

TERAGO Reports Third Quarter 2024 Financial Results

Toronto – November 11, 2024 – TERAGO Inc. (“TERAGO” or the “Company”) (TSX: TGO, <https://terago.ca/>), a leading provider of Managed Fixed Wireless Internet and SD-WAN solutions today reported financial and operating results for the third quarter ended September 30, 2024.

The Company announced another quarter of positive performance, demonstrating the ongoing success of its smart growth strategy and operational enhancements. TERAGO has achieved strong third quarter results, including a 1.2% increase in gross margin, a 31% reduction in customer churn, a 2.8% rise in Adjusted EBITDA, an 8.1% growth in ARPA, and a 56% increase in cash flows from operations.

The Company’s commitment to enhancing client experience has set the stage for future success, positioning TERAGO for profitable business growth. TERAGO’s sales pipeline continues to expand, with notable recent wins, including a multi-million-dollar contract with a national retailer, as announced last week.

“Our latest quarter of strong results is a clear affirmation that TERAGO’s strategy is delivering”, said Daniel Vucinic, CEO of TERAGO. “We are now five quarters into the transformation of TERAGO. My first order of business was to address the cash flow profile of the business. Today, we see a better gross margin, a reduction in operating expenditures, superior deal-level economics and a more efficient approach to capital expenditures. Now my focus is on driving the top line of TERAGO by reenergizing the sales engine. The growing demand for our services, supported by a diverse range of network solutions, sound execution, and strong industrial tailwinds, positions us well for continued success and long-term value creation for all our stakeholders.”

Selected Financial Highlights and Key Developments

(in thousands of dollars, except with respect to gross profit margin¹, loss per share, backlog MRR¹, and ARPA¹)

- Total revenue increased by 0.8% to \$6,544 for the three months ended September 30, 2024 compared to \$6,491 in the same quarter in the prior year period. For the nine months ended September 30, 2024, total revenue marginally increased by 0.4% to \$19,593 compared to \$19,516 in the same period in the prior year. The increase in revenue in both periods is the result of higher bookings¹ and lower churn¹ in the current year period.
- Adjusted EBITDA¹ for the three months ended September 30, 2024 increased by 2.8% to \$944 as compared to an Adjusted EBITDA¹ of \$918 for the comparative period in 2023. Adjusted EBITDA¹ for the nine months ended September 30, 2024 increased by 25.4% to \$2,815 as compared to \$2,245 for the comparative period in 2023. The increase is a result of overall lower operating expenses combined with higher revenues in the current period compared to same periods in the prior year.
- Net loss for the three months ended September 30, 2024 was \$3,338, or \$(0.17) per share (basic and diluted) compared to a loss of \$3,087, or \$(0.16) per share (basic and diluted) in the same period in 2023. The increased net loss position is the result of higher term debt interest costs due to additional drawdowns in the prior and current year period, partially offset by lower depreciation and other operating expenses. For the nine months ended September 30, 2024, net loss was \$10,097, or \$(0.51) per share (basic and diluted) compared to a loss of \$9,624, or \$(0.49) per share (basic and diluted) in the same period in 2023 resulting from higher term debt interest costs partially offset by lower salaries and related costs, depreciation and other operating expenses.
- ARPA¹ for the connectivity business for the three and nine months increased by 8.3% to \$1,221 and by 7.4% to \$1,193, respectively, compared to \$1,127 and \$1,111, respectively, for the same periods in 2023. The improvement in ARPA¹ is a result of changes in customer base and product mix and a new pricing strategy implemented in the last quarter of the prior year.
- Churn¹ for the connectivity business for the three months ended September 30, 2024 decreased to 0.9% compared to 1.3% for the same period in 2023. Churn¹ for the connectivity business for the nine months ended September 30, 2024 decreased to 0.9% compared to 1.1% for the same period in 2023. The decrease in customer churn¹ was due to the continued execution of the Company’s value creation strategy to focus on mid-market and large-scale customers, as well as implementing new strategies for customer renewals and retention.
- Backlog MRR¹ in the connectivity business increased year over year to \$114,136 as of September 30, 2024, compared to \$75,963 for the same period in 2023. The increase in backlog MRR¹ was a result of increase in sales bookings along with Company’s continued focus on larger multisite customer deals and on profitable revenue generation.

(1) See “Non-IFRS Measures”

Conference Call

Management will host a conference call on Tuesday, November 12, 2024, 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 497348 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, August 22, 2024. To listen to the recording, call 877-481-4010 or 919-882-2331 and enter passcode 51555# if applicable.

