



FOR IMMEDIATE RELEASE

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Cogent Communications Reports Second Quarter 2020 Results and Increases its Regular Quarterly Dividend on its Common Stock by \$0.025

Financial and Business Highlights

- Cogent approved an increase of \$0.025 per share to its regular quarterly dividend for a total of \$0.705 per share for Q3 2020 as compared to \$0.68 per share for Q2 2020 – Cogent’s thirty-second consecutive quarterly dividend increase and a greater increase than the \$0.02 per share increase in Q2 2020.
 - The Q3 2020 \$0.705 dividend per share represents an annual increase of 13.7% from the dividend per share of \$0.62 for Q3 2019.
- Service revenue, on a constant currency basis, increased by 0.2% from Q1 2020 to Q2 2020 and increased from Q2 2019 to Q2 2020 by 5.1%.
 - Service revenue increased by 0.1% from Q1 2020 to Q2 2020 and increased from Q2 2019 to Q2 2020 by 4.6%.
- GAAP gross profit increased by 11.3% from Q2 2019 to \$67.2 million for Q2 2020. Non-GAAP gross profit increased by 8.4% from Q2 2019 to \$87.4 million for Q2 2020.
 - GAAP gross margin increased by 290 basis points from Q2 2019 to Q2 2020 to 47.7%. Non-GAAP gross margin increased by 220 basis points from Q2 2019 to Q2 2020 to 62.0%.
- Net cash provided by operating activities increased by 45.2% from Q1 2020 to \$41.3 million for Q2 2020 and increased by 1.7% from Q2 2019.
- EBITDA increased by 5.9% from Q1 2020 to \$53.3 million for Q2 2020 and increased by 13.3% from Q2 2019.
 - EBITDA margin increased by 200 basis points from Q1 2020 to 37.8% for Q2 2020 and increased by 290 basis points from Q2 2019.
- Cogent issued €215 million of Senior Euro Notes due in 2024 in June for net proceeds of \$240.3 million. The net proceeds were used to redeem and extinguish its \$189.2 million of Senior Notes due in 2021 at par and to provide cash for general corporate purposes including to dividend cash from its operating companies to Cogent Holdings, Inc.

[WASHINGTON, D.C. August 6, 2020] Cogent Communications Holdings, Inc. (NASDAQ: CCOI) (“Cogent”) today announced service revenue of \$141.0 million for the three months ended June 30, 2020, an increase of 0.1% from the three months ended March 31, 2020 and an increase of 4.6% from the three months ended June 30, 2019. Foreign exchange negatively impacted service revenue growth from the three months ended March 31, 2020 to the three

months ended June 30, 2020 by \$0.2 million and negatively impacted service revenue growth from the three months ended June 30, 2019 to the three months ended June 30, 2020 by \$0.7 million. On a constant currency basis, service revenue grew by 0.2% from the three months ended March 31, 2020 to the three months ended June 30, 2020 and grew by 5.1% from the three months ended June 30, 2019 to the three months ended June 30, 2020. Excise taxes, including Universal Service Fund fees, recorded on a gross basis and included in service revenue and cost of network operations expense were \$3.3 million for the three months ended June 30, 2020, \$3.2 million for the three months ended June 30, 2019 and \$3.7 million for the three months ended March 31, 2020.

On-net service is provided to customers located in buildings that are physically connected to Cogent's network by Cogent facilities. On-net revenue was \$103.8 million for the three months ended June 30, 2020; an increase of 0.3% from the three months ended March 31, 2020 and an increase of 6.5% over the three months ended June 30, 2019.

Off-net customers are located in buildings directly connected to Cogent's network using other carriers' facilities and services to provide the last mile portion of the link from the customers' premises to Cogent's network. Off-net revenue was \$37.0 million for the three months ended June 30, 2020; a decrease of 0.7% over the three months ended March 31, 2020 and a decrease of 0.4% over the three months ended June 30, 2019.

GAAP gross profit is defined as total service revenue less network operations expense, depreciation and amortization and equity based compensation included in network operations expense. GAAP gross margin is defined as GAAP gross profit divided by total service revenue. GAAP gross profit increased by 11.3% from the three months ended June 30, 2019 to \$67.2 million for the three months ended June 30, 2020 and increased by 2.6% from the three months ended March 31, 2020. GAAP gross margin was 47.7% for the three months ended June 30, 2020, 44.8% for the three months ended June 30, 2019 and 46.5% for the three months ended March 31, 2020. Excise taxes, including Universal Service Fund fees, recorded on a gross basis and included in service revenue and cost of network operations expense were \$3.3 million for the three months ended June 30, 2020, \$3.2 million for the three months ended June 30, 2019 and \$3.7 million for the three months ended March 31, 2020.

Non-GAAP gross profit represents service revenue less network operations expense, excluding equity-based compensation and amounts shown separately (depreciation and amortization expense). Non-GAAP gross margin is defined as Non-GAAP gross profit divided by total service revenue. Non-GAAP gross profit increased by 8.4% from the three months ended June 30, 2019 to \$87.4 million for the three months ended June 30, 2020 and increased by 2.5% from the three months ended March 31, 2020. Non-GAAP gross profit margin was 62.0% for the three months ended June 30, 2020, 59.8% for the three months ended June 30, 2019 and 60.5% for the three months ended March 31, 2020.

