Report Date: June 6, 2019
Company: GTT Communications, Inc.
Ticker: GTT US
Industry: Telecommunications
Stock Price (USD): $22.51
Market Cap (USD, Millions): $1,256.6

WOLFPACK RESEARCH

Introduction

We are short GTT Communications, Inc. (GTT US) because we believe it is an over-levered, fundamentally broken business that uses non-GAAP metrics to conceal its lack of organic growth and cash flow from investors. GTT lost -$71 million and -$243 million in 2017 and 2018, and by our calculations, generated negative organic growth of -8.7% and -7.7% in 2017 and 2018. Despite these awful metrics, senior management has received $37 million in bonuses because GTT's compensation plan effectively incentivizes value destruction through indiscriminate acquisitions.

GTT's management keeps this self-enriching process going by deliberately creating financial opacity in the following ways:

- GTT does not disclose its organic growth rate to investors. We calculated GTT's organic growth rate to be -8.7% and -7.7% in 2017 and 2018, respectively. With negative organic growth, no more accounting levers to pull and nowhere near enough free cash flow to service its debt, we believe GTT is a fundamentally broken rollup.
- GTT inflated its operating profit by almost $80 million in 2018 by significantly stretching its depreciation and amortization periods and revaluing acquired assets. Had they not made these adjustments, GTT would have reported an **operating *loss*** of almost $40 million last year.
- GTT's net debt has grown from $700 million at the end of 2016 to approximately $3.2 billion as of March 31, 2019, bringing GTT's debt-to-equity ratio up to 996%. GTT's trailing 12-month cash conversion rate (OCF/Sales) is 5.1%. With management's guidance of capex at 7% of revenue, it is mathematically impossible for GTT to generate positive free cash flow.
- GTT's executive compensation structure has, in our opinion, incentivized value destruction. In the last two years, GTT has posted **record losses** of $71.2 million and $243.4 million while GTT's top three executives were awarded **record compensation** of $18.3 million and $19.3 million in 2017 and 2018, respectively.

GTT's executive compensation plans have caused management to deviate significantly from its stated strategy of growth through small, strategic acquisitions. Instead, GTT has made massive acquisitions of declining, unprofitable businesses in 2017 and 2018, regardless of their impact on the company's leverage and profitability.

GTT's net debt-to-EBITDA is 10.9x – more than double the *adjusted* EBITDA-based leverage metric that GTT highlights to its investors. We believe GTT's unsustainable cash burn rate and debt burden leaves GTT needing a large, dilutive equity raise – which would only buy more time, without addressing the underlying problems.

The main problem is that GTT does not generate organic growth or enough free cash flow to service its debt.

1. **Organic Growth (or in this case, negative organic growth):**
    - GTT is reliant on acquisitions for growth, masking the company's negative organic growth. According to our calculations, GTT posted terrible organic growth of -8.7% and -7.7% in 2017 and 2018, respectively. Unlike many of its competitors, GTT does not disclose its organic growth rate to investors.
    - GTT obfuscates its negative organic growth by tucking in the revenue from what it characterizes as "immaterial acquisitions." However, since GTT makes one or two of these each quarter, in aggregate, they quickly become material, in our opinion. GTT has paid $267.1 million (about 18% of its 2018 revenue) for these "immaterial acquisitions" since the beginning of 2016.
    - Because no financials were provided by GTT for these so-called "immaterial acquisitions," GTT is able to create the *appearance* of organic growth that simply does not exist. We took it upon ourselves to pull filings from The Netherlands and the National Stock Exchange of India to calculate GTT's real organic growth.

2. **Math is a Science; Accounting is an Art Form – Tools for Financial Engineering:**
    - GTT inflated its financial performance by $78.7 million in 2018 by *significantly* revaluing the assets acquired from Interoute post-close and extending the depreciation and amortization periods for these assets. By our calculation, GTT would have posted an **operating loss** of nearly $40 million in 2018, compared to the company's reported operating profit of $39.7 million**.**
    - These same accounting adjustments took GTT's Q1 2019 operating income from a mere $800,000 to the $38.7 million reported by the company.
    - GTT marked up the carrying value of Interoute's PP&E by $492 million upon acquisition, *then* by an additional $422 million 6 months later, for a **total markup of $914 million**, or 175%. Concurrent to marking up Interoute's PP&E, GTT also marked the carrying value of Interoute's customer lists down by 70%, or $408.5 million, implying that 70% of Interoute's customers churned in the first 6 months post-acquisition.
    - GTT can depreciate PP&E up to twice as long as it can amortize intangible assets like customer lists, which, as it stands, will inflate GTT's financial performance by as much as **$151.6 million in 2019**. You can see our calculations in Appendix B of this report.
    - Between Q3 and Q4 2018, GTT extended the useful lives (or depreciation period) of its fiber optic cable assets from "20 years" to "20 to 40 years." We asked a C-Suite executive from one of GTT's competitors about this depreciation period for fiber and he told us the following: *"No one else in the industry uses a 40-year depreciation. The industry standard for pretty much everyone from AT&T to Verizon to CenturyLink to Cogent is generally 20 years. Sometimes 15 but most cases 20."*
    - GTT extended its amortization period for acquired customer lists in three consecutive years; from 3 to 7 years in 2016 to 3 to 10 years in 2017 to 3 to 20 years in 2018.

3. **Free Cash Flow and Debt Service:**
    - Net debt has grown from $700.9 million at the end of 2016 to $3.178 billion as of March 31, 2019. Yet, only 5.1% of GTT's revenue was converted into operating cash flow ("OCF") over the last 12 months, which ranks GTT second worst among its 12 closest competitors, whose weighted average cash flow conversion rate is 21.5%.
    - With GTT's poor trailing twelve-month cash conversion rate of 5.1%, and management's guidance for capex of 7% of revenue, it is mathematically impossible for GTT to generate free cash flow unless it can significantly improve cash conversion. (OCF – Capex = FCF)
    - GTT ended Q1 2019 with only $50.7 million of cash on-hand, including an additional $26 million drawn from its revolving credit facility – we believe GTT's cash conversion issues and $50 million of quarterly interest expense have created a dangerous liquidity crunch for GTT.

4. **Pro Forma Financials and Unrealized Synergies:**
    - GTT's net debt to EBITDA is approximately 10.9x using standard EBITDA, or approximately 7.8x using GTT's definition of adjusted EBITDA. Both of these would violate GTT's 6.5x maximum leverage covenant, which drops to 6.25x at the end of Q3 2019.
    - Somehow, GTT was able lower its leverage ratio to 5.0x at the end of Q1 2019 using "customized" synergies that are presented only in its "***Private*** Lender Presentation," which is not available for GTT's shareholders to review.
    - GTT removed the pro forma revenue and adjusted EBITDA slides from its Q4 2018 investor presentation and, in doing so, further obfuscates the deterioration of its financial performance from investors.

5. **Executive Compensation – Incentivizing Value Destruction:**
    - GTT's "performance-based" executive compensation plans incentivize acquisitions which we believe destroy shareholder value and allow management to reap the rewards of inorganic growth while ignoring the massive risks that come with it.
    - In the last two years, GTT has posted record losses of $71.2 million and $243.4 million while GTT's top three executives were awarded record compensation of $18.3 million and $19.3 million in 2017 and 2018, respectively.
    - Since the beginning of 2017, GTT's top three executives have sold $13.1 million of stock on the open market. These same executives have *never* made an open market purchase of GTT stock, that we could find. These sales are detailed in Appendix E of this report.

