



For the Quarter Ended September 30, 2016
 In thousands, except per share data

SEGMENT PROFIT (1) AND SEGMENT MARGIN (2)

	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Revenues:								
Data center and network services	\$ 56,315	\$ 54,068	\$ 53,521	\$ 52,440	\$ 53,010	\$ 50,872	\$ 50,459	\$ 49,767
Cloud and hosting services	27,948	26,718	26,911	25,878	25,746	25,052	23,856	24,173
Total	84,263	80,786	80,432	78,318	78,756	75,924	74,315	73,940
Direct costs of sales and services, exclusive of depreciation and amortization:								
Data center and network services	27,829	26,481	26,116	26,739	24,768	24,373	24,650	25,042
Cloud and hosting services	7,646	6,865	6,862	6,942	6,666	6,704	6,720	6,520
Total	35,475	33,346	32,978	33,681	31,434	31,077	31,370	31,562
Segment profit (1):								
Data center and network services	28,486	27,587	27,405	25,701	28,242	26,499	25,809	24,725
Cloud and hosting services	20,302	19,853	20,049	18,936	19,080	18,348	17,136	17,653
Total	\$ 48,788	\$ 47,440	\$ 47,454	\$ 44,637	\$ 47,322	\$ 44,847	\$ 42,945	\$ 42,378
Segment margin (2):								
Data center and network services	50.6%	51.0%	51.2%	49.0%	53.3%	52.1%	51.1%	49.7%
Cloud and hosting services	72.6%	74.3%	74.5%	73.2%	74.1%	73.2%	71.8%	73.0%
Total	57.9%	58.7%	59.0%	57.0%	60.1%	59.1%	57.8%	57.3%
CASH OPERATING EXPENSE (3)								
Total operating costs and expenses (GAAP)	\$ 86,517	\$ 84,905	\$ 86,270	\$ 87,503	\$ 85,509	\$ 78,125	\$ 76,789	\$ 157,338
Total operating costs and expenses as % of revenue	102.7%	105.1%	107.3%	111.7%	108.6%	102.9%	103.3%	212.8%
Direct costs of sales and services, exclusive of depreciation and amortization	(35,475)	(33,346)	(32,978)	(33,681)	(31,434)	(31,077)	(31,370)	(31,562)
Depreciation and amortization	(21,861)	(20,208)	(22,566)	(24,631)	(25,250)	(19,113)	(19,217)	(19,597)
(Loss) gain on disposal of property and equipment, net	(80)	15	(137)	(99)	(453)	(28)	(31)	(25)
Exit activities, restructuring and impairments, including goodwill impairment	(1,518)	(265)	(59)	(920)	(1,033)	(201)	(152)	(79,839)
Stock-based compensation	(1,507)	(1,579)	(2,185)	(2,435)	(2,582)	(1,922)	(1,542)	(1,253)
Strategic alternatives and related costs	-	-	-	(852)	(245)	(141)	(282)	(1,121)
Organizational realignment costs	-	-	-	-	-	(1,272)	(1,417)	(1,403)
Cash operating expense (3) (non-GAAP)	\$ 26,076	\$ 29,522	\$ 28,345	\$ 24,885	\$ 24,512	\$ 24,371	\$ 22,778	\$ 22,538
Cash operating expense (non-GAAP) as % of revenue	30.9%	36.5%	35.2%	31.8%	31.1%	32.1%	30.7%	30.5%
ADJUSTED EBITDA (4)								
Loss from operations (GAAP)	\$ (2,254)	\$ (4,119)	\$ (5,838)	\$ (9,185)	\$ (6,753)	\$ (2,201)	\$ (2,474)	\$ (83,398)
Depreciation and amortization	21,861	20,208	22,566	24,631	25,250	19,113	19,217	19,597
Loss (gain) on disposal of property and equipment, net	80	(15)	137	99	453	28	31	25
Exit activities, restructuring and impairments	1,518	265	59	920	1,033	201	152	79,839
Stock-based compensation	1,507	1,579	2,185	2,435	2,582	1,922	1,542	1,253
Strategic alternatives and related costs	-	-	-	852	245	141	282	1,121
Organizational realignment costs	-	-	-	-	-	1,272	1,417	1,403
Adjusted EBITDA (4) (non-GAAP)	\$ 22,712	\$ 17,918	\$ 19,109	\$ 19,752	\$ 22,810	\$ 20,476	\$ 20,167	\$ 19,840
Adjusted EBITDA Margin (5) (non-GAAP)	27.0%	22.2%	23.8%	25.2%	29.0%	27.0%	27.1%	26.8%

