

## Communications Infrastructure

**Gilat Satellite Networks (GILT)**
**RATING**  
 BUY

**PRICE TARGET**  
 \$7.00

**PRICE**  
 \$5.74

**52-WEEK RANGE**  
 \$4.51 - \$7.33

## Surging Space Investments to Drive Revenue Growth and Increased Profitability

We initiate coverage of Gilat Satellite Networks (GILT) with a Buy rating and a \$7 PT. GILT is a leading provider of satellite-based communications products, spanning ground equipment, end-point modems and related hardware, and end-to-end networks. GILT products are used across various commercial applications including In-Flight and fixed broadband access, cellular back-haul, and WAN connectivity to enterprise, maritime, trains, and defense end-points.

We anticipate rising profitability and FCF in the company's Peru business, and also believe GILT can take advantage of rapidly expanding opportunities in the multi-orbit satellite sector, including dramatic growth in LEO. Our \$7 price target is based on an EV/Sales multiple of 1.0x and an EV/EBITDA multiple of 7.4x our respective 2024 estimates.

Demand for data connectivity and bandwidth capacity has been growing steadily for decades, yet we believe the industry is seeing an accelerating pace of new launches from satellite operators that sets the stage for a meaningful inflection of revenue growth and capital spending. GILT maintains a strong incumbent market position for its satellite end-point and ground station hardware devices and software platforms. The company's Peru terrestrial network is nearing completion, and we expect a near-term upturn in its profits and FCF.

At the heart of our recommendation, we see GILT poised to benefit from several key market trends:

- In-Flight Connectivity (IFC) is seeing broad global adoption with airlines using passenger WiFi as a competitive weapon.
- Fast-declining launch costs are driving increasing investments from Geo-Stationary Orbit (GSO) operators who need to compete with as well as complement new Low Earth Orbit (LEO) entrants.
- GILT sees a promising opportunity to win new business with fast-emerging LEO operators, and is already competing for at least one major design win with one of the larger ones.
- Mobile operator satellite backhaul is growing steadily, driven by rural expansion.
- Government represents a steady and profitable business driver, largely due to global geo-political tensions.

**RYAN KOONTZ**  
 (650) 561-2226  
 rkoontz@needhamco.com

**KEY DATA**

<b>Market Cap (MM)</b>	<b>\$325.0</b>
Price (06/26/2023)	\$5.74
52-Week Range	\$4.51 - \$7.33
Shares Outstanding	56.62
Avg. Daily Volume	98,833.6

**ESTIMATES**

FY (Dec)	2022A	2023E	2024E
<b>EPS</b>			
Q1	(0.04)A	0.10A	0.07E
Q2	0.01A	0.04E	0.08E
Q3	0.04A	0.05E	0.10E
Q4	(0.11)A	0.11E	0.14E
Year	(0.10)A	0.30E	0.39E
Growth		NM	30.0%
P/E	NM	19.1x	14.7x

**Rev. (MM)(\$)**

Year	239.8A	269.2E	293.7E
Growth Rev		12.3%	9.1%

**Op. Margin**

Year	32.1%A	29.9%E	29.1%E
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**EBITDA**

Year	25.2A	34.0E	41.6E
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## At a Glance

### OUR INVESTMENT THESIS

GILT maintains a strong market position stemming from its long history of innovation and a stable competitive environment. Following relatively slow industry growth over the 2010 decade, we see new capital investment surging in the new LEO satellite segment as well as a growth inflection in the traditional GSO segment driven by demand for data connectivity and increasing bandwidth at all points on the globe. GILT has important exposure to the IFC, fixed broadband, mobile backhaul, rail and maritime transportation, and specialty government markets. With its Peru network construction nearing completion and poised to deliver ~\$50M per year in high-EBITDA revenue, we also expect improved financial performance from its two core satellite business segments. We see GILT leveraging a focused strategy to move up-market and provide more turn-key platform and systems-level products, which should usher in improving margins and profitability. The company's strong balance sheet and improving profitability could enable GILT to become a consolidator of specialty satellite technology needed by a satellite market in the midst of a growth inflection.

### BULL CASE ASSUMPTIONS

- Satellite connectivity and capacity growth accelerates, becoming a disruptive force across many communications industries.
- IFC market growth accelerates as high-performance WiFi becomes a competitive weapon among airlines, further opening a high GM opportunity with high barriers to entry.
- GILT gains share in the fast growing LEO satellite sector.
- Defense satellite spending among U.S. allies remains robust due to global conflicts.
- Profitability from its Peru terrestrial network improves with expanded contracts.

### OUR CASE ASSUMPTIONS

- IFC market growth is steady, driven by major U.S. and European airlines.
- Government satellite spending is flat due to increased spending on commercial solutions.
- Profitability from Peru achieves management expectations.

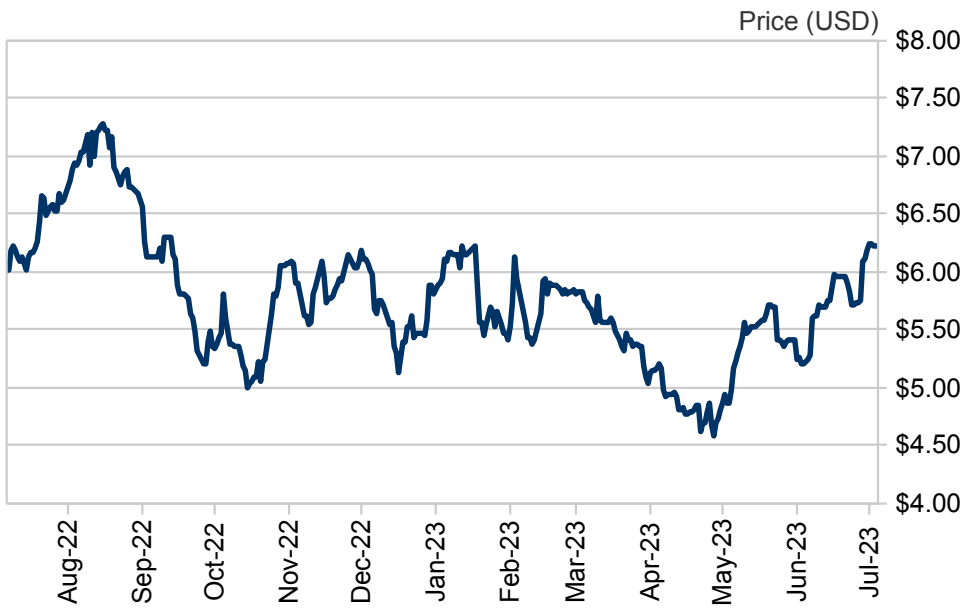
### BEAR CASE ASSUMPTIONS

- GILT does not win meaningful share with LEO operators who meaningfully disrupt GEO and MEO operators.
- IFC market growth slows as airlines reduce capital investment due to difficult macro-economic conditions.
- Government spending on satellites declines.

