



GTT Reports Third Quarter 2018 Financial Results

Q3 Revenue Grew 121% Year-Over-Year to \$449 Million; Up 37% Sequentially

Q3 Net Loss of \$23 Million

Q3 Adjusted EBITDA Grew 93% Year-Over-Year to \$108 Million; Up 45% Sequentially

Established Next Financial Objectives: \$3 Billion of Revenue, \$900 Million of Adjusted EBITDA and \$5 per share of Adjusted Free Cash Flow

MCLEAN, Va., November 8, 2018 — [GTT Communications, Inc.](#) (NYSE: GTT), the leading global cloud networking provider to multinational clients, announced today its financial results for the quarter ended September 30, 2018.

Third quarter highlights:

- Revenue of \$448.6 million grew 121.4% over 3Q17, and grew 37.3% over 2Q18.
- Net loss was \$23.4 million, compared to net loss of \$9.5 million in 3Q17, and net loss of \$136.3 million in 2Q18. 3Q18 net loss was primarily the result of several non-recurring costs related to the Interoute acquisition, including \$26.2 million in exit, transaction and integration costs. 2Q18 net loss was also primarily due to several non-recurring costs related to Interoute, including \$13.7 million in exit, transaction and integration costs, \$13.8 million loss on extinguishment of debt, and \$88.6 million of expense related to a foreign currency hedge, which was settled at closing.
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) of \$108.4 million grew 92.9% over 3Q17, and grew 44.7% over 2Q18. Adjusted EBITDA margin was 24.2% compared to 27.7% in 3Q17 and 22.9% in 2Q18.
- Capital expenditures were \$28.9 million (6.4% of revenue) compared to \$9.1 million in 3Q17 (4.5% of revenue) and \$19.3 million in 2Q18 (5.9% of revenue).
- Using constant currency (i) 3Q18 revenue and Adjusted EBITDA would have been higher than reported by \$2.5 million and \$0.6 million, respectively, compared to 3Q17, and (ii) 3Q18 revenue and Adjusted EBITDA would have been higher than reported by \$7.0 million and \$2.0 million, respectively, compared to 2Q18.

On a pro forma basis, assuming (i) Interoute's and Global Capacity's historical results had been included for all periods presented, and (ii) constant currency:

- 3Q18 revenue and Adjusted EBITDA grew 1.4% and 2.3%, respectively, over 3Q17.
- 3Q18 revenue and Adjusted EBITDA declined 1.2% and grew 2.0%, respectively, compared to 2Q18.

In addition, GTT established its next financial objectives of \$3 billion in annualized revenue, \$900 million in annualized Adjusted EBITDA and a minimum of \$5 per share of annualized Adjusted Free Cash Flow, to be achieved within the next three years.

See "Annex A: Non-GAAP Financial Information" for more information regarding the computation of Adjusted EBITDA, Adjusted Free Cash Flow, constant currency and pro forma calculations.

Conference Call Information

GTT will hold a conference call on Thursday, November 8, 2018 at 10 a.m. Eastern Time. To participate in the live conference call, interested parties may dial +1-844-875-6916 or +1-412-317-6714 and ask for the GTT call or view the webcast at [GTT's website](#).

A telephonic replay of the conference call will be available for one week and may be accessed by calling +1-877-344-7529 or +1-412-317-0088 and using the passcode 10125071. The webcast will be archived in the investor relations section of [GTT's website](#).

Forward-Looking Statements

This release contains forward-looking statements that are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the current view of GTT Communications, Inc., with respect to its plans, objectives and strategies or future events or future financial performance. From time to time, GTT also provides forward-looking statements in other materials GTT releases to the public or files with the U.S. Securities and Exchange Commission ("SEC"), as well as oral forward-looking statements. You should consult any further disclosures on related subjects in our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K filed with the SEC. Such forward-looking statements are, and will be, subject to many risks, uncertainties and factors relating to our operations and the business environment that may cause our actual results to be materially different from any future results, express or implied, by such forward-looking statements. Factors that could cause GTT's actual results to differ materially from these forward-looking statements include, but are not limited to, the

