

# First Quarter 2013 Earnings Conference Call

April 25, 2013

***INTERNAP***<sup>®</sup>

IT | IQ

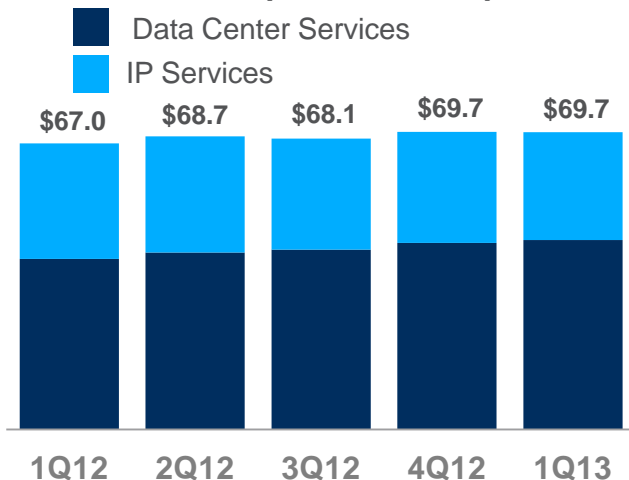
Connectivity | Colocation | Hosting | Cloud

## Forward-looking Statements

This presentation contains forward-looking statements. Because such statements are not guarantees of future performance and involve risks and uncertainties, there are important factors that could cause Internap's actual results to differ materially from those in the forward-looking statements. These include statements related to our expectations regarding performance of our IT Infrastructure services, our ability to execute our strategy and deliver growth and our ability to leverage data center expansions and expanded routes to market. Internap discusses these factors in its filings with the Securities and Exchange Commission. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of future results. Internap undertakes no obligation to update, amend, or clarify any forward-looking statement for any reason.

# Financial Summary: Revenue, Segment Profit and Segment Margin

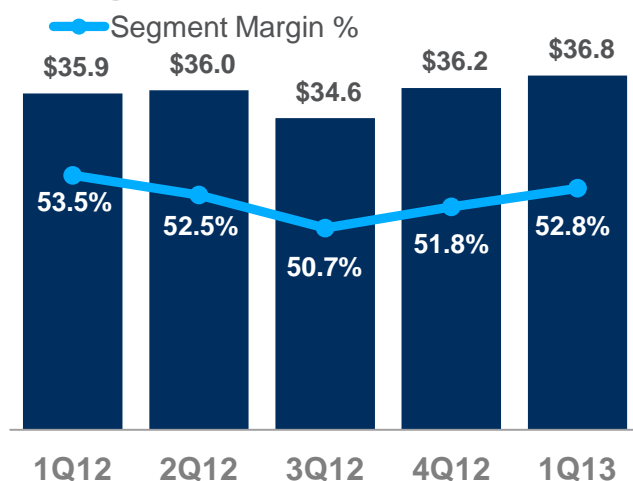
## Revenue (in millions)



## Revenue growth 4% Y/Y

- Growth in data center services offset by decline in IP services: colocation, hosting and cloud services underpins revenue increase
- Revenue flat sequentially