### COMPANY DESCRIPTION

Gilat Satellite Networks, Ltd is a leading global provider of satellite-based broadband communications products, designing and manufacturing ground-based satellite communications equipment while providing comprehensive solutions for end-to-end services powered by the company's innovative technology. The GILT portfolio includes a cloud-based satellite network platform, Very Small Aperture Terminals, or VSATs, amplifiers, high-speed modems, high-performance on-the-move antennas, and high efficiency, high power Solid State Power Amplifiers, or SSPAs, Block Upconverters, or BUCs, and Transceivers. The company's comprehensive solutions support multiple applications with a full portfolio of products to address key applications, including broadband internet access, cellular backhaul over satellite, enterprise, social inclusion solutions, In-Flight-Connectivity (IFC), maritime, trains, defense, and public safety, all while meeting the most stringent service level requirements. GILT has a large installed base, currently servicing hundreds of active networks. GILT also provides managed network and services for satellite and terrestrial networks, including its large network in Peru.

PRICE PERFORMANCE



KEY DATA

<b>Market Cap (MM)</b>	<b>\$325.0</b>
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## CORE PRODUCTS & TARGET MARKET

Based in Israel, GILT designs and manufactures ground-based satellite communications equipment and networking solutions. The company develops and sells hardware that includes commercial VSAT products, defense satellite communication systems, antennas terminals, modems along with a variety of other hardware products. GILT has a wide international footprint of customers, providing its products and services in LATAM, APAC, North America and EMEA and servicing markets including cellular backhaul, telecom infrastructure and services, Government, Enterprise, Consumer, Aerospace and IFC, Maritime, Land and Defense.

A rapid decline in launch costs is disrupting the satellite and broader communications industries. According to McKinsey, the reported price of heavy launches to low-Earth orbit (LEO) has fallen from \$65,000 per kilogram to \$1,500 per kilogram—more than a 95% decrease over the past several decades. Most of these advances were due to the disruptive launch technology brought to market by SpaceX, which is reported to have raised \$9B in investment capital and a recent valuation of \$137B. New competitors are also entering the space launch sector including United Launch Alliance (ULA), Rocket Lab (RKLB:NR), Blue Origin, Arianespace, Virgin Galactic, and others. Industry estimates indicate that the space industry will generate ~\$1 trillion in revenue by 2040, up from \$370 billion in 2020 and that up to 50,000 new LEO satellites could be launched in the next decade.

In addition, legacy aerospace development models long used in the space and satellite industry have transitioned to modern "agile" models. As a result, development cycles that used to span nearly a decade from concept to launch are now measured in quarters. Countries, companies, and consortiums now have plans to launch tens of thousands of new LEO satellites, which are viewed as a strong complement to traditional GSO satellites that operate at high altitude (GEO) and medium earth orbit (MEO). The faster design cycle and shorter life of LEO satellites creates a faster technology "refresh" opportunity for GILT.

**UNIQUELY POSITIONED TO UNLOCK GROWTH OPPORTUNITIES**

**1 | VHTS & NGSO Constellations - Abundance of Capacity**  
IFC, Maritime, Cellular Backhaul, Enterprise, Social Inclusion

**2 | Strong Tailwinds in Defense**  
Increased focus on military SATCOM networks

**3 | Peru Terrestrial Networks "Investment" Shifting to Operation**  
Recurring revenue model

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Source: Gilat Networks

In 1Q22, GILT restructured its business into three new segments: Satellite Networks, Integrated Solutions, and Network Infrastructure and Services. From 2018-2022 the business was aligned as follows: Fixed Networks, Mobility Solutions and Terrestrial Infrastructure Projects. In F22, the company generated 50% of revenue from Satellite Networks, 26% from Integrated Solutions and 24% from Network Infrastructure and Services, primarily its Peru network business.

### Satellite Networks

GILT Satellite Networks segment offers satellite communication systems to satellite operators, governments and telco / service providers around the globe. The company provides these products to the commercial, mobile, government, enterprise, social inclusion and consumer markets, all personalized to the respective industry.

The GILT SkyEdge product portfolio delivers reliable and affordable broadband connectivity to its customers. The company's most popular products, SkyEdge II-C and new SkyEdge IV support satellite broadband service delivery to for enterprise, backhaul, IFC, maritime and consumer users who require web browsing, high-speed trunking, video streaming, voice, and other high bandwidth intensive data services. The SkyEdge IV was initially launched a year ago and was re-developed from the ground up, taking advantage of innovations seen throughout the networking industry, shifting from a hardware to a software-centric innovation model on common-off-the-shelf (COTS) servers. SkyEdge IV makes a 10x - 20x performance improvement from previous generations and can address emerging multi-orbit including LEO operator opportunities.

- GILT has achieved a strong position in the 4G/LTE and 5G cellular back-haul market, which we view as a promising growth area. Based on 3rd party research, the company estimates it has a 75% market share in 4G back-haul end-points (VSATs), benefiting from its historical focus and long multi-year sales cycles in this sector. We see the company benefiting from sustained mobile network build-outs in rural areas, which consistently move their service coverage edge beyond the reach of terrestrial fiber. The current strength in GILT back-haul revenue is driven by constantly expanding 4G coverage, with only modest contributions to date from 5G, as operators re-purpose legacy spectrum with superior propagation into 4G. Over the next several years we expect 5G expansion beyond metros and suburbs to become a major driver for GILT.
  - We believe T-Mobile (TMUS-NR) is the largest GILT U.S. mobile back-haul customer, while Globe (GTMEF:NR) represents the largest international customer (due to its large Philippines presence).
  - GILT sells both managed back-haul, including satellite capacity management, as well as back-haul product solutions.

### Integrated Solutions

The integrated solutions segment provides next-generation hardware, Solid State Power Amplifiers (SSPA) for defense and broadcast satellite communication systems, offering a hardware product portfolio consisting of RF amplifiers, BUCs and transceivers. The company's Spatial advantEdge technology provides a more powerful and energy-efficient product than competing amplifier solutions. The segment targets end markets that include Defense Communications, Government and Commercial Terminals as well as AeroStream transceivers for difficult inflight satellite communication environments. Most of these products are build-to-order and leverage the company's Spatial Advantage technology to deliver reliable, efficient, high power output satellite communication applications. Some government projects require NRE, with the majority of segment revenue from U.S. Defense agencies, including the Department of Defense. The company does not view this segment as a major growth driver as we understand that U.S. agencies are increasingly adopting commercial satellite services.

In March, GILT signed an agreement to acquire DataPath, a leader in trusted communications for the U.S. DoD and Government sector. The company expects the acquisition, its first in a decade, to increase the Integrated Solutions segment's revenue by ~\$50MM/year. Management stated the acquisition cost ~\$45M including earn-outs; it is expected to close in 3Q23 after CFIUS review is completed. DataPath is an existing customer for GILT's Wavestream hardware and will enable the company to move higher up the government solution stack and cross-sell products.

