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, 2018

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 001-35003

RigNet, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**76-0677208** **(I.R.S. Employer Identification No.)**
15115 Park Row Blvd, Suite 300 **Houston, Texas** **(Address of principal executive offices)**	**77084-4947** **(Zip Code)**

(281) 674-0100
Registrant's telephone number, including area code

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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At July 31, 2018, there were outstanding 19,359,863 shares of the registrant's Common Stock.

TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. *Condensed Consolidated Financial Statements*

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2018	December 31, 2017
	(in thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,366	$ 34,598
Restricted cash	42	43
Accounts receivable, net	64,850	49,021
Costs and estimated earnings in excess of billings on uncompleted contracts	3,719	2,393
Prepaid expenses and other current assets	7,053	5,591
Total current assets	**94,030**	**91,646**
Property, plant and equipment, net	61,148	60,344
Restricted cash	1,546	1,500
Goodwill	48,479	37,088
Intangibles, net	38,882	30,405
Deferred tax and other assets	8,768	9,111
TOTAL ASSETS	**$ 252,853**	**$ 230,094**
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 17,298	$ 12,234
Accrued expenses	14,737	16,089
Current maturities of long-term debt	4,949	4,941
Income taxes payable	908	1,601
Deferred revenue and other current liabilities	15,743	8,511
Total current liabilities	**53,635**	**43,376**
Long-term debt	53,195	53,173
Deferred revenue	417	546
Deferred tax liability	3,990	189
Other liabilities	31,515	25,533
Total liabilities	**142,752**	**122,817**
Commitments and contingencies (Note 11)		
Equity:		
Stockholders' equity		
Preferred stock - $0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding at June 30, 2018 or December 31, 2017	—	—
Common stock - $0.001 par value; 191,000,000 shares authorized; 19,359,863 and 18,232,872 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	19	18
Treasury stock - 89,880 and 5,516 shares at June 30, 2018 and December 31, 2017, respectively, at cost	(1,246)	(116)
Additional paid-in capital	170,603	155,829
Accumulated deficit	(43,949)	(33,726)
Accumulated other comprehensive loss	(15,398)	(14,806)
Total stockholders' equity	**110,029**	**107,199**
Non-redeemable, non-controlling interest	72	78
Total equity	**110,101**	**107,277**
TOTAL LIABILITIES AND EQUITY	**$ 252,853**	**$ 230,094**

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

RIGNET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands, except per share amounts)			
Revenue	**$ 60,007**	**$ 49,162**	**$ 113,840**	**$ 97,234**
Expenses:				
Cost of revenue (excluding depreciation and amortization)	36,246	33,038	69,927	62,913
Depreciation and amortization	8,356	7,552	16,343	14,868
Selling and marketing	4,189	2,132	7,138	3,568
General and administrative	15,546	9,878	29,232	20,390
Total expenses	**64,337**	**52,600**	**122,640**	**101,739**
Operating loss	**(4,330)**	**(3,438)**	**(8,800)**	**(4,505)**
Other income (expense):				
Interest expense	(1,007)	(613)	(1,966)	(1,232)
Other income (expense), net	112	(260)	618	(147)
Loss before income taxes	(5,225)	(4,311)	(10,148)	(5,884)
Income tax benefit (expense)	926	101	323	(313)
Net loss	**(4,299)**	**(4,210)**	**(9,825)**	**(6,197)**
Less: Net income attributable to non-redeemable, non-controlling interest	30	39	60	78
Net loss attributable to RigNet, Inc. stockholders	**$ (4,329)**	**$ (4,249)**	**$ (9,885)**	**$ (6,275)**
COMPREHENSIVE LOSS				
Net loss	$ (4,299)	$ (4,210)	$ (9,825)	$ (6,197)
Foreign currency translation	(2,192)	905	(592)	1,766
Comprehensive loss	**(6,491)**	**(3,305)**	**(10,417)**	**(4,431)**
Less: Comprehensive income (loss) attributable to non-controlling interest	30	39	60	78
Comprehensive loss attributable to RigNet, Inc. stockholders	**$ (6,521)**	**$ (3,344)**	**$ (10,477)**	**$ (4,509)**
LOSS PER SHARE - BASIC AND DILUTED				
Net loss attributable to RigNet, Inc. common stockholders	$ (4,329)	$ (4,249)	$ (9,885)	$ (6,275)
Net loss per share attributable to RigNet, Inc. common stockholders, basic	$ (0.23)	$ (0.24)	$ (0.54)	$ (0.35)
Net loss per share attributable to RigNet, Inc. common stockholders, diluted	$ (0.23)	$ (0.24)	$ (0.54)	$ (0.35)
Weighted average shares outstanding, basic	18,639	17,985	18,394	17,929
Weighted average shares outstanding, diluted	18,639	17,985	18,394	17,929

The accompanying notes are an integral part of the condensed consolidated financial statements.

RIGNET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(in thousands)	
Cash flows from operating activities:		
Net loss	$ (9,825)	$ (6,197)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization	16,343	14,868
Stock-based compensation	3,282	1,942
Amortization of deferred financing costs	102	151
Deferred taxes	66	74
Change in fair value of earn-out/contingent consideration	2,800	(846)
Accretion of discount of contingent consideration payable for acquisitions	287	272
(Gain) loss on sales of property, plant and equipment, net of retirements	(32)	50
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable	(12,458)	1,777
Costs and estimated earnings in excess of billings on uncompleted contracts	(430)	(894)
Prepaid expenses and other assets	(2,157)	909
Accounts payable	4,140	(24)
Accrued expenses	(2,948)	(1,034)
Deferred revenue and other assets	4,134	5,325
Other liabilities	(1,975)	(7,090)
Net cash provided by operating activities	**1,329**	**9,283**
Cash flows from investing activities:		
Acquisitions (net of cash acquired)	(5,082)	(4,900)
Capital expenditures	(12,701)	(6,522)
Proceeds from sales of property, plant and equipment	170	247
Net cash used in investing activities	**(17,613)**	**(11,175)**
Cash flows from financing activities:		
Proceeds from issuance of common stock net of stock witheld to cover employee taxes on stock-based compensation	57	799
Stock withheld to cover employee taxes on stock-based compensation	(1,130)	(116)
Subsidiary distributions to non-controlling interest	(66)	(25)
Proceeds from borrowings	2,500	—
Repayments of long-term debt	(2,572)	(14,503)
Net cash used in financing activities	**(1,211)**	**(13,845)**
Net change in cash and cash equivalents	**(17,495)**	**(15,737)**
Cash and cash equivalents including restricted cash:		
Balance, January 1,	36,141	58,805
Changes in foreign currency translation	1,308	1,172
Balance, June 30,	**$ 19,954**	**$ 44,240**
Supplemental disclosures:		
Income taxes paid	$ 2,262	$ 1,103
Interest paid	$ 1,419	$ 873
Non-cash investing - capital expenditures accrued	$ 2,180	$ 3,595
Non-cash investing - tenant improvement allowance	$ —	$ 1,728
Non-cash investing - contingent consideration for acquisitions	$ 7,600	$ 3,798
Non-cash investing and financing - stock for acquisitions	$ 11,436	$ 3,304
Liabilities assumed in acquisitions	$ 5,513	$ 100

	June 30, 2018	December 31, 2017
Cash and cash equivalents	$ 18,366	$ 34,598
Restricted cash - current portion	42	43
Restricted cash - long-term portion	1,546	1,500
Cash and cash equivalents including restricted cash	**$ 19,954**	**$ 36,141**

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

RIGNET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non-Redeemable, Non-Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount						
						(in thousands)				
Balance, January 1, 2017	**17,933**	**$ 18**	**—**	**$ —**	**$ 147,906**	**$ (17,550)**	**$ (17,971)**	**$ 112,403**	**$ 175**	**$ 112,578**
Issuance of common stock upon the exercise of stock options	57	—	—	—	799	—	—	799	—	799
Issuance of common stock upon the vesting of Restricted Stock Units, net of share cancellations	49	—	—	—	—	—	—	—	—	—
Issuance of common stock upon the acquisition of Cyphre	192	—	—	—	3,304	—	—	3,304	—	3,304
Stock withheld to cover employee taxes on stock-based compensation	(6)	—	6	(116)	—	—	—	(116)	—	(116)
Stock-based compensation	—	—	—	—	1,942	—	—	1,942	—	1,942
Foreign currency translation	—	—	—	—	—	—	1,766	1,766	—	1,766
Non-controlling owner distributions	—	—	—	—	—	—	—	—	(25)	(25)
Net income (loss)	—	—	—	—	—	(6,275)	—	(6,275)	78	(6,197)
Balance, June 30, 2017	**18,225**	**$ 18**	**6**	**$ (116)**	**$ 153,951**	**$ (23,825)**	**$ (16,205)**	**$ 113,823**	**$ 228**	**$ 114,051**
Balance, January 1, 2018	**18,233**	**$ 18**	**6**	**$ (116)**	**$ 155,829**	**$ (33,726)**	**$ (14,806)**	**$ 107,199**	**$ 78**	**$ 107,277**
Issuance of common stock upon the exercise of stock options	8	—	—	—	57	—	—	57	—	57
Issuance of common stock upon the vesting of Restricted Stock Units, net of share cancellations	330	—	—	—	—	—	—	—	—	—
Issuance of common stock for acquisitions	789	1	—	—	11,435	—	—	11,436	—	11,436
Stock withheld to cover employee taxes on stock-based compensation	—	—	84	(1,130)	—	—	—	(1,130)	—	(1,130)
Stock-based compensation	—	—	—	—	3,282	—	—	3,282	—	3,282
Cumulative effect adjustment from implementation of ASU 2016-16	—	—	—	—	—	(338)	—	(338)		(338)
Foreign currency translation	—	—	—	—	—	—	(592)	(592)	—	(592)
Non-controlling owner distributions	—	—	—	—	—	—	—	—	(66)	(66)
Net income (loss)	—	—	—	—	—	(9,885)	—	(9,885)	60	(9,825)
Balance, June 30, 2018	**19,360**	**$ 19**	**90**	**$ (1,246)**	**$ 170,603**	**$ (43,949)**	**$ (15,398)**	**$ 110,029**	**$ 72**	**$ 110,101**

The accompanying notes are an integral part of the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The interim unaudited condensed consolidated financial statements of RigNet, Inc. (the Company or RigNet) include all adjustments which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations. All such adjustments are of a normal recurring nature. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Rule 10-01 of Regulation S-X. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Estimates and assumptions about future events and their effects cannot be perceived with certainty. Estimates may change as new events occur, as more experience is acquired, as additional information becomes available and as the Company's operating environment changes. Actual results could differ from estimates. These interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2018.

Significant Accounting Policies

Please refer to RigNet's Annual Report on Form 10-K for fiscal year 2017 for information regarding the Company's accounting policies.

Revenue Recognition - Revenue from Contracts with Customers

Revenue is recognized to depict the transfer of promised goods or services in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue Recognition - Managed Services and Applications and Internet-of-Things

Managed Services and Applications and Internet-of-Things customers are primarily served under fixed-price contracts, either on a monthly or day rate basis or for equipment sales and consulting services. Our contracts are generally in the form of Master Service Agreements, or MSAs, with specific services being provided under individual service orders that have a term of up to three years with renewal options, while land-based locations are generally shorter term or terminable on short notice without a penalty. Service orders are executed under the MSA for individual remote sites or groups of sites, and generally permit early termination on short notice without penalty in the event of force majeure, breach of the MSA or cold stacking of a drilling rig (when a rig is taken out of service and is expected to be idle for a protracted period of time).

Performance Obligations Satisfied Over Time—The delivery of service represents the single performance obligation under Managed Services and Applications and Internet-of-Things contracts. Revenue for contracts is generally recognized over time as service is transferred to the customer and the Company expects to be entitled to the agreed monthly or day rate in exchange for those services.

Performance Obligations Satisfied at a Point in Time—The delivery of equipment represents the single performance obligation under equipment sale contracts. Revenue for equipment sales is generally recognized upon delivery of equipment to customers.

***Revenue Recognition* – Systems Integration**

Revenues related to long-term, fixed-price Systems Integration contracts for customized network solutions are recognized based on the percentage of completion for the contract. At any point, RigNet has numerous contracts in progress, all of which are at various stages of completion. Accounting for revenues and profits on long-term contracts requires estimates of total estimated contract costs and estimates of progress toward completion to determine the extent of revenue and profit recognition.

Performance Obligations Satisfied Over Time — The delivery of a Systems Integration solution represents the single performance obligation under Systems Integration contracts. Progress towards completion on fixed price contracts is measured based on the ratio of costs incurred to total estimated contract costs (the cost-to-cost method). These estimates may be revised as additional information becomes available or as specific project circumstances change.

The Company reviews all material contracts on a monthly basis and revises the estimates as appropriate for developments such as, providing services, purchasing third-party materials and equipment at costs differing from those previously estimated, and incurring or expecting to incur schedule issues. Changes in estimated final contract revenues and costs can either increase or decrease the final estimated contract profit or loss. Profits are recorded in the period in which a change in estimate is recognized, based on progress achieved through the period of change. Anticipated losses on contracts are recorded in full in the period in which they become evident. Revenue recognized in excess of amounts billed is classified as a current asset under costs and estimated earnings in excess of billings on uncompleted contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Systems Integration contracts are billed in accordance with the terms of the contract which are typically either based on milestones or specified time intervals. As of June 30, 2018 and December 31, 2017, the amount of costs and estimated earnings in excess of billings on uncompleted contracts related to Systems Integration projects was $3.7 million and $2.4 million, respectively. Under long-term contracts, amounts recorded in costs and estimated earnings in excess of billings on uncompleted contracts may not be realized or paid, respectively, within a one-year period. As of June 30, 2018 and December 31, 2017, $3.3 million and $0.4 million, respectively, of amounts billed to customers in excess of revenue recognized to date are classified as a current liability, under deferred revenue. All of the billings in excess of costs as of December 31, 2017 were recognized as revenue during the six months ended June 30, 2018.

Variable Consideration – Systems Integration - The Company records revenue on contracts relating to certain probable claims and unapproved change orders by including in revenue an amount less than or equal to the amount of costs incurred to date relating to these probable claims and unapproved change orders, thus recognizing no profit until such time as claims are finalized or change orders are approved. The amount of unapproved change orders and claim revenues is included in the Company's Condensed Consolidated Balance Sheets as part of costs and estimated earnings in excess of billings on uncompleted contracts. No material unapproved change orders and claims revenue were included in costs and estimated earnings in excess of billings on uncompleted contracts as of June 30, 2018 and December 31, 2017. As new facts become known, an adjustment to the estimated recovery is made and reflected in the current period.

