Contract Audit Agency (DCAA), and other U.S. Government agencies, as well as negotiations with U.S. Government representatives. The Company's incurred cost audit by the DCAA has not been concluded for fiscal years 2021 or 2022. As of September 30, 2022, the DCAA had completed its incurred cost audit for fiscal years 2004, 2016, 2019 and 2020 and approved the Company's incurred costs for those fiscal years, as well as approved the Company's incurred costs for fiscal years 2005 through 2015, 2017 and 2018 without further audit based on the determination of low risk. Although the Company has recorded contract revenues subsequent to fiscal year 2020 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company's estimates, its profitability would be adversely affected. As of both September 30, 2022 and March 31, 2022, the Company had $12.1 million in contract-related reserves for its estimate of potential refunds to customers for potential cost adjustments on several multi-year U.S. Government cost reimbursable contracts (see Note 10 — Commitments and Contingencies for more information).

Evaluation of transaction price

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

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

Transaction price allocated to remaining performance obligations

The Company's remaining performance obligations represent the transaction price of firm contracts and orders for which work has not been performed. The Company includes in its remaining performance obligations only those contracts and orders for which it has accepted purchase orders. Remaining performance obligations associated with the Company's subscribers for fixed consumer and business broadband services in its satellite services segment exclude month-to-month service contracts in accordance with a practical expedient and are estimated using a portfolio approach in which the Company reviews all relevant promotional activities and calculates the remaining performance obligation using the average service component for the portfolio and the average time remaining under the contract. The Company's future recurring in-flight connectivity service contracts in its satellite services segment do not have minimum service purchase requirements and therefore are not included in the Company's remaining performance obligations. As of September 30, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was $2.4 billion (including approximately $599.7 million attributable to discontinued operations), of which the Company expects to recognize a little over half over the next 12 months, with the balance recognized thereafter.

Disaggregation of revenue

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

The following sets forth disaggregated reported revenue by segment and product and services for the three and six months ended September 30, 2022 and 2021 (as noted above, revenue information excludes revenues from the Link-16 TDL Business, which have been classified as discontinued operations):

	Three Months Ended September 30, 2022			
	Satellite Services	Commercial Networks	Government Systems	Total Revenues
	(In thousands)			
Product revenues	$ —	$ 159,831	$ 95,030	$ 254,861
Service revenues	300,547	20,196	81,079	401,822
Total revenues	$ 300,547	$ 180,027	$ 176,109	$ 656,683

	Six Months Ended September 30, 2022			
	Satellite Services	Commercial Networks	Government Systems	Total Revenues
	(In thousands)			
Product revenues	$ —	$ 253,406	$ 170,700	$ 424,106
Service revenues	612,647	39,405	151,959	804,011
Total revenues	$ 612,647	$ 292,811	$ 322,659	$ 1,228,117

	Three Months Ended September 30, 2021			
	Satellite Services	Commercial Networks	Government Systems	Total Revenues
	(In thousands)			
Product revenues	$ —	$ 118,935	$ 102,120	$ 221,055
Service revenues	300,110	15,871	72,121	388,102
Total revenues	$ 300,110	$ 134,806	$ 174,241	$ 609,157

	Six Months Ended September 30, 2021			
	Satellite Services	Commercial Networks	Government Systems	Total Revenues
	(In thousands)			
Product revenues	$ —	$ 220,466	$ 206,231	$ 426,697
Service revenues	574,227	32,936	146,077	753,240
Total revenues	$ 574,227	$ 253,402	$ 352,308	$ 1,179,937

Revenues from the U.S. Government as an individual customer comprised approximately 17% and 16% of total revenues for the three and six months ended September 30, 2022, respectively, and approximately 18% and 20% of total revenues for the three and six months ended September 30, 2021, respectively, mainly reported within the government systems segment. Revenues from the Company's other customers, mainly reported within the commercial networks and satellite services segments, comprised approximately 83% and 84% of total revenues for the three and six months ended September 30, 2022, respectively, and approximately 82% and 80% of total revenues for the three and six months ended September 30, 2021, respectively.

The Company's satellite services segment revenues are primarily derived from the Company's fixed broadband services, in-flight services and energy services (acquired through the RigNet acquisition).

Revenues in the Company’s commercial networks and government systems segments are primarily derived from three types of contracts: fixed-price, cost-reimbursement and time-and-materials contracts. Fixed-price contracts (which require the Company to provide products and services under a contract at a specified price) comprised approximately 89% and 86% of the Company’s total revenues for these segments for the three and six months ended September 30, 2022, respectively, and approximately 92% and 90% of the Company’s total revenues for these segments for the three and six months ended September 30, 2021, respectively. The remainder of the Company’s revenues in these segments for such periods was derived primarily from cost-reimbursement contracts (under which the Company is reimbursed for all actual costs incurred in performing the contract to the extent such costs are within the contract ceiling and allowable under the terms of the contract, plus a fee or profit) and from time-and-materials contracts (under which the Company is reimbursed for the number of labor hours expended at an established hourly rate negotiated in the contract, plus the cost of materials utilized in providing such products or services).

Historically, a significant portion of the Company’s revenues in its commercial networks and government systems segments has been derived from customer contracts that include the development of products. The development efforts are conducted in direct response to the customer’s specific requirements and, accordingly, expenditures related to such efforts are included in cost of sales when incurred and the related funding (which includes a profit component) is included in revenues. Revenues for the Company’s funded development from its customer contracts were approximately 14% and 16% of its total revenues for the three and six months ended September 30, 2022, respectively, and approximately 18% of its total revenues for both the three and six months ended September 30, 2021.

Contract balances

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

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

The following table presents contract assets and liabilities as of September 30, 2022 and March 31, 2022:

	As of September 30, 2022	As of March 31, 2022
	(In thousands)	
Unbilled accounts receivable	$ 83,000	$ 85,383
Collections in excess of revenues and deferred revenues	133,639	131,623
Deferred revenues, long-term portion	82,103	88,983

Unbilled accounts receivable decreased $2.4 million during the six months ended September 30, 2022, primarily driven by an increase in billings in the Company's satellite services segment.

Collections in excess of revenues and deferred revenues increased $2.0 million during the six months ended September 30, 2022, primarily driven by advances on goods or services received in excess of revenue recognized mainly in the Company’s government systems segment.

During the three and six months ended September 30, 2022, the Company recognized revenue of $22.1 million and $97.7 million, respectively, that was previously included in the Company’s collections in excess of revenues and deferred revenues at March 31, 2022. During the three and six months ended September 30, 2021, the Company recognized revenue of $34.3 million and $109.2 million, respectively, that was previously included in the Company’s collections in excess of revenues and deferred revenues at March 31, 2021.

Property, equipment and satellites

Satellites and other property and equipment, including internally developed software, are recorded at cost or, in the case of certain satellites and other property acquired, the fair value at the date of acquisition, net of accumulated depreciation. Capitalized satellite costs consist primarily of the costs of satellite construction and launch, including launch insurance and insurance during the period of in-orbit testing, the net present value of performance incentives expected to be payable to satellite manufacturers (dependent on the continued satisfactory performance of the satellites), costs directly associated with the monitoring and support of satellite construction, and interest costs incurred during the period of satellite construction. The Company also constructs earth stations, network operations systems and other assets to support its satellites, and those construction costs, including interest, are capitalized as incurred. At the time satellites are placed in service, the Company estimates the useful life of its satellites for depreciation purposes based upon an analysis of each satellite’s performance against the original manufacturer’s orbital design life, estimated fuel levels and related consumption rates, as well as historical satellite operating trends. The Company periodically reviews the remaining estimated useful life of its satellites to determine if revisions to estimated useful lives are necessary. Costs incurred for additions to property, equipment and satellites, together with major renewals and betterments, are capitalized and depreciated over the remaining life of the underlying asset. Costs incurred for maintenance, repairs and minor renewals and betterments are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized in operations, which for the periods presented, primarily related to losses incurred for unreturned customer premise equipment (CPE). The Company computes depreciation using the straight-line method over the estimated useful lives of the assets ranging from two to 38 years. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the lease term or the life of the improvement.

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

Interest expense is capitalized on the carrying value of assets under construction, in accordance with the authoritative guidance for the capitalization of interest (ASC 835-20). With respect to the construction of satellites, gateway and networking equipment and other assets under construction, the Company capitalized $38.5 million and $72.1 million of interest expense for the three and six months ended September 30, 2022, respectively, and $24.8 million and $48.4 million for the three and six months ended September 30, 2021, respectively.

The Company owns four satellites in service — three over North America (ViaSat-2, ViaSat-1 and WildBlue-1) and the KA-SAT satellite over Europe, Middle East, and Africa (EMEA). In addition, the Company has lifetime leases of Ka-band capacity on two satellites. The Company is also planning to launch a global constellation of three third-generation ViaSat-3 class satellites under construction. In addition, the Company owns related earth stations and networking equipment for all of its satellites. The Company procures indoor and outdoor CPE units leased to subscribers under a retail leasing program as part of the Company’s satellite services segment, which are reflected in investing activities and property, equipment and satellites, net in the accompanying condensed consolidated financial statements. The Company depreciates the satellites, earth stations and networking equipment, CPE units and related installation costs over their estimated useful lives. The total cost and accumulated depreciation of CPE units included in property, equipment and satellites, net, as of September 30, 2022 were $380.2 million and $208.6 million, respectively. The total cost and accumulated depreciation of CPE units included in property, equipment and satellites, net, as of March 31, 2022 were $395.5 million and $210.6 million, respectively.

Occasionally, the Company may enter into finance lease arrangements for various machinery, equipment, computer-related equipment, software, furniture, fixtures, or satellites. The Company records amortization of assets leased under finance lease arrangements within depreciation expense. The Company's finance leases consist primarily of satellite lifetime Ka-band capacity leases and have remaining terms from less than one year to four years. The Company reports assets obtained under finance leases in property, equipment and satellites, net and the current and non-current portions of its finance lease liabilities in current portion of long-term debt and other long-term debt, respectively (see Note 1 — Basis of Presentation – Leases for more information).

Leases

Lessee accounting

In accordance with ASC 842, the Company assesses at contract inception whether the contract is, or contains, a lease. Generally, the Company determines that a lease exists when (1) the contract involves the use of a distinct identified asset, (2) the Company obtains the right to substantially all economic benefits from use of the asset, and (3) the Company has the right to direct the use of the asset. A lease is classified as a finance lease when one or more of the following criteria are met: (1) the lease transfers ownership of the asset by the end of the lease term, (2) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (3) the lease term is for a major part of the remaining useful life of the asset, (4) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset or (5) the asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease is classified as an operating lease if it does not meet any of these criteria.

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

Lease payments included in the measurement of lease liabilities consist of (1) fixed lease payments for the noncancelable lease term, (2) fixed lease payments for optional renewal periods where it is reasonably certain the renewal option will be exercised, and (3) variable lease payments that depend on an underlying index or rate, based on the index or rate in effect at lease commencement. Certain of the Company's real estate lease agreements require variable lease payments that do not depend on an underlying index or rate established at lease commencement. Such payments and changes in payments based on a rate or index are recognized in operating expenses when incurred.

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

The Company's operating leases consist primarily of leases for office space, data centers and satellite ground facilities and have remaining terms from less than one year to 10 years, some of which include renewal options, and some of which include options to terminate the leases within one year. Certain earth station leases have renewal terms that have been deemed to be reasonably certain to be exercised and as such have been recognized as part of the Company's right-of-use assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company recognizes right-of-use assets and lease liabilities for such leases in accordance with ASC 842. The Company reports operating lease right-of-use assets in operating lease right-of-use assets and the current and non-current portions of its operating lease liabilities in accrued and other liabilities and non-current operating lease liabilities, respectively.

Lessor accounting

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

Business combinations

The authoritative guidance for business combinations (ASC 805) requires that all business combinations be accounted for using the purchase method. The purchase price for business combinations is allocated to the estimated fair values of acquired tangible and intangible assets, and assumed liabilities, where applicable. The Company recognizes technology, contracts and customer relationships, satellite co-location rights, trade names and other as identifiable intangible assets, which are recorded at fair value as of the transaction date. Goodwill is recorded when consideration transferred exceeds the fair value of identifiable assets and liabilities. Measurement-period adjustments to assets acquired and liabilities assumed with a corresponding offset to goodwill are recorded in the period they occur, which may include up to one year from the acquisition date. Contingent consideration is recorded at fair value at the acquisition date.

Patents, orbital slots and other licenses

The Company capitalizes the costs of obtaining or acquiring patents, orbital slots and other licenses. Amortization of intangible assets that have finite lives is provided for by the straight-line method over the shorter of the legal or estimated economic life. Total capitalized costs related to patents of $3.6 million and $3.5 million were included in other assets as of September 30, 2022 and March 31, 2022, respectively. The Company capitalized costs of $72.6 million and $64.1 million related to acquiring and obtaining orbital slots and other licenses included in other assets as of September 30, 2022 and March 31, 2022, respectively. Accumulated amortization related to these assets was $6.0 million and $5.4 million as of September 30, 2022 and March 31, 2022, respectively. Amortization expense related to these assets was an insignificant amount for the three and six months ended September 30, 2022 and 2021. If a patent, orbital slot or other license is rejected, abandoned or otherwise invalidated, the unamortized cost is expensed in that period. During the three and six months ended September 30, 2022 and 2021, the Company did not write off any significant costs due to abandonment or impairment.

Debt issuance costs

Debt issuance costs are amortized and recognized as interest expense using the effective interest rate method, or, when the results are not materially different, on a straight-line basis over the expected term of the related debt. During both the six months ended September 30, 2022 and 2021, no debt issuance costs were capitalized. Unamortized debt issuance costs related to extinguished debt are expensed at the time the debt is extinguished and recorded in loss on extinguishment of debt in the condensed consolidated statements of operations and comprehensive income (loss). Debt issuance costs related to the Company’s revolving credit facility (the Revolving Credit Facility) are recorded in other long-term assets in the condensed consolidated balance sheets in accordance with the authoritative guidance for imputation of interest (ASC 835-30). Debt issuance costs related to the Company’s $700.0 million senior secured term loan facility (the Term Loan Facility), 5.625% Senior Notes due 2025 (the 2025 Notes), the Company’s 5.625% Senior Secured Notes due 2027 (the 2027 Notes), the Company’s 6.500% Senior Notes due 2028 (the 2028 Notes and, together with the 2025 Notes and the 2027 Notes, the Notes) and the Ex-Im Credit Facility are recorded as a direct deduction from the carrying amount of the related debt, consistent with debt discounts, in accordance with the authoritative guidance for imputation of interest (ASC 835-30).

Software development

Costs of developing software for sale are charged to independent research and development expense when incurred, until technological feasibility has been established. Software development costs incurred from the time technological feasibility is reached until the product is available for general release to customers are capitalized and reported at the lower of unamortized cost or net realizable value. Once the product is available for general release, the software development costs are amortized based on the ratio of current to future revenue for each product with an annual minimum equal to straight-line amortization over the remaining estimated economic life of the product, generally within five years. Capitalized costs, net, of $218.9 million and $217.2 million related to software developed for resale were included in other assets as of September 30, 2022 and March 31, 2022, respectively. The Company capitalized $15.9 million and $24.6 million of costs related to software developed for resale for the three and six months ended September 30, 2022, respectively. The Company capitalized $11.0 million and $20.9 million of costs related to software developed for resale for the three and six months ended September 30, 2021, respectively. Amortization expense for capitalized software development costs was $13.7 million and $22.9 million for the three and six months ended September 30, 2022, respectively, and $14.1 million and $28.2 million for the three and six months ended September 30, 2021, respectively.