### Network Infrastructure and Services

The Network Infrastructure and Services focuses mainly in Peru, where GILT has built a terrestrial fiber and wireless network for PRONATEL. GILT was awarded contracts beginning in 2015, funded by the Peruvian government to deliver communications to underserved, extreme-rural communities. After many years of network construction services from capital provided by Peru, we believe GILT will see strong profit and FCF margins, benefiting from minimal opex required to sustain an estimated \$50M in revenue per year. GILT management indicates it sees new revenue opportunities from its networks in Peru for applications such as e-learning and community WiFi. Construction in the segment is in the final stages in the last of 6 contracted network regions, and is expected to be completed in 1Q24.

Management has indicated the Network Infrastructure and Services segment sees minimal USD currency risk as its expenses are naturally hedged. Once the construction phases are completed, the company will look to expand with additional WiFi, E-learning, and other service projects. Of the segment's ~\$60M of revenue, roughly \$10M comes from construction, \$20M is generated by government contracts and \$10-\$20M comes from a mix of government and agencies.

**+900** Employees **1987** Founded **20** Sales Offices **5** R&D Centers **3** NOC Centers **GILT** NASDAQ /TASE

Source: Gilat Networks

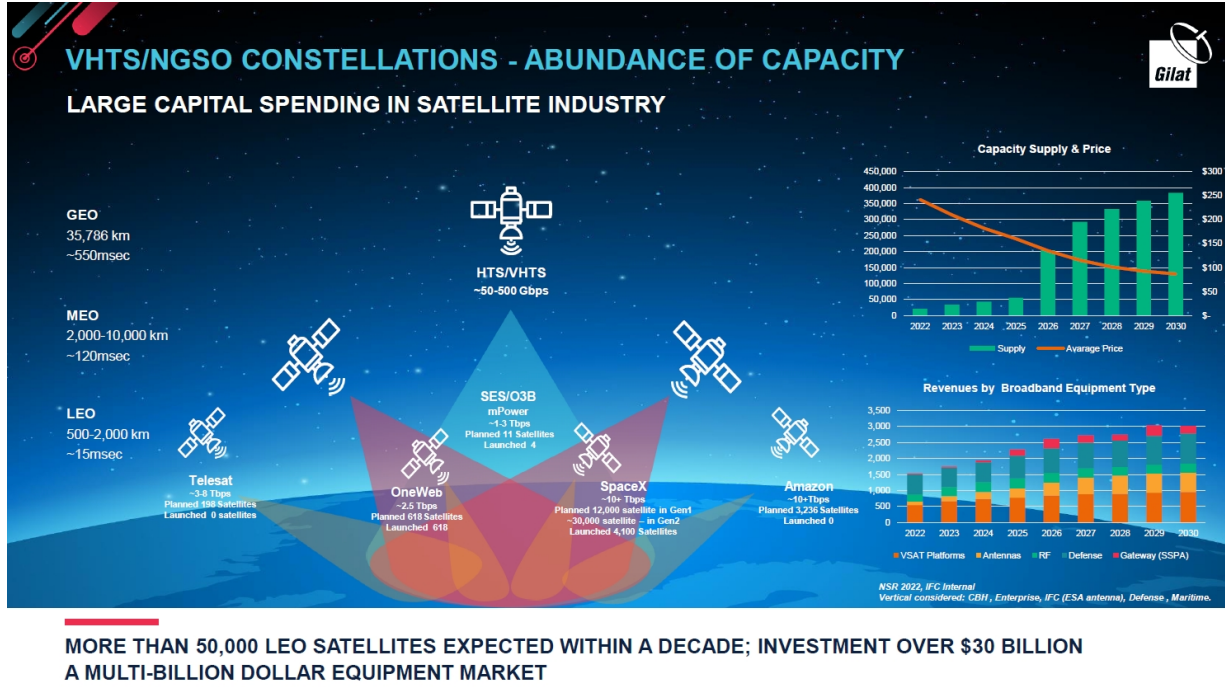
Specifically, we are impressed with GILT's expansion in the IFC market - an area we view as primed for disruption and an important opportunity for the company. GILT is developing its hub and modem technology for airborne BUCs, Transceivers and power supplies for aviation service providers, and we expect it to keep its focus on developing new technologies for the high growth IFC markets.

The company has highlighted meaningful tailwinds in the Defense market and cited them as reasons for its increased focus on military SATCOM networks, both in the US and globally. The company believes its SkyEdge IV system will drive further growth in the aforementioned segment, and the company plans to invest aggressively in Defense, targeting strategic M&A opportunities.



## TAM & COMPETITION

The satellite ground-based communication market is massive and growing, driven by a rising number of satellite launches and heavy investment in the industry. GILT foresees growing capital investment in the industry, supported by operators' plans to launch over 50,000 satellites over the next 10 years, and \$30B of planned spending on equipment. Among major satellite operators, only vertically integrated Viasat (VSAT: Buy) and SpaceX develop their own ground station and end-point products.



GILT sees competition in the satellite communication platform market from specialized satellite communication suppliers such as Hughes Network Systems, VSAT, and ST Engineering iDirect, as well as from a collection of smaller industry players. Regarding its antenna and hardware portfolio, GILT competes with Cobham, Panasonic Corporation, Orbit, GetSat, Thinkom, C-Com Satellite Systems, Wiworld Co Ltd, and L-3 Harris.

The overall industry has begun to see early signs of consolidation in recent years and an accelerated pace of consolidation adds both risks and opportunities for GILT. Consolidation would reduce the number of potential customers, but create opportunities for larger deals, including new multi-orbit operators. Consolidation could also force the company to compete with larger, more powerful companies with greater resources. Significant mergers in the satellite operator industry have included combinations of Intelsat and Gogo (GOGO: NR), VSAT and RigNet, VSAT and Inmarsat, Eutelsat (ETL.PA: NR) and OneWeb, and Hispasat and Axess.

## KEY CUSTOMERS & GTM STRATEGY

GILT's go-to-market efforts include both direct and indirect sales channels with teams of sales representatives focused on a variety of global channels. The company's sales team is made up of account managers and sales engineers, who develop relationships and help deploy the company's various services. Sales cycles for this segment vary widely, but generally last at least 18 months. GILT sells its solutions to a global customer base comprising satellite operators, governments, system integrators, telecommunication companies and MSO, satellite communication providers, ISPs and defense companies located in LATAM APAC, US and EMEA.



Source: Gilat Networks

GILT operates in over 100 countries, servicing 300+ customers and hundreds of networks. Key Satellite Operator customers include SES, Intelsat, Hispasat, Eutelsat, and Inmarsat. The company also has an impressive collection of global Service Providers including but not limited to T-Mobile, Anuvu, Sothern Linc, Pronatel, BT Airtel, Vodafone, Rakuten, Softbank and Telefonica. The company's System Integrators customer base consists of Airbus, Honeywell, Boeing, Lockheed Martin, and General Dynamics.

