



TERAGO Reports Third Quarter 2022 Financial Results

Toronto – November 9, 2022 – TERAGO Inc. (“TERAGO” or the “Company”) (TSX: TGO, <https://terago.ca>), today reported financial and operating results for the third quarter and fiscal year ended September 30, 2022.

Key Developments and Financial Highlights

- On September 29, 2022, the Company announced a USD \$20 million debt financing facility with CrowdOut Capital LLC.
- Accounting for one-time in period impacts from outage credits in Q3 2022, gross connectivity revenues increased by 2.5% to \$6.7M the three months ended September 30, 2022 compared to \$6.5M for the same period in 2021.
- Total revenue decreased to \$6.6 million for the three months ended September 30, 2022, compared to \$10.9 million for the same period in 2021. The decrease in revenue was driven by the divestiture of the cloud and colocation lines of business in January of this year (the “Divestiture”).
- Net loss for the three months ended September 30, 2022, was \$2.9 million compared to a loss of \$2.3 million in the same period in 2021. The higher net loss was driven by one-time restructuring costs, non-recurring financing costs and transaction expenses related to the Divestiture.
- Adjusted EBITDA^{[1],[2]} was \$0.6 million for the three months ended September 30, 2022, compared to \$3.1 million for the same period in 2021. The decrease driven by the impact of the Divestiture transaction, the non-recurring credits given this quarter, along with other non-recurring in period charges.
- Customer churn decreased quarter on quarter to 0.7% in Q3 2022 from 0.9% in Q2 2022.
- TeraGo’s Net Promoter Score (“NPS”), a widely utilized industry measurement of customer loyalty and relationships was +44 across Q3 2022 with its connectivity customers, which compares very favourably with other network operators. NPS score would have been +58 if not for the impact of carrier outages.

Management Commentary

“Our performance this quarter clearly shows that we are demonstrating continued customer and revenue growth, and confirms to us that our pure play wireless connectivity strategy is working,” said TERAGO CEO Matthew Gerber. “As we focus on expanding our enterprise customer base, we again saw bookings exceed churn, an uptick in backlog, and an overall decrease in churn, all of which are momentum indicators that support our growth trajectory. Additionally, we continued to advance our 5G private networks agenda and began preparing for our first installation which we plan to complete over the coming months. With ample working capital and momentum, we look forward to converting these positive indicators into tangible results.”

RESULTS OF OPERATIONS

Comparison of the three months and year ended September 30, 2022, and 2021

(In thousands of dollars, except with respect to gross profit margin, earnings per share, Backlog MRR, and ARPU)

| | Three months ended | Nine months ended | | |
|-----------|--------------------|-------------------|------|------|
| | September 30 | September 30 | 2022 | 2021 |
| Financial | | | | |

[1] Adjusted EBITDA is a non-GAAP measure. See “Definitions – Key Performance Indicator, IFRS, Additional GAAP and Non-GAAP Measures.

[2] See “Adjusted EBITDA” for a reconciliation of net loss to Adjusted EBITDA

| | | | | | |
|--|----|---------|---------|----------|----------|
| Cloud and Colocation Revenue * | \$ | - | 4,369 | 1,355 * | 12,796 * |
| Connectivity Revenue * | \$ | 6,516 | 6,507 | 19,575 * | 19,812 * |
| Other Revenue | \$ | 116 | - | 357 | - |
| Total Revenue | \$ | 6,632 | 10,876 | 21,287 | 32,608 |
| Cost of Services ¹ | \$ | 1,799 | 2,841 | 5,859 | 8,038 |
| Selling, General, & Administrative Costs | \$ | 4,884 | 5,714 | 15,379 | 16,995 |
| Gross profit margin | | 72.9% | 73.9% | 72.5% | 75.3% |
| Adjusted EBITDA ^{1,2} | \$ | 610 | 3,116 | 2,742 | 9,718 |
| Net loss | \$ | (2,913) | (2,255) | (9,165) | (6,217) |
| Basic loss per share | \$ | (0.15) | (0.11) | (0.47) | (0.34) |
| Diluted loss per share | \$ | (0.15) | (0.11) | (0.47) | (0.34) |
| Operating | | | | | |
| <u>Backlog MRR¹</u> | | | | | |
| Connectivity | \$ | 138,893 | 102,911 | 138,893 | 102,911 |
| <u>Churn Rate¹</u> | | | | | |
| Connectivity | | 0.7% | 0.9% | 0.8% | 1.2% |
| <u>ARPU^{1*}</u> | | | | | |
| Connectivity | \$ | 1,099 | 1,026 | 1,092 * | 1,032 * |

