
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): February 27, 2018

KVH Industries, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware

0-28082

05-0420589

(State or Other Jurisdiction of Incorporation)

(Commission File Number)

(IRS Employer Identification No.)

50 Enterprise Center, Middletown, RI 02842

(Address of Principal Executive Offices and zip code)

(401) 847-3327

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On March 2, 2018, we issued a press release announcing our financial results for the quarter and year ended December 31, 2017 and forward-looking statements related to the first quarter 2018 and full year 2018. The press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The information in this Item 2.02 of Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (or the Securities Act), or the Exchange Act, regardless of any general incorporation language in such filing.

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

On February 27, 2018, we entered into a stock purchase agreement with SKY Perfect JSAT Corporation, or SJC, pursuant to which we agreed to sell 376,569 shares of our common stock to SJC for a purchase price of \$11.95 per share, or an aggregate of \$4.5 million, in a private placement outside the United States in reliance upon the exemptions from registration afforded by Section 4(a)(2) of the Securities Act and Regulation S promulgated under the Securities Act. The transaction closed on February 28, 2018. The purchase agreement contains a standstill provision which for a period of two years, subject to certain exceptions, prevents SJC or another person acting on its behalf from, among other things, directly or indirectly effecting, proposing or participating in, or encouraging others to effect, propose or participate in, any acquisition of our voting securities, any tender or exchange offer, merger or other business combination involving our company, any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to our company, any acquisition of a material portion of our assets, any solicitation of proxies or consents with respect to our voting securities, or acting to seek to control or influence our management or board of directors.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

| Exhibit No. | Description |
|--------------------|---|
| 99.1 | March 2, 2018 press release entitled "KVH Industries Reports Fourth Quarter and Full Year 2017 Results" (furnished pursuant to Item 2.02) |

EXHIBIT INDEX

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|----------------------|---|
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 2, 2018

KVH INDUSTRIES, INC.

BY: _____ /s/ DONALD W. REILLY

Donald W. Reilly
Chief Financial Officer

FOR IMMEDIATE RELEASE

| | | |
|-----------------|---|--|
| Contact: | KVH Industries, Inc. Donald W. Reilly 401-608-8977 dreilly@kvh.com | FTI Consulting Christine Mohrmann 212-850-5600 |
|-----------------|---|--|

KVH Industries Reports Fourth Quarter and Full Year 2017 Results

MIDDLETOWN, RI, March 2, 2018 — KVH Industries, Inc., (Nasdaq: KVHI) reported financial results for the fourth quarter and fiscal year ended December 31, 2017 today. The company will hold a conference call to discuss these results at 10:30 a.m. ET today, which can be accessed at investors.kvh.com. Following the call, a replay of the webcast will be available through the company's website.

Fourth Quarter 2017 Highlights

- Total unit shipments of VSAT products, including AgilePlans products, increased 16% for the quarter.
- AgilePlans, our new Connectivity as a Service Program for the commercial maritime sector, increased to 65% of total commercial VSAT shipments, and unit shipments more than doubled compared to the 2017 third quarter.
- Overall revenue declined 11% in our fourth quarter of 2017 to \$39.0 million from \$43.9 million in the fourth quarter of 2016, driven in part by the continuing shift in our business model from hardware sales to a recurring revenue model.
- Strong sales of inertial measurement unit (IMU) products drove fiber optic gyro (FOG) product revenue higher by 18% compared to the fourth quarter of 2016, the fourth consecutive double-digit growth quarter.
- mini-VSAT Broadband airtime revenue grew \$0.5 million, or 3%, compared to the fourth quarter of 2016.
- Net loss in the fourth quarter of 2017 was \$1.7 million, or \$0.10 per share, compared to a net loss of \$6.8 million, or \$0.43 per share in the fourth quarter of 2016.
- Non-GAAP net income in the fourth quarter of 2017 was \$2.0 million, or \$0.12 per share, compared to \$2.2 million, or \$0.13 per share in the fourth quarter of 2016.
- Non-GAAP adjusted EBITDA in the fourth quarter of 2017 was \$3.8 million, compared to \$4.3 million in the fourth quarter of 2016.
- We continued to make progress in our photonic chip development which has now been successfully built into a working gyro prototype.