Self-insurance liabilities

The Company has self-insurance plans to retain a portion of the exposure for losses related to employee medical benefits and workers' compensation. The self-insurance plans include policies which provide for both specific and aggregate stop-loss limits. The Company utilizes actuarial methods as well as other historical information for the purpose of estimating ultimate costs for a particular plan year. Based on these actuarial methods, along with currently available information and insurance industry statistics, the Company has recorded self-insurance liability for its plans of $6.5 million and $5.8 million as of September 30, 2022 and March 31, 2022, respectively. The Company's estimate, which is subject to inherent variability, is based on average claims experience in the Company's industry and its own experience in terms of frequency and severity of claims, including asserted and unasserted claims incurred but not reported, with no explicit provision for adverse fluctuation from year to year. This variability may lead to ultimate payments being either greater or less than the amounts presented above. Self-insurance liabilities have been classified as a current liability in accrued and other liabilities in accordance with the estimated timing of the projected payments.

Indemnification provisions

In the ordinary course of business, the Company includes indemnification provisions in certain of its contracts, generally relating to parties with which the Company has commercial relations. Pursuant to these agreements, the Company will indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, including but not limited to losses relating to third-party intellectual property claims. To date, there have not been any material costs incurred in connection with such indemnification clauses. The Company's insurance policies do not necessarily cover the cost of defending indemnification claims or providing indemnification, so if a claim was filed against the Company by any party that the Company has agreed to indemnify, the Company could incur substantial legal costs and damages. A claim would be accrued when a loss is considered probable and the amount can be reasonably estimated. At September 30, 2022 and March 31, 2022, no such amounts were accrued related to the aforementioned provisions.

Noncontrolling interests

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

On August 15, 2022, TrellisWare, a majority-owned subsidiary of the Company, completed the repurchase of its common stock from participating stockholders for a total purchase price of approximately $30.0 million. The Company did not elect to participate in the share repurchase, and accordingly, the Company's ownership percentage of TrellisWare increased to slightly over 60% as a result of the share repurchase.

The following table summarizes the effect of the change in the Company's percentage ownership interest in TrellisWare on the Company's equity for the three and six months ended September 30, 2022 and 2021:

	Three Months Ended		Six Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(In thousands)			
Net income (loss) attributable to Viasat, Inc.	$ (48,240)	$ 3,291	$ (69,804)	$ 20,259
Transfers to noncontrolling interest	(11,783)	—	(11,783)	—
Change from net income (loss) attributable to Viasat, Inc. and transfers from (to) noncontrolling interest	$ (60,023)	$ 3,291	$ (81,587)	$ 20,259

Investments in unconsolidated affiliate — equity method

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

Common stock held in treasury

As of September 30, 2022 and March 31, 2022, the Company had no shares of common stock held in treasury.

During the three months ended September 30, 2022 and 2021, the Company issued 41,930 and 99,947 shares of common stock, respectively, based on the vesting terms of certain restricted stock unit agreements. During the six months ended September 30, 2022 and 2021, the Company issued 88,401 and 129,007 shares of common stock, respectively, based on the vesting terms of certain restricted stock unit agreements. In order for employees to satisfy minimum statutory employee tax withholding requirements related to the issuance of common stock underlying these restricted stock unit agreements, during the three months ended September 30, 2022 and 2021, the Company repurchased 8,532 and 24,617 shares of common stock, respectively, at cost and with a total value of an insignificant amount and $1.3 million, respectively. During the six months ended September 30, 2022 and 2021, the Company repurchased 21,697 and 33,338 shares of common stock, respectively, at cost and with a total value of an insignificant amount and $1.7 million, respectively. Although shares withheld for employee withholding taxes are technically not issued, they are treated as common stock repurchases for accounting purposes (with such shares deemed to be repurchased and then immediately retired), as they reduce the number of shares that otherwise would have been issued upon vesting of the restricted stock units. These retired shares remain as authorized stock and are considered to be unissued. The retirement of treasury stock had no impact on the Company’s total consolidated stockholders’ equity.

Stock-based compensation

In accordance with the authoritative guidance for share-based payments (ASC 718), the Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award. Expense for restricted stock units and stock options is recognized on a straight-line basis over the employee's requisite service period. Expense for total shareholder return (TSR) performance stock options that vest is recognized regardless of the actual TSR outcome achieved and is recognized on a graded-vesting basis. The Company accounts for forfeitures as they occur. The Company recognized $21.9 million and $42.1 million of stock-based compensation expense for the three and six months ended September 30, 2022, respectively. The Company recognized $20.6 million and $42.3 million of stock-based compensation expense for the three and six months ended September 30, 2021, respectively. The Company recognizes excess tax benefits or deficiencies on vesting or settlement of awards as discrete items within income tax benefit or provision within net income (loss) and the related cash flows are classified within operating activities.

Income taxes

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

Ordinarily, the Company calculates its provision for income taxes at the end of each interim reporting period on the basis of an estimated annual effective tax rate adjusted for tax items that are discrete to each period.

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

Recent authoritative guidance

In August 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-06, Debt – Debt with Conversion and Other Options (ASC 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40). ASU 2020-06 simplifies the accounting for convertible instruments by removing the beneficial conversion and cash conversion accounting models for convertible instruments and removes certain settlement conditions that are required for contracts to qualify for equity classification. This new standard also simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method for convertible instruments and requires that the effect of potential share settlement be included in diluted earnings per share calculations when an instrument may be settled in cash or shares. The new standard requires entities to provide expanded disclosures about the terms and features of convertible instruments, how the instruments have been reported in the entity's financial statements, and information about events, conditions, and circumstances that can affect how to assess the amount or timing of an entity's future cash flows related to those instruments. The Company adopted the new guidance in the first quarter of fiscal year 2023 and the guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (ASC 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. ASU 2021-08 requires contract assets and contract liabilities acquired in a business combination to be recognized in accordance with ASC 606 as if the acquirer had originated the contracts. The new standard will become effective for the Company beginning in fiscal year 2024, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (ASC 832): Disclosures by Business Entities about Government Assistance. ASU 2021-10 requires annual disclosures when an entity accounts for a transaction with a government by applying a grant or contribution accounting model by analogy to other accounting guidance. The new standard is effective for annual periods beginning after December 15, 2021. The Company will adopt this guidance effective fiscal year-end 2023. The Company is currently evaluating the impact of this standard on its annual disclosures.

In March 2022, the FASB issued ASU 2022-01, Derivatives and Hedging (ASC 815): Targeted Improvements to Accounting for Hedging Activities. ASU 2022-01 made targeted improvements to the optional hedge accounting model with the objective of improving hedge accounting to better portray the economic results of an entity's risk management activities in its financial statements. The new standard will become effective for the Company beginning in fiscal year 2024. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments – Credit Losses (ASC 326): Troubled Debt Restructurings and Vintage Disclosures. ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, while enhancing certain disclosure requirements for loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Furthermore, it requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments – Credit Losses – Measured at Amortized Cost. The new standard will become effective for the Company beginning in fiscal year 2024. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (ASC 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. ASU 2022-03 clarifies that a contractual restriction on the sale of an equity security is not considered in measuring the security's fair value. The standard also requires certain disclosures for equity securities that are subject to contractual restrictions. The new standard will become effective for the Company beginning in fiscal year 2025. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In September 2022, the FASB issued ASU 2022-04, Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. ASU 2022-04 enhances the transparency of supplier finance programs. In each annual reporting period, the buyer in a supplier finance program is required to disclose information about the key terms of the program, the outstanding confirmed amounts, a rollforward of such amounts, and a description of where those obligations are presented in the balance sheet. In each interim reporting period, the buyer should disclose the outstanding confirmed amounts as of the end of the interim period. The new standard will become effective for the Company beginning in fiscal year 2024, except for the amendment on rollfoward information, which will become effective in fiscal year 2025. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

Note 2 — Composition of Certain Balance Sheet Captions

	As of September 30, 2022	As of March 31, 2022
	(In thousands)	
Accounts receivable, net:		
Billed	$ 251,098	$ 233,948
Unbilled	83,000	85,383
Allowance for doubtful accounts	(13,849)	(7,159)
	$ 320,249	$ 312,172
Inventories:		
Raw materials	$ 71,752	$ 62,520
Work in process	23,066	21,702
Finished goods	149,466	113,642
	$ 244,284	$ 197,864
Prepaid expenses and other current assets:		
Prepaid expenses	$ 96,075	$ 102,433
Other	52,047	38,953
	$ 148,122	$ 141,386
Property, equipment and satellites, net:		
Equipment and software (estimated useful life of 3-7 years)	$ 1,765,905	$ 1,676,736
CPE leased equipment (estimated useful life of 4-5 years)	380,240	395,539
Furniture and fixtures (estimated useful life of 7 years)	58,426	57,847
Leasehold improvements (estimated useful life of 2-17 years)	149,947	149,982
Buildings (estimated useful life of 12-38 years)	12,368	12,440
Land	3,766	3,944
Construction in progress	522,009	381,679
Satellites (estimated useful life of 7-17 years)	1,047,188	1,059,182
Satellite Ka-band capacity obtained under finance leases (estimated useful life of 7-11 years)	176,348	173,480
Satellites under construction	2,042,569	1,808,474
	6,158,766	5,719,303
Less: accumulated depreciation and amortization	(2,156,024)	(2,014,312)
	$ 4,002,742	$ 3,704,991
Other acquired intangible assets, net:		
Technology (weighted average useful life of 7 years)	$ 146,866	$ 154,624
Contracts and customer relationships (weighted average useful life of 10 years)	159,172	164,635
Satellite co-location rights (weighted average useful life of 9 years)	8,600	8,600
Trade name (weighted average useful life of 7 years)	31,999	32,463
Other (weighted average useful life of 11 years)	21,021	22,263
	367,658	382,585
Less: accumulated amortization	(156,385)	(146,542)
	$ 211,273	$ 236,043
Other assets:		
Deferred income taxes	$ 243,394	$ 304,642
Capitalized software costs, net	218,865	217,159
Patents, orbital slots and other licenses, net	70,213	62,200
Other	136,793	115,279
	$ 669,265	$ 699,280
Accrued and other liabilities:		
Collections in excess of revenues and deferred revenues	$ 133,639	$ 131,623
Accrued employee compensation	73,911	108,456
Accrued vacation	43,309	48,097
Warranty reserve, current portion	2,627	2,804
Operating lease liabilities	50,559	49,988
Other	148,599	141,596
	$ 452,644	$ 482,564
Other liabilities:		
Deferred revenues, long-term portion	$ 82,103	$ 88,983
Warranty reserve, long-term portion	2,366	2,548
Satellite performance incentive obligations, long-term portion	16,713	18,651
Deferred income taxes	13,909	16,869
Other	26,651	26,105
	$ 141,742	$ 153,156

Note 3 — Fair Value Measurements

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

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

The Company had $5.1 million and $5.0 million in cash equivalents (Level 1) and no liabilities measured at fair value on a recurring basis as of September 30, 2022 and March 31, 2022, respectively.

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

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

Contingencies — In connection with the acquisition of the remaining 51% interest in EBI on April 30, 2021 (see Note 5 — Acquisitions for more information), part of the purchase price consideration will not be determined until two years after the closing date, when the Company may pay or receive up to €20.0 million, or approximately $19.3 million, in cash. The consideration to be paid in the future is contingent based on certain outcomes as defined in the acquisition agreement. Each reporting period, the Company estimates the fair value of the contingent consideration based on unobservable inputs and probability weightings using standard valuation techniques (Level 3). The fair value amount is currently recorded in other current assets on the condensed consolidated balance sheets and any change to fair value is recorded in the Company's condensed consolidated statements of operations each reporting period. As of September 30, 2022 and March 31, 2022, and for the three-month and six-month periods ended September 30, 2022 and 2021, the Company's fair value estimate, and change in fair value of the contingent consideration were immaterial.

Long-term debt — The Company's long-term debt consists of borrowings under its Term Loan Facility, Revolving Credit Facility and Ex-Im Credit Facility (collectively, the Credit Facilities), $700.0 million in aggregate principal amount of 2025 Notes, $600.0 million in aggregate principal amount of 2027 Notes, $400.0 million in aggregate principal amount of 2028 Notes and finance lease obligations reported at the present value of future minimum lease payments with current accrued interest. Long-term debt related to the Revolving Credit Facility is reported at the outstanding principal amount of borrowings, while long-term debt related to the Term Loan Facility, the Ex-Im Credit Facility, the 2025 Notes, the 2027 Notes and the 2028 Notes is reported at amortized cost. However, for disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. The fair value of the Company's long-term debt related to the Term Loan Facility and the Revolving Credit Facility approximates its carrying amount due to its variable interest rate, which approximates a market interest rate. As of September 30, 2022 and March 31, 2022, the fair value of the Company's long-term debt related to the Ex-Im Credit Facility was determined based on a discounted cash flow analysis using observable market interest rates for instruments with similar terms (Level 2) and was approximately $67.1 million and $78.0 million, respectively. As of September 30, 2022 and March 31, 2022, the estimated fair value of the Company's outstanding long-term debt related to each series of Notes was determined based on actual or estimated bids and offers for such series of Notes in an over-the-counter market (Level 2) and was $542.2 million and $682.5 million, respectively, for the 2025 Notes, $498.4 million and $588.8 million, respectively, for the 2027 Notes, and $264.0 million and $382.7 million, respectively, for the 2028 Notes.

Satellite performance incentive obligations — The Company's contracts with satellite manufacturers require the Company to make monthly in-orbit satellite performance incentive payments with respect to certain satellites in service, including interest, through fiscal year 2028, subject to the continued satisfactory performance of the applicable satellites.

The Company records the net present value of these expected future payments as a liability and as a component of the cost of the satellites. However, for disclosure purposes, the Company is required to measure the fair value of outstanding satellite performance incentive obligations on a recurring basis. The fair value of the Company's outstanding satellite performance incentive obligations is estimated to approximate their carrying value based on current rates (Level 2). As of September 30, 2022 and March 31, 2022, the Company's estimated satellite performance incentive obligations relating to certain satellites in service, including accrued interest, were $22.2 million and $23.7 million, respectively.

Note 4 — Discontinued Operations

On October 1, 2022, the Company entered into an Asset Purchase Agreement to sell certain assets and assign certain liabilities comprising the Link-16 TDL Business (part of the Company's government systems segment) to L3Harris Technologies, Inc. in exchange for approximately $1.96 billion in cash (subject to certain adjustments), on and subject to the terms and conditions set forth therein. In accordance with ASC 205-20, the Company determined that the Link-16 TDL Business met held-for sale and discontinued operations accounting criteria at the end of the second quarter of fiscal year 2023. Accordingly, the Company classified the results of the Link-16 TDL Business as discontinued operations in its condensed consolidated statements of operations for all periods presented. Additionally, the related assets and liabilities associated with the Link-16 TDL Business are classified as held for sale and discontinued operations in the condensed consolidated balance sheets for all periods presented.

The Company expects the Link-16 TDL Sale to substantially reduce both debt and net leverage, and to allow closer alignment in investment synergies between the Company's government systems segment and its other business segments. The Link-16 TDL Sale is expected to close in the first half of calendar year 2023 and is subject to the satisfaction or waiver of customary closing conditions, including the expiration or termination of any required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

In connection with the closing of the Link-16 TDL Sale, the Company and L3Harris Technologies, Inc. will enter into certain ancillary commercial agreements, including an intellectual property license agreement for the cross-licensing by each party of certain intellectual property rights relating to the Link-16 TDL Business and the Company's retained businesses, certain supply agreements with respect to the supply of certain Link-16 and related products following the closing, and a transition services agreement for the provision of certain services to support the transition of the Link-16 TDL Business following the closing, in each case subject to the terms and conditions set forth therein.