Net cash provided by operating activities increased by 1.7% from the three months ended June 30, 2019 to \$41.3 million for the three months ended June 30, 2020 and increased by 45.2% from the three months ended March 31, 2020.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 13.3% from the three months ended June 30, 2019 to \$53.3 million for the three months ended June 30, 2020 and increased by 5.9% from the three months ended March 31, 2020. EBITDA margin was 37.8% for the three months ended June 30, 2020, 34.9% for the three months ended June 30, 2019 and 35.8% for the three months ended March 31, 2020.

EBITDA, as adjusted, increased by 13.2% from the three months ended June 30, 2019 to \$53.6 million for the three months ended June 30, 2020 and increased by 6.2% from the three months ended March 31, 2020. EBITDA, as adjusted, margin was 38.0% for the three months ended June 30, 2020, 35.1% for the three months ended June 30, 2019 and 35.8% for the three months ended March 31, 2020.

Basic net income per share was \$0.19 for the three months ended June 30, 2020, \$0.16 for the three months ended June 30, 2019 and \$0.20 for the three months ended March 31, 2020. Diluted net income per share was \$0.18 for the three months ended June 30, 2020, \$0.16 for the three months ended June 30, 2019 and \$0.20 for the three months ended March 31, 2020.

Unrealized foreign exchange (losses) gains on Cogent's 2024 Senior Euro Notes were \$(3.4) million for the three months ended June 30, 2020, \$0.2 million for the three months ended June 30, 2019 and \$2.9 million for the three months ended March 31, 2020. Cogent realized a \$2.5

million foreign exchange gain related to the issuance of its €215 million of 2024 Senior Euro Notes in the three months ended June 30, 2020.

Total customer connections increased by 4.8% from June 30, 2019 to 88,112 as of June 30, 2020 and increased by 1.0% from March 31, 2020. On-net customer connections increased by 4.8% from June 30, 2019 to 75,927 as of June 30, 2020 and increased by 1.0% from March 31, 2020. Off-net customer connections increased by 4.6% from June 30, 2019 to 11,846 as of June 30, 2020 and increased by 1.1% from March 31, 2020.

The number of on-net buildings increased by 117 buildings from June 30, 2019 to 2,854 on-net buildings as of June 30, 2020 and increased by 31 on-net buildings from March 31, 2020.

Quarterly Dividend Increase Approved

On August 5, 2020, the Board approved a regular quarterly dividend of \$0.705 per common share payable on September 4, 2020 to shareholders of record on August 21, 2020. This third quarter 2020 regular dividend represents a 3.7% increase of \$0.025 per share from the second quarter 2020 regular dividend of \$0.68 per share and an annual increase of 13.7% from the Q3 2019 dividend of \$0.62 per share.

The payment of any future dividends and any other returns of capital will be at the discretion of the Board and may be reduced, eliminated or increased and will be dependent upon Cogent's financial position, results of operations, available cash, cash flow, capital requirements, limitations under Cogent's debt indenture agreements and other factors deemed relevant by the Board.

Impact of COVID-19

Cogent continues to be impacted by the COVID-19 pandemic and the accompanying responses by governments around the world. Cogent's entire workforce continues to work remotely with dedication. During the second quarter of 2020, the impact of the COVID-19 pandemic on Cogent's business remained limited. Cogent experienced a decrease in sales productivity, particularly in sales to its corporate customers. Traffic on the Cogent network continued to grow at an accelerated rate compared to Cogent's historical growth rates. However, the traffic growth

rate for the second quarter of 2020 was slower than the traffic growth rate at the end of the first quarter of 2020.

The ongoing impact of the COVID-19 pandemic and related government restrictions on Cogent's business is unknown as a significant amount of uncertainty and volatility remains. Cogent does not know the scope and duration of the pandemic, what actions governments may take in the future in response to the pandemic and what the impact will be on the economies of the world. While Cogent's workforce is working remotely, Cogent provides no assurance that this will be sufficient to protect its workforce or its key employees. Moreover, Cogent's results of operations may be adversely affected in the future as the pandemic and the related government restrictions continue. Cogent may also experience slowdowns in new customer orders, find it difficult to collect from customers who are experiencing financial distress, encounter difficulties accessing the buildings and locations where Cogent installs new services and serves existing customers, or have difficulties procuring, shipping or installing necessary equipment on its network. Cogent may also find that its largest customer base, which is served primarily in its multi-tenant office buildings, may be adversely affected by falling demand for commercial office space in central business districts as companies located in these buildings elect not to return to their office space either on a temporary or even permanent basis. In addition, Cogent's corporate customer base may reduce their overall number of locations due to adverse economic conditions or new working configurations which may adversely affect Cogent's number of corporate connections and service revenues. As a result, the global economic impact of the COVID-19 pandemic may have prolonged effects that impact Cogent's business well into the future. These and other risks will be described in more detail in Cogent's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and are set forth in its annual report on Form 10-K for the year ended December 31, 2019 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Conference Call and Website Information

Cogent will host a conference call with financial analysts at 8:00 a.m. (ET) on August 6, 2020 to discuss Cogent's operating results for the second quarter of 2020 and to discuss Cogent's expectations for full year 2020. Investors and other interested parties may access a live audio webcast of the earnings call in the "Events" section of Cogent's website at

www.cogentco.com/events. A replay of the webcast, together with the press release, will be available on the website following the earnings call.