1. Organic Growth (or Lack Thereof)

GTT obfuscated its negative organic growth rates of -8.7% and -7.7% in 2017 and 2018, respectively, by not providing financials for what it characterizes as "immaterial acquisitions" and "asset purchases of certain customer contracts." The revenue from these so called "immaterial acquisitions" is simply tucked into the top line. In doing so, GTT deliberately creates opacity with respect to its true organic growth rate. Since GTT makes one or two of these "immaterial acquisitions" each quarter, in aggregate, they quickly become material, in our opinion. GTT has paid $267.1 million (about 18% of GTT's 2018 revenue) for "immaterial acquisitions" and "purchases or certain customer contracts" since the beginning of 2016. In our opinion, this is *absolutely material.*

Annual organic revenue analysis (USD, millions)	2017	2018
Revenue	827.9	1,490.8
Impact of:		
Acquisition revenue - current period	(260.4)	(526.3)
USF Fees and other surcharges	(17.4)	(23.4)
Asset purchase	(37.6)	-
Organic revenue	**512.5**	**941.1**
Previous period organic revenue base	561.5	1,019.6
Net change in organic revenue	**(31.6)**	**(78.5)**
Reported revenue growth	*57.0%*	*80.1%*
Organic revenue growth (not reported by GTT)	***-8.7%***	***-7.7%***
USF and other surcharge adjustments	(19.9)	(43.5)
Net installations	**(11.7)**	**(26.3)**

The table above makes it clear to us that the last two years have been an absolute disaster for GTT on the organic growth front. The stock fell more than 35% after posting a sequential revenue decline of 1% in Q1 2019 – we can only imagine what would happen to the stock price if GTT disclosed net installs of -$26.3 million, or its significant negative organic growth rates.

According to GTT's management, the company considers its smaller acquisitions to be an "*organic activity*" because GTT makes "*immaterial acquisitions*" so often and it is (apparently) cheaper than true organic growth – possibly because transaction, integration, restructuring and exit costs can be added back to *adjusted* EBITDA as well as *adjusted unlevered free cash flow*, two of the key determinants of GTT's "performance-based" executive compensation plans.

Below are a few statements from GTT's executives regarding the company's "organic growth" strategy:

> *"As Rick said, we do sort of the ground game for us is those smaller acquisitions that we do roughly one a quarter and we consider that more like an organic activity."*
>
> - CFO Mike Sicoli, Q2 2018 earnings call
>
> *"We add these smaller acquisitions and buying books of business which I call organic as well because it's a lot less expensive sometimes to buy those books than to take six months or nine months to build a sales organization to achieve that."*
>
> - Executive Chairman H. Brian Thompson, Q4 2017 earnings call
>
> *"The organic part of our business is also the combination of small acquisitions."*
>
> - CEO Rick Calder, Q3 2018 earnings call

We could not disagree more with these statements, since all acquisitions, regardless of their size, are inorganic growth by definition.

In order to provide transparency into our organic growth calculations, we have provided the table below, which lists all of GTT's acquisitions and asset purchases since the beginning of 2015 as well as the post-acquisition and annualized revenue numbers that we used in the organic growth calculations presented above.

Year	Period	Company	Revenue	Post-Acq.	Price	Multiple
2015	Q2	MegaPath	$130.87	$93.08	$152.30	1.2x
2015	Q4	One Source	$74.60	$14.31	$175.20	2.3x
2016	Q1	Telnes Broadband	$17.50	$16.04	$17.50	1.0x
2016	Q2	RealLinx	$13.00	$6.50	$13.00	1.0x
2016	Q4	Yipes[1]	$39.80	$4.86	$28.90	**0.7x**
2017	Q1	Hibernia Networks	$176.20	$176.20	$604.60	3.4x
2017	Q1	Mammoth	$10.90	$10.08	$10.90	1.0x
2017	Q2	Giglinx	$26.50	$19.80	$26.50	1.0x
2017	Q2	Perseus Telecom	$32.19	$18.78	$37.50	1.2x
2017	Q3	Global Capacity	$204.33	$59.60	$157.60	0.8x
2017	Q4	Transbeam[2]	$21.10	$5.28	$26.60	**1.3x**
2018	Q1	Custom Connect[3]	$18.25	$0.00	$28.90	**1.6x**
2018	Q2	Interoute	$807.35	$403.67	$2,239.30	2.8x
2018	Q2	ACI	$38.40	$29.17	$38.40	1.0x
2018	Q4	Access Point	$40.90	$10.30	$40.90	1.0x

**Blue numbers indicate revenue multiples based on management guidance of 1.0x*

*****Bold numbers indicate revenue multiple from sources other than GTT's SEC filings***

****Asset purchases are listed in orange.*

[1] https://rcom.co.in/download/2016-sale-of-overseas-subsidiary-of-the-company/

[2] https://www.zoominfo.com/c/transbeam-inc/57720901

[3] https://www.kvk.nl/handelsregister/TST-BIN/FP/TSWS010@?BUTT=390898630000&CHK1=J&kvknummer=390898630000&product=Be%E2%80%A6

For us to be as clear as possible about the length GTT goes to obscure its organic growth rate, we have broken it down quarter by quarter since Q1 2017. You can see in depth quarter-by-quarter calculations behind the numbers presented below in Appendix A of this report.

Organic vs. Reported Revenue Growth	Organic	Reported Rev.
Q1 2017	***-1.0%***	*36.3%*
Q2 2017	***-3.3%***	*2.2%*
Q3 2017	***-1.3%***	*6.6%*
Q4 2017	***-0.5%***	*23.0%*
Q1 2018	***1.5%***	*4.6%*
Q2 2018	***-3.6%***	*25.4%*
Q3 2018	***-3.5%***	*37.3%*
Q4 2018	***-0.9%***	*1.4%*
Q1 2019	***-1.0%***	*-1.0%*

Q4 2017 is the most bizarre example of GTT's efforts to obfuscate its organic growth capabilities. GTT made a buzzer-beating acquisition of Custom Connect on the ***last day of the year***, which most of us refer to as New Year's Eve (December 31, 2017 also happened to be a Sunday).

GTT did not provide any financials for Custom Connect. However, after extensive digging through European filings, we found Custom Connect's 2015 - 2017 financials in a filing from its domicile country, the Netherlands. This filing suggests that GTT paid 1.6x revenue for Custom Connect – which, if true, is noticeably higher than management's guidance of 0.8x to 1.2x for these smaller acquisitions. We estimate that GTT paid 110.0x EBITDA for Custom Connect – approximately 2,100% above management's guidance of 5.0x. It would take an *unbelievable* amount of synergies to make this EBITDA multiple "deleveraging" for GTT. You can see Custom Connect's deteriorating financials in its 2015 – 2017 income statements, which (unlike GTT) we have provided in Appendix C of this report.

We gave GTT the benefit of the doubt and calculated organic growth using $0 for Custom Connect's revenue contribution to Q4 2017, although Custom Connect's December 2017 billing *could theoretically have been deferred until December 31 as part of the negotiations for this transaction*. We found that GTT's sequential *organic* revenue growth rate was -0.5%, as opposed to the 23.0% sequential revenue growth rate reported by GTT. If GTT had recognized Custom Connect's December 2017 revenue, GTT's sequential organic growth rate would have been -1.1% in Q4 2017.

GTT does disclose and even at times *boasts* about its sequential revenue growth. With no acquisitions or asset purchases in Q1 2019 to create the appearance of growth, GTT reported revenue of $450.2 million, a decrease of -$4.6 million, or -1.0% from the previous quarter. This was GTT's first sequential revenue decline since Q1 2015, another indication to us that this is a broken rollup story. GTT's stock fell more than 35% in the 5 trading days following its earnings report. GTT's 2024 senior unsecured notes lost more than 9 cents on the dollar during that same 5-day period – sending the yield-to-maturity ("YTM") to near 12% from around 9% prior to Q1 2019 earnings.

Net Installations – A Measure of Organic Growth

Net installations ("net installs") is the only organic growth metric we have seen GTT report. The company only reports this figure in its proxy statements because it is used for a portion of GTT's cash-based executive compensation plans. In 2017, GTT *reported* net installations of $6.1 million.

