

For the Quarter Ended March 31, 2017
In thousands

BUSINESS UNIT CONTRIBUTION (1) AND BUSINESS UNIT CONTRIBUTION MARGIN (2)

Revenues:

	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
INAP COLO	\$ 58,951	\$ 58,118	\$ 58,482	\$ 55,880	\$ 55,827	\$ 54,998	\$ 54,971	\$ 53,339
INAP CLOUD	21,481	20,200	20,274	20,044	18,488	18,942	19,146	18,794
Total	80,432	78,318	78,756	75,924	74,315	73,940	74,117	72,133

Direct costs of sales and services, customer support and sales and marketing, exclusive of depreciation and amortization:

INAP COLO	39,179	39,698	37,626	36,812	36,299	36,214	34,799	33,650
INAP CLOUD	12,718	11,334	11,644	10,957	10,449	10,453	9,872	9,464
Total	51,897	51,032	49,270	47,769	46,748	46,667	44,671	43,114

Business Unit Contribution (1):

INAP COLO	19,772	18,420	20,856	19,068	19,528	18,784	20,172	19,689
INAP CLOUD	8,763	8,866	8,630	9,087	8,039	8,489	9,274	9,330
Total	\$ 28,535	\$ 27,286	\$ 29,486	\$ 28,155	\$ 27,567	\$ 27,273	\$ 29,446	\$ 29,019

Business Unit Contribution Margin (2):

INAP COLO	33.5%	31.7%	35.7%	34.1%	35.0%	34.2%	36.7%	36.9%
INAP CLOUD	40.8%	43.9%	42.6%	45.3%	43.5%	44.8%	48.4%	49.6%
Total	35.5%	34.8%	37.4%	37.1%	37.1%	36.9%	39.7%	40.2%

ADJUSTED EBITDA (3)

Net loss (GAAP)

Depreciation and amortization	22,566	24,631	25,250	19,113	19,217	19,597	19,021	17,745
Interest expense	6,825	6,923	6,984	6,985	8,082	7,878	7,964	8,137
Provision (benefit) for income taxes	(137)	(1,612)	(1,938)	138	62	95	236	518
Other non-operating expense (income)	8	(299)	(530)	320	75	(74)	(88)	67
(Gain) loss on disposal of property and equipment, net	137	99	453	28	31	25	(75)	(97)
Exit activities, restructuring and impairments, including goodwill impairment	59	920	1,033	201	152	79,839	7,149	1,023
Stock-based compensation	2,185	2,435	2,582	1,922	1,542	1,253	280	598
Strategic alternatives and related costs	-	852	245	141	282	1,121	(136)	6
Organizational realignment costs	-	-	-	1,272	1,417	1,403	320	287
Non-income tax contingency	-	-	-	-	-	-	-	1,500

Adjusted EBITDA (3) (non-GAAP)

Adjusted EBITDA Margin (4) (non-GAAP)

	\$ 19,109	\$ 19,752	\$ 22,810	\$ 20,476	\$ 20,167	\$ 19,840	\$ 21,561	\$ 21,554
	23.8%	25.2%	29.0%	27.0%	27.1%	26.8%	29.1%	29.9%

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NORMALIZED NET INCOME (LOSS)

	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
Net loss (GAAP)	\$ (12,534)	\$ (14,197)	\$ (11,269)	\$ (9,644)	\$ (10,693)	\$ (91,297)	\$ (13,110)	\$ (8,230)
Exit activities, restructuring and impairments, including goodwill impairment	59	920	1,033	201	152	79,839	7,149	1,023
Stock-based compensation	2,185	2,435	2,582	1,922	1,542	1,253	280	598
Strategic alternatives and related costs	36	852	245	141	282	1,121	(136)	6
Organizational realignment costs	-	-	-	1,272	1,417	1,403	320	287
Non-income tax contingency	-	-	-	-	-	-	-	1,500
Normalized net loss (5) (non-GAAP)	\$ (10,254)	\$ (9,990)	\$ (7,409)	\$ (6,108)	\$ (7,300)	\$ (7,681)	\$ (5,497)	\$ (4,816)
Normalized net income allocable to participating securities (non-GAAP)	-	-	-	-	-	-	-	-
Net loss available to common stockholders (GAAP) (6)	\$ (12,534)	\$ (14,197)	\$ (11,269)	\$ (9,644)	\$ (10,693)	\$ (91,297)	\$ (13,110)	\$ (8,230)
Normalized net loss available to common stockholders (non-GAAP) (6)	\$ (10,254)	\$ (9,990)	\$ (7,409)	\$ (6,108)	\$ (7,300)	\$ (7,681)	\$ (5,497)	\$ (4,816)

Notes:

(1) Business Unit Contribution is a non-GAAP measure and is business unit revenues less direct costs of sales and services, customer support, and sales and marketing, exclusive of depreciation and amortization.

(2) Business unit contribution margin is a non-GAAP measure and is business unit contribution as a percentage of revenue.

(3) Adjusted EBITDA is a non-GAAP measure and is GAAP net loss plus depreciation and amortization, interest expense, provision (benefit) for income taxes, other non-operating (income) expense, 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.

(4) Adjusted EBITDA margin is a non-GAAP measure and is adjusted EBITDA as a percentage of revenues.

(5) 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.

(6) Normalized 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.