Backlog - As of June 30, 2018, we have backlog for our percentage of completion projects of $19.6 million, which will be recognized over the remaining contract term for each contract. Percentage of completion contract terms are typically one to three years.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606). The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update No. 2015-14 (ASU 2015-14), Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. In March 2016, the FASB issued Accounting Standards Update No. 2016-08 (ASU 2016-08), Revenue from Contracts with Customers: Principal versus Agent Considerations. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. In April and May of 2016, the FASB issued Accounting Standards Update No. 2016-10 (ASU 2016-10) and Accounting Standards Update No. 2016-12 (ASU 2016-12), Revenue from Contracts with Customers (Topic 606), respectively, that provide scope amendments, performance obligations clarification and practical expedients. These ASUs allow for the use of either the full or modified retrospective transition method and are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company adopted this ASU on January 1, 2018. The Company's evaluation of this ASU included a detailed review of representative contracts from each segment and comparing historical accounting policies and practices to the new standard. The adoption of this ASU did not have any material impact on the Company's condensed consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), Leases. This ASU is effective for annual reporting periods beginning after December 15, 2018. This ASU introduces a new lessee model that generally brings leases on the balance sheet. Based on the Company's current leases, the Company anticipates the new guidance will require additional assets and liabilities on the condensed consolidated balance sheet; however, the Company has not yet completed an estimation of such amount and we are still evaluating the overall impact of the new guidance on our condensed consolidated financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15), Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new ASU reduces diversity of practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics, including the treatment of contingent consideration payments made after a business combination. The ASU is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted this ASU on January 1, 2018. The adoption of this ASU did not have any material impact on the Company's condensed consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16 (ASU 2016-16), Income Taxes: Intra-Entity Transfer of Assets Other Than Inventory. The new ASU requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than the previous requirement to defer recognition of current and deferred income taxes for an intra-entity asset transfer until the asset had been sold to an outside party. The ASU is effective for annual

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

and interim reporting periods beginning after December 15, 2017. The Company adopted this ASU on January 1, 2018 using the modified retrospective method, through a $0.3 million cumulative effect that directly lowered accumulated deficit. The adoption of this ASU did not have any material impact on the Company's condensed consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18), which includes restricted cash in the cash and cash equivalents balance in the statement of cash flows. The ASU is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted this ASU on January 1, 2018. The adoption of this ASU did not have any material impact on the Company's condensed consolidated financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-07 (ASU 2018-07), which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The ASU is effective for annual and interim reporting periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's condensed consolidated financial statements.

Note 2 – Business Combinations

Auto-Comm and SAFCON

On April 18, 2018, RigNet completed the separate acquisitions of Automation Communications Engineering Corp. (Auto-Comm) and Safety Controls, Inc. (SAFCON) for an aggregate purchase price of $6.3 million. Of this aggregate purchase price, RigNet paid $2.2 million in cash and $4.1 million in stock.

Auto-Comm provides a broad range of communications services, for both onshore and offshore remote locations, to the oil and gas industry. Auto-Comm brings over 30 years of systems integration experience in engineering and design, installation, testing, and maintenance. SAFCON offers a diverse set of safety, security, and maintenance services to the oil and gas industry. Auto-Comm and SAFCON have developed strong relationships with major energy companies that complement the relationships that RigNet has established over the years. Auto-Comm and SAFCON are based in Louisiana.

The assets and liabilities of Auto-Comm and SAFCON have been recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the underlying net tangible and identifiable intangible assets and liabilities has been recorded as goodwill. The Company's allocation of the purchase price is preliminary as the amounts related to the identifiable intangible assets and effects of income taxes resulting from the transaction, are still being finalized.

The goodwill of $1.0 million arising from the acquisition consists largely of growth prospects, synergies and other benefits that the Company believes will result from combining the operations of the Company and Auto-Comm and SAFCON, as well as other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of acquisition. The goodwill recognized is expected to be nondeductible for income tax purposes. The acquisition of Auto-Comm and SAFCON, including goodwill, is included in the Company's condensed consolidated financial statements as of the acquisition date and is primarily reflected in the Systems Integration segment.

	Weighted Average Estimated Useful Life (Years)	Fair Market Values	
		(in thousands)	
Current assets			$ 4,559
Property and equipment			484
Trade name	7	540	
Customer relationships	7	980	
Total identifiable intangible assets			1,520
Goodwill			1,003
Current liabilities			(909)
Deferred tax liability			(319)
Total purchase price			$ 6,338

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Intelie

On March 23, 2018, RigNet completed its acquisition of Intelie Soluções Em Informática S.A (Intelie), for an estimated aggregate purchase price of $18.1 million. Of this aggregate purchase price, RigNet paid R$10.6 million (BRL) (or approximately $3.2 million) in cash, $7.3 million in stock and expects to pay $7.6 million worth of RigNet stock as contingent consideration earn-out, estimated as of the date of acquisition. The initial estimate of the earn-out payable was preliminary and remains subject to change based on the achievement of certain post-closing performance targets under the acquisition agreement. The maximum earn-out is $17.0 million. Intelie is a real-time, predictive analytics company that combines an operational understanding with a machine learning approach. Intelie facilitates innovation via Intelie Pipes, a distributed query language with a complex event processor to aggregate and normalize real-time data from a myriad of data sources. This technology enables the Intelie LIVE platform to solve data integration, data quality, data governance and monitoring problems. Intelie LIVE is an operational intelligence platform that empowers clients to make timely, data-driven decisions in mission-critical real-time operations, including drilling, and longer-term, data-intensive projects, such as well planning. Intelie is based in Brazil.

The assets and liabilities of Intelie have been recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the underlying net tangible and identifiable intangible assets and liabilities has been recorded as goodwill. The Company’s allocation of the purchase price is preliminary as the amounts related to contingent consideration, identifiable intangible assets, and the effects of income taxes resulting from the transaction, are still being finalized.

The earn-out for Intelie is measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss in each reporting period. As of June 30, 2018, the fair value of the earn-out was $7.6 million. During the three and six months ended June 30, 2018, RigNet recognized accreted interest expense on the Intelie earn-out of $0.1 million with corresponding increases to other liabilities. Portions of the earn-out are payable in RigNet stock on the first, second and third anniversary of the closing of the acquisition based on certain post-closing performance targets under the acquisition agreement.

The goodwill of $10.7 million arising from the acquisition consists largely of growth prospects, synergies and other benefits that the Company believes will result from combining the operations of the Company and Intelie, as well as other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes. The acquisition of Intelie, including goodwill, is included in the Company’s condensed consolidated financial statements as of the acquisition date and is reflected in the Applications and Internet-of-Things segment.

	Weighted Average Estimated Useful Life (Years)	Fair Market Values	
		(in thousands)	
Current assets			$ 589
Property and equipment			73
Trade name	7	2,300	
Technology	7	8,400	
Customer relationships	7	320	
Total identifiable intangible assets			11,020
Goodwill			10,744
Current liabilities			(460)
Deferred tax liability			(3,825)
Total purchase price			$18,141 (a)

(a) Includes $7.6 million in contingent consideration earn-out estimated as of the date of acquisition.

Actual and Pro Forma Impact of the 2018 Acquisitions

The 2018 acquisitions of Auto-Comm, SAFCON and Intelie contributed revenue and net income of $6.1 million and $0.8 million, respectively, for the three months ended June 30, 2018. The 2018 acquisitions of Auto-Comm, SAFCON and Intelie contributed revenue and net income of $6.2 million and $0.8 million, respectively, for the six months ended June 30, 2018.

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table represents supplemental pro forma information as if the 2018 acquisitions had occurred on January 1, 2017.

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(in thousands, except per share amounts)			
Revenue	$ 60,547	$ 53,513	$ 118,297	$ 105,715
Expenses	64,784	57,645	127,593	111,796
Net loss	$ (4,237)	$ (4,132)	$ (9,296)	$ (6,081)
Net loss attributable to RigNet, Inc. common stockholders	$ (4,267)	$ (4,171)	$ (9,356)	$ (6,159)
Net loss per share attributable to RigNet, Inc. common stockholders:				
Basic	$ (0.23)	$ (0.23)	$ (0.51)	$ (0.34)
Diluted	$ (0.23)	$ (0.23)	$ (0.51)	$ (0.34)

The Company incurred acquisition related costs of $0.3 million and $1.1 million in the three and six months ended June 30, 2018, respectively, reported in general and administrative costs.

Energy Satellite Services

On July 28, 2017, RigNet acquired substantially all the assets of Energy Satellite Services (ESS). ESS is a supplier of wireless communications services via satellite networks primarily to the midstream sector of the oil and gas industry for remote pipeline monitoring. The assets acquired enhance RigNet's Supervisory Control and Data Acquisition (SCADA) customer portfolio, and strengthen the Company's US land and Internet-of-Things (IoT) market position. The Company paid $22.2 million in cash for the ESS assets. ESS is based in Texas.

The assets and liabilities of ESS have been recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the underlying net tangible and identifiable intangible assets and liabilities has been recorded as goodwill.

The goodwill of $8.5 million arising from the acquisition consists largely of growth prospects, synergies and other benefits that the Company believes will result from combining the operations of the Company and ESS, as well as other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of acquisition. The goodwill recognized is expected to be deductible for income tax purposes. The acquisition of ESS, including goodwill, is included in the Company's condensed consolidated financial statements as of the acquisition date and is reflected in the Applications and Internet-of-Things segment.

	Weighted Average Estimated Useful Life (Years)	Fair Market Values	
		(in thousands)	
Accounts receivable			$ 392
Property and equipment			1,000
Covenant not to compete	5	3,040	
Customer relationships	7	9,870	
Total identifiable intangible assets			12,910
Goodwill			8,465
Accounts payable			(567)
Total purchase price			$22,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Data Technology Solutions

On July 24, 2017, RigNet acquired substantially all the assets of Data Technology Solutions (DTS). DTS provides comprehensive communications and IT services to the onshore, offshore, and maritime industries, as well as disaster relief solutions to global corporate clients. The Company paid $5.1 million in cash for the DTS assets. DTS is based in Louisiana.

The assets and liabilities of DTS have been recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the underlying net tangible and identifiable intangible assets and liabilities has been recorded as goodwill.

The goodwill of $0.7 million arising from the acquisition consists largely of growth prospects, synergies and other benefits that the Company believes will result from combining the operations of the Company and DTS, as well as other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of acquisition. The goodwill recognized is expected to be deductible for income tax purposes. The acquisition of DTS, including goodwill, is included in the Company's condensed consolidated financial statements as of the acquisition date and is reflected in the Managed Services segment.

	Fair Market Values (in thousands)
Property and equipment	$ 4,553
Goodwill	704
Accounts payable	(152)
Total purchase price	$ 5,105

Cyphre Security Solutions

On May 18, 2017, RigNet completed its acquisition of Cyphre Security Solutions (Cyphre) for an estimated aggregate purchase price of $12.0 million. Of this aggregate purchase price, RigNet paid $4.9 million in cash in May 2017, $3.3 million in stock and expects to pay $3.8 million of contingent consideration for intellectual property, estimated as of the date of acquisition. Cyphre is a cybersecurity company that provides advanced enterprise data protection leveraging BlackTIE® hardware-based encryption featuring low latency protection for files at rest and in transit for both public and private cloud. Cyphre is based in Texas.

The contingent consideration for Cyphre is measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss in each reporting period. As of June 30, 2018, the fair value of the contingent consideration was $4.0 million. During the three and six months ended June 30, 2018, RigNet recognized accreted interest expense on the Cyphre contingent consideration of $0.1 million with corresponding increases to other liabilities.

The assets and liabilities of Cyphre have been recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the underlying net tangible and identifiable intangible assets and liabilities has been recorded as goodwill.

The goodwill of $4.6 million arising from the acquisition consists largely of growth prospects, synergies and other benefits that the Company believes will result from combining the operations of the Company and Cyphre, as well as other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of acquisition. The goodwill recognized is expected to be deductible for income tax purposes. The acquisition of Cyphre, including goodwill, is included in the Company's condensed consolidated financial statements as of the acquisition date and is reflected in the Applications and Internet-of-Things segment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Weighted Average Estimated Useful Life (Years)		Fair Market Values
			(in thousands)
Property and equipment			$ 18
Trade name	7	1,590	
Technology	7	5,571	
Customer relationships	7	332	
Total identifiable intangible assets			7,493
Goodwill			4,591
Accrued expenses			(100)
Total purchase price			$12,002 (a)

(a) Includes $3.8 million in contingent consideration estimated as of the date of acquisition.

Actual and Pro Forma Impact of the 2017 Acquisitions

The 2017 acquisitions of ESS, DTS and Cyphre contributed $3.5 million of revenue and $2.8 million to net income for the three months ended June 30, 2018. The 2017 acquisitions of ESS, DTS and Cyphre contributed $6.3 million of revenue and $4.7 million to net income for the six months ended June 30, 2018. Cyphre's revenue and net loss were zero and $0.3 million, respectively, for the three and six months ended June 30, 2017.

The following table represents supplemental pro forma information as if the 2017 acquisitions had occurred on January 1, 2017.

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
	(in thousands, except per share amounts)	
Revenue	$ 53,020	$ 105,935
Expenses	56,208	109,491
Net loss	$ (3,188)	$ (3,556)
Net loss attributable to RigNet, Inc. common stockholders	$ (3,227)	$ (3,634)
Net loss per share attributable to RigNet, Inc. common stockholders:		
Basic	$ (0.18)	$ (0.20)
Diluted	$ (0.18)	$ (0.20)

Note 3 – Business and Credit Concentrations

The Company is exposed to various business and credit risks including interest rate, foreign currency, credit and liquidity risks.

Table of Contents

Interest Rate Risk

The Company has significant interest-bearing liabilities at variable interest rates which generally price monthly. The Company's variable borrowing rates are tied to LIBOR resulting in interest rate risk (see Note 6 – Long-Term Debt). The Company presently does not use financial instruments to hedge interest rate risk, but evaluates this on a regular basis and may utilize financial instruments in the future if deemed necessary.