Annual Cash Goals	Weighting	Threshold ($) (in millions)	Target ($) (in millions)	Maximum ($) (in millions)	2017 Actual Performance Achievement ($) (in millions)	% Achieved
Adjusted EBITDA	50%	206.9	224.9	281.1	221.7	100.0
Revenue	20%	731.7	770.2	847.2	827.9	101.9
Net Installations	20%	3.9	7.8	11.7	6.1	78.6
Personal Performance Objectives	10%	Determined on an individual basis for each executive				

EBITDA is an acronym for Earnings Before Interest, Tax, Depreciation and Amortization. Adjusted EBITDA is a financial metric commonly used in the industry in which we operate, and we describe how it is calculated from our financial statements in our Annual Report on Form 10-K under the heading "*Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")*". The Compensation Committee selected Adjusted EBITDA and revenue as elements of the target cash incentive because they are consistent with how peers and investors evaluate performance. Net installations is a good measure of organic growth and is calculated as total installations less total customer churn. We included net installations as a component of the cash incentive program to provide an incentive for our management team to continue to expand our business through organic growth and to maximize customer retention.

However, we calculated net installs of -$11.7 million for GTT in 2017 – leaving a $17.8 million delta between GTT's reported number and our calculation. The table below shows our calculations for GTT's net installs:

Net installations *(USD, millions)*	**2017**	**2018**	**2019**
Q1	(1.4)	3.7	(4.6)
Q2	(6.3)	(9.5)	-
Q3	(2.7)	(16.5)	-
Q4	(1.3)	(4.0)	-
Annual net installations	**(11.7)**	**(26.3)**	**(18.3)**
GTT reported net installations	6.1	N/A	N/A
Delta	**(17.8)**	**-**	**-**

We believe the delta shown above is the result of GTT's inclusion of approximately $17.8 million of revenue from "asset purchases" (i.e., inorganic growth) in its *reported* net installations – a metric that GTT itself states is "*a good measure of organic growth.*"[4]

[4] You can see the calculations behind the numbers presented above in Appendix A of this report.

In 2018, GTT set, *and missed*, a negative target of -$1.4 million for net installations. Unlike the 2017 proxy, GTT elected not to disclose its *actual* net installations performance for 2018, which totaled **-$26.3 million** according to our calculations. It appears to us that the difference between 2017 and 2018 was the huge acquisition of Interoute and the absence of "asset purchases" in 2018.

Annual Cash Goals	Weighting	Threshold ($) (in millions)	Target ($) (in millions)	Maximum ($) (in millions)	2018 Actual Performance Achievement ($) (in millions)	% Achieved	Accelerators/ Decelerators(3)
Adjusted EBITDA	50%	347.1	377.3	452.8	369.0(1)	97.8	89.0
Revenue	20%	1,451.8	1,512.3	1,701.3	1,508.7(1)	99.8	98.1
Net Installations	20%	(1.4)	(0.9)	0.9	—(2)	—(2)	—(2)
Personal Performance Objectives	10%	Determined on an individual basis for each executive					

(1) For purposes of the plan, we evaluate our results 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 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. Not using a constant currency basis, Adjusted EBITDA would have been $363.1 million and Revenue would have been $1,490.9 million.

(2) The Company was below the threshold for the target net installations component.

GTT's General Counsel and Executive Vice President Chris McKee made the following statement about rep productivity post-Interoute during the Q&A session at Cowen & Company's Technology, Media and Telecom Conference, just after he and CFO Mike Sicoli were caught off guard by the sudden announcement that the Interoute deal had closed:

> *"Yeah. One of the frustrating-but-sort-of-good news, good news, bad news aspect for us is our rep productivity, the amount of the amount of new MRR that reps have sold has actually been quite good. So, as we've scaled up the sales force, that's one of the things that you worry about will just fall off a cliff."*

We think that "fall off a cliff" is the perfect way to describe GTT's sales rep productivity in the quarters that followed – our calculations show that GTT posted net installations of -$9.5 million, -$16.5 million and -$4.0 million in Q2, Q3 and Q4 2018, respectively. At least one of GTT's executives foresaw the devastating effect that the Interoute acquisition would have on the company's organic growth – unfortunately for GTT's investors, he waited until it was too late to disclose this opinion *publicly*.

"Rep productivity" and "churn" are the two components that make up organic growth for GTT. Creating further financial opacity, GTT does not disclose its rep productivity number to investors – despite CEO Rick Calder's statement on GTT's Q3 2017 earnings call that,

> "*We see a lot of opportunity to continue to grow the scope and scale of the organization and maintain productivity rates which we think are industry leading in some respects."*

If GTT's rep productivity is truly *"industry leading"* why wouldn't they disclose it? GTT's rep productivity may truly be industry leading *"in some respects,"* but apparently not in the right direction, at net installations of -$26.3 million in 2018.

As part of our due diligence, we spoke to a former GTT Regional VP. When asked about GTT's churn rate. He said that,

> *"They are having a big problem there, they can't outsell their churn, and that was a problem a year and half ago and they can't provision right now to get things installed."*

His commentary on customer service was even more negative. In describing management's approach to attempting to reduce churn, he said,

> *"If you're coming up on a contract, they are holding a gun to the head of their customer, saying 'look, you are either going to re-up with us and you will get a 10% or a 5% discount on your contract or we are going to automatically increase your rates by 30%, I don't care who you are.' So, salespeople and service people are going in and they are holding the gun to the client's head and it's ostracizing their customers like crazy and as a result, they are losing revenue and they are losing trust with customers and it's a really big issue."*

Judging by the comments above as well as management's 70% markdown to the carrying value of Interoute's customer lists just months after the acquisition, it is clear to us that GTT's sales reps are fighting an uphill battle for organic growth. Interoute doubled the size of GTT overnight, meaning that a 70% churn of Interoute's customer lists implies a 35% churn of GTT's entire customer base. We believe that without growth from additional acquisitions (inorganic growth), even flat sequential revenue is unlikely for GTT going forward.

GTT's management has stated many times that the company needs to add 50 to 100 additional productive sales reps to achieve mid-single-digit organic growth. The problem is that finding, hiring, training and retaining 50 to 100 sales reps to productively sell telecommunications services will be both difficult and expensive.

One of GTT's largest competitors had this to say about the challenges of managing a salesforce in their industry:

> *"[The hardest part of this business] is, by far and away, sales. It's the ability to hire a sales force, train them, retain them, motivate them, keep them focused, promote them, give them a career path. It's an awful job, it's an outbound, tele-sales model, where you're making 100 cold calls per day to people that don't want to talk to you. And that's a really hard thing to do."*

Since the acquisition of Interoute, GTT's underlying business has continuously deteriorated. GTT does not generate organic growth and without organic growth, we believe GTT will be unable to cover its $200+ million of annual interest expense in 2019, much less fund any acquisitions that are large enough to move the needle for GTT at its current scale.

2. Math is a Science; Accounting is an Art Form – Tools for Financial Engineering

GTT adjusted the purchase price allocation ("PPA") and stretched the useful lives/amortization periods of the assets acquired from Interoute in order to hide its abysmal financial results from investors. These adjustments inflated GTT's operating profit and net income by $78.7 million in 2018 and an increase of $37.9 million in Q1 2019 – which equates to an increase of more than $150 million on an annualized basis for 2019.

