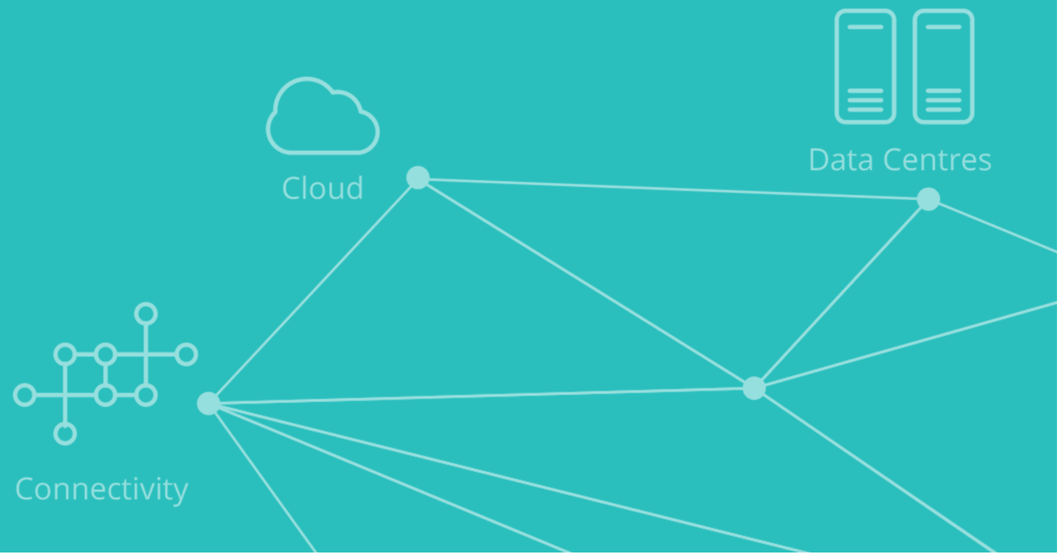
TeraGo

2019 Q1 Earnings Conference Call



Forward Looking Statements

This presentation includes certain forward-looking statements that are made as of the date hereof and are based upon current expectations, which involve risks and uncertainties associated with our business and the economic environment in which the business operates. 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. This presentation includes, but is not limited to, forward looking statements relating to TeraGo's growth strategy and higher growth opportunities in 5G, revenue growth, investments redirected to potential 5G services, the Company's 5G technical trials and strategy, options available to leverage spectrum to create greater value for shareholders, funnel growth, leveraging channels and wholesalers, leveraging data centre, significant headroom for core business growth, and initiatives for customer acquisition. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. When relying on forward-looking statements, whether written or oral, to make decisions with respect to the Company, investors and others should carefully consider the risks, uncertainties and assumptions, including the risk that TeraGo's growth strategy and strategic plan will not generate the result intended by management, cross-selling of TeraGo's cloud services may not succeed, retention efforts decreasing profit margins, opportunities for expansion and acquisition not being available or at unfavourable terms, TeraGo's "go-to-market" strategy may not materialize, trends in the global cloud and data centre sectors may not be accurately projected, the outcome of the ISED 5G Consultation may not be favourable to the Company, ISED decisions in the various Consultations that the Company has participated in being unfavourable to the Company, the technical 5G trial the Company is currently conducting may not generate the results intended, new market opportunities for 5G may not exist or require additional capital that may not be available to the Company, and those risks set forth in the "Risk Factors" section in our annual MD&A dated December 31, 2018 available on www.sedar.com and other uncertainties and potential events. All the forward-looking statements in this presentation are expressly qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences for the Company.

Except as may be required by applicable Canadian securities laws the Company does not intend, and disclaims any obligation to update or revise any forward-looking statements, whether oral or written as a result of new information, future events or otherwise.

Non-GAAP Measures

Adjusted EBITDA

The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. 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 or net earnings 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.