following: our ability to obtain capital; our ability to develop and market new products and services that meet customer demands and generate acceptable margins; our reliance on several large customers; our ability to negotiate and enter into acceptable contract terms with our suppliers; our ability to attract and retain qualified management and other personnel; competition in the industry in which we do business; failure of the third-party communications networks on which we depend; legislation or regulatory environments, requirements or changes adversely affecting the businesses in which we are engaged; our ability to maintain our databases, management systems and other intellectual property; our ability to maintain adequate liquidity and produce sufficient cash flow to fund our capital expenditures and debt service; technological developments and changes in the industry; our ability to complete acquisitions or divestitures and to integrate any business or operation acquired; our ability to overcome significant operating losses; and general economic conditions. Additional information concerning these and other important factors can be found under the heading "Risk Factors" in GTT's annual and quarterly reports filed with the SEC including, but not limited to, its Annual Report on Form 10-K. Statements in this release should be evaluated in light of these important factors.

About GTT

GTT is redefining global communications to serve a cloud-based future, connecting people across organizations, around the world and to every application in the cloud. Our clients benefit from an outstanding service experience built on our core values of simplicity, speed and agility. A Fortune Future 50 company, GTT owns and operates a global Tier 1 internet network and provides a comprehensive suite of cloud networking services to any location in the world. For more information on GTT, please visit www.gtt.net.

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GTT Communications, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(Amounts in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue:				
Telecommunications services	\$ 448.6	\$ 202.6	\$ 1,036.0	\$ 578.6
Operating expenses:				
Cost of telecommunications services	247.4	103.8	568.2	296.1
Selling, general and administrative expenses	112.7	52.0	270.7	151.6
Severance, restructuring and other exit costs	15.5	11.1	22.7	21.8
Depreciation and amortization	58.5	32.8	146.5	94.7
Total operating expenses	434.1	199.7	1,008.1	564.2
Operating income	14.5	2.9	27.9	14.4
Other expense:				
Interest expense, net	(47.6)	(18.3)	(98.7)	(50.7)
Loss on debt extinguishment	—	(3.0)	(13.8)	(8.6)
Other expense, net	8.1	0.2	(106.9)	0.2
Total other expense	(39.5)	(21.1)	(219.4)	(59.1)
Loss before income taxes	(25.0)	(18.2)	(191.5)	(44.7)
Benefit from income taxes	(1.6)	(8.7)	(1.1)	(22.7)
Net loss	\$ (23.4)	\$ (9.5)	\$ (190.4)	\$ (22.0)
Loss per share:				
Basic	\$ (0.43)	\$ (0.23)	\$ (3.87)	\$ (0.53)
Diluted	\$ (0.43)	\$ (0.23)	\$ (3.87)	\$ (0.53)
Weighted average shares:				
Basic	54,671,787	41,762,693	49,210,929	41,160,317
Diluted	54,671,787	41,762,693	49,210,929	41,160,317

GTT Communications, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(Amounts in millions, except per share data)

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47.7	\$ 101.2
Accounts receivable, net of allowances of \$4.2 and \$5.1, respectively	254.1	102.8
Prepaid and other current assets	68.8	24.1
Total current assets	370.6	228.1
Property and equipment, net	1,904.6	499.3
Intangible assets, net	564.6	417.1
Goodwill	1,666.8	644.5
Other long-term assets	86.6	9.2
Total assets	\$ 4,593.2	\$ 1,798.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 294.4	\$ 111.5
Acquisition holdbacks	8.9	14.0
Current portion of capital lease obligations	6.8	1.5
Current portion of long-term debt	40.9	7.0
Deferred revenue	191.5	53.7
Total current liabilities	542.5	187.7
Capital lease obligations, long-term portion	36.2	0.3
Long-term debt	3,115.5	1,236.5
Deferred revenue, long-term portion	268.6	108.0
Deferred tax liabilities	122.7	26.3
Other long-term liabilities	31.7	8.0
Total liabilities	4,117.2	1,566.8
Commitments and contingencies		
Stockholders' equity:		
Total stockholders' equity	476.0	231.4
Total liabilities and stockholders' equity	\$ 4,593.2	\$ 1,798.2