The table below shows the impact of these accounting adjustments on GTT's financial results for 2018 and 2019:

GTT Depreciation & Amortization Adjustments	2018 as reported	2018 expected	FY 2018 increase	1Q19 as reported	1Q19 expected	1Q19 increase	2019 annual, reported	2019 annual, expected	FY 2019 increase
Telecommunications services	1,490.8	1,490.8		450.2	450.2		1,800.8	1,800.8	
Operating expenses:									
Cost of telecom services	819.4	819.4		241.8	241.8		967.2	967.2	
Gross profit	**671.4**	**671.4**		**208.4**	**208.4**		**833.6**	**833.6**	
SG&A	383.2	383.2		104.1	104.1		416.4	416.4	
Severance, restructuring and other exit costs	37.1	37.1		2.8	2.8		11.2	11.2	
Depreciation and amortization	211.4	211.4		62.8	62.8		251.2	251.2	
D&A Adjustment		*78.7*			*37.9*			*151.6*	
Total operating expenses	631.7	710.4		169.7	207.6		678.8	830.4	
Operating income	**39.7**	**(39.0)**	**$78.7**	**38.7**	**0.8**	**$37.9**	**154.8**	**3.2**	**$151.6**
Interest expense, net	(146.9)	(146.9)		(48.2)	(48.2)		(192.8)	(192.8)	
Loss on debt extinguishment	(13.8)	(13.8)		-	-		-	-	
Other (expense)	(127.9)	(127.9)		(16.0)	(16.0)		(64.0)	(64.0)	
Total other expense	(288.6)	(288.6)		(64.2)	(64.2)		(256.8)	(256.8)	
(Loss) before income taxes	(248.9)	(327.6)		(25.5)	(63.4)		(102.0)	(253.6)	
(Benefit) provision for taxes	(5.5)	(5.5)		1.8	1.8		7.2	7.2	
Net (loss) income	**(243.4)**	**(322.1)**	**$78.7**	**(27.3)**	**(65.2)**	**$37.9**	**(109.2)**	**(260.8)**	**$151.6**

**"Expected" refers to the expected depreciation and amortization listed in the preliminary pro forma balance sheet/PPA for the Interoute acquisition, included in the 8-K/A filed on 7/6/18*
***2019 annual figures are based on 1Q19 actual results, presented on an annualized basis.*

GTT's *aggressive* accounting has two key components which, when combined, create the operating expense reductions shown above – depreciation/amortization period extensions and post-close purchase price allocation ("PPA") adjustments.

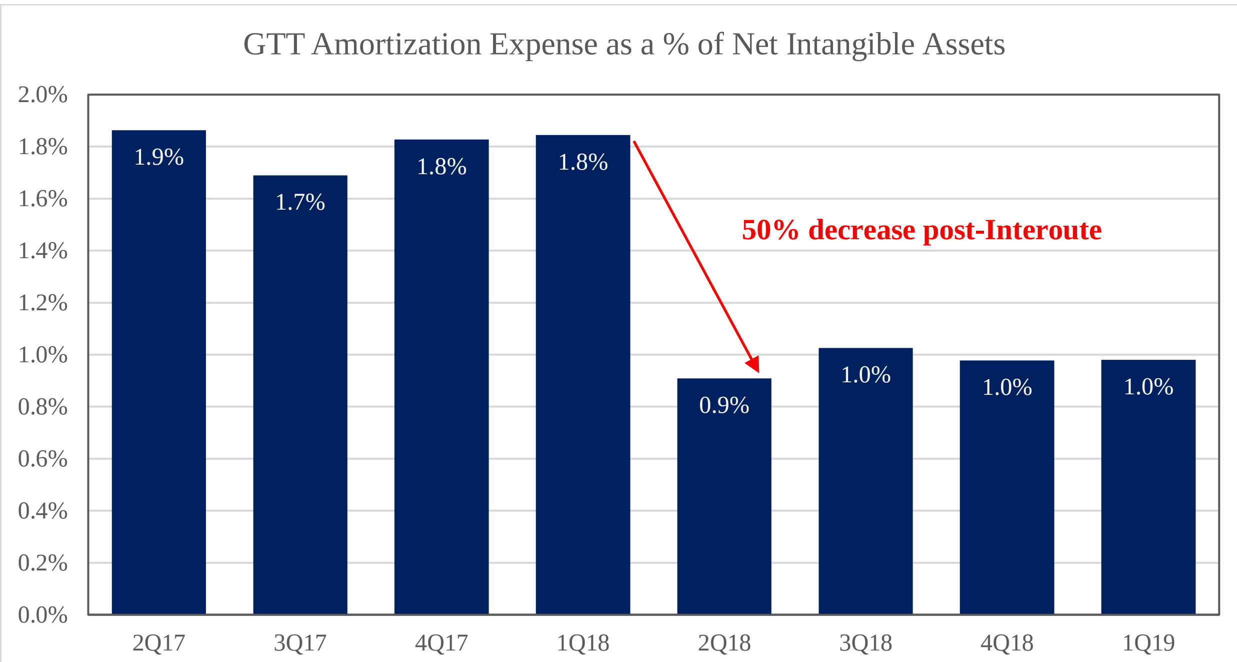
Depreciation and Amortization Period Extensions

GTT has extended the amortization period of its "customer lists" intangible asset in *each* of the past three years. In GTT's 2016 10-K, it lists the amortization period of customer lists as 3 to 7 years. In the 2017 10-K, GTT extended this amortization period to 3 to 10 years. In the 2018 10-K, GTT listed the amortization period as 3 to 20 years despite stating an amortization period for Interoute's customer lists of only 8 to 10 years just 8 months earlier.

GTT provided no explanation for these extensions in its filings. We believe that the company should have been required to provide investors an explanation for these extensions, as customer lists make up a ***material*** **10.2% portion of GTT's total assets**.

Amortization Period of Intangibles	2015	2016	2017	2018
Customer Lists	3-7 years	3-7 years	3-10 years	3-20 years
Non-competes	3-5 years	3-5 years	3-5 years	3-5 years
FCC License fees	3 years	3 years	3 years	N/A
Intellectual Property	10 years	10 years	10 years	10 years
Trade Name	3 years	3 years	3 years	1-3 years

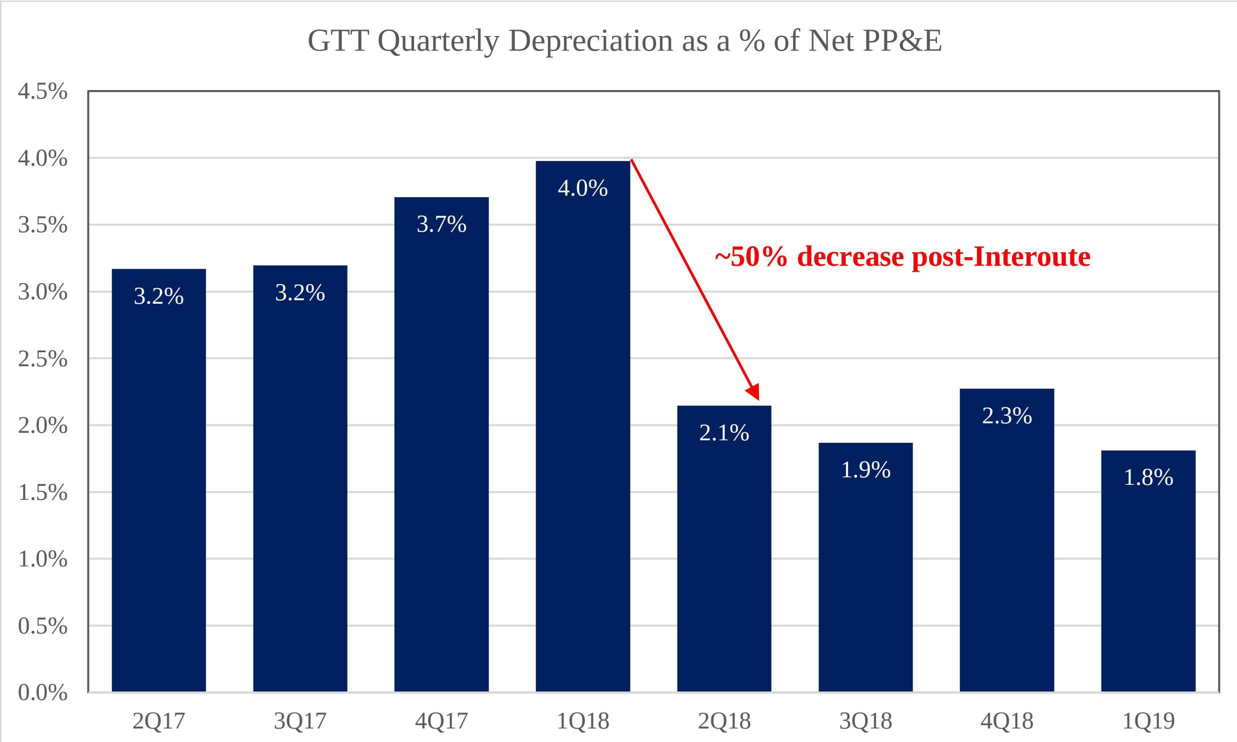
The effect of these adjustments is massive, as shown in the chart below:



