TeraGo Reports Third Quarter 2020 Financial Results

Toronto – November 4, 2020 – TeraGo Inc. ("**TeraGo**" or the "**Company**") (TSX: TGO, www.terago.ca), today reported financial and operating results for the third quarter ended September 30, 2020.

Third Quarter 2020 Financial Highlights

- Total revenue for the third quarter of 2020 decreased 4.2% to $11.3 million compared to $11.8 million for the same period in 2019. The decrease in total revenue was driven by lower connectivity revenue.

- Connectivity revenue for the third quarter of 2020 decreased 8.0% to $6.9 million compared to $7.5 million for the same period in 2019. The decrease in connectivity revenue was primarily due to churn exceeding customer provisioning.

- Cloud and colocation revenue for the third quarter of 2020 increased 1.7% to $4.3 million compared to $4.3 million for the same period in 2019. The increase in cloud and colocation revenue was primarily driven by customer upgrades.

- Net loss for the third quarter of 2020 totaled $3.2 million compared to net loss of $915,000 for the same period in 2019. The higher net loss was primarily driven by lower revenue, severance charges, and impairment of network assets, property, and equipment.

- Adjusted EBITDA(1)(2) for the third quarter of 2020 decreased 13.6% to $3.8 million compared to $4.4 million for the same period in 2019. The decrease was primarily driven by the decrease in revenue

Third Quarter 2020 and Recent Operational Developments

- Signed on as Connected2Fiber's first Canadian provider of networking solutions, enabling TeraGo to connect to and service customers more effectively, both international and domestic, including remote regions.

- Effective on September 25, 2020, Blake Wetzel was appointed as Chief Operating Officer in addition to his role as Chief Revenue Officer.

Management Commentary

"Our results for the third quarter again validated the resiliency of our business model and the essential services we provide to our diverse customer base," said David Charron, CFO and Interim CEO. "In addition to the growth we realized in ARPU for both segments of our business, we were able to increase backlog MRR, reflecting our sales team's ability to secure new wins in the current operating environment. Our continued focus on key operational initiatives has allowed us to stabilize churn and generate strong cash flow as well as further increase our leading net promoter scores, which serves as a competitive advantage and speaks to TeraGo's outstanding level of customer service.

"Looking ahead, we remain focused on several key initiatives, including capitalizing on our backlog, providing industry-leading customer service and prudently deploying capital toward high-growth opportunities. We expect our execution on these initiatives to further diversify our base of mid-market and enterprise customers, generate consistent cash flow, as well as position us for long-term success. In conjunction with our ongoing 5G test trials throughout the Greater Toronto Area, we are exploring several initiatives to augment our already strong networking product portfolio. We look forward to expanding our partnerships with Nokia and Askey to meet the rising demand for commercial 5G fixed wireless services in Canada."

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(1) Adjusted EBITDA is a Non-GAAP measure. See "Non-IFRS Measures" below.
(2) See "Adjusted EBITDA" below for a reconciliation of net loss to Adjusted EBITDA.

RESULTS OF OPERATIONS

Comparison of the three months ended September 30, 2020 and 2019
(in thousands of dollars, except with respect to gross profit margin, earnings per share, Backlog MRR, and ARPU)

		Three months ended September		Nine months ended September 30	
		2020	**2019**	**2020**	**2019**
Financial					
Cloud and Colocation Revenue	$	4,349	4,277	13,045	13,358
Connectivity Revenue	$	6,930	7,537	21,499	23,082
Total Revenue	$	11,279	11,814	34,544	36,440
Cost of Services[1]	$	2,506	2,324	7,093	6,943
Selling, General, & Administrative Costs	$	7,151	5,795	18,543	19,196
Gross profit margin[1]		77.8%	80.3%	79.5%	80.9%
Adjusted EBITDA[1,2]	$	3,775	4,358	12,225	13,471
Net loss	$	(3,179)	(915)	(6,038)	(4,874)
Basic loss per share	$	(0.19)	(0.06)	(0.36)	(0.30)
Diluted loss per share	$	(0.19)	(0.06)	(0.36)	(0.30)
Operating					
Backlog MRR[1]					
Connectivity	$	113,231	47,672	113,231	47,672
Cloud & Colocation	$	31,935	37,237	31,935	37,237
Churn Rate[1]					
Connectivity		1.4%	1.3%	1.5%	1.5%
Cloud & Colocation		0.9%	1.3%	1.0%	1.4%
ARPU[1]					
Connectivity	$	1,028	1,014	1,034	1,023
Cloud & Colocation	$	3,468	3,248	3,321	3,218

(1) See "Non-IFRS Measures" below.