Commenting on the quarter, Martin Kits van Heyningen, KVH's Chief Executive Officer, said "KVH's business model transformation growth continued in the fourth quarter, in line with our expectations, and our momentum is continuing as we enter into 2018. As we continue to move the business from hardware to service revenue, we are particularly pleased with the increasing success of our AgilePlans, Connectivity as a Service Program, as we received more new orders in the fourth quarter than in the previous two quarters combined. The positive trend for AgilePlans has continued into the first quarter of 2018. Our airtime revenue also continued to grow, and we believe the recent launch of our new global HTS network will help to continue that trend. Likewise, our FOG business sustained the robust growth we have been seeing throughout 2017, reporting double digit growth for the fourth consecutive quarter. In addition we continue to make excellent progress toward the development of a photonic chip-based FOG, which could open new opportunities in the quickly evolving self-driving automotive market. Overall, 2017 was a transformative year for KVH and we are happy with the progress we have made with all of our strategic initiatives."

The company operates in two segments, mobile connectivity and inertial navigation. In the fourth quarter of 2017, unit shipments for our mobile connectivity segment increased significantly, while net sales decreased \$1.7 million, or 5%, as compared to the fourth quarter of 2016. The decrease was partly attributed to the launch of our AgilePlans program, since revenues under this program are not recognized initially but instead are recognized over time. Net sales for inertial navigation products decreased \$3.2 million, or 29%, compared to the fourth quarter of 2016. The decrease was driven primarily by lower TACNAV orders.

Financial Highlights (in millions, except per share data)

| | Quarter Ended December 31, | | Year Ended December 31, | |
|------------------------------|-------------------------------|-----------|----------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| GAAP Results | | | | |
| Revenue | \$ 39.0 | \$ 43.9 | \$ 160.1 | \$ 176.1 |
| Net loss | \$ (1.7) | \$ (6.8) | \$ (11.0) | \$ (7.5) |
| Net loss per diluted share | \$ (0.10) | \$ (0.43) | \$ (0.67) | \$ (0.47) |
| Non-GAAP Results | | | | |
| Net income | \$ 2.0 | \$ 2.2 | \$ 1.4 | \$ 7.0 |
| Net income per diluted share | \$ 0.12 | \$ 0.13 | \$ 0.09 | \$ 0.44 |
| Adjusted EBITDA | \$ 3.8 | \$ 4.3 | \$ 6.7 | \$ 15.5 |

For more information regarding our non-GAAP financial measures, see the tables at the end of this release.

Fourth Quarter Financial Summary

Revenue was \$39.0 million for the fourth quarter of 2017, a decrease of 11% compared to \$43.9 million in the fourth quarter of 2016.

Product revenues for the fourth quarter of 2017 were \$13.7 million, 26% lower than the prior year quarter, due to a \$2.1 million decrease in mobile connectivity product sales and a \$2.8 million decrease in our inertial navigation product sales. Mobile connectivity product sales decreased primarily due to a \$1.6 million decrease in marine product sales and a \$0.5 million decrease in land product sales. The decrease in marine product sales was due to the timing of a particularly large order received in the prior year quarter, as well as the impact of the new AgilePlans subscription service. Inertial navigation product sales decreased due to a \$3.8 million decrease in TACNAV sales, due to a large order that was shipped in the prior year quarter. This was partially offset by a \$0.9 million increase in FOG product sales.

Service revenues for the fourth quarter of 2017 were \$25.3 million, an increase of less than 1% compared to the fourth quarter of 2016 due to a change in service mix. Airtime service revenues, which include mini-VSAT Broadband airtime revenues, increased 3%. Content and training revenues, which include our entertainment, eLearning, and safety content, decreased by 4%, primarily due to a decrease in fleet subscribers. Our engineering service revenues in the fourth quarter of 2017 decreased by \$0.3 million compared to the fourth quarter of 2016.

Our operating expenses for the fourth quarter of 2017 decreased \$0.3 million year over year to \$19.1 million compared to \$19.4 million in the fourth quarter of 2016. The key drivers were a decrease in variable compensation of \$1.5 million, a decrease in consulting fees of \$0.6 million, and a decrease in unfunded engineering expenses of \$0.3 million, partially offset by an increase in employee termination and other non-recurring costs of \$1.2 million. As these costs are discrete and non-recurring, they have been excluded from our calculation of adjusted EBITDA above.