GTT Communications, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Amounts in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Cash flows from operating activities:				
Net loss	\$ (23.4)	\$ (9.5)	\$ (190.4)	\$ (22.0)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	58.5	32.8	146.5	94.7
Share-based compensation	9.3	6.1	23.9	16.0
Debt discount amortization	1.7	—	1.9	0.5
Loss on debt extinguishment	—	2.9	13.8	8.6
Amortization of debt issuance costs	1.0	0.9	3.3	2.6
Change in fair value of derivative financial liability	(8.4)	—	106.9	—
Excess tax benefit and deferred income taxes	1.9	(10.2)	1.4	(23.7)
Deferred revenue	(8.7)	(9.4)	(11.2)	(28.1)
Changes in operating assets and liabilities, net of acquisitions:	(9.7)	7.3	(46.2)	(1.5)
Net cash provided by operating activities	22.2	20.9	50.0	47.1
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired	—	(100.3)	(2,206.7)	(652.8)
Purchase of customer contracts	—	—	—	(14.9)
Settlement of deal-contingent foreign currency hedge	—	—	(105.8)	—
Purchases of property and equipment	(28.9)	(9.1)	(61.4)	(26.9)
Net cash used in investing activities	(28.9)	(109.4)	(2,373.9)	(694.6)
Cash flows from financing activities:				
Proceeds from debt	7.5	—	2,641.2	855.5
Repayment of debt	(11.2)	(1.7)	(705.5)	(451.0)
Payment of holdbacks	(1.8)	(2.4)	(11.2)	(22.7)
Debt issuance costs paid to third parties and lenders	(4.3)	(2.2)	(62.8)	(29.9)
Proceeds from equity issuance, net of issuance costs	—	—	424.5	—
Repayment of capital leases	(0.4)	(0.4)	(2.1)	(1.0)
Proceeds from issuance of common stock under ESPP	0.3	0.2	0.7	0.5
Tax withholding related to the vesting of restricted stock	(5.9)	(0.9)	(16.1)	(3.2)
Exercise of stock options	0.4	0.4	1.6	1.0
Net cash (used in) provided by financing activities	(15.4)	(7.0)	2,270.3	349.2
Effect of exchange rate changes on cash	(3.9)	(0.4)	0.1	(0.9)
Net decrease in cash, cash equivalents, and restricted cash	(26.0)	(95.9)	(53.5)	(299.2)
Cash, cash equivalents, and restricted cash at beginning of period	73.7	130.7	101.2	334.0
Cash, cash equivalents, and restricted cash at end of period	\$ 47.7	\$ 34.8	\$ 47.7	\$ 34.8

ANNEX A: Non-GAAP Financial Information

In addition to financial measures prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), from time to time we may use or publicly disclose certain “non-GAAP financial measures” in the course of our financial presentations, earnings releases, earnings conference calls and otherwise. For these purposes, the U.S. Securities and Exchange Commission (“SEC”) defines a “non-GAAP financial measure” as a numerical measure of historical or future financial performance, financial positions or cash flows that (i) excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in financial statements, and (ii) includes amounts, or is subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure so calculated and presented.

Non-GAAP financial measures are provided as supplemental information to investors to provide an alternative method for assessing our financial condition and operating results. We believe that these non-GAAP measures, when taken together with our GAAP financial measures, allow us and our investors to better evaluate our performance and profitability. These measures are not in accordance with, or a substitute for, GAAP, and they may be different from, or inconsistent with, non-GAAP financial measures used by other companies. These measures should be used in addition to, and in conjunction with, results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures.

Pursuant to the requirements of Regulation G, whenever we refer to a non-GAAP financial measure, we will also generally present the most directly comparable financial measure calculated and presented in accordance with GAAP, along with a reconciliation of the differences between the non-GAAP financial measure we reference and such comparable GAAP financial measure.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”)

Adjusted EBITDA is defined as net income/(loss) before interest, income taxes, depreciation and amortization (“EBITDA”) adjusted to exclude severance, restructuring and other exit costs, acquisition-related transaction and integration costs, losses on extinguishment of debt, stock-based compensation and, from time to time, other non-cash or nonrecurring items.

We use Adjusted EBITDA to evaluate operating performance, and this financial measure is among the primary measures we use for planning and forecasting future periods. We further believe that the presentation of Adjusted EBITDA is relevant and useful for investors because it allows investors to view results in a manner similar to the method used by management and makes it easier to compare our results with the results of other companies that have different financing and capital structures. In addition, we have debt covenants that are based on a leverage ratio that utilizes a modified EBITDA calculation, as defined in our Credit Agreement. The modified EBITDA calculation is similar to our definition of Adjusted EBITDA; however, it includes the pro forma Adjusted EBITDA of, and expected cost synergies from, the companies acquired by us during the applicable reporting period. Finally, Adjusted EBITDA results, along with other quantitative and qualitative information, are utilized by management and our compensation committee for purposes of determining bonus payouts to our employees.