About Cogent Communications

Cogent Communications (NASDAQ: CCOI) is a multinational, Tier 1 facilities-based ISP. Cogent specializes in providing businesses with high-speed Internet access, Ethernet transport, and colocation services. Cogent's facilities-based, all-optical IP network backbone provides services in over 200 markets globally.

Cogent Communications is headquartered at 2450 N Street, NW, Washington, D.C. 20037. For more information, visit www.cogentco.com. Cogent Communications can be reached in the United States at (202) 295-4200 or via email at info@cogentco.com.

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COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES

Summary of Financial and Operational Results

	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
<u>Metric (\$ in 000's, except share and per share data) – unaudited</u>						
On-Net revenue	\$97,183	\$97,472	\$99,416	\$102,683	\$103,457	\$103,800
% Change from previous Qtr.	1.9%	0.3%	2.0%	3.3%	0.8%	0.3%
Off-Net revenue	\$36,843	\$37,191	\$37,418	\$37,479	\$37,321	\$37,044
% Change from previous Qtr.	0.8%	0.9%	0.6%	0.2%	-0.4%	-0.7%
Non-Core revenue (1)	\$111	\$126	\$108	\$130	\$137	\$146
% Change from previous Qtr.	-24.5%	13.5%	-14.3%	20.4%	5.4%	6.6%
Service revenue – total	\$134,137	\$134,789	\$136,942	\$140,292	\$140,915	\$140,990
% Change from previous Qtr.	1.6%	0.5%	1.6%	2.4%	0.4%	0.1%
Constant currency total revenue quarterly growth rate – sequential quarters (6)	1.7%	0.7%	1.7%	2.5%	0.6%	0.2%
Constant currency total revenue quarterly growth rate – year over year quarters (6)	5.8%	5.4%	6.0%	6.8%	5.6%	5.1%
Excise Taxes included in service revenue	\$3,391	\$3,191	\$3,998	\$4,334	\$3,743	\$3,298
% Change from previous Qtr.	4.9%	-5.9%	25.3%	8.4%	-13.6%	-11.9%
Network operations expenses (2)	\$53,970	\$54,181	\$54,971	\$55,684	\$55,669	\$53,581
% Change from previous Qtr.	-2.6%	0.4%	1.5%	1.3%	-%	-3.8%
GAAP gross profit (3)	\$59,724	\$60,403	\$61,683	\$64,300	\$65,486	\$67,208
% Change from previous Qtr.	7.7%	1.1%	2.1%	4.2%	1.8%	2.6%
GAAP gross margin (3)	44.5%	44.8%	45.0%	45.8%	46.5%	47.7%
Non-GAAP gross profit (4) (6)	\$80,167	\$80,608	\$81,971	\$84,608	\$85,246	\$87,409
% Change from previous Qtr.	4.6%	0.6%	1.7%	3.2%	0.8%	2.5%
Non-GAAP gross margin (4) (6)	59.8%	59.8%	59.9%	60.3%	60.5%	62.0%
Selling, general and administrative expenses (5)	\$32,568	\$33,503	\$31,456	\$31,884	\$34,852	\$34,061
% Change from previous Qtr.	12.2%	2.9%	-6.1%	1.4%	9.3%	-2.3%

Depreciation and amortization expense	\$20,263	\$19,979	\$20,006	\$20,002	\$19,508	\$19,896
% Change from previous Qtr.	-3.3%	-1.4%	0.1%	-%	-2.5%	2.0%
Equity-based compensation expense	\$3,434	\$5,289	\$4,797	\$4,940	\$5,075	\$6,083
% Change from previous Qtr.	-22.1%	54.0%	-9.3%	3.0%	2.7%	19.9%
Operating income	\$24,400	\$22,022	\$25,799	\$28,033	\$25,850	\$27,574
% Change from previous Qtr.	9.4%	-9.7%	17.2%	8.7%	-7.8%	6.7%
Interest expense	\$13,456	\$13,595	\$15,191	\$15,211	\$15,220	\$15,499
% Change from previous Qtr.	-0.4%	1.0%	11.7%	0.1%	0.1%	1.8%
Net income	\$9,217	\$7,136	\$13,701	\$7,465	\$9,227	\$8,564
Realized and unrealized gains (losses) on 2024 euro notes	\$-	\$177	\$6,128	\$(4,032)	\$2,908	\$(873)
Basic net income per common share	\$0.20	\$0.16	\$0.30	\$0.16	\$0.20	\$0.19
Diluted net income per common share	\$0.20	\$0.16	\$0.30	\$0.16	\$0.20	\$0.18
Weighted average common shares – basic	45,223,157	45,354,327	45,438,656	45,553,727	45,658,565	45,754,880
% Change from previous Qtr.	-0.1%	0.3%	0.2%	0.3%	0.2%	0.2%
Weighted average common shares – diluted	45,644,236	45,912,291	46,019,691	46,145,970	46,391,066	46,686,665
% Change from previous Qtr.	-0.3%	0.6%	0.2%	0.3%	0.5%	0.6%
EBITDA (6)	\$47,561	\$47,105	\$50,515	\$52,724	\$50,394	\$53,348
% Change from previous Qtr.	-%	-1.0%	7.2%	4.4%	-4.4%	5.9%
EBITDA margin	35.5%	34.9%	36.9%	37.6%	35.8%	37.8%
Gains on asset related transactions	\$536	\$185	\$87	\$251	\$39	\$205

