

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended June 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
(State or other jurisdiction of
incorporation or organization)

33-0174996
(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 No

The number of shares outstanding of the issuer's common stock, \$.0001
par value, as of July 31, 1997 was 7,799,260.

VIASAT, INC.

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VIASAT, INC.
CONDENSED BALANCE SHEET

	JUNE 30, 1997	MARCH 31, 1997
	-----	-----
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$12,852,000	\$12,673,000
Accounts receivable	12,026,000	10,315,000
Inventory	5,527,000	4,478,000
Deferred income taxes	1,008,000	863,000
Other current assets	753,000	1,825,000

Total current assets	32,166,000	30,154,000
Property and equipment, net	5,311,000	5,085,000
Other assets	470,000	435,000
	-----	-----
Total assets	\$37,947,000	\$35,674,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,789,000	\$ 4,844,000
Accrued liabilities	5,127,000	3,769,000
Current portion of notes payable	907,000	1,135,000
	-----	-----
Total current liabilities	10,823,000	9,748,000
	-----	-----
Notes payable	1,151,000	1,428,000
	-----	-----
Other liabilities	861,000	879,000
	-----	-----
Total long-term liabilities	2,012,000	2,307,000
	-----	-----
Contingencies (Note 9)		
Stockholders' equity:		
Common stock	81,000	81,000
Paid in capital	16,282,000	16,044,000
Stockholders' notes receivable		(80,000)
Retained earnings	8,749,000	7,574,000
	-----	-----
Total stockholders' equity	25,112,000	23,619,000
	-----	-----
Total liabilities and stockholders' equity	\$37,947,000	\$35,674,000
	=====	=====

See accompanying notes to financial statements

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VIASAT, INC.
CONDENSED STATEMENT OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED	
	JUNE 30,	
	1997	1996
	-----	-----
Revenues	\$ 14,476,000	\$ 9,732,000
Cost of revenues	9,359,000	6,862,000
	-----	-----
Gross profit	5,117,000	2,870,000
Operating expenses:		
Selling, general and administrative	1,790,000	1,040,000
Independent research and development	1,621,000	1,058,000
	-----	-----
Income from operations	1,706,000	772,000
Other income (expense):		
Interest income	209,000	30,000
Interest expense	(50,000)	(62,000)
	-----	-----
Income before income taxes	1,865,000	740,000

Provision for income taxes	690,000	262,000
	-----	-----
Net income	\$ 1,175,000	\$ 478,000
	=====	=====
Net income per share	\$.15	
	=====	
Pro forma net income per share		\$.08
		=====
Shares used in computing net income per share	8,051,934	6,003,110
	=====	=====

See accompanying notes to financial statements.

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

THREE MONTHS ENDED
JUNE 30,

	1997	1996
	-----	-----
Cash flows from operating activities:		
Net income	\$ 1,175,000	\$ 478,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	469,000	299,000
Deferred income taxes	(160,000)	(74,000)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(1,711,000)	248,000
Inventory	(1,049,000)	(253,000)
Other assets	1,050,000	(383,000)
Accounts payable	(55,000)	(386,000)
Accrued liabilities	1,358,000	(157,000)
Other liabilities	(18,000)	116,000
	-----	-----
Net cash provided by (used in) operating activities	1,059,000	(112,000)
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(693,000)	(387,000)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of notes payable	160,000	75,000
Repayment of notes payable	(665,000)	(157,000)
Proceeds from issuance of common stock	318,000	17,000
	-----	-----
Net cash used in financing activities	(187,000)	(65,000)
	-----	-----
Net increase (decrease) in cash and cash equivalents	179,000	(564,000)
Cash and cash equivalents at beginning of period	12,673,000	2,297,000
	-----	-----
Cash and cash equivalents at end of period	\$12,852,000	\$ 1,733,000
	=====	=====
Supplemental information:		
Cash paid for interest	\$ 50,000	\$ 62,000

Cash paid for income taxes	=====	=====
	\$ 541,000	\$ 210,000
	=====	=====

See accompanying notes to financial statements

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

	COMMON STOCK		PAID IN CAPITAL	STOCKHOLDERS' NOTES RECEIVABLE	RETAINED EARNINGS
	NUMBER OF SHARES	AMOUNT			
Balance at March 31, 1997	7,742,274	\$ 81,000	\$16,044,000	\$ (80,000)	\$ 7,574,000
Issuance of common stock	33,885		238,000		
Shares subscribed				80,000	
Net income					1,175,000
Balance at June 30, 1997	7,776,159	\$ 81,000	\$16,282,000	\$	\$ 8,749,000

See accompanying notes to financial statements.

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying condensed balance sheet as of June 30, 1997 and the condensed statements of income, of cash flows and of stockholders' equity for the three month periods ended June 30, 1997 and 1996 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 June 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.

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

NOTE 5 - COMPOSITION OF CERTAIN BALANCE SHEET CAPTIONS

	JUNE 30, 1997	MARCH 31, 1997
	-----	-----
Accounts receivable:		
Billed	\$ 8,575,000	\$ 6,860,000
Unbilled	3,451,000	3,455,000
	-----	-----
	\$ 12,026,000	\$ 10,315,000
	=====	=====
Inventory:		
Raw materials	\$ 1,646,000	\$ 1,418,000
Work in process	3,344,000	2,662,000
Finished goods	537,000	398,000
	-----	-----
	\$ 5,527,000	\$ 4,478,000
	=====	=====
Accrued liabilities:		
Collections in excess of revenues	\$ 2,181,000	\$ 355,000
Current portion of warranty reserve	1,123,000	806,000
Accrued vacation	893,000	821,000
Income taxes payable	557,000	252,000
Accrued 401(k) matching contribution	164,000	553,000
Accrued bonus	163,000	762,000
Other	46,000	220,000
	-----	-----
	\$ 5,127,000	\$ 3,769,000
	=====	=====

NOTE 6 - INCOME TAXES

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

	THREE MONTHS ENDED JUNE 30,	
	1997	1996
Current tax provision:		
Federal	\$ 666,000	\$ 420,000
State	182,000	25,000
	848,000	445,000
Deferred tax provision:		
Federal	(122,000)	(141,000)
State	(36,000)	(42,000)
	(158,000)	(183,000)
Total provision for income taxes	\$ 690,000	\$ 262,000

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

NOTE 6 - INCOME TAXES (CONT.)