(2) See "Adjusted EBITDA" below for a reconciliation of net loss to Adjusted EBITDA.

Third Quarter Operating Highlights

Backlog Monthly Recurring Revenue (MRR)(1)

- Connectivity backlog MRR was $113,231 as of September 30, 2020, compared to $47,672 as of September 30, 2019. The increase in backlog MRR was driven primarily by higher sales volume from both the direct sales team and the channel than in the prior year period.

- Cloud and colocation backlog MRR was $31,935 as of September 30, 2020 compared to $37,237 as of September 30, 2019. The change in backlog MRR was driven primarily by the timing of customer provisioning activity.

Average Revenue per User (ARPU)(1)

- For the three months ended September 30, 2020 connectivity ARPU was $1,028 compared to $1,014 for the same period in 2019. The ARPU is slightly higher than the prior year period as the Company continues to focus on acquiring and retaining mid-market business customers. For the nine months ended September 30, 2020 connectivity ARPU was $1,034 compared to $1,023 for the same period in 2019. The increase was driven by the factors described above.

- For the three months ended September 30, 2020 cloud and colocation ARPU was $3,468 compared to $3,248 for the same period in 2019. The increase is due to upgrades from existing customers and churn of lower ARPU customers. For the nine months ended September 30, 2020 cloud & colocation ARPU was $3,321 compared to $3,218 for the same period in 2019. The increase was driven by the factors described above.

Churn(1)

- For the three months ended September 30, 2020, connectivity churn was 1.4% compared to 1.3% for the same period in 2019. Connectivity Churn in the third quarter returned to historic levels, down from the increase experienced in the second quarter of 2020 as the number of customer closures and restructurings declined. For the nine months ended September 30, 2020 connectivity churn was 1.5% compared to 1.5% for the same period in 2019.
- For the three months ended September 30, 2020, cloud and colocation churn was 0.9% compared to 1.3% for the same period in 2019. Decreased churn levels were a result of increased retention efforts. For the nine months ended September 30, 2020 cloud and colocation churn was 1.0% compared to 1.4% for the same period in 2019. The decrease was driven by the factors described above.

See "Non-IFRS Measures" below.

Conference Call

Management will host a conference call on Thursday, November 5, 2020, at 9:00 a.m. Eastern Time to discuss these results.

To access the conference call, please dial 647-427-2311 or 866-521-4909. Please call the conference telephone number 15 minutes prior to the start time so that you are in the queue for an operator to assist in registering and patching you through. The Financial Statements and Management's Discussion & Analysis for the quarter ended September 30, 2020, along with a presentation in connection with the conference call will be made available on the Company's website at https://terago.ca/company/investor-relations/.

An archived recording of the conference call will be available until November 12, 2020. To listen to the recording, call 416-621-4642 or 800-585-8367 and enter passcode 2456669.

(1) Non-IFRS Measures

This press release contains references to "Cost of Services", "Gross Profit Margin", "Adjusted EBITDA", "Backlog MRR", "ARPU", and "churn" which are not measures prescribed by International Financial Reporting Standards (IFRS).

Cost of Services consists of expenses related to delivering service to customers and servicing the operations of our networks. These expenses include costs for the lease of intercity facilities to connect our cities, internet transit and peering costs paid to other carriers, network real estate lease expense, spectrum lease expenses and lease and utility expenses for the data centres and salaries and related costs of staff directly associated with the cost of services.

Gross Profit Margin % consists of gross profit margin divided by revenue where gross profit margin is revenue less cost of services.

Adjusted EBITDA - 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, impairment of property, plant, & equipment and intangible assets, 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, 2020. Adjusted EBITDA does not have any standardized meaning under IFRS/GAAP. TeraGo's method of calculating Adjusted EBITDA may differ from other issuers and, accordingly, Adjusted EBITDA may not be comparable to similar measures presented by otherissuers.

The table below reconciles net loss to Adjusted EBITDA for the three months ended September 30, 2020 and 2019.