GTT also extended the useful lives (or "depreciation periods") of its PP&E in 2017 and 2018. In 2017, GTT extended the depreciation period for its "network equipment" from "5 years" to "3 to 15 years" without explanation. In 2018, GTT extended the depreciation period of its "fiber optic cable" from "20 years" to "20 to 40 years" again with no explanation. This extension had a material effect on GTT's depreciation expense – especially considering that most of Interoute's PP&E is made up of fiber optic cable.

PP&E Useful Lives	2015	2016	2017	2018
Buildings	-	-	30 years	30 years
Furniture and Fixtures	7 years	7 years	7 years	7 years
Fiber Optic Cable	-	-	20 years	20-40 years
Network Equipment	5 years	5 years	3-15 years	3-15 years
Leasehold Improvements	up to 10 years	up to 10 years	up to 10 years	up to 10 years
Computer hardware/software	3-5 years	3-5 years	3-5 years	3-5 years

Once again, the effect of these adjustments is massive, as shown in the chart below:



As part of our due diligence, we asked one of GTT's largest competitors about this depreciation period. He told us that, while fiber can last 40 years:

> *"No one else in the industry uses a 40-year depreciation. The industry standard for pretty much everyone, from AT&T to Verizon to CenturyLink to Cogent is generally 20 years. Sometimes 15 but most cases 20."*

We believe GTT extended the depreciation period of its fiber assets and continued to extend the amortization period for its acquired customer lists in 2018 in order to reduce its depreciation and amortization expense.

Purchase Price Allocation Adjustments

GTT was already extremely aggressive in its initial valuations of Interoute's assets.

Interoute showed $522 million in PP&E on its Q1 2018 balance sheet. Approximately two months later, when GTT performed its initial fair value assessment of these same assets, GTT marked up the value of Interoute's PP&E by nearly 100%, to $1.014 billion. GTT also assigned an initial carrying value of $580 million to Interoute's customer lists – which appear on GTT's balance sheet as an intangible asset.

The PPA in GTT's March 1, 2019 10-K is *significantly* different than the PPA provided by GTT just under 8 months earlier. Here, GTT marked up the carrying value of Interoute's PP&E by ***another* $422 million**, bringing the total carrying value of Interoute's PP&E to $1.436 billion. This represents a total markup of $914 million, or 175%, from the carrying value of PP&E on Interoute's Q1 2018 balance sheet.

Adjustments to the PPA post-acquisition aren't uncommon and are allowed for up to 12 months post-close under ASC 805-10. However, these are enormous adjustments. We fail to understand how a 175% markup to PP&E could *possibly* have been made in good faith by GTT. This is fiber in the ground we are talking about here, not gold. At the same time, GTT marked down the carrying value of the customer lists acquired from Interoute by -$408.5 million, or -70.4%, to $171.5 million from GTT's initial fair value assessment of $580 million, just 8 months earlier. In fact, GTT adjusted the value of *every single line item* from the original PPA. Incredibly, GTT revalued 6 of the 9 'asset' line items by 40% or more.

Interoute PPA Analysis (*USD, millions*)	7/6/2018 8-K	3/1/2019 10-K	% Change
Assets acquired:			
Cash and equivalents	57.7	66.1	14.6%
Accounts receivable	166.2	86.6	-47.9%
Prepaid expenses/other current assets	87.4	51.3	-41.3%
Property and equipment	**1,014.0**	**1,435.9**	**41.6%**
Deferred tax assets	48.1	35.9	-25.4%
Other long-term assets	17.2	24.5	42.4%
Intangible assets - Customer lists	**580.0**	**171.5**	**-70.4%**
Intangible assets - other	44.8	17.5	-60.9%
Goodwill	1,104.6	1,040.6	-5.8%
Total assets acquired	3,120.0	2,929.9	-6.1%
Liabilities assumed:			
Accounts payable	96.5	75.5	-21.8%
Accrued expenses and other liabilities	115.9	115.2	-0.6%
Capital leases	39.2	42.4	8.2%
Debt	32.3	27.7	-14.2%
Deferred revenue	337.5	243.0	-28.0%
Deferred tax liabilities	239.7	148.8	-37.9%
Other long-term liabilities	19.6	38.0	93.9%
Total liabilities assumed	880.7	690.6	-21.6%
Net assets acquired	2,239.3	2,239.3	0.0%

These adjustments had two significant effects on GTT's financial results:

First, since GTT can depreciate PP&E over a period as long as 40 years, it was in GTT's interest to shift as much of the intangible asset value to PP&E as possible, since intangibles can only be amortized over a period as long as 20 years. Simple math shows that $400 million of intangibles, *amortized* over 20 years will result in annual amortization expense of $20 million. That same $400 million, now classified as PP&E, can instead be *depreciated* over 40 years – resulting in annual depreciation expense of only $10 million. This equates to a 50% decrease in annual depreciation and amortization expense for GTT.

Second, by marking down the value assigned to Interoute's customer lists by 70%, we are asked to believe that GTT either massively overvalued Interoute's customer lists, which means that the $1.1 billion that GTT already assigned to goodwill would have been $1.5 billion of the $2.2 billion total purchase price. Or, GTT churned 70% of Interoute's clients within months of the acquisition, which is effectively 35% of GTT's entire customer base. However, we actually believe GTT wrote down $408.5 million of its intangible assets on the PPA to avoid taking an impairment charge.

GTT acquired three large, declining businesses in the last two years, all three of which experienced continued churn post-acquisition. This is reflected in our organic growth calculations as well as acknowledged by management on earnings calls. As a result, we believe that GTT was facing a multi-hundred-million-dollar impairment charge which would have had a significant negative impact on its already enormous net loss of $243 million in 2018. By marking down the value of Interoute's customer lists post-close, GTT effectively impaired a large portion of *all* its intangible assets while also avoiding the scrutiny that comes with an impairment charge.

3. Free Cash Flow and Debt Service

We have already established that GTT does not grow organically. GTT relies on debt funded acquisitions to keep its growth story alive. The problem is that GTT does not generate enough cash to cover its nearly $200 million in annual interest expense, much less fund further acquisitions.

GTT directs investors and analysts attention to non-GAAP metrics such as ***adjusted free cash flow***, which excludes severance, restructuring and other exit costs, and transaction and integration costs from its actual free cash flow. GTT attempts to justify its use of this metric with the following statement:

> *"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."*[5]

This is simply *not true*. This cash would only be available to pay principal on debt and pursue further acquisitions in an *imaginary* world where this cash had not *already* been spent on severance, restructuring and other exit costs as well as transaction and integration costs, which left them with only $4.3 million of *real free cash flow* in 2018 – enough to pay down a whopping 0.13% of the principal on GTT's debt.