Foreign Currency Risk

The Company has exposure to foreign currency risk, as a portion of the Company's activities are conducted in currencies other than U.S. dollars. Currently, the Norwegian Krone, the British Pound Sterling and the Brazilian Real are the currencies that could materially impact the Company's financial position and results of operations. The Company presently does not hedge these risks, but evaluates financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. Foreign currency translations are reported as accumulated other comprehensive loss in the Company's condensed consolidated financial statements.

Credit Risk

Credit risk, with respect to accounts receivable, is due to the limited number of customers concentrated in the oil and gas, maritime, pipeline, engineering and construction industries. The Company mitigates the risk of financial loss from defaults through defined collection terms in each contract or service agreement and periodic evaluations of the collectability of accounts receivable. The Company provides an allowance for doubtful accounts which is adjusted when the Company becomes aware of a specific customer's inability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable.

Liquidity Risk

The Company maintains cash and cash equivalent balances with major financial institutions which, at times, exceed federally insured limits. The Company monitors the financial condition of the financial institutions and has not experienced losses associated with these accounts during 2018 or 2017. Liquidity risk is managed by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities (see Note 6 – Long-Term Debt).

Note 4 – Goodwill and Intangibles

Goodwill

Goodwill resulted from prior acquisitions as the consideration paid for the acquired businesses exceeded the fair value of acquired identifiable net tangible and intangible assets. Goodwill is reviewed for impairment at least annually with additional evaluations being performed when events or circumstances indicate that the carrying value of these assets may not be recoverable.

Due to the change in segments (see Note 12 – Segment Information) and reporting units during the third quarter of 2017, the Company re-allocated goodwill to each reporting unit based on relative fair value.

The Company acquired $1.0 million of goodwill in the Systems Integration segment from the Auto-Comm and SAFCON acquisition completed on April 18, 2018 (see Note 2 – Business Combinations).

The Company acquired $10.7 million of goodwill in the Apps & IoT segment from the Intelie acquisition completed on March 23, 2018 (see Note 2 – Business Combinations).

The Company acquired $8.5 million of goodwill in the Apps & IoT segment from the ESS acquisition completed on July 28, 2017 (see Note 2 – Business Combinations).

The Company acquired $0.7 million of goodwill in the Managed Services segment from the DTS acquisition completed on July 24, 2017 (see Note 2 – Business Combinations).

The Company acquired $4.6 million of goodwill in the Apps & IoT segment from the Cyphre acquisition completed on May 18, 2017 (see Note 2 – Business Combinations).

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company performs its annual impairment test as of July 31st of each year, with the most recent annual test being performed as of July 31, 2017. The July 2017 annual test resulted in no impairment as the fair value of each reporting unit substantially exceeded the carrying value plus goodwill of that reporting unit.

As of November 30, 2017, the Company's latest completed interim goodwill impairment testing, the fair values of the Company's reporting units are substantially in excess of their carrying values. As such, the test resulted in no impairment. The November 30, 2017 interim test was conducted due to a change in segments after the Company completed the acquisition of ESS.

No impairment indicators have been identified in any reporting unit as of June 30, 2018 and December 31, 2017.

As of June 30, 2018 and December 31, 2017, goodwill was $48.5 million and $37.1 million, respectively. Goodwill increases or decreases in value due to the effect of foreign currency translation, and increases with acquisitions.

Intangibles

Intangibles consist of customer relationships, brand name, backlog, technology and licenses acquired as part of the Company's acquisitions. Intangibles also include internal-use software. The Company's intangibles have useful lives ranging from 5.0 to 7.0 years and are amortized on a straight-line basis. Impairment testing is performed when events or circumstances indicate that the carrying value of the assets may not be recoverable.

No impairment indicators have been identified in any reporting unit as of June 30, 2018.

As of June 30, 2018 and December 31, 2017, intangibles were $38.9 million and $30.4 million, respectively. During the three months ended June 30, 2018 and 2017, the Company recognized amortization expense of $2.5 million and $1.5 million, respectively. During the six months ended June 30, 2018 and 2017, the Company recognized amortization expense of $4.6 million and $2.8 million, respectively.

The following table sets forth expected amortization expense of intangibles for the remainder of 2018 and the following years (in thousands):

2018	4,447
2019	7,532
2020	6,568
2021	6,241
2022	5,871
Thereafter	8,223
	$38,882

Note 5 – Restricted Cash

As of June 30, 2018 and December 31, 2017, the Company had restricted cash of $0.1 million and $1.5 million, in current and long-term assets, respectively. The restricted cash in long-term assets was primarily used to collateralize a performance bond in the Managed Services segment (see Note 6 – Long-Term Debt).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt

As of June 30, 2018 and December 31, 2017, the following credit facilities and long-term debt arrangements with financial institutions were in place:

	June 30, 2018	December 31, 2017
	(in thousands)	
Term loan, net of unamortized deferred financing costs	$12,096	$ 14,503
Revolving loan	45,900	43,400
Capital lease	148	211
	58,144	58,114
Less: Current maturities of long-term debt	(4,822)	(4,814)
Current maturities of capital lease	(127)	(127)
	$53,195	$ 53,173

Credit Agreement

On November 6, 2017, the Company entered into its third amended and restated credit agreement with four participating financial institutions. The credit agreement provides for a $15.0 million term loan facility (Term Loan) and an $85.0 million revolving credit facility (RCF) and matures on November 6, 2020.

The RCF contains a sub-limit of up to $25.0 million for commercial and stand-by letters of credit and performance bonds. The facilities under the credit agreement are secured by substantially all the assets of the Company.

Under the credit agreement, both the Term Loan and RCF bear interest at a rate of LIBOR plus a margin ranging from 1.75% to 2.75% based on a consolidated leverage ratio defined in the credit agreement. Interest is payable monthly and principal installments of $1.25 million under the Term Loan are due quarterly. The weighted average interest rate for the three months ended June 30, 2018 and 2017 were 4.8% and 3.1%, respectively. The weighted average interest rate for the six months ended June 30, 2018 and 2017 were 4.5% and 3.1%, respectively, with an interest rate of 4.8% at June 30, 2018.

Term Loan

As of June 30, 2018, the Term Loan had an outstanding principal balance of $12.5 million, excluding the impact of unamortized deferred financing costs.

RCF

As of June 30, 2018, $45.9 million in draws remain outstanding under the RCF.

In July 2018, the Company made a draw of $10.0 million on the RCF primarily to pay the TECNOR earn-out.

Covenants and Restrictions

The Company's credit agreement contains certain covenants and restrictions, including restricting the payment of cash dividends under default and maintaining certain financial covenants such as a consolidated leverage ratio, defined in the credit agreement, of less than or equal to 2.75 to 1.0 and a consolidated fixed charge coverage ratio of not less than 1.25 to 1.0 as of June 30, 2018. If any default occurs related to these covenants, the unpaid principal and any accrued interest shall be declared immediately due and payable. As of June 30, 2018, and December 31, 2017, the Company believes it was in compliance with all covenants.

Performance Bonds and Letters of Credit

On September 14, 2012, NesscoInvsat Limited, a subsidiary of RigNet, secured a performance bond facility. On November 6, 2017, this facility became a part of the third amended and restated credit agreement and falls under the $25.0 million sub-limit of the RCF for commercial and standby letters of credit and performance bonds.

As of June 30, 2018, there were no outstanding standby letters of credit. There were $2.4 million of performance bonds outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In June 2016, the Company secured a performance bond facility with a lender in the amount of $1.5 million for its Managed Services segment. This facility has a maturity date of June 2021. The Company maintains restricted cash on a dollar for dollar basis to secure this facility.

Debt Maturities

The following table sets forth the aggregate principal maturities of long-term debt, net of deferred financing cost amortization (in thousands):

2018	2,472
2019	4,914
2020	50,758
Total debt, including current maturities	$58,144

Note 7 – Fair Value Disclosures

The Company uses the following methods and assumptions to estimate the fair value of financial instruments:

- ***Cash and Cash Equivalents*** — Reported amounts approximate fair value based on quoted market prices (Level 1).
- ***Restricted Cash*** — Reported amounts approximate fair value.
- ***Accounts Receivable*** — Reported amounts, net of the allowance for doubtful accounts, approximate fair value due to the short-term nature of these assets.
- ***Accounts Payable, Including Income Taxes Payable and Accrued Expenses*** — Reported amounts approximate fair value due to the short-term nature of these liabilities.
- ***Long-Term Debt*** — The carrying amount of the Company's floating-rate debt approximates fair value since the interest rates paid are based on short-term maturities and recent quoted rates from financial institutions. The estimated fair value of debt was calculated based upon observable (Level 2) inputs regarding interest rates available to the Company at the end of each respective period.

The Company's non-financial assets, such as goodwill, intangibles and property, plant and equipment, are measured at fair value, based on level 3 inputs, when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

The earn-out for Intelie is measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss in each reporting period. As of June 30, 2018, the fair value of the earn-out was $7.6 million. During the three and six months ended June 30, 2018, RigNet recognized accreted interest expense on the Intelie earn-out of $0.1 million with corresponding increases to other liabilities.

The contingent consideration for Cyphre is measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss in each reporting period. As of June 30, 2018, the fair value of the contingent consideration was $4.0 million. During the three and six months ended June 30, 2018, RigNet recognized accreted interest expense on the Cyphre contingent consideration of $0.1 million with corresponding increases to other liabilities. During the three and six months ended June 30, 2017, RigNet recognized accreted interest expense on the Cyphre contingent consideration of $0.1 million.

The earn-out for TECNOR is measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss in each reporting period. As of June 30, 2018, the fair value of the earn-out was $8.0 million, which was paid in July 2018. As of June 30, 2018, the fair value for the agreement to collect certain accounts receivable was $0.8 million. The change in fair value in the three and six months ended June 30, 2018 was due to 2nd quarter 2018 negotiations with the sellers of TECNOR on the amount of the earn-out. During the three and six months ended June 30, 2018, RigNet recognized accreted interest expense on the TECNOR earn-out liability of $0.1 million with corresponding increases to other liabilities. During the three and six months ended June 30, 2017, RigNet recognized accreted interest expense on the TECNOR earn-out liability of $0.1 million and $0.2 million, respectively. Additionally, the Company has agreed to pay the sellers of TECNOR up to $1.0 million in either cash or RigNet stock payable in 2019 for the collection of certain accounts receivable balances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Income Taxes

The Company's effective income tax rate was 17.7% and 3.2% for the three and six months ended June 30, 2018, respectively. The Company's effective income tax rate was 2.3% and (5.3%) for the three and six months ended June 30, 2017, respectively. The Company's effective tax rate is affected by factors including changes in applicable laws and regulations, valuation allowances, fluctuations in income across jurisdictions with varying tax rates, and changes in income tax reserves, including related penalties and interest.

The Company has computed the provision for taxes for the current and comparative periods using the actual year-to-date effective tax rate. The Company's financial projections for those periods did not provide the level of detail necessary to calculate a forecasted effective tax rate.

The Company believes that it is reasonably possible that a decrease of up to $3.4 million in unrecognized tax benefits, including related interest and penalties, may be necessary within the coming year due to lapse in statute of limitations.

On December 22, 2017 the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (The Act), making broad and complex changes to the U.S. tax code.

The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act. For various reasons that are discussed below, the Company has not completed its accounting for the income tax effects of certain elements of the Tax Act. If the Company was able to make reasonable estimates of the effects of elements for which its analysis is not yet complete, the Company recorded provisional adjustments. If the Company was not yet able to make reasonable estimates of the impact of certain elements, the Company has not recorded any adjustments related to those elements and has continued accounting for them in accordance with ASC 740 on the basis of the tax laws in effect before the Tax Act.

The Company has not yet completed the accounting for the income tax effects of the Tax Act and all the amounts recorded remain provisional. As noted in the Company's 2017 Annual report on form 10-K filed with the SEC on March 6, 2018, the Company was able to make reasonable estimates and recorded provisional adjustments as follows:

Reduction of US Federal Corporate Tax Rate: In the fourth quarter of 2017, the Company recorded a provisional decrease of $8.2 million to deferred tax expense related to the US federal corporate tax rate reduction. The Company has not made additional measurement-period adjustments during the quarter, because the estimate may be affected by other analyses related to the Tax Act.

Deemed Repatriation Transition Tax: In the fourth quarter of 2017, the Company recorded a provisional Transition Tax obligation of $3.8 million, which was fully offset by current losses and foreign tax credits. On August 1, 2018 the Department of Treasury and the Internal Revenue Service issued proposed regulations which provide additional guidance on the provisions of the Transition Tax under Section 965, including the election not to apply net operating loss deductions against the Transition Tax. The Company has not made any additional measurement-period adjustments related to these items during the quarter because it is still interpreting the application of this recent guidance. However, the Company is continuing to gather additional information to more precisely compute the Transition Tax and does expect to complete its accounting within the prescribed measurement period.

Global Intangible Low Taxed Income (GILTI): In the fourth quarter of 2017, the Company was not able to reasonably estimate the effects for GILTI. Therefore, no provisional adjustment was recorded. Because of the complexity of the new GILTI tax rules, the Company is continuing to evaluate this provision of the Act and the application of ASC 740. Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the period cost method) or (2) factoring such amounts into a company's measurement of its deferred taxes (the deferred method). The Company's selection of an accounting policy related to the new GILTI tax rules will depend, in part, on analyzing its global income to determine whether it expects to have future U.S. inclusions in taxable income related to GILTI and, if so, what the impact is expected to be. Because whether the Company expects to have future U.S. inclusions in taxable income related to GILTI depends on a number of different aspects of its estimated future results of global operations, the Company is not yet able to reasonably estimate the long-term effects of this provision of the Act. Therefore, the Company has not recorded any potential deferred tax effects related to GILTI in the financial statements and has not made a policy decision regarding whether to record deferred taxes on GILTI or use the period cost method. The Company prepared an estimate for current GILTI impact, which was determined to be zero. The Company expects to complete its accounting within the prescribed measurement period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company is continuing to evaluate all of the provisions of U.S. Tax Reform and expects to finalize its assessment during the one-year measurement period provided by SAB 118. During the six months ended June 30, 2018, the Company has not made any significant changes to its initial assessments made during the fourth quarter of 2017.