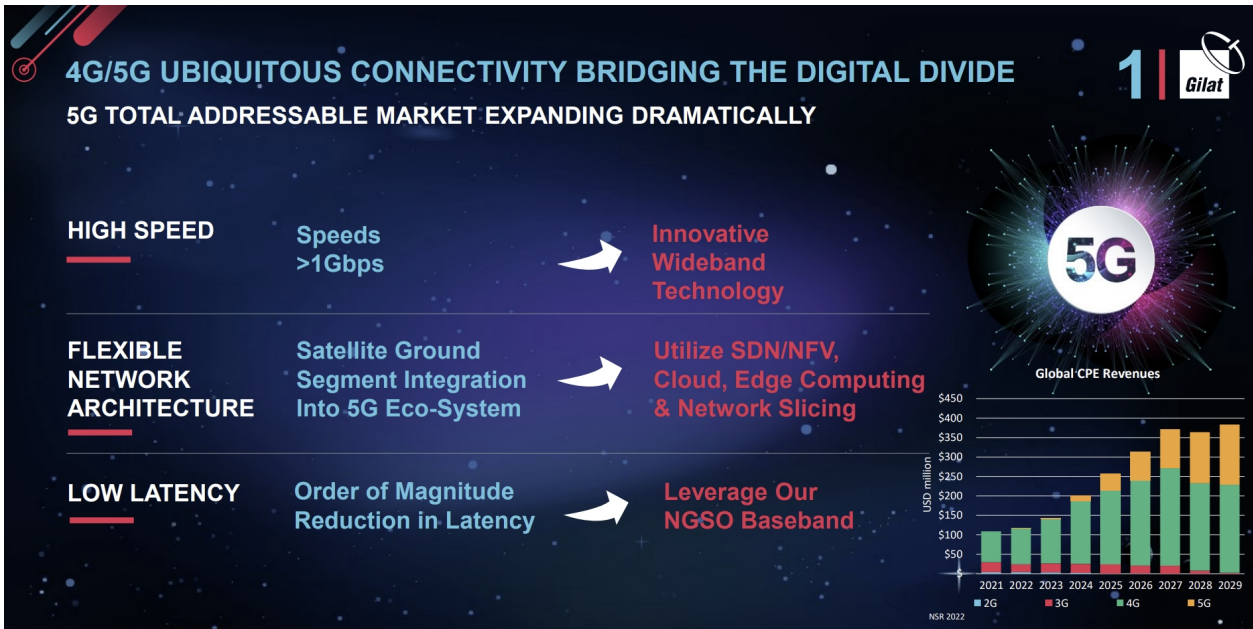
- We believe GILT's top three customers consist of SES, Intelsat and the Peruvian Government. Intelsat and SES are SkyEdge IV customers and have strong exposure to the European market including robust government sales.
- The majority of GILT's IFC sales go through Intelsat, who supplies ~20 different global airlines, with the majority in the U.S. The bulk of the sales include transceivers.
- GILT also has a small presence in the Maritime segment with the largest customers we believe being Anuvu and SES Cruise. We do not see GILT being a major player in this area due to the small scale and size of the company relative to its competitors.





Source: Gilat Networks

The company has a diverse revenue stream and customer base with 62% of 2022 revenue coming from equipment sales and 38% generated from services. Equipment sales are mostly independent orders that generate maintenance contracts and opportunities for additional sales, while also including revenue from the construction of large projects. The company's service sales are based off of long-term contracts that provide steady recurring revenue.



GILAT EXPERTISE AND INNOVATION MAKING 5G A REALITY

Source: Gilat Networks

## 1Q23 RESULTS

*Note: All financial metrics are expressed in GAAP for consistency with company reporting methods.*

GILT reported strong 1Q23 results with total revenue climbing 14.7% y/y to \$59MM, driven primarily by growth in VHTS and NGSO, IFC and cellular backhaul verticals in the satellite network segment. GILT improved its profitability metrics, with the 1Q23 GM reaching a multi-year high of 42% and Adj. EBITDA surging 232% y/y to \$8.4MM.

**Satellite Network revenue** increased 35% y/y to \$33.5MM (57% of revenue) primarily due to larger deals with customers in the IFC and maritime markets. Integrated Solutions' revenue declined -6% y/y to \$12.9MM (22% of revenue) while Network Infrastructure and Services revenue decreased 3.4% to \$12.5MM (21% of revenue)

Gross margin in 1Q23 grew 100bps y/y to 42% due to improved product and services mix and stronger revenue.

Management noted very strong 1Q23 bookings, including important SES and Intelsat orders for SkyEdge IV.

**Outlook:** GILT raised its operating income guidance for 2023 to \$16-20MM and guided for Adj. EBITDA of \$31-35MM. The company reiterated its 2023 revenue guidance of \$260-280MM.

**Introducing Estimates:** We introduce our revenue/Adj. EBITDA estimates for F23 of \$269.2MM/\$34MM and F24 of \$293.7MM/\$41.6MM.

### Financials

GILT ended 1Q23 with cash, cash equivalents and restricted cash of \$89.7MM, up from \$87.1MM at the end of 4Q22 and \$77.3MM one year earlier. We note that the company's real estate holdings are likely significantly understated at book value of \$50MM.

The company generated \$6.2MM in cash from operating activities, a decrease from \$16.8MM in the prior Q but a meaningful increase from (\$7.4MM) in 1Q22. GILT finished 1Q23 with no debt.

DSO, which excludes receivables and revenues for the networks in Peru, were 77 days, a slight increase from 72 days in the previous Q due to declining revenue and only a partial offset from a decrease in receivables. The company targets a healthy DSO in the range of 60-90 days,

### Historical Performance

GILT has had minimal analyst coverage in the recent past so a comparison with the consensus is not deemed relevant. The chart below compares F22 results with the F22 guidance that was provided in February 2022. The company only guides for annual revenue, operating income, and EBITDA as management has indicated that Q-Q results are not consistently correlated with company performance due to project-based outcomes and their impact on revenue recognition between Qs.

	F2022A	Orig. Guidance 2/22
Revenue	239.84	245-265
Gross Profit	86.91	
Gross Margin	42%	
Operating Income	10.0	5-9
EPS	-\$0.10	
Adj. EBITDA	25.20	20-24
Adj. EBITDA Margin	11%	

GILT F22 results missed management's initial guidance from February 2022, and were modestly adjusted downward over the course of the year. Management attributed the guidance reductions to supply chain constraints and macro-economic impacts on airline spending.

