September 28, 2014 – There Is Still Time To Invest In Gogo – By Jeffrey Hagenmeier

Investors looking for a growth stock might want to take a look at Gogo. This global aero-communications internet company has been able to capture about 80% of the North American market in wireless service for passenger aircraft. In addition, the company has been able to lock up exclusive contracts with some major airlines like Delta Airlines,American Airlines, Air Canada, Aeromexico, United Airlines and US Airways. This in turn, will permit the company a virtual monopoly until at least 2020. The present situation has allowed the company to erect extensive entry barriers, for competing enterprises in the airline wireless market.

Part of the primary success of the company can be attributed to the original weighty investment in the necessary infrastructure required, in order to be able to offer WiFi service aboard aircraft. Gogo has also recently pursued an aggressive overseas expansion effort.

Gogo internationally services more than 2,000 commercial aircraft on more than 10 major airlines. An additional 6,000 business aircraft employ the company's internet system. Their setup is a factory installed option at every major business aircraft manufacturer.

The company uses three types of technology for the communications services it provides. They are air to ground cellular towers (ATG), Ka,Ku band satellites and the Gogo ground to orbit method.

In North America the system that the company has built is based on the Air To Ground network . It consists of over 150 cellular towers across the United States and is presently expanding into Canada.

At the beginning of the month Gogo and T-Mobile decided to design an agreement that will deliver in-flight texting and voice-mail to T-Mobile customers on all planes serviced by Gogo.

Gogo was able to make an agreement earlier this month with Virgin Atlantic Airways. It will be the first European customer, that will install the company's in-fight connectivity apparatus. It is known as the 2Ku system. It is satellite based.

Gogo was named as the service provider for Inmarsat's Global Xpress Ka Band Satellite service 3 years ago. The company also has understandings in place with SES, which provides coverage for Europe, the Atlantic Ocean and the United States. Another agreement with Intelsat provides coverage in the Atlantic and Northern Pacific Oceans, large parts of Asia, Africa, Australia and Latin America.

The company also won the bidding to provide in flight internet service for Vietnam Airlines. Gogo had already signed a contract with Japan Airlines in 2013.

The expansion effort especially in the overseas market, has contributed to successive net losses since the company went public in 2013. This is mostly the result of the high cost of setting up infrastructure that are necessary for capturing overseas airline business. However, the company is doing very well in the North American market. Eventually established overseas markets, can be expected to start generating profits once the infrastructure is in place.

The Illinois based company was founded in 1991 and employs over 800 individuals. The original IPO (Initial Public Offering) in June 2013 was $17.00 USD (United States Dollar). By the end of the year the share price had risen almost 50% to $24.82.

In 2014 the announcement came that telecommunications behemoth AT&T in collaboration with Honeywell was intending to enter the industry of in-flight internet service. As a result a number of large investors dumped the stock assuming that Gogo would rapidly lose market share, in a competition with these industrial giants. After all, Gogo market capitalization is just 1.5 billion USD.

I believe these investors were too quick in abandoning Gogo for a number of reasons. First the international market will provide enormous potential of expansion for a number of companies. The number of commercial aircraft is projected to expand from 13,000 to 32,000 by 2032. This contrasts with the increase in North America, where it will only grow from 4,000 to 6,000 during the same period. Second, the new combination product being designed by AT&T and Honeywell will not be operational until 2015. So the real competition is still some time away. This will permit the company the third advantage, which is the freedom to continue to develop relationships and sign long term contracts. At the moment, there are still few options. Once an airline commits to Gogo they are unlikely to change since the technology modifications will already be in place. It would cost a great deal of money, to change providers with different systems.

The share price closed at **$18.21 USD** Friday **September 26th**. The stock had accrued a total of $0.42 USD for the day, a 2.36% increase. The low for the day was $17.52 USD and a high of $18.24 USD was reached. The previous day close was $17.79 USD and it opened Friday at $17.82 USD. Volume reached 1,071,471. The average volume has been 1.725 million over the last 3 months. The 52 week range has seen a low of $11.66 USD and a high of $35.77 USD.

Although revenue growth for the company is strong, the problem has been posting consistent profits. That is why the company has been entering into long term contracts and special licensing with a number of airline companies. Increases in speed of connectivity promises greater revenue opportunities.

Long term additional competition like AT&T, will be a challenge as well. This produces some risk to stock owners in the company. At this point however, in my opinion it is still manageable. As an industry leader with low capitalization Gogo may become a target for a merger or takeover. No need to worry. This will most likely benefit owners of the stock in this event.

In the estimate of this investment writer Gogo is in a strong position to do quite well in current market conditions. The industry overall, is geared for major growth and the company is uniquely positioned to benefit from this expansion. The overseas market will be the greatest challenge, since the largest potential for future growth is there. Unfortunately it is also the market where the company is failing to produce a profit, despite steady revenue growth.

As the holiday air traffic season arrives short term investors can expect Gogo to show increases in revenue and therefore, profits. Shares prices in the company as a result, can be expected to increase. A target in excess of **$22.00 USD** is not unreasonable. Longer term investors who may have to wait for new deals and contracts in 2015, can afford a target in excess of **$26.00 USD**.