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

# FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended September 30, 1997. 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 ( 0-21767 )

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

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

2290 COSMOS COURT, CARLSBAD, CALIFORNIA 92009
(760) 438-8099
(Address, including zip code, and telephone number, including area code, of principal executive offices)

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 [X] No [ ]

The number of shares outstanding of the issuer's common stock, $.0001 par value, as of October 31, 1997 was 7,808,208.

VIASAT, INC.
INDEX


| | PAGE |
|---|---|
| PART I. FINANCIAL INFORMATION | |
| Item 1. Financial Statements | |
| Condensed Balance Sheet at September 30, 1997 and March 31, 1997 | 2 |
| Condensed Statement of Income for the three and six months ended September 30, 1997 and 1996 | 3 |
| Condensed Statement of Cash Flows for the six months ended September 30, 1997 and 1996 | 4 |
| Condensed Statement of Stockholders' Equity for the six months ended September 30, 1997 | 5 |
| Notes to Condensed Financial Statements | 6 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 9 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 12 |
| PART II. OTHER INFORMATION | |
| Item 4. Submission of Matters to a Vote of Security Holders | 13 |
| Item 6. Exhibits and Reports on Form 8-K | 13 |

VIASAT, INC.
CONDENSED BALANCE SHEET

| | SEPTEMBER 30, 1997 (UNAUDITED) | MARCH 31, 1997 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 13,299,000 | $ 12,673,000 |
| Accounts receivable | 13,394,000 | 10,315,000 |
| Inventory | 5,736,000 | 4,478,000 |
| Deferred income taxes | 1,198,000 | 863,000 |
| Other current assets | 493,000 | 1,825,000 |
| Total current assets | 34,120,000 | 30,154,000 |
| Property and equipment, net | 5,736,000 | 5,085,000 |
| Other assets | 499,000 | 435,000 |
| Total assets | $ 40,355,000 | $ 35,674,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 5,139,000 | $ 4,844,000 |
| Accrued liabilities | 5,584,000 | 3,769,000 |
| Current portion of notes payable | 1,088,000 | 1,135,000 |
| Total current liabilities | 11,811,000 | 9,748,000 |
| Notes payable | 1,134,000 | 1,428,000 |
| Other liabilities | 1,053,000 | 879,000 |
| Total long-term liabilities | 2,187,000 | 2,307,000 |
| Contingencies (Note 8) | | |
| Stockholders' equity: | | |
| Common stock | 81,000 | 81,000 |
| Paid in capital | 16,324,000 | 16,044,000 |
| Stockholders' notes receivable | | (80,000) |
| Retained earnings | 9,952,000 | 7,574,000 |
| Total stockholders' equity | 26,357,000 | 23,619,000 |
| Total liabilities and stockholders' equity | $ 40,355,000 | $ 35,674,000 |

See accompanying notes to condensed financial statements.

VIASAT, INC.

CONDENSED STATEMENT OF INCOME
(UNAUDITED)

| | THREE MONTHS ENDED SEPTEMBER 30, | | SIX MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| Revenues | $ 15,931,000 | $ 11,850,000 | $ 30,407,000 | $ 21,582,000 |
| Cost of revenues | 10,513,000 | 8,471,000 | 19,872,000 | 15,333,000 |
| Gross profit | 5,418,000 | 3,379,000 | 10,535,000 | 6,249,000 |
| Operating expenses: | | | | |
| Selling, general and Administrative | 1,826,000 | 1,272,000 | 3,616,000 | 2,313,000 |
| Independent research and Development | 1,832,000 | 1,160,000 | 3,453,000 | 2,218,000 |
| Income from operations | 1,760,000 | 947,000 | 3,466,000 | 1,718,000 |
| Other income (expense): | | | | |
| Interest income | 206,000 | 39,000 | 415,000 | 69,000 |
| Interest expense | (52,000) | (64,000) | (102,000) | (125,000) |
| Income before income taxes | 1,914,000 | 922,000 | 3,779,000 | 1,662,000 |
| Provision for income taxes | 711,000 | 318,000 | 1,401,000 | 580,000 |
| Net income | $ 1,203,000 | $ 604,000 | $ 2,378,000 | $ 1,082,000 |
| Net income per share | $ .15 | $ .10 | .29 | .18 |
| Common equivalent shares | 8,198,049 | 6,128,938 | 8,120,354 | 6,120,635 |

See accompanying notes to condensed financial statements.