## Segment Profit (in millions)



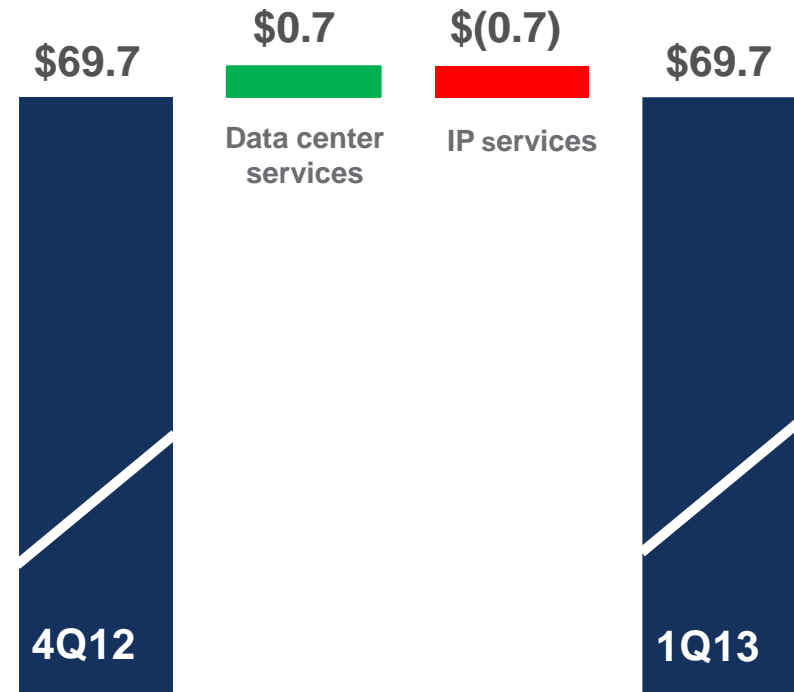
## Solid segment profit and segment margin results

- Strategic product shift drives segment profitability
- Lower IP revenue impacts segment margin Y/Y

## Continued growth in data center services

- Company-controlled colocation, hosting and cloud services drive data center revenue growth
- Lower transit sales and the loss of legacy contracts weigh on IP services revenue

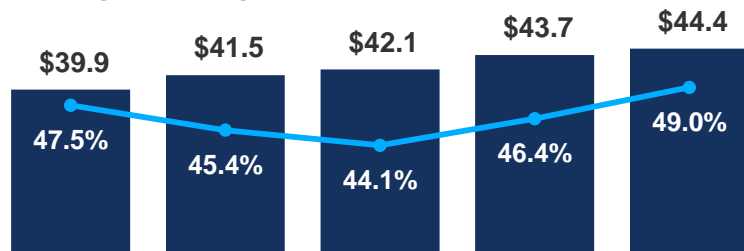
Q/Q Revenue Change  
(in millions)



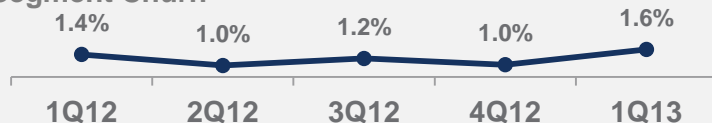
# Segment Summary

## Data Center Services Revenue (in millions)

● Segment Margin

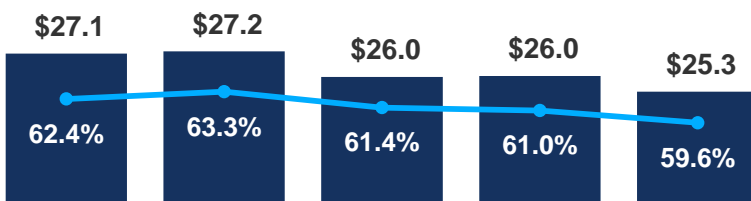


### Segment Churn

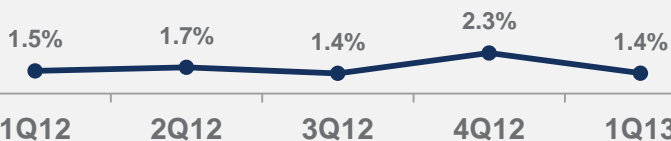


## IP Services Revenue (in millions)

● Segment Margin



### Segment Churn



## “Core” data center services drive top line growth and profitability

- Data center revenue up 11% Y/Y and 2% Q/Q
- Data center segment profit increased 15% Y/Y and 7% Q/Q
- Data center segment margin expanded 150 basis points Y/Y and 260 basis points Q/Q
- Increased churn in partner data center sites

## IP services revenue decline

- Strong profitability and cash generation
- Integral to “Superior Performance” value proposition

