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Q1 2019 Global Eagle Entertainment Inc Earnings Call

EVENT DATE/TIME: MAY 14, 2019 / 9:00PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Global Eagle Entertainment Inc. First Quarter 2019 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call may be recorded.

It is now my pleasure to hand the conference over to Mr. Peter Lopez, Vice President of Finance and Investor Relations. You may begin, sir.

Peter A. Lopez ***Global Eagle Entertainment Inc. - VP of Finance and Investor Relations***

Thank you, Brian. Good afternoon, and welcome to Global Eagle's business update for the first quarter of 2019. I am Peter Lopez, Global Eagle's Vice President of Finance and Investor Relations. Before we start, I'd like to remind you that our discussion today will include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those forward-looking statements due to various factors that we discussed in our earnings release issued earlier today as well as our 2018 annual report, Form 10-K and 10-Q.

We disclaim any obligation to update those statements whether as a result of new information, future events or otherwise. Our discussion today will also reference adjusted EBITDA, which is a non-GAAP financial measure. We've included a definition of adjusted EBITDA as well as a reconciliation to its most directly comparable GAAP financial measure in the earnings release and in the slide presentation accompanying this webcast.

Now I'd like to turn it over to Josh Marks, Chief Executive Officer of Global Eagle. Josh?

Joshua Benegal Marks ***Global Eagle Entertainment Inc. - CEO & Director***

Thanks, Steve. Good afternoon, everyone. Thanks for joining our call today.

Let's start with Slide 3. Pete and I are joined today by Paul Rainey, our CFO; Per Norén our President; and Jeff Leddy, our Executive Chairman. Per and Jeff will be available for Q&A at the end of the call.

Today, we announced that Paul Rainey, our CFO, will be leaving Global Eagle at the end of this month. Since joining Global Eagle in 2017, Paul helped us improve our finance and accounting processes, raise additional capital and remediate important material weaknesses in our internal controls. He also drove the integration of our acquisitions. Christian Mezger will be our next CFO, with his appointment effective Thursday. He brings leadership experience in financial planning, transformation and capital markets.

Let's turn to Slide 5. I'm going to start with a recap of our business. We're a leading provider of high-speed Internet connectivity, premium movies, live TV, games and digital media for mobility. We connect, entertain and inform passengers, guests, workers and soldiers enriching their time in the air, at sea and at remote land sites.

We have 2 reporting segments: First, our Media & Content segment licenses, processes and distributes movies, audio, games and apps; second, our Connectivity segment offers satellite connectivity for air, sea and land and connectivity-enabled entertainment, including live television, portals, billing and games.

Let's turn to Slide 6 to review the first quarter. On our full year 2018 webcast 2 months ago, we discussed our substantial ongoing improvements. Our first quarter results showcase our progress. We're executing growth while reducing cost. On one hand, we're winning deals based on technology, program execution and reliability. On the other hand, we've driven improvement in gross margin and reduced operating expenses. Today we'll provide more color on these actions, on our gross margin recovery and on our progress towards our goal of generating positive free cash flow by the fourth quarter.

First quarter revenue was $166.6 million, an increase of $10 million over prior year. Adjusted EBITDA was $18.5 million an increase of $1.2 million over prior year and gross margin was 19.5%, up 6 percentage points versus prior quarter.

Let's turn to Slide 7 and cover our Aviation Connectivity business. Our Aviation Connectivity revenue in the first quarter was $45.3 million, an increase of $8.4 million versus prior year. Of this $45.3 million, $31.2 million was services and $14.1 million was equipment. Notably, quarterly in-flight connectivity revenue is up about 30% since our ramp-up of equipment shipments and instillation started in mid-2018.

We activated 22 aircraft with Southwest and Air France during the first quarter with an additional 15 aircraft that were installed and are now awaiting activation. Air France continues on track. Year-to-date installations are keeping pace with our expectations. We target over 60 Air France aircraft to be installed by year-end and the remainder are expected to be installed through early 2021. We continue to see excellent passenger take rates. Our Airconnect Global Ku system with our new three-axis antenna is showing continued reliability in service. Airconnect Global Ku is capable of 500 megabits per aircraft, and we expect to launch live television service on Air France this summer and also introduce premium packages with streaming performance alongside our free messaging services.