# VIASAT, INC.
## CONDENSED STATEMENT OF CASH FLOWS
## (UNAUDITED)

| | SIX MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1997 | 1996 |
| Cash flows from operating activities: | | |
| Net income | $ 2,378,000 | $ 1,082,000 |
| Adjustments to reconcile net income to net cash provided by (used) in operating activities: | | |
| Depreciation | 974,000 | 619,000 |
| Deferred income taxes | (382,000) | (465,000) |
| Increase (decrease) in cash resulting from changes in: | | |
| Accounts receivable | (3,079,000) | (449,000) |
| Inventory | (1,258,000) | (2,455,000) |
| Other assets | 1,315,000 | (252,000) |
| Accounts payable | 295,000 | 1,178,000 |
| Accrued liabilities | 1,815,000 | 458,000 |
| Other liabilities | 174,000 | 245,000 |
| Net cash provided by (used in) operating activities | 2,232,000 | (39,000) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,625,000) | (1,260,000) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of notes payable | 524,000 | 326,000 |
| Repayment of notes payable | (865,000) | (316,000) |
| Proceeds from issuance of common stock | 360,000 | 178,000 |
| Net cash provided by financing activities | 19,000 | 188,000 |
| Net increase (decrease) in cash and cash equivalents | 626,000 | (1,111,000) |
| Cash and cash equivalents at beginning of period | 12,673,000 | 2,297,000 |
| Cash and cash equivalents at end of period | $ 13,299,000 | $ 1,186,000 |
| Supplemental information: | | |
| Cash paid for interest | $ 102,000 | $ 125,000 |
| Cash paid for income taxes | $ 1,744,000 | $ 1,086,000 |

See accompanying notes to condensed financial statements.

VIASAT, INC.
CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

| | COMMON STOCK | | | | |
|---|---|---|---|---|---|
| | NUMBER OF SHARES | AMOUNT | PAID IN CAPITAL | STOCKHOLDERS' NOTES RECEIVABLE | RETAINED EARNINGS |
| Balance at March 31, 1997 | 7,742,274 | $ 81,000 | $ 16,044,000 | $ (80,000) | $7,574,000 |
| Purchase of common stock | 63,224 | | 280,000 | | |
| Shares subscribed | | | | 80,000 | |
| Net income | | | | | 2,378,000 |
| Balance at September 30,1997 | 7,805,498 | $ 81,000 | $16,324,000 | $ | $9,952,000 |

See accompanying notes to condensed financial statements.

VIASAT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying condensed balance sheet as of September 30, 1997 and the condensed statements of income and of cash flows for the three and six month periods ended September 30, 1997 and 1996, and the statement of stockholders' equity for the six months ended September 30, 1997 have been prepared by ViaSat, Inc. (the "Company"), and have not been audited. These financial statements, in the opinion of management, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position, results of operations and cash flows for all periods presented. These financial statements should be read in conjunction with the financial statements and notes thereto for the year ended March 31, 1997 included in the Company's 1997 Annual Report on Form 10-K. Interim operating results are not necessarily indicative of operating results for the full year.

NOTE 2 - MANAGEMENT ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

NOTE 3 - REVENUE RECOGNITION

The majority of the Company's revenues are derived from services performed for the United States Government and its prime contractors under a variety of contracts including cost-plus-fixed fee, fixed-price, and time and materials type contracts. Generally, revenues are recognized as services are performed using the percentage of completion method, measured primarily by costs incurred to date compared with total estimated costs at completion or based on the number of units delivered. The Company provides for anticipated losses on contracts by a charge to income during the period in which they are first identified.

Contract costs, including indirect costs, are subject to audit and negotiations with Government representatives. These audits have been completed and agreed upon through fiscal year 1994. Contract revenues and accounts receivable are stated at amounts which are expected to be realized upon final settlement.

NOTE 4 - INVESTMENTS

At September 30, 1997, the Company held investments in investment grade securities with maturities of three months or less. Management determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. The Company has included these securities, net of amortization, in cash and cash equivalents and has designated them as held to maturity.