(in thousands of dollars)		Three months ended September 30			Nine months ended September 30	
		2020	**2019**		**2020**	**2019**
Net earnings (loss) for the period	$	(3,179)	(915)	$	(6,038)	(4,874)
Foreign exchange loss (gain)		54	(34)		208	41
Finance costs		1,053	1,082		3,662	3,679
Finance income		(7)	(41)		(90)	(84)
Earnings (loss) from operations		(2,079)	92		(2,258)	(1,238)
Add:						
Depreciation of network assets, property and equipment and amortization of intangible assets		3,701	3,603		11,166	11,539
Loss on disposal of network assets		46	109		121	203
Impairment of Assets and Related Charges		309	37		485	183
Stock-based Compensation Expense (Recovery)		475	331		1,239	1,643
Restructuring, acquisition-related, integration costs and other		1,323	186		1,472	1,141
Adjusted EBITDA Error! Bookmark not defined.	$	3,775	4,358	$	12,225	13,471

Backlog MRR - The term "Backlog MRR" is a measure of contracted monthly recurring revenue (MRR) from customers that have not yet been provisioned. The Company believes backlog MRR is useful additional information as it provides an indication of future revenue. Backlog MRR is not a recognized measure under IFRS and may not translate into future revenue, and accordingly, investors are cautioned in using it. The Company calculates backlog MRR by summing the MRR of new customer contracts and upgrades that are signed but not yet provisioned, as at the end of the period. TeraGo's method of calculating backlog MRR may differ from other issuers and, accordingly, backlog MRR may not be comparable to similar measures presented by other issuers.

ARPU - The term "ARPU" refers to the Company's average revenue per customer per month in the period. The Company believes that ARPU is useful supplemental information as it provides an indication of our revenue from an individual customer on a per month basis. ARPU is not a recognized measure under IFRS and, accordingly, investors are cautioned that ARPU should not be construed as an alternative to revenue determined in accordance with IFRS as an indicator of our financial performance. The Company calculates ARPU by dividing our total revenue before revenue from early terminations by the number of customers in service during the period and we express ARPU as a rate per month. TeraGo's method of calculating ARPU has changed from the Company's past disclosures to exclude revenue from early termination fees, where ARPU was previously calculated as revenue divided by the number of customers in service during the period. TeraGo's method may differ from other issuers, and accordingly, ARPU may not be comparable to similar measures presented by other issuers.

Churn - The term "churn" or "churn rate" is a measure, expressed as a percentage, of customer cancellations in a particular month. The Company calculates churn by dividing the number of customer cancellations during a month by the total number of customers at the end of the month before cancellations. The information is presented as the average monthly churn rate during the period. The Company believes that the churn rate is useful supplemental information as it provides an indication of future revenue decline and is a measure of how well the business is able to renew and keep existing customers on their existing service offerings. Churn and churn rate are not recognized measures under IFRS and, accordingly, investors are cautioned in using it. TeraGo's method of calculating churn and churn rate may differ from other issuers and, accordingly, churn may not be comparable to similar measures presented by other issuers.

About TeraGo

TeraGo owns a national spectrum portfolio of exclusive 24GHz and 38GHz wide-area spectrum licences including 2,120 MHz of spectrum across Canada's 6 largest cities. TeraGo provides businesses across Canada 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 business customers in major markets across Canada including Toronto, Montreal, Calgary, Edmonton, Vancouver, Ottawa and Winnipeg.

For more information about TeraGo, please visit www.terago.ca.

TeraGo Investor Relations

Matt Glover, Gateway Investor Relations

Telephone: 949-574-3860

Email: TGO@gatewayir.com

Forward-Looking Statements

This news 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 regarding executing against the backlog in Q4, deploying capital toward high-growth opportunities, the generation of strong cash flow, increasing the net promoter score, further diversifying the base of mid-market and enterprise customers, the 5G fixed wireless trials being conducted by the Company, expanding partnerships with Nokia and Askey and TeraGo's ability to mitigate the risks and negative impacts of the current COVID-19 pandemic. All such statements constitute "forward-looking information" as defined under, applicable Canadian securities laws. Any statements contained herein that are not statements of historical facts constitute forward-looking information. The forward-looking statements reflect the Company's views with respect to future events and is subject to risks, uncertainties and assumptions, including those risks set forth in the "Risk Factors" sections in each of the annual MD&A of the Company for the year ended December 31, 2019 and the MD&A for the three and nine months ended September 30, 2020, both available on www.sedar.com under the Company's corporate profile. Factors that could cause actual results or events to differ materially include the inability to complete successful 5G technical trials, the impacts and restrictions caused by the COVID-19 pandemic are prolonged which may further delay customer trials and/or cause a negative impact on future financial results of the Company, TeraGo's Pandemic Response Plan may not mitigate all impacts of COVID-19, the results of the 5G trials not being satisfactory to TeraGo or any of its technology partners, regulatory requirements may delay or inhibit the trial, the economic viability of any potential services that may result from the trial, the ability for TeraGo to finance and support any new market opportunities that may present itself, and industry competitors who may have superior technology or are quicker to take advantage of 5G technology. Accordingly, readers should not place undue reliance on forward-looking statements as several 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.