

2017 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. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. For example, the words anticipate, believe, plan, estimate, expect, intend, should, may, could, objective and similar expressions are intended to identify forward-looking statements. This presentation includes, but is not limited to, forward looking statements relating to TeraGo’s growth strategy, initiatives and priorities, “go-to-market” effectiveness, execution of the six strategic pillars, and investment in growth. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of 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. 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 there will be delays in new product launches impacting sales, retention and churn reduction efforts decreasing profit margins, the Company not being able to realize the anticipated benefits from execution of the six strategic pillars, TeraGo’s “go-to-market” strategy may not materialize, trends in the global cloud and data centre sectors may not be accurately projected, the partnership with AWS not resulting in a favourable outcome, those risks set forth in the “Risk Factors” section in our annual MD&A for the year ended December 31, 2016 available on www.sedar.com and other uncertainties and potential events. In particular, if any of the risks materialize, the expectations, and the predictions based on them, of the Company may need to be re-evaluated. Consequently, all of the forward-looking statements in this presentation are expressly qualified by these cautionary statements and other cautionary statements or factors, contained herein, 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.

For any Non-GAAP Measures referenced in this presentation such as “Adjusted EBITDA”, please refer to the Company’s MD&A for the three months ended March 31, 2017 and 2016 for additional commentary which should be read in conjunction with this presentation, and includes its definition and a reconciliation of such measure back to a GAAP measure.



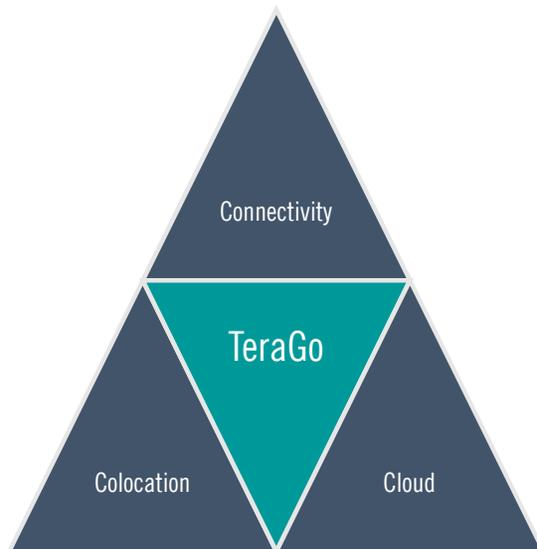
Tony Ciciretto
President & Chief Executive Officer

TeraGo Overview

TeraGo is a leading Canadian Managed Cloud and Connectivity Solutions company.

We provide enterprise-class, resilient hybrid cloud solutions through our owned & operated data centers and AWS

We securely connect workloads with managed private interconnection on our own national fiber and wireless network



Enterprise class data & security solutions For Canadian Business

- Managed Private & Hybrid Cloud solutions using VMware, as Canada's largest VMware service provider
- Managed Public & Hybrid Cloud solutions integrated with Private Interconnection to AWS
- Enterprise class managed redundant private interconnections on our own network and two redundant NOCs supporting hybrid cloud solutions

TeraGo: Growth Strategy Pillars

PRODUCTS & SERVICES

- Streamlined portfolio
- New packages and bundles
- Strategic alignment to AWS

GO-TO-MARKET EFFECTIVENESS

- Mid-market focus for new customers
- Bundling & revenue focus for existing customer base
- Increased marketing investment
- Expanded salesforce aligned to key verticals

CUSTOMER EXPERIENCE

- Better customer journeys
- Enhanced support
- New CRM and customer lifecycle planning

PEOPLE

- Training, development and performance management centered on customer outcomes

SYSTEMS & PROCESSES

- Redesigned processes centered on customer outcomes
- System investments

LEVERAGE PLATFORM

- Cross-sell and up-sell to large existing customer base
- Increase data centre utilization
- Leverage wireless network