[5] GTT Q1 2019 SEC Form 10-Q, p. 40

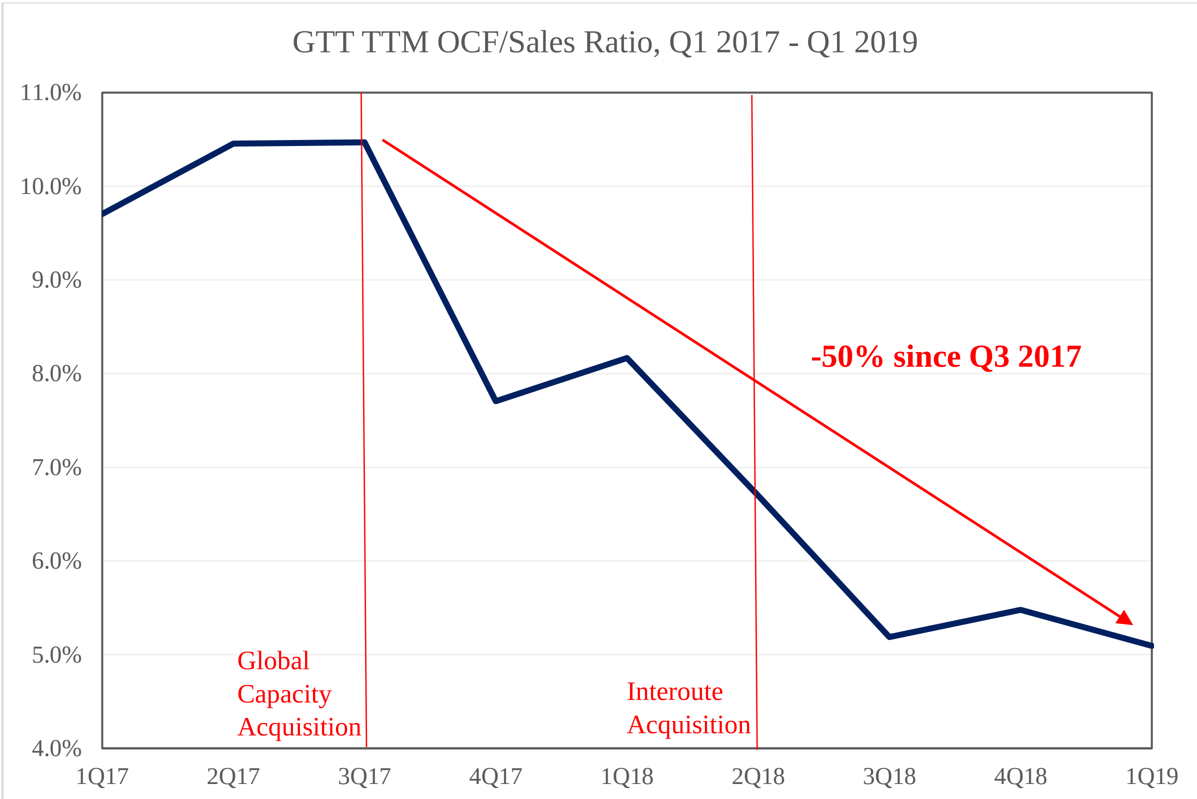
In *reality*, GTT generated negative free cash flow of -$16 million in Q1 2019 and only $4.3 million in all of 2018. The fact of the matter is that, following the acquisition of Interoute, which deviated significantly from GTT's "capex-light" strategy, it is mathematically impossible for GTT to generate *meaningful* free cash flow without significantly improving its cash conversion rate.

GTT's trailing-twelve-month ("TTM") cash conversion rate is only 5.1% - significantly worse than most of its peers, whose weighted average cash conversion rate is 21.5%.

TTM Cash Conversion (USD, millions)	**1Q19 OCF**	**1Q19 Sales**	**OCF/Sales**
Zayo Group (ZAYO)	977.8	2,585.0	37.8%
CyrusOne (CONE)	309.0	849.8	36.4%
Akamai Technologies (AKAM)	977.2	2,752.3	35.5%
F5 Networks (FFIV)	777.8	2,193.6	35.5%
j2 Global (JCOM)	414.3	1,226.6	33.8%
Cogent Communications (CCOI)	132.4	525.6	25.2%
ViaSat (VSAT)	290.7	1,950.7	14.9%
Endurance International Group (EIGI)	145.2	1,134.6	12.8%
RingCentral (RNG)	80.1	724.8	11.1%
Vonage (VG)	102.5	1,074.8	9.5%
Mitel Networks (MITL)	122.1	1,304.0	9.4%
GTT Communications (GTT)	**85.6**	**1,680.4**	**5.1%**
Unisys (UIS)	53.7	2,812.4	1.9%
Weighted Average			**21.5%**

With management's guidance for capex to remain at 7% of revenue and a cash conversation rate of only 5.1%, GTT cannot generate *real* positive free cash flow. Free cash flow is defined as operating cash flow ("OCF") less capex. If OCF is only 5.1% of revenue (and declining), while capex remains at 7% of revenue, it is mathematically impossible for GTT to generate positive free cash flow.

GTT's abysmal cash conversion rate is a side effect of its aggressive accounting practices. Creative accounting can synthetically grow the top line for a few quarters. However, it is impossible for the accounting department to generate cash flow. GTT's OCF/Sales ratio (cash conversion rate) has been declining since Q3 2017, indicating that an increasing amount of GTT's reported growth has come from the accounting department.



4. Pro Forma Financials and Unrealized Synergies

Pro forma financials and expected synergies are paramount for GTT, whose maximum leverage ratio covenant is based on ***pro forma adjusted EBITDA plus expected synergies***. This affords GTT an great deal amount of flexibility when calculating its leverage ratio. GTT's net debt to EBITDA is approximately 10.9x using standard EBITDA, or approximately 7.8x using GTT's definition of adjusted EBITDA. Both of these would violate GTT's maximum leverage covenant of 6.5x, which drops to 6.25x on the last day of Q3 2019. *Somehow*, GTT was able to customize a leverage ratio of only 5.0x at the end of Q1 2019. We say *somehow* because this leverage calculation is only presented in GTT's "***Private*** Lender Presentation," which is not available for GTT's shareholders to review.

GTT *used to* present these pro forma financials in its investor presentations as well – until Q4 2018, when GTT removed the pro forma revenue and adjusted EBITDA slides from its investor presentation as the numbers continued to deteriorate.

Before the acquisition of Interoute in Q2 2018, GTT's quarterly investor presentation featured a slide presenting GTT's pro forma revenue and pro forma adjusted EBITDA numbers (*without expected synergies*), along with the calculations for both. Below is an example from Q1 2018:

Pro Forma Revenue & EBITDA Summary

($ in Millions)

PF Revenue & Adjusted EBITDA	1Q17	2Q17	3Q17	4Q17	1Q18
GTT as reported	186.0	190.1	202.6	249.2	260.7
GC, net of PF adjustments (1)	54.3	52.6	42.6	-	-
Pro Forma Revenue	**$ 240.3**	**$ 242.7**	**$ 245.2**	**$ 249.2**	**$ 260.7**
Pro Forma % Growth - Sequential					*4.0%*
Pro Forma % Growth - Year-over-Year					*6.7%*
GTT as reported	50.7	53.8	56.2	60.8	62.7
GC, net of PF adjustments (2)	3.8	2.4	1.5	-	-
Pro Forma Adjusted EBITDA	**$ 54.5**	**$ 56.2**	**$ 57.7**	**$ 60.8**	**$ 62.7**
Pro Forma Adjusted EBITDA Margin %	**23%**	**23%**	**24%**	**24%**	**24%**
Pro Forma % Growth - Sequential					*2.6%*
Pro Forma % Growth - Year-over-Year					*13.7%*

(1) Pro forma adjustments include revenue recognized by acquired company from GTT prior to their respective close dates and adjustments in deferred revenue from acquired companies.
(2) Pro forma adjustments include net adjustments in deferred revenue and deferred costs from acquired company.