Full Year Financial Summary

For the year ended December 31, 2017, revenue was \$160.1 million, a decrease of 9% compared to \$176.1 million for the year ended December 31, 2016. Weakness in the British Pound negatively impacted revenue in 2017 by \$1.4 million, or 1%. Product revenues for the year ended December 31, 2017 of \$57.0 million were 22% lower than the prior year, driven primarily by a 21% decrease in mobile connectivity product revenues and a 23% decrease in our inertial navigation product revenues year-over-year.

Service revenues for the year ended December 31, 2017 were \$103.1 million, approximately the same as the year ended December 31, 2016. Our mini-VSAT Broadband airtime revenue increased 4%. Engineering service revenue increased 86% principally due to a new project that began in January 2017 and was completed in the third quarter of 2017. Content and training revenues decreased by 9%, however on a constant-currency basis, revenue in those product lines decreased by 5%. British Pound weakness negatively impacted content and training revenues by \$1.4 million, or 4% year over year.

We reported a GAAP net loss of \$11.0 million for the year ended December 31, 2017, or \$0.67 per share. During 2016, the company recorded a GAAP net loss of \$7.5 million, or \$0.47 per share. The net loss in 2017 includes \$5.8 million of non-cash discrete tax reserves compared to \$6.8 million in 2016. We generated non-GAAP net income of \$1.4 million, or \$0.09 per diluted share, compared to non-GAAP net income of \$7.0 million, or \$0.44 per diluted share reported for the prior year. Non-GAAP adjusted EBITDA was \$6.7 million for the year ended December 31, 2017, compared to \$15.5 million in the prior year.

First Quarter 2018 and Full Year 2018 Outlook

Our guidance for the first quarter and full year of 2018 is below. This guidance reflects the new revenue recognition standard, ASC 606, Revenue from Contracts with Customers, which all US public companies were required to adopt on January 1, 2018. 2017 was an investment year as we began to transform our business model, and we expect 2018 to return to growth with full year non-GAAP adjusted EBITDA expected to double from last year. Our growth expectations are driven by our continued success in the key strategic priorities that we outlined last year. Our AgilePlans program continues to gain traction in the commercial marine market, and the popularity of our new HTS network is growing. We will also continue to invest in the development of our new photonic chip based FOG, as well as our portfolio of TACNAV products intended for use in military applications, specifically the US military's Assured Positioning, Navigation and Timing (A-PNT) program. It should be noted that this guidance does not include any revenue from the international pipeline of large orders that we have been anticipating:

| <i>(in millions, except per share data)</i> | First Quarter | | Full Year | |
|---|---------------|-----------|-----------|-----------|
| | From | To | From | To |
| Revenue | \$ 39.0 | \$ 41.0 | \$ 166.0 | \$ 180.0 |
| GAAP EPS | \$ (0.25) | \$ (0.19) | \$ (0.44) | \$ (0.21) |
| Non-GAAP EPS | \$ (0.07) | \$ (0.03) | \$ 0.12 | \$ 0.28 |
| Non-GAAP Adjusted EBITDA | \$ 0.5 | \$ 1.5 | \$ 12.0 | \$ 16.0 |

ASC 606 requires that certain revenues that had been recognized in prior periods be reversed as of January 1, 2018 and be recognized over time as performance obligations are met, and, likewise, that certain currently generated revenues that would have been recognized under previous accounting guidance instead be deferred and recognized over time as performance obligations are met. We expect the net impact of this change in accounting guidance, which is reflected in the above tables, will be as follows:

| <i>(in millions, except per share data)</i> | First Quarter | Full Year |
|---|---------------|-----------|
| Revenue | \$ (0.5) | \$ (4.0) |
| GAAP EPS | \$ 0.00 | \$ (0.06) |
| Non-GAAP EPS | \$ 0.00 | \$ (0.04) |
| Non-GAAP Adjusted EBITDA | \$ (0.1) | \$ (1.0) |

Other Recent Announcements

- SKY Perfect JSAT Agreed to Invest \$4.5 Million in KVH as Part of Strategic Collaboration in Maritime Satellite Connectivity
- Global Ship Manager E.R. Schiffahrt Chooses KVH HTS Systems and AgilePlans for Vessel Connectivity
- KVH Announces \$8.3 Million in New Orders for Fiber Optic Gyro (FOG) Products and Services
- KVH Industries Announces Appointment of Chief Marketing Officer and Senior Vice President for Strategy, Elizabeth Jackson
- SKY Perfect JSAT and KVH to Deliver Maritime Broadband Services

Please review the corresponding press releases for more details regarding these developments.

