



TERAGO Reports Third Quarter 2023 Financial Results

Toronto – November 8, 2023 – TERAGO Inc. (“TERAGO” or the “Company”) (TSX: TGO, <https://terago.ca>), today reported financial and operating results for the third quarter ended September 30, 2023.

“This marks my first full quarter since becoming CEO on June 12th. When I joined TERAGO, I saw a tremendous opportunity to accelerate value creation for customers, employees, and shareholders – our “Value Creation Strategy.” Today’s financial report contains critical proof points of our ability to execute on this transformation with agility and urgency. Moreover, these early proof points serve as a validation of the hard work and energy the team has put into these early innings of our business transformation,” said Daniel Vucinic.

- Increased levels of Adjusted EBITDA
- Increased EBITDA margin
- Positive cashflow from operations
- Reduction in overall cash consumption compared to prior quarters
- Anticipated further strengthening of financial metrics in coming quarters

“These initial improvements result from the implementation of specific actions to support our Value Creation Strategy including right sizing our workforce and optimizing capital in a prudent and efficient manner. We anticipate further proof points in the coming quarters as we implement dynamic pricing, increase our customer engagement and proactivity with customer renewals, reenergize our revenue generation engine, drive further efficiencies, and invest in our inherent leadership position in the exciting and emerging area of 5G Private Networks.”

Key Developments and Financial Highlights

- Total revenues for the three months ended September 30, 2023 were \$6.5 million versus the \$6.6 million earned in the same period in 2022. This result meant effectively flat revenues as the 2022 period included divestiture support services of approximately \$0.1 million in revenues that were non-recurring in Q3 2023. Connectivity revenues were \$6.5 million in Q3 2023, flat from Q2 2022 and Q2 2023.
- Adjusted EBITDA was \$0.9 million for the three months ended September 30, 2023 compared to \$0.6 million for the same period in 2022. The increase was a result of lower overall SG&A costs. Adjusted EBITDA margin improved from 9.2% in Q3 2022 to 14.1% in Q3 2023.
- Net loss for the three months ended September 30, 2023 was \$3.1 million compared to a loss of \$2.9 million in the same period in 2022. The increased net loss position is the result of both lower revenues (\$0.1 million) and higher interest costs as a result of the CrowdOut debt financing facility (\$0.8 million), partially offset by a decrease in total operating expenses (\$0.7 million) in the current year vs the prior year.
- Backlog MRR decreased year over year to \$75,963 as of September 30, 2023, from \$138,893 for the same period in 2022. The decrease in backlog MRR is the result of lower bookings, year over year, combined with de-bookings of orders due to technical, geographical and customer landlord limitations preventing fulfillment of the orders.
- ARPU for the connectivity business was \$1,127 in Q3 2023 compared to \$1,104 in the prior quarter and compared to \$1,099 for the same period in 2022 as a result of changes in customer profile and product mix. ARPU is at its highest level in the last 8 quarters.
- The Company did not require any additional financing or draws from its operating facility during Q3 2023. Per TERAGO’s Consolidated Statement of Cash Flows, the cash generated from operating activities was \$0.8 million in Q3 2023 compared to cash consumed of \$0.2 million in the same period in 2022. Total cash consumption in the quarter was \$1.9 million, compared to \$2.4 million in the same quarter of 2022.

Additional Management Commentary

“With major tailwinds propelling our private network strategy, TERAGO is primed to capitalize on future opportunities. We are particularly encouraged by ISED's decision to elevate the 24 GHz band to Priority 1 as we anticipate ISED to publish a Consultation on 24 GHz in the near term,” said CEO Daniel Vucinic.

RESULTS OF OPERATIONS

Comparison of the three months ended September 30, 2023, and 2022

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

(unaudited)		Three months ended September 30	
		<u>2023</u>	<u>2022</u>
Financial			
Cloud and Colocation Revenue	\$	-	-
Connectivity Revenue	\$	6,491	6,516
Other Revenue	\$	-	116
Total Revenue	\$	6,491	6,632
Cost of Services ¹	\$	1,794	1,799
Selling, General, & Administrative Costs	\$	4,142	4,826
Gross Profit Margin ¹		72.4%	72.9%
Adjusted EBITDA ^{1,2}	\$	918	610
Net Loss	\$	(3,087)	(2,913)
Basic loss per share	\$	(0.16)	(0.15)
Diluted loss per share	\$	(0.16)	(0.15)
Operating			
<u>Backlog MRR¹</u>			
Connectivity	\$	75,963	133,893
<u>Churn Rate¹</u>			
Connectivity		1.3%	0.7%
<u>ARPU¹</u>			
Connectivity	\$	1,127	1,099

(1) See " Non-IFRS 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 9, 2023, at 10:00 AM ET to discuss these results.

To access the conference call, please dial 888-506-0062 or 973-528-0011 and use conference ID 282818 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 Thursday, November 23, 2023. To listen to the recording, call 877-481-4010 or 919-882-2331 and enter passcode 49363# 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, 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 months ended March 31, 2023. 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 EBITDA^{1,2} for the three months ended September 30 2023 and 2022.

(in thousands of dollars, unaudited)

	Three months ended September 30	
	<u>2023</u>	<u>2022</u>
Net loss for the period	\$ (3,087)	(2,913)
Foreign exchange loss (gain)	(29)	4
Finance costs	1,075	334
Finance income	(65)	(38)
Impairment loss on divested assets	-	-
Loss from operations	(2,106)	(2,613)
Add/(deduct):		
Depreciation of network assets, property and equipment and amortization of intangible assets	2,551	2,562
Loss on disposal of network assets	16	-
Impairment of other assets and related charges	94	58
Stock-based compensation expense	193	229
Restructuring, acquisition-related, integration and other related costs	170	374
Adjusted EBITDA¹	\$ 918	610

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. As Canada’s biggest mmWave spectrum holders, the Company possesses exclusive spectrum licenses in the 24 GHz and 38 GHz spectrum bands, which it utilizes to provide secure, dedicated SLA guaranteed enterprise grade performance that is technology diverse from buried cables ensuring high availability 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 year ended December 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.