**The three and nine months ended September 30, 2021, comparative numbers for Cloud and Colocation Revenue, Connectivity Revenue, and ARPU have changed to conform with the presentation of revenue stream allocations for Q3 2022.*

(1) See "Definitions – Key Performance Indicators, IFRS, Additional GAAP and Non-GAAP Measures"

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

Conference Call

Management will host a conference call on Thursday, November 10, 2022, at 10:00 AM ET to discuss these results.

To access the conference call, please dial 888-886-7786 or 416-764-8658, and use conference ID 33521061 if applicable. 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.

An archived recording of the conference call will be available through Sunday, December 11, 2022. To listen to the recording, call 877-674-7070 or 416-764-8692 and enter passcode 521061 if applicable.

⁽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,

¹ See "Definitions – Key Performance Indicators, IFRS, Additional GAAP and Non-GAAP Measures"

² See "Adjusted EBITDA" for a reconciliation of net loss to Adjusted EBITDA

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 twelve months ended September 30, 2022. 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 other issuers.

The table below reconciles net loss to Adjusted EBITDA¹ for the three months ended September 30, 2022, and 2021.

| <i>(in thousands of dollars)</i> <i>(unaudited)</i> | Three months ended September 30 | | Nine months ended September 30 | |
|--|--|----------------|---|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net earnings (loss) for the period | \$ (2,913) | (2,255) | (9,165) | (6,217) |
| Foreign exchange loss (gain) | 4 | 19 | 38 | (21) |
| Finance costs | 334 | 929 | 1,598 | 2,981 |
| Finance income | (38) | (13) | (85) | (37) |
| Impairment loss on held for sale assets | - | - | 107 | - |
| Earnings (loss) from operations | (2,613) | (1,320) | (7,507) | (3,294) |
| Add: | | | | |
| Depreciation of network assets, property and equipment and amortization of intangible assets | 2,562 | 3,641 | 7,556 | 10,869 |
| Loss on disposal of network assets and leases | - | 46 | 171 | 169 |
| Impairment of assets and related charges | 58 | 81 | 432 | 308 |
| Stock-based compensation expense (recovery) | 229 | 155 | 573 | 634 |
| Restructuring, acquisition-related, integration costs and other | 374 | 513 | 1,517 | 1,032 |
| Adjusted EBITDA¹ | \$ 610 | 3,116 | 2,742 | 9,718 |

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 provides wireless connectivity and private 5G wireless networking services to businesses operating across Canada. The Company holds 2120 MHz of exclusive spectrum licenses in the 24 GHz and 38 GHz spectrum bands, which it utilizes to provide secure and reliable enterprise grade networking and connectivity services. TERAGO serves over 1,800 Canadian and Global businesses operating in major markets across Canada, including Toronto, Montreal, Calgary, Edmonton, Vancouver, Ottawa and Winnipeg, and has been providing wireless services since 1999. For more information about TERAGO, please visit www.terago.ca.

For further information, please contact:

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Forward-Looking Statements

This news release includes certain forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond TERAGO's control. Forward-looking statements may include but are not limited to statements regarding the further developing our 5G Fixed Wireless Access program, consistently executing across all fronts of the business, success in providing Canadian enterprises with managed services and the 5G fixed wireless trials being conducted by the Company. 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 the annual MD&A of the Company for the quarter ended March 31, 2022 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 consistently achieve sales growth across all lines of TERAGO's business including managed services, 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 further 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.