Conference Call Details

KVH Industries will host a conference call today at 10:30 a.m. ET through the company's website. The conference call can be accessed at investors.kvh.com and listeners are welcome to submit questions pertaining to the earnings release and conference call to ir@kvh.com. The audio archive will also be available on the company website within three hours of the completion of the call.

Non-GAAP Financial Measures

This release provides non-GAAP financial information, including constant-currency revenue, non-GAAP net income, non-GAAP diluted EPS, and non-GAAP adjusted EBITDA, as a supplement to our condensed consolidated financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP"). Management uses these non-GAAP financial measures internally in analyzing financial results to assess operational performance. Constant-currency revenue is calculated on the basis of local currency results, using foreign currency exchange rates applicable to the earlier comparative period, and management believes that presenting information on a constant-currency basis helps management and investors to isolate the impact of changes in those rates from other factors. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP. The non-GAAP financial measures used in this press release adjust for specified items that can be highly variable or difficult to predict. Management generally uses these non-GAAP financial measures to facilitate financial and operational decision-making, including evaluation of our historical operating results, comparison to competitors' operating results, and determination of management incentive compensation. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting our business.

Some limitations of non-GAAP net income (loss), non-GAAP diluted EPS, and non-GAAP adjusted EBITDA, include the following:

- Non-GAAP net income (loss) and diluted EPS exclude amortization of intangibles, stock-based compensation, certain discrete tax items, acquisition-related compensation, employee termination and other non-recurring costs, and other discrete charges.
- Non-GAAP adjusted EBITDA represents net income (loss) before interest income, interest expense, income taxes, depreciation, amortization, stock-based compensation, acquisition-related compensation, employee termination and other non-recurring costs, and other discrete charges.

Other companies, including companies in KVH's industry, may calculate these non-GAAP financial measures differently or not at all, which will reduce their usefulness as a comparative measure.

Future Non-GAAP Adjustments

Future GAAP diluted EPS may be affected by changes in ongoing assumptions and judgments, and may also be affected by non-recurring, unusual or unanticipated charges, expenses or gains, which are excluded in the calculation of our non-GAAP diluted EPS guidance as described in this press release.

Because non-GAAP financial measures exclude the effect of items that will increase or decrease our reported results of operations, management strongly encourages investors to review our consolidated financial statements and publicly filed reports in their entirety. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the tables accompanying this release.

About KVH Industries, Inc.

KVH Industries is a leading provider of innovative systems and solutions for the mobile connectivity and inertial navigation markets. The company has designed, manufactured, and sold more than 200,000 mobile satellite antennas for applications on vessels and vehicles, and is a leading provider of news, entertainment, and eLearning content for the maritime industry. KVH is also a premier manufacturer of high-performance sensors and integrated inertial systems for defense and commercial applications, having sold more than 20,000 TACNAV[®] systems and more than 100,000 fiber optic gyros. KVH is based in Middletown, RI, with research, development, and manufacturing operations in Middletown, RI, and Tinley Park, IL. The company's global presence includes offices in Brazil, Cyprus, Denmark, Hong Kong, India, Japan, Norway, the Philippines, Singapore, and the United Kingdom.