Turning to our gross margin for Aviation Connectivity services. We indicated that our Connectivity service margins would drop in the fourth quarter of 2018. This was the case. Our Aviation Connectivity gross margin recovered this quarter to 18.5%. There are 4 key reasons driving this recovery. First, we're increasing network utilization as our fleets grow. We expect to activate more than 100 additional aircraft in North America and Europe during the remainder of 2019. Our network investments from the second half of 2018 support this growth, so activations bring high incremental gross margins.

Second, last year, we built out North American WiFi and TV coverage for new routes, like Hawaii, the Caribbean and Mexico and to support Ku HTS satellites. In Europe, we overlaid capacity using Hughes' JUPITER-based band. As we lit up these upgrades, we committed to minimum capacity levels that we will now leverage with new aircraft activations this year.

Third, with new HTS satellites online, we can provide and procure incremental capacity easier and avoid big step changes in capacity. In essence, we can be more surgical with our bandwidth acquisition. And fourth, as we renew expiring bandwidth, we're resetting rates to market or better. In fact, in the first quarter, we saw about $1.3 million of run rate benefit from Aviation bandwidth renegotiation.

Taken together, in the fourth quarter, we expect our Aviation Connectivity service gross margin to increase another 3 to 4 percentage points versus the 18.5 from the first quarter. In the long term, as we implement our backlog across the Americas and EMEA we expect our Aviation Connectivity gross margins to be above our total Connectivity gross margin guidance of 25% on a normalized basis.

However, looking at the second and third quarters of 2019, Boeing 737 MAX issues could negatively impact our Aviation service gross margins on a temporary basis. We currently serve a total of 26 MAX aircraft that are grounded in addition to MAX aircraft installed, but not yet activated. We are maintaining our linefit equipment delivery dates, so we don't expect material changes to our equipment revenue from the 40 to 50 linefit installations to go this year. However, we will have service revenue impact in the second and third quarters as we currently expect MAX aircraft to reenter service in August.

In addition, we expect retrofit installations on about 20 older generation aircraft will be delayed to later in the year due to aircraft availability. Overall, these MAX program issues could adversely impact 2019 revenue by approximately $3 million to $4 million with about half of that impact potentially dropping to the bottom line. Now we are working with our MAX airline partners and with Boeing to mitigate costs and be ready when the MAX returns to service.

Turning now to passenger experience. We are finding new ways to leverage our media, portal and connectivity expertise. Great connectivity requires more than a big pike and affordable pricing. It requires a user interface that's easy to use, seamless to login and intuitive, and we are helping airlines remove the friction from passenger login and payment. We've invested in technology that enables streaming class performance on legacy satellite networks, delivering streaming performance and great economics with satellite redundancy and seamless coverage and now, we're introducing new front-end capabilities.

We launched our captive portal, which automatically connects user devices to our wireless networks onboard. We're now offering integration of Apple Pay and Google Pay, which use secure, on-device biometrics to take the friction out of login and payment. For Apple Pay, we'll also enable facial recognition. Starting this summer, on our partner airlines, passengers will connect to our portals automatically, authenticate via biometrics and pay using stored cards.

With these new capabilities, we're well positioned to capture larger Aviation Connectivity opportunities. And I am pleased to announce that we've been awarded a major new connectivity program at a large carrier that will leverage our new high-speed European network. We expect this award to become our second largest fleet, serving both Boeing and Airbus single-aisle aircraft. We expect to start installations in 9 to 12 months. And I want to note that our existing content services relationship played an important role in this award.

Let's turn now to Slide 8 and review Media & Content in more detail, given that we're now leveraging these relationships to drive broader business growth.

Our new contracts with United, Saudia, Vietnam and Kuwait airways are now visible, with Media & Content revenue of $80 million increasing $5.1 million versus prior year. We announced a major new content customer in March, the single largest CSP account in the industry. You'll see this positive impact in our third quarter results.

Overall Media & Content revenue growth is trending well ahead of 2018. And let me take a moment and talk about market expansion. In the past, Media & Content revenue was tied to seatback screens on twin-aisle aircraft. Now seatback installations continue growing at about 4% per year, but now we're seeing new growth from nonseat-back media systems. Almost every connectivity system and all wireless IFE systems carry content. And in fact, Global Eagle today provides movies and digital media services to more than 2,300 single-aisle aircraft that don't have seatback screens. So this media growth is additive to wide-body seatback growth.