NOTE 5 - EARNINGS PER SHARE

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." SFAS No. 128 will be adopted by the Company as required in the third quarter of fiscal 1998. Upon adoption of SFAS No. 128, the Company will present basic earnings per share as well as diluted earnings per share. Basic earnings per share will be computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share will be computed based on the weighted average number of shares of common stock outstanding during the period increased by the effect of dilutive stock options using the treasury stock method. Basic earnings per share for the six months ended September 30, 1997 and 1996 are $0.31 and

VIASAT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

$0.18, respectively. Basic earnings per share for the three months ended September 30, 1997 and 1996 are $0.15 and $0.10, respectively. Diluted earnings per share for the six months ended September 30, 1997 and 1996 are $0.29 and $0.18, respectively. Diluted earnings per share for the three months ended September 30, 1997 and 1996 are $0.15 and $0.10, respectively.

NOTE 6 - COMPOSITION OF CERTAIN BALANCE SHEET CAPTIONS

| | SEPTEMBER 30, 1997 (UNAUDITED) | MARCH 31, 1997 |
|---|---|---|
| Accounts receivable: | | |
| Billed | $ 9,173,000 | $ 6,860,000 |
| Unbilled | 4,221,000 | 3,455,000 |
| | $13,394,000 | $10,315,000 |
| Inventory: | | |
| Raw materials | $ 1,932,000 | $ 1,418,000 |
| Work in process | 3,109,000 | 2,662,000 |
| Finished goods | 695,000 | 398,000 |
| | $ 5,736,000 | $ 4,478,000 |
| Accrued liabilities: | | |
| Collections in excess of revenues | $ 2,134,000 | $ 355,000 |
| Current portion of warranty reserve | 1,348,000 | 806,000 |
| Accrued vacation | 809,000 | 821,000 |
| Accrued 401(k) matching contribution | 379,000 | 553,000 |
| Income taxes payable | 288,000 | 252,000 |
| Accrued bonus | 211,000 | 762,000 |
| Other | 415,000 | 220,000 |
| | $ 5,584,000 | $ 3,769,000 |

NOTE 7 - INCOME TAXES

The provision (benefit) for income taxes is as follows:

| | SIX MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1997 (UNAUDITED) | 1996 (UNAUDITED) |
| Current tax provision: | | |
| Federal | $ 1,427,000 | $ 857,000 |
| State | 356,000 | 188,000 |
| | 1,783,000 | 1,045,000 |
| Deferred tax provision: | | |
| Federal | (323,000) | (370,000) |
| State | (59,000) | (95,000) |
| | (382,000) | (465,000) |
| Total provision for income taxes | $ 1,401,000 | $ 580,000 |

NOTE 7 - INCOME TAXES (CONT.)

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

| | SEPTEMBER 30, 1997 | MARCH 31, 1997 |
|---|---|---|
| | (UNAUDITED) | |
| Deferred tax assets: | | |
| Warranty reserve | $ 813,000 | $ 528,000 |
| Accrued vacation | 242,000 | 247,000 |
| Inventory reserve | 337,000 | 280,000 |
| Other | 316,000 | 260,000 |
| Total deferred tax assets | 1,708,000 | 1,315,000 |
| Deferred tax liabilities: | | |
| Depreciation | (68,000) | (57,000) |
| Net deferred tax assets | $ 1,640,000 | $ 1,258,000 |

NOTE 8 - CONTINGENCIES

The Company is currently a party to various government and commercial contracts which require the Company to meet performance covenants and project milestones. Under the terms of these contracts, failure by the Company to meet such performance covenants and milestones permit the other party to terminate the contract and, under certain circumstances, recover liquidated damages or other penalties. The Company is currently not in compliance, or in the past was not in compliance with the performance or milestone requirements of many of these contracts. Historically, the Company's customers have not elected to terminate such contracts or seek liquidated damages from the Company and management does not believe that its existing customers will do so; therefore, the Company has not accrued for any potential liquidated damages or penalties.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

When used in this discussion, the words "believes," "anticipated" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including without limitation the disclosures made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report, as well as under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for its fiscal year ended March 31, 1997 filed with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of total revenues, certain income data for the periods indicated.

| | THREE MONTHS ENDED SEPTEMBER 30, | | SIX MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| Revenue | 100.0 | 100.0 | 100.0 | 100.0 |
| Cost of revenue | 66.0 | 71.5 | 65.4 | 71.0 |
| Gross profit | 34.0 | 28.5 | 34.6 | 29.0 |
| Operating expenses: | | | | |
| Selling, general, and administrative | 11.5 | 10.7 | 11.9 | 10.7 |
| Independent research and development | 11.5 | 9.8 | 11.4 | 10.3 |
| Income from operations | 11.0 | 8.0 | 11.4 | 8.0 |
| Income before income taxes | 12.0 | 7.8 | 12.4 | 7.7 |
| Net income | 7.6 | 5.1 | 7.8 | 5.0 |