Note: Pro forma adjustments do not include any add-backs for expected cost synergies; pro forma growth rates include constant currency adjustments

Source: GTT Q1 2018 Investor Presentation, slide 17

The reporting of GTT's pro forma numbers became *more creative* after the Interoute deal closed in Q2 2018. Note that in addition to Interoute, GTT *now also* includes five other acquisitions for "synergies" in Q2 2018:

Pro Forma 2Q18 TTM Adjusted EBITDA

($ in Millions)

	2Q18 TTM
Pro Forma EBITDA	441.0
(+) Acqusition EBITDA (1)(3)	6.3
(+) Acqusition Synergies (2)(3)	29.2
(+) Interoute Synergies	100.0
Pro Forma Adjusted EBITDA	**$ 576.5**

(1) Pre-close results
(2) Synergies not realized during the reporting period
(3) Acquisitions include Perseus, Transbeam, Custom Connect, Accelerated Connections and Global Capacity for Synergies only

Source: GTT Q2 2018 Investor Presentation, slide 18

In Q3 2018, GTT again changes its presentation of *pro forma adjusted EBITDA*. GTT *now* includes synergies from ***all* acquisitions**, as well as *pre-close reported adjusted EBITDA for Custom Connect and ACI*. Despite all of these additions, pro forma adjusted EBITDA still declined from $576.5 million to $568 million between Q2 and Q3 2018. As if that's not bad enough, $568 is an incorrect number – it's actually $567. It appears that GTT thinks that 2+1 = 4

Pro Forma Adjusted EBITDA

($ in Millions)

	4Q17	1Q18	2Q18	3Q18	3Q18 TTM	
GTT as reported	61	63	75	108	307	
Interoute, net of PF adjustments (1)	56	51	33	-	140	
Small acquisitions (2)	2	1	-	-	4	2+1 = 4?
Unrealized Synergies (3)	33	31	29	24	117	
Pro Forma Adjusted EBITDA	**$ 152**	**$ 146**	**$ 137**	**$ 132**	**$ ~~568~~** $567	
EUR: USD Exchange Rates	*1.178*	*1.229*	*1.193*	*1.165*		
GBP: USD Exchange Rates	*1.341*	*1.402*	*1.320*	*1.304*		

(1) 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
(2) Includes pre-close reported Adjusted EBITDA for Custom Connect and ACI
(3) Synergies from all acquisitions not realized during the reporting period

Source: GTT Q3 2018 Investor Presentation, slide 17

In Q4 2018, **GTT removed the pro forma adjusted EBITDA slide altogether**. Apparently, even with *"pre-close reported adjusted EBITDA"* from its Q4 2018 acquisition of Access Point, GTT still could not mask its decline. We view this as yet another example of GTT's deliberate efforts to hide its deteriorating financial condition from its investors.

5. Executive Compensation – Incentivizing Value Destruction:

GTT's "performance-based" executive compensation plans are based on revenue growth, "*adjusted EBITDA*" and "*adjusted unlevered free cash flow*," which was added to the new plan that GTT implemented in November 2018. These metrics incentivize large, expensive acquisitions which, in our opinion, are destroying shareholder value.

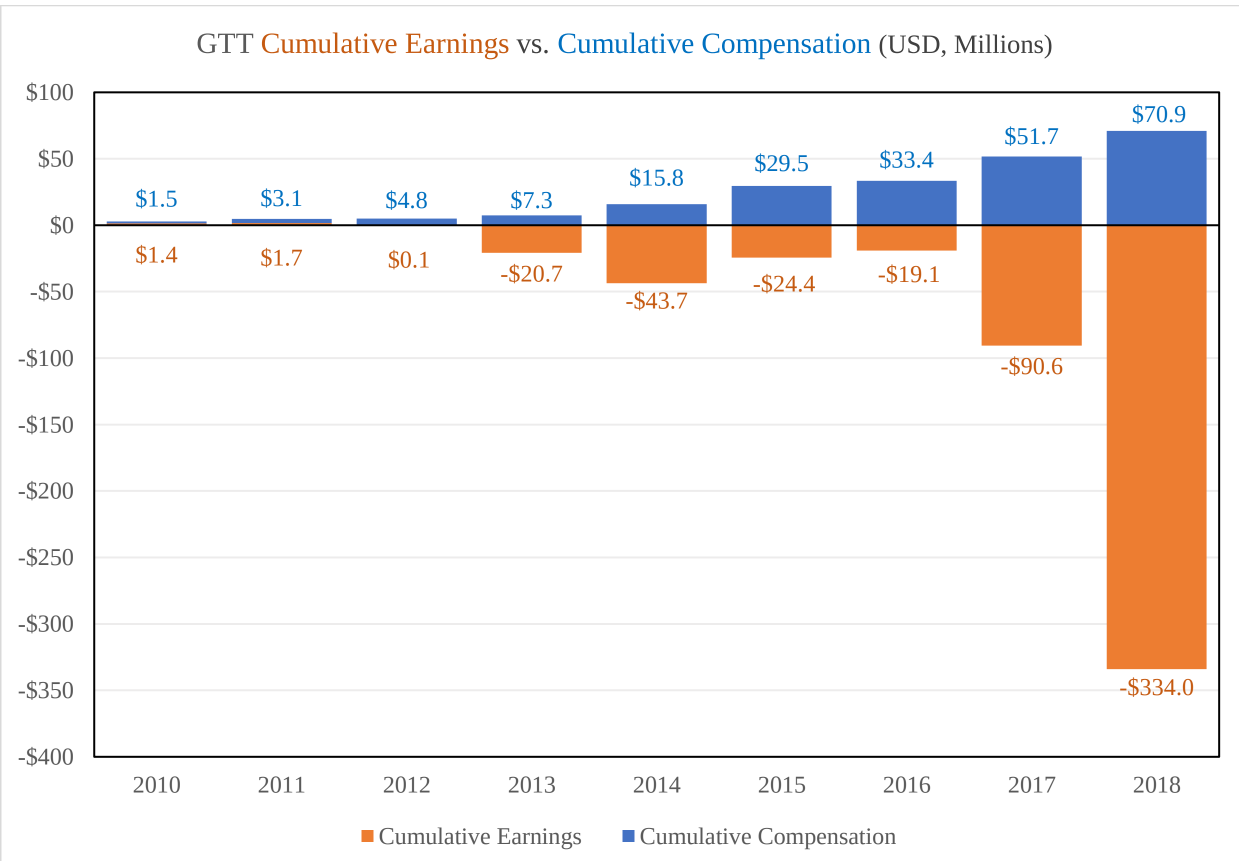
Despite posting record net losses in 2017 and 2018, GTT's executives received record compensation of $37 million in the last two years.[6]