And the second driver of market expansion for us is technology. We're the only large CSP to invest in digital transformation, and that's translating to new wins. Our cloud infrastructure enables 4K and HD content, breaks monthly update cycles and enables content personalization. We are the CSP of the future, and our vision makes content more relevant for passengers.

So we are maintaining our margins in Media & Content. In the first quarter, our gross margin was 28%, and we now expect long-term revenue growth to be about 5% per year due to digital transformation and non-seatback market growth.

Let's turn now to Slide 9 and discuss our Maritime, Enterprise & Government unit, which we call MEG. In the first quarter, MEG revenue was $41.3 million comprising 48% of our total connectivity revenue and 25% of our overall company revenue.

Our MEG services include WiFi connectivity, global TV broadcasting and equipment services for guests, crews, remote workers and soldiers. We are a scaled provider serving blue-chip customers.

Cruise revenue was $16.2 million in the first quarter. In the context of our cruise contract reset in the fourth quarter of 2018, this was good performance. We finished the quarter with 117 cruise ships with connectivity, most also with television, and an additional 168 cruise ships with only TV services for a total fleet of 285 cruise and large ferry vessels. TV continues to be our flagship product. We've doubled TV revenue now since we acquired EMC, and our growth continues at a mid-teens CAGR.

Looking forward, we expect our cruise revenue will be driven 70% by connectivity and 30% by television. After our first quarter installations, we do expect ship count to be stable for the rest of this year, with new growth in 2020 from contractually committed newbuilds, new revenue share programs, committed bandwidth upgrades and growth in television.

Turning to yachts. We focus on larger vessels. We sell direct and we service customers through marine service providers that handle on-ship repairs and integration. First quarter yacht revenue was $5.7 million with 90% from connectivity and the rest from equipment and repairs. Our yacht business has seasonality with a first quarter low and a third quarter peak. At first quarter end, we served 230 yachts.

We also serve the commercial shipping and energy industries. We finished the first quarter with 457 active ships and rigs, generating revenue of $5.0 million. We expect revenue from this segment to be flat this year as we focus on our cruise and yacht sectors, where we leverage entertainment and service capabilities.

Turning to Enterprise and Government. We expect to complete our African MNO or cellular backhaul wind down this year. Other than this expected decline, we saw 2% site growth year-over-year in the first quarter. We have 4,355 sites across Enterprise and Government. Revenue in the first quarter was $10.7 million from Enterprise and $3.7 million from Government. We expect Government sites to grow significantly this year, offset by Enterprise site decline as we complete our MNO wind down and focus on higher-margin sites.

Let's turn now to Slide 10 and cover some key initiatives and cost management and free cash flow. Now in the context of our revenue growth, we delivered cost reduction without negatively impacting our programs. With the vast majority of 2019 revenue under contract and with a healthy pipeline, we are focused on gross margin improvement and operating expense reduction. In February, we made material cost structure changes to set the course for a $100 million plus EBITDA annual run rate by year-end in addition to generating positive free cash flow.

First, we consolidated headcount. This action impacts both our labor cost and associated travel and entertainment and facilities cost. We are on target to reduce our labor cost run rate by $20 million, with most role reductions already completed and the remainder to complete by mid-summer.

By the end of this quarter, we will have eliminated 23 VP, SVP and EVP roles, streamlining and consolidating our leadership structure. With tighter cost controls, we are on track to reduce travel and entertainment by about $5 million this year and reduce our facilities cost by about $2 million this year. In fact by the end of 2019, we will have exited 18 facilities since January 2018.

Second, we are focused on Professional Services spend, particularly in development, information technology and finance. In the fourth quarter of 2018, we finished our Oracle ERP consolidation and the commercial launch of our three-axis antenna, so we expected savings as we enter 2019.

Our Professional Services spend in the first quarter was $8.2 million, a substantial improvement.

Third, we accelerated efforts to reprice expiring bandwidth. We're seeing gross margin improvement in connectivity as we launch aircraft on our current networks, and we have significant opportunity now as our existing capacity orders expire. To be clear, we are becoming more efficient across our entire business through improved cost management.