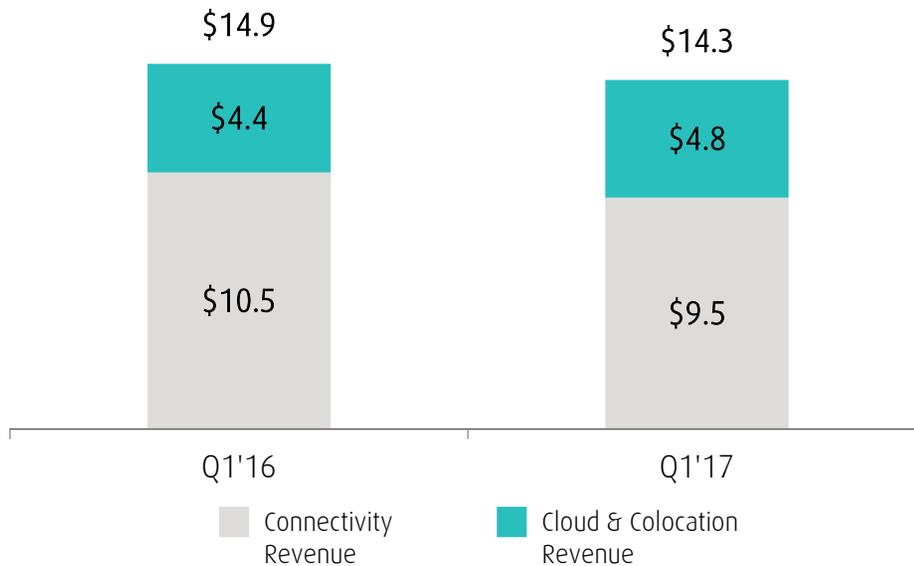


Jeff Yim

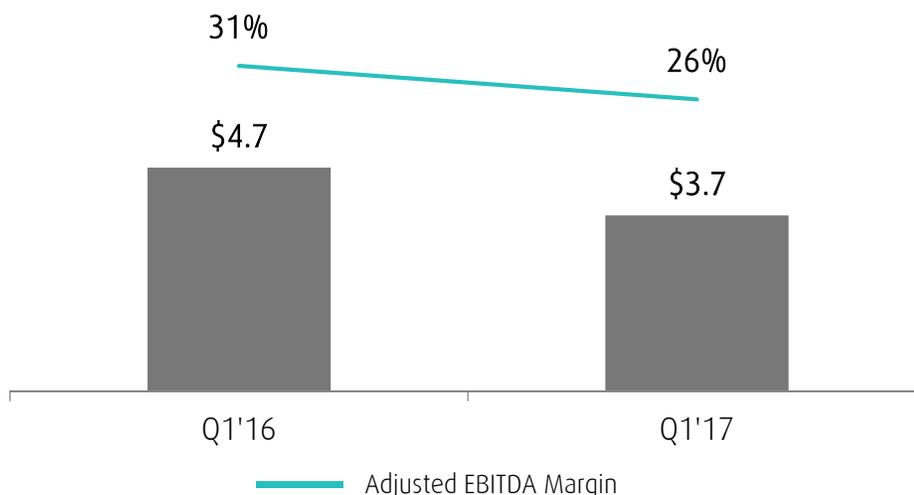
Vice President, Finance & Corporate Development

Revenue & Adjusted EBITDA

Revenue (\$ millions)



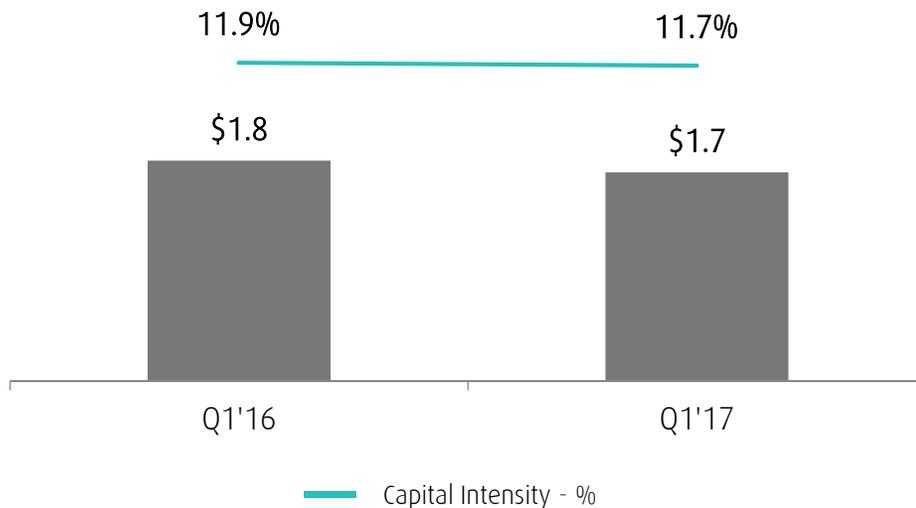
Adjusted EBITDA (\$ millions)