This press release contains forward-looking statements that involve risks and uncertainties. For example, forward-looking statements include statements regarding our financial goals for future periods, the success of our new initiatives, our investment plan, our development goals, our anticipated revenue and earnings and the impact of our future initiatives on revenue, competitive positioning, profitability, and product orders. Actual results could differ materially from the forward-looking statements made in this press release. Factors that might cause these differences include, but are not limited to: the uncertain duration of the adverse impact on our overall revenues of our new AgilePlans, under which we recognize no revenues for product sales, either at the time of shipment or over the contract term; increased costs arising from the new HTS network; the impact of recent changes in revenue recognition and lease accounting standards; the uncertain impact of tax reform and federal budget deficits; unanticipated obstacles in our photonic chip and other product development efforts; delays in the receipt of anticipated orders for our products and services, including significant orders for TACNAV products, or the potential failure of such orders to occur at all; continued adverse impacts of currency fluctuations, particularly the British Pound; risks associated with the impact of Brexit on sales and operations in the U.K. and Europe and on the overall global economy; our ability to successfully implement our new initiatives without unanticipated additional expenses; potential reduced sales to companies in or dependent upon the turbulent oil and gas industry; continued substantial fluctuations in military sales, including to foreign customers; the unpredictability of defense budget priorities as well as the order timing, purchasing schedules, and priorities for defense products, including possible order cancellations; the uncertain impact of potential budget cuts by government customers; the impact of extended economic weakness on the sale and use of marine vessels and recreational vehicles; the potential inability to increase or maintain our market share in the market for airtime services; the need to increase sales of the TracPhone V-IP and HTS series products and related services to maintain and improve airtime gross margins; the need for, or delays in, qualification of products to customer or regulatory standards; potential declines or changes in customer demand, due to economic, weather-related, seasonal, and other factors, particularly with respect to the TracPhone V-IP and HTS series, including with respect to new pricing models; recent increases in airtime termination rates and lower unit sales in our mobile business; increased price and service competition in the mobile connectivity market; potential increased expenses associated with investments in new technology; exposure for potential intellectual property infringement; potential additional litigation expenses; fluctuations in interest rates; potential changes in tax and accounting requirements or assessments, including management's assessment of the probability and effect of future events; stock price volatility; and export restrictions, delays in procuring export licenses, and other international risks. These and other factors are discussed in more detail in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 2, 2017. Copies are available through our Investor Relations department and website, <http://investors.kvh.com>. We do not assume any obligation to update our forward-looking statements to reflect new information and developments.

KVH Industries, Inc. has used, registered, or applied to register its trademarks in the USA and other countries around the world, including but not limited to the following marks: KVH, TracVision, TracPhone, CommBox, TACNAV, IP-MobileCast, Videotel, mini-VSAT Broadband, NEWSlink, KVH OneCare, and AgilePlans by KVH. Other trademarks are the property of their respective companies.

KVH INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts, unaudited)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-------------------|----------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales: | | | | |
| Product | \$ 13,613 | \$ 18,611 | \$ 56,968 | \$ 73,075 |
| Service | 25,365 | 25,319 | 103,120 | 103,047 |
| Net sales | 38,978 | 43,930 | 160,088 | 176,122 |
| Costs and expenses: | | | | |
| Costs of product sales | 8,062 | 11,674 | 37,474 | 46,334 |
| Costs of service sales | 12,956 | 13,140 | 52,692 | 52,966 |
| Research and development | 4,160 | 4,270 | 15,858 | 16,030 |
| Sales, marketing and support | 8,798 | 8,072 | 33,896 | 33,942 |
| General and administrative | 6,127 | 7,042 | 28,932 | 28,172 |
| Total costs and expenses | 40,103 | 44,198 | 168,852 | 177,444 |
| Loss from operations | (1,125) | (268) | (8,764) | (1,322) |
| Interest income | 168 | 160 | 659 | 513 |
| Interest expense | 386 | 355 | 1,467 | 1,436 |
| Other (expense) income, net | (45) | 264 | (366) | 275 |
| Loss before income tax expense | (1,388) | (199) | (9,938) | (1,970) |
| Income tax expense | 297 | 6,584 | 1,096 | 5,547 |
| Net loss | \$ (1,685) | \$ (6,783) | \$ (11,034) | \$ (7,517) |
| Net loss per common share: | | | | |
| Basic and diluted | \$ (0.10) | \$ (0.43) | \$ (0.67) | \$ (0.47) |
| Weighted average number of common shares outstanding: | | | | |
| Basic and diluted | 16,499 | 15,941 | 16,419 | 15,834 |