Finally, I want to turn to our progress on liquidity. We are confident that we have sufficient liquidity and can self-fund our transformation based on revenue growth, cost actions taken, cost reductions to be completed in the second and third quarter, lower capital expenditures and completion of one-time restructuring costs.

We finished the first quarter with liquidity of $51 million, and we're at about this level today. Our strategy is to keep our revolver balance as low as possible to minimize interest expense.

I want to highlight 2 points on liquidity. First, our working capital was generally stable in the first quarter. We will recycle working capital as we are paid for aircraft connectivity installations and reinvest in our supply chain. We expect our swings in working capital for the remainder of this year to be much more muted relative to 2018. Our cash flow from operations, excluding working capital variations, improved over $7 million from the prior quarter.

Second, first quarter capital expenditures were $9.1 million, this was down $6.1 million from the prior year period. Of this $9.1 million, $4.2 million was related to programs that will not recur moving forward as they have completed. The remainder was related to network build-out and software development. We continue to expect capital expenditures to be down materially year-over-year. So while we believe that we have adequate liquidity and numerous liquidity levers, we are considering several strategic options related to our nonaviation segments.

Today, we operate a complex connectivity business for air, sea and land, and we are considering divestiture of various business assets, including the potential sale of our Maritime, Enterprise and our Government business units. This process is the result of repeated, inbound interest from numerous parties over the last year.

We are being opportunistic in our evaluation, as there is no certainty that we will transact as we have positive momentum in the MEG unit. We are seeing significant improvement in profitability and cash flow performance from the actions taken over the last year.

We retained Barclays Capital to advice us in evaluating our options. And we will pursue these initiatives if we believe we can strengthen and enhance stakeholder value. We expect to conclude our evaluation this summer.

Separately, we are considering the sale of certain joint venture assets -- interests consistent with our strategy to reduce leverage and focus our resources.

To discuss our financials in more detail, I want to hand the discussion over to Paul Rainey.

Paul Rainey ***Global Eagle Entertainment Inc. - Executive VP & CFO***

Thank you, Josh. Let's turn to Slide 12. We had first quarter revenue of $166.6 million, reflecting 6.5% growth versus the prior year. Adjusted EBITDA was $18.5 million, a $1.2 million improvement versus prior year. You can see clearly that progress is being made.

On Slide 13, I would like to discuss 3 key items related to the quarter and relevant to our future financial performance: First, I'll discuss the sustainability of our revenue growth; second, we'll cover the improvement of our gross margins driven by connectivity; and third, I want to address the liquidity and our path to positive free cash flow.

Starting with revenue growth. Our new content wins are ramping up alongside aircraft connectivity activations and growing services to our cruise customers. Josh provided details in all of these areas earlier in the call, but I will recap some of the headline numbers at this time.

Connectivity revenue was $86.6 million, up 6.2% versus prior year. This was driven by aircraft installations, equipment shipments and sequentially quarterly improvement in our cruise business. Aviation Connectivity equipment revenue was up 11% versus the prior year. We expect Aviation Connectivity equipment revenue to be strong this year, which will translate to the current service revenue growth in future quarters.

In Media & Content, total revenue was $80 million, up 6.8% versus prior year. Revenue growth was driven by new contracts with 4 major airlines. During the first quarter, our Media & Content gross margin was stable at 28%.

Now let's discuss our improved gross margins. On our March webcast, we said our fourth quarter 2018 revenue and earnings were negatively impacted by cruise contract renewals and a shift of aircraft activations into 2019. We outlined that our connectivity gross margin would trough in the fourth quarter and begin to recover in the first quarter as installations accelerated. Our first quarter numbers reflect that expected improvement.

Overall, company gross margin improved to 19.5% during the quarter. A 6 percentage point sequential increase versus the fourth quarter of 2018. There were 3 key drivers of this improvement. First, in connectivity, we activated additional aircraft and shipped a higher volume of linefit equipment kits. We also increased our cruise connectivity services and launched a major new cruise TV customer.

Second, we repriced bandwidth supply contracts as legacy commitments expired. We also wound down bandwidth related to our African MNO business, and we expect additional benefits in the second quarter of 2019.