Note 9 – Stock-Based Compensation

During the six months ended June 30, 2018, the Company granted a total of 357,877 restricted stock units (RSUs) to certain directors, officers and employees of the Company under the 2010 Omnibus Incentive Plan (2010 Plan). Of these, the Company granted (i) 141,068 RSUs to certain officers and employees that generally vest over a four year period of continued employment, with 25% of the RSUs vesting on each of the first four anniversaries of the grant date, (ii) 11,188 RSUs to certain officers and employees that generally vest over a two year period of continued employment, with 50% of the RSUs vesting on each of the first two anniversaries of the grant date, (iii) 48,179 RSUs to outside directors that vest in 2019 and (iv) 157,442 unrestricted stock grants to certain officers and employees that vested immediately.

The fair value of restricted stock units is determined based on the closing trading price of the Company’s common stock on the grant date of the award. Compensation expense is recognized on a straight-line basis over the requisite service period of the entire award, net of forfeitures.

During the six months ended June 30, 2018, 34,483 RSUs and 23,123 stock options were forfeited.

Stock-based compensation expense related to the Company’s stock-based compensation plans for the six months ended June 30, 2018 and 2017 was $3.3 million and $1.9 million, respectively. As of June 30, 2018, there was $3.2 million of total unrecognized compensation cost related to unvested options and restricted stock expected to vest. This cost is expected to be recognized over a remaining weighted-average period of 2.0 years.

Note 10 – Earnings (loss) per Share

Basic earnings (loss) per share (EPS) are computed by dividing loss attributable to RigNet common stockholders by the number of basic shares outstanding. Basic shares equal the total of the common shares outstanding, weighted for the average days outstanding for the period. Basic shares exclude the dilutive effect of common shares that could potentially be issued due to the exercise of stock options or vesting of restricted stock and RSUs. Diluted EPS is computed by dividing loss attributable to RigNet common stockholders by the number of diluted shares outstanding. Diluted shares equal the total of the basic shares outstanding and all potentially issuable shares, other than antidilutive shares, if any, weighted for the average days outstanding for the period. The Company uses the treasury stock method to determine the dilutive effect. In periods when a net loss is reported, all common stock equivalents are excluded from the calculation because they would have an anti-dilutive effect, meaning the loss per share would be reduced. Therefore, in periods when a loss is reported, basic and dilutive loss per share are the same.

For the three and six months ended June 30, 2018, there were approximately 580,410 and 636,460 potentially issuable shares excluded from the Company’s calculation of diluted EPS that were excluded because the Company incurred a loss in the period and to include them would have been anti-dilutive.

For the three and six months ended June 30, 2017, there were approximately 541,964 and 575,214 potentially issuable shares, respectively, excluded from the Company’s calculation of diluted EPS that were excluded because the Company incurred a loss in the period and to include them would have been anti-dilutive.

Note 11 – Commitments and Contingencies

Legal Proceedings

In August 2017, the Company filed litigation in Harris County District Court and arbitration against one of its former Chief Executive Officers for, among other things, breach of fiduciary duty, misappropriation of trade secrets, unfair competition and breach of contract. That former executive filed counterclaims against the Company and one of its independent directors. The parties entered into a settlement agreement resolving all claims amongst themselves in May 2018 and dismissed the litigation and arbitration proceedings. The Company has incurred legal expense of approximately $0.2 million in connection with this dispute for the six months ended June 30, 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Global Xpress (GX) Dispute

Inmarsat plc (Inmarsat), a satellite telecommunications company, and the Company are in a dispute relating to a January 2014 agreement regarding the purchase by the Company of up to $65.0 million, under certain conditions, of GX capacity from Inmarsat over several years (GX dispute). Inmarsat initiated arbitration regarding the GX dispute in October 2016. The parties dispute whether Inmarsat has met its contractual obligations with respect to the service under the agreement. In July 2017, pursuant to its contractual rights under the agreement, the Company delivered a notice of termination of the agreement to Inmarsat. In addition, the Company has filed certain counterclaims against Inmarsat. The parties have agreed to divide the arbitration into two phases, with the first phase to decide if RigNet's purchase obligation ever commenced and the second phase to address RigNet's counterclaims against Inmarsat. The parties attended an arbitration hearing on the first phase in June 2018 and are currently awaiting the decision of the arbitration panel.

The Company has incurred legal expenses of $1.4 million in connection with the GX dispute for the six months ended June 30, 2018. The Company may continue to incur significant legal fees, related expenses and management time in the future. The Company cannot predict the ultimate outcome of the GX dispute, the total costs to be incurred or the potential impact on personnel.

Based on the information available at this time and management's understanding of the GX dispute, the Company does not deem the likelihood of a material loss related to this dispute to be probable, so it has not accrued any liability related to the dispute. At this stage of the arbitration, the range of possible loss is not reasonably estimable, but could range from zero to the maximum amount payable under the contract for the services plus expenses.

Other Litigation

The Company, in the ordinary course of business, is a claimant or a defendant in various legal proceedings, including proceedings as to which the Company has insurance coverage and those that may involve the filing of liens against the Company or its assets.

Sales Tax Audit

The company has received a routine sales tax audit notice from a state where the Company has operations. Per the notice, the audit can cover up to a four-year period. The Company is in the early stages of the process, and does not have any estimates of further exposure, if any, for the tax years under review.

Operating Leases

The Company leases office space under lease agreements expiring on various dates through 2025. For the three months ended June 30, 2018 and 2017, the Company recognized expense under operating leases of $0.7 million and $1.0 million, respectively. For the six months ended June 30, 2018 and 2017, the Company recognized expense under operating leases of $1.4 million and $2.0 million, respectively.

As of June 30, 2018, future minimum lease obligations for the remainder of 2018 and future years were as follows (in thousands):

2018	1,425
2019	1,805
2020	905
2021	657
2022	671
Thereafter	1,821
	$7,284

Table of Contents

Commercial Commitments

The Company enters into contracts for satellite bandwidth and other network services with certain providers.

As of June 30, 2018, the Company had the following commercial commitments related to satellite and network services for the remainder of 2018 and the future years thereafter (in thousands):

2018	12,280
2019	10,176
2020	901
2021	109
	$23,466

The Company is no longer reporting $65.0 million in the above table for capacity from Inmarsat's GX network. Please see paragraph "Global Xpress (GX) Dispute" above for details of the ongoing arbitration and the Company's notice to terminate the contract with Inmarsat.

Note 12 – Segment Information

Segment information is prepared consistent with the components of the enterprise for which separate financial information is available and regularly evaluated by the chief operating decision-maker for the purpose of allocating resources and assessing performance.

The Company previously operated under two reportable segments: Managed Services and Systems Integration (previously called SI&A). During the third quarter of 2017, after the Company completed the ESS acquisition, the Company reorganized its business and reportable segments. Applications and Internet-of-Things is now managed and presented as a separate segment, and was previously presented in the Managed Services segment. The reporting on this new segment will help track the Company's progress related to this important area of focus within the business that is intended to enhance the value of the services the Company delivers to customers, including enhancing the value of the managed communications services the Company delivers to customers around the world. All historical segment financial data included herein has been recast to conform to the current year presentation.

RigNet considers its business to consist of the following segments:

- ***Managed Services.*** The Managed Services segment provides remote communications, telephony and technology services for offshore and onshore drilling rigs and production facilities, support vessels, and other remote sites.
- ***Applications and Internet-of-Things (Apps & IoT).*** The Apps & IoT segment provides applications over-the-top of the Managed Services including Supervisory Control and Data Acquisition (SCADA) and Software as a Service (SaaS) offerings including BlackTIE encryption, weather monitoring primarily in the North Sea (METOCEAN), real-time predictive analytics (Intelie Pipes and Intelie LIVE) and certain other value-added services such as Adaptive Video Intelligence (AVI).
- ***Systems Integration.*** The Systems Integration segment provides design and implementation services for customer telecommunications systems. Solutions are delivered based on the customer's specifications, adhering to international industry standards and best practices. Project services may include consulting, design, engineering, project management, procurement, testing, installation, commissioning and maintenance.

Corporate and eliminations primarily represents unallocated executive and support activities, interest expense, income taxes and eliminations.

The Company's business segment information as of and for the three and six months ended June 30, 2018 and 2017, is presented below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended June 30, 2018				
	Managed Services	Applications and Internet-of-Things	Systems Integration	Corporate and Eliminations	Consolidated Total
			(in thousands)		
Revenue	$ 41,712	$ 6,576	$ 11,719	$ —	$ 60,007
Cost of revenue (excluding depreciation and amortization)	25,307	3,165	7,774	—	36,246
Depreciation and amortization	5,645	836	665	1,210	8,356
Selling, general and administrative	5,023	430	557	13,725	19,735
Operating income (loss)	$ 5,737	$ 2,145	$ 2,723	$ (14,935)	$ (4,330)
Capital expenditures	6,462	134	—	—	6,596

	Three Months Ended June 30, 2017				
	Managed Services	Applications and Internet-of-Things	Systems Integration	Corporate and Eliminations	Consolidated Total
			(in thousands)		
Revenue	$ 40,625	$ 2,430	$ 6,107	$ —	$ 49,162
Cost of revenue (excluding depreciation and amortization)	25,549	1,995	5,494	—	33,038
Depreciation and amortization	6,222	7	611	712	7,552
Selling, general and administrative	4,983	298	422	6,307	12,010
Operating income (loss)	$ 3,871	$ 130	$ (420)	$ (7,019)	$ (3,438)
Capital expenditures	4,266	—	—	645	4,911

	Six Months Ended June 30, 2018				
	Managed Services	Applications and Internet-of-Things	Systems Integration	Corporate and Eliminations	Consolidated Total
			(in thousands)		
Revenue	$ 83,762	$ 11,912	$ 18,166	$ —	$ 113,840
Cost of revenue (excluding depreciation and amortization)	51,052	6,250	12,625	—	69,927
Depreciation and amortization	11,371	1,683	1,317	1,972	16,343
Selling, general and administrative	9,238	784	880	25,468	36,370
Operating income (loss)	$ 12,101	$ 3,195	$ 3,344	$ (27,440)	$ (8,800)
Total assets	146,592	48,922	25,880	31,459	252,853
Capital expenditures	12,296	268	—	645	13,209

	Six Months Ended June 30, 2017				
	Managed Services	Applications and Internet-of-Things	Systems Integration	Corporate and Eliminations	Consolidated Total
			(in thousands)		
Revenue	$ 82,288	$ 4,861	$ 10,085	$ —	$ 97,234
Cost of revenue (excluding depreciation and amortization)	50,896	3,450	8,567	—	62,913
Depreciation and amortization	12,245	14	1,198	1,411	14,868
Selling, general and administrative	9,422	786	892	12,858	23,958
Operating income (loss)	$ 9,725	$ 611	$ (572)	$ (14,269)	$ (4,505)
Total assets	182,160	12,669	16,869	11,007	222,705
Capital expenditures	7,426	—	—	645	8,071

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table presents revenue earned from the Company's domestic and international operations for the three and six months ended June 30, 2018 and 2017. Revenue is based on the location where services are provided or goods are sold. Due to the mobile nature of RigNet's customer base and the services provided, the Company works closely with its customers to ensure rig or vessel moves are closely monitored to ensure location of service information is properly reflected.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Domestic	$ 16,006	$ 14,022	$ 33,634	$ 28,974
International	44,001	35,140	80,206	68,260
Total	$ 60,007	$ 49,162	$ 113,840	$ 97,234

The following table presents goodwill and long-lived assets, net of accumulated depreciation, for the Company's domestic and international operations as of June 30, 2018 and December 31, 2017.

	June 30, 2018	December 31, 2017
	(in thousands)	
Domestic	$ 71,671	$ 68,942
International	76,838	58,895
Total	$148,509	$ 127,837

Note 13 – Related Party

The Company has entered into a reseller arrangement with Darktrace, which is an artificial intelligence company in cybersecurity that is partially owned by Kohlberg Kravis Roberts & Co. L.P. (KKR). KKR is a significant stockholder of the Company. Under the arrangement, the Company will sell Darktrace's cybersecurity audit services with the Company's cybersecurity offerings. The Company has not yet purchased services from Darktrace, but expects to do so in the future.

Item 2. *Management's Discussion And Analysis Of Financial Condition And Results Of Operations*

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements as of June 30, 2018 and for the three and six months ended June 30, 2018 and 2017 included elsewhere herein, and with our annual report on Form 10-K for the year ended December 31, 2017. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 1A of our annual report and elsewhere in this quarterly report. See "Forward-Looking Statements" below.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to a number of risks and uncertainties, many of which are beyond the Company's control. Forward-Looking statements may include statements about:

- new regulations, delays in drilling permits or other changes in the oil and gas industry;
- competition and competitive factors in the markets in which we operate;
- demand for our services and solutions;
- the advantages of our services compared to others;
- changes in technology and customer preferences and our ability to adapt our product and services offerings;
- our ability to develop and maintain positive relationships with our customers;
- our ability to retain and hire necessary employees and appropriately staff our marketing, sales and distribution efforts;
- our cash needs and expectations regarding cash flow from operations and capital expenditures;
- our expectations regarding the deductibility of goodwill for tax purposes;
- our strategy and acquisitions;
- our ability to develop and market additional products and services;
- our ability to manage and grow our business and execute our business strategy, including developing and marketing additional Applications and Internet-of-Things solutions, expanding our market share, increasing secondary and tertiary customer penetration at remote sites, enhancing systems integration and extending our presence into complementary remote communication segments through organic growth and strategic acquisitions;
- our ability to pursue, consummate and integrate merger and acquisition opportunities successfully;
- the GX dispute;
- the amount and timing of contingent consideration payments arising from our acquisitions;
- our cost reduction, restructuring activities and related expenses; and
- our financial performance, including our ability to expand Adjusted EBITDA through our operational leverage.