Adjusted EBITDA does not have any standardized meaning under 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. Please refer to the Company's MD&A for the three months ended March 31, 2019 for a reconciliation of net loss to Adjusted EBITDA. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by Revenue in the applicable period.

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.

TONY CICIRETTO

PRESIDENT & CHIEF EXECUTIVE OFFICER

TeraGo Q1/19 Initiatives Update

1 Strengthening Sales Organization + Growth in Funnel

- Welcomed Geoff Kereluik as new VP of Sales

2 Leveraging Channels and Wholesalers

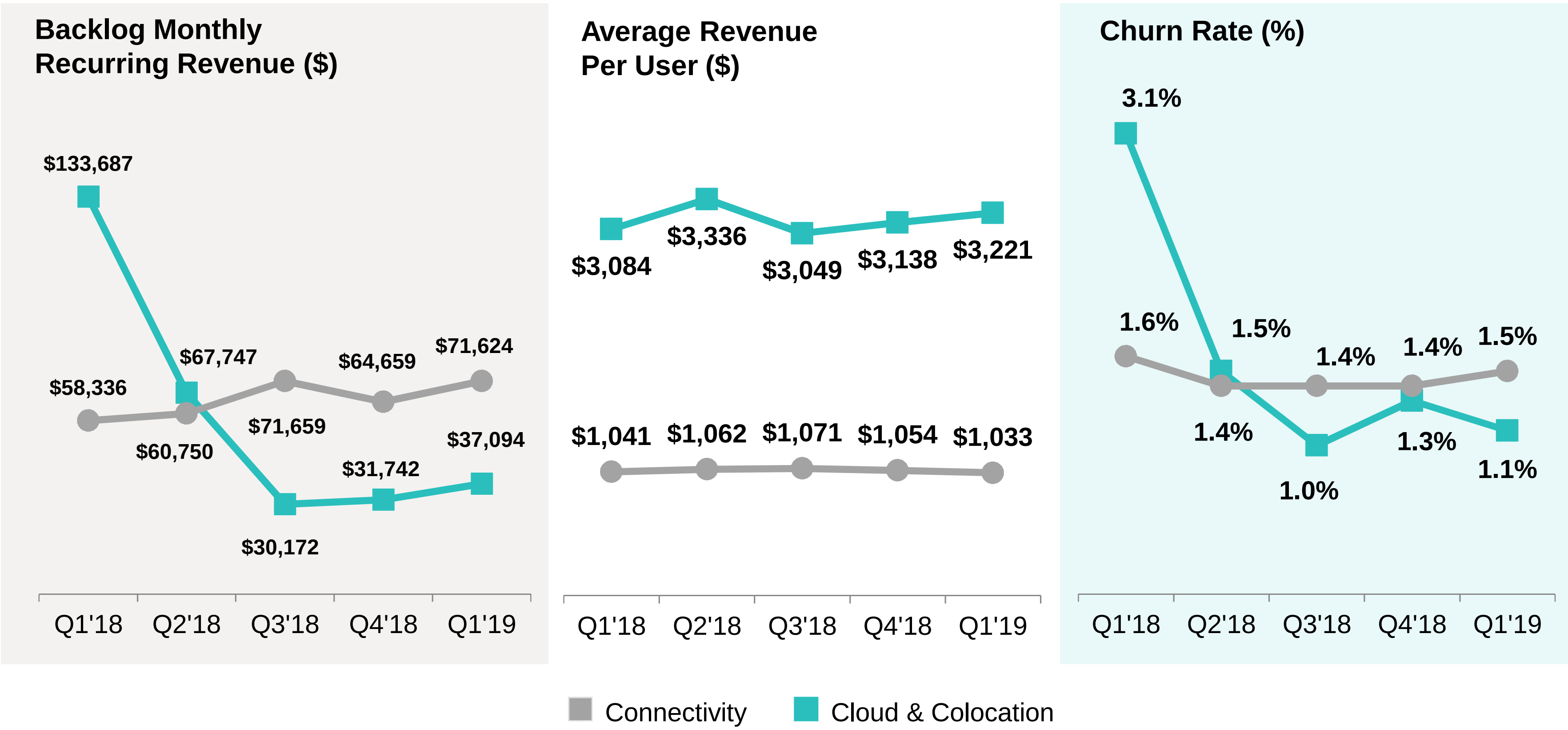
- U.S. wholesalers servicing customers with operations in Canada

3 Leveraging installed network and data centre capacity

- Recognized in the Major Players Category in IDC's MarketScape: Canadian Datacenter Operations and Management Services 2019 Vendor Assessment Report (IDC # CA44463419).