**Income Statement**

<b>Income Statement</b> (Dollars in millions except per share amounts. EPS)	<b>Full Year FY 21</b>	<b>Full Year FY 22</b>	<b>Mar 1Q23e</b>	<b>Jun 2Q23e</b>	<b>Sep 3Q23e</b>	<b>Dec 4Q23e</b>	<b>Full Year FY 23</b>	<b>Mar 1Q24e</b>	<b>Jun 2Q24e</b>	<b>Sep 3Q24e</b>	<b>Dec 4Q24e</b>	<b>Full Year FY 24</b>
<b>Total Revenue</b>	<b>215.0</b>	<b>239.8</b>	<b>59.0</b>	<b>62.5</b>	<b>67.0</b>	<b>80.7</b>	<b>269.2</b>	<b>64.7</b>	<b>68.0</b>	<b>73.0</b>	<b>88.0</b>	<b>293.7</b>
<i>y/y % growth</i>		<b>11.6%</b>	<b>14.7%</b>	<b>12.7%</b>	<b>11.0%</b>	<b>11.1%</b>	<b>12.2%</b>	<b>9.8%</b>	<b>8.7%</b>	<b>8.9%</b>	<b>9.1%</b>	<b>9.1%</b>
<i>q/q % growth</i>			<b>-18.8%</b>	<b>6.0%</b>	<b>7.2%</b>	<b>20.4%</b>		<b>-19.8%</b>	<b>5.0%</b>	<b>7.4%</b>	<b>20.7%</b>	
<b>COGS</b>	<b>143.7</b>	<b>152.9</b>	<b>34.3</b>	<b>40.8</b>	<b>42.7</b>	<b>51.2</b>	<b>168.9</b>	<b>41.2</b>	<b>42.9</b>	<b>45.7</b>	<b>54.7</b>	<b>184.5</b>
Gross Profit GAAP	71.3	86.9	24.7	21.7	24.3	29.5	100.2	23.5	25.1	27.3	33.4	109.2
<b>Gross Margin %</b>	<b>33.2%</b>	<b>36.2%</b>	<b>41.9%</b>	<b>34.7%</b>	<b>36.3%</b>	<b>36.6%</b>	<b>37.2%</b>	<b>36.3%</b>	<b>36.9%</b>	<b>37.4%</b>	<b>37.9%</b>	<b>37.2%</b>
<b>R&amp;D</b>	<b>31.3</b>	<b>35.6</b>	<b>9.6</b>	<b>9.4</b>	<b>10.1</b>	<b>10.5</b>	<b>39.6</b>	<b>9.5</b>	<b>9.9</b>	<b>10.4</b>	<b>12.0</b>	<b>41.8</b>
% of revenue	14.6%	14.9%	16.3%	15.1%	15.0%	13.0%	14.7%	14.7%	14.5%	14.3%	13.6%	14.2%
<b>S&amp;M</b>	<b>21.5</b>	<b>21.7</b>	<b>6.0</b>	<b>5.3</b>	<b>6.0</b>	<b>6.5</b>	<b>23.7</b>	<b>5.5</b>	<b>5.7</b>	<b>6.1</b>	<b>7.2</b>	<b>24.5</b>
% of revenue	10.0%	9.0%	10.2%	8.5%	8.9%	8.0%	8.8%	8.5%	8.4%	8.3%	8.2%	8.3%
<b>G&amp;A</b>	<b>15.6</b>	<b>18.9</b>	<b>4.4</b>	<b>4.4</b>	<b>5.2</b>	<b>5.4</b>	<b>19.4</b>	<b>4.3</b>	<b>4.6</b>	<b>4.9</b>	<b>5.4</b>	<b>19.1</b>
% of revenue	7.3%	7.9%	7.5%	7.1%	7.7%	6.7%	7.2%	6.7%	6.7%	6.7%	6.1%	6.5%
<b>Impairment of held for sale asset</b>	<b>0.7</b>	<b>0.8</b>	<b>(2.4)</b>									
<b>Total Operating Expenses GAAP</b>	<b>69.1</b>	<b>77.0</b>	<b>17.7</b>	<b>19.2</b>	<b>21.2</b>	<b>22.3</b>	<b>80.4</b>	<b>19.3</b>	<b>20.1</b>	<b>21.4</b>	<b>24.6</b>	<b>85.4</b>
<i>Operating Expenses % of Rev. GAAP</i>	<b>32.1%</b>	<b>32.1%</b>	<b>30.0%</b>	<b>30.7%</b>	<b>31.6%</b>	<b>27.7%</b>	<b>29.9%</b>	<b>29.9%</b>	<b>29.6%</b>	<b>29.3%</b>	<b>27.9%</b>	<b>29.1%</b>
Operating Income GAAP	2.2	10.0	7.0	2.5	3.1	7.2	19.8	4.1	5.0	5.9	8.8	23.8
<b>% Operating Margin GAAP</b>	<b>1.0%</b>	<b>4.1%</b>	<b>11.9%</b>	<b>4.0%</b>	<b>4.7%</b>	<b>8.9%</b>	<b>7.4%</b>	<b>6.4%</b>	<b>7.3%</b>	<b>8.1%</b>	<b>10.0%</b>	<b>8.1%</b>
Net other income (expense)	(1.7)	(2.8)	0.1	0.1	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.4
Pretax Profit (GAAP)	0.5	7.1	7.2	2.6	3.3	7.3	20.4	4.2	5.1	6.0	8.9	24.2
Taxes (Benefit)	3.5	13.1	1.3	0.4	0.5	1.1	3.3	0.4	0.5	0.6	0.9	2.4
<b>Effective Tax Rate</b>	<b>760.8%</b>	<b>183.1%</b>	<b>17.9%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>16.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
Net Income (GAAP)	(3.0)	(5.9)	5.9	2.3	2.8	6.2	17.2	3.8	4.6	5.4	8.0	21.8
<b>EPS (GAAP)</b>	<b>(\$0.05)</b>	<b>(\$0.10)</b>	<b>\$0.10</b>	<b>\$0.04</b>	<b>\$0.05</b>	<b>\$0.11</b>	<b>\$0.30</b>	<b>\$0.07</b>	<b>\$0.08</b>	<b>\$0.10</b>	<b>\$0.14</b>	<b>\$0.39</b>
Basic shares	56.4	56.6	56.6	56.6	56.6	56.6	56.6	56.6	56.6	56.6	56.6	56.6
Dilutes shares	56.5	56.6	56.6	56.6	56.6	56.6	56.6	56.6	56.6	56.6	56.6	56.6
<b>Adjusted EBITDA</b>	<b>15.4</b>	<b>25.2</b>	<b>8.4</b>	<b>6.7</b>	<b>7.4</b>	<b>11.5</b>	<b>34.0</b>	<b>8.5</b>	<b>9.3</b>	<b>10.4</b>	<b>13.3</b>	<b>41.6</b>
<b>Adjusted EBITDA Margin %</b>	<b>7%</b>	<b>11%</b>	<b>14.2%</b>	<b>10.7%</b>	<b>11.1%</b>	<b>14.2%</b>	<b>13%</b>	<b>13.2%</b>	<b>13.8%</b>	<b>14.2%</b>	<b>15.1%</b>	<b>14%</b>
<b>Year-over-year percent change</b>												
<i>Total Revenue</i>		<b>12%</b>	<b>15%</b>	<b>13%</b>	<b>11%</b>	<b>11%</b>	<b>12%</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>
<i>Gross Profit</i>		<b>22%</b>	<b>51%</b>	<b>10%</b>	<b>6%</b>	<b>7%</b>	<b>15%</b>	<b>-5%</b>	<b>16%</b>	<b>12%</b>	<b>13%</b>	<b>9%</b>
<i>SG&amp;A</i>		<b>9%</b>	<b>10%</b>	<b>5%</b>	<b>9%</b>	<b>3%</b>	<b>6%</b>	<b>-6%</b>	<b>5%</b>	<b>-2%</b>	<b>6%</b>	<b>1%</b>
<i>R&amp;D</i>		<b>14%</b>	<b>25%</b>	<b>8%</b>	<b>10%</b>	<b>4%</b>	<b>11%</b>	<b>-1%</b>	<b>4%</b>	<b>4%</b>	<b>14%</b>	<b>5%</b>
<i>Total Operating Expenses</i>		<b>11%</b>	<b>1%</b>	<b>5%</b>	<b>8%</b>	<b>3%</b>	<b>4%</b>	<b>9%</b>	<b>5%</b>	<b>1%</b>	<b>10%</b>	<b>6%</b>
<i>Operating Income</i>		<b>356%</b>	<b>-785%</b>	<b>68%</b>	<b>-8%</b>	<b>18%</b>	<b>99%</b>	<b>-41%</b>	<b>98%</b>	<b>88%</b>	<b>23%</b>	<b>20%</b>
<i>Pretax Profit</i>		<b>1454%</b>	<b>-423%</b>	<b>159%</b>	<b>40%</b>	<b>23%</b>	<b>186%</b>	<b>-41%</b>	<b>91%</b>	<b>82%</b>	<b>21%</b>	<b>18%</b>
<i>Net Income</i>		<b>NM</b>	<b>-332%</b>	<b>345%</b>	<b>32%</b>	<b>-203%</b>	<b>-390%</b>	<b>-35%</b>	<b>102%</b>	<b>93%</b>	<b>29%</b>	<b>27%</b>
<i>EPS (GAAP)</i>		<b>92%</b>	<b>-332%</b>	<b>345%</b>	<b>32%</b>	<b>-203%</b>	<b>-389%</b>	<b>-35%</b>	<b>102%</b>	<b>93%</b>	<b>29%</b>	<b>27%</b>
<i>EBITDA</i>		<b>64%</b>	<b>232%</b>	<b>26%</b>	<b>2%</b>	<b>14%</b>	<b>35%</b>	<b>2%</b>	<b>40%</b>	<b>40%</b>	<b>16%</b>	<b>22%</b>