EBITDA, as adjusted (6)	\$48,097	\$47,290	\$50,602	\$52,975	\$50,433	\$53,553
% Change from previous Qtr.	0.9%	-1.7%	7.0%	4.7%	-4.8%	6.2%
EBITDA, as adjusted, margin	35.9%	35.1%	37.0%	37.8%	35.8%	38.0%
Net cash provided by operating activities	\$28,637	\$40,632	\$33,443	\$46,097	\$28,458	\$41,311
% Change from previous Qtr.	-29.7%	41.9%	-17.7%	37.8%	-38.3%	45.2%
Capital expenditures	\$13,288	\$11,720	\$12,051	\$9,899	\$12,866	\$13,930
% Change from previous Qtr.	21.5%	-11.8%	2.8%	-17.9%	30.0%	8.3%
Principal payments of capital (finance) lease obligations	\$3,030	\$1,976	\$2,029	\$2,056	\$6,167	\$3,716
% Change from previous Qtr.	42.4%	-34.8%	2.7%	1.3%	200.0%	-39.7%
Dividends paid	\$26,565	\$27,741	\$28,565	\$29,776	\$30,557	\$31,738
Purchases of common stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Leverage Ratio	4.28	5.08	4.97	4.86	4.78	5.08
Net Leverage Ratio	2.92	2.93	2.92	2.86	2.92	3.07
<u>Customer Connections – end of period</u>						
On-Net	71,066	72,415	73,870	74,554	75,163	75,927
% Change from previous Qtr.	3.3%	1.9%	2.0%	0.9%	0.8%	1.0%
Off-Net	11,138	11,321	11,503	11,660	11,721	11,846
% Change from previous Qtr.	1.5%	1.6%	1.6%	1.4%	0.5%	1.1%
Non-Core (1)	318	318	319	325	329	339
% Change from previous Qtr.	-12.2%	-%	-0.3%	1.9%	1.2%	3.0%
Total customer connections	82,522	84,054	85,692	86,539	87,213	88,112
% Change from previous Qtr.	3.0%	1.9%	1.9%	1.0%	0.8%	1.0%
<u>On-Net Buildings – end of period</u>						
Multi-Tenant office buildings	1,746	1,751	1,757	1,767	1,769	1,771
Carrier neutral data center buildings	908	933	960	980	1,000	1,029
Cogent data centers	52	53	54	54	54	54
Total on-net buildings	2,706	2,737	2,771	2,801	2,823	2,854
Square feet – multi-tenant office buildings – on-net	949,486,923	951,031,709	954,013,024	957,173,183	961,154,384	962,049,183

<u>Network – end of period</u>						
Intercity route miles	57,426	57,426	57,426	57,600	58,009	58,009
Metro fiber miles	33,664	34,163	34,985	35,526	36,079	36,438
Connected networks – AS's	6,668	6,762	6,844	6,954	7,042	7,133
<u>Headcount – end of period</u>						
Sales force – quota bearing	501	519	530	548	542	572
Sales force - total	639	656	667	686	684	716
Total employees	997	1,026	1,036	1,055	1,052	1,083
Sales rep productivity – units per full time equivalent sales rep (“FTE”) per month	5.1	4.9	4.4	4.1	4.5	4.0
FTE – sales reps	464	478	488	502	522	533

- (1) Consists of legacy services of companies whose assets or businesses were acquired by Cogent, primarily including voice services (only provided in Toronto, Canada).
- (2) Network operations expense excludes equity-based compensation expense of \$180, \$226, \$282, \$306, \$252 and \$305 in the three month periods ended March 31, 2019 through June 30, 2020, respectively. Network operations expense includes excise taxes, including Universal Service Fund fees of \$3,391, \$3,191, \$3,998, \$4,334, \$3,743 and \$3,298 in the three month periods ended March 31, 2019 through June 30, 2020, respectively.
- (3) GAAP gross profit is defined as total service revenue less network operations expense, depreciation and amortization and equity based compensation included in network operations expense. GAAP gross margin is defined as GAAP gross profit divided by total service revenue.
- (4) Non-GAAP gross profit represents service revenue less network operations expense, excluding equity-based compensation and amounts shown separately (depreciation and amortization expense). Non-GAAP gross margin is defined as non-GAAP gross profit divided by total service revenue. Management believes that non-GAAP gross profit and non-GAAP gross profit margin are relevant metrics to provide investors, as they are metrics that management uses to measure the margin available to the company after network service costs, in essence a measure of the efficiency of the Company's network.
- (5) Excludes equity-based compensation expense of \$3,254, \$5,063, \$4,515, \$4,634, \$4,823 and \$5,778 in the three month periods ended March 31, 2019 through June 30, 2020, respectively.
- (6) See Schedules of Non-GAAP measures below for definitions and reconciliations to GAAP measures.