Focused on managing costs while strategically investing in growth initiatives

Key Operating Metrics



Backlog MRR has trended modestly higher as we focus on closing new sales opportunities to stabilize the core business and position ourselves for 5G

Leverage Assets to Unlock Hidden Value

- Delays in the availability of 24 GHz radio equipment is expected to postpone the next set of trials into 2020
- 600 MHz auctions in Canada and 24 and 28 GHz auctions in the U.S. shows the momentum behind 5G spectrum
- TeraGo's 24 and 38 GHz spectrum assets cover Canada's six largest cites and over 2/3 of the country's population
- B2B offering would leverage our network access to over 600 rooftops and over 3,000 enterprise customers

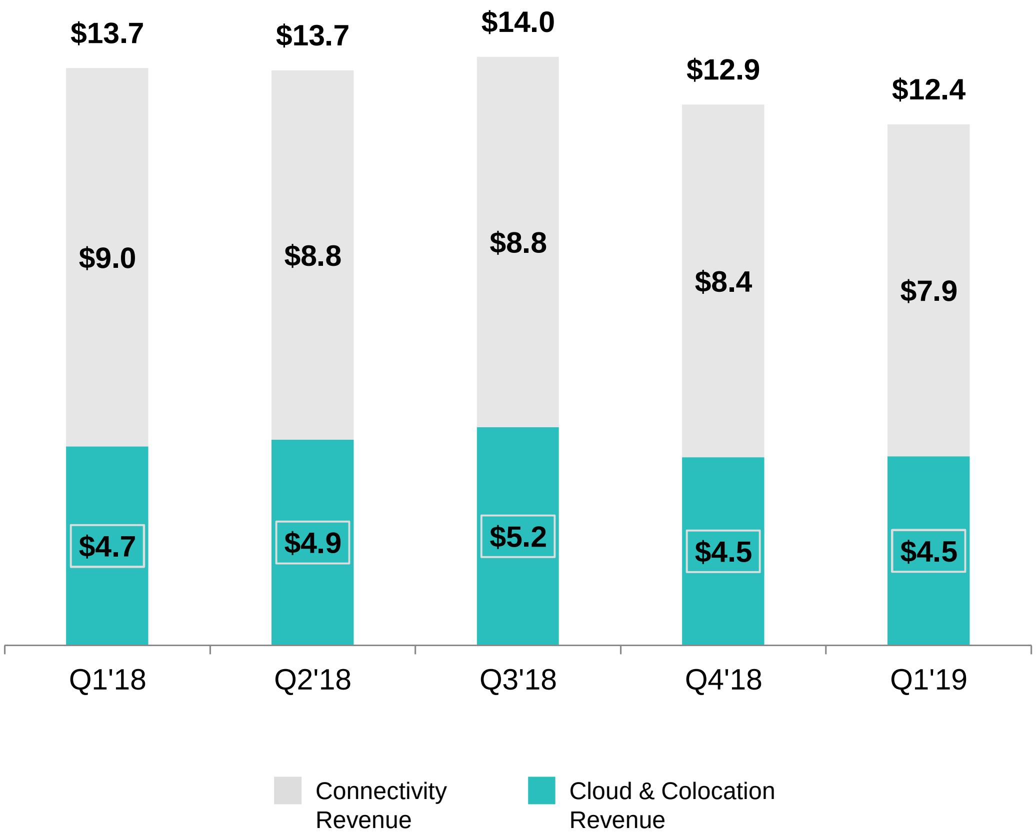
Strategically use our 24/38 GHz spectrum bandwidth to enhance competitiveness and increase shareholder value