Third, we took significant cost actions, the majority occurred in late February and March. And so the full impact is only partially visible now. This is particularly true for actions related to cost of goods sold, which included consolidation of global support centers, teleport and network backhaul, field teams and bandwidth actions, including our MNO wind down.

Now let's take a look at liquidity and our path to positive free cash flow.

We finished the quarter with approximately $51 million in liquidity. And we are at above this level to date. We expect liquidity in cash flow from operations for 2019 to be adequate to service our debt and support our capital expenditures. As Josh mentioned, we spent $9.1 million on CapEx in the first quarter, but approximately half of this is nonrecurring. Therefore, we continue to expect that we'll be close to our guidance of capital expenditures this year.

As we focus on cash generation, we are seeing strong EBITDA progress. Between the fourth quarter of 2018 and the first quarter of 2019, our EBITDA improved $13.6 million, which includes $2.6 million of nonrecurrent restructuring costs. This EBITDA progress shows a material impact of our revenue growth and cost controls on the underlying cash performance of the business. In addition, we are seeing a significant reduction in below-the-line expenses.

These actions give us confidence in achieving fourth quarter adjusted EBITDA of $25 million or greater, consistent with our goal of positive free cash flow. To get there, we are focused on 3 levers: First, we are managing our growing Aviation programs. We'll ramp up our new content services customer mid-year, and expect our MAX fleet to be back in service in the fourth quarter; second, we are renewing our bandwidth contracts and exiting network capacity related to our MNO business; third, we are completing our labor actions related to the role reductions discussed earlier, which we expect to complete in the third quarter.

Now as I prepare to leave Global Eagle at the end of this month, I want to thank my team for their tireless efforts. When I joined in early 2017, Global Eagle was much behind in financial reporting. We executed a plan to get back on track on our filings, Sarbanes-Oxley compliance and financial control. We've built out the finance and accounting function, we built stronger processes, IT systems and teams.

Now I would like to turn the call over to Christian, so he can introduce himself. Let's turn to Slide 14, which has detail on Christian's background.

Christian Mezger ***Global Eagle Entertainment Inc. - Incoming CFO***

Thank you, Paul. I am excited to join Global Eagle. I've enjoyed getting to know Josh, Per, Pete, Jeff and Global Eagle's leadership team. I'm impressed by their focus to grow customer relationships, while driving efficiency and cost reductions with a clear goal to achieve positive free cash flow by the end of 2019.

Having had leadership roles in different technology companies, including Ciber and Hewlett Packard and having driven them towards improved financial results, I'm passionate about operational discipline.

Coming to Global Eagle, I will work with the management team to accelerate its revenue momentum, consistent with our corporate goals of running a healthy core business with driving customer relationships, driving profitable growth with solid gross margins and transforming our business to operate more efficiently.

Going back here at Hewlett-Packard, I managed a variety of business models across geographic regions and worked closely with my business and functional leaders to improve financial performance.

At Ciber, I let the implementation and continuous improvement of many enterprise-wide processes while delivering enhancements to the business model and working through difficult capital structure questions. I feel my experience is well-suited to Global Eagle's challenges and opportunities, and I am thrilled to join that team.

Josh, back to you.

Joshua Benegal Marks ***Global Eagle Entertainment Inc. - CEO & Director***

Thank you. On behalf of the Board and our senior leadership team, I'd like to thank Paul for his contributions over the last 2 years. Our finance and accounting processes are vastly improved from when he took the role. We remediated material witnesses, we completed key IT programs and we attacked our operating costs, and these efforts are now clearly visible. We thank Paul, we applaud him for his leadership, and you leave Global Eagle with many accomplishments to be proud of. Thank you, Paul.

With that, I'd like to turn the call back to Pete for Q&A.

Peter A. Lopez ***Global Eagle Entertainment Inc. - VP of Finance and Investor Relations***

Thank you, Josh. Brian, we would like to now open it up for questions and answers.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from the line of Rich Valera with Needham.

Roger Foley Boyd ***Needham & Company, LLC, Research Division - Research Analyst***

This is Roger Boyd, on for Rich. I was hoping I could narrow in a little bit closer on the CapEx number. I know last quarter, you had suggested maybe a $20 million for the full year. It sounds like that number might be closer to $24 million.