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	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
NORMALIZED NET INCOME (LOSS) (6) AND BASIC AND DILUTED NORMALIZED NET INCOME (LOSS) PER SHARE (7)								
Net loss (GAAP)	\$ (8,257)	\$ (10,442)	\$ (12,534)	\$ (14,197)	\$ (11,269)	\$ (9,644)	\$ (10,693)	\$ (91,297)
Exit activities, restructuring and impairments	1,518	265	59	920	1,033	201	152	79,839
Stock-based compensation	1,507	1,579	2,185	2,435	2,582	1,922	1,542	1,253
Strategic alternatives and related costs	-	-	36	852	245	141	282	1,121
Organizational realignment costs	-	-	-	-	-	1,272	1,417	1,403
Normalized net loss (6) (non-GAAP)	\$ (5,232)	\$ (8,598)	\$ (10,254)	\$ (9,990)	\$ (7,409)	\$ (6,108)	\$ (7,300)	\$ (7,681)
Normalized net income allocable to participating securities (non-GAAP)	-	-	-	-	-	-	-	-
Net loss available to common stockholders (GAAP) (8)	\$ (8,257)	\$ (10,442)	\$ (12,534)	\$ (14,197)	\$ (11,269)	\$ (9,644)	\$ (10,693)	\$ (91,297)
Normalized net loss available to common stockholders (non-GAAP) (8)	\$ (5,232)	\$ (8,598)	\$ (10,254)	\$ (9,990)	\$ (7,409)	\$ (6,108)	\$ (7,300)	\$ (7,681)
Weighted average shares outstanding used in per share calculation:								
Basic (GAAP)	51,159	51,336	51,579	51,699	51,727	51,774	52,062	52,096
Participating securities (GAAP) (8)	1,066	1,151	1,246	1,305	1,260	1,369	1,309	1,441
Diluted (GAAP)	51,159	51,336	51,579	51,699	51,727	51,774	52,062	52,096
Add potentially dilutive securities	-	-	-	-	-	-	-	-
Less dilutive effect of stock-based compensation under the treasury stock method	-	-	-	-	-	-	-	-
Normalized diluted shares (non-GAAP) (9)	51,159	51,336	51,579	51,699	51,727	51,774	52,062	52,096
Net loss per share (GAAP):								
Basic and diluted	\$ (0.16)	\$ (0.20)	\$ (0.24)	\$ (0.27)	\$ (0.22)	\$ (0.19)	\$ (0.21)	\$ (1.75)
Normalized net loss per share (non-GAAP) (7):								
Basic and diluted	\$ (0.10)	\$ (0.17)	\$ (0.20)	\$ (0.19)	\$ (0.14)	\$ (0.12)	\$ (0.14)	\$ (0.15)

Notes:

- (1) Segment profit is a non-GAAP measure and is segment revenues less direct cost of sales and services, exclusive of depreciation and amortization. Segment profit does not include direct costs of customer support, direct costs of amortization of acquired and developed technologies or any other depreciation or amortization associated with direct costs. A presentation of segment profit can be found in the attachment to our earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- (2) Segment margin is a non-GAAP measure and is segment profit as a percentage of segment revenues. A presentation of segment profit can be found in the attachment to our earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- (3) Cash operating expense is a non-GAAP measure and is operating expense defined by GAAP, less direct costs of sales and services, depreciation and amortization, (loss) gain on disposal of property and equipment, exit activities, restructuring and impairments, stock-based compensation and acquisition costs.
- (4) Adjusted EBITDA is a non-GAAP measure and is loss from operations plus depreciation and amortization, loss (gain) on disposals of property and equipment, exit activities, restructuring and impairments, stock-based compensation, strategic alternatives and related costs and organizational realignment costs. A reconciliation of Adjusted EBITDA to GAAP loss from operations can be found in the attachment to our earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- (5) Adjusted EBITDA margin is a non-GAAP measure and is adjusted EBITDA as a percentage of revenues.
- (6) Normalized net loss is a non-GAAP measure and is net loss excluding restructuring and impairments, stock-based compensation and certain items that management considers non-recurring.
- (7) Normalized net loss per share is a non-GAAP measure and is normalized net loss divided by basic and normalized diluted shares.
- (8) Net loss and normalized net loss available to common stockholders are non-GAAP measures and exclude amounts allocated to unvested restricted stock awards, which, by definition, are participating securities. However, participating securities do not share in any net loss or normalized net loss.
- (9) Normalized diluted shares is defined as diluted common shares outstanding used in GAAP net loss per share calculation, excluding the effect of stock-based compensation under the treasury stock method.