



## 1st Quarter 2018 Earnings Report

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# FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. These forward-looking statements include statements related to sales, improved profitability, margin expansion, operations improvement, cost reductions, participation in strategic transactions, and our expectations for 2018 revenue, Adjusted EBITDA, capital expenditures and Adjusted EBITDA less Capex. Our ability to achieve these forward-looking statements is based on certain assumptions, including our ability to execute on our business strategy, leveraging of multiple routes to market, expanded brand awareness for high-performance IT infrastructure services and customer churn levels. These assumptions may prove inaccurate in the future. Because such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties, there are important factors that could cause INAP's actual results to differ materially from those expressed or implied in the forward-looking statements, due to a variety of important factors. Such important factors include, without limitation: to drive growth while reducing costs; our ability to maintain current customers and obtain new ones, whether in a cost-effective manner or at all; the robustness of the IT infrastructure services market; our ability to achieve or sustain profitability; our ability to expand margins and drive higher returns on investment; our ability to sell into new and existing data center space; the actual performance of our IT infrastructure services and improving operations; our ability to correctly forecast capital needs, demand planning and space utilization; our ability to respond successfully to technological change and the resulting competition; the geographic concentration of the company's data centers in certain markets and any adverse developments in local economic conditions or the demand for data center space in these markets; ability to identify any suitable strategic transactions; INAP's ability to realize anticipated revenue, growth, synergies and cost savings from the acquisition of SingleHop; INAP's ability to successfully integrate SingleHop's sales, operations, technology, and products generally; the availability of services from Internet network service providers or network service providers providing network access loops and local loops on favorable terms, or at all; failure of third party suppliers to deliver their products and services on favorable terms, or at all; failures in our network operations centers, data centers, network access points or computer systems; our ability to provide or improve IT infrastructure services to our customers; our ability to protect our intellectual property; our substantial amount of indebtedness, our possibility to raise additional capital when needed, on attractive terms, or at all, our ability to service existing debt or maintain compliance with financial and other covenants contained in our credit agreement; our compliance with and changes in complex laws and regulations in the U.S. and internationally; our ability to attract and retain qualified management and other personnel; and volatility in the trading price of INAP common stock.

These risks and other important factors discussed under the caption "Risk Factors" in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC"), and our other reports filed with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this presentation.

Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements attributable to INAP or persons acting on its behalf are expressly qualified in their entirety by the foregoing forward-looking statements. All such statements speak only as of the date made, and INAP undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

# NON-GAAP MEASURES

In addition to results presented in accordance with GAAP, this presentation includes non-GAAP financial measures. INAP believes these non-GAAP financial measures provide additional information that is useful to investors in helping to understand our underlying performance and trends.

Non-GAAP financial measures have inherent limitations, which are not required to be uniformly applied. Readers should be aware of these limitations and should be cautious with respect to the use of such measures. To compensate for these limitations, we use non-GAAP financial measures as comparative tools, together with GAAP financial measures, to assist in the evaluation of our operating performance or financial condition. Our method of calculating these non-GAAP financial measures may differ from methods used by other companies. These non-GAAP financial measures should not be considered in isolation or as a substitute for those financial measures prepared in accordance with GAAP.