The following table presents key components of assets and liabilities that are classified as discontinued operations on the condensed consolidated balance sheets as of September 30, 2022 and March 31, 2022:

	As of September 30, 2022	As of March 31, 2022
	(In thousands)	
Accounts receivable, net	$ 60,748	$ 47,097
Inventories	137,304	144,026
Prepaid expenses and other current assets	7,108	6,468
Property, equipment, and satellites, net	37,878	36,921
Operating lease right-of-use assets	11,835	12,837
Goodwill	20,993	21,403
Other assets	9,383	6,350
Total assets of discontinued operations	$ 285,249	$ 275,102
Accounts payable	$ 18,534	$ 18,415
Accrued and other liabilities	33,137	33,858
Non-current operating lease liabilities	10,336	11,486
Other liabilities	5,477	4,295
Total liabilities of discontinued operations	$ 67,484	$ 68,054

The operating results of the discontinued operations only reflect revenues and expenses that are directly attributable to the Link-16 TDL Business that will be eliminated from continuing operations. The following table presents key components of "Net income (loss) from discontinued operations, net of tax" for the three and six months ended September 30, 2022 and 2021:

	Three Months Ended		Six Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(In thousands)			
Revenues	$ 88,128	$ 92,197	$ 194,917	$ 186,277
Operating expenses:				
Cost of revenues	54,090	54,603	120,448	113,737
Other operating expenses	8,198	4,878	17,184	9,267
Net income (loss) from discontinued operations before income taxes	$ 25,840	$ 32,716	$ 57,285	$ 63,273
(Provision for) benefit from income taxes	(679)	(6,236)	(13,493)	(12,529)
Net income (loss) from discontinued operations, net of tax	$ 25,161	$ 26,480	$ 43,792	$ 50,744

The cash flows related to discontinued operations have not been segregated and are included in the condensed consolidated statements of cash flows. The following table presents key cash flow and non-cash information related to discontinued operations for the six months ended September 30, 2022 and 2021:

	Six Months Ended	
	September 30, 2022	September 30, 2021
	(In thousands)	
Depreciation	$ 5,909	$ 5,152
Amortization of intangible assets	897	1,091
Capital expenditures	7,731	6,782

Note 5 — Acquisitions

Inmarsat Transaction

On November 8, 2021, the Company entered into a Share Purchase Agreement with the Sellers to combine Viasat with Inmarsat. Pursuant to the Share Purchase Agreement, the Company will purchase all of the issued and outstanding shares of Inmarsat from the Sellers upon the terms and subject to the conditions set forth therein. The total consideration payable by the Company under the Share Purchase Agreement consists of $850.0 million in cash, subject to adjustments (including a reduction of $299.3 million as a result of the dividend paid by Inmarsat in April 2022), and approximately 46.36 million unregistered shares of the Company's common stock.

The Company's stockholders approved the issuance of shares in the transaction and an amendment to the Company's certificate of incorporation to increase the number of shares of common stock authorized for issuance at a special meeting held on June 21, 2022.

The closing of the Inmarsat Transaction is subject to customary closing conditions, including receipt of regulatory approvals and clearances. The Share Purchase Agreement contains certain termination rights for both the Company and certain of the Sellers and further provides that, upon termination of the Share Purchase Agreement under certain circumstances, the Company may be obligated to pay a termination fee of up to $200.0 million or to reimburse certain out-of-pocket expenses of certain Sellers up to $40.0 million.

The Company has obtained financing commitments for an additional $1.6 billion of new debt facilities in connection with the Inmarsat Transaction (which may be secured and/or unsecured). However, the Company expects that the actual amount of indebtedness incurred under these commitments will be lower in light of the $299.3 million reduction in the cash purchase price payable in the Inmarsat Transaction. The Company also plans to assume $2.1 billion in principal amount of Inmarsat senior secured bonds and the outstanding indebtedness under Inmarsat's $2.4 billion senior secured credit facilities.

Euro Broadband Infrastructure Sàrl

On April 30, 2021, the Company acquired the remaining 51% interest in EBI, a broadband services provider, from Eutelsat. By completing the acquisition, the Company gained 100% ownership and control of EBI and the KA-SAT satellite over EMEA and related ground infrastructure. Goodwill recognized in the transaction was recorded within the Company's satellite services segment. The goodwill recognized was not deductible for U.S. and foreign income tax purposes.

Prior to the acquisition date, the Company owned a 49% interest in EBI and accounted for the investment using the equity method of accounting. The acquisition of the remaining equity interest in EBI was accounted for as a step acquisition in accordance with ASC 805. Accordingly, the Company allocated the purchase price of the acquired company to the net tangible assets and intangible assets acquired based upon their estimated fair values. The Company remeasured the previously held equity method investment to its fair value based upon a valuation of the acquired business, as of the date of acquisition. The Company considered multiple factors in determining the fair value of the previously held equity method investment, including, (i) the price negotiated with the selling shareholder for the remaining 51% interest in EBI and (ii) an income valuation model (discounted cash flow). As a result of the equity method investment remeasurement, recognition of previously unrecognized foreign currency gain and settlement of insignificant preexisting relationships, the Company recognized an insignificant total net gain included in other income, net, in the condensed consolidated statements of operations and comprehensive income (loss) in the first quarter of fiscal year 2022.

The purchase price of $327.4 million was primarily comprised of $167.0 million of cash, net of what is currently estimated to be an immaterial amount of estimated purchase price consideration to be settled among the parties over the 24 months (up to plus or minus €20.0 million, or approximately $19.3 million, see Note 3 — Fair Value Measurements for more information) from the closing date (which after consideration of approximately $121.7 million of EBI’s cash on hand, resulted in a net cash outlay of approximately $51.0 million) and the fair value of previously held equity method investment of approximately $160.4 million.

The purchase price allocation of the acquired assets and assumed liabilities based on the estimated fair values as of April 30, 2021, slightly adjusted since the close of the acquisition, primarily between goodwill, identifiable intangible assets and property, equipment and satellites, is as follows:

	(In thousands)
Current assets	$ 154,207
Property, equipment and satellites	109,028
Identifiable intangible assets	26,574
Other assets	795
Total assets acquired	$ 290,604
Total liabilities assumed	$ (5,914)
Goodwill	42,662
Total consideration transferred	$ 327,352

Amounts assigned to identifiable intangible assets are being amortized on a straight-line basis over their determined useful lives (which approximates the economic pattern of benefit) and are as follows as of April 30, 2021:

	Fair Value (In thousands)	Weighted Average Useful Life (In years)
Customer relationships	$ 17,877	8
Other	7,851	7
Trade name	846	2
Total identifiable intangible assets	$ 26,574	8

At the closing of the acquisition, EBI became a wholly owned subsidiary of the Company and EBI’s operations have been included in the Company’s condensed consolidated financial statements in the Company’s satellite services segment (with an insignificant amount included in the Company's commercial networks segment) commencing on the acquisition date.

As EBI’s results of operations are not material to the Company’s consolidated results of operations, pro forma results of operations for this acquisition have not been presented.

RigNet, Inc.

On April 30, 2021, the Company completed the acquisition of all outstanding shares of RigNet, a publicly held leading provider of ultra-secure, intelligent networking solutions and specialized applications. Goodwill recognized in the transaction was recorded within the Company's satellite services segment. The goodwill recognized was not deductible for U.S. and foreign income tax purposes.

The consideration transferred of approximately $317.9 million was primarily comprised of $207.2 million of the fair value of approximately 4.0 million shares of the Company's common stock issued at the closing date, $107.3 million related to the pay down of outstanding borrowings of RigNet's revolving credit facility, a de minimis amount in cash consideration in respect of fractional shares to the former shareholders of RigNet and an insignificant amount of other consideration. In connection with the RigNet acquisition, the Company recorded no merger-related transaction costs during the three and six months ended September 30, 2022, respectively, and an insignificant amount and approximately $7.1 million, respectively, for the three and six months ended September 30, 2021, included in selling, general and administrative expenses.

The purchase price allocation of the acquired assets and assumed liabilities based on the estimated fair values as of April 30, 2021 is as follows:

	(In thousands)
Current assets	$ 88,166
Property, equipment and satellites	63,191
Identifiable intangible assets	221,540
Other assets	13,350
Total assets acquired	$ 386,247
Current liabilities	(66,006)
Other long-term liabilities	(31,433)
Total liabilities assumed	$ (97,439)
Goodwill	29,132
Total consideration transferred	$ 317,940

Amounts assigned to identifiable intangible assets are being amortized on a straight-line basis over their determined useful lives (which approximates the economic pattern of benefit) and are as follows as of April 30, 2021:

	Fair Value (In thousands)	Weighted Average Useful Life (In years)
Technology	$ 85,440	8
Customer relationships	101,920	12
Trade name	25,540	8
Other	8,640	12
Total identifiable intangible assets	$ 221,540	10

Management determined the fair value of acquired customer relationships intangible asset by applying the multi-period excess earnings method, which involved the use of significant estimates and assumptions related to forecasted revenue growth rate, gross margin, contributory asset charges, customer attrition rate and discount rate. In connection with the acquisition, the Company assumed a contingent liability associated with a RigNet predecessor subsidiary of approximately $13.8 million, which represented the maximum amount payable under the terms of the agreement. As of September 30, 2022, no amount remains payable as the maximum amount payable was paid during the first and second quarters of fiscal year 2022.

The condensed consolidated financial statements include the operating results of RigNet from the date of acquisition. Since the acquisition date, the Company recorded approximately $45.2 million and $79.2 million in revenue for the three and six months ended September 30, 2021, respectively, and $9.9 million and $16.2 million of net losses for the three and six months ended September 30, 2021, respectively, with respect to the RigNet business primarily in the Company's satellite services segment (with a portion included in its commercial networks segment) in the condensed consolidated statements of operations.

Unaudited Pro Forma Financial Information

The unaudited financial information in the table below summarizes the combined results of operations for the Company and RigNet on a pro forma basis, as though the companies had been combined as of the beginning of fiscal year 2021, April 1, 2020. The pro forma information is presented for informational purposes only and may not be indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the related fiscal periods. The pro forma financial information for the three-month and six-month periods ended September 30, 2021 include the business combination accounting effects primarily related to the amortization and depreciation changes from acquired intangible and tangible assets, acquisition-related transaction costs and related tax effects.

	Three Months Ended September 30, 2021	Six Months Ended September 30, 2021
	(In thousands)	
Total revenues	$ 701,354	$ 1,377,831
Net income (loss) attributable to Viasat, Inc.	$ 3,291	$ 15,835

Note 6 — Shares Used In Computing Diluted Net Income (Loss) Per Share

The weighted average number of shares used to calculate basic and diluted net loss per share attributable to Viasat, Inc. common stockholders is the same for the three and six months ended September 30, 2022 and for the three and six months ended September 30, 2021, as the Company incurred a net loss from continuing operations (excluding income (loss) from continuing operations attributable to the noncontrolling interest) for such periods and inclusion of potentially dilutive weighted average shares of common stock would be antidilutive. Potentially dilutive weighted average shares excluded from the calculation for the three months ended September 30, 2022 consisted of 633,511 shares related to stock options (other than TSR performance stock options), 494,226 shares related to TSR performance stock options, 3,235,912 shares related to restricted stock units and 474,173 shares related to certain terms of the Viasat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan. Potentially dilutive weighted average shares excluded from the calculation for the three months ended September 30, 2021 consisted of 993,157 shares related to stock options (other than TSR performance stock options), 177,931 shares related to TSR performance stock options, 1,791,123 shares related to restricted stock units and 207,205 shares related to certain terms of the Viasat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan.

Potentially dilutive weighted average shares excluded from the calculation for the six months ended September 30, 2022 consisted of 628,938 shares related to stock options (other than TSR performance stock options), 483,787 shares related to TSR performance stock options, 3,013,496 shares related to restricted stock units and 643,540 shares related to certain terms of the Viasat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan. Potentially dilutive weighted average shares excluded from the calculation for the six months ended September 30, 2021 consisted of 979,436 shares related to stock options (other than TSR performance stock options), 144,448 shares related to TSR performance stock options, 1,716,839 shares related to restricted stock units and 358,540 shares related to certain terms of the Viasat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan.

Note 7 — Goodwill and Acquired Intangible Assets

During the six months ended September 30, 2022, the decrease in the Company’s goodwill relating to its continuing operations primarily related to a foreign currency translation effect recorded within all three of the Company's segments. As of September 30, 2022 and March 31, 2022, approximately $21.0 million and $21.4 million of goodwill in the government systems segment was reclassified to discontinued operations, respectively. See Note 4 — Discontinued Operations— for more information on discontinued operations. During the six months ended September 30, 2021, the increase in the Company’s goodwill related to the acquisitions of the remaining 51% interest in EBI and of RigNet on April 30, 2021 (see Note 5 – Acquisitions for more information) and an insignificant effect of foreign currency translation recorded within all three of the Company’s segments.

Other acquired intangible assets are amortized using the straight-line method over their estimated useful lives of two to 20 years (which approximates the economic pattern of benefit). Amortization expense related to other acquired intangible assets was $7.4 million for both the three months ended September 30, 2022 and 2021, and $14.9 million and $13.3 million for the six months ended September 30, 2022 and 2021, respectively.

Note 8 — Senior Notes and Other Long-Term Debt

Total long-term debt consisted of the following as of September 30, 2022 and March 31, 2022:

	As of September 30, 2022	As of March 31, 2022
	(In thousands)	
2028 Notes	$ 400,000	$ 400,000
2027 Notes	600,000	600,000
2025 Notes	700,000	700,000
Term Loan Facility	698,250	700,000
Revolving Credit Facility	210,000	—
Ex-Im Credit Facility	68,783	78,609
Finance lease obligations (see Note 1)	42,839	45,752
Total debt	2,719,872	2,524,361
Unamortized discount and debt issuance costs	(34,316)	(38,234)
Less: current portion of long-term debt	38,577	34,911
Total long-term debt	$ 2,646,979	$ 2,451,216

Term Loan Facility

In March 2022, the Company entered into a $700.0 million Term Loan Facility, which was fully drawn at closing and matures on March 4, 2029. At September 30, 2022, the Company had $698.3 million in principal amount of outstanding borrowings under the Term Loan Facility.

Borrowings under the Term Loan Facility are required to be repaid in quarterly installments of $1.75 million each, which commenced on September 30, 2022, followed by a final installment of $654.5 million at maturity. Borrowings under the Term Loan Facility bear interest, at the Company's option, at either (1) a base rate equal to the greater of the administrative agent's prime rate as announced from time to time, the federal funds effective rate plus 0.50%, and the forward-looking SOFR term rate administered by CME for a one-month interest period plus 1.00%, subject to a floor of 1.50% for the initial term loans, plus an applicable margin of 3.50%, or (2) the forward-looking SOFR term rate administered by CME for the applicable interest period, subject to a floor of 0.50% for the initial term loans, plus an applicable margin of 4.50%. As of September 30, 2022, the effective interest rate on the Company's outstanding borrowings under the Term Loan Facility was 8.21%. The Term Loan Facility is required to be guaranteed by certain significant domestic subsidiaries of the Company (as defined in the Term Loan Facility) and secured by substantially all of the Company's and any such subsidiaries' assets. As of September 30, 2022, none of the Company's subsidiaries guaranteed the Term Loan Facility.

The Term Loan Facility contains covenants that restrict, among other things, the ability of Company and its restricted subsidiaries to incur additional debt, grant liens, sell assets, make investments, pay dividends and make certain other restricted payments. The Company was in compliance with its financial covenants under the Term Loan Facility as of September 30, 2022.

Borrowings under the Term Loan Facility are recorded as current portion of long-term debt and as other long-term debt, net of unamortized discount and debt issuance costs, in the Company's condensed consolidated financial statements. The Term Loan Facility was issued with an original issue discount of 2.00%, or $14.0 million. The original issue discount and deferred financing cost associated with the issuance of the borrowings under the Term Loan Facility are amortized to interest expense on a straight-line basis over the term of the Term Loan Facility, the results of which are not materially different from the effective interest rate basis.

Revolving Credit Facility

As of September 30, 2022, the Revolving Credit Facility provided a $700.0 million revolving line of credit (including up to $150.0 million of letters of credit), with a maturity date of January 18, 2024. At September 30, 2022, the Company had $210.0 million in principal amount of outstanding borrowings under the Revolving Credit Facility and $60.8 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of September 30, 2022 of $429.2 million.