Schedules of Non-GAAP Measures

EBITDA and EBITDA, as adjusted

EBITDA represents net cash flows provided by operating activities plus changes in operating assets and liabilities, cash interest expense and cash income tax expense. Management believes the most directly comparable measure to EBITDA calculated in accordance with generally accepted accounting principles in the United States, or GAAP, is net cash provided by operating activities. The Company also believes that EBITDA is a measure frequently used by securities analysts, investors, and other interested parties in their evaluation of issuers. EBITDA, as adjusted, represents EBITDA plus net gains (losses) on asset related transactions.

The Company believes that EBITDA, and EBITDA, as adjusted, are useful measures of its ability to service debt, fund capital expenditures and expand its business. EBITDA, and EBITDA, as adjusted are an integral part of the internal reporting and planning system used by management as a supplement to GAAP financial information. EBITDA, and EBITDA, as adjusted are not recognized terms under GAAP and accordingly, should not be viewed in isolation or as a substitute for the analysis of results as reported under GAAP, but rather as a supplemental measure to GAAP. For example, these metrics are not intended to reflect the Company's free cash flow, as it does not consider certain current or future cash requirements, such as capital expenditures, contractual commitments, and changes in working capital needs, interest expenses and debt service requirements. The Company's calculations of these metrics may also differ from the calculations performed by its competitors and other companies and as such, its utility as a comparative measure is limited.

EBITDA, and EBITDA, as adjusted, are reconciled to net cash provided by operating activities in the table below.

	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
(\$ in 000's) – unaudited						
Net cash provided by operating activities	\$28,637	\$40,632	\$33,443	\$46,097	\$28,458	\$41,311
Changes in operating assets and liabilities	6,727	(5,729)	3,785	(6,557)	5,325	\$(3,232)
Cash interest expense and income tax expense	<u>12,197</u>	<u>12,202</u>	<u>13,287</u>	<u>13,184</u>	<u>16,611</u>	<u>15,269</u>
EBITDA	\$47,561	\$47,105	\$50,515	\$52,724	\$50,394	\$53,348
PLUS: Gains on asset related transactions	<u>536</u>	<u>185</u>	<u>87</u>	<u>251</u>	<u>39</u>	<u>205</u>
EBITDA, as adjusted	<u>\$48,097</u>	<u>\$47,290</u>	<u>\$50,602</u>	<u>\$52,975</u>	<u>\$50,433</u>	<u>\$53,553</u>
EBITDA margin	<u>35.5%</u>	<u>34.9%</u>	<u>36.9%</u>	<u>37.6%</u>	<u>35.8%</u>	<u>37.8%</u>
EBITDA, as adjusted, margin	<u>35.9%</u>	<u>35.1%</u>	<u>37.0%</u>	<u>37.8%</u>	<u>35.8%</u>	<u>38.0%</u>

Constant currency revenue is reconciled to service revenue as reported in the tables below.

Constant currency impact on revenue changes – sequential periods

(\$ in 000's) – unaudited	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
Service revenue, as reported – current period	\$134,137	\$134,789	\$136,942	\$140,292	\$140,915	\$140,990
Impact of foreign currencies on service revenue	<u>135</u>	<u>260</u>	<u>176</u>	<u>88</u>	<u>184</u>	<u>202</u>
Service revenue - as adjusted for currency impact (1)	<u>\$134,272</u>	<u>\$135,049</u>	<u>\$137,118</u>	<u>\$140,380</u>	<u>\$141,099</u>	<u>\$141,192</u>
Service revenue, as reported – prior sequential period	<u>\$132,049</u>	<u>\$134,137</u>	<u>\$134,789</u>	<u>\$136,942</u>	<u>\$140,292</u>	<u>\$140,915</u>
Constant currency increase	<u>\$2,223</u>	<u>\$912</u>	<u>\$2,329</u>	<u>\$3,438</u>	<u>\$807</u>	<u>\$277</u>
Constant currency percent increase	<u>1.7%</u>	<u>0.7%</u>	<u>1.7%</u>	<u>2.5%</u>	<u>0.6%</u>	<u>0.2%</u>

- (1) Service revenue, as adjusted for currency impact, is determined by translating the service revenue for the current period at the average foreign currency exchange rates for the prior sequential period. The Company believes that disclosing quarterly sequential revenue growth without the impact of foreign currencies on service revenue is a useful measure of sequential revenue growth. Service revenue, as adjusted for currency impact, is an integral part of the internal reporting and planning system used by management as a supplement to GAAP financial information.

Constant currency impact on revenue changes – prior year periods

(\$ in 000's) – unaudited	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
Service revenue, as reported – current period	\$134,137	\$134,789	\$136,942	\$140,292	\$140,915	\$140,990
Impact of foreign currencies on service revenue	<u>2,078</u>	<u>1,505</u>	<u>1,058</u>	<u>683</u>	<u>746</u>	<u>674</u>
Service revenue - as adjusted for currency impact (2)	<u>\$136,215</u>	<u>\$136,294</u>	<u>\$138,000</u>	<u>\$140,975</u>	<u>\$141,661</u>	<u>\$141,664</u>
Service revenue, as reported – prior year period	<u>\$128,706</u>	<u>\$129,296</u>	<u>\$130,139</u>	<u>\$132,049</u>	<u>\$134,137</u>	<u>\$134,789</u>
Constant currency increase	<u>\$7,509</u>	<u>\$6,998</u>	<u>\$7,861</u>	<u>\$8,926</u>	<u>\$7,524</u>	<u>\$6,875</u>
Percent increase	<u>5.8%</u>	<u>5.4%</u>	<u>6.0%</u>	<u>6.8%</u>	<u>5.6%</u>	<u>5.1%</u>