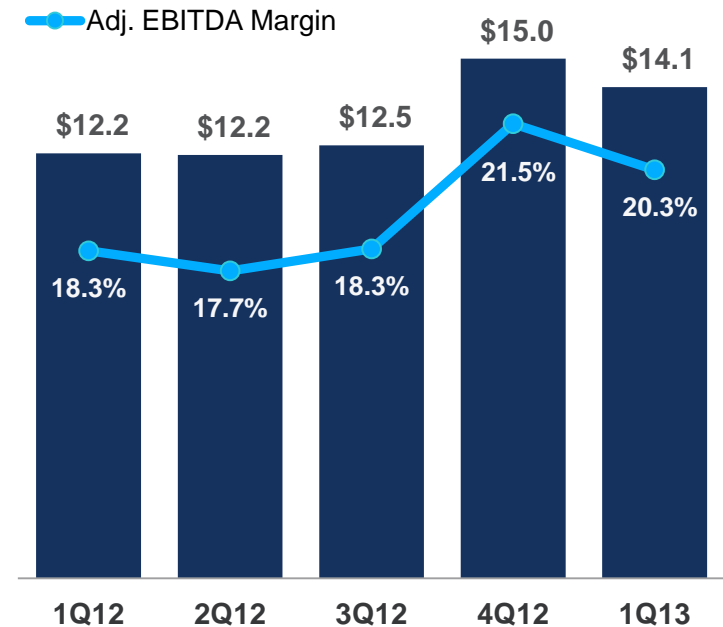
Core data center services defined as company-controlled colocation, hosting and cloud services.

# Financial Summary: Adjusted EBITDA

## Solid Adjusted EBITDA results

- Increased 16% Y/Y, down 5% Q/Q
  - Adjusted EBITDA margin expanded 200 basis points Y/Y reflecting positive operating leverage
  - Strong Y/Y growth driven by favorable product mix shift toward data center services
  - Seasonally higher cash operating expense impact Q/Q results

## Adjusted EBITDA (in millions)



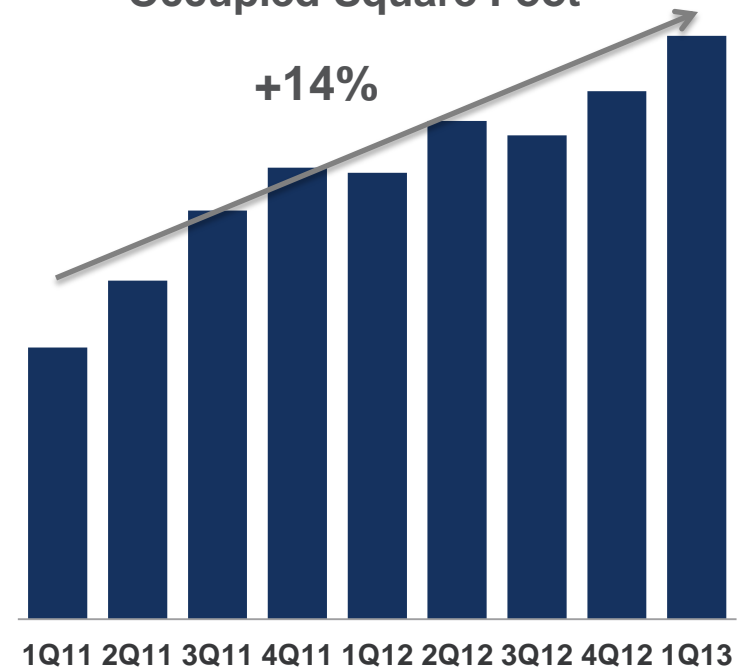
Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Adjusted EBITDA is income (loss) from operations plus depreciation and amortization, gain (loss) on disposals of property and equipment, exit activities, restructuring and impairments and stock-based compensation. Adjusted EBITDA margin is Adjusted EBITDA as a percentage of revenues. A reconciliation of Adjusted EBITDA to GAAP loss from operations can be found in the attachment to our first quarter 2013 earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.