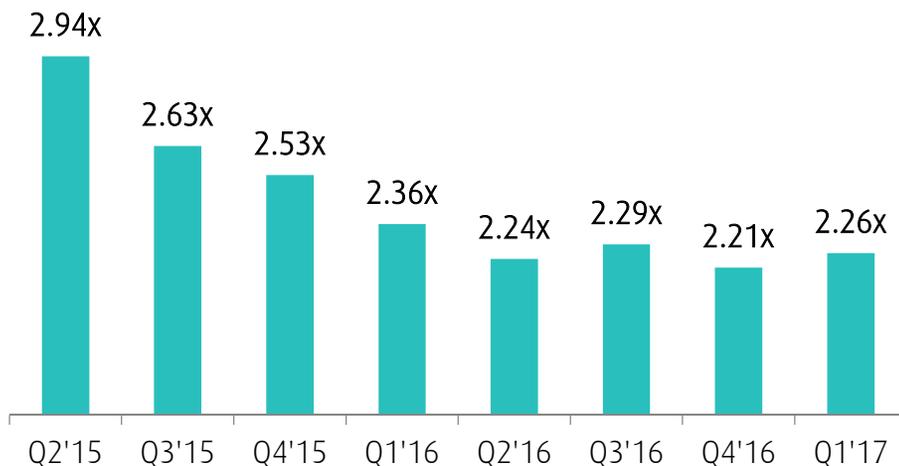
- Cloud and colocation revenue continues to improve with growth of \$377k or 8.5% in Q1'17 compared to Q1'16. 90% of growth was organic, attributed to greater provisioning of services, while the remainder was from the acquisition of the Hosting Business
- Connectivity revenue decreased \$1.0M or 9.8% compared to Q1'16. Decrease was consistent with the decline in Q4'16
- Total revenue decreased 4.4% to \$14.3M in Q1'17, compared to \$14.9M in Q1'16
- In Q1'17, cloud and colocation accounts for 34% of total revenues
- Adjusted EBITDA decreased \$966k in Q1'17 compared to Q1'16, driven by the decrease in revenue and the implementation of key strategic initiatives expected to increase sales activity including:
 - Higher sales headcount
 - Increased marketing spend

Capital Expenditures & Liquidity

Capital Expenditures (\$ millions)



Leverage (Debt / LTM Adjusted EBITDA)



- Capital expenditures decreased \$90k in Q1'17 compared to Q1'16
- Lower capital expenditures were mainly driven by timing of projects
- Strong deleveraging profile as debt to Adjusted EBITDA ratio has dropped to 2.26x in Q1'17 from 2.94x in Q2'15
 - Debt outstanding on TeraGo's facilities has decreased to \$39.6M from \$48.3M over the same period
 - Hedged interest rate of 3.99% further protects TeraGo against future interest rate increases should economic conditions change
- TeraGo maintains a strong balance sheet with the financial flexibility to execute its growth plan
 - Cash balance of \$9M
 - Unutilized \$10M operating line
 - Acquisition facility of \$25M

TeraGo Strategic Principles

Execution

- Focused on the flawless execution of our six strategic pillars
- TeraGo has the size and agility needed to deliver meaningful and thoughtful progress

Innovation

- Investment in growth; remain focused on profitability
- Introducing new ideas and methods to transform the way TeraGo does business with a clear objective of achieving sustainable profitable growth

Value Creation

- Deliver value to customers in order to create value for shareholders

TeraGo is a leading Canadian Managed Cloud and Connectivity Solutions company