THREE MONTHS ENDED SEPTEMBER 30, 1997 VS. THREE MONTHS ENDED SEPTEMBER 30, 1996

Revenues. Revenues increased 34.4% from $11.9 million for the three months ended September 30, 1996 to $15.9 million for the three months ended September 30, 1997. This increase was primarily due to increases in revenues generated by VM-200's (UHF DAMA stand-alone modems), Starwire(TM) satellite networking systems and Joint Communication Simulator ("JCS") products. These increases were partially offset by a decrease in revenues derived from Enhanced Manpack UHF Terminal ("EMUT") production and UHF DAMA network control stations and modems.

Revenue from commercial customers grew from $59,000 for the three months ended September 30, 1996 to $2.5 million for the three months ended September 30, 1997. JCS business area revenues grew from $1.1 million for the three months ended September 30, 1996 to $2.1 million for the three months ended September 30, 1997. UHF business area revenues grew from $8.5 million for the three months ended September 30, 1996 to $9.2 million for the three months ended September 30, 1997.

Gross Profit. Gross profit increased 60.3% from $3.4 million (28.5% of revenues) for the three months ended September 30, 1996 to $5.4 million (34.0% of revenues) for the three months ended September 30, 1997. Gross profit increased as a result of certain long-term contracts realizing higher profits than initial estimates used to recognize revenue on a percent complete basis. In addition, the Company's sales for the three months ended September 30, 1997 were comprised of higher margin products relative to the same quarter of the prior year.

Selling, General and Administrative Expenses. Selling, general and administrative ("SG&A") expenses increased 43.6% from $1.3 million (10.7% of revenues) for the three months ended September 30, 1996 to $1.8 million (11.5% of revenues) for the three months ended September 30, 1997. The increase in SG&A expenses as a percentage of revenues reflects increased expenditures relating to the introduction and marketing of commercial products, increased business development staff for defense programs, and additional administrative staffing to support the Company's growth. SG&A expenses consist primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, finance, contract administration and general management. Certain SG&A expenses are difficult to predict and vary based on specific government and commercial sales opportunities.

Independent Research and Development. Independent Research and Development ("IR&D") expenses increased 57.9% from $1.2 million (9.8% of revenues) for the three months ended September 30, 1996 to $1.8 million (11.5% of revenues) for the three months ended September 30, 1997. This increase resulted primarily from higher IR&D expenses related to the Company's StarWire(TM) DAMA product, which represented approximately 84% of total IR&D for the three months ended September 30, 1997.

Interest Expense. Interest expense decreased 18.8% from $64,000 for the three months ended September 30, 1996 to $52,000 for the three months ended September 30, 1997. Interest expense relates to loans for the purchase of capital equipment, which are generally four year fixed-rate term loans, and to short-term borrowings under the Company's line of credit to cover working capital requirements. Total outstanding equipment loans were $2.5 million at September 30, 1996 and $2.2 million at September 30, 1997. There were no outstanding borrowings under the Company's line of credit as of September 30, 1996 and 1997.

Interest Income. Interest income increased from $39,000 for the three months ended September 30, 1996 to $206,000 for the three months ended September 30, 1997. Interest income relates to interest earned on short-term deposits of cash.

Provision for Income Taxes. The Company's effective income tax rate increased from 35% for the three months ended September 30, 1996 to 37% for the three months ended September 30, 1997. The Company's effective income tax rate increased due to a limitation on qualified research and development expenditures used to calculate the Company's research and development tax credit.

SIX MONTHS ENDED SEPTEMBER 30, 1997 VS. SIX MONTHS ENDED SEPTEMBER 30, 1996

Revenues. Revenues increased 40.9% from $21.6 million for the six months ended September 30, 1996 to $30.4 million for the six months ended September 30, 1997. This increase was primarily due to increases in revenues generated by VM-200's (UHF DAMA stand-alone modems), Starwire(TM) satellite networking systems and JCS products. These increases were partially offset by a decrease in revenues derived from EMUT production and UHF DAMA network control stations and modems.