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

	JUNE 30, 1997	MARCH 31, 1997
Deferred tax assets:		
Warranty reserve	\$ 650,000	\$ 528,000
Accrued vacation	269,000	247,000
Inventory reserve	300,000	280,000
Other	262,000	260,000
Total deferred tax assets	1,481,000	1,315,000
Deferred tax liabilities:		
Depreciation	(63,000)	(57,000)
Net deferred tax assets	\$ 1,418,000	\$ 1,258,000

NOTE 7 - 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 JUNE 30,	
	1997	1996
Revenue	100.0	100.0
Cost of revenue	64.7	70.5
Gross profit	35.3	29.5
Operating expenses:		
Selling, general, and administrative	12.4	10.7
Independent research and development	11.2	10.9
Income from operations	11.8	7.9
Income before income taxes	12.9	7.6
Net income	8.1	4.9

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

Revenues. Revenues increased 48.8% from \$9.7 million for the three months ended June 30, 1996 to \$14.5 million for the three months ended June 30, 1997. This increase was primarily due to increases in revenues generated by UHF DAMA network control stations and modems, and Joint Communication Simulator ("JCS") products. UHF DAMA business area revenues grew from \$6.8 million for the three months ended June 30, 1996 to \$9.1 million for the three months ended June 30, 1997. JCS business area revenues grew from \$850,000 for the three months ended June 30, 1996 to \$3.2 million for the three months ended June 30, 1997.

Gross Profit. Gross profit increased 78.3% from \$2.9 million (29.5% of revenues) for the three months ended June 30, 1996 to \$5.1 million (35.3% of revenues) for the three months ended June 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 June 30, 1997 was 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 72.1% from \$1.0 million (10.7% of revenues) for the three months ended June 30, 1996 to \$1.8 million (12.4% of revenues) for the three months ended June 30, 1997. The increase in SG&A expenses as a percentage of revenues reflects increased expenditures relating to the introduction and marketing of the StarWire(TM) DAMA product line, 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

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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 53.2% from \$1.1 million (10.9% of revenues) for the three months ended June 30, 1996 to \$1.6 million (11.2% of revenues) for the three months ended June 30, 1997. This increase resulted primarily from higher IR&D expenses related to the Company's StarWire(TM) DAMA product, which represented approximately 89% of total IR&D for the three months ended June 30, 1997.

Interest Expense. Interest expense decreased 19.4% from \$62,000 for the three months ended June 30, 1996 to \$50,000 for the three months ended June 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 \$2.4 million at June 30, 1996 and \$2.1 million at June 30, 1997. There were no outstanding borrowings under the Company's line of credit as of June 30, 1996 and 1997.

Interest Income. Interest income increased from \$30,000 for the three months ended June 30, 1996 to \$209,000 for the three months ended June 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 has increased from 35% for the three months ended June 30, 1996 to 37% for the three months ended June 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 June 30, 1997, the Company had firm backlog of \$71.5 million, of which \$60.1 million was funded. The firm backlog of \$71.5 million does not include contract options of \$24.9 million. Of the \$71.5 million in firm backlog, approximately \$39.8 million is expected to be delivered in the fiscal year ending March 31, 1998, \$13.2 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 contract or option 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 three months ended June 30, 1997 and 1996 was \$1.1 million and (\$112,000), respectively. The relative increase in cash provided by operating activities for the three months ended June

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30, 1997 compared to same period of the prior year was primarily due to a \$697,000 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 three months ended June 30, 1997 and 1996 was \$693,000 and \$387,000, respectively. The increase was the result of purchases of property and equipment, primarily consisting of test equipment and computers.

Cash used by financing activities for the three months ended June 30, 1997 and 1996 was \$187,000 and \$65,000, respectively. This increase was primarily the result of \$665,000 in repayments of notes payable which was partially offset by \$318,000 received for the purchase of the Company's Common Stock.

At June 30, 1997, the Company had \$12.9 million in cash and cash equivalents, \$21.3 million in working capital and \$2.1 million in long-term debt which consisted of equipment financing. The Company had a zero balance under its line of credit at June 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 banks 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

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PART II - OTHER INFORMATION

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 June

30, 1997.

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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: August 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

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

	THREE MONTHS ENDED JUNE 30,	
	1997	1996 (1)
Net Income	\$ 1,175,000	\$ 478,000
Weighted average number of common shares outstanding	7,744,119	3,386,396
Assumed conversion of preferred shares		2,365,538
Common stock equivalent shares	307,815	76,021
Effect of shares issued and options granted at less than the offering price		175,156
Total number of shares for computing primary earnings per share	8,051,934	6,003,110
Incremental shares for computing fully diluted earnings per share	47,948	
Total number of shares for computing fully diluted earnings per share	8,099,882	6,003,110
Primary earnings per share	\$.15	\$.08
Fully diluted earnings per share	\$.15	\$.08

(1) Earnings per share calculations are pro forma.

<ARTICLE> 5

<LEGEND>

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

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