- (2) Service revenue, as adjusted for currency impact, is determined by translating the service revenue for the current period at the average foreign currency exchange rates for the comparable prior year period. The Company believes that disclosing year over year revenue growth without the impact of foreign currencies on service revenue is a useful measure of revenue growth. Service revenue, as adjusted for currency impact, is an integral part of the internal reporting and planning system used by management as a supplement to GAAP financial information.

Non-GAAP gross profit and Non-GAAP gross margin

Non-GAAP gross profit and Non-GAAP gross margin are reconciled to GAAP gross profit and GAAP gross margin in the table below.

	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
(\$ in 000's) – unaudited						
Service revenue total	\$134,137	\$134,789	\$136,942	\$140,292	\$140,915	\$140,990
Minus - Network operations expense including equity-based compensation and including depreciation and amortization expense	<u>74,413</u>	<u>74,386</u>	<u>75,259</u>	<u>75,992</u>	<u>75,429</u>	<u>73,782</u>
GAAP Gross Profit (1)	<u>\$59,724</u>	<u>\$60,403</u>	<u>\$61,683</u>	<u>\$64,300</u>	<u>\$65,486</u>	<u>\$67,208</u>
Plus - Equity-based compensation – network operations expense	180	226	282	306	252	305
Plus – Depreciation and amortization expense	<u>20,263</u>	<u>19,979</u>	<u>20,006</u>	<u>20,002</u>	<u>19,508</u>	<u>19,896</u>
Non-GAAP Gross Profit (2)	<u>\$80,167</u>	<u>\$80,608</u>	<u>\$81,971</u>	<u>\$84,608</u>	<u>\$85,246</u>	<u>\$87,409</u>
GAAP Gross Margin (1)	<u>44.5%</u>	<u>44.8%</u>	<u>45.0%</u>	<u>45.8%</u>	<u>46.5%</u>	<u>47.7%</u>
Non-GAAP Gross Margin (2)	<u>59.8%</u>	<u>59.8%</u>	<u>59.9%</u>	<u>60.3%</u>	<u>60.5%</u>	<u>62.0%</u>

- (1) GAAP gross profit is defined as total service revenue less network operations expense, depreciation and amortization and equity based compensation included in network operations expense. GAAP gross margin is defined as GAAP gross profit divided by total service revenue.
- (2) Non-GAAP gross profit represents service revenue less network operations expense, excluding equity based compensation and amounts shown separately (depreciation and amortization expense). Non-GAAP gross margin is defined as non-GAAP gross profit divided by total service revenue. Management believes that non-GAAP gross profit and non-GAAP gross margin are relevant metrics to provide to investors, as they are metrics that management uses to measure the margin and amount available to the Company after network service costs, in essence these are measures of the efficiency of the Company's network.

Gross and Net Leverage Ratios

Gross leverage ratio is defined as total debt divided by the trailing last 12 months EBITDA, as adjusted. Net leverage ratio is defined as total net debt (total debt minus cash and cash equivalents) divided by the trailing last 12 months EBITDA, as adjusted. Cogent's gross leverage ratio and net leverage ratio are shown below.

(\$ in 000's) – unaudited	<u>As of March 31, 2020</u>	<u>As of June 30, 2020</u>
Cash and cash equivalents	\$375,116	\$417,026
Debt		
Capital (finance) leases – current portion	8,268	14,734
Capital (finance) leases – long term	159,678	189,044
Senior unsecured notes	189,225	-
Senior secured notes	445,000	445,000
Senior unsecured euro 2024 notes	148,507	393,011
Note payable	<u>12,264</u>	<u>12,831</u>
Total debt	<u>962,942</u>	<u>1,054,620</u>
Total net debt	<u>587,826</u>	<u>637,594</u>
Trailing 12 months EBITDA, as adjusted	201,300	207,563
Gross leverage ratio	4.78	5.08
Net leverage ratio	2.92	3.07

Cogent's SEC filings are available online via the Investor Relations section of www.cogentco.com or on the Securities and Exchange Commission's website at www.sec.gov.

COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2020 AND DECEMBER 31, 2019
(IN THOUSANDS, EXCEPT SHARE DATA)