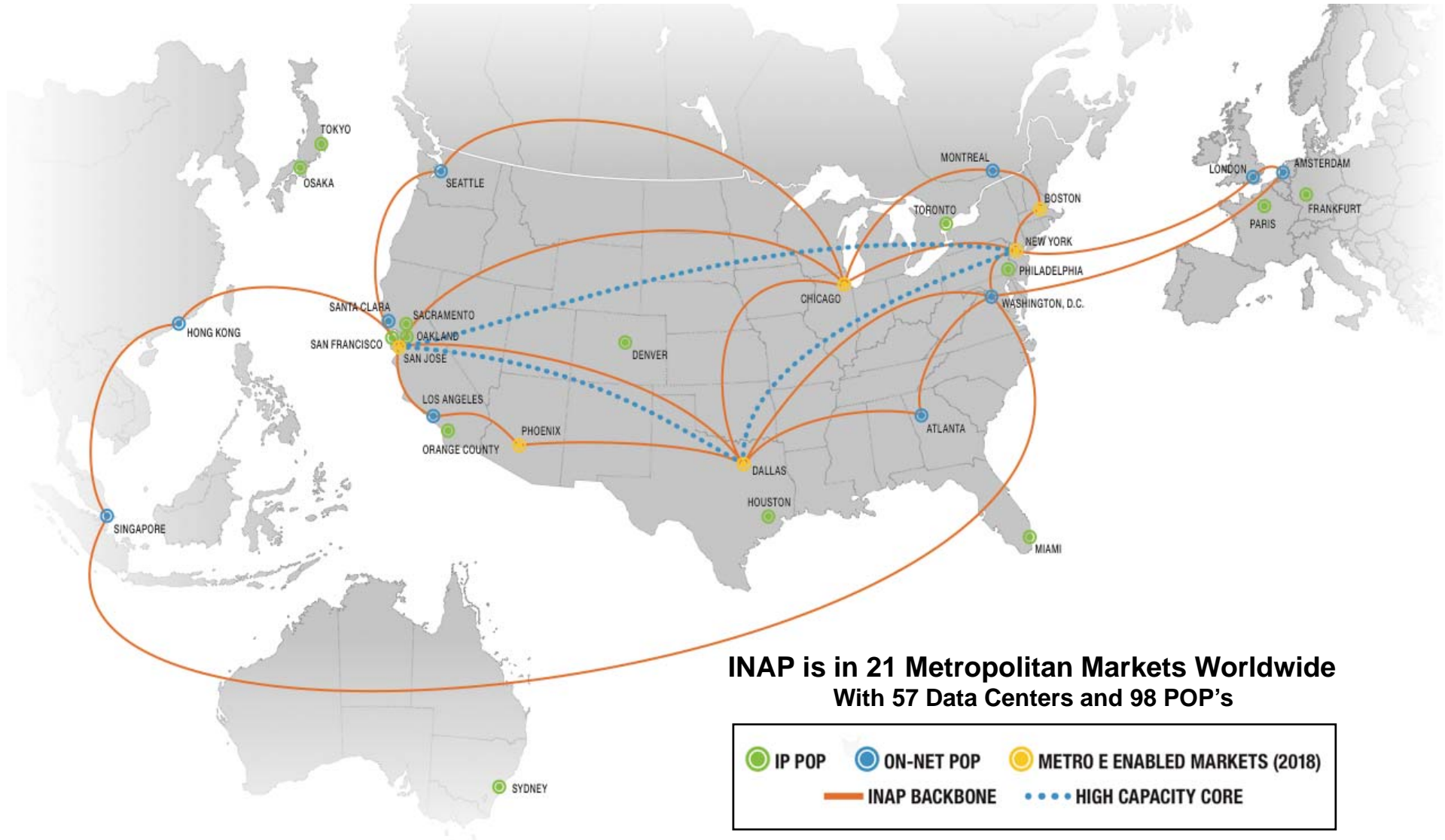
As required by SEC rules, we have provided in this presentation reconciliations of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP financial measures. Reconciliations of non-GAAP financial measures are also available in the attachment to our first quarter 2018 earnings press release available on our website at [www.ir.inap.com](http://www.ir.inap.com).

# FIRST QUARTER 2018 HIGHLIGHTS

- **INAP has graduated from facilities management and cost cuts in 2017 to a more aggressive focus on profitable revenue growth in 2018**
  - New salesforce, with larger Colocation deals gaining momentum
  - Addition of SingleHop strengthens our Cloud product set – adding innovation and talent
  - Managing P&Ls by US and INTL provides “deeper dives” and new business development
- **Repricing of INAP’s total debt by 125 basis points improves cash flow**
  - Repricing enabled by improved performance, and favorable response to the SingleHop acquisition.
  - Cash flow improvement, all else equal, yields over \$5M/year in interest savings
- **Upside in organic growth and margin expansion initiatives in progress**
  - SingleHop integration is progressing well. Cost synergies are circled...but management is equally focused on revenue synergy projects to boost results
  - Network backbone redesign and incremental Metro Ethernet investments will greatly improve resiliency, customer experience and product development