In some cases, forward-looking statements can be identified by terminology such as "may," "could," "should," "would," "expect," "plan," "project," "intend," "will," "anticipate," "believe," "estimate," "predict," "potential," "pursue," "target," "continue," the negative of such terms or other comparable terminology that convey uncertainty of future events or outcomes. All of these types of statements, other than statements of historical fact included in this Quarterly Report on Form 10-Q, are forward-looking statements.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are largely based on Company expectations, which reflect estimates and assumptions made by Company management. These estimates and assumptions reflect management's best judgment based on currently known market conditions and other factors. Although the Company believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties beyond its control. In addition, management's assumptions may prove to be inaccurate. The Company cautions that the forward-looking statements contained in this Quarterly Report on Form 10-Q are not guarantees of future performance, and it cannot assure any reader that such statements will be realized or the forward-looking statements or events will occur. Future results may differ materially from those anticipated or implied in forward-looking statements due to factors listed in the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2017 and elsewhere in this Quarterly Report on Form 10-Q. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual future results, performance or achievements may vary materially from any projected future results, performance or achievements expressed or implied by these forward-looking statements. The forward-looking statements speak only as of the date made, and other than as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Our Operations

We are a global technology company that provides customized communications services, applications, real-time machine learning, and cybersecurity solutions to enhance customer decision-making and business performance. We deliver a digital transformation bundle that accelerates technology adoption and empowers customers to be always connected, always secure, and always learning.

Customers use our private networks to manage information flows and execute mission-critical operations primarily in remote areas where conventional telecommunications infrastructure is either unreliable or unavailable. We provide our clients what is often the sole means of communications for their remote operations.

Managed Service and Applications and Internet-of-Things customers are primarily served under fixed-price contracts, either on a monthly or day rate basis or for equipment sales. Our contracts are generally in the form of Master Service Agreements, or MSAs, with specific services being provided under individual service orders that have a term of up to three years with renewal options, while land-based locations are generally shorter term or terminable on short notice without a penalty. Service orders are executed under the MSA for individual remote sites or groups of sites, and generally permit early termination on short notice without penalty in the event of force majeure, breach of the MSA or cold stacking of a drilling rig (when a rig is taken out of service and is expected to be idle for a protracted period of time). Systems Integration customers are served primarily under fixed-price, long-term contracts.

Segment information is prepared consistent with the components of the enterprise for which separate financial information is available and regularly evaluated by the chief operating decision-maker for the purpose of allocating resources and assessing performance.

We previously operated our business under two reportable segments: Managed Services and Systems Integration (previously called SI&A). During the third quarter of 2017, after we completed the ESS acquisition, we reorganized our business and reportable segments. Applications and Internet-of-Things is now managed and presented as a separate segment, and was previously presented in the Managed Services segment. The reporting on this new segment will help track our progress related to this important area of focus within the business that is intended to enhance the value of the services we deliver to customers, including enhancing the value of the managed communications services we deliver to customers around the world. All historical segment financial data included herein has been recast to conform to the current year presentation. We now operate three reportable segments, which are managed as distinct segments by our chief operating decision-maker.

- ***Managed Services.*** Our Managed Services segment provides remote communications, telephony and technology services for offshore and onshore drilling rigs and production facilities, support vessels, and other remote sites.
- ***Applications and Internet-of-Things (Apps & IoT).*** Our Apps & IoT segment provides applications over-the-top of the Managed Services including Supervisory Control and Data Acquisition (SCADA) and Software as a Service (SaaS) offerings including BlackTIE® encryption, weather monitoring primarily in the North Sea (METOCEAN), real-time predictive analytics (Intelie Pipes and Intelie LIVE) and certain other value-added services such as Adaptive Video Intelligence (AVI).
- ***Systems Integration.*** Our Systems Integration segment provides design and implementation services for customer telecommunications systems. Solutions are delivered based on the customer’s specifications, adhering to international industry standards and best practices. Project services may include consulting, design, engineering, project management, procurement, testing, installation, commissioning and maintenance.

Cost of revenue consists primarily of satellite charges, voice and data termination costs, network operations expenses, internet connectivity fees, equipment purchases for Systems Integration projects and direct service labor. Satellite charges consist of the costs associated with obtaining satellite bandwidth (the measure of capacity) used in the transmission of service to and from leased satellites. Direct service labor consists of field technicians, our Network Operations Center (NOC) employees, and other employees who directly provide services to customers. Network operations expenses consist primarily of costs associated with the operation of our NOC, which is maintained 24 hours a day, seven days a week. Depreciation and amortization is recognized on all property, plant and equipment either installed at a customer’s site or held at our corporate and regional offices, as well as intangibles arising from acquisitions and internal use software. Selling and marketing expenses consist primarily of salaries and commissions, travel costs and marketing communications. General and administrative expenses consist of expenses associated with our management, finance, contract, support and administrative functions.

Profitability generally increases or decreases at a site as we add or lose customers and value-added services. Assumptions used in developing the rates for a site may not cover cost variances from inherent uncertainties or unforeseen obstacles, including both physical conditions and unexpected problems encountered with third party service providers.

Recent Developments

In July 2018, we paid $8.0 million for the TECNOR earn-out. We made a $10.0 million draw on the revolving credit facility (RCF) primarily to pay the TECNOR earn-out. The change in fair value of the earn-out was due to 2nd quarter 2018 negotiations with the sellers of TECNOR on the amount of the earn-out. Additionally, we have agreed to pay the sellers of TECNOR up to $1.0 million in either cash or RigNet stock payable in 2019 for the collection of certain accounts receivable balances.

On April 18, 2018, we completed the separate acquisitions of Automation Communications Engineering Corp. (Auto-Comm) and Safety Controls, Inc. (SAFCON) for an aggregate purchase price of $6.3 million. Of this aggregate purchase price, we paid $2.2 million in cash and $4.1 million in stock. Auto-Comm provides a broad range of communications services, for both onshore and offshore remote locations, to the oil and gas industry. Auto-Comm brings over 30 years of systems integration experience in engineering and design, installation, testing, and maintenance. SAFCON offers a diverse set of safety, security, and maintenance services to the oil and gas industry. Auto-Comm and SAFCON have developed strong relationships with major energy companies that complement the relationships that we have established over the years. Auto-Comm and SAFCON are based in Louisiana.

On March 23, 2018, we completed the acquisition of Intelie Soluções Em Informática S.A (Intelie), for an estimated aggregate purchase price of $18.1 million. Of this aggregate purchase price, we paid R$10.6 million (BRL) (or approximately $3.2 million) in cash, $7.3 million in stock and expect to pay $7.6 million worth of RigNet stock as contingent consideration earn-out, estimated as of the date of acquisition. The initial estimate of the earn-out payable was preliminary and remains subject to change based on the achievement of certain post-closing performance targets under the acquisition agreement. The maximum earn-out is $17.0 million. Intelie is a real-time, predictive analytics company that combines an operational understanding with a machine learning approach. Intelie facilitates innovation via Intelie Pipes, a distributed query language with a complex event processor to aggregate and normalize real-time data from a myriad of data sources. This technology enables the Intelie LIVE platform to solve data integration, data quality, data governance and monitoring problems. Intelie LIVE is an operational intelligence platform that empowers clients to make timely, data-driven decisions in mission-critical real-time operations, including drilling, and longer-term, data-intensive projects, such as well planning. Intelie is based in Brazil.

As of June 30, 2018, we have backlog for our percentage of completion projects of $19.6 million.

Known Trends and Uncertainties

Operating Matters

Uncertainties in the oil and gas industry may continue to impact our profitability. The fundamentals of the oil and gas industry we serve remain challenged into 2018, particularly offshore. Oil prices declined significantly throughout 2015 and into 2016 from the highs in mid-year 2014 due to lower-than-expected global oil demand growth, increased supply from U.S. unconventional sources and increased production from several international countries. Although oil prices and U.S. drilling rig counts have increased in 2017 and 2018 since their 2016 lows, the oil and gas environment continues to be challenged with operators focusing on projects with shorter pay-back periods that generally require less capital investment and lower day rates from service providers and drilling contractors. The offshore drilling contracting environment remains challenged, with major offshore drilling contractors experiencing pressure on day rates and expecting gradual demand recovery. Generally, a prolonged lower oil price environment decreases exploration and development drilling investment, utilization of drilling rigs and the activity of the global oil and gas industry that we serve.

For the periods referenced below, we were billing on the following managed service sites listed in the table below:

	2nd Quarter 2018	1st Quarter 2018	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017
Selected Operational Data:					
Offshore drilling rigs (1)	190	188	182	184	173
Offshore Production	320	310	304	316	296
Maritime	177	176	172	165	134
Other sites (2)	610	525	513	510	448
Total	1,297	1,199	1,171	1,175	1,051

(1) Includes jack up, semi-submersible and drillship rigs
(2) Includes U.S. and International land sites, completion sites, man-camps, remote offices, and supply bases and offshore-related supply bases, shore offices, tender rigs and platform rigs

In addition, uncertainties that could impact our profitability include service responsiveness to remote locations, communication network complexities, political and economic instability in certain regions, cyber-attacks, export restrictions, licenses and other trade barriers. These uncertainties may result in the delay of service initiation, which may negatively impact our results of operations. Additional uncertainties that could impact our operating cash flows include the availability and cost of satellite bandwidth, timing of collecting our receivables, and our ability to increase our contracted services through sales and marketing efforts while leveraging the contracted satellite and other communication service costs.

Sales Tax Audit

We have received a routine sales tax audit notice from a state where we have operations. Per the notice, the audit can cover up to a four-year period. We are in the early stages of the process, and do not have any estimates of further exposure, if any, for the tax years under review.

Global Xpress (GX) Dispute

We and Inmarsat are in a dispute relating to a January 2014 agreement regarding the purchase of up to $65.0 million, under certain conditions, of GX capacity from Inmarsat over several years. Inmarsat initiated arbitration regarding the GX dispute in October 2016. The parties dispute whether Inmarsat has met its contractual obligations with respect to the service under the agreement. In July 2017, pursuant to its contractual rights under the agreement, we delivered a notice of termination of the agreement to Inmarsat. In addition, we have filed certain counterclaims against Inmarsat. The parties have agreed to divide the arbitration into two phases, with the first phase to decide if our purchase obligation ever commenced and the second phase to address our counterclaims against Inmarsat. The parties attended an arbitration hearing on the first phase in June 2018 and are currently awaiting the decision of the arbitration panel.

We have incurred legal expenses of $1.4 million in connection with the GX dispute for the six months ended June 30, 2018. We may continue to incur significant legal fees, related expenses and management time in the future. We cannot predict the ultimate outcome of the GX dispute, the total costs to be incurred or the potential impact on personnel.

Based on the information available at this time and our understanding of the GX dispute, we do not deem the likelihood of a material loss related to this dispute to be probable, so we have not accrued any liability related to the dispute. At this stage of the arbitration, the range of possible loss is not reasonably estimable, but could range from zero to the maximum amount payable under the contract for the services plus expenses.

Results of Operations

The following table sets forth selected financial and operating data for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Revenue	$60,007	$49,162	$113,840	$ 97,234
Expenses:				
Cost of revenue (excluding depreciation and amortization)	36,246	33,038	69,927	62,913
Depreciation and amortization	8,356	7,552	16,343	14,868
Selling and marketing	4,189	2,132	7,138	3,568
General and administrative	15,546	9,878	29,232	20,390
Total expenses	64,337	52,600	122,640	101,739
Operating loss	(4,330)	(3,438)	(8,800)	(4,505)
Other expense, net	(895)	(873)	(1,348)	(1,379)
Loss before income taxes	(5,225)	(4,311)	(10,148)	(5,884)
Income tax benefit (expense)	926	101	323	(313)
Net loss	(4,299)	(4,210)	(9,825)	(6,197)
Less: Net income attributable to non-controlling interest	30	39	60	78
Net loss attributable to RigNet, Inc. stockholders	$ (4,329)	$ (4,249)	$ (9,885)	$ (6,275)
Other Non-GAAP Data:				
Adjusted EBITDA	$ 8,098	$ 6,053	$ 15,517	$ 13,278

The following represents selected financial operating results for our segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Managed Services:				
Revenue	$41,712	$40,625	$83,762	$82,288
Cost of revenue (excluding depreciation and amortization)	25,307	25,549	51,052	50,896
Depreciation and amortization	5,645	6,222	11,371	12,245
Selling, general and administrative	5,023	4,983	9,238	9,422
Managed Services operating income	$ 5,737	$ 3,871	$12,101	$ 9,725
Applications and Internet-of-Things:				
Revenue	$ 6,576	$ 2,430	$11,912	$ 4,861
Cost of revenue (excluding depreciation and amortization)	3,165	1,995	6,250	3,450
Depreciation and amortization	836	7	1,683	14
Selling, general and administrative	430	298	784	786
Applications & Internet-of-Things operating income	$ 2,145	$ 130	$ 3,195	$ 611
Systems Integration:				
Revenue	$11,719	$ 6,107	$18,166	$10,085
Cost of revenue (excluding depreciation and amortization)	7,774	5,494	12,625	8,567
Depreciation and amortization	665	611	1,317	1,198
Selling, general and administrative	557	422	880	892
Systems Integration and Automation operating income (loss)	$ 2,723	$ (420)	$ 3,344	$ (572)

NOTE: Consolidated balances include the segments above along with corporate activities and intercompany eliminations.

Three Months Ended June 30, 2018 and 2017

Revenue. Revenue increased by $10.8 million, or 22.1%, to $60.0 million for the three months ended June 30, 2018 from $49.2 million for the three months ended June 30, 2017. Revenue increased in all segments. The Systems Integration segment increased $5.6 million, or 91.9%, primarily due to the acquisition of Auto-Comm and SAFCON and increased activity of Systems Integration projects. The Apps & IoT segment increased $4.1 million, or 170.6%, due to our growth strategy which focuses on growth into the application layer and IoT space including the acquisition of Intelie and ESS. The Managed Services segment increased $1.1 million, or 2.7%, due to increased site count coupled with the acquisition of DTS.

Cost of Revenue (excluding depreciation and amortization). Cost of revenue (excluding depreciation and amortization) increased by $3.2 million, or 9.7%, to $36.2 million for the three months ended June 30, 2018 from $33.0 million for the three months ended June 30, 2017. Cost of revenue (excluding depreciation and amortization) increased in the Systems Integration segment by $2.3 million due to the acquisition of Auto-Comm and SAFCON and increased activity of Systems Integration projects. Cost of revenue (excluding depreciation and amortization) increased in the Apps & IoT segment by $1.2 million as we invested in our strategy of expanding into the application layer and IoT space including the acquisition of Intelie, ESS and Cyphre. Cost of revenue (excluding depreciation and amortization) decreased in the Managed Services segment by $0.2 million.

Depreciation and Amortization. Depreciation and amortization expense increased by $0.8 million to $8.4 million for the three months ended June 30, 2018 from $7.6 million for the three months ended June 30, 2017. The increase is primarily attributable to additions to property, plant and equipment and intangibles from acquisitions and capital expenditures.