RESULTS OF OPERATIONS

Comparison of the three and nine months ended September 30, 2024 and 2023

(in thousands of dollars, except with respect to gross profit margin¹, loss per share¹, backlog MRR¹, churn¹ and ARPA¹)

(unaudited)	Three months ended September 30			Nine months ended September 30		
	2024	2023	% Chg	2024	2023	% Chg
Financial						
Total Revenue	\$ 6,544	6,491	0.8	19,593	19,516	0.4
Cost of Services ¹	\$ 1,751	1,794	(2.4)	5,278	5,147	2.5
Gross Profit Margin ¹	73.2%	72.4%	1.2	73.1%	73.6%	(0.8)
Salaries and Related Costs ¹	\$ 2,652	2,478	7.1	7,895	8,097	(2.5)
Other Operating Expenses ¹	\$ 1,197	1,301	(8.0)	3,605	4,027	(10.5)
Adjusted EBITDA ^{1,2}	\$ 944	918	2.8	2,815	2,245	25.4
Net Loss	\$ (3,338)	(3,087)	8.1	(10,097)	(9,624)	4.9
Basic & diluted loss per share	\$ (0.17)	(0.16)	7.3	(0.51)	(0.49)	4.2
	Three months ended September 30			Nine months ended September 30		
	2024	2023	Chg	2024	2023	Chg
Operating						
<u>Backlog MRR¹</u>						
Connectivity	\$ 114,136	75,963	38,173	114,136	75,963	38,173
<u>Churn Rate¹</u>						
Connectivity	0.9%	1.3%	-0.4%	0.9%	1.1%	-0.2%
<u>ARPA¹</u>						
Connectivity	\$ 1,221	1,127	8.3%	1,193	1,111	7.4%

⁽¹⁾ Non-IFRS Measures

This press release contains references to “Cost of Services”, “Gross Profit Margin”, “Salaries and Related Costs”, “Other Operating Expenses”, “Adjusted EBITDA”, “Backlog MRR”, “Churn” and “ARPA” 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, 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.

Salaries and related costs includes regular payroll related expenses, commissions and consulting fees. All share based compensation, restructuring, other related costs are excluded from Salaries and related costs.

Other operating expenses includes sales commission expense, advertising and marketing expenses, travel expenses, administrative expenses including insurance and professional fees, communication expenses, maintenance expenses and rent expenses for office facilities. All restructuring and other related costs are excluded from other operating expenses.

(1) See “Non-IFRS Measures”

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 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, 2024. 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 Adjusted EBITDA¹ to net loss for the three and nine months ended September 30, 2024 and 2023.

(in thousands of dollars, unaudited)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Adjusted EBITDA¹	\$ 944	918	\$ 2,815	2,245
Deduct:				
Depreciation of network assets, property and equipment and amortization of intangible assets	2,331	2,551	7,025	7,500
Stock-based compensation expense	213	193	627	363
Restructuring and other costs	-	170	636	1,367
Loss from operations	(1,600)	(1,996)	(5,473)	(6,985)
Add/deduct:				
Impairment of assets and related charges	72	110	217	277
Foreign exchange gain	(39)	(29)	(35)	(17)
Finance costs	1,743	1,075	4,564	2,553
Finance income	(38)	(65)	(122)	(174)
Net loss for the period	\$ (3,338)	(3,087)	\$ (10,097)	(9,624)

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.

ARPA - The term "ARPA" refers to the Company's average revenue per account per month in the period. The Company believes that ARPA is useful supplemental information as it provides an indication of our revenue from an individual customer on a per month basis. ARPA is not a recognized measure under IFRS and, accordingly, investors are cautioned that ARPA should not be construed as an alternative to revenue determined in accordance with IFRS as an indicator of our financial performance. The Company calculates ARPA by dividing our total revenue before revenue from early terminations by the number of customers in service during the period and we express ARPA as a rate per month. TERAGO's method of calculating ARPA has changed from the Company's past disclosures to exclude revenue from early termination fees, where ARPA 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, ARPA 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 managed network and security services to businesses across Canada ensuring highly secure, reliable, and redundant connectivity including private 5G wireless networks, Fixed Wireless access, fiber, and cable wireline network connectivity. As Canada's biggest mmWave spectrum holders, the Company possesses exclusive spectrum licences 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 and its suite of wireless internet and SD-WAN solutions, please visit www.terago.ca.

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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, 2023 and risks set forth in the "Financial Risk Management" section in the interim MD&A for the three and nine months ended September 30, 2024 available on www.sedarplus.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 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.