Borrowings under the Revolving Credit Facility bear interest, at the Company's option, at either (1) the highest of the Federal Funds rate plus 0.50%, the Eurodollar rate plus 1.00%, or the administrative agent's prime rate as announced from time to time, or (2) the Eurodollar rate, plus, in the case of each of (1) and (2), an applicable margin that is based on the Company's total leverage ratio. As of September 30, 2022, the weighted average effective interest rate on the Company's outstanding borrowings under the Revolving Credit Facility was 4.85%. The Company has capitalized certain amounts of interest expense on the Revolving Credit Facility in connection with the construction of various assets during the construction period. The Revolving Credit Facility is required to be guaranteed by certain significant domestic subsidiaries of the Company (as defined in the Revolving Credit Facility) and secured by substantially all of the Company's and any such subsidiaries' assets. As of September 30, 2022, none of the Company's subsidiaries guaranteed the Revolving Credit Facility.

The Revolving Credit Facility contains financial covenants regarding a maximum total leverage ratio and a minimum interest coverage ratio. In addition, the Revolving Credit Facility contains covenants that restrict, among other things, the Company's ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments. The Company was in compliance with its financial covenants under the Revolving Credit Facility as of September 30, 2022.

Ex-Im Credit Facility

The Ex-Im Credit Facility originally provided a $362.4 million senior secured direct loan facility, which was fully drawn. Of the $362.4 million in principal amount of borrowings made under the Ex-Im Credit Facility, $321.2 million was used to finance up to 85% of the costs of construction, launch and insurance of the ViaSat-2 satellite and related goods and services (including costs incurred on or after September 18, 2012), with the remaining $41.2 million used to finance the total exposure fees incurred under the Ex-Im Credit Facility (which included all previously accrued completion exposure fees). As of September 30, 2022, the Company had $68.8 million in principal amount of outstanding borrowings under the Ex-Im Credit Facility.

Borrowings under the Ex-Im Credit Facility bear interest at a fixed rate of 2.38%, payable semi-annually in arrears. The effective interest rate on the Company's outstanding borrowings under the Ex-Im Credit Facility, which takes into account timing and amount of borrowings and payments, exposure fees, debt issuance costs and other fees, is 4.54%. Borrowings under the Ex-Im Credit Facility are required to be repaid in 16 semi-annual principal installments, which commenced on April 15, 2018, with a maturity date of October 15, 2025. The Ex-Im Credit Facility is guaranteed by Viasat and is secured by first-priority liens on the ViaSat-2 satellite and related assets, as well as a pledge of the capital stock of the borrower under the facility.

The Ex-Im Credit Facility contains financial covenants regarding Viasat's maximum total leverage ratio and minimum interest coverage ratio. In addition, the Ex-Im Credit Facility contains covenants that restrict, among other things, the Company's ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments. The Company was in compliance with its financial covenants under the Ex-Im Credit Facility as of September 30, 2022.

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

In August 2022, the Company amended the Ex-Im Credit Facility to provide additional covenant flexibility. Certain of the amendments will become effective at and are conditional upon the closing of the Inmarsat Transaction.

Senior Notes

Senior Notes due 2028

In June 2020, the Company issued $400.0 million in principal amount of 2028 Notes in a private placement to institutional buyers. The 2028 Notes were issued at face value and are recorded as long-term debt, net of debt issuance costs, in the Company's condensed consolidated financial statements. The 2028 Notes bear interest at the rate of 6.500% per year, payable semi-annually in cash in arrears, which interest payments commenced in January 2021. Debt issuance costs associated with the issuance of the 2028 Notes are amortized to interest expense on a straight-line basis over the term of the 2028 Notes, the results of which are not materially different from the effective interest rate basis.

The 2028 Notes are required to be guaranteed on an unsecured senior basis by each of the Company's existing and future subsidiaries that guarantees the Revolving Credit Facility. As of September 30, 2022, none of the Company's subsidiaries guaranteed the 2028 Notes. The 2028 Notes are the Company's general senior unsecured obligations and rank equally in right of payment with all of the Company's existing and future unsecured unsubordinated debt. The 2028 Notes are effectively junior in right of payment to the Company's existing and future secured debt, including under the Credit Facilities and the 2027 Notes (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of the Company's subsidiaries that do not guarantee the 2028 Notes, and are senior in right of payment to all of the Company's existing and future subordinated indebtedness.

The indenture governing the 2028 Notes limits, among other things, the Company's and its restricted subsidiaries' ability to: incur, assume or guarantee additional debt; issue redeemable stock and preferred stock; pay dividends, make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase subordinated debt; make loans and investments; grant or incur liens; restrict dividends, loans or asset transfers from restricted subsidiaries; sell or otherwise dispose of assets; enter into transactions with affiliates; reduce the Company's satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to July 15, 2023, the Company may redeem up to 40% of the 2028 Notes at a redemption price of 106.500% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. The Company may also redeem the 2028 Notes prior to July 15, 2023, 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 2028 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2028 Notes on July 15, 2023 plus (2) all required interest payments due on such 2028 Notes through July 15, 2023 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the treasury rate (as defined under the indenture governing the 2028 Notes) plus 50 basis points, over (b) the then-outstanding principal amount of such 2028 Notes. The 2028 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on July 15, 2023 at a redemption price of 103.250%, during the 12 months beginning on July 15, 2024 at a redemption price of 101.625%, and at any time on or after July 15, 2025 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date.

In the event a change of control triggering event occurs (as defined in the indenture governing the 2028 Notes), each holder will have the right to require the Company to repurchase all or any part of such holder's 2028 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2028 Notes repurchased, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Senior Secured Notes due 2027

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

The 2027 Notes are required to be guaranteed on a senior secured basis by each of the Company's existing and future subsidiaries that guarantees the Revolving Credit Facility. As of September 30, 2022, none of the Company's subsidiaries guaranteed the 2027 Notes. The 2027 Notes are secured, equally and ratably with the Revolving Credit Facility and any future parity lien debt, by liens on substantially all of the Company’s assets.

The 2027 Notes are the Company’s general senior secured obligations and rank equally in right of payment with all of its existing and future unsubordinated debt. The 2027 Notes are effectively senior to all of the Company’s existing and future unsecured debt (including the 2025 Notes and the 2028 Notes) as well as to all of any permitted junior lien debt that may be incurred in the future, in each case to the extent of the value of the assets securing the 2027 Notes. The 2027 Notes are effectively subordinated to any obligations that are secured by liens on assets that do not constitute a part of the collateral securing the 2027 Notes, are structurally subordinated to all existing and future liabilities (including trade payables) of the Company’s subsidiaries that do not guarantee the 2027 Notes, and are senior in right of payment to all of the Company’s existing and future subordinated indebtedness.

The indenture governing the 2027 Notes limits, among other things, the Company’s and its restricted subsidiaries’ ability to: incur, assume or guarantee additional debt; issue redeemable stock and preferred stock; pay dividends, make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase subordinated debt; make loans and investments; grant or incur liens; restrict dividends, loans or asset transfers from restricted subsidiaries; sell or otherwise dispose of assets; enter into transactions with affiliates; reduce the Company’s satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

The 2027 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on April 15, 2022 at a redemption price of 102.813%, during the 12 months beginning on April 15, 2023 at a redemption price of 101.406%, and at any time on or after April 15, 2024 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date.

In the event a change of control triggering event occurs (as defined in the indenture governing the 2027 Notes), each holder will have the right to require the Company to repurchase all or any part of such holder’s 2027 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2027 Notes repurchased, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Senior Notes due 2025

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

The 2025 Notes are required to be guaranteed on an unsecured senior basis by each of the Company’s existing and future subsidiaries that guarantees the Revolving Credit Facility. As of September 30, 2022, none of the Company’s subsidiaries guaranteed the 2025 Notes. The 2025 Notes are the Company’s general senior unsecured obligations and rank equally in right of payment with all of the Company’s existing and future unsecured unsubordinated debt. The 2025 Notes are effectively junior in right of payment to the Company’s existing and future secured debt, including under the Credit Facilities and the 2027 Notes (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of the Company’s subsidiaries that do not guarantee the 2025 Notes, and are senior in right of payment to all of the Company’s existing and future subordinated indebtedness.

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

The 2025 Notes may be redeemed, in whole or in part, at any time at a redemption price of 100%, plus accrued and unpaid interest, if any, thereon to the redemption date.

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

Note 9 — Product Warranty

The Company provides limited warranties on its products for periods of up to five years. The Company records a liability for its warranty obligations when products are shipped or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within 12 months are classified as accrued liabilities and amounts expected to be incurred beyond 12 months are classified as other liabilities in the condensed consolidated financial statements. For mature products, the warranty cost estimates are based on historical experience with the particular product. For newer products that do not have a history of warranty costs, the Company bases its estimates on its experience with the technology involved and the types of failures that may occur. It is possible that the Company's underlying assumptions will not reflect the actual experience and, in that case, future adjustments will be made to the recorded warranty obligation. The following table reflects the change in the Company's warranty accrual during the six months ended September 30, 2022 and 2021:

	Six Months Ended	
	September 30, 2022	September 30, 2021
	(In thousands)	
Balance, beginning of period	$ 5,352	$ 6,122
Change in liability for warranties issued in period	852	3,435
Settlements made (in cash or in kind) during the period	(1,211)	(3,923)
Balance, end of period	$ 4,993	$ 5,634

Note 10 — Commitments and Contingencies

From time to time, the Company enters into satellite construction agreements as well as various other satellite-related purchase commitments, including with respect to the provision of launch services, operation of its satellites and satellite insurance. See Note 12 – Commitments to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended March 31, 2022 for information regarding the Company's future minimum payments under its satellite construction contracts and other satellite-related purchase commitments.

Periodically, the Company is involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of business, including government investigations and claims, and other claims and proceedings with respect to intellectual property, breach of contract, labor and employment, tax and other matters. Such matters could result in fines; penalties, compensatory, treble or other damages; or non-monetary relief. A violation of government contract laws and regulations could also result in the termination of its government contracts or debarment from bidding on future government contracts. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, the Company believes that the resolution of its current pending matters will not have a material adverse effect on its business, financial condition, results of operations or liquidity.

The Company has contracts with various U.S. Government agencies. Accordingly, the Company is routinely subject to audit and review by the DCMA, the DCAA and other U.S. Government agencies of its performance on government contracts, indirect rates and pricing practices, accounting and management internal control business systems, and compliance with applicable contracting and procurement laws, regulations and standards. An adverse outcome to a review or audit or other failure to comply with applicable contracting and procurement laws, regulations and standards could result in material civil and criminal penalties and administrative sanctions being imposed on the Company, which may include termination of contracts, forfeiture of profits, triggering of price reduction clauses, suspension of payments, significant customer refunds, fines and suspension, or a prohibition on doing business with U.S. Government agencies. In addition, if the Company fails to obtain an “adequate” determination of its various accounting and management internal control business systems from applicable U.S. Government agencies or if allegations of impropriety are made against it, the Company could suffer serious harm to its business or its reputation, including its ability to bid on new contracts or receive contract renewals and its competitive position in the bidding process. The Company’s incurred cost audit by the DCAA has not been concluded for fiscal years 2021 or 2022. As of September 30, 2022, the DCAA had completed its incurred cost audit for fiscal years 2004, 2016, 2019 and 2020 and approved the Company’s incurred costs for those fiscal years, as well as approved the Company’s incurred costs for fiscal years 2005 through 2015, 2017 and 2018 without further audit based on the determination of low risk. Although the Company has recorded contract revenues subsequent to fiscal year 2020 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company’s estimates, its profitability would be adversely affected. As of both September 30, 2022 and March 31, 2022, the Company had $12.1 million in contract-related reserves for its estimate of potential refunds to customers for potential cost adjustments on several multi-year U.S. Government cost reimbursable contracts. This reserve is classified as either an element of accrued liabilities or as a reduction of unbilled accounts receivable based on the status of the related contracts.

Note 11 — Income Taxes

Ordinarily, under GAAP, the Company calculates its provision for income taxes at the end of each interim reporting period on the basis of an estimated annual effective tax rate adjusted for tax items that are discrete to each period.

In evaluating the Company's ability to realize the deferred tax asset for California Research and Development (R&D) tax credits, the Company considered all available positive and negative evidence, including operating results and forecasted ranges of future taxable income, and determined it is more likely than not that a majority of its California R&D tax credits will not be realized due to reduced taxable income apportioned to California in connection with the Link-16 TDL Sale. As a result, the Company has recorded a valuation allowance of $69.0 million. The Company will continue to monitor its business strategies, weighing positive and negative evidence in assessing its realization of this asset in the future. In the event there is a need to release the valuation allowance, a tax benefit will be recorded.

For the three and six months ended September 30, 2022, the Company recorded an income tax provision of $76.1 million and $52.5 million, respectively, resulting in effective tax rates of 2,236% and negative 88%, respectively. The effective tax rates for such periods differed from the U.S. statutory rate primarily due to the establishment of a valuation allowance on the deferred tax asset for California R&D tax credits that was partially offset by the benefit of federal R&D tax credits.

For the three and six months ended September 30, 2021, the Company recorded an income tax benefit of $9.1 million and $19.5 million, respectively, resulting in effective tax rates of 30% and 42%, respectively. The effective tax rates for such periods differed from the U.S. statutory rate primarily due to the benefit of federal R&D tax credits and in the six months ended September 30, 2021, due to the reversal of a deferred tax liability recorded for EBI's outside basis difference upon assertion made during the first quarter of fiscal year 2022 to indefinitely reinvest future earnings.

Future realization of existing deferred tax assets ultimately depends on future profitability and the existence of sufficient taxable income of appropriate character (for example, ordinary income versus capital gains) within the carryforward period available under tax law. In the event that the Company’s estimate of taxable income is less than that required to utilize the full amount of any deferred tax asset, a valuation allowance is established, which would cause a decrease to income in the period such determination is made.

For the three and six months ended September 30, 2022, the Company’s gross unrecognized tax benefits increased by $6.0 million and $8.7 million, respectively, including interest and penalties of an insignificant amount, which were included as a component of the provision for income taxes. In the next 12 months it is reasonably possible that the amount of unrecognized tax benefits will not change significantly.

Note 12 — Segment Information

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

As described in Note 1 — Basis of Presentation and Note 4 — Discontinued Operations, on October 1, 2022, the Company entered into an Asset Purchase Agreement to sell certain assets and assign certain liabilities comprising the Link-16 TDL Business to L3Harris Technologies, Inc. In accordance with ASC 205-20, the Company determined that the Link-16 TDL Business met held-for-sale and discontinued operations accounting criteria at the end of the second quarter of fiscal year 2023. Accordingly, the segment information for the periods prior to the measurement date of a discontinued operation that is part of a reportable segment is required to be restated to reflect the discontinued operation classification. Therefore, the discontinued operations have been excluded from segment results for all periods presented. Further, in accordance with the authoritative guidance for segment reporting (ASC 280-10), if the discontinued operation is part of a reportable segment but not the entire reportable segment, the restatement should include a reasonable reallocation of costs previously allocated to a discontinued operation to the remaining operating segments. Therefore, certain corporate and other indirect costs previously allocated to the Link-16 TDL Business have been allocated across all three segments for the periods presented.