**Balance Sheet**

	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23
<b>Current Assets</b>											
Cash & Cash equivalents	48.9	57.9	63.8	81.9	81.9	73.6	70.1	68.4	86.6	86.6	89.1
Short-term deposits	0.0	2.2	0.0	2.2	2.2	2.2	0.0	0.0	0.0	0.0	
Restricted Cash	26.6	21.9	21.6	2.6	2.6	1.5	1.3	1.4	0.5	0.5	0.6
Trade receivables	27.8	33.0	29.7	39.2	39.2	45.9	51.3	51.7	50.6	50.6	44.4
Contract Assets	46.1	23.8	24.5	26.0	26.0	28.6	29.3	29.7	25.0	25.0	20.5
Inventories	33.3	29.6	31.6	28.4	28.4	30.6	32.2	33.9	33.0	33.0	40.0
Other current assets	18.8	22.5	24.2	14.6	14.6	19.0	22.5	24.8	19.3	19.3	22.1
Held for sale asset	0.0	0.0	0.0	4.6	4.6	4.4	4.3	4.0		0.0	
<b>Total current assets</b>	<b>201.6</b>	<b>190.9</b>	<b>195.3</b>	<b>199.4</b>	<b>199.4</b>	<b>205.8</b>	<b>210.9</b>	<b>214.0</b>	<b>215.1</b>	<b>215.1</b>	<b>216.9</b>
<b>Long-term assets</b>											
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term contract assets				12.5	12.5	12.0	11.8	11.1	11.1	11.1	10.5
Severance pay funds	6.4	6.6	6.5	6.8	6.8	6.5	5.9	5.9	5.9	5.9	5.8
Tax assets		2.5									
Deferred taxes	18.8	16.6	19.3	17.6	17.6	17.2	15.9	15.8	18.3	18.3	17.1
Operating lease right-of-use assets	4.5	4.3	4.1	4.5	4.5	3.7	3.8	3.9	3.9	3.9	3.6
Other Long-term assets	8.3	8.7	6.5	10.5	10.5	11.1	11.2	10.7	10.7	10.7	11.6
<b>Total long-term assets</b>	<b>38.0</b>	<b>38.8</b>	<b>36.5</b>	<b>51.8</b>	<b>51.8</b>	<b>50.5</b>	<b>48.7</b>	<b>47.4</b>	<b>50.0</b>	<b>50.0</b>	<b>48.7</b>
PP&E, net	76.6	76.6	75.6	72.4	72.4	72.0	72.4	73.3	76.6	76.6	75.3
Intangible assets	1.0	0.9	0.8	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3
Goodwill	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5
<b>Total Assets</b>	<b>360.7</b>	<b>350.6</b>	<b>351.7</b>	<b>367.7</b>	<b>367.7</b>	<b>372.2</b>	<b>376.0</b>	<b>378.5</b>	<b>385.4</b>	<b>385.4</b>	<b>384.5</b>
<b>Current Liabilities:</b>											
Current maturities of long-term loans											
Trade payables	21.4	19.7	17.8	19.8	19.8	21.5	24.0	24.9	20.7	20.7	22.7
Accrued expenses	47.5	48.4	47.7	49.2	49.2	49.8	47.7	46.2	50.4	50.4	46.2
Deferred revenues	35.4	23.9	29.6	24.4	24.4	27.3	31.9	31.2	30.5	30.5	26.8
Operating lease liabilities	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.8	1.9	1.9	2.0
Dividend payable	0.0	0.0									
Other current liabilities	16.2	14.3	13.3	13.3	13.3	15.2	15.5	15.4	22.3	22.3	28.0
<b>Total Current Liabilities</b>	<b>122.1</b>	<b>108.1</b>	<b>110.2</b>	<b>108.5</b>	<b>108.5</b>	<b>115.5</b>	<b>120.8</b>	<b>119.5</b>	<b>125.8</b>	<b>125.8</b>	<b>125.7</b>
Accrued severance pay	6.9	7.0	6.8	7.3	7.3	6.9	6.5	6.473	6.6	6.6	6.8
Long-term deferred revenues	0.3	4.2	3.0	1.2	1.2	0.7	0.7	1.8	1.0	1.0	0.3
Operating lease liabilities	2.8	2.6	2.3	2.3	2.3	2.0	2.1	1.9	1.9	1.9	1.6
Other Long-term liabilities	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	6.0	6.0	0.2
<b>Total Liabilities</b>	<b>10.4</b>	<b>13.8</b>	<b>12.3</b>	<b>10.9</b>	<b>10.9</b>	<b>9.8</b>	<b>9.5</b>	<b>10.4</b>	<b>15.5</b>	<b>15.5</b>	<b>8.9</b>
<b>Shareholders' Equity:</b>											
Share capital	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Additional paid-in capital, net	928.4	928.9	929.4	929.9	929.9	930.4	930.9	931.5	932.1	932.1	932.7
Accumulated other comprehensive loss	-6.5	-6.2	-6.4	-6.4	-6.4	-5.7	-8.0	-7.8	-6.8	-6.8	-7.2
Accumulated Deficit	-696.5	-696.7	-696.5	-677.9	-677.9	-680.4	-679.9	-677.8	-683.8	-683.8	-678.2
<b>Total Shareholders' Equity</b>	<b>228.1</b>	<b>228.7</b>	<b>229.2</b>	<b>248.3</b>	<b>248.3</b>	<b>246.9</b>	<b>245.7</b>	<b>248.6</b>	<b>244.1</b>	<b>244.1</b>	<b>250.0</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>360.7</b>	<b>350.6</b>	<b>351.7</b>	<b>367.7</b>	<b>367.7</b>	<b>372.2</b>	<b>376.0</b>	<b>378.5</b>	<b>385.4</b>	<b>385.4</b>	<b>384.5</b>