Selling and Marketing. Selling and marketing expense increased $2.1 million to $4.2 million for the three months ended June 30, 2018 from $2.1 million for the three months ended June 30, 2017. This increase was due to investing in our growth strategy including increased sales and marketing personnel costs.

General and Administrative. General and administrative expenses increased by $5.7 million to $15.5 million for the three months ended June 30, 2018 from $9.9 million for the three months ended June 30, 2017. General and administrative costs increased primarily due to increased stock-based compensation, legal expenses, acquisitions and acquisition related costs.

Income Tax Expense. Our effective income tax rate was 17.7% and 2.3% for the three months ended June 30, 2018 and 2017, respectively. Our effective tax rate is affected by factors including changes in valuation allowances, fluctuations in income across jurisdictions with varying tax rates, and changes in income tax reserves, including related penalties and interest.

Six Months Ended June 30, 2018 and 2017

Revenue. Revenue increased by $16.6 million, or 17.1%, to $113.8 million for the six months ended June 30, 2018 from $97.2 million for the six months ended June 30, 2017. Revenue increased in all segments. The Systems Integration segment increased $8.1 million, or 80.1%, primarily due to the acquisition of Auto-Comm and SAFCON and increased activity of Systems Integration projects. The Apps & IoT segment increased $7.1 million, or 145.1%, due to our growth strategy which focuses on growth into the application layer and IoT space including the acquisition of Intelie and ESS. The Managed Services segment increased $1.5 million, or 1.8%, due to increased site count coupled with the acquisition of DTS.

Cost of Revenue (excluding depreciation and amortization). Cost of revenue (excluding depreciation and amortization) increased by $7.0 million, or 11.1%, to $69.9 million for the six months ended June 30, 2018 from $62.9 million for the six months ended June 30, 2017. Cost of revenue (excluding depreciation and amortization) increased in the Systems Integration segment by $4.1 million due to the acquisition of Auto-Comm and SAFCON and increased activity of Systems Integration projects. Cost of revenue (excluding depreciation and amortization) increased in the Apps & IoT segment by $2.8 million as we invested in our strategy of expanding into the application layer and IoT space including the acquisition of Intelie, ESS and Cyphre. Cost of revenue (excluding depreciation and amortization) increased in the Managed Services segment by $0.2 million.

Depreciation and Amortization. Depreciation and amortization expense increased by $1.5 million to $16.3 million for the six months ended June 30, 2018 from $14.9 million for the six months ended June 30, 2017. The increase is primarily attributable to additions to property, plant and equipment and intangibles from acquisitions and capital expenditures.

Selling and Marketing. Selling and marketing expense increased $3.6 million to $7.1 million for the six months ended June 30, 2018 from $3.6 million for the six months ended June 30, 2017. This increase was due to investing in our growth strategy including increased sales and marketing personnel costs.

General and Administrative. General and administrative expenses increased by $8.8 million to $29.2 million for the six months ended June 30, 2018 from $20.4 million for the six months ended June 30, 2017. General and administrative costs increased primarily due to increased stock-based compensation, legal expenses, acquisitions and acquisition related costs.

Income Tax Expense. Our effective income tax rate was 3.2% and (5.3%) for the six months ended June 30, 2018 and 2017, respectively. Our effective tax rate is affected by factors including changes in valuation allowances, fluctuations in income across jurisdictions with varying tax rates, and changes in income tax reserves, including related penalties and interest.

Liquidity and Capital Resources

At June 30, 2018, we had working capital, including cash and cash equivalents, of $40.4 million.

Based on our current expectations, we believe our liquidity and capital resources will be sufficient for the conduct of our business and operations for the foreseeable future. We may also use a portion of our available cash to finance growth through the acquisition of, or investment in, businesses, products, services or technologies complementary to our current business, through mergers, acquisitions, joint ventures or otherwise, or to pay down outstanding debt.

During the next twelve months, we expect our principal sources of liquidity to be cash flows from operating activities, cash and cash equivalents on hand and availability under our credit facility.

While we believe we have sufficient liquidity and capital resources to meet our current operating requirements and expansion plans, we may elect to pursue additional expansion opportunities within the next year which could require additional financing, which may include debt or equity offerings.

Beyond the next twelve months, we expect our principal sources of liquidity to be cash flows provided by operating activities, cash and cash equivalents on hand, availability under our credit facility and additional financing activities we may pursue, which may include debt or equity offerings.

	Six Months Ended June 30,	
	2018	2017
	(in thousands)	
Condensed Consolidated Statements of Cash Flows Data:		
Cash and cash equivalents including restricted cash, January 1,	$ 36,141	$ 58,805
Net cash provided by operating activities	1,329	9,283
Net cash used in investing activities	(17,613)	(11,175)
Net cash used in financing activities	(1,211)	(13,845)
Changes in foreign currency translation	1,308	1,172
Cash and cash equivalents including restricted cash, June 30,	$ 19,954	$ 44,240

Currently, the Norwegian Krone, the British Pound Sterling and the Brazilian Real are the foreign currencies that could materially impact our liquidity. We presently do not hedge these risks, but evaluate financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. During the six months ended June 30, 2018 and 2017, 91.5% and 89.5% of our revenue was denominated in U.S. dollars, respectively.

Operating Activities

Net cash from operating activities was $1.3 million for the six months ended June 30, 2018 compared to cash from operating activities of $9.3 million for the six months ended June 30, 2017. The decrease in cash from operating activities during 2018 of $8.0 million was primarily due to increased operating loss coupled with the timing of collecting receivables.

Our cash provided by operations is subject to many variables including the volatility of the oil and gas industry and, the demand for our services. Other factors impacting operating cash flows include the availability and cost of satellite bandwidth, as well as the timing of collecting our receivables. Our future cash flow from operations will depend on our ability to increase our contracted services through our sales and marketing efforts while leveraging our contracted satellite and other communication service costs.

Investing Activities

Net cash used in investing activities was $17.6 million and $11.2 million for the six months ended June 30, 2018 and 2017, respectively.

Net cash used in investing activities during the six months ended June 30, 2018 and 2017 included $5.1 million and $4.9 million for acquisitions, respectively. Net cash used in investing activities during the six months ended June 30, 2018 and 2017 includes capital expenditures of $12.7 million and $6.5 million, respectively. We expect capital expenditures to increase in the second half of the year as we build out our LTE network in the Gulf of Mexico and consolidate multiple Louisiana facilities into one facility.

Financing Activities

Net cash used in financing activities was $1.2 million and $13.8 million for the six months ended June 30, 2018 and 2017, respectively. Cash used in financing activities for the six months ended June 30, 2018 included $2.6 million in principal payments on our long-term debt, $2.5 million in proceeds from borrowings and $1.1 million withheld to cover employee taxes on stock based compensation. Cash used in financing activities for the six months ended June 30, 2017 included $14.5 million in principal payments on our long-term debt.

Credit Agreement

We have a $15.0 million term loan facility (Term Loan) and an $85.0 million revolving credit facility (RCF), which includes a $25.0 million sublimit for the issuance of commercial and standby letters of credit and performance bonds.

Both the Term Loan and RCF bear an interest rate of LIBOR plus a margin ranging from 1.75% to 2.75%, based on a consolidated leverage ratio defined in the credit agreement. Interest is payable monthly and principal installments of $1.25 million under the Term Loan are due quarterly, with the balance due November 6, 2020.

The weighted average interest rate for the three months ended June 30, 2018 and 2017 were 4.8% and 3.1%, respectively. The weighted average interest rate for the six months ended June 30, 2018 and 2017 were 4.5% and 3.1%, respectively, with an interest rate of 4.8% at June 30, 2018. As of June 30, 2018, the outstanding principal amount of the Term Loan was $12.5 million, excluding the impact of unamortized deferred financing costs. As of June 30, 2018, $45.9 million in draws on the RCF remain outstanding.

The credit agreement contains certain covenants and restrictions, including restricting the payment of cash dividends when under default and maintaining certain financial covenants such as a consolidated leverage ratio, defined in the credit agreement, of less than or equal to 2.75 to 1.0 and a consolidated fixed charge coverage ratio of not less than 1.25 to 1.0. If any default occurs related to these covenants, the unpaid principal and any accrued interest shall be declared immediately due and payable. The facilities under the credit agreement are secured by substantially all our assets. As of June 30, 2018, we believe we were in compliance with all covenants.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet arrangements.

Non-GAAP Measure

Adjusted EBITDA should not be considered as an alternative to net loss, operating income (loss), basic or diluted earnings per share or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate Adjusted EBITDA or similarly titled measures in the same manner as we do. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. We encourage you to evaluate these adjustments and the reasons we consider them appropriate. Net loss is the most comparable GAAP measure to Adjusted EBITDA.

We define Adjusted EBITDA as net loss plus interest expense (benefit), income tax expense, depreciation and amortization, impairment of goodwill, intangibles, property, plant and equipment, (gain) loss on sales of property, plant and equipment, net of retirements, change in fair value of earn-outs and contingent consideration, stock-based compensation, acquisition costs, executive departure costs, restructuring charges and non-recurring items.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

- Investors and securities analysts use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies, and we understand our investor and analyst's presentations include Adjusted EBITDA;
- By comparing our Adjusted EBITDA in different periods, our investors may evaluate our operating results without the additional variations caused by items that we do not consider indicative of our core operating performance and which are not necessarily comparable from year to year; and
- Adjusted EBITDA is an integral component of Consolidated EBITDA, as defined and used in the financial covenant ratios in the credit agreement.

Our management uses Adjusted EBITDA:

- To indicate profit contribution;
- For planning purposes, including the preparation of our annual operating budget and as a key element of annual incentive programs;
- To allocate resources to enhance the financial performance of our business; and
- In communications with our Board of Directors concerning our financial performance.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or other contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect interest expense;
- Adjusted EBITDA does not reflect cash requirements for income taxes;
- Adjusted EBITDA does not reflect impairment of goodwill, intangibles, property, plant and equipment;
- Adjusted EBITDA does not reflect foreign exchange impact of intercompany financing activities;
- Adjusted EBITDA does not reflect (gain) loss on retirement of property, plant and equipment;
- Adjusted EBITDA does not reflect the stock based compensation component of employee compensation;
- Adjusted EBITDA does not reflect acquisition costs;
- Adjusted EBITDA does not reflect change in fair value of earn-outs and contingent consideration;
- Adjusted EBITDA does not reflect executive departure costs;
- Adjusted EBITDA does not reflect restructuring charges;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements; and
- Other companies in our industry may calculate Adjusted EBITDA or similarly titled measures differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of our net loss to Adjusted EBITDA.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Net loss	$(4,299)	$(4,210)	$ (9,825)	$ (6,197)
Interest expense	1,007	613	1,966	1,232
Depreciation and amortization	8,356	7,552	16,343	14,868
(Gain) loss on sales of property, plant and equipment, net of retirements	21	13	(32)	50
Stock-based compensation	837	1,116	3,282	1,942
Change in fair value of earn-out/contingent consideration	2,778	(846)	2,800	(846)
Executive departure costs	4	—	161	—
Acquisition costs	320	1,916	1,145	1,916
Income tax expense	(926)	(101)	(323)	313
Adjusted EBITDA (non-GAAP measure)	$ 8,098	$ 6,053	$15,517	$13,278

We evaluate Adjusted EBITDA generated from our operations to assess the potential recovery of historical capital expenditures, determine timing and investment levels for growth opportunities, extend commitments of satellite bandwidth cost, invest in new products and services, expand or open new offices and service centers, and assist purchasing synergies.

Adjusted EBITDA increased by $2.0 million to $8.1 million for the three months ended June 30, 2018, from $6.1 million for the three months ended June 30, 2017. Adjusted EBITDA increased by $2.2 million to $15.5 million for the six months ended June 30, 2018, from $13.3 million for the six months ended June 30, 2017.

Table of Contents

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

We are subject to a variety of risks, including foreign currency exchange rate fluctuations relating to foreign operations and certain purchases from foreign vendors. In the normal course of business, we assess these risks and have established policies and procedures to manage our exposure to fluctuations in foreign currency values.

Our objective in managing our exposure to foreign currency exchange rate fluctuations is to reduce the impact of adverse fluctuations in earnings and cash flows associated with foreign currency exchange rates. We presently do not hedge these risks, but evaluate financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. During the six months ended June 30, 2018 and 2017, 8.5% and 10.5%, respectively, of our revenues were earned in non-U.S. currencies. At June 30, 2018 and 2017, we had no significant outstanding foreign exchange contracts.

Our results of operations and cash flows are subject to fluctuations due to changes in interest rates primarily from our variable interest rate long-term debt. We presently do not hedge these risks, but evaluate financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. The following analysis reflects the annual impacts of potential changes in our interest rate to net loss attributable to us and our total stockholders' equity based on our outstanding long-term debt on June 30, 2018 and December 31, 2017, assuming those liabilities were outstanding for the previous twelve months:

	June 30, 2018	December 31, 2017
	(in thousands)	
Effect on Net Income (Loss) and Equity - Increase/Decrease:		
1% Decrease/increase in rate	$ 581	$ 581
2% Decrease/increase in rate	$ 1,163	$ 1,162
3% Decrease/increase in rate	$ 1,744	$ 1,743

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and our Principal Accounting Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal accounting officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2018, our Principal Executive Officer and Principal Accounting Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management included in its assessment of internal control over financial reporting all consolidated entities, but excluded certain acquiree processes related to operations from Auto-Comm and SAFCON acquired by the company on April 18, 2018, and Intelie acquired by the Company on March 23, 2018.

Table of Contents

PART II – OTHER INFORMATION

Item 1. *Legal Proceedings*

In August 2017, the Company filed litigation in Harris County District Court and arbitration against one of its former Chief Executive Officers for, among other things, breach of fiduciary duty, misappropriation of trade secrets, unfair competition and breach of contract. That former executive filed counterclaims against the Company and one of its independent directors. The parties entered into a settlement agreement resolving all claims amongst themselves in May 2018 and dismissed the litigation and arbitration proceedings. The Company has incurred legal expense of approximately $0.2 million in connection with this dispute for the six months ended June 30, 2018.