Segment revenues and operating profits (losses) for the three and six months ended September 30, 2022 and 2021 were as follows:

	Three Months Ended		Six Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(In thousands)			
Revenues:				
Satellite services				
Product	$ —	$ —	$ —	$ —
Service	300,547	300,110	612,647	574,227
Total	300,547	300,110	612,647	574,227
Commercial networks				
Product	159,831	118,935	253,406	220,466
Service	20,196	15,871	39,405	32,936
Total	180,027	134,806	292,811	253,402
Government systems				
Product	95,030	102,120	170,700	206,231
Service	81,079	72,121	151,959	146,077
Total	176,109	174,241	322,659	352,308
Elimination of intersegment revenues	—	—	—	—
Total revenues	$ 656,683	$ 609,157	$ 1,228,117	$ 1,179,937
Operating profits (losses):				
Satellite services	$ (6,066)	$ 14,313	$ (4,721)	$ 24,255
Commercial networks	(796)	(52,012)	(50,176)	(96,113)
Government systems	15,385	20,680	12,436	46,503
Elimination of intersegment operating profits (loss)	—	—	—	—
Segment operating profit (loss) before corporate and amortization of acquired intangible assets	8,523	(17,019)	(42,461)	(25,355)
Corporate	—	—	—	—
Amortization of acquired intangible assets	(7,379)	(7,399)	(14,902)	(13,328)
Income (loss) from operations	$ 1,144	$ (24,418)	$ (57,363)	$ (38,683)

Assets identifiable to segments include: accounts receivable, unbilled accounts receivable, inventory, acquired intangible assets and goodwill. The Company’s property and equipment, including its satellites, earth stations and other networking equipment, are assigned to corporate assets as they are available for use by the various segments throughout their estimated useful lives. Segment assets as of September 30, 2022 and March 31, 2022 were as follows:

	As of September 30, 2022	As of March 31, 2022
	(In thousands)	
Segment assets:		
Satellite services	$ 411,774	$ 444,976
Commercial networks	259,646	202,941
Government systems	265,801	266,641
Total segment assets	937,221	914,558
Corporate assets	5,287,810	5,199,686
Assets of discontinued operations	285,249	275,102
Total assets	$ 6,510,280	$ 6,389,346

Other acquired intangible assets, net and goodwill included in segment assets as of September 30, 2022 and March 31, 2022 were as follows:

	Other Acquired Intangible Assets, Net		Goodwill	
	As of September 30, 2022	As of March 31, 2022	As of September 30, 2022	As of March 31, 2022
	(In thousands)			
Satellite services	$ 209,599	$ 233,740	$ 76,187	$ 81,972
Commercial networks	—	—	43,945	44,050
Government systems	1,674	2,303	41,871	42,688
Total	$ 211,273	$ 236,043	$ 162,003	$ 168,710

Amortization of acquired intangible assets by segment for the three and six months ended September 30, 2022 and 2021 was as follows:

	Three Months Ended		Six Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(In thousands)			
Satellite services	$ 7,088	$ 7,097	$ 14,316	$ 12,419
Commercial networks	—	—	—	—
Government systems	291	302	586	909
Total amortization of acquired intangible assets	$ 7,379	$ 7,399	$ 14,902	$ 13,328

Revenues by geographic area for the three and six months ended September 30, 2022 and 2021 were as follows:

	Three Months Ended September 30, 2022	Six Months Ended September 30, 2022
	(In thousands)	
U.S. customers	$ 557,457	$ 1,037,485
Non-U.S. customers (each country individually insignificant)	99,226	190,632
Total revenues	$ 656,683	$ 1,228,117

	Three Months Ended September 30, 2021	Six Months Ended September 30, 2021
	(In thousands)	
U.S. customers	$ 508,944	$ 998,193
Non-U.S. customers (each country individually insignificant)	100,213	181,744
Total revenues	$ 609,157	$ 1,179,937

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

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. We use words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would,” variations of such words and similar expressions to identify forward-looking statements. In addition, statements that refer to the proposed Inmarsat Transaction (as defined below) and any statements regarding the expected timing, benefits, synergies, growth opportunities and other financial and operating benefits thereof, the closing of the Inmarsat Transaction and timing or satisfaction of regulatory and other closing conditions; the proposed Link-16 TDL Sale (as defined below and together with the Inmarsat Transaction, the Transactions) and any statements regarding the expected timing, costs and benefits thereof; our anticipated operations, financial position, liquidity, performance, prospects or growth and scale opportunities following the closing of the Transactions; the impact of the novel coronavirus (COVID-19) pandemic on our business; our expectations regarding an end to the pandemic and a lessening of its effects on our business, including expectations for increased airline passenger traffic and in-flight connectivity (IFC) growth; projections of earnings, revenue, costs or other financial items; anticipated growth and trends in our business or key markets; future economic conditions and performance; the development, customer acceptance and anticipated performance of technologies, products or services; satellite construction and launch activities; the performance and anticipated benefits of our ViaSat-3 class satellites and any future satellite we may construct or acquire; the expected completion, capacity, service, coverage, service speeds and other features of our satellites, and the timing, cost, economics and other benefits associated therewith; anticipated subscriber growth; plans, objectives and strategies for future operations; international growth opportunities; the number of additional aircraft under existing contracts with commercial airlines anticipated to be put into service with our IFC systems; and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ materially include: risks and uncertainties related to the Transactions, including the failure to obtain, or delays in obtaining, required regulatory approvals or clearances; the risk that any such approval may result in the imposition of conditions that could adversely affect us or the expected benefits of the Transactions; the failure to satisfy any of the closing conditions to the Transactions on a timely basis or at all; any adverse impact on our business as a result of uncertainty surrounding the Transactions or on the business of Inmarsat as a result of uncertainty surrounding the Inmarsat Transaction; the nature, cost and outcome of any legal proceedings related to either Transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the definitive agreement for either Transaction, including in circumstances requiring Viasat to pay a termination fee with respect to the Inmarsat Transaction; the risk that Viasat’s stock price may decline significantly if either Transaction is not consummated; the failure to obtain the necessary debt financing arrangements set forth in the commitment letters received in connection with the Inmarsat Transaction; risks that either Transaction disrupts current plans and operations or diverts management’s attention from its ongoing business; the effect of the announcement of the either Transaction on our ability to retain and hire key personnel and maintain relationships with our customers, suppliers and others with whom we do business; our ability to successfully integrate Inmarsat operations, technologies and employees; the ability to realize anticipated benefits and synergies of the Inmarsat Transaction and our other acquisitions, including the expectation of enhancements to Viasat’s products and services, greater revenue or growth opportunities, operating efficiencies and cost savings; the ability to ensure continued performance and market growth of our business following the closing of the Transactions; our ability to realize the anticipated benefits of the ViaSat-3 class satellites and any future satellite we may construct or acquire; unexpected expenses related to our satellite projects; our ability to successfully implement our business plan for our broadband services on our anticipated timeline or at all; capacity constraints in our business in the lead-up to the launch of services on our ViaSat-3 satellites; risks associated with the construction, launch and operation of satellites, including the effect of any anomaly, operational failure or degradation in satellite performance; the impact of the COVID-19 pandemic on our business, suppliers, consumers, customers, and employees or the overall economy; our ability to successfully develop, introduce and sell new technologies, products and services; audits by the U.S. Government; changes in the global business environment and economic conditions; delays in approving U.S. Government budgets and cuts in government defense expenditures; our reliance on U.S. Government contracts, and on a small number of contracts which account for a significant percentage of our revenues; reduced demand for products and services as a result of continued constraints on capital spending by customers; changes in relationships with, or the financial condition of, key customers or suppliers; our reliance on a limited number of third parties to manufacture and supply our products; increased competition; introduction of new technologies and other factors affecting the communications and defense industries generally; the effect of adverse regulatory changes (including changes affecting spectrum availability or permitted uses) on our ability to sell or deploy our products and services;

changes in the way others use spectrum; our inability to access additional spectrum, use spectrum for additional purposes, and/or operate satellites at additional orbital locations; competing uses of the same spectrum or orbital locations that we utilize or seek to utilize; the effect of recent changes to U.S. tax laws; our level of indebtedness and ability to comply with applicable debt covenants; our involvement in litigation, including intellectual property claims and litigation to protect our proprietary technology; our dependence on a limited number of key employees; and other factors identified under the heading “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, under the heading “Risk Factors” in Part II, Item 1A of this report, elsewhere in this report and our other filings with the Securities and Exchange Commission (the SEC). Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

Company Overview

We are an innovator in communications technologies and services, focused on making connectivity accessible, available and secure for all. Our end-to-end platform of high-capacity Ka-band satellites, ground infrastructure and user terminals enables us to provide cost-effective, high-speed, high-quality broadband solutions to enterprises, consumers, military and government users around the globe, whether on the ground, in the air or at sea. In addition, our government business includes a market-leading portfolio of military tactical data link systems, satellite communication products and services, and cybersecurity and information assurance products and services. We believe that our diversification strategy— anchored in a broad portfolio of products and services—our vertical integration approach and our ability to effectively cross-deploy technologies between government and commercial applications and segments as well as across different geographic markets, provide us with a strong foundation to sustain and enhance our leadership in advanced communications and networking technologies. Viasat, Inc. was incorporated in California in 1986, and reincorporated as a Delaware corporation in 1996.

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

Sale of Link-16 TDL Business

On October 1, 2022, we entered into an Asset Purchase Agreement to sell certain assets and assign certain liabilities comprising our Link-16 Tactical Data Links business (the Link-16 TDL Business), part of our government systems segment, to L3Harris Technologies, Inc., in exchange for approximately $1.96 billion in cash (subject to certain adjustments), on and subject to the terms and conditions set forth therein (the Link-16 TDL Sale). In accordance with authoritative guidance for discontinued operations (Accounting Standards Codification (ASC) 205-20), we determined that the Link-16 TDL Business met held-for-sale and discontinued operations accounting criteria at the end of the second quarter of fiscal year 2023. Accordingly, we classified the results of the Link-16 TDL Business as discontinued operations in our condensed consolidated statements of operations for all periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as held for sale and discontinued operations in the condensed consolidated balance sheets for all periods presented. The cash flows related to discontinued operations have not been segregated and are included in the condensed consolidated statements of cash flows. Unless otherwise noted, discussion throughout this Quarterly Report on Form 10-Q relates to continuing operations only and excludes the Link-16 TDL Business. See Note 4 — Discontinued Operations to our condensed consolidated financial statements for additional information.

Inmarsat Acquisition

On November 8, 2021, we entered into a Share Purchase Agreement (the Purchase Agreement) to combine with Connect Topco Limited, a private company limited by shares and incorporated in Guernsey (Inmarsat), with the shareholders of Inmarsat and certain management and employees who hold options and shares of a subsidiary of Inmarsat whose options and shares will be exchanged for shares of Inmarsat prior to closing (collectively, the Sellers). Pursuant to the Purchase Agreement, we will purchase all of the issued and outstanding shares of Inmarsat from the Sellers upon the terms and subject to the conditions set forth therein (the Inmarsat Transaction). The total consideration payable by us under the Purchase Agreement consists of $850.0 million in cash, subject to adjustments (such as the dividend paid by Inmarsat in April 2022, see below), and approximately 46.36 million unregistered shares of our common stock. On April 6, 2022, Inmarsat paid a dividend of $299.3 million to the Sellers, resulting in a $299.3 million reduction in the cash consideration payable by us at the closing of the Inmarsat Transaction. Our board of directors has unanimously approved the Purchase Agreement and the proposed Inmarsat Transaction. Our stockholders approved the issuance of shares in the transaction and an amendment to the Company's certificate of incorporation to increase the number of shares of common stock authorized for issuance at a special meeting held on June 21, 2022.

The closing of the Inmarsat Transaction is subject to customary closing conditions, including receipt of regulatory approvals and clearances. The Purchase Agreement contains certain termination rights for both us and certain of the Sellers and further provides that, upon termination of the Purchase Agreement under certain circumstances, we may be obligated to pay a termination fee of up to $200.0 million or to reimburse certain out-of-pocket expenses of certain Sellers up to $40.0 million.

We have obtained financing commitments for an additional $1.6 billion of new debt facilities in connection with the Inmarsat Transaction (which may be secured and/or unsecured). However, we expect that the actual amount of indebtedness incurred under these commitments will be lower in light of the $299.3 million reduction in the cash purchase price payable in the Inmarsat Transaction. We also plan to assume $2.1 billion in principal amount of Inmarsat senior secured bonds and the outstanding indebtedness under Inmarsat’s $2.4 billion senior secured credit facilities.

Other Acquisitions

On April 30, 2021, we completed our acquisition of the remaining 51% interest in Euro Broadband Infrastructure Sàrl (EBI), a satellite broadband internet service provider in Europe, Middle East and Africa (EMEA), from Eutelsat. We paid approximately $167.0 million in cash, net of what is currently estimated to be an immaterial amount of estimated purchase price consideration (net of approximately $121.7 million of EBI's cash on hand, resulting in a cash outlay of approximately $51.0 million).

On April 30, 2021, we completed our acquisition of RigNet, Inc. (RigNet), a leading provider of ultra-secure, intelligent networking solutions and specialized applications. In connection with the acquisition, we issued approximately 4.0 million shares of our common stock to RigNet former shareholders, paid down $107.3 million of outstanding borrowings of RigNet’s revolving credit facility, and retained approximately $20.6 million of RigNet’s cash on hand.

The assets and results of operations of EBI and RigNet are primarily included in our satellite services segment, with insignificant amounts included in our commercial networks segment.

COVID-19

Although our financial results for the three and six months ended September 30, 2022 continued to be impacted by the COVID-19 pandemic, the impact was not material to our financial position, results of operations or cash flows in such periods. We continue to expect our diversified businesses to provide resiliency in fiscal year 2023.

The extent of the impact of the COVID-19 pandemic on our business in the remainder of fiscal year 2023 and beyond will depend on many factors, including the duration and scope of the public health emergency, the extent, duration and effectiveness of containment actions taken, the extent of disruption to important global, regional and local supply chains and economic markets, and the impact of the pandemic on overall supply and demand, global air travel, consumer confidence, discretionary spending levels and levels of economic activity.

Satellite Services

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

- Fixed broadband services, which provide consumers and businesses with high-speed, high-quality broadband internet access and Voice over Internet Protocol services, primarily in the United States as well as in various countries in Europe and Latin America.
- In-flight services, which provide industry-leading IFC, wireless in-flight entertainment and aviation software services. As of September 30, 2022, we had our IFC systems installed and in service on approximately 1,970 commercial aircraft, of which, due to impacts of the COVID-19 pandemic approximately 20 were inactive at quarter end. We anticipate that approximately 1,270 additional commercial aircraft under existing customer agreements with commercial airlines will be put into service with our IFC systems. However, the timing of installation and entry into service for additional aircraft under existing customer agreements may be delayed due to COVID-19 impacts. Additionally, due to the nature of commercial airline contracts, there can be no assurance that anticipated IFC services will be activated on all such additional commercial aircraft.

- Prepaid Internet services, which offer innovative, affordable, satellite-based connectivity in communities that have little or no access to the internet. The services help foster digital inclusion by enabling millions of people to connect to affordable high-quality internet services via a centralized community hotspot connected to the internet via satellite. We provide Prepaid Internet services in multiple regions in Mexico and Brazil and are trialing services in advance of full service launch in various other countries in South America and Central America.
- Other mobile broadband services, which include high-speed, satellite-based internet services to seagoing vessels (such as energy offshore vessels, cruise ships, consumer ferries and yachts), as well as L-band managed services enabling real-time machine-to-machine (M2M) position tracking, management of remote assets and operations, and visibility into critical areas of the supply chain.
- Energy services, which include ultra-secure solutions spanning global IP connectivity, bandwidth-optimized over-the-top applications, industrial Internet-of-Things big data enablement and industry-leading machine learning analytics.

The assets and results of operations of our recent acquisitions, EBI and RigNet, are primarily included in our satellite services segment (with insignificant amounts included in our commercial networks segment).