The following is a reconciliation of Adjusted EBITDA from Net Loss (amounts in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Adjusted EBITDA				
Net loss	\$ (23.4)	\$ (9.5)	\$ (190.4)	\$ (22.0)
Benefit from income taxes	(1.6)	(8.7)	(1.1)	(22.7)
Interest and other expense, net	39.5	18.1	205.6	50.5
Loss on debt extinguishment	—	3.0	13.8	8.6
Depreciation and amortization	58.5	32.8	146.5	94.7
Severance, restructuring and other exit costs	15.5	11.1	22.7	21.8
Transaction and integration costs	10.7	3.3	25.1	13.8
Share-based compensation	9.2	6.1	23.9	16.0
Adjusted EBITDA	<u>\$ 108.4</u>	<u>\$ 56.2</u>	<u>\$ 246.1</u>	<u>\$ 160.7</u>

Adjusted Free Cash Flow and Adjusted Unlevered Free Cash Flow

Adjusted Free Cash Flow is defined as net cash provided by operating activities less purchases of property and equipment, adjusted to exclude cash paid for severance, restructuring and other exit costs, and acquisition-related transaction and integration costs. Adjusted Unlevered Free Cash Flow is defined as Adjusted Free Cash Flow before interest. Adjusted Free Cash Flow and Adjusted Unlevered Free Cash Flow are not measurements of our financial performance under GAAP and should not be considered in isolation, or as alternatives to net cash flows provided by operating activities, total net cash flows, or any other performance measure derived in accordance with GAAP.

We use Adjusted Free Cash Flow as a measure to evaluate cash generated through normal operating activities. We believe that the presentation of Adjusted Free Cash Flow is relevant and useful to investors because it provides a measure of cash available to pay the principal on our debt and pursue acquisitions of businesses or other strategic investments or uses of capital. We use Adjusted Unlevered Free Cash Flow as a measure to evaluate cash generated through normal operating activities prior to debt service as our debt capital structure will change over time. We believe that the presentation of Adjusted Unlevered Free Cash Flow is relevant and useful for investors because it allows investors to view results in a manner similar to the method used by management and makes it easier to compare our results with the results of other companies that have different financing and capital structures.

The following is a reconciliation of Adjusted Free Cash Flow and Adjusted Unlevered Free Cash Flow, from Cash provided by operating activities (amounts in millions):

	Three Months Ended			Nine Months Ended
	March 31, 2017	June 30, 2017	September 30, 2017	September 30, 2017
Net cash provided by operating activities	\$ 2.3	\$ 23.9	\$ 20.9	\$ 47.1
Purchases of property and equipment	(8.5)	(9.3)	(9.1)	(26.9)
Severance, restructuring and other exit costs	6.9	(0.3)	2.8	9.4
Transaction and integration costs	7.4	1.9	3.7	13.0
Adjusted Free Cash Flow	8.1	16.2	18.3	42.6
Cash paid for interest	8.0	22.8	8.2	39.0
Adjusted Unlevered Free Cash Flow	<u>\$ 16.1</u>	<u>\$ 39.0</u>	<u>\$ 26.5</u>	<u>\$ 81.6</u>

	Three Months Ended			Nine Months Ended
	March 31, 2018	June 30, 2018	September 30, 2018	September 30, 2018
Net cash provided by operating activities	\$ 12.2	\$ 15.6	\$ 22.2	\$ 50.0
Purchases of property and equipment	(13.2)	(19.3)	(28.9)	(61.4)
Severance, restructuring and other exit costs	4.7	6.9	10.7	22.3
Transaction and integration costs	3.9	9.9	10.9	24.7
Adjusted Free Cash Flow	7.6	13.1	14.9	35.6
Cash paid for interest	31.3	30.0	41.1	102.4
Adjusted Unlevered Free Cash Flow	<u>\$ 38.9</u>	<u>\$ 43.1</u>	<u>\$ 56.0</u>	<u>\$ 138.0</u>

Constant Currency

We evaluate our results of operations both as reported and on a constant currency basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency data offers valuable supplemental information regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency results by converting our current-period local currency financial results using prior-period exchange rates and comparing these adjusted amounts to our prior-period reported results.