Inmarsat plc (Inmarsat), a satellite telecommunications company, and the Company are in a dispute relating to a January 2014 agreement regarding the purchase by the Company of up to $65.0 million, under certain conditions, of GX capacity from Inmarsat over several years (GX dispute). Inmarsat initiated arbitration regarding the GX dispute in October 2016. The parties dispute whether Inmarsat has met its contractual obligations with respect to the service under the agreement. In July 2017, pursuant to its contractual rights under the agreement, the Company delivered a notice of termination of the agreement to Inmarsat. In addition, the Company has filed certain counterclaims against Inmarsat. The parties have agreed to divide the arbitration into two phases, with the first phase to decide if RigNet's purchase obligation ever commenced and the second phase to address RigNet's counterclaims against Inmarsat. The parties attended an arbitration hearing on the first phase in June 2018 and are currently awaiting the decision of the arbitration panel.

The Company has incurred legal expenses of $1.4 million in connection with the GX dispute for the six months ended June 30, 2018. The Company may continue to incur significant legal fees, related expenses and management time in the future. The Company cannot predict the ultimate outcome of the GX dispute, the total costs to be incurred or the potential impact on personnel.

Based on the information available at this time and management's understanding of the GX dispute, the Company does not deem the likelihood of a material loss related to this dispute to be probable, so it has not accrued any liability related to the dispute. At this stage of the arbitration, the range of possible loss is not reasonably estimable, but could range from zero to the maximum amount payable under the contract for the services plus expenses.

The Company, in the ordinary course of business, is a claimant or a defendant in various other legal proceedings, including proceedings as to which the Company has insurance coverage and those that may involve the filing of liens against the Company or its assets.

Item 1A. *Risk Factors*

There have been no material changes from the risk factors disclosed in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

None

Item 3. *Defaults Upon Senior Securities*

None

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None

Item 6. *Exhibits*

The exhibits required to be filed with this Quarterly Report on Form 10-Q are listed in the Exhibit Index attached hereto and are incorporated herein by reference.

INDEX TO EXHIBITS

2.1	Share Purchase Agreement between RigNet, Inc. and the shareholders of Orgtec S.A.P.I. de C.V., d.b.a. TECNOR dated November 3, 2015 (filed as Exhibit 2.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2016, and incorporated herein by reference)
2.2	Share Purchase and Sale Agreement between RigNet, Inc. and the shareholders of Intelie Solucoes Em Informatica S.A. dated January 15, 2018 (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 17, 2018, and incorporated herein by reference)
3.1	Amended and Restated Certificate of Incorporation, as amended (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2016, and incorporated herein by reference)
3.2	Amendment to Amended and Restated Certificate of Incorporation, effective May 18, 2016. (filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2016, and incorporated herein by reference)
3.3	Second Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.3 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 6, 2018, and incorporated herein by reference)
10.1+	Omnibus Amendment to Incentive Plan Award Agreements (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on May 3, 2018, and incorporated herein by reference)
10.2+	Form of Restricted Stock Unit Award Agreement
10.3+	Form of Incentive Stock Option Award Agreement
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

+ Indicates management contract or compensatory plan.

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.

RIGNET, INC.

Date: August 6, 2018

By: /s/ TONYA M. MCDERMOTT
Tonya M. McDermott
Interim Chief Financial Officer
and Vice President of Tax and Treasury
(Principal Financial Officer)

By: /s/ BENJAMIN A. CARTER
Benjamin A. Carter
Director of Accounting and Financial Reporting
(Principal Accounting Officer)

Exhibit 10.2

RESTRICTED STOCK UNIT AWARD AGREEMENT
RigNet, Inc. 2010 Omnibus Incentive Plan

This RESTRICTED STOCK UNIT AWARD AGREEMENT (this *"Agreement")* is made by and between RigNet, Inc. a Delaware corporation (the *"Company"),* and ###PARTICIPANT_NAME### (the *"Participant")* effective as of ###GRANT_DATE### (the *"Grant Date"),* pursuant to the RigNet, Inc. 2010 Omnibus Incentive Plan (the *"Plan"),* a copy of which previously has been made available to the Participant and the terms and provisions of which are incorporated by reference herein. For purposes of this Agreement, "Employer" means the Company or Affiliate of the Company that employs the Participant on the applicable date.

WHEREAS, the Company desires to grant to the Participant the Restricted Stock Units ("RSUs) covering shares of the Company's common stock, $0.001 par value per share, specified herein, subject to the terms and conditions of this Agreement (the "Award"); and

WHEREAS, the Participant desires to have the opportunity to hold the RSUs subject to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. *Definitions.* For purposes of this Agreement, the following terms shall have the meanings indicated:

   a. *"Forfeiture Restrictions"* shall mean the prohibitions and restrictions set forth herein with respect to the sale or other disposition of the RSUs issued to the Participant hereunder and the obligation to forfeit and surrender such RSUs to the Company.

   b. *"Period of Restriction"* shall mean the period during which RSUs are subject to Forfeiture Restrictions.

   c. *"RSUs"* shall mean the restricted stock units represented under this Agreement.

   d. "*Cause*" is defined as any of the following: (i) the Participant's plea of guilty or nolo contendre, or conviction of a felony or a misdemeanor involving moral turpitude; (ii) any act by the Participant of fraud or dishonesty with respect to any aspect of Company's business including, but not limited to, falsification of Company records; (iii) Participant's failure to perform his duties (other than by reason of an illness or a disability); (iv) Participant's engagement in misconduct that is materially injurious to the

Company (monetarily or otherwise); (v) Participant's breach any confidentiality, noncompetition or non-solicitation obligations to the Company; Participant's commencement of employment with an unrelated employer; (vii) material violation by Participant of any of the Company's written policies, including but not limited to any harassment and/or non-discrimination policies; (viii) Participant's gross negligence in the performance of his or her duties.

e. "*Good Reason*" means (i) a material adverse change in Participant's position, authority, duties or responsibilities, (ii) a reduction in the Participant's base salary or the taking of any action by the Company that would materially reduce the Participant's target bonus opportunities, (iii) a diminution of the Participant's employee benefits (including but not limited to medical, dental, life insurance and long-term disability plans) or (iv) the relocation of the principal executive offices by more than 50 miles from where such offices are located. Capitalized terms not otherwise defined in this Agreement shall have the meanings given to such terms in the Plan.

2. *Grant of RSUs.* Effective as of the Grant Date, the Company shall cause to be issued in the Participant's name ###TOTAL_AWARDS### RSUs.

3. *Transfer Restrictions***.** The RSUs granted hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby. Further, any shares of the Stock granted hereby upon vesting of the RSUs (the *"Shares")* may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable securities laws. The Participant also agrees that the Company may (a) refuse to cause the transfer of the Shares to be registered on the applicable stock transfer records of the Company if such proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of any applicable securities law and (b) give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares. The Shares are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8. A Prospectus describing the Plan and the Shares is available from the Company.

4. *Vesting***.**

a. The RSUs that are granted hereby shall be subject to the Forfeiture Restrictions during the Period of Restriction. The Forfeiture Restrictions shall lapse as to the RSUs that are awarded hereby in accordance with the following schedule, provided that the Participant's employment with the Company and its subsidiaries has not terminated prior to the applicable lapse date:

###VEST_SCHEDULE_TABLE###

b. Upon the lapse of the Forfeiture Restrictions with respect to the RSUs granted hereby the Company shall cause to be delivered to the Participant a stock certificate representing the Shares, and such Shares shall be transferable by the Participant (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable securities law).

c. If the Participant ceases to be employed by the Company or an Affiliate for any reason before the applicable lapse date including due to the death or Disability of the Participant, the Forfeiture Restrictions then applicable to the RSUs shall not lapse and all the RSUs then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date the Participant ceases to be employed by the Company or an Affiliate. If the Participant breaches, before the applicable lapse date, any non-competition, confidentiality, restrictive covenant or other similar agreement with the Company to which the Participant is subject, the Forfeiture Restrictions then applicable to the RSUs shall not lapse and all the RSUs then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date the Participant breaches such agreement or covenant.

d. Notwithstanding the foregoing provisions of this Section 4, if a Corporate Change (as defined by the Plan) occurs and the Participant's employment is terminated by the Company or an Affiliate without Cause or by the Participant for Good Reason, and the Participant's date of termination occurs (or in the case of the Participant's termination of employment for Good Reason, the event giving rise to Good Reason occurs) within twelve (12) months following the Corporate Change, all unvested RSUs shall automatically become 100% vested on the Participant's 's date of termination.

5. *Capital Adjustments and Reorganizations***.** The existence of the RSUs shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

6. *Covenant Not To Compete; Solicit or Disclose Confidential Information*.

a. *Participant acknowledges that he or she is in possession of and has access to confidential information, including material relating to the business, products and/or services of the Company and that he or she will continue to have such possession and access during employment by the Company. The Participant also acknowledges that the Company's business, products and services are highly specialized and that it is essential that they be protected, and, accordingly****, the Participant agrees that as partial consideration for the RSUs granted herein that should the Participant engage in any "Detrimental Activity," as defined below, at any time during his or her employment or during a period of one year following his or her termination, the Company shall be entitled to: (i) recover from the Participant the value of any portion of the RSUs that has been paid; (ii) seek injunctive relief against Participant pursuant to the provisions of subsection (c) below; (iii) recover all damages, court costs, and attorneys' fees incurred by the Company in enforcing the***

provisions of this Agreement, and (iv) set-off any such sums to which the Company is entitled hereunder against any such sum which may be owed to the Participant by the Company.

b. *"Detrimental Activity" for the purposes hereof, other than with respect to involuntary termination without Cause, termination in connection with or as a result of a Corporate Change (as defined by the Plan), or termination for Good Reason, shall include: (i) rendering services for any person or organization, or engaging directly or indirectly in any business, which is or becomes competitive with the Company or any Affiliate; (ii) disclosing to anyone outside the Company or any subsidiary, or using in, other than the Company's or any Affiliate's business, without prior written authorization from the Company or any Affiliate, any confidential information including material relating to the business, products, or services of the Company or any Affiliate, acquired by the Participant during employment with the Company or any Affiliate; (iii)* soliciting, interfering, inducing, or attempting to cause any employee of the Company or any Affiliate to leave his or her employment, whether done on Participant's own account or on account of any person, organization, or business which is or becomes competitive with the Company or any Affiliate, or (iv) directly or indirectly soliciting the trade or business of any customer of the Company or any Affiliate. "Detrimental Activity" for the purposes hereof with respect to involuntary termination without Cause, termination in connection with or as a result of a Corporate Change, or termination for Good Reason, shall include only part (ii) of the preceding sentence.

c. *Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which it would have no other adequate remedy, the Participant agrees that the foregoing covenants may be enforced by the Company in the event of breach by him/her by injunction relief and restraining order, without the necessity of posting a bond, and that such enforcement shall not be the Company's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company.*

d. *The covenants and provisions of this Section 6 are severable and separate, and the unenforceability of any specific covenant or provision shall not affect the enforceability of any other covenant or provision. Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope or time set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the panel or court deems reasonable, and this Agreement shall thereby be reformed.*

e. *Each of the covenants in this Section 6 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the Participant against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants or provisions.*

7. *Tax Withholding.* To the extent that the receipt of the RSUs or the lapse of any Forfeiture Restrictions results in income to the Participant for federal, state or local income, employment or other tax purposes with respect to which the Company or any Affiliate has a withholding obligation, the Participant shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company or any Affiliate may require to meet its obligation under applicable tax laws or regulations, and, if the Participant fails to do so, the Company is authorized to withhold from the Shares granted hereby or from any cash or stock remuneration then or thereafter payable to the Participant in any capacity any tax required to be withheld by reason of such resulting income.

8. *No Fractional Shares.* All provisions of this Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

9. *Employment Relationship.* For purposes of this Agreement, the Participant shall be considered to be in the employment of the Company and its Affiliates as long as the Participant has an employment relationship with the Company and its Affiliates. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.

10. *Not an Employment Agreement.* This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between the Participant and the Company or any Affiliate, to guarantee the right to remain employed by the Company or any Affiliate for any specified term or require the Company or any Affiliate to employ the Participant for any period of time.

11. *Legend.* The Participant consents to the placing on the certificate for the Shares an appropriate legend restricting resale or other transfer of the Shares except in accordance with all applicable securities laws and rules thereunder.

12. *Notices.* Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal delivery, by telegram, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at the then current address of the Company's Principal Corporate Office, and to the Participant at the Participant's residential address indicated in the Company's records, or at such other address and number as a party shall have previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.

13. *Amendment and Waiver.* Except as otherwise provided herein or in the Plan or as necessary to implement the provisions of the Plan, this Agreement may be amended, modified or superseded only by written instrument executed by the Company and the Participant. Only a written instrument executed and delivered by the party waiving compliance hereof shall make any waiver of the terms or conditions. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than the Participant. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner effect the right to enforce the same. No waiver by any party of any term or condition, or the breach of any term or condition contained in this Agreement, in one or more instances, shall be construed as a continuing waiver of any such condition or breach, a waiver of any other condition, or the breach of any other term or condition.

14. *Governing Law and Severability.* The validity, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The invalidity of any provision of this Agreement shall not affect any other provision of this Agreement, which shall remain in full force and effect.

15. *Successors and Assigns.* Subject to the limitations which this Agreement imposes upon the transferability of the RSUs granted hereby, this Agreement shall bind, be enforceable by and inure to the benefit of the Company and its successors and assigns, and to the Participant, the Participant's permitted assigns, executors, administrators, agents, legal and personal representatives.

16. *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original for all purposes but all of which taken together shall constitute one and the same instrument.

17. *Recoupment.* If the Participant is subject to the Company's clawback policy (the "Policy"), the Participant agrees that the Award is subject to the terms of such clawback policy, as may be amended from time to time.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and the Participant has accepted this Agreement, all effective as of the date first above written.

RIGNET, INC.

###PICKETT###

Steven E. Pickett
CEO & President

Exhibit 10.3

RigNet, Inc.
Incentive Stock Option Agreement

This Incentive Stock Option Agreement (this "**Agreement**") is made and entered into as of [DATE] by and between RigNet, Inc., a Delaware corporation (the "**Company**") and [EMPLOYEE NAME] (the "**Participant**").