Paul Rainey ***Global Eagle Entertainment Inc. - Executive VP & CFO***

You know as we talked about, we spent about $9 million in the first quarter with about half of that being nonrecurring. Even the other nonrecurring elements related to customer-facing and other investments that we're making, we will see those reduce as we move throughout the year. So we still see this somewhere around our prior guidance, more than in the low 20s number.

Roger Foley Boyd ***Needham & Company, LLC, Research Division - Research Analyst***

Okay. Thanks. And then I was hoping you could provide a little color on the competitiveness in the cruise business. Last call, you talked about a number of competitor contracts coming up for renewal in this year and in 2020. I was wondering if you've seen any traction with pursuing those opportunities?

Joshua Benegal Marks ***Global Eagle Entertainment Inc. - CEO & Director***

Yes, that's a great question. I think the cruise business continues to be competitive in terms of cruise lines that procure a lot of bandwidth. That said, the importance of integrating multiple satellite networks of having redundancy has become critically important, even more so with the recent failure of different satellites in orbit. When we look at the space, the advantages we bring to the table now in geographic coverage, providing consistency from the very northern latitude down to the Caribbean, the redundancy that we provide across different networks and with our terrestrial wireless network, which allows us to connect ships that are close to shore with high-throughput connectivity that runs through wireless as opposed to satellites and critically our network technology, which is now installed in live service on cruise ships, which provides software-defined networking capability and is able to fuse multiple satellite pipes, multiple connectivity pipes even at different latencies to provide gigabit class service to guests onboard cruise ships. All of those are key differentiators that we offer that we see as unique in the market. And for that reason, we continue to think that we're very well positioned to both grow our current business. Of course, we have new long-term contracts in place with committed ramp ups in revenue over coming years. We have newbuilds that are contractually committed to our fleet. But also the technology provide key differentiation in the market that gives us confidence in our long-term growth capability.

Roger Foley Boyd ***Needham & Company, LLC, Research Division - Research Analyst***

Okay, thanks. And then on a related topic with the Intel -- loss of Intel-29e, is there quantifiable impact to revenue or cost of revenue going forward?

Joshua Benegal Marks ***Global Eagle Entertainment Inc. - CEO & Director***

No.

Operator

(Operator Instructions) Our next question will come from the line of Rick Prentiss with Raymond James.

Richard Hamilton Prentiss ***Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research***

Couple of questions. I think in the beginning of the prepared remarks, you mentioned excellent take rates. Can you kind of give us some ZIP code numbers there? What kind of level are you seeing on take rates? And with Delta announcing that they're going to start trialing free to the passenger, how does that change the dynamics of provisioning to aircraft and making gross margins?

Joshua Benegal Marks ***Global Eagle Entertainment Inc. - CEO & Director***

Sure. So by excellent take rates, I think you need to remember a couple of things. First of all, we do have a freemium business model on multiple carriers. So we do offer free messaging capabilities as well as a paid access to higher performance packages. I think think what we're seeing is airlines are segmenting into different business models. Some want to accentuate the availability of free messaging, while others want to concentrate capacity on the higher performance applications.

And as we look at that environment, I think our network resource management technology, again our software-defined networking and traffic prioritization capabilities, are absolutely critical. I mentioned on the March webcast that we had introduced these capabilities with a large European carrier. And that we were seeing excellent service levels, excellent capability for streaming class services over legacy widebeam satellites. So as you look at sort of future provisioning levels, I think there are a couple of things to keep in mind. The first one is, from a customer perspective, coverage and redundancy are absolutely critical, right? You can't have a service that is streaming class over land, but then drops off as soon you leave a beam. The second piece is that with improvements in codex, meaning compression of the video streams and new technologies, like we have, that allow you to efficiently utilize your network and route traffic dynamically, you get efficiency and performance levels off of traditional legacy infrastructure that gives you a very strong ability to use different types of satellite and gives you a powerful economic base to drive margin and value for our customers.

And then the final piece of the puzzle is, again, flexibility as you look forward. We today are thinking about a future that's not just streaming entertainment, its take rates there in the future may be driven by gaming, may be driven by other lower latency applications as well. And these are areas where our technological flexibility, the fact that we've already demonstrated our antenna in service with lower orbit satellites, the advancements in our network resource management technology, all give us a very strong platform to leverage these new constellations, these new satellites that are coming in the future, while continuing to drive positive economics from both HTS satellites and traditional legacy inclined orbit satellites into the future.

