TeraGo Reports 2017 Third Quarter Financial Results

Execution of the strategic plan continues with record quarter for Cloud and Colocation sales bookings

Toronto – November 7, 2017 – TeraGo Inc. ("**TeraGo**" or the "**Company**") (TSX: TGO, www.terago.ca), today announced financial and operating results for the quarter ended September 30, 2017.

"We are focused on stabilizing the Connectivity business while executing on significant growth opportunities in Cloud and Colocation," commented Tony Ciciretto, President and CEO of TeraGo. "Our investments to enhance our go-to-market effectiveness and simplify our services portfolio have begun to yield positive results in the third quarter, with a record quarter for sales bookings[1] in Cloud and Colocation. We will continue to manage our costs and focus on profitability as we execute our strategic plan."

Mr. Ciciretto added, "I am pleased to welcome David Charron, our new CFO, to the senior leadership team this quarter. His leadership and experience will be help TeraGo drive operating leverage as we grow revenue and increase utilization of our data centres."

Financial Highlights

- Total revenue decreased 7.4% to $13.7 million for the three months ended September 30, 2017 compared to $14.8 million for the same period in 2016. The decrease in revenue is primarily driven by lower connectivity revenue, partially offset by growth in cloud and colocation revenue. Total revenue decreased 5.9% to $41.9 million for the nine months ended September 30, 2017, compared to $44.5 million for the same period in 2016.

- Cloud and colocation revenue increased 1.7% to $4.7 million compared to $4.6 million for the same period in 2016. The increase was driven by greater provisioning of cloud services from new and existing customers. The percentage of revenues from cloud and colocation of our total revenue has increased to 34% compared to 31% in Q3 2016.

- Net loss was $1.0 million for the three months ended September 30, 2017 compared to a net loss of $3.5 million for the same period in 2016. The decrease in net loss was primarily driven by a decrease in SG&A and other operating costs, lower depreciation and amortization, and lower finance costs. For the nine months ended September 30, 2017, net loss was $3.2 million compared to a net loss of $4.7 million for the same period in 2016.

- Adjusted EBITDA[1] decreased to $3.2 million for the three months ended September 30, 2017 compared to $4.5 million for the same period in 2016. The decrease was primarily driven by the reduction of connectivity revenue, an increase in higher resale loop costs to support third-party fibre revenue, and increased real estate fees, partially offset by the growth of cloud and colocation revenue. For the nine months ended September 30, 2017, Adjusted EBITDA[(1)] decreased to $9.9 million compared to $14.1 million for the same period in 2016. The decrease was driven by the factors described above in addition to impacts of increased sales force headcount and marketing costs related to TeraGo's strategic priorities and growth initiatives.

Key Developments

- On July 10, 2017, the Company announced Mr. David Charron has been appointed as Chief Financial Officer, effective on September 5, 2017.

- On August 15, 2017, the Company announced that it had signed the largest data centre services agreement in Company history. The colocation agreement with a Canadian IT services provider is in respect to the Company's Vancouver Vault data centre facility.

- In June 2017, Innovation, Science and Economic Development Canada (ISED) issued the Consultation on Releasing Millimetre Wave Spectrum to Support 5G. This Consultation contemplates the future use of certain millimetre wave spectrum to support the deployment of 5th generation (5G) wireless networks and systems. The spectrum bands identified by ISED includes (amongst others) the 38 GHz band which TeraGo currently holds licences in. TeraGo has participated in this Consultation by submitting its comment letter to ISED on September 14, 2017. It is pleased to see the large number of other stakeholders (both in the industry and outside of it) who have also taken the time to make submissions to this Consultation. After having reviewed many of these other submissions, it is clear to TeraGo that there is a high interest amongst various groups in the outcome of this Consultation and an appreciation for the importance that these higher frequency bands will play in both 5G deployment, and in existing fixed wireless deployments.

RESULTS OF OPERATIONS

Comparison of the three and nine months ended September 30, 2017 and 2016
(in thousands of dollars, except with respect to gross profit margin and earnings per share)

	Three months ended September 30		Nine months ended September 30	
	2017	**2016**	**2017**	**2016**
Financial				
Cloud and Colocation Revenue	$ 4,705	$ 4,626	$ 14,234	$ 13,497
Connectivity Revenue	$ 8,975	$ 10,154	$ 27,615	$ 30,996
Total Revenue	$ 13,680	$ 14,780	$ 41,849	$ 44,493
Cost of Services	$ 3,511	$ 3,328	$ 10,559	$ 10,155
Gross profit margin	74.3%	77.5%	74.8%	77.2%
Adjusted EBITDA[1]	$ 3,213	$ 4,481	$ 9,927	$ 14,052
Income tax recovery (expense)	$ -	$ (704)	$ -	$ (715)
Net loss	$ (1,047)	$ (3,454)	$ (3,233)	$ (4,669)
Basic loss per share	$ (0.07)	$ (0.24)	$ (0.23)	$ (0.33)
Diluted loss per share	$ (0.07)	$ (0.24)	$ (0.23)	$ (0.33)

Refer to "Definitions – IFRS, Additional GAAP and Non-GAAP Measures" in the MD&A for the three and nine months ended September 30, 2017 for a description of the components of relevant line items noted above.