Grant Date: ______________________________

Exercise Price per Share: ______________________________

Number of Option Shares: ______________________________

Expiration Date: ______________________________

1. Grant of Option.

1.1 Grant; Type of Option. The Company hereby grants to the Participant an option (the "**Option**") to purchase the total number of shares of Common Stock of the Company equal to the number of Option Shares set forth above, at the Exercise Price set forth above. The Option is being granted pursuant to the terms of the Company's 2010 Omnibus Incentive Plan, as amended (the "**Plan**"). The Option is intended to be an Incentive Stock Option ("**ISO**") within the meaning of Section 422 of the Internal Revenue Code (the "**Code**"), although the Company makes no representation or guarantee that the Option will qualify as an ISO. To the extent that the aggregate Fair Market Value (determined on the Grant Date) of the shares of Common Stock with respect to which ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and its Affiliates) exceeds $100,000, the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Non-Qualified Stock Options ("**NQSO**").

1.2 Consideration; Subject to Plan. The grant of the Option is made in consideration of the services to be rendered by the Participant to the Company and is subject to the terms and conditions of the Plan. Capitalized terms used but not defined herein will have the meaning ascribed to them in the Plan.

2. Exercise Period; Vesting.

2.1 Vesting Schedule. The Option will become vested and exercisable with respect to [NUMBER] shares on [VESTING SCHEDULE] until the Option is 100% vested. The unvested portion of the Option will not be exercisable on or after the termination of the Participant's employment with the Company.

2.2 Expiration. The Option will expire on the Expiration Date set forth above, or earlier as provided in this Agreement or the Plan.

3. Termination of Employment.

3.1 Termination for Reasons Other Than Cause, Death, Disability. If the Participant's employment with the Company is terminated for any reason other than Cause, death or Disability, the Participant may exercise the vested portion of the Option, but only within such period of time ending on the earlier of: (a) the date three months following the termination of the Participant's employment with the Company or (b) the Expiration Date. Except as set forth in Section 8 below, the portion of the Option that was not exercisable on the date of the termination of the Participant's employment with the Company shall be forfeited and become null and void immediately upon cessation.

3.2 Termination for Cause. If the Participant's employment with the Company is terminated for Cause, the Option (whether vested or unvested) shall immediately terminate and cease to be exercisable.

3.3 Termination due to Disability. If the Participant's employment with the Company terminates as a result of the Participant's Disability, the Participant may exercise the vested portion of the Option, but only within such period of time ending on the earlier of: (a) the date 12 months following the termination of the Participant's employment with the Company or (b) the Expiration Date. The portion of the Option that was not exercisable on the date of the termination of the Participant's employment with the Company shall be forfeited and become null and void immediately upon cessation.

3.4 Termination due to Death. If the Participant's employment with the Company terminates as a result of the Participant's death, the vested portion of the Option may be exercised by the Participant's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by the person designated to exercise the Option upon the Participant's death, but only within the time period ending on the earlier of: (a) the date 12 months following the termination of the Participant's employment with the Company or (b) the Expiration Date. The portion of the Option that was not exercisable on the date of the termination of the Participant's employment with the Company shall be forfeited and become null and void immediately upon cessation

4. Manner of Exercise.

4.1 Election to Exercise. To exercise the Option, the Participant or in the case of exercise after the Participant's death or incapacity, the Participant's executor, administrator, heir or legatee, as the case may be shall deliver to the Company a fully completed and executed notice of exercise ("**Notice of Exercise**"), in such form as may be designated by the Company in its sole discretion, which shall set forth, inter alia:

(a) the Participant's election to exercise the Option;

(b) the number of shares of Common Stock being purchased;

(c) any restrictions imposed on the shares; and

(d) any representations, warranties and agreements regarding the Participant's investment intent and access to information as may be required by the Company to comply with applicable securities laws.

If someone other than the Participant exercises the Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise the Option.

4.2 Payment of Exercise Price. The Exercise Price for the shares of Common Stock to be acquired on exercise of the Option shall be payable in full at the time of exercise in accordance with the provisions of the Plan, as amended from time to time, plus an amount sufficient to satisfy any tax withholding obligations of the Company that arise in connection with such exercise (as determined by the Company) in accordance with the provisions of the Plan pertaining to the methods of exercise.

4.3 Issuance of Shares. Provided that the exercise notice and payment are in form and substance satisfactory to the Company, the Company shall issue the shares of Common Stock registered in the name of the Participant, the Participant's authorized assignee, or the Participant's legal representative which shall be evidenced by stock certificates representing the shares with the appropriate legends affixed thereto, appropriate entry on the books of the Company or of a duly authorized transfer agent, or other appropriate means as determined by the Company.

5. No Right to Continued Employment; No Rights as Shareholder. Neither the Plan nor this Agreement shall confer upon the Participant any right to be retained in any position, as an Employee, Consultant or Director of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Participant's Continuous Service at any time, with or without Cause. The Participant shall not have any rights as a shareholder with respect to any shares of Common Stock subject to the Option unless and until certificates representing the shares have been issued by the Company to the holder of such shares, or the shares have otherwise been recorded on the books of the Company or of a duly authorized transfer agent as owned by such holder.

6. Legend. Participant consents to the placing on the certificate for any Option Shares of an appropriate legend restricting resale or other transfer of such shares except in accordance with the Securities Act of 1933 and all applicable rules thereunder.

7. Capital Adjustments and Reorganizations. The existence of the Option shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

8. Corporate Change.

8.1 Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated:

"*Cause*" is defined as any of the following: (i) the Participant's plea of guilty or nolo contendre, or conviction of a felony or a misdemeanor involving moral turpitude; (ii) any act by the Participant of fraud or dishonesty with respect to any aspect of Company's business including, but not limited to, falsification of Company records; (iii) Participant's failure to perform his duties (other than by reason of an illness or a disability); (iv) Participant's engagement in misconduct that is materially injurious to the Company (monetarily or otherwise); (v) Participant's breach any confidentiality, noncompetition or non-solicitation obligations to the Company; Participant's commencement of employment with an unrelated employer; (vii) material violation by Participant of any of the Company's written policies, including but not limited to any harassment and/or non-discrimination policies; (viii) Participant's gross negligence in the performance of his or her duties.

"*Good Reason*" means (i) a material adverse change in Participant's position, authority, duties or responsibilities, (ii) a reduction in the Participant's base salary or the taking of any action by the Company that would materially reduce the Participant's target bonus opportunities, (iii) a diminution of the Participant's employee benefits (including but not limited to medical, dental, life insurance and long-term disability plans) or (iv) the relocation of the principal executive offices by more than 50 miles from where such offices are located

8.2 If a Corporate Change occurs, as defined in the Plan, <u>and</u> the Participant's Continuous Service is terminated by the Company without Cause or by the Participant for Good Reason within 12 months following the Corporate Change, 100% of the shares subject to the Option shall become immediately vested and exercisable and Participant may exercise these vested Options, but only within such period of time ending on the earlier of: (a) the date three months following the termination of the Participant's Continuous Service or (b) the Expiration Date of the Option.

9. <u>Covenant Not To Compete; Solicit or Disclose Confidential Information.</u>

9.1 Participant acknowledges that he or she is in possession of and has access to confidential information, including material relating to the business, products and/or services of the Company and that he or she will continue to have such possession and access during employment by the Company. The Participant also acknowledges that the Company's business, products and services are highly specialized and that it is essential that they be protected, and, accordingly**, the Participant agrees that as partial consideration for the Options granted herein that should the Participant engage in any "Detrimental Activity," as defined below, at any time during his or her employment or during a period of one year following his or her termination, the Company shall be entitled to: (i) recover from the Participant the value of any portion of the Options that has been paid; (ii) seek injunctive relief against Participant pursuant to the provisions of subsection (c) below; (iii) recover all damages, court costs, and attorneys' fees incurred by the Company in enforcing the provisions of this Agreement, and (iv) set-off any such sums to which the Company is entitled hereunder against any such sum which may be owed to the Participant by the Company.**

9.2 *"Detrimental Activity"* for the purposes hereof, other than with respect to involuntary termination without Cause, termination in connection with or as a result of a Corporate Change (as defined by the Plan), or termination following a reduction in job responsibilities, shall include: (i) rendering services for any person or organization, or engaging directly or indirectly in any business, which is or becomes competitive with the Company or any Affiliate; (ii) disclosing to anyone outside the Company or any subsidiary, or using in, other than the Company's or any Affiliate's business, without prior written authorization from the Company or any Affiliate, any confidential information including material relating to the business, products, or services of the Company or any Affiliate, acquired by the Participant during employment with the Company or any Affiliate; (iii) soliciting, interfering, inducing, or attempting to cause any employee of the Company or any Affiliate to leave his or her employment, whether done on Participant's own account or on account of any person, organization, or business which is or becomes competitive with the Company or any Affiliate, or (iv) directly or indirectly soliciting the trade or business of any customer of the Company or any Affiliate. "Detrimental Activity" for the purposes hereof with respect to involuntary termination without Cause, termination in connection with or as a result of a Corporate Change, or termination following a reduction in job responsibilities, shall include only part (ii) of the preceding sentence.

9.3 Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which it would have no other adequate remedy, the Participant agrees that the foregoing covenants may be enforced by the Company in the event of breach by him/her by injunction relief and restraining order, without the necessity of posting a bond, and that such enforcement shall not be the Company's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company.

9.4 The covenants and provisions of this Section 9 are severable and separate, and the unenforceability of any specific covenant or provision shall not affect the enforceability of any other covenant or provision. Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope or time set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the panel or court deems reasonable, and this Agreement shall thereby be reformed.

9.5 Each of the covenants in this Section 9 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the Participant against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants or provisions.

10. <u>Transferability</u>. The Option is not transferable by the Participant other than to a designated beneficiary upon the Participant's death or by will or the laws of descent and distribution, and is exercisable during the Participant's lifetime only by him or her. No assignment or transfer of the Option, or the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise (except to a designated beneficiary, upon death, by will or the laws of descent or distribution) will vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Option will terminate and become of no further effect.

11. <u>Tax Liability and Withholding</u>. Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting, or exercise of the Option or the subsequent sale of any shares acquired on exercise; and (b) does not commit to structure the Option to reduce or eliminate the Participant's liability for Tax-Related Items.

12. <u>Qualification as an Incentive Stock Option</u>. It is understood that this Option is intended to qualify as an ISO as defined in Section 422 of the Code to the extent permitted under Applicable Law. Accordingly, the Participant understands that in order to obtain the benefits of an incentive stock option, no sale or other disposition may be made of shares for which ISO treatment is desired within one (1) year following the date of exercise of the Option or within two (2) years from the Grant Date. The Participant understands and agrees that the Company shall not be liable or responsible for any additional tax liability the Participant incurs in the event that the Internal Revenue Service for any reason determines that this Option does not qualify as an ISO within the meaning of the Code.

13. <u>Disqualifying Disposition</u>. If the Participant disposes of the shares of Common Stock prior to the expiration of either two (2) years from the Grant Date or one (1) year from the date the shares are transferred to the Participant pursuant to the exercise of the Option (a "**Disqualifying Disposition**"), the Participant shall notify the Company in writing within thirty (30) days after such disposition of the date and terms of such disposition. The Participant also agrees to provide the Company with any information concerning any such dispositions as the Company requires for tax purposes.

14. <u>Compliance with Law</u>. The exercise of the Option and the issuance and transfer of shares of Common Stock shall be subject to compliance by the Company and the Participant with all applicable

requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued pursuant to this Option unless and until any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Participant understands that the Company is under no obligation to register the shares with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance.

15. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the General Counsel of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Participant under this Agreement shall be in writing and addressed to the Participant at the Participant's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

16. Governing Law and Severability. The validity, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The invalidity of any provision of this Agreement shall not affect any other provision of this Agreement, which shall remain in full force and effect.

17. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Participant and the Company.

18. Options Subject to Plan. This Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

19. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom this Agreement may be transferred by will or the laws of descent or distribution.

20. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the Option in this Agreement does not create any contractual right or other right to receive any Options or other Awards in the future. Future Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.

21. Amendment. The Committee has the right to amend, alter, suspend, discontinue or cancel the Option, prospectively or retroactively; provided, that, no such amendment shall adversely affect the Participant's material rights under this Agreement without the Participant's consent.

22. No Impact on Other Benefits. The value of the Participant's Option is not part of his or her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

23. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original for all purposes but all of which taken together shall constitute one and the same instrument.

24. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understands the terms and provisions thereof, and accepts the Option subject to all of the terms and conditions of the Plan and this Agreement. The Participant acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the underlying shares and that the Participant should consult a tax advisor prior to such exercise or disposition.

25. Recoupment**.** If the Participant is subject to the Company's clawback policy, the Participant agrees that the Option award is subject to the terms of such clawback policy, as may be amended from time to time.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

[COMPANY NAME]

By ______________________________

Name:

Title:

[EMPLOYEE NAME]

By ______________________________

Name:

Exhibit 31.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF RIGNET, INC.
PURSUANT TO 15 U.S.C. SECTION 7241, AS ADOPTED
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Steven E. Pickett, certify that:

a. I have reviewed this Quarterly Report on Form 10-Q of RigNet, Inc. (the "Registrant");

b. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

c. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

d. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

e. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 6, 2018

By: /s/ STEVEN E. PICKETT
Steven E. Pickett
Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF RIGNET, INC.
PURSUANT TO 15 U.S.C. SECTION 7241, AS ADOPTED
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Benjamin Carter, and I, Tonya M. McDermott, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RigNet, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 6, 2018

/s/ TONYA M. MCDERMOTT
Tonya M. McDermott
Interim Chief Financial Officer and Vice President of Tax and Treasury
(Principal Financial Officer)

/s/ BENJAMIN A. CARTER

Benjamin A. Carter
Director of Accounting and Reporting (Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF RIGNET, INC.
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven E. Pickett, Chief Executive Officer of RigNet, Inc. (the “Company”), hereby certify, to my knowledge, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2018

/s/ STEVEN E. PICKETT
Steven E. Pickett
Chief Executive Officer and President

Exhibit 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF RIGNET, INC.
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tonya M. McDermott, Principal Financial Officer, and I, Benjamin Carter, Principal Accounting Officer, of RigNet, Inc. (the "Company"), hereby certify, to my knowledge, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2018

/s/ TONYA M. MCDERMOTT
Tonya M. McDermott
Interim Chief Financial Officer and Vice President of Tax and Treasury
(Principal Financial Officer)

/s/ BENJAMIN A. CARTER
Benjamin A. Carter
Director of Accounting and Reporting
(Principal Accounting Officer)