Commercial Networks

Our commercial networks segment develops and sells a wide array of advanced satellite and wireless products, antenna systems and terminal solutions that support or enable the provision of high-speed fixed and mobile broadband services. We design, develop and produce space system solutions for multiple orbital regimes, including geostationary, medium earth orbit and low earth orbit. The primary products, systems, solutions and services offered by our commercial networks segment are comprised of:

- Mobile broadband satellite communication systems, designed for use in aircraft, and seagoing vessels.
- Fixed broadband satellite communication systems, including next-generation satellite network infrastructure and ground terminals.
- Antenna systems, including state-of-the-art ground and airborne terminals, antennas and gateways for terrestrial and satellite customer applications, mobile satellite communication, Ka-band earth stations and other multi-band antennas.
- Satellite networking development, including specialized design and technology services covering all aspects of satellite communication system architecture and technology.
- Space systems, including the design and development of high-capacity Ka-band satellites and associated payload technologies for our own satellite fleet as well as for third parties.

Government Systems

Our government systems segment offers a broad array of products and services designed to enable the collection and transmission of secure real-time digital information and communications between fixed and mobile command centers, intelligence and defense platforms and individuals in the field. The primary products and services of our government systems segment include:

- Government mobile broadband products and services, which provide military and government users with high-speed, real-time, broadband and multimedia connectivity in key regions of the world, as well as line-of-sight and beyond-line-of-sight Intelligence Surveillance and Reconnaissance missions.
- Government satellite communication systems, which offer an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems, and include products designed for manpacks, aircraft, unmanned aerial vehicles, seagoing vessels, ground-mobile vehicles and fixed applications.
- Secure networking, cybersecurity and information assurance products and services, which provide advanced, high-speed IP-based “Type 1” and High Assurance Internet Protocol Encryption (HAIPE®)-compliant encryption solutions that enable military and government users to communicate information securely over networks, and that protect the integrity of data stored on computers and storage devices.
- Tactical data links, including our Battlefield Awareness and Targeting System — Dismounted handheld Link-16 radios, our Small Tactical Terminal 2-channel radios for manned and unmanned applications, “disposable”

defense data links, and our Multifunctional Information Distribution System (MIDS) and MIDS Joint Tactical Radio Systems terminals for military fighter jets. On October 1, 2022, we entered into an Asset Purchase Agreement to sell certain assets and assign certain liabilities comprising our Link-16 TDL Business to L3Harris Technologies, Inc. See Note 4 — Discontinued Operations to our condensed consolidated financial statements for additional information.

Factors and Trends Affecting our Results of Operations

For a summary of factors and trends affecting our results of operations, see Part II, Item 7, "Factors and Trends Affecting our Results of Operations" in our Annual Report on Form 10-K for the year ended March 31, 2022.

Sources of Revenues

Our satellite services segment revenues are primarily derived from our fixed broadband services, in-flight services and energy services (acquired through the RigNet acquisition).

Revenues in our commercial networks and government systems segments are primarily derived from three types of contracts: fixed-price contracts (which require us to provide products and services under a contract at a specified price), 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 time-and-materials contracts (which reimburse us for the number of labor hours expended at an established hourly rate negotiated in the contract, plus the cost of materials utilized in providing such products or services).

Historically, a significant portion of our revenues in our commercial networks and government systems segments has been derived from customer contracts that include the development of products. The development efforts are conducted in direct response to the customer’s specific requirements and, accordingly, expenditures related to such efforts are included in cost of sales when incurred and the related funding (which includes a profit component) is included in revenues. See Note 1 — Basis of Presentation to our condensed consolidated financial statements for additional information.

To date, our ability to grow and maintain our revenues in our commercial networks and government systems segments has 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.

Critical Accounting Policies and Estimates

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

Revenue recognition

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

The timing of satisfaction of performance obligations may require judgment. We derive a substantial portion of our revenues from contracts with customers for services, primarily consisting of connectivity services. These contracts typically require advance or recurring monthly payments by the customer. Our obligation to provide connectivity services is satisfied over time as the customer simultaneously receives and consumes the benefits provided. The measure of progress over time is based upon either a period of time (e.g., over the estimated contractual term) or usage (e.g., bandwidth used/bytes of data processed). We evaluate whether broadband equipment provided to our customer as part of the delivery of connectivity services represents a lease in accordance with the authoritative guidance for leases (ASC 842). As discussed in Note 1 – Basis of Presentation – Leases to our condensed consolidated financial statements, for broadband equipment leased to fixed broadband customers in conjunction with the delivery of connectivity services, we account for the lease and non-lease components of connectivity services arrangement as a single performance obligation as the connectivity services represent the predominant component.

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

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

Performance obligations related to developing and delivering complex equipment built to customer specifications under long-term contracts are recognized over time as these performance obligations do not create assets with an alternative use to us and we have an enforceable right to payment for performance to date. To measure the transfer of control, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We generally use the cost-to-cost measure of progress for our contracts because that best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Estimating the total costs at completion of a performance obligation requires management to make estimates related to items such as subcontractor performance, material costs and availability, labor costs and productivity and the costs of overhead. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recognized in the period the loss is determined. A one percent variance in our future cost estimates on open fixed-price contracts as of September 30, 2022 would change our income (loss) before income taxes by an insignificant amount.

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

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

Warranty reserves

We provide limited warranties on our products for periods of up to five years. We record a liability for our warranty obligations when we ship the products or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within 12 months are classified as accrued liabilities and amounts expected to be incurred beyond 12 months are classified as other liabilities in the condensed 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

Property, equipment and satellites, net includes our owned and leased satellites and the associated earth stations and networking equipment, as well as the customer premise equipment units which are leased to subscribers under a retail leasing program as part of our satellite services segment.

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

Leases

In accordance with ASC 842, we assess at contract inception whether the contract is, or contains, a lease. Generally, we determine that a lease exists when (1) the contract involves the use of a distinct identified asset, (2) we obtain the right to substantially all economic benefits from use of the asset, and (3) we have the right to direct the use of the asset. A lease is classified as a finance lease when one or more of the following criteria are met: (1) the lease transfers ownership of the asset by the end of the lease term, (2) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (3) the lease term is for a major part of the remaining useful life of the asset, (4) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset or (5) the asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease is classified as an operating lease if it does not meet any of these criteria.

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

Lease payments included in the measurement of lease liabilities consist of (1) fixed lease payments for the noncancelable lease term, (2) fixed lease payments for optional renewal periods where it is reasonably certain the renewal option will be exercised, and (3) variable lease payments that depend on an underlying index or rate, based on the index or rate in effect at lease commencement. Certain of our real estate lease agreements require variable lease payments that do not depend on an underlying index or rate established at lease commencement. Such payments and changes in payments based on a rate or index are recognized in operating expenses when incurred.

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

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

Business combinations

The purchase price for business combinations is allocated to the estimated fair values of acquired tangible and intangible assets, and assumed liabilities, where applicable. Additionally, we recognize technology, contracts and customer relationships, satellite co-location rights, trade names and other as identifiable intangible assets, which are recorded at fair value as of the transaction date. Goodwill is recorded when consideration transferred exceeds the fair value of identifiable assets and liabilities. Measurement-period adjustments to assets acquired and liabilities assumed with a corresponding offset to goodwill are recorded in the period they occur, which may include up to one year from the acquisition date. Contingent consideration is recorded at fair value at the acquisition date.

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

In accordance with the authoritative guidance for impairment or disposal of long-lived assets (ASC 360), we assess potential impairments to our long-lived assets, including property, equipment and satellites and other assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We recognize an impairment loss when the undiscounted cash flows expected to be generated by an asset (or group of assets) are less than the asset’s carrying value. Any required impairment loss would be measured as the amount by which the asset’s carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. No material impairments were recorded by us for the three and six months ended September 30, 2022 and 2021.

We account for our goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2017-04, Simplifying the Test for Goodwill Impairment, which we early adopted in fiscal year 2020. Current authoritative guidance allows us to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If, after completing the qualitative assessment, we determine that it is more likely than not that the estimated fair value is greater than the carrying value, we conclude that no impairment exists. Alternatively, if we determine in the qualitative assessment that it is more likely than not that the fair value is less than its carrying value, then we perform a quantitative goodwill impairment test to identify both the existence of an impairment and the amount of impairment loss, by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the estimated fair value of the reporting unit is less than the carrying value, then a goodwill impairment charge will be recognized in the amount by which the carrying amount exceeds the fair value, limited to the total amount of goodwill allocated to that reporting unit. We test goodwill for impairment during the fourth quarter every fiscal year and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist.

In accordance with ASC 350, we assess qualitative factors to determine whether goodwill is impaired. The qualitative analysis includes assessing the impact of changes in certain factors including: (1) changes in forecasted operating results and comparing actual results to projections, (2) changes in the industry or our competitive environment since the acquisition date, (3) changes in the overall economy, our market share and market interest rates since the acquisition date, (4) trends in the stock price and related market capitalization and enterprise values, (5) trends in peer companies' total enterprise value metrics, and (6) additional factors such as management turnover, changes in regulation and changes in litigation matters.

Based on our qualitative assessment performed during the fourth quarter of fiscal year 2022, we concluded that it was more likely than not that the estimated fair value of our reporting units exceeded their carrying value as of March 31, 2022, and therefore, determined it was not necessary to perform a quantitative goodwill impairment test.

Income taxes and valuation allowance on deferred tax assets

Management evaluates the realizability of our deferred tax assets and assesses the need for a valuation allowance on a quarterly basis to determine if the weight of available evidence suggests that an additional valuation allowance is needed. In accordance with the authoritative guidance for income taxes (ASC 740), net deferred tax assets are reduced by a valuation allowance if, based on all the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the event that our estimate of taxable income is less than that required to utilize the full amount of any deferred tax asset, a valuation allowance is established, which would cause a decrease to income in the period such determination is made. Our valuation allowance against deferred tax assets increased from $78.1 million at March 31, 2022 to $143.6 million at September 30, 2022. The valuation allowance relates to state and foreign net operating loss carryforwards, state R&D tax credit carryforwards and foreign tax credit carryforwards.

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

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

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

Results of Operations

The following table presents, as a percentage of total revenues, income statement data of our continuing operations for the periods indicated:

	Three Months Ended		Six Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenues:	100 %	100 %	100 %	100 %
Product revenues	39	36	35	36
Service revenues	61	64	65	64
Operating expenses:				
Cost of product revenues	26	30	26	29
Cost of service revenues	41	41	44	41
Selling, general and administrative	27	25	28	26
Independent research and development	5	7	5	6
Amortization of acquired intangible assets	1	1	1	1
Income (loss) from continuing operations	—	(4)	(5)	(3)
Interest (expense) income, net	—	(1)	—	(1)
Income (loss) from continuing operations before income taxes	1	(5)	(5)	(4)
(Provision for) benefit from income taxes from continuing operations	(12)	1	(4)	2
Net income (loss) from continuing operations	(11)	(4)	(9)	(2)
Net income (loss) from discontinued operations, net of tax	4	4	4	4
Net income (loss) attributable to Viasat, Inc.	(7)	1	(6)	2

Three Months Ended September 30, 2022 vs. Three Months Ended September 30, 2021

Revenues

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Product revenues	$ 254.9	$ 221.1	$ 33.8	15 %
Service revenues	401.8	388.1	13.7	4 %
Total revenues	$ 656.7	$ 609.2	$ 47.5	8 %

Our total revenues increased by $47.5 million as a result of a $33.8 million increase in product revenues and a $13.7 million increase in service revenues. The product revenue increase was driven primarily by a $40.9 million increase in our commercial networks segment, primarily the result of the Cisco Systems, Inc. (Cisco) settlement. Cisco, which previously acquired Acacia Communications, Inc. (Acacia), paid us $62.2 million during the three months ended September 30, 2022 in order to fully satisfy the July 2019 judgment previously entered against Acacia (the Cisco Settlement), of which we recorded $55.8 million as product revenue in our commercial networks segment (see Note 1 — Basis of Presentation to our condensed consolidated financial statements for more information), partially offset by a $7.1 million decrease in our government systems segment. The service revenue increase was primarily driven by increases of $9.0 million in our government systems segment and $4.3 million in our commercial networks segment.

Cost of revenues

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cost of product revenues	$ 171.1	$ 183.9	$ (12.8)	(7)%
Cost of service revenues	267.4	249.9	17.5	7 %
Total cost of revenues	$ 438.6	$ 433.8	$ 4.7	1 %

Cost of revenues increased $4.7 million due to an increase of $17.5 million in cost of service revenues, partially offset by a $12.8 million decrease in cost of product revenues. The cost of service revenue increase was primarily due to increased service revenues, mainly from our government systems segment, causing an $8.8 million increase in cost of service revenues on a constant margin basis. The increase in cost of service revenues was further driven by lower margins, primarily from our satellite services segment. The decrease in cost of product revenues was mainly driven by higher margins from our commercial networks segment, primarily the result of the Cisco Settlement described above.

Selling, general and administrative expenses

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 177.2	$ 152.7	$ 24.5	16 %

The $24.5 million increase in selling, general and administrative (SG&A) expenses reflected an increase in support costs of $23.4 million, driven primarily by acquisition related expenses of approximately $9.5 million (mainly related to the Inmarsat Transaction). SG&A expenses consisted primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, acquisition and transaction related expenses, facilities, finance, contract administration and general management.

Independent research and development

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 32.4	$ 39.6	$ (7.2)	(18)%

The $7.2 million decrease in independent research and development (IR&D) expenses was primarily the result of a $5.8 million decrease in our commercial networks segment (primarily related to next-generation satellite payload technologies).

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives, which range from two to 20 years. The amortization of acquired intangible assets in the second quarter of fiscal year 2023 was relatively flat compared to the prior year period.

Interest income

The $6.7 million increase in interest income for the three months ended September 30, 2022 compared to the prior year period was primarily the result of the Cisco Settlement, described above, of which we recorded $6.4 million as interest income. Please refer to Note 1 — Basis of Presentation to our condensed consolidated financial statements for more information.

Interest expense

The $1.5 million decrease in interest expense for the three months ended September 30, 2022 compared to the prior year period was primarily the result of an increase in the amount of interest capitalized during the second quarter of fiscal year 2023 compared to the prior year period, partially offset by an increase in interest expense related to our senior secured term loan facility (the Term Loan Facility), which was entered into during the fourth quarter of fiscal year 2022.

Income taxes

For the three months ended September 30, 2022, we recorded an income tax provision of $76.1 million, resulting in an effective tax rate of 2,236%. The effective tax rate for the period differed from the U.S statutory rate due primarily to the establishment of a valuation allowance on the deferred tax asset for California R&D tax credits that was partially offset by the benefit of federal R&D tax credits. For the three months ended September 30, 2021, we recorded an income tax benefit of $9.1 million, resulting in an effective tax rate of 30%. The effective tax rates for such periods differed from the U.S. statutory rate primarily due to the benefit of federal R&D tax credits.

Segment Results for the Three Months Ended September 30, 2022 vs. Three Months Ended September 30, 2021

Satellite services segment

Revenues

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ —	$ —	$ —	—%
Segment service revenues	300.5	300.1	0.4	—%
Total segment revenues	$ 300.5	$ 300.1	$ 0.4	—%

The slight increase in our satellite services segment revenues for the three months ended September 30, 2022 compared to the prior year period was primarily due to an increase in our in-flight services business, largely offset by a decline in U.S. fixed broadband revenue due to fewer residential subscribers as we manage our bandwidth capacity in support of our growing mobility services ahead of the ViaSat-3 launch. Our in-flight services business service revenue increased as the number of commercial aircraft receiving our in-flight services through our IFC systems increased, passenger air traffic continued to increase and aircraft that were previously inactive as a result of the COVID-19 pandemic continued to return to service.

Segment operating profit (loss)

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit (loss)	$ (6.1)	$ 14.3	$ (20.4)	(142)%
Percentage of segment revenues	(2)%	5%		

The change in our satellite services segment operating profit to an operating loss was driven primarily by lower earnings contributions of $10.9 million due to lower contribution from our fixed broadband services business, higher SG&A costs of $9.6 million mainly attributable to acquisition expenses related to the Inmarsat Transaction, growing expenses associated with activating more of the ViaSat-3 ground network and international activities, and increased expenses as a result of supply chain shortages.