Canada's largest holder of mmWave Spectrum; TeraGo's 24/38 GHz Spectrum covers ~8.6 billion MHz Pops in Canada

DAVID CHARRON
CHIEF FINANCIAL OFFICER

Revenue

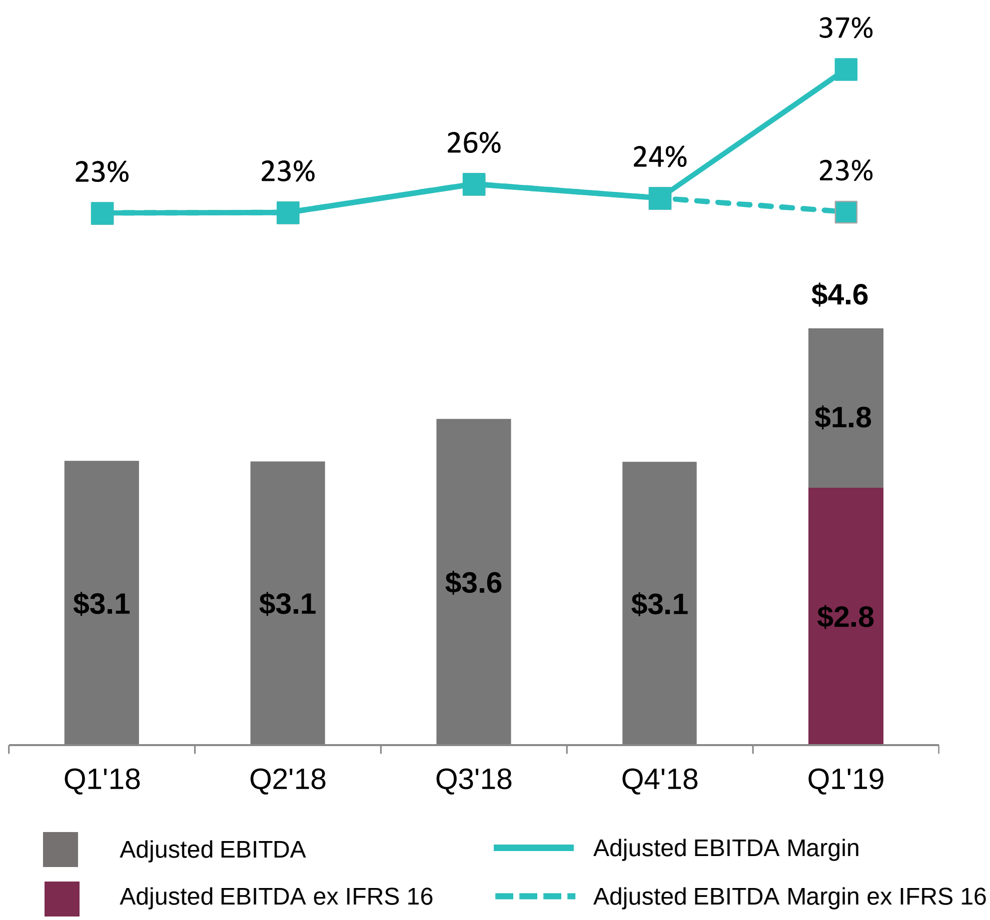
Revenue ($ millions)



- Total revenue decreased 9.8% to $12.4M in Q1’19, compared to $13.7M in Q1’18
- Connectivity revenue decreased 12.3% in Q1’19 compared to Q1’18
- Cloud and Colocation revenue decreased by 5.0% in Q1’19 compared to Q1’18