Revenue from commercial customers grew from $200,000 for the six months ended September 30, 1996 to $3.0 million for the six months ended September 30, 1997. JCS business area revenues grew from $1.9 million for the six months ended September 30, 1996 to $5.2 million for the six months ended September 30, 1997. UHF business area revenues grew from $14.9 million for the six months ended September 30, 1996 to $18.3 million for the six months ended September 30, 1997.

Gross Profit. Gross profit increased 68.6% from $6.2 million (29.0% of revenues) for the six months ended September 30, 1996 to $10.5 million (34.6% of revenues) for the six months ended September 30, 1997. Gross profit increased as a result of certain long-term contracts realizing higher profits then initial estimates used to recognize revenue on a percent complete basis. In addition, the Company's sales for the six months ended September 30, 1997 were comprised of higher margin products relative to the same period of the prior year.

Selling, General and Administrative Expenses. SG&A expenses increased 56.4% from $2.3 million (10.7% of revenues) for the six months ended September 30, 1996 to $3.6 million (11.9% of revenues) for the six months ended September 30, 1997. The increase in SG&A expenses as a percentage of revenues reflects increased expenditures relating to the introduction and marketing of commercial products, increased business development staff for defense programs, and additional administrative staffing to support the Company's growth.

Independent Research and Development. IR&D expenses increased 55.7% from $2.2 million (10.3% of revenues) for the six months ended September 30, 1996 to $3.5 million (11.4% of revenues) for the six months ended September 30, 1997. This increase resulted primarily from higher IR&D expenses related to the Company's StarWire(TM) DAMA product, which represented approximately 86% of total IR&D for the six months ended September 30, 1997.

Interest Expense. Interest expense decreased 19.1% from $125,000 for the six months ended September 30, 1996 to $102,000 for the six months ended September 30, 1997.

Interest Income. Interest income increased from $69,000 for the six months ended September 30, 1996 to $415,000 for the six months ended September 30, 1997

Provision for Income Taxes. The Company's effective income tax rate increased from 35% for the six months ended September 30, 1996 to 37% for the six months ended September 30, 1997. The Company's effective income tax rate increased due to a limitation on qualified research and development expenditures used to calculate the Company's research and development tax credit.

BACKLOG

At September 30, 1997, the Company had firm backlog of $74.6 million, of which $61.9 million was funded. The firm backlog of $74.6 million does not include contract options of $26.3 million. Of the $74.6 million in firm backlog, approximately $31 million is expected to be delivered in the fiscal year ending March 31, 1998, $21 million is expected to be delivered in the fiscal year ending March 31, 1999 and the balance is expected to be delivered in the fiscal year ending March 31, 2000 and thereafter. The Company had firm backlog of $78.4 million, of which $67.6 million was funded, not including options of $24.9 million, at March 31, 1997. The Company includes in its backlog only those orders for which it has accepted purchase orders. However, backlog is not necessarily indicative of future sales. A majority of the Company's backlog scheduled for delivery can be terminated at the convenience of the government since orders are often made substantially in advance of delivery, and the Company's contracts typically provide that orders may be terminated with limited or no penalties. In addition, purchase orders may set forth product specifications that would require the Company to complete additional product development. A failure to develop products meeting such specifications could lead to a termination of the related purchase order.

The backlog amounts as presented 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. The Company's customers allocate funds for expenditures on long-term contracts on a periodic basis. The ability of the Company to realize revenues from government contracts in backlog is dependent upon adequate funding for such contracts. Although funding of its government contracts is not within the Company's control, the Company's experience indicates that actual contract fundings have ultimately been approximately equal to the aggregate amounts of the contracts.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date primarily from cash flow from operations, bank line of credit financing, equity financing and loans for the purchase of capital equipment. Cash provided/(used) by operating activities for the six months ended September 30, 1997 and 1996 was $2.2 million and ($39,000), respectively. The relative increase in cash provided by operating activities for the six months ended September 30, 1997 compared to the same period of the prior year was primarily due to a $1.3 million increase in net income and higher levels of accrued liabilities and lower levels of other assets which were partially offset by higher levels of receivables and inventories. Accrued liabilities increased primarily as a result of an advance received from a customer. Other assets decreased primarily due to the collection of a non-trade receivable. The increase in accounts receivable resulted from an increase in the Company's revenues. Inventory levels increased due to the growing share of revenues derived from production contracts, which required the Company to build inventory levels to support production demands. The Company anticipates that in future periods the level of inventories will be higher than historical levels.