Pro Forma Financial Information

In addition to financial measures prepared in accordance with GAAP, from time to time we may use or publicly disclose certain “pro forma” financial measures in the course of our financial presentations, earnings releases, earnings conference calls and otherwise. We believe these certain pro forma financial measures provide a more comparable view of our results relative to prior periods, particularly given the number of acquisitions we have completed in the past.

The following unaudited pro forma financial information and related notes present the historical information of GTT as if the acquisitions of Interoute and Global Capacity had occurred on the first day of the period presented. The pro forma adjustments included herein reflect final accounting policy convergence adjustments that may differ from the pro forma financial information presented in any Form 8-K/A's previously filed with the SEC.

For the three months ended September 30, 2018, compared with the three months ended September 30, 2017, the following unaudited financial information presents historical GTT information as if the acquisitions of Interoute and Global Capacity had occurred on the first day of the period presented, as reported and in constant currency:

(\$ in millions)	Three Months Ended September 30,	
	2018	2017
Revenue		
GTT as reported	\$ 448.6	\$ 202.6
Interoute, net of pro forma adjustments ⁽¹⁾	—	199.4
Global Capacity, net of pro forma adjustments ⁽¹⁾	—	42.7
Pro Forma Revenue	\$ 448.6	\$ 444.7
Pro Forma % Growth	0.9%	
Pro Forma % Growth (Constant Currency)	1.4%	
Adjusted EBITDA		
GTT as reported	\$ 108.4	\$ 56.2
Interoute, net of pro forma adjustments ⁽²⁾	—	48.8
Global Capacity, net of pro forma adjustments ⁽²⁾	—	1.5
Pro Forma Adjusted EBITDA	\$ 108.4	\$ 106.5
Pro Forma Adjusted EBITDA Margin %	24.2%	23.9%
Pro Forma % Growth	1.8%	
Pro Forma % Growth (Constant Currency)	2.3%	

⁽¹⁾ Pro forma adjustments include (i) revenue recognized by acquired companies from GTT, net of revenue recognized by GTT from acquired companies prior to their respective close dates; (ii) adjustments in deferred revenue from acquired companies and (iii) adjustments related to converting operating results from International Financial Reporting Standard ("IFRS") to U.S. GAAP.

⁽²⁾ Pro forma adjustments include (i) net adjustments in deferred revenue and deferred costs from acquired company and (ii) adjustments related to converting operating results from IFRS to U.S. GAAP.

For the three months ended September 30, 2018, compared with the three months ended June 30, 2018, the following unaudited financial information presents historical GTT information as if the acquisition of Interoute had occurred on the first day of the period presented, as reported and in constant currency:

(\$ in millions)

	Three Months Ended	
	September 30, 2018	June 30, 2018
Revenue		
GTT as reported	\$ 448.6	\$ 326.8
Interoute, net of pro forma adjustments ⁽¹⁾	—	134.5
Pro Forma Revenue	\$ 448.6	\$ 461.3
Pro Forma % Growth	(2.8)%	
Pro Forma % Growth (Constant Currency)	(1.2)%	
Adjusted EBITDA		
GTT as reported	\$ 108.4	\$ 74.9
Interoute, net of pro forma adjustments ⁽²⁾	—	33.4
Pro Forma Adjusted EBITDA	\$ 108.4	\$ 108.3
Pro Forma Adjusted EBITDA Margin %	24.2 %	23.5%
Pro Forma % Growth	0.1 %	
Pro Forma % Growth (Constant Currency)	2.0 %	

⁽¹⁾ Pro forma adjustments include (i) revenue recognized by acquired companies from GTT, net of revenue recognized by GTT from acquired companies prior to their respective close dates; (ii) adjustments in deferred revenue from acquired companies and (iii) adjustments related to converting operating results from International Financial Reporting Standard ("IFRS") to U.S. GAAP.

⁽²⁾ Pro forma adjustments include (i) net adjustments in deferred revenue and deferred costs from acquired company and (ii) adjustments related to converting operating results from IFRS to U.S. GAAP.

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