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 417,026	\$ 399,422
Accounts receivable, net of allowance for credit losses of \$2,115 and \$1,771, respectively	40,560	40,484
Prepaid expenses and other current assets	39,530	35,822
Total current assets	497,116	475,728
Property and equipment, net	406,747	368,929
Right-of-use leased assets	87,697	73,460
Deposits and other assets	13,841	14,007
Total assets	<u>\$ 1,005,401</u>	<u>\$ 932,124</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 12,171	\$ 11,075
Accrued and other current liabilities	52,492	51,301
Installment payment agreement, current portion, net of discounts of \$291 and \$350, respectively	9,374	9,063
Current maturities, operating lease liabilities	11,292	10,101
Current maturities, finance lease obligations	14,734	8,154
Total current liabilities	100,063	89,694
Senior secured 2022 notes, net of unamortized debt costs of \$1,480 and \$1,897, respectively and including premiums of \$767 and \$985, respectively	444,287	444,088
Senior unsecured 2024 Euro notes, net of unamortized debt costs of \$3,365 and \$1,410, respectively and net of discounts of \$1,183 and \$0, respectively	388,463	150,001
Senior unsecured 2021 notes, net of unamortized debt costs of \$857	—	188,368
Operating lease liabilities, net of current maturities	99,151	86,690
Finance lease obligations, net of current maturities	189,044	161,635
Other long term liabilities	19,943	15,327
Total liabilities	<u>1,240,951</u>	<u>1,135,803</u>
Commitments and contingencies:		
Stockholders' equity:		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 47,279,201 and 46,840,434 shares issued and outstanding, respectively	47	47
Additional paid-in capital	506,391	493,178
Accumulated other comprehensive income — foreign currency translation	(12,906)	(12,326)
Accumulated deficit	(729,082)	(684,578)
Total stockholders' deficit	<u>(235,550)</u>	<u>(203,679)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,005,401</u>	<u>\$ 932,124</u>

COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND JUNE 30, 2019
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Three Months Ended June 30, 2020 (Unaudited)	Three Months Ended June 30, 2019 (Unaudited)
Service revenue	\$ 140,990	\$ 134,789
Operating expenses:		
Network operations (including \$305 and \$226 of equity-based compensation expense, respectively, exclusive of depreciation and amortization shown separately below)	53,886	54,407
Selling, general, and administrative (including \$5,778 and \$5,063 of equity-based compensation expense, respectively)	39,839	38,566
Depreciation and amortization	19,896	19,979
Total operating expenses	113,621	112,952
Gains on equipment transactions	205	185
Operating income	27,574	22,022
Interest expense	(15,499)	(13,595)
Realized foreign exchange gain on issuance on 2024 Euro Notes	2,547	—
Unrealized foreign exchange (loss) gain on 2024 Euro Notes	(3,420)	177
Loss on debt extinguishment and redemption – 2021 Notes	(638)	—
Interest income and other, net	735	1,576
Income before income taxes	11,299	10,180
Income tax provision	(2,735)	(3,044)
Net income	<u>\$ 8,564</u>	<u>\$ 7,136</u>
Comprehensive income:		
Net income	\$ 8,564	\$ 7,136
Foreign currency translation adjustment	2,913	1,786
Comprehensive income	<u>\$ 11,477</u>	<u>\$ 8,922</u>
Net income per common share:		
Basic net income per common share	\$ 0.19	\$ 0.16
Diluted net income per common share	\$ 0.18	\$ 0.16
Dividends declared per common share	\$ 0.68	\$ 0.60
Weighted-average common shares - basic	45,754,880	45,354,327
Weighted-average common shares - diluted	46,686,665	45,912,291

COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND JUNE 30, 2019
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(Unaudited)	(Unaudited)
Service revenue	\$ 281,904	\$ 268,930
Operating expenses:		
Network operations (including \$557 and \$406 of equity-based compensation expense, respectively, exclusive of depreciation and amortization shown separately below)	109,806	108,557
Selling, general, and administrative (including \$10,600 and \$8,318 of equity-based compensation expense, respectively)	79,513	74,427
Depreciation and amortization	39,402	40,240
Total operating expenses	228,721	223,224
Gains on equipment transactions	244	721
Operating income	53,427	46,427
Interest expense	(30,720)	(27,051)
Realized foreign exchange gain on issuance of 2024 Euro Notes	2,547	—
Unrealized (loss) gain on foreign exchange on 2024 Euro Notes	(512)	177
Interest income and other, net	28	3,395
Loss on debt extinguishment and redemption- 2021 Notes	(638)	—
Income before income taxes	24,132	22,948
Income tax provision	(6,341)	(6,595)
Net income	<u>\$ 17,791</u>	<u>\$ 16,353</u>
Comprehensive income:		
Net income	\$ 17,791	\$ 16,353
Foreign currency translation adjustment	(580)	(39)
Comprehensive income	<u>\$ 17,211</u>	<u>\$ 16,314</u>
Net income per common share:		
Basic net income per common share	\$ 0.39	\$ 0.36
Diluted net income per common share	\$ 0.38	\$ 0.36
Dividends declared per common share	\$ 1.34	\$ 1.18
Weighted-average common shares - basic	45,760,302	45,349,397
Weighted-average common shares - diluted	46,592,445	45,838,918

COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND JUNE 30, 2019
(IN THOUSANDS)