Cash used in investing activities for the six months ended September 30, 1997 and 1996 was $1.6 million and $1.3 million, respectively. The increase was the result of purchases of property and equipment, primarily consisting of test equipment and computers.

Cash provided by financing activities for the six months ended September 30, 1997 and 1996 was $19,000 and $188,000, respectively. This decrease was the result of net notes payable repayments of $341,000 which were offset by $360,000 received for the purchase of the Company's Common Stock.

At September 30, 1997, the Company had $13.3 million in cash and cash equivalents, $22.3 million in working capital and $2.2 million in long-term debt, which consisted of equipment financing. The Company had a zero balance under its line of credit at September 30, 1997.

The Company's credit facility with Union Bank includes a $6.0 million line of credit and $4.5 million in commitments for equipment financing. The line of credit allows the Company to borrow, for general working capital purposes, the greater of $2.0 million or 80% of eligible accounts receivable plus 50% of the Company's eligible inventory. At the Company's option, interest accrues either at the bank's prime rate or at the bank's LIBOR rate plus 1.75%. The credit facility expires on September 15, 1998. The Company is required to pay a fee equal to 0.09% of the unused portion of the line of credit on a quarterly basis.

The Company's future capital requirements will depend upon many factors, including the progress of the Company's research and development efforts, expansion of the Company's marketing efforts, and the nature and timing of commercial orders. The Company believes that its current cash balances, amounts available under its credit facilities and net cash expected to be provided by operating activities, will be sufficient to meet its working capital and capital expenditure requirements for at least the next 12 months. Management intends to invest the Company's cash in excess of current operating requirements in short-term, interest-bearing, investment-grade securities.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

PART II - OTHER INFORMATION

ITEM. 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company held its Annual Meeting of Stockholders on August 13, 1997.

(b) The matters voted upon at the meeting and the votes cast with respect thereto were as follows:

1. Election of Director

| Nominee for Director | Votes Cast For | Votes Withheld | Abstentions | Broker Non-Votes |
|---|---|---|---|---|
| Dr. Robert W. Johnson | 6,234,106 | 5,050 | -- | -- |

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 11.1 - Computation of Earnings Per Share
Exhibit 27.1 - Financial Data Schedule

(b) The Company filed no reports on Form 8-K during the quarter ended September 30, 1997.

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.

Date: November 13, 1997 /s/ Mark D. Dankberg

----------------

MARK D. DANKBERG
President
Chief Executive Officer

/s/ Gregory D. Monahan

----------------

GREGORY D. MONAHAN
Vice President & General Counsel
Chief Financial Officer

EXHIBIT 11.1

VIASAT, INC.
COMPUTATION OF EARNINGS PER SHARE
(UNAUDITED)

| | THREE MONTHS ENDED SEPTEMBER 30, | | SIX MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 1997 | 1996 (1) | 1997 | 1996 (1) |
| Net Income | $1,203,000 | $ 604,000 | $2,378,000 | $1,082,000 |
| Weighted average number of common shares outstanding | 7,792,402 | 3,432,297 | 7,768,262 | 3,392,911 |
| Assumed conversion of preferred shares | | 2,365,538 | | 2,365,538 |
| Common stock equivalent shares | 405,647 | 194,451 | 352,092 | 186,375 |
| Effect of shares issued and options granted at less than the offering price | | 136,652 | | 175,811 |
| Total number of shares for computing primary earnings per share | 8,198,049 | 6,128,938 | 8,120,354 | 6,120,635 |
| Incremental shares for computing fully diluted earnings per share | 43,767 | 15 | 84,656 | |
| Total number of shares for computing fully diluted earnings per share | 8,241,816 | 6,128,953 | 8,205,010 | 6,120,635 |
| Primary earnings per share | $ .15 | $ .10 | $ .29 | $ .18 |
| Fully diluted earnings per share | $ .15 | $ .10 | $ .29 | $ .18 |

- ---------------
(1) Earnings per share calculations are pro forma.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE VIASAT
INC. FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1997 AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS INCLUDED IN
FORM 10-K

1,000

6-MOS
MAR-31-1998
JUL-01-1997
SEP-30-1997
13,299
0
13,394
0
5,736
34,120
10,208
4,472
40,355
11,811
0
0
0
81
26,276
40,355
30,407
30,407
19,872
19,872
7,069
0
102
3,779
1,401
2,378
0
0
0
2,378
0.29
0.29