Commercial networks segment

Revenues

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 159.8	$ 118.9	$ 40.9	34%
Segment service revenues	20.2	15.9	4.3	27%
Total segment revenues	$ 180.0	$ 134.8	$ 45.2	34%

Our commercial networks segment revenues increased by $45.2 million, due to a $40.9 million increase in product revenues and a $4.3 million increase in service revenues. The increase in product revenues was primarily the result of the Cisco Settlement described above, of which we recorded $55.8 million as product revenue in our commercial networks segment (see Note 1 — Basis of Presentation to our condensed consolidated financial statements for more information), partially offset by a decrease of $14.3 million in mobile broadband satellite communication systems products, related to lower IFC terminal shipments resulting mainly from delayed aircraft deliveries to our commercial airline customers. The increase in service revenues was primarily driven by an increase in mobile broadband satellite communication systems services.

Segment operating profit (loss)

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar (Increase) Decrease	Percentage (Increase) Decrease
Segment operating profit (loss)	$ (0.8)	$ (52.0)	$ 51.2	98 %
Percentage of segment revenues	— %	(39)%		

The decrease in our commercial networks segment operating loss was primarily driven by higher earnings contributions of $53.6 million, due to an increase in revenues, as discussed above. Additionally, the decrease in our commercial networks segment operating loss was further driven by a decrease of $5.8 million in IR&D expenses (primarily related to next-generation satellite payload technologies). The decrease in commercial networks segment operating loss was partially offset by higher SG&A costs of $8.3 million, which includes legal and other expenses related to the Cisco Settlement, described above.

Government systems segment

Revenues

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 95.0	$ 102.1	$ (7.1)	(7)%
Segment service revenues	81.1	72.1	9.0	12 %
Total segment revenues	$ 176.1	$ 174.2	$ 1.9	1 %

Our government systems segment revenues increased by $1.9 million due to a $9.0 million increase in service revenues, partially offset by a $7.1 million decrease in product revenues. The service revenue increase was primarily due to a $9.2 million increase in government satellite communication systems services. The decrease in product revenues was mainly due to a $7.4 million decrease in government satellite communication systems, and a $2.6 million decrease in tactical satcom radio products, partially offset by a $3.5 million increase in cybersecurity and information assurance products. Our government systems segment continued to show some impacts from the COVID-19 pandemic, due to continuing certification delays and supply chain component shortages, but government systems segment awards remained strong through the end of the second quarter of fiscal year 2023. As noted above, all government systems segment results reported herein exclude the Link-16 TDL Business, which are reported as discontinued operations in our condensed consolidated statements of operations for all periods presented.

Segment operating profit (loss)

(In millions, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit (loss)	$ 15.4	$ 20.7	$ (5.3)	(26)%
Percentage of segment revenues	9 %	12 %		

The $5.3 million decrease in our government systems segment operating profit was primarily driven by a $6.7 million increase in SG&A costs (primarily related to acquisition expenses related to the Inmarsat Transaction). The decrease in operating profit was partially offset by lower IR&D expenses of $1.3 million.

Six Months Ended September 30, 2022 vs. Six Months Ended September 30, 2021

Revenues

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Product revenues	$ 424.1	$ 426.7	$ (2.6)	(1)%
Service revenues	804.0	753.2	50.8	7%
Total revenues	$ 1,228.1	$ 1,179.9	$ 48.2	4%

Our total revenues grew by $48.2 million as a result of a $50.8 million increase in service revenues, partially offset by a $2.6 million decrease in product revenues. The service revenue increase was due to increases of $38.4 million in our satellite services segment, $6.5 million in our commercial networks segment, and $5.9 million in our government systems segment. The decrease in product revenues was driven primarily by a $35.5 million decrease in our government systems segment, partially offset by a $32.9 million increase in our commercial networks segment, primarily the result of the Cisco Settlement described above, of which we recorded $55.8 million as product revenue in our commercial networks segment (see Note 1 — Basis of Presentation to our condensed consolidated financial statements for more information).

Cost of revenues

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cost of product revenues	$ 318.6	$ 347.9	$ (29.3)	(8)%
Cost of service revenues	536.0	480.8	55.2	11%
Total cost of revenues	$ 854.6	$ 828.7	$ 25.9	3%

Cost of revenues increased by $25.9 million due to an increase of $55.2 million in cost of service revenues, partially offset by a $29.3 million decrease in cost of product revenues. The cost of service revenue increase was primarily due to increased service revenues, mainly from our satellite services segment, causing a $32.4 million increase in cost of service revenues on a constant margin basis. The increase in cost of service revenues was also driven by lower margins, also from our satellite services segment. The decrease in cost of product revenues was mostly driven by higher margins, primarily from our commercial networks segment, primarily the result of the Cisco Settlement described above.

Selling, general and administrative expenses

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 348.8	$ 303.4	$ 45.4	15%

The $45.4 million increase in SG&A expenses reflected an increase in support costs of $37.4 million, driven primarily by acquisition-related expenses of $15.6 million (mainly related to the Inmarsat Transaction). The increase in SG&A expenses was also driven by higher selling costs of $5.3 million, reflected primarily in our commercial networks and satellite services segments, and higher bid and proposal costs of $2.7 million. SG&A expenses consisted primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, acquisition and transaction related expenses, facilities, finance, contract administration and general management.

Independent research and development

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 67.2	$ 73.2	$ (6.0)	(8)%

The $6.0 million decrease in IR&D expenses was mainly the result of a decrease of $6.2 million in IR&D efforts in our commercial networks segment (primarily related to next-generation satellite payload technologies).

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives, which range from two to 20 years. The $1.6 million increase in amortization of acquired intangible assets in the first six months of fiscal year 2023 compared to the prior year period was primarily related to the amortization of new intangibles acquired as a result of recent acquisitions.

Interest income

The $6.8 million increase in interest income for the six months ended September 30, 2022 compared to the prior year period was primarily the result of the Cisco Settlement described above, of which we recorded $6.4 million as interest income. Please refer to Note 1 — Basis of Presentation to our condensed consolidated financial statements for more information.

Interest expense

The $1.9 million decrease in interest expense in the six months ended September 30, 2022 compared to the prior year period was primarily due to an increase in the amount of interest capitalized during the first six months of fiscal year 2023 compared to the prior year period, partially offset by an increase in interest expense related to our Term Loan Facility, which was entered into during the fourth quarter of fiscal year 2022.

Income taxes

For the six months ended September 30, 2022, we recorded an income tax provision of $52.5 million, resulting in an effective tax rate of negative 88%. The effective tax rate for the period differed from the U.S. statutory rate due primarily to the establishment of a valuation allowance on the deferred tax asset for California R&D tax credits that was partially offset by the benefit of federal R&D tax credits. For the six months ended September 30, 2021, we recorded an income tax benefit of $19.5 million, resulting in an effective tax rate of 42%. The effective tax rate for the period differed from the U.S. statutory rate due primarily to the benefit of federal R&D tax credits and the reversal of a deferred tax liability recorded for EBI's outside basis difference upon assertion made during the first quarter of fiscal year 2022 to indefinitely reinvest future earnings.

Segment Results for the Six Months Ended September 30, 2022 vs. Six Months Ended September 30, 2021

Satellite services segment

Revenues

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ —	$ —	$ —	—%
Segment service revenues	612.6	574.2	38.4	7%
Total segment revenues	$ 612.6	$ 574.2	$ 38.4	7%

Our satellite services segment revenues increased by $38.4 million for the six months ended September 30, 2022 compared to the prior year period due to an increase in service revenues. The increase in service revenues was primarily attributable to an increase in our in-flight services business. The increase in in-flight service revenue was driven primarily by an increase in the number of commercial aircraft receiving our in-flight services through our IFC systems, an increase in passenger air traffic and the continued return to service of aircraft that were previously inactive as a result of the COVID-19 pandemic.

Segment operating profit (loss)

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit (loss)	$ (4.7)	$ 24.3	$ (29.0)	(119)%
Percentage of segment revenues	(1)%	4%		

The change in our satellite services segment operating profit to an operating loss was primarily driven by higher SG&A costs of $21.6 million (mainly attributable to acquisition expenses related to the Inmarsat Transaction) as well as growing expenses associated with activating more of the ViaSat-3 ground network and international activities, as well as increased expenses as a result of supply chain shortages. The increase in our satellite services segment operating loss was further driven by lower earnings contributions of $7.0 million from our fixed broadband services business.

Commercial networks segment

Revenues

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 253.4	$ 220.5	$ 32.9	15 %
Segment service revenues	39.4	32.9	6.5	20 %
Total segment revenues	$ 292.8	$ 253.4	$ 39.4	16 %

Our commercial networks segment revenues increased by $39.4 million, due to a $32.9 million increase in product revenues and a $6.5 million increase in service revenues. The increase in product revenues was primarily the result of the Cisco Settlement described above, of which we recorded $55.8 million as product revenue in our commercial networks segment. Please refer to Note 1 — Basis of Presentation to our condensed consolidated financial statements for more information. The increase in product revenues was partially offset by a decrease of $24.4 million in mobile broadband satellite communication systems products due to lower IFC terminal shipments resulting mainly from delayed aircraft deliveries to our commercial airline customers. The increase in service revenues was primarily driven by an increase in mobile broadband satellite communication systems services.

Segment operating profit (loss)

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar (Increase) Decrease	Percentage (Increase) Decrease
Segment operating profit (loss)	$ (50.2)	$ (96.1)	$ 45.9	48 %
Percentage of segment revenues	(17)%	(38)%		

The $45.9 million reduction in our commercial networks operating loss was driven primarily by higher earnings contributions of $49.5 million, primarily due to higher revenues as described above. The reduction in operating loss was also due to a $6.2 million decrease in IR&D expenses (primarily related to next-generation satellite payload technologies). The decrease in operating loss was partially offset by higher SG&A costs of $9.7 million, which includes legal and other expenses related to the Cisco Settlement described above.

Government systems segment

Revenues

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 170.7	$ 206.2	$ (35.5)	(17)%
Segment service revenues	152.0	146.1	5.9	4 %
Total segment revenues	$ 322.7	$ 352.3	$ (29.6)	(8)%

Our government systems segment revenues decreased by $29.6 million due to a $35.5 million decrease in product revenues, partially offset by a $5.9 million increase in service revenues. The product revenue decrease was primarily driven by a $16.5 million decrease in government satellite communication systems products, a $10.9 million decrease in government mobile broadband products, and a $3.7 million decrease in tactical satcom radio products. Our government systems segment continued to show some impacts from the COVID-19 pandemic, due to continuing certification delays and supply chain component shortages, but government systems segment awards remained strong in the first six months of the fiscal year. The service revenue increase was primarily due to an $11.8 million increase in government satellite communication systems services, partially offset by a $5.6 million decrease in government mobile broadband services. As noted above, all government systems segment results reported herein exclude the Link-16 TDL Business, which are reported as discontinued operations in our condensed consolidated statements of operations for all periods presented.

Segment operating profit (loss)

(In millions, except percentages)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit (loss)	$ 12.4	$ 46.5	$ (34.1)	(73)%
Percentage of segment revenues	4%	13%		

The $34.1 million decrease in our government systems segment operating profit was driven by lower earnings contributions of $20.2 million, primarily due to a decrease in revenue from our government mobile broadband business. The decrease in operating profit was also driven by a $14.1 million increase in SG&A costs (primarily related to acquisition expenses related to the Inmarsat Transaction).

Backlog

As reflected in the table below, our overall firm and funded backlog (including discontinued operations) increased during the first six months of fiscal year 2023.

	As of September 30, 2022	As of March 31, 2022
	(In millions)	
Firm backlog (including discontinued operations)		
Satellite services segment	$ 466.4	$ 554.5
Commercial networks segment	715.5	632.2
Government systems segment	1,188.4	846.0
Total	$ 2,370.3	$ 2,032.7
Funded backlog (including discontinued operations)		
Satellite services segment	$ 466.4	$ 554.5
Commercial networks segment	643.0	583.1
Government systems segment	1,089.8	803.4
Total	$ 2,199.2	$ 1,941.0

The firm backlog does not include contract options. As of September 30, 2022, of the $2.4 billion in firm backlog (including approximately $599.7 million attributable to discontinued operations), a little over half is expected to be delivered during the next 12 months, with the balance delivered thereafter. We include in our backlog only those orders for which we have accepted purchase orders, and not anticipated purchase orders and requests. In our satellite services segment, our backlog includes fixed broadband service revenues under our subscriber agreements, but does not include future recurring IFC service revenues under our agreements with commercial airlines. As of September 30, 2022, our IFC systems were installed and in service on approximately 1,970 commercial aircraft, of which, due to impacts of the COVID-19 pandemic, approximately 20 were inactive at quarter end. While domestic airline traffic continued to increase during fiscal year 2023 (with increased planes in service and higher passenger volumes), global airline traffic has not yet recovered to pre-pandemic levels. We expect to continue to see some negative impacts on revenues and operating cash flows from our IFC businesses in fiscal year 2023 and potentially beyond but for the effects to continue to lessen over time with increases in passenger air traffic and the return to service of additional currently inactive aircraft. We anticipate that approximately 1,270 additional commercial aircraft under existing customer agreements with commercial airlines will be put into service with our IFC systems. However, the timing of installation and entry into service of IFC systems on additional aircraft under existing customer agreements may be delayed as a result of the impact of the COVID-19 pandemic on the global airline industry. Accordingly, there can be no assurance that all anticipated purchase orders and requests will be placed or that anticipated IFC services will be activated.

Our total new awards (including discontinued operations, but excluding future revenue under recurring consumer commitment arrangements) were approximately $1.1 billion and $1.9 billion for the three and six months ended September 30, 2022, respectively, compared to approximately $831.7 million and $1.4 billion for the three and six months ended September 30, 2021, respectively.

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

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

Liquidity and Capital Resources

Overview

We have financed our operations to date primarily with cash flows from operations, bank line of credit financing, debt financing, export credit agency financing and equity financing. In addition, we expect a portion of the net cash proceeds from the Link-16 TDL Sale to be used to finance our continuing operations and reduce debt, whether existing or committed as part of the Inmarsat Transaction. At September 30, 2022, we had $149.2 million in cash and cash equivalents, $343.5 million in working capital, and $210.0 million in principal amount of outstanding borrowings and borrowing availability of $429.2 million under our Revolving Credit Facility. At March 31, 2022, we had $310.5 million in cash and cash equivalents, $389.1 million in working capital, and no outstanding borrowings and borrowing availability of $637.0 million under our Revolving Credit Facility. We invest our cash in excess of current operating requirements in short-term, highly liquid bank money market accounts.

We have obtained financing commitments for an additional $1.6 billion of new debt facilities in connection with the Inmarsat Transaction (which may be secured and/or unsecured). However, we expect that the actual amount of indebtedness incurred under these commitments will be lower in light of the $299.3 million reduction in the cash purchase price payable in the Inmarsat Transaction. We also plan to assume $2.1 billion in principal amount of Inmarsat senior secured bonds and the outstanding indebtedness under Inmarsat's $2.4 billion senior secured credit facilities.

The general cash needs of our satellite services, commercial networks and government systems segments can vary significantly and our future capital requirements will depend upon many factors, including the timing and amount of cash required to consummate the Inmarsat Transaction (including the cash portion of the purchase price, transaction-related costs and integration-related costs, see the discussion above under "Inmarsat Acquisition"), the timing and amount of net cash proceeds received from the Link-16 TDL Sale (see discussion above under "Sale of Link-16 TDL Business"), cash required for our satellite projects and any future broadband satellite projects we may engage in, expansion of our IR&D and marketing efforts, and the nature and timing of orders. In particular:

- The cash needs of our satellite services segment tend to be driven by the timing and amount of capital expenditures (e.g., payments under satellite construction and launch contracts and investments in ground infrastructure roll-out), investments in joint ventures, strategic partnering arrangements and network expansion activities, as well as the quality of customer, type of contract and payment terms.
- In our commercial networks segment, cash needs tend to be driven primarily by the type and mix of contracts in backlog, the nature and quality of customers, the timing and amount of investments in IR&D activities (including with respect to next-generation satellite payload technologies) and the payment terms of customers (including whether advance payments are made or customer financing is required).
- In our government systems segment, the primary factors determining cash needs tend to be the type and mix of contracts in backlog (e.g., product or service, development or production) and timing of payments (including restrictions on the timing of cash payments under U.S. Government procurement regulations). Other factors

affecting the cash needs of our commercial networks and government systems segments include contract duration and program performance. For example, if a program is performing well and meeting its contractual requirements, then its cash flow requirements are usually lower.