***INAP Enters the Next Chapter: Revenue and Cash Flow Growth***

# INAP'S EXPANSIVE DATA CENTER AND NETWORK FOOTPRINT



## CONSOLIDATED EARNINGS SUMMARY

<i>(\$ millions, except %)</i>	1Q'18	4Q'17	1Q'17
Total Revenue	\$74.2	\$70.0	\$72.1
Operating Costs and Expenses	\$73.3	\$64.4	\$71.6
Depreciation and Amortization	\$21.1	\$17.4	\$17.7
Acquisition Costs	\$2.6	\$0.2	\$0.0
All Other Operating Costs and Expenses	\$49.7	\$46.9	\$53.9
GAAP Net Loss Attributable to INAP Shareholders	<b>(\$14.1)</b>	<b>(\$6.9)</b>	<b>(\$8.2)</b>
GAAP Net Loss Margin %	(18.9)%	(9.9)%	(11.4)%
Minus goodwill impairment and other items	\$3.7	\$1.4	\$3.4
Normalized Net Loss (non-GAAP)*	<b>(\$10.4)</b>	<b>(\$5.5)</b>	<b>(\$4.8)</b>
Net cash flows provided by operating activities (GAAP)	\$3.5	\$13.8	\$7.3
Adjusted EBITDA (non-GAAP)*	\$25.7	\$24.4	\$21.6
Adjusted EBITDA Margin (non-GAAP)*	34.6%	34.8%	29.9%
Capital Expenditures (CapEx)	\$6.4	\$12.6	\$6.0
Adjusted EBITDA less CapEx (non-GAAP)*	\$19.3	\$11.7	\$15.6

**Top Line Stabilization Continues in First Quarter 2018**

# INAP US BUSINESS UNIT RESULTS

INAP US Revenue (\$mm)



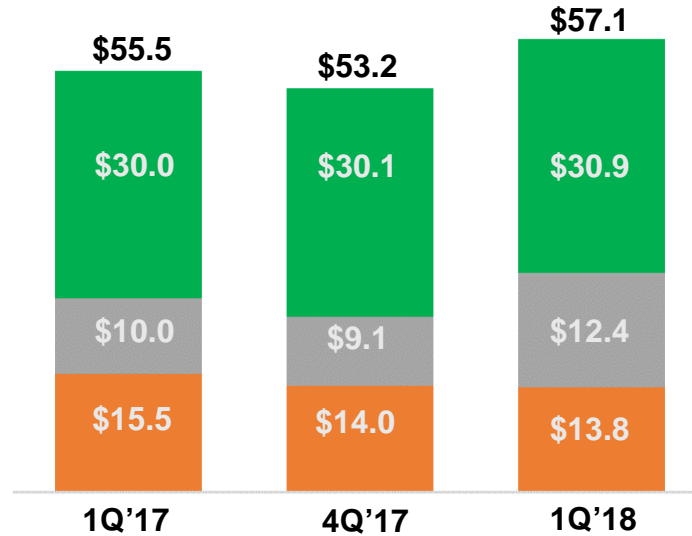
COLOCATION



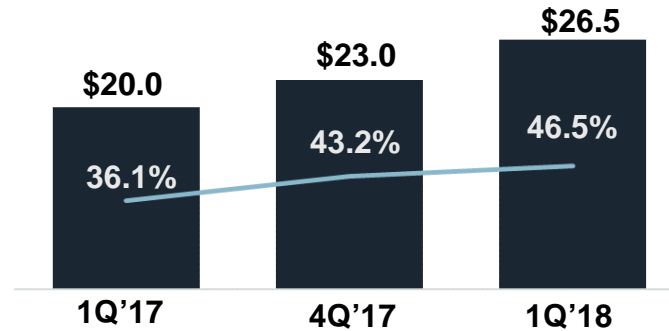
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NETWORK