KVH INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, unaudited)

| | December 31, 2017 | December 31, 2016 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash, cash equivalents and marketable securities | \$ 42,915 | \$ 52,134 |
| Accounts receivable, net | 28,316 | 31,152 |
| Inventories | 22,732 | 20,745 |
| Other current assets | 3,816 | 4,801 |
| Total current assets | 97,779 | 108,832 |
| Property and equipment, net | 43,521 | 36,586 |
| Goodwill | 33,872 | 31,343 |
| Intangible assets, net | 15,120 | 17,838 |
| Other non-current assets | 5,927 | 5,134 |
| Non-current deferred income taxes | 20 | 24 |
| Total assets | \$ 196,239 | \$ 199,757 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued expenses | \$ 33,948 | \$ 25,082 |
| Deferred revenue | 6,919 | 6,661 |
| Current portion of long-term debt | 2,482 | 7,900 |
| Total current liabilities | 43,349 | 39,643 |
| Other long-term liabilities | 19 | 326 |
| Non-current deferred tax liability | 2,634 | 3,133 |
| Long-term debt, excluding current portion | 44,572 | 50,153 |
| Stockholders' equity | 105,665 | 106,502 |
| Total liabilities and stockholders' equity | \$ 196,239 | \$ 199,757 |

KVH INDUSTRIES, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP NET LOSS TO NON-GAAP NET INCOME
(in thousands, except per share amounts, unaudited)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|----------------------|----------------------------|------------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net loss - GAAP | \$ (1,685) | \$ (6,783) | \$ (11,034) | \$ (7,517) |
| Amortization of intangibles | 1,046 | 1,278 | 4,312 | 4,956 |
| Stock-based compensation expense | 897 | 859 | 3,518 | 3,651 |
| Employee termination and other non-recurring costs | 1,228 | — | 1,228 | — |
| Tax effect on the foregoing | (849) | (292) ^(a) | (2,383) | (1,241) ^(a) |
| Discrete tax expense, net ^(b) | 1,397 | 7,092 | 5,798 | 6,837 |
| Acquisition-related compensation | — | — | — | 358 |
| Net income - Non-GAAP | \$ 2,034 | \$ 2,154 | \$ 1,439 | \$ 7,044 |
| Net income per common share - Non-GAAP: | | | | |
| Basic | <u>\$ 0.12</u> | <u>\$ 0.14</u> | <u>\$ 0.09</u> | <u>\$ 0.44</u> |
| Diluted | <u>\$ 0.12</u> | <u>\$ 0.13</u> | <u>\$ 0.09</u> | <u>\$ 0.44</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic | <u>16,499</u> | <u>15,941</u> | <u>16,419</u> | <u>15,834</u> |
| Diluted | <u>16,749</u> | <u>16,167</u> | <u>16,648</u> | <u>15,996</u> |

(a) In 2016, consistent with historical presentation, this does not include the tax effect of the amortization expense related to our intangible assets which were principally acquired in connection with our United Kingdom acquisition with such operations having a statutory tax rate of 20%.

(b) Represents a change in the valuation allowance on United States net operating losses, a state research and development tax credit, uncertain tax position adjustments, penalties, and the impact of the 2017 Tax Cuts and Jobs Act (the "Tax Act") which was passed in December 2017.

KVH INDUSTRIES, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP NET LOSS TO NON-GAAP
EBITDA AND NON-GAAP ADJUSTED EBITDA
(in thousands, unaudited)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------------|----------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| GAAP net loss | \$ (1,685) | \$ (6,783) | \$ (11,034) | \$ (7,517) |
| Income tax expense | 297 | 6,584 | 1,096 | 5,547 |
| Interest expense, net | 218 | 195 | 808 | 923 |
| Depreciation and amortization | 2,815 | 3,474 | 11,037 | 12,564 |
| Non-GAAP EBITDA | 1,645 | 3,470 | 1,907 | 11,517 |
| Stock-based compensation expense | 897 | 859 | 3,518 | 3,651 |
| Employee termination and other non-recurring costs | 1,228 | — | 1,228 | — |
| Acquisition-related compensation | — | — | — | 358 |
| Non-GAAP adjusted EBITDA | \$ 3,770 | \$ 4,329 | \$ 6,653 | \$ 15,526 |