	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23
<b>Current Assets</b>											
Cash & Cash equivalents	48.9	57.9	63.8	81.9	81.9	73.6	70.1	68.4	86.6	86.6	89.1
Short-term deposits	0.0	2.2	0.0	2.2	2.2	2.2	0.0	0.0	0.0	0.0	
Restricted Cash	26.6	21.9	21.6	2.6	2.6	1.5	1.3	1.4	0.5	0.5	0.6
Trade receivables	27.8	33.0	29.7	39.2	39.2	45.9	51.3	51.7	50.6	50.6	44.4
Contract Assets	46.1	23.8	24.5	26.0	26.0	28.6	29.3	29.7	25.0	25.0	20.5
Inventories	33.3	29.6	31.6	28.4	28.4	30.6	32.2	33.9	33.0	33.0	40.0
Other current assets	18.8	22.5	24.2	14.6	14.6	19.0	22.5	24.8	19.3	19.3	22.1
Held for sale asset	0.0	0.0	0.0	4.6	4.6	4.4	4.3	4.0		0.0	
<b>Total current assets</b>	<b>201.6</b>	<b>190.9</b>	<b>195.3</b>	<b>199.4</b>	<b>199.4</b>	<b>205.8</b>	<b>210.9</b>	<b>214.0</b>	<b>215.1</b>	<b>215.1</b>	<b>216.9</b>
<b>Long-term assets</b>											
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term contract assets				12.5	12.5	12.0	11.8	11.1	11.1	11.1	10.5
Severance pay funds	6.4	6.6	6.5	6.8	6.8	6.5	5.9	5.9	5.9	5.9	5.8
Tax assets		2.5									
Deferred taxes	18.8	16.6	19.3	17.6	17.6	17.2	15.9	15.8	18.3	18.3	17.1
Operating lease right-of-use assets	4.5	4.3	4.1	4.5	4.5	3.7	3.8	3.9	3.9	3.9	3.6
Other Long-term assets	8.3	8.7	6.5	10.5	10.5	11.1	11.2	10.7	10.7	10.7	11.6
<b>Total long-term assets</b>	<b>38.0</b>	<b>38.8</b>	<b>36.5</b>	<b>51.8</b>	<b>51.8</b>	<b>50.5</b>	<b>48.7</b>	<b>47.4</b>	<b>50.0</b>	<b>50.0</b>	<b>48.7</b>
PP&E, net	76.6	76.6	75.6	72.4	72.4	72.0	72.4	73.3	76.6	76.6	75.3
Intangible assets	1.0	0.9	0.8	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3
Goodwill	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5
<b>Total Assets</b>	<b>360.7</b>	<b>350.6</b>	<b>351.7</b>	<b>367.7</b>	<b>367.7</b>	<b>372.2</b>	<b>376.0</b>	<b>378.5</b>	<b>385.4</b>	<b>385.4</b>	<b>384.5</b>
<b>Current Liabilities:</b>											
Current maturities of long-term loans											
Trade payables	21.4	19.7	17.8	19.8	19.8	21.5	24.0	24.9	20.7	20.7	22.7
Accrued expenses	47.5	48.4	47.7	49.2	49.2	49.8	47.7	46.2	50.4	50.4	46.2
Deferred revenues	35.4	23.9	29.6	24.4	24.4	27.3	31.9	31.2	30.5	30.5	26.8
Operating lease liabilities	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.8	1.9	1.9	2.0
Dividend payable	0.0	0.0									
Other current liabilities	16.2	14.3	13.3	13.3	13.3	15.2	15.5	15.4	22.3	22.3	28.0
<b>Total Current Liabilities</b>	<b>122.1</b>	<b>108.1</b>	<b>110.2</b>	<b>108.5</b>	<b>108.5</b>	<b>115.5</b>	<b>120.8</b>	<b>119.5</b>	<b>125.8</b>	<b>125.8</b>	<b>125.7</b>
Accrued severance pay	6.9	7.0	6.8	7.3	7.3	6.9	6.5	6.473	6.6	6.6	6.8
Long-term deferred revenues	0.3	4.2	3.0	1.2	1.2	0.7	0.7	1.8	1.0	1.0	0.3
Operating lease liabilities	2.8	2.6	2.3	2.3	2.3	2.0	2.1	1.9	1.9	1.9	1.6
Other Long-term liabilities	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	6.0	6.0	0.2
<b>Total Liabilities</b>	<b>10.4</b>	<b>13.8</b>	<b>12.3</b>	<b>10.9</b>	<b>10.9</b>	<b>9.8</b>	<b>9.5</b>	<b>10.4</b>	<b>15.5</b>	<b>15.5</b>	<b>8.9</b>
<b>Shareholders' Equity:</b>											
Share capital	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Additional paid-in capital, net	928.4	928.9	929.4	929.9	929.9	930.4	930.9	931.5	932.1	932.1	932.7
Accumulated other comprehensive loss	-6.5	-6.2	-6.4	-6.4	-6.4	-5.7	-8.0	-7.8	-6.8	-6.8	-7.2
Accumulated Deficit	-696.5	-696.7	-696.5	-677.9	-677.9	-680.4	-679.9	-677.8	-683.8	-683.8	-678.2
<b>Total Shareholders' Equity</b>	<b>228.1</b>	<b>228.7</b>	<b>229.2</b>	<b>248.3</b>	<b>248.3</b>	<b>246.9</b>	<b>245.7</b>	<b>248.6</b>	<b>244.1</b>	<b>244.1</b>	<b>250.0</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>360.7</b>	<b>350.6</b>	<b>351.7</b>	<b>367.7</b>	<b>367.7</b>	<b>372.2</b>	<b>376.0</b>	<b>378.5</b>	<b>385.4</b>	<b>385.4</b>	<b>384.5</b>

**VALUATION (PRICE TARGET: \$7.00)**

			2023	2024
<b>Price Target</b>	\$7.00	EPS	\$0.30	\$0.39
Diluted shares	56.6	Cash-Adjusted P/E	17.9x	14.1x
<b>Market cap.</b>	<b>\$396</b>			
		EBITDA	\$34	\$42
Cash	89.1	EV / EBITDA	9.0x	7.4x
Debt	0.0			
<b>Enterprise value</b>	<b>\$307</b>	Revenue	\$269	\$294
		EV / Revenue	1.1x	1.0x

Our GILT price target of \$7 assumes an EV/Sales multiple of 1x our F24 estimate and an EV/EBITDA multiple of 7.4x our F24 estimate. We see an opportunity for GILT to achieve a higher sales multiple should results exceed expectations with help from stronger-than-anticipated IFC spending by airlines, surging industry-wide investment, or improving margins from its Peru business. GILT has 11.87% insider ownership, a clear demonstration of management's confidence in the company, as we see it.