INAP US Business Unit Contribution (non-GAAP)\* (\$mm) and %



INAP US Margin shows continued sequential and YoY improvement

# INAP INTL BUSINESS UNIT RESULTS



COLOCATION

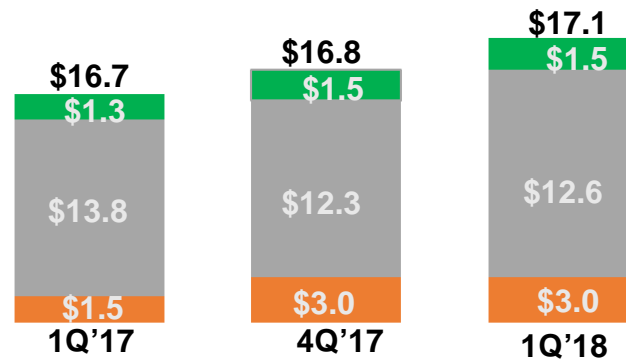


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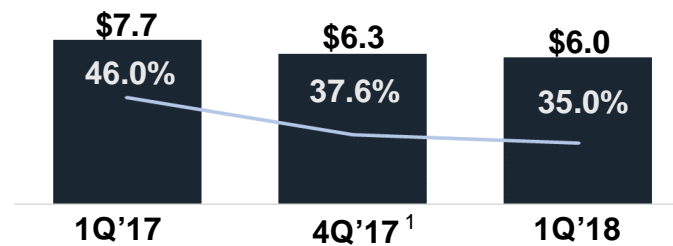


NETWORK

## INAP INTL Revenue (\$mm)



## INAP INTL Business Unit Contribution (non-GAAP)\* (\$mm) and %



<sup>1</sup>INAP Japan was consolidated in 4Q'17 at a lower contribution margin

## INAP INTL Positioned for Margin Stabilization and New Growth



## CASH FLOW AND BALANCE SHEET SUMMARY

<i>(\$ millions)</i>	1Q'18	4Q'17	1Q'17
Net cash flows provided by operating activities (GAAP)	\$ 3.5	\$ 13.8	\$ 7.3
Capital Expenditures:			
Maintenance Capital	(1.8)	(4.1)	(0.8)
Growth Capital	(4.6)	(8.6)	(5.2)
Free Cash Flow (non-GAAP)*	\$ (2.8)	\$ 1.2	\$ 1.3
Cash Interest Expense	13.0	11.8	7.3
Unlevered Free Cash Flow (non-GAAP)*	\$ 10.1	\$ 13.0	\$ 8.6
Balance Sheet			
Total Bank Debt <sup>1</sup>	\$433.6	\$293.7	\$244.2
Total Capital Lease Obligations	\$233.6	\$235.5	\$ 51.8
Total Debt	\$667.2	\$529.2	\$296.0
Cash & Cash Equivalents	\$ 16.2	\$ 14.6	\$ 9.2
Leverage Ratio <sup>2</sup>	5.1	4.5	4.1

(1) Includes SingleHop Acquisition

(2) Excludes certain leases as calculated per credit facility

### April 2018: INAP reprices credit facility, savings of 125bp

## Reaffirming 2018 Guidance

(\$ millions)	Current Guidance
Revenue	\$320-\$330
Adjusted EBITDA (non-GAAP)*	\$105-\$115
Capital Expenditures (CapEx)	\$40-\$45
Adjusted EBITDA Less CapEx	\$65-\$70

**INAP remains on track for our 2018 Outlook**

# INAP IS IN POSITION TO ACCELERATE GROWTH

- **Management has reached the “next level” to drive revenue growth**
  - The Sales team is in place, and bolstered by SingleHop products and talent
  - The new GMs are pacing through opportunities faster and scoring larger deals
- **Cost rationalization initiatives will continue to prune non-core assets**
  - 2018 synergies from integration will reduce headcount, facilities, and network overlap
  - Opportunistic cost and capex savings will contribute to sustainable positive cash flow
- **INAP’s global network and POP portfolio can now be leveraged**
  - Redesigned existing backbone and introducing Metro Ethernet
  - Network and real estate cost optimization contributes to be a work in progress
- **INAP is differentiated from the competition, and can meet complex IT demand**
  - Data center services through primarily Tier 3 facilities meets, or exceeds, the competition
  - INAP can now deliver innovative Cloud and Managed Hosting products
  - The addressable market for customized and bundled Colo, Cloud, and High Performance IP products and services is expanding, while INAP continues to gain momentum

***Management is Executing to Gain Share in INAP’s 21 Metro Markets***

# APPENDIX

## Reconciliation of Non-GAAP Financial Measures

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

**Normalized Net Loss Attributable to INAP Shareholders is a non-GAAP measure.**

Normalized Net Loss is net loss attributable to INAP shareholders plus non-GAAP revenue, exit activities, restructuring and impairments, stock-based compensation, non-income tax contingency, strategic alternatives and related costs, one time interest expense, and organizational realignment costs.