Richard Hamilton Prentiss ***Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research***

Okay. Second question from me is, you mentioned a couple of times the major new program for a large carrier in Europe, and I think in the financial remarks that maybe midyear that comes on stream. Can you help us frame that as far as how many aircraft that might be and the time frame to get them on activated?

Per Norén ***Global Eagle Entertainment Inc. - President***

Yes, this is Per Norén. Yes, I can. It will be at the size of the aircraft construct, which is around 113 aircraft, so in that range plus probably likely. And it also, as Josh mentioned in his prepared remarks, it includes that we had a relationship with this customer previously in the content media and entertainment space, so we're now kind of merging the connective passenger experience together, but the size is of the Air France plus level.

Richard Hamilton Prentiss ***Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research***

Okay.

Joshua Benegal Marks ***Global Eagle Entertainment Inc. - CEO & Director***

And then I'll -- yes, go ahead.

Per Norén ***Global Eagle Entertainment Inc. - President***

That depends on the same forecast of that carriers (inaudible). So there's lot of synergies there.

Joshua Benegal Marks ***Global Eagle Entertainment Inc. - CEO & Director***

Yes. That is the newer word on in-flight connectivity on in-flight contents.

Per Norén ***Global Eagle Entertainment Inc. - President***

Yes. On in-flight content, as we mentioned in our March webcast and now as well, we have won a very large global airline that is a -- that has about 150 aircraft and that we are now in the process of -- we've actually signed the contract, and we are prepared for the content cycle to be onboard in July. The customer has asked us not to reveal yet, and we always respect that from the customer's perspective. But we're in full process of having our content on those aircraft in July.

Richard Hamilton Prentiss ***Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research***

Great. And last one for me. You mentioned that you'll consider possibly selling some or all the MEG business. How easy is that to extract? And what might we think about if the process does head down that way, how would it impact the company, just trying to pull it apart?

Joshua Benegal Marks ***Global Eagle Entertainment Inc. - CEO & Director***

Sure. At this point, we're still working to evaluate our options in that front, which includes the definition of the perimeter of the transaction. So we have a lot of interest, a lot of options to consider as we go through this process. There are areas where we have taken advantage of a joint procurement in the past. For example, bandwidth. Bandwidth, as we've talked about, has been an area where there have been good opportunities between Aviation and the Maritime, Enterprise & Government unit. But for the most part, we have kept the legal and operational structure of the entity separate. And philosophically part of that is driven by the fact that Aviation Connectivity continues to be a very unique business, one that required a very significant amount of engineering know-how, and I think an area where we have differentiated ourselves in program execution. It's very, very challenging to drive Aviation Connectivity from concept through to certification and then successful live passenger service. So we have Maritime, Enterprise & Government unit that has contributed a lot of great technology and a lot of great capabilities. And as we said during the prepared remarks, it is on a very strong trajectory right now in terms of cash flow and improvement.

So we are actively considering what we're doing, but we're under no pressure to do so. We're being really opportunistic about how we're approaching it.

Richard Hamilton Prentiss ***Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research***

Okay. Any impact as far as the bandwidth you've committed to?

Peter A. Lopez ***Global Eagle Entertainment Inc. - VP of Finance and Investor Relations***

No. The Maritime business operates a global Ku-band and C-band network, while the Aviation business runs a Ku network that is now increasingly high-throughput satellites in nature. The modem infrastructure, what will call the baseband, is separate between the 2 entities. So they are separable in that respect.

Operator

(Operator Instructions) And I am showing no additional or follow-up questions. So now, it is my pleasure to hand the conference back over to Mr. Peter Lopez, Vice President of Finance and Investor Relations, for closing comments or remarks.

Peter A. Lopez ***Global Eagle Entertainment Inc. - VP of Finance and Investor Relations***

Thank you, Brian. And thank you all for participating on our first quarter 2019 earnings call. We look forward to updating you on our continued progress next quarter. Brian?

Operator

Thank you, sir. Ladies and gentlemen, thank you for your participation on today's conference. This does conclude our program, and you may all disconnect. Everyone, have a wonderful day.