KVH INDUSTRIES, INC. AND SUBSIDIARIES
FOURTH QUARTER TO DATE AND YEAR TO DATE REVENUE AND OPERATING LOSS BY SEGMENT
(in millions except for percentages, unaudited)

| Segment Net Sales | Three Months Ended December 31, | | Year Ended December 31, | |
|----------------------------------|------------------------------------|----------------|----------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Mobile connectivity sales | | | | |
| Product | \$ 6.3 | \$ 8.4 | \$ 32.2 | \$ 40.9 |
| Service | 24.8 | 24.4 | 100.0 | 100.6 |
| Net sales | \$ 31.1 | \$ 32.8 | \$ 132.2 | \$ 141.5 |

| | | | | |
|----------------------------------|---------------|----------------|----------------|----------------|
| Inertial navigation sales | | | | |
| Product | \$ 7.4 | \$ 10.2 | \$ 24.8 | \$ 32.2 |
| Service | 0.5 | 0.9 | 3.1 | 2.4 |
| Net sales | \$ 7.9 | \$ 11.1 | \$ 27.9 | \$ 34.6 |

| Operating Loss | Three Months Ended December 31, | | Year Ended December 31, | |
|-----------------------------|------------------------------------|-----------------|----------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Mobile connectivity | \$ 2.0 | \$ 1.8 | \$ 7.3 | \$ 10.0 |
| Inertial navigation | (0.1) | 2.5 | 0.6 | 5.3 |
| | 1.9 | 4.3 | 7.9 | 15.3 |
| Unallocated | (3.0) | (4.5) | (16.6) | (16.6) |
| Loss from operations | \$ (1.1) | \$ (0.2) | \$ (8.7) | \$ (1.3) |

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|------------------------------------|------|----------------------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| Mobile Connectivity Revenue Components | | | | |
| Product Sales | 16% | 19% | 20% | 23% |
| mini-VSAT Broadband Airtime | 41% | 36% | 41% | 37% |
| Content and Training | 20% | 18% | 20% | 20% |
| Inertial Navigation Revenue Components | | | | |
| FOG-based Products | 14% | 11% | 13% | 10% |
| Tactical Navigation Products | 4% | 12% | 3% | 8% |

KVH INDUSTRIES, INC. AND SUBSIDIARIES
NON-GAAP EPS GUIDANCE
(unaudited)

| | First Quarter Fiscal 2018 (Projected) | Full Year Fiscal 2018 (Projected) |
|--|--|--|
| Net loss per common share | \$(0.25) - \$(0.19) | \$(0.44) - \$(0.21) |
| Estimated amortization of intangibles ^(a) | \$0.06 | \$0.23 |
| Estimated stock-based compensation expense | \$0.05 | \$0.22 |
| Estimated tax effect | \$(0.02) | \$(0.09) |
| Discrete tax adjustments ^(b) | \$0.09 - \$0.07 | \$0.20 - \$0.13 |
| Non-GAAP net (loss) income per common share | <u>\$(0.07) - \$(0.03)</u> | <u>\$0.12 - \$0.28</u> |

(a) Includes amortization of intangible assets resulting from acquisitions.

(b) Represents incremental forecasted valuation allowance that the company expects to record against additional deferred tax assets expected to be generated in 2018.

KVH INDUSTRIES, INC. AND SUBSIDIARIES
NON-GAAP ADJUSTED EBITDA GUIDANCE
(in millions, unaudited)

| | First Quarter Fiscal 2018 (Projected) | Full Year Fiscal 2018 (Projected) |
|--|--|--|
| GAAP net loss | \$(4.1) - \$(3.1) | \$(7.5)- \$(3.5) |
| Estimated income tax provision | \$0.2 | \$0.9 |
| Estimated interest expense, net | \$0.2 | \$0.9 |
| Estimated depreciation and amortization ^(a) | \$3.3 | \$14.0 |
| Estimated stock-based compensation expense | \$0.9 | \$3.7 |
| Non-GAAP adjusted EBITDA | <u>\$0.5 - \$1.5</u> | <u>\$12.0 - \$16.0</u> |

(a) Reflects amortization of intangible assets resulting from acquisitions and depreciation of fixed assets.