(\$ in thousands, unaudited)	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Net loss (GAAP) attributable to INAP Shareholders	\$ (14,060)	\$ (6,934)	\$ (8,230)
Non GAAP revenue	40	-	-
Exit activities, restructuring and impairments	(33)	(148)	1,023
Stock-based compensation	858	979	598
Strategic alternatives, realignment, and related costs	267	385	293
Acquisition Costs	2,558	176	-
Non-Income Contingency	-	-	1,500
Normalized net loss (non-GAAP)	\$ (10,370)	\$ (5,541)	\$ (4,816)

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

**Business Unit Contribution and Business Unit Contribution Margin are non-GAAP measures.** Business Unit Contribution is defined as business unit revenues less direct costs of sales and services, customer support, and sales and marketing, exclusive of depreciation and amortization. Business Unit Contribution Margin is Business Unit Contribution as a percentage of business unit revenues.

(\$ in thousands, unaudited)

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Revenues:			
INAP US	\$57,076	\$53,226	\$55,461
INAP INTL	17,125	16,809	16,672
Total	74,201	70,035	72,133
Costs of sales and services, customer support and sales and marketing:			
INAP US	30,537	30,230	35,457
INAP INTL	11,133	10,490	9,002
Total	41,670	40,720	44,459
Business Unit Contribution:			
INAP US	26,539	22,997	20,004
INAP INTL	5,992	6,319	7,670
Total	\$32,531	\$29,316	\$27,674
Business Unit Contribution Margin:			
INAP US	46.5%	43.2%	36.1%
INAP INTL	35.0%	37.6%	46.0%
Total	43.8%	41.9%	38.4%

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

**Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures.** Adjusted EBITDA is GAAP net loss attributable to INAP Shareholders plus non-GAAP revenue, depreciation and amortization, interest expense, provision (benefit) for income taxes, other expense (income), (gain) loss on disposal of property and equipment, exit activities, restructuring and impairments, stock-based compensation, non-income tax contingency, strategic alternatives and related costs, organizational realignment costs, and acquisition costs. Adjusted EBITDA margin is adjusted EBITDA as a percentage of revenues.

(\$ in thousands, unaudited) Reconciliation of GAAP Net Loss Attributable to INAP Shareholders to Adjusted EBITDA:	Three Months Ended					
	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	Percent	Amount	Percent	Amount	Percent
Total Revenue	\$ 74,201	100.0%	\$ 70,035	100.0%	\$ 72,133	100.0%
Net Loss (GAAP) attributable to INAP Shareholders	\$(14,060)	(18.9%)	\$ (6,934)	(9.9%)	\$ (8,230)	(11.4%)
Add:						
Non-GAAP revenue	40	0.1%	-	0.0%	-	0.0%
Depreciation and amortization	21,077	28.4%	17,397	24.8%	17,745	24.6%
Interest expense	15,027	20.3%	12,895	18.4%	8,137	11.3%
Provision (benefit) for income taxes	100	0.1%	(436)	(0.6%)	518	0.7%
Other (income) expense	(215)	(0.3%)	40	0.1%	67	0.1%
Loss (Gain) on disposal of property and equipment, net	46	0.1%	8	0.0%	(97)	(0.1%)
Exit activities, restructuring and impairments	(33)	(0.0%)	(148)	(0.2%)	1,023	1.4%
Stock-based compensation	858	1.2%	979	1.4%	598	0.8%
Non-income tax contingency	-	0.0%	-	0.0%	1,500	2.1%
Strategic alternatives and related costs	27	0.0%	38	0.1%	6	0.0%
Organizational realignment costs	240	0.3%	346	0.5%	287	0.4%
Acquisition costs	2,558	3.4%	176	0.3%	-	0.0%
Adjusted EBITDA (non-GAAP)	<u>\$ 25,665</u>	<u>34.6%</u>	<u>\$ 24,363</u>	<u>34.8%</u>	<u>\$ 21,554</u>	<u>29.9%</u>

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

**Adjusted EBITDA less CapEx is a non-GAAP measure.** Adjusted EBITDA less CapEx is Adjusted EBITDA less capital expenditures with Adjusted EBITDA for this non-GAAP measure defined as net cash flow provided by operating activities plus cash paid for interest, cash paid for taxes, cash paid for exit activities and restructuring, cash paid for strategic alternatives and related costs, cash paid for organizational realignment costs, payment of debt lender fees, cash paid for acquisition costs, and other working capital changes less capital expenditures.

