



S&P 500

2,716.81
-1.56 (-0.06%)

Dow 30

24,220.01
-51.40 (-0.21%)

Nasdaq

7,540.59
+30.29 (+0.40%)

Russell 2000

1,644.72
+1.66 (+0.10%)

Crude Oil

74.14
-0.01 (-0.01%)

US Markets close in 1 hr and 20 mins

Gold

1,243.50
-11.00 (-0.88%)

Verizon To Buy Gogo? 'Not So Fast,' Macquarie Says

John Seward

Benzinga August 27, 2014

Gogo (NASDAQ: [GOGO](#)) is an unlikely acquisition target because of technological, regulatory and practical hurdles, one analyst said Wednesday.

Gogo, which provides Wi-Fi to commercial airline passengers, hit a year-high earlier this month on speculation it would be taken over by **Verizon** (NYSE: [VZ](#)). But Macquarie's Andrew DeGasperi said the likelihood is "tenuous at best."

Separately, DeGasperi cut 15 percent from his 2015 estimate for Gogo's earnings before interest, taxes and depreciation, citing a slowing rate of aircraft installations and expectations of continued high engineering and development costs. DeGasperi maintained a Neutral rating and \$21 target.

As for a buyout, the analyst said Verizon's entry into the market would mean using its cell tower network for air-to-ground service, while most international flights and the industry's future requires satellite-based operations.

Apart from providing Wi-Fi access over water, satellites can deliver more than four times the speed of cell-phone towers.

Gogo announced a deal Tuesday to offer satellite-based Wi-Fi on 58 aircraft operated by **Grupo Aeromexico** starting next year. Gogo signed a similar deal recently with **Japan Airlines**.

Moreover, converting Verizon's wireless standard called 4G LTE for air-to-ground service "would be a long and arduous process," DeGasperi said.

Gogo speculation was driven by **AT&T's** (NYSE: [T](#)) recent plan to enter the market. But DeGasperi said AT&T made the move out of desperation.

The company found that two blocks of its valuable wireless communications spectrum were interfering with **Sirius XM Holdings** (NASDAQ: [SIRI](#)) operations and couldn't be used for terrestrial wireless service.

Going into Wi-Fi for air travelers "was their only option for using that part of the spectrum," DeGasperi said.

In early trading Wednesday, Gogo gained one percent to \$17.69 a share.

[View more ratings on GOGO](#)

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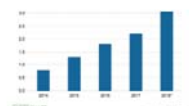
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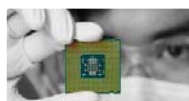
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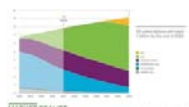
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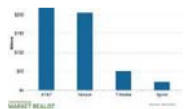
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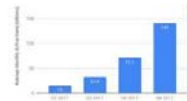
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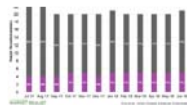
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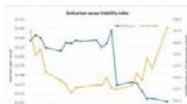
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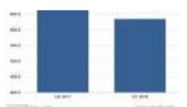
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