**COMPS TABLE**

Company	Ticker	6/24/2023		Revenue		Rev Growth %	EV / Sales		EBITDA		EBITDA Growth %		EV/EBITDA		
		Price	EV	2023E	2024E	2023E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	
Comtech Telecommunications Corp.	CMTL	\$9.12	\$445	\$541	\$569	11%	0.8x	0.8x	\$48.1	\$58.8	23%	22%	9.2x	7.6x	
EchoStar Corporation Class A	SATS	\$17.02	\$1,390	\$1,840	\$1,958	-8%	0.8x	0.7x	\$537.9	\$581.7	-18%	8%	2.6x	2.4x	
<b>Gilat Satellite Networks Ltd.</b>	<b>GILT</b>	<b>\$5.71</b>	<b>\$237</b>	<b>\$270</b>	<b>\$293</b>	<b>13%</b>	<b>0.9x</b>	<b>0.8x</b>	<b>\$32.8</b>	<b>\$37.8</b>	<b>30%</b>	<b>15%</b>	<b>7.2x</b>	<b>6.3x</b>	
Gogo Inc.	GOGO	\$16.59	\$2,811	\$439	\$486	9%	6.4x	5.8x	\$155.5	\$181.6	-11%	17%	18.1x	15.5x	
KVH Industries, Inc.	KVHI	\$9.14	\$106	\$150	\$165	8%	0.7x	0.6x	19.20	23.86	45%	24%	5.5x	4.4x	
Planet Labs PBC Class A	PL	\$3.07	\$486	\$231	\$301	21%	2.1x	1.6x	-\$62.3	-\$15.3	10%	-75%	NM	NM	
EchoStar Corporation Class A	SATS	\$17.02	\$1,390	\$1,840	\$1,958	-8%	0.8x	0.7x	\$537.9	\$581.7	-18%	8%	2.6x	2.4x	
ViaSat, Inc.	VSAT	\$38.74	\$4,383	\$2,637	\$3,001	3%	1.7x	1.5x	543.48	741.98	-7%	37%	8.1x	5.9x	
						Mean:	6.1%	1.8x	1.6x		Mean:	6.8%	7.0%	7.6x	6.3x
						Median:	8.2%	0.8x	0.8x		Median:	1.4%	16.0%	7.2x	5.9x

**POTENTIAL UPSIDE DRIVERS**

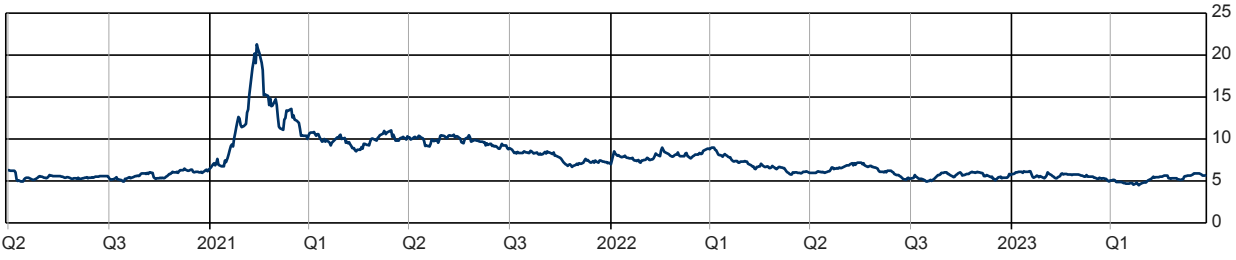
- Satellite connectivity and capacity growth accelerates, becoming a disruptive force across many communications industries.
- IFC market growth accelerates as high-performance WiFi becomes a competitive weapon among airlines.
- GILT gains share in the fast growing LEO satellite sector.
- Defense satellite spending among U.S. allies remains robust due to global conflicts.
- Profitability from its Peru terrestrial network continues to improve with expanded contracts.

**RISKS TO TARGET**
**GILT**

- GILT does not win meaningful share with LEO operators who meaningfully disrupt GEO and MEO operators.
- IFC market growth slows as airlines reduce capital investment due to difficult macro-economic conditions.
- Government spending on satellites declines.

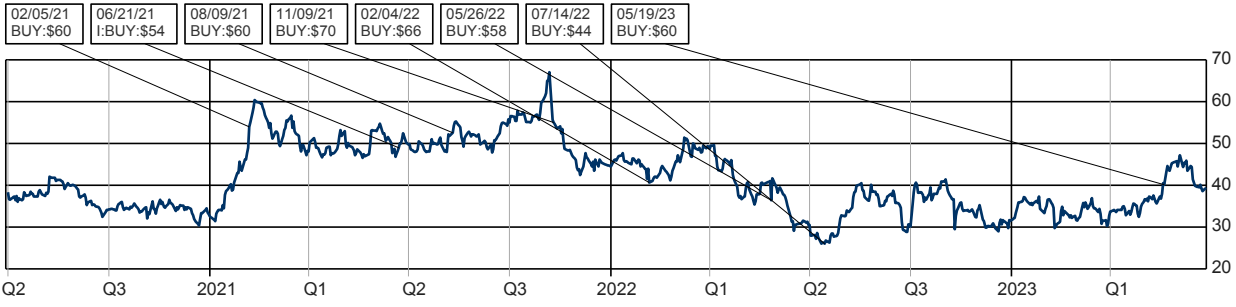


**Rating and Price Target History for: Gilat Satellite Networks (GILT) as of 06-26-2023**



Created by: BlueMatrix

**Rating and Price Target History for: ViaSat, Inc. (VSAT) as of 06-26-2023**



Created by: BlueMatrix

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I, Ryan Koontz hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company (ies) and its (their) securities. I, also certify that I, have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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<b>Buy</b>	74	8
<b>Hold</b>	24	1
<b>Underperform</b>	< 1	0
<b>Rating Suspended</b>	0	0
<b>Restricted</b>	< 1	0

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The research analyst and research associate have received compensation based upon various factors, including quality of research, investor client feedback, and the Firm's overall revenues, which includes investment banking revenues for the following: Gilat Satellite Networks and ViaSat, Inc.

The Firm, at the time of publication, makes a market in the subject companies Gilat Satellite Networks and ViaSat, Inc. .

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