(\$ in thousands, unaudited)

Reconciliation of GAAP Net Cash Flows Provided by Operating Activities to Adjusted EBITDA less CapEx:	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Net Cash Flows provided by operating activities:	\$ 3,527	\$ 13,808	\$ 7,264
Add:			
Cash paid for interest	13,000	11,793	7,336
Cash paid for income taxes	108	176	-
Cash paid for exit activities and restructuring	1,389	1,450	1,086
Cash paid for strategic alternatives and related costs	27	373	189
Cash paid for organizational realignment costs	240	282	267
Cash paid for acquisition costs	2,558	176	-
Other working capital changes	4,816	(3,695)	5,412
Adjusted EBITDA (non-GAAP)	<u>\$ 25,665</u>	<u>\$ 24,363</u>	<u>\$ 21,554</u>
Less:			
Capital Expenditures (CapEx)	\$ 6,359	\$ 12,616	\$ 5,989
Adjusted EBITDA less CapEx (non-GAAP)	<u>\$ 19,306</u>	<u>\$ 11,747</u>	<u>\$ 15,565</u>



# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

**Free Cash Flow and Unlevered Free Cash Flow are non-GAAP measures.** Free Cash Flow is net cash flows provided by operating activities minus capital expenditures. Unlevered Free Cash Flow is Free Cash Flow plus cash interest expense:

(\$ in thousands, unaudited)

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Net cash flows provided by operating activities	\$ 3,527	\$ 13,808	\$ 7,264
Capital expenditures:			
Maintenance capital	(1,796)	(4,057)	(790)
Growth capital	(4,564)	(8,559)	(5,199)
Total Capital	(6,360)	(12,616)	(5,989)
Free cash flow (non-GAAP)	(2,833)	1,192	1,275
Cash interest expense	13,000	11,794	7,336
Unlevered free cash flow (non-GAAP)	\$ 10,167	\$ 12,986	\$ 8,611

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Below is a reconciliation of GAAP net loss to forward looking Adjusted EBITDA for the period indicated:

(\$ in thousands, unaudited)

	<b>2018 Full-Year</b>	
	<b>Low</b>	<b>High</b>
	<b>Amount</b>	<b>Amount</b>
Net Loss (GAAP) attributable to INAP shareholders	(\$48)	(\$38)
Add:		
Depreciation and amortization	70	70
Interest expense	59	59
Provision for income taxes	1	1
Exit activities, restructuring and impairments	11	11
Stock-based compensation	12	12
Pre-acquisition costs	1	1
Adjusted EBITDA (non-GAAP)	<u>\$105</u>	<u>\$115</u>
Less; Capital Expenditures	<u>\$40</u>	<u>\$45</u>
Adjusted EBITDA Less Capital Expenditures (non-GAAP)	<u>\$65</u>	<u>\$70</u>

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Below is a reconciliation of GAAP Net Cash Flows Provided by Operating Activities to forward-looking Adjusted EBITDA less CapEx for the period indicated below:

(\$ in thousands, unaudited)

	<u>2018 Full-Year</u>	
	<u>Low</u>	<u>High</u>
	<u>Amount</u>	<u>Amount</u>
Net Cash Flows provided by operating activities:	\$ 34	\$ 44
Add :		
Cash paid for interest	\$ 58	\$ 58
Cash paid for income taxes	-	-
Cash paid for exit activities and restructuring	3	3
Cash paid for strategic alternatives and related costs	9	9
Cash paid for organizational realignment costs	1	1
Payment of debt lender fees	-	-
Other working capital changes	-	-
Adjusted EBITDA (non-GAAP)	<u>\$ 105</u>	<u>\$ 115</u>
Less:		
Capital Expenditures (CapEx)	40	45
Adjusted EBITDA less CapEx (non-GAAP)	<u>\$ 65</u>	<u>\$ 70</u>