Adjusted EBITDA

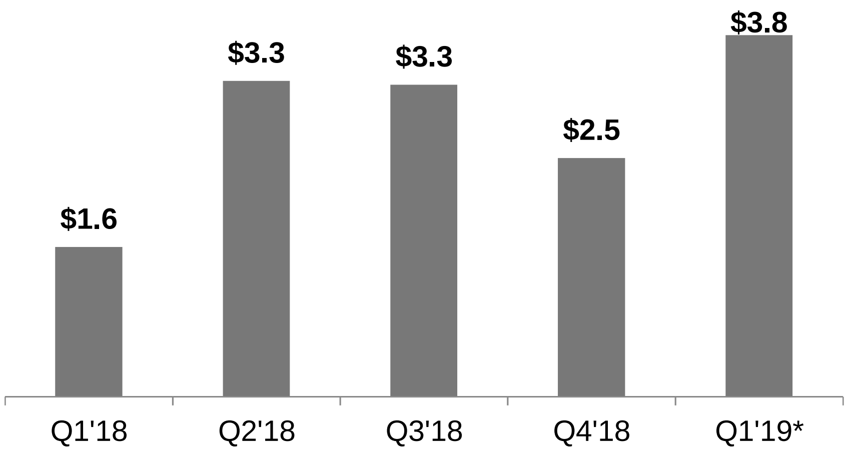
Adjusted EBITDA ($ millions)



- Adjusted EBITDA increased to $4.6M in Q1’19 compared to $3.1M in Q1’18 primarily driven by the adoption of IFRS 16
- Excluding the impact of IFRS 16, Adjusted EBITDA in Q1’19 would have been $2.8M
- Adjusted EBITDA margin was 37% in Q1’19 compared to 23% in Q1’18; excluding IFRS 16 Adjusted EBITDA margin for Q1’19 would have been 23%
- SG&A was $6.0M in Q1’19, a decrease from $7.7M in Q1’18
- Gross margin was 81.8% in Q1’19 compared to 74.1% in Q1’18

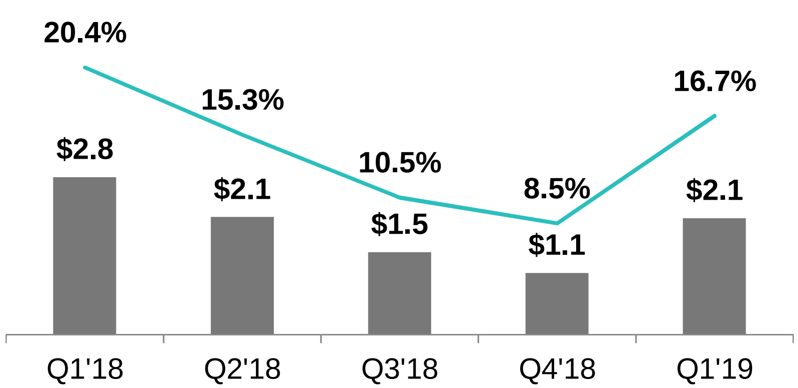
Capital Expenditures & Liquidity

Operating Cash Flow ($ millions)



*includes payment of lease liabilities now in cash flow from financing activities under IFRS 16

Capital Expenditures ($ millions)



- IFRS 16 adjusted cash generated from operating activities of $3.8M in Q1’19 compared to $1.6M in Q1’18
- Capital expenditures of $2.1M, or 16.7% of revenue
- Balance sheet highlights:
  - Cash balance of $3.1M
  - Unutilized $10M operating line
  - Acquisition facility of $25M
- Leverage at 2.55x adjusted EBITDA (adjusted for IFRS 16), below our covenant of 3.5x

TeraGo Summary

Building for Growth

- Strengthening sales funnel
- Positive free cash flow

Improving Operating Leverage

- Lowered cost structure
- Significant headroom for core business growth without requiring a large capital investment

Value Creation

- Largest 24 and 38 GHz fixed wireless spectrum holder in Canada
- Focus on a capital efficient 5G expansion strategy that leverages existing strengths

TeraGo is uniquely positioned to be first carrier in Canada to launch 5G services