Additionally, we will continue to evaluate other possible acquisitions of, or investments in complementary businesses, products and technologies which may require the use of cash or additional financing. Although a significant portion of transaction-related costs relating to the Inmarsat Transaction is contingent upon the closing of the Inmarsat Transaction occurring, some have been and will be incurred regardless of whether the Inmarsat Transaction is consummated.

To further enhance our liquidity position or to finance the construction and launch of any future satellites, acquisitions, strategic partnering arrangements, joint ventures or other business investment initiatives, we may obtain additional financing, which could consist of debt, convertible debt or equity financing from public and/or private credit and capital markets. From time to time, we file universal shelf registration statements with the SEC for the future sale of an unlimited amount of common stock, preferred stock, debt securities, depositary shares, warrants and rights, which 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.

Although we can give no assurances concerning our future liquidity, we believe that we have adequate sources of funding to meet our anticipated operating requirements for the next 12 months, as well as to fund the consummation of the Inmarsat Transaction, which include, but are not limited to, cash on hand, borrowing capacity, cash expected to be provided by operating activities, expected net proceeds of the Link-16 TDL Sale, and financing commitments obtained in connection with the Inmarsat Transaction.

Cash flows

Cash provided by operating activities for the first six months of fiscal year 2023 was $228.1 million compared to $227.8 million in the prior year period. This insignificant increase was primarily driven by a $6.0 million year-over-year decrease in cash used to fund net operating assets, largely offset by our operating results (net income (loss) adjusted for depreciation, amortization and other non-cash charges) which resulted in $5.7 million of lower cash provided by operating activities year-over-year. The decrease in cash used to fund net operating assets during the first six months of fiscal year 2023 when compared to the prior year period was primarily due to an increase in cash inflows year-over-year from our collections in excess of revenues and deferred revenues included in accrued liabilities primarily due to the timing of milestone billings for certain larger development projects in our commercial networks segment, partially offset by a higher increase in cash used for IFC terminal inventory in our commercial networks segment in expectation of related revenue ramp up over the remainder of fiscal year 2023 for both existing and new commercial airline customers.

Cash used in investing activities for the first six months of fiscal year 2023 was $554.8 million compared to $613.6 million in the prior year period. This $58.8 million decrease in cash used in investing activities year-over-year reflects $138.7 million in cash used for the RigNet and EBI acquisitions in the first quarter of fiscal year 2022, partially offset by an increase of $59.7 million in capital expenditures used for property and other general purpose equipment year-over-year. Cash used in investing activities related to our discontinued operations was slightly higher year-over-year related to an insignificant increase in capital expenditures used for property and other general purpose equipment.

Cash provided by financing activities for the first six months of fiscal year 2023 was $168.4 million compared to $310.3 million for the prior year period. This $141.9 million decrease in cash provided by financing activities year-over-year was mainly due to an increase in payments of debt borrowings of $67.1 million year-over-year, a decrease in proceeds from debt borrowings of $45.0 million year-over-year and a payment of $30.0 million by our majority-owned subsidiary, TrellisWare Technologies, Inc., to repurchase shares of its common stock from its stockholders (see Note 1 — Basis of Presentation – Noncontrolling interest to our condensed consolidated financial statements for further information).

Satellite-related activities

We expect to continue to invest in IR&D as we continue our focus on leadership and innovation in satellite and space technologies, including for the development of any new generation satellite designs and next-generation satellite network solutions. The level of our investment in a given fiscal year will depend on a variety of factors, including the stage of development of our satellite projects, new market opportunities and our overall operating performance.

As we continue to build and expand our global network and satellite fleet, from time to time we enter into satellite construction agreements for the construction and purchase of additional satellites and (depending on the satellite design) the integration of our payload and technologies into the satellites. See Note 12 — Commitments to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2022 for information regarding our future minimum payments under our satellite construction contracts and other satellite-related purchase commitments (including satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites) for the next five fiscal years and thereafter. The total project cost to bring a new satellite into service will depend, among other things, on the scope and timing of the earth station infrastructure roll-out and the method used to procure fiber or other access to the earth station infrastructure. Our total cash funding of a satellite project may be reduced through third-party agreements, such as potential joint service offerings and other strategic partnering arrangements.

In connection with the launch of any new satellite and the commencement of commercial service on the satellite, we expect to incur additional operating costs that negatively impact our financial results. For example, when ViaSat-2 was placed in service in the fourth quarter of fiscal year 2018, this resulted in additional operating costs in our satellite services segment during the ramp-up period prior to service launch and in the fiscal year following service launch. These increased operating costs included depreciation, amortization of capitalized software development, earth station connectivity, marketing and advertising costs, logistics, customer care and various support systems. In addition, interest expense increased during fiscal year 2019 as we no longer capitalized the interest expense relating to the debt incurred for the construction of ViaSat-2 and the related gateway and networking equipment once the satellite was in service. As services using the new satellite scaled, however, our revenue base for broadband services expanded and we gained operating cost efficiencies, which together yielded incremental segment earnings contributions. In addition, we may experience bandwidth supply constraints in the lead-up to the commencement of commercial service on new satellites. We anticipate that we will incur a similar cycle of increased operating costs and constrained bandwidth supply as we prepare for and launch commercial services on future satellites, including our ViaSat-3 constellation, followed by increases in revenue base and in scale. However, there can be no assurance that we will be successful in significantly increasing revenues or achieving or maintaining operating profit in our satellite services segment, and any such gains may also be offset by investments in our global business.

Long-term debt

As of September 30, 2022, the aggregate principal amount of our total outstanding indebtedness was $2.7 billion, which was comprised of $700.0 million in principal amount of 2025 Notes, $600.0 million in principal amount of 2027 Notes, $400.0 million in principal amount of 2028 Notes (together with the 2025 Notes and 2027 Notes, the Notes), $698.3 million in principal amount of outstanding borrowings under our Term Loan Facility, $210.0 million in principal amount of outstanding borrowings under our $700.0 million Revolving Credit Facility, $68.8 million in principal amount of outstanding borrowings under our direct loan facility with the Export-Import Bank of the United States (the Ex-Im Credit Facility) and $42.8 million of finance lease obligations. For information regarding our Term Loan Facility, Revolving Credit Facility and Ex-Im Facility (collectively, the Credit Facilities) and Notes, refer to Note 8 – Senior Notes and Other Long-Term Debt to our condensed consolidated financial statements.

Capital Expenditures and IR&D Investments

For a discussion of our capital expenditures and IR&D investments, see Part II, Item 7, “Liquidity and Capital Resources – Capital Expenditures and IR&D Investments” in our Annual Report on Form 10-K for the year ended March 31, 2022.

Contractual Obligations

The following table sets forth a summary of certain material cash requirements for known contractual obligations and commitments (including in respect of our discontinued operations) at September 30, 2022:

(In thousands, including interest where applicable)	Next 12 months	Thereafter
Operating leases (1)	$ 80,974	$ 397,492
Senior Notes and Other Long-Term Debt (2)	200,675	3,315,590
Purchase commitments including satellite-related agreements	1,510,703	1,036,825
Total	$ 1,792,352	$ 4,749,907

(1) These amounts are inclusive of the operating leases for facilities which are attributable to discontinued operations.
(2) To the extent that the interest rate on any long-term debt is variable, amounts reflected represent estimated interest payments on the applicable current outstanding balance based on the interest rate at September 30, 2022 until the applicable maturity date.

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

Our condensed consolidated balance sheets included $141.7 million and $153.2 million of “other liabilities” as of September 30, 2022 and March 31, 2022, respectively, which primarily consisted of the long-term portion of deferred revenues, the long-term portion of our satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites, deferred income taxes and our long-term warranty obligations. With the exception of the long-term portion of our satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites (which is included under “Purchase commitments including satellite-related agreements”), these remaining liabilities have been excluded from the above table as the timing and/or the amount of any cash payment is uncertain. See Note 12 — Commitments to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2022 for additional information regarding satellite performance incentive obligations relating to the ViaSat-1 and ViaSat-2 satellites. See Note 9 — Product Warranty to our condensed consolidated financial statements for a discussion of our product warranties. Also excluded from the above table are amounts payable to the Sellers under the Purchase Agreement in the Inmarsat Transaction.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at September 30, 2022 as defined in Regulation S-K Item 303(b) other than as discussed under “Contractual Obligations” above or disclosed in the notes to our condensed consolidated financial statements included in this report or in our Annual Report on Form 10-K for the year ended March 31, 2022.

Recent Authoritative Guidance

For information regarding recently adopted and issued accounting pronouncements, see Note 1 — Basis of Presentation to our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and short-term and long-term obligations (including the Credit Facilities and the Notes). 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 September 30, 2022, we had $698.3 million in principal amount of outstanding borrowings under our Term Loan Facility, $210.0 million in principal amount of outstanding borrowings under our Revolving Credit Facility, $68.8 million in principal amount of outstanding borrowings under our Ex-Im Credit Facility, $700.0 million in aggregate principal amount outstanding of the 2025 Notes, $600.0 million in aggregate principal amount outstanding of the 2027 Notes and $400.0 million in aggregate principal amount outstanding of the 2028 Notes, and we held no short-term investments. The Notes and borrowings under our Ex-Im Credit Facility bear interest at a fixed rate and therefore our exposure to market risk for changes in interest rates relates primarily to borrowings under our Term Loan Facility and Revolving Credit Facility, cash equivalents, short-term investments and short-term obligations.

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. To minimize this risk, we maintain a significant amount of our cash balance in money market accounts. In general, money market accounts are not subject to interest rate risk because the interest paid on such funds fluctuates with the prevailing interest rate. Our cash and cash equivalents earn interest at variable rates. Our interest income has been and may continue to be negatively impacted by low market interest rates. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. If the underlying weighted average interest rate on our cash and cash equivalents, assuming balances remain constant over a year, changed by 50 basis points, interest income would have increased or decreased by an insignificant amount for both the three and six months ended September 30, 2022 and 2021. Because our investment policy restricts us to invest in conservative, interest-bearing investments and because our business strategy does not rely on generating material returns from our investment portfolio, we do not expect our market risk exposure on our investment portfolio to be material.

Our primary interest rate under the Term Loan Facility is the SOFR rate plus 4.50%. As of September 30, 2022, the effective interest rate on our outstanding borrowings under the Term Loan Facility was 8.21%. Our primary interest rate under the Revolving Credit Facility is the Eurodollar rate plus an applicable margin that is based on our total leverage ratio. As of September 30, 2022, the weighted average effective interest rate on our outstanding borrowings under the Revolving Credit Facility was 4.85%. Accordingly, assuming both the outstanding balances under the Term Loan Facility and the Revolving Credit Facility remained constant over a year, a 50 basis point increase in the interest rates would increase interest incurred, prior to effects of capitalized interest, by approximately $4.6 million over a 12-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. A five percent variance in foreign currencies in which our international business is conducted would change our income (loss) before income taxes by $1.0 million and an insignificant amount for the three and six months ended September 30, 2022, respectively, and by an insignificant amount for both the three and six months ended September 30, 2021. 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 September 30, 2022 and March 31, 2022, we had no foreign currency forward contracts outstanding.

Item 4. 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 September 30, 2022, 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 September 30, 2022.

During the period covered by this report, 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.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of business, including government investigations and claims, and other claims and proceedings with respect to intellectual property, breach of contract, labor and employment, tax and other matters. Such matters could result in fines; penalties, compensatory, treble or other damages; or non-monetary relief. A violation of government contract laws and regulations could also result in the termination of our government contracts or debarment from bidding on future government contracts. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, financial condition, results of operations or liquidity. Regardless of the outcome, litigation can have an adverse impact on us because of defense costs, diversion of management resources and other factors. In addition, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially and adversely affect our business, financial condition, results of operations or liquidity in a particular period. For further information on the risks we face from existing and future claims, suits, investigations and proceedings, see “Risk Factors” in Part I, Item 1A in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, as updated below, which factors could materially affect our business, financial condition, liquidity or future results. Except as set forth below, there have been no material changes to the risk factors described in the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022. The risks described in our reports on Forms 10-K and 10-Q are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, liquidity or future results.

Inability to Complete the Link-16 TDL Sale Could Negatively Affect Our Business, Financial Condition and Results of Operations

The closing of the Link-16 TDL Sale is subject to the satisfaction or waiver of certain closing conditions and there can be no assurance that these conditions will be satisfied on the timeline we expect or at all. The Link-16 TDL Sale may also be terminated in certain specified circumstances, including if the sale is not completed by October 1, 2023 (subject to certain extensions under certain circumstances). While the Link-16 TDL Sale is pending or if the sale is not completed, we may be subject to several risks including:

- the current trading price of our common stock may reflect a market assumption that the Link-16 TDL Sale will be completed;
- we have incurred and expect to continue to incur significant transaction costs in connection with the Link-16 TDL Sale whether or not the sale is completed;

- under the Asset Purchase Agreement for the Link-16 TDL Sale, we are subject to certain restrictions on the conduct of the Link-16 TDL Business prior to the completion of the sale, which restrictions could adversely affect our ability to realize certain business strategies or take advantage of certain business opportunities;
- the negative perception of investors, suppliers, customers or employees if the sale is not consummated;
- the amount of indebtedness we incur (and resulting net leverage ratio) may be higher if the sale is not consummated; and
- the attention of our management may be directed toward the completion of the pending sale and related matters, and their focus may be diverted from our day-to-day business operations.

Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
2.1*	Asset Purchase Agreement, dated as of October 1, 2022, by and between Viasat, Inc. and L3Harris Technologies, Inc.	8-K	000-21767	2.1	10/03/2022	
10.1	Sixth Amendment to Credit Agreement, dated as of August 3, 2022, among Viasat Technologies Limited, Viasat, Inc., JP Morgan Chase Bank, National Association, and the Export-Import Bank of the United States	10-Q	000-21767	10.2	08/09/2022	
10.2**	1996 Equity Participation Plan of Viasat, Inc. (As Amended and Restated Effective September 1, 2022)	8-K	000-21767	10.1	09/02/2022	
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					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	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase					X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

* Certain schedules to this Exhibit have been omitted pursuant to Regulation S-K Item 601(b)(2) or 601(a)(5) (as applicable). Viasat agrees to furnish a supplemental copy of any omitted schedule to the SEC upon request; provided, however, that Viasat may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934 for any document so furnished.

** Indicates management contract, compensatory plan or arrangement.

*** The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of Viasat under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements 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.
November 9, 2022	/s/ MARK DANKBERG
	Mark Dankberg Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
	/s/ SHAWN DUFFY
	Shawn Duffy Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Dankberg, Chief Executive Officer of Viasat, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viasat, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ MARK DANKBERG
Mark Dankberg
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Shawn Duffy, Chief Financial Officer of Viasat, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viasat, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ SHAWN DUFFY
Shawn Duffy
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Viasat, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

a) the accompanying quarterly report on Form 10-Q of the Company for the quarterly period ended September 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022

/s/ MARK DANKBERG
Mark Dankberg
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Viasat, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

a) the accompanying quarterly report on Form 10-Q of the Company for the quarterly period ended September 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022

/s/ SHAWN DUFFY
Shawn Duffy
Chief Financial Officer