# Solid Organic Trends within Data Center Services

## Increasing MRR\* in Company-Controlled Data Centers

- MRR increased 6% Y/Y and 2% Q/Q
- Filling company-controlled data centers with mix of colocation, hosting and cloud customers
- Increasing customer wallet share and generating higher incremental returns on invested capital by selling higher-value services

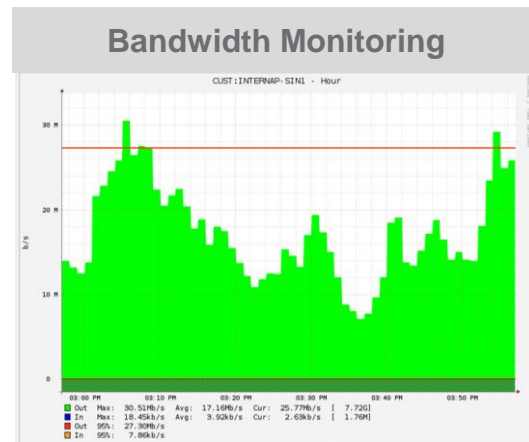
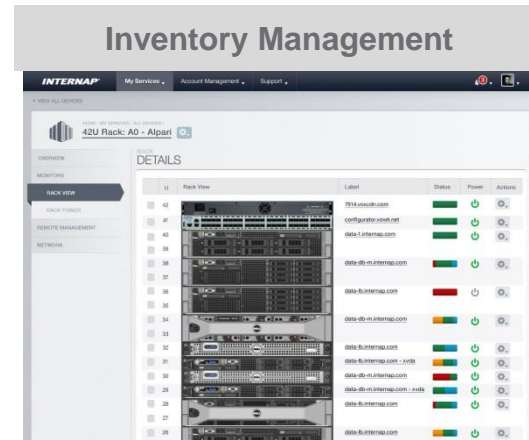
## MRR Per Company-Controlled Occupied Square Foot



\*MRR = Monthly Recurring Revenue

## Shattering Silos Between Cloud and Colocation

- Delivers unprecedented on-demand cloud and colocation hybridization
- New portal brings cloud-like remote visibility and control to colocation
- Offers a single pane of glass view into infrastructure
- Unique ability to control data center assets and cloud assets through a single portal







New York eHealth Collaborative provides patients with access to secure, private electronic health records

## Customer Need and Context

Secure, dedicated environment to host patient engagement apps and data

Scalable, on-demand infrastructure for engineering development

Primary site in NYC with redundant site in Dallas for disaster recovery

## Internap Solution



Custom Hosting



Agile Hosting



Colocation



Performance IPTM

Private, dedicated firewalls, servers, storage and network appliances

On-demand virtual and bare-metal servers for dynamic workloads

Additional capacity for legacy infrastructure

Secure Internet backbone and built-in redundancy

## Income Statement Summary (in millions)

	1Q13	4Q12	1Q12
<b>Total Revenue</b>	\$69.7	\$69.7	\$67.0
<b>Total Segment Profit</b>	\$36.8	\$36.2	\$35.9
<i>Total Segment Margin %</i>	52.8%	51.8%	53.5%
<b>Cash Operating Expense</b>	\$22.7	\$21.2	\$23.6
<i>Cash Opex %</i>	32.5%	30.4%	35.3%
<b>Adj. EBITDA</b>	\$14.1	\$15.0	\$12.2
<i>Adj. EBITDA %</i>	20.3%	21.5%	18.3%
<b>GAAP Net (Loss) Income</b>	\$(1.6)	\$0.0	\$0.1
<i>(Loss) Income per fully-diluted share</i>	\$(0.03)	\$0.0	\$0.00
<b>Normalized Net Income</b>	\$0.2	\$2.1	\$1.6
<i>Income per fully-diluted share</i>	\$0.00	\$0.04	\$0.03

\*Cash Operating Expense and Normalized Net Income are non-GAAP measures. Cash operating expense is GAAP operating expense less direct cost of network and sales, depreciation and amortization, impairments and restructuring and stock-based compensation. Normalized Net Income is net income plus exit activities, restructuring and impairments and stock-based compensation. A reconciliation to GAAP total operating costs and expenses can be found in the attachment to our first quarter 2013 earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.