[(1)]Non-IFRS Measures

This press release contains references to "sales bookings" and "Adjusted EBITDA" which are not a measure prescribed by International Financial Reporting Standards (IFRS). The Company believes that sales bookings, measured as the monthly recurring revenue of newly signed contracts during a period is useful additional information to management, the Board and investors as it provides an indication of revenue. The Company believes that Adjusted EBITDA is useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. Adjusted EBITDA is also used by some investors and analysts for the purpose of valuing a company. The Company calculates Adjusted EBITDA as earnings before deducting interest, taxes, depreciation and amortization, foreign exchange gain or loss, finance costs, finance income, gain or loss on disposal of network assets, property and equipment, stock-based compensation and restructuring, acquisition-related and integration costs.

Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to operating earnings (losses) or net earnings (losses) determined in accordance with IFRS as an indicator of our financial performance or as a measure of our liquidity and cash flows. Adjusted EBITDA does not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

A reconciliation of net loss to Adjusted EBITDA is found below and in the MD&A for the three and nine months ended September 30, 2017. Sales bookings and Adjusted EBITDA do not have any standardized meanings under IFRS/GAAP. TeraGo's method of calculating sales bookings and Adjusted EBITDA may differ from other issuers and, accordingly, sales bookings and Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

The table below reconciles net loss to Adjusted EBITDA[(1)] for the three and nine months ended September 30, 2017 and 2016.

(in thousands of dollars)	Three months ended September 30		Nine months ended September 30	
	2017	**2016**	**2017**	**2016**
Net loss for the period	$ (1,047)	$ (3,454)	$ (3,233)	$ (4,669)
Foreign exchange loss (gain)	(18)	2	(35)	(18)
Finance costs	350	441	1,175	1,503
Finance income	(18)	(1)	(33)	(8)
Income tax (recovery) expense	-	704	-	715
Earnings (loss) from operations	(733)	(2,308)	(2,126)	(2,477)
Add:				
Depreciation of network assets, property and equipment and amortization of intangible assets	3,564	3,798	10,832	11,674
Loss (gain) on disposal of network assets	(1)	52	94	312
Stock-based compensation expense	8	233	45	850
Restructuring, acquisition-related, integration costs and other	375	2,706	1,082	3,693
Adjusted EBITDA[(1)]	$ 3,213	$ 4,481	$ 9,927	$ 14,052

Conference Call

Management will host a conference call tomorrow, Wednesday, November 8, 2017, at 8:30 am ET to discuss these results.

To access the conference call, please dial 647-427-2311 or 1-866-521-4909. The unaudited financial statements for the three and nine months ended September 30, 2017 and Management's Discussion & Analysis for the same periods have been filed on SEDAR at www.sedar.com. Alternatively, these documents along with a presentation in connection with the conference call can be accessed online at https://terago.ca/company/investor-relations.

An archived recording of the conference call will be available until November 15, 2017. To listen to the recording, call 416-621-4642 or 1-800-585-8367 and enter passcode 7086308.

About TeraGo

TeraGo provides businesses across Canada and internationally with cloud, colocation and connectivity services. TeraGo manages over 3,000 cloud workloads, operates five data centres in the Greater Toronto Area, the Greater Vancouver Area, and Kelowna, and owns and manages its own IP network. The Company serves approximately 4,000 business customers in 46 major markets across Canada including Toronto, Montreal, Calgary, Edmonton, Vancouver and Winnipeg. TeraGo Networks is a Competitive Local Exchange Carrier (CLEC) and was recognized by IDC as a Major Player in MarketScape Cloud Vendor

Assessment. TeraGo Networks was also selected as one of Canada's Top Small and Medium Employers for 2017.

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Forward-Looking Statements

This press release includes certain forward-looking statements that are made as of the date hereof. Such forward-looking statements may include, but are not limited to, statements relating to TeraGo's growth strategy, executing the strategic plan, executing on significant growth opportunities in Cloud and Colocation, enhancing our go-to-market effectiveness and simplifying our services portfolio, growing revenue and increase utilization of our data centres. All such statements are made pursuant to the 'safe harbour' provisions of, and are intended to be forward-looking statements under, applicable Canadian securities laws. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. The forward-looking statements reflect the Company's views with respect to future events and is subject to risks, uncertainties and assumptions, including the risk that TeraGo's growth strategy, strategic plan, and investments will not generate the result or sustainable growth intended by management, current growth trends in the Company's cloud and data centre business and in the industry may not continue as expected or significant growth opportunities may not be available, provisioning of the largest data centre services agreement in Company history may be delayed or may incur more costs than the Company had intended, TeraGo may not meet the growing and complex needs of its customers, and those risks set forth in the "Risk Factors" section in the annual MD&A of the Company for the year ended December 31, 2016 available on www.sedar.com. Accordingly, readers should not place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed with the forward-looking statements. Except as may be required by applicable Canadian securities laws, TeraGo does not intend, and disclaims any obligation, to update or revise any forward-looking statements whether in words, oral or written as a result of new information, future events or otherwise.