	Three months Ended June 30, 2020	Three months Ended June 30, 2019
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income	\$ 8,564	\$ 7,136
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,896	19,977
Amortization of debt costs, discounts and premiums	453	428
Equity-based compensation expense (net of amounts capitalized)	6,083	5,290
Loss on debt extinguishment and redemption – 2021 Notes	638	—
Unrealized losses (gains) on foreign exchange	3,383	(177)
Realized foreign exchange gain on issuance of 2024 Notes	(2,547)	—
Gains - equipment transactions and other, net	(448)	(76)
Deferred income taxes	1,814	2,259
Changes in operating assets and liabilities:		
Accounts receivable	2,697	(1,259)
Prepaid expenses and other current assets	628	(360)
Accounts payable, accrued liabilities and other long-term liabilities	453	7,866
Deposits and other assets	(303)	(452)
Net cash provided by operating activities	<u>41,311</u>	<u>40,632</u>
Cash flows from investing activities:		
Purchases of property and equipment	(13,930)	(11,720)
Net cash used in investing activities	<u>(13,930)</u>	<u>(11,720)</u>
Cash flows from financing activities:		
Dividends paid	(31,738)	(27,741)
Redemption and extinguishment of 2021 Notes	(189,225)	—
Net proceeds from issuance of senior unsecured 2024 Euro Notes - net of debt costs of \$2,137 and \$1,556, respectively	240,285	152,128
Principal payments on installment payment agreement	(2,562)	(2,387)
Principal payments of finance lease obligations	(3,716)	(1,976)
Proceeds from exercises of stock options	271	746
Net cash provided by financing activities	<u>13,315</u>	<u>120,770</u>
Effect of exchange rates changes on cash	<u>1,214</u>	<u>459</u>
Net increase in cash and cash equivalents	<u>41,910</u>	<u>150,141</u>
Cash and cash equivalents, beginning of period	<u>375,116</u>	<u>259,138</u>
Cash and cash equivalents, end of period	<u><u>\$ 417,026</u></u>	<u><u>\$ 409,279</u></u>

COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND JUNE 30, 2019
(IN THOUSANDS)

	Six months Ended June 30, 2020	Six months Ended June 30, 2019
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income	\$ 17,791	\$ 16,353
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,402	40,240
Amortization of debt costs, discounts and premiums	930	842
Equity-based compensation expense (net of amounts capitalized)	11,157	8,724
Loss on debt extinguishment and redemption – 2021 Notes	638	—
Unrealized losses (gains) on foreign exchange	479	(177)
Realized foreign exchange gain on issuance of 2024 Notes	(2,547)	—
Gains - equipment transactions and other, net	(902)	(307)
Deferred income taxes	4,253	4,831
Changes in operating assets and liabilities:		
Accounts receivable	(93)	1,005
Prepaid expenses and other current assets	(2,465)	(3,547)
Accounts payable, accrued liabilities and other long-term liabilities	1,523	5,088
Deposits and other assets	(397)	(3,783)
Net cash provided by operating activities	<u>69,769</u>	<u>69,269</u>
Cash flows from investing activities:		
Purchases of property and equipment	(26,796)	(25,008)
Net cash used in investing activities	<u>(26,796)</u>	<u>(25,008)</u>
Cash flows from financing activities:		
Dividends paid	(62,295)	(54,306)
Redemption and extinguishment of 2021 Notes	(189,225)	—
Net proceeds from issuance of senior unsecured 2024 Euro Notes - net of debt costs of \$2,137 and \$1,556, respectively	240,285	152,128
Principal payments on installment payment agreement	(5,128)	(4,774)
Principal payments of finance lease obligations	(9,883)	(5,006)
Proceeds from exercises of stock options	989	919
Net cash (used in) provided by financing activities	<u>(25,257)</u>	<u>88,961</u>
Effect of exchange rates changes on cash	<u>(112)</u>	<u>(36)</u>
Net increase in cash and cash equivalents	17,604	133,186
Cash and cash equivalents, beginning of period	<u>399,422</u>	<u>276,093</u>
Cash and cash equivalents, end of period	<u><u>\$ 417,026</u></u>	<u><u>\$ 409,279</u></u>

Except for historical information and discussion contained herein, statements contained in this release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to statements identified by words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “targets,” “projects” and similar expressions. The statements in this release are based upon the current beliefs and expectations of Cogent’s management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. Numerous factors could cause or contribute to such differences, including the impact of the COVID-19

pandemic and the related government policies; future economic instability in the global economy or a contraction of the capital markets which could affect spending on Internet services and our ability to engage in financing activities; the impact of changing foreign exchange rates (in particular the Euro to USD and Canadian dollar to USD exchange rates) on the translation of our non-USD denominated revenues, expenses, assets and liabilities; legal and operational difficulties in new markets; the imposition of a requirement that we contribute to the US Universal Service Fund on the basis of our Internet revenue; changes in government policy and/or regulation, including net neutrality rules by the United States Federal Communications Commission and in the area of data protection; increasing competition leading to lower prices for our services; our ability to attract new customers and to increase and maintain the volume of traffic on our network; the ability to maintain our Internet peering arrangements on favorable terms; our reliance on an equipment vendor, Cisco Systems Inc., and the potential for hardware or software problems associated with such equipment; the dependence of our network on the quality and dependability of third-party fiber providers; our ability to retain certain customers that comprise a significant portion of our revenue base; the management of network failures and/or disruptions; and outcomes in litigation as well as other risks discussed from time to time in our filings with the Securities and Exchange Commission, including, without limitation, our Quarterly Report on Form 10-Q for the quarters ended June 30, 2020 and March 31, 2020 and our Annual Report on Form 10-K for the year ended December 31, 2019. Cogent undertakes no duty to update any forward-looking statement or any information contained in this press release or in other public disclosures at any time.

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