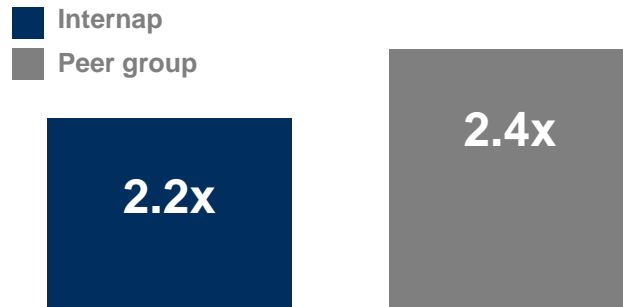
## Cash Flow Summary (in millions)

	1Q13	4Q12	1Q12
<b>Adj. EBITDA</b>	\$14.1	\$15.0	\$12.2
Less: Capital Expenditures	7.4	10.3	16.8
<b>Adj. EBITDA less CAPEX</b>	<u>\$6.7</u>	<u>\$4.6</u>	<u>\$(4.6)</u>

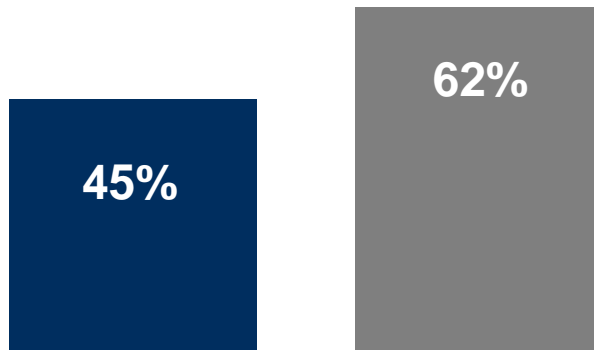
## Balance Sheet Summary (in millions)

	1Q13	4Q12	1Q12
<b>Cash &amp; Cash Equivalents</b>	\$34.6	\$28.6	\$ 30.8
Less: Capital Leases	57.1	48.6	48.2
Less: Debt (net of discount)	104.6	95.4	58.7
<b>Equals: Net (Debt) Cash</b>	<u>\$(127.1)</u>	<u>\$(115.4)</u>	<u>\$(76.1)</u>
<i>Net Debt to Adj. EBITDA (LQA)*</i>	2.2x	1.9x	1.6x
<b>Days Sales Outstanding</b>	25	25	24

\* LQA = Last Quarter Annualized



Net Debt to Adjusted EBITDA\*



Total Debt to Total Capital\*\*

1Q13 Adjusted EBITDA (annualized)	\$ 57M
Less: 2013 Maintenance capital guidance	(15)M
<b>Equals: Annualized Discretionary Cash flow</b>	<b>~\$ 42M</b>

Discretionary Cash Flow\*\*\*

**Healthy balance sheet and significant cash generation capability**

\*Total debt includes capital leases; Net debt is total debt less cash and cash equivalents, Adjusted EBITDA is last quarter annualized. \*\*Total capital is total debt plus book equity. Peer averages are as of 12/31/2012 and include Equinix, Rackspace, Interxion, Cogent, Level 3, CyrusOne, Digital Realty, DuPont Fabros and CoreSite. \*\*\*Discretionary Cash Flow is a non-GAAP measure and is defined as Adjusted EBITDA less capex required to maintain the existing asset base.

## Solid Results Reflect Focused Execution

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### Results:

- **“Core” data center services growth mitigates IP services decline**
- **Solid Y/Y Results**
  - Data center segment profit increased 15% and data center segment margin expanded 150 basis points
  - Adjusted EBITDA up 16% and Adjusted EBITDA margin expanded 200 basis points
  - Data center services strategy execution and tight cost controls enable profitable growth

### Looking forward:

- **Execute strategy**
  - Deliver growth from high-performance, hybridized IT infrastructure services
- **Near term emphasis**
  - Leverage data center expansion: NY Metro, Santa Clara, Boston
  - Leverage expanded routes to market: Inside, Channels, E-commerce