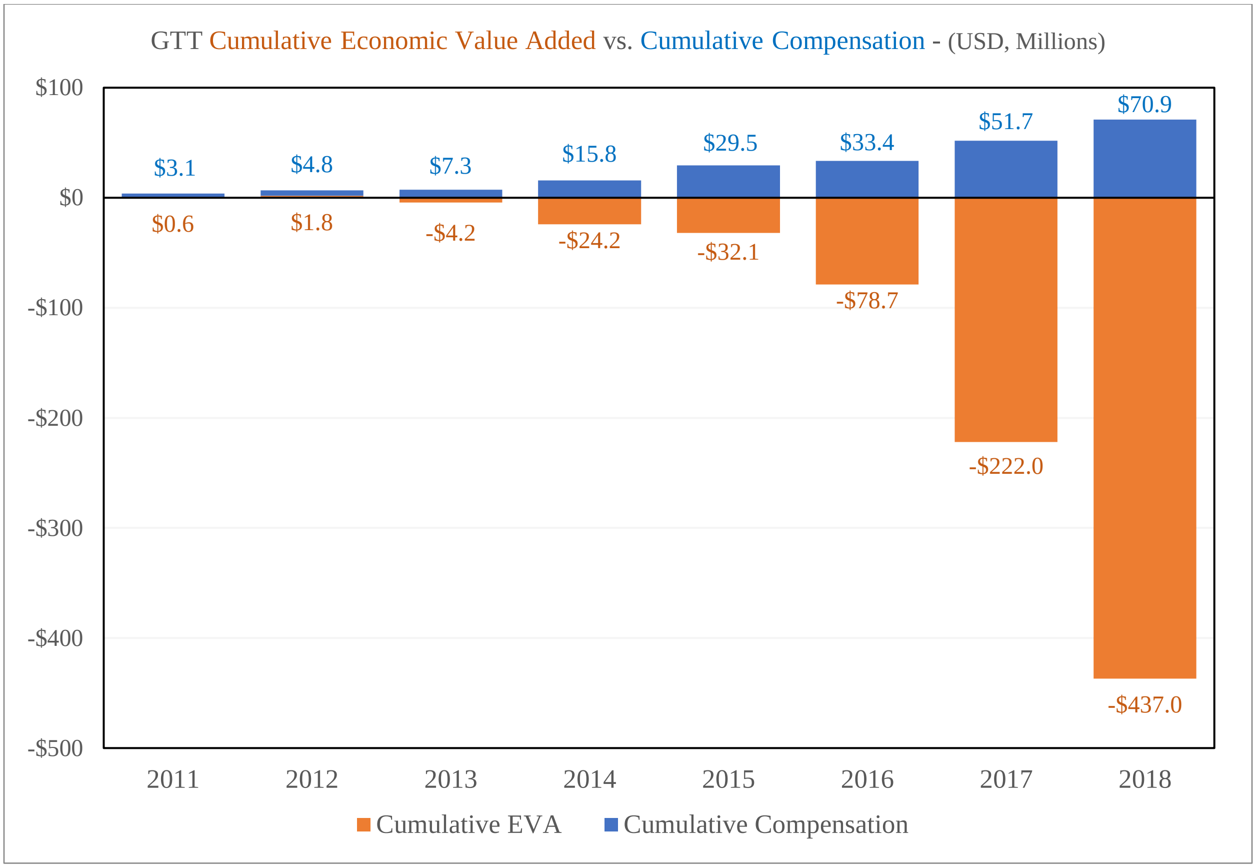
[6] GTT 2017 and 2018 Proxy Statements (DEF 14A); Summary Compensation Tables

GTT's definition of *"adjusted"* in adjusted EBITDA and adjusted unlevered free cash flow metrics is completely ridiculous, in our opinion. For GTT, *"adjusted"* means *"excluding severance and other exit costs, transaction and integration costs and share-based compensation expense."* The "unlevered" in adjusted unlevered free cash flow means that it also excludes interest expense, which will cost GTT more than $200 million in 2019.

All of these adjustments are significant *recurring* costs for GTT, making these *grossly misguided metrics for determining executive compensation.* GTT's focus on top-line metrics allow management to reap the rewards of inorganic growth while ignoring the massive risks that come with it – *the risks are pushed onto shareholders.*

The charts below display the stark divergence between GTT's financial performance and the financial performance of its management team:





GTT's executives have taken home $70.9 million in total compensation since 2010, while generating a *cumulative net loss of nearly $340 million.* We could not find a *single* measure that justifies GTT's level of executive compensation given the company's financial condition.

This seemingly inverse relationship between profitability and performance-based compensation begs the question: *what is performance to GTT?*

The answer appears to be very simple to us: grow the top line at any and all costs – *collect a bonus.*

Conclusion

We couldn't think of a better way to conclude this report than with the following comment from the CEO of one of GTT's top competitors. When we asked the question, "do you think GTT will be around in 5 years, or will other competitors with that type of framework potentially be interested in acquiring them?" he said the following:

> *"So, if GTT continues to do acquisitions and the capital markets remain open, they'll be fine. When the music stops and they actually perform, the value will collapse. The real value of GTT is below the face value of the equity. What my experience has told me is rarely do companies trade that level. So, chances are, it will not be an actionable acquisition. I think they will just turn into what I would call a zombie. So just kind of sit there, probably have a single-digit stock price. No real equity value, negative growth. And they'll just kind of bumble along. I mean, the markets do tolerate that type of business. But when the capital markets do become discerning, then at that point, maybe a distressed situation like a Frontier or a Windstream. And there may be an opportunity there. But usually there's such a convoluted capital structure that outside of bankruptcy, there's no way to actually action a deal."*

Needless to say, we agree – if GTT cannot find a way to grow organically, the future looks bleak. We consider one or more of the following scenarios to be likely:

- Dilutive equity raises
- Refinancing of debt on onerous terms
- Reversal of the rollup strategy to an asset sale strategy
- Bankruptcy (Chapter 11 restructuring)

Appendix A – Quarterly Organic Growth Calculations

GTT Q1 2017	4Q16	1Q17
GTT Revenue as reported	136.5	186.0
Impact of:		
Yipes	4.9	-
Hibernia	-	44.1
Mammoth	-	1.8
GTT organic revenue	**131.6**	**140.2**
Previous period organic revenue base*	nm	141.6
Net installations	**-**	**(1.4)**
Reported revenue growth	*nm*	*36.3%*
Sequential organic growth % (not reported)	***nm***	***-1.0%***
Full quarter acquired revenue:		
Yipes	10.0	-
Hibernia	-	44.1
Mammoth	-	2.8
Organic revenue base*	141.6	187.1

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

GTT Q2 2017	1Q17	2Q17
GTT Revenue as reported	186.0	190.1
Impact of:		
Hibernia	44.1	-
Mammoth	1.8	-
Perseus	-	2.6
Giglinx	-	6.6
GTT organic revenue	**140.2**	**180.9**
Previous period organic revenue base*	nm	187.1
Net installations	**-**	**(6.2)**
Reported revenue growth	*nm*	*2.2%*
Sequential organic growth % (not reported)	***nm***	***-3.4%***
Full quarter acquired revenue:		
Hibernia	44.1	-
Mammoth	2.8	-
Perseus	-	8.1
Giglinx	-	6.6
Organic revenue base*	187.1	195.6

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

GTT Q3 2017	2Q17	3Q17
GTT Revenue as reported	190.1	202.6
Impact of:		
Perseus	2.6	-
Giglinx	6.6	-
Global Capacity	-	8.5
GTT organic revenue	**180.9**	**194.1**
Previous period organic revenue base*	nm	195.6
Net installations	**-**	**(1.5)**
Reported revenue growth	*nm*	*6.6%*
Sequential organic growth % (not reported)	***nm***	***-0.7%***
Full quarter acquired revenue:		
Perseus	8.1	-
Giglinx	6.6	-
Global Capacity	-	51.1
Organic revenue base*	195.6	245.2

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

GTT Q4 2017	3Q17	4Q17
GTT Revenue as reported	202.6	249.2
Impact of:		
Global Capacity	8.5	-
Transbeam	-	5.3
Custom Connect	-	-
GTT organic revenue	**194.1**	**243.9**
Previous period organic revenue base*	nm	245.2
Net installations	**-**	**(1.3)**
Reported revenue growth	*nm*	*23.0%*
Sequential organic growth % (not reported)	***nm***	***-0.5%***
Full quarter acquired revenue:		
Global Capacity	51.1	-
Transbeam	-	5.3
Custom Connect	-	4.6
Organic revenue base*	245.2	253.8

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

GTT Q1 2018	4Q17	1Q18
GTT Revenue as reported	249.2	260.7
Impact of:		
Transbeam	5.3	-
Custom Connect	-	-
ACI	-	3.2
GTT organic revenue	**243.9**	**257.5**
Previous period organic revenue base*	nm	253.8
Net installations	-	**3.7**
Reported revenue growth	*nm*	*4.6%*
Sequential organic growth % (not reported)	***nm***	***1.4%***
Full quarter acquired revenue:		
Transbeam	5.3	-
Custom Connect	4.6	-
ACI	-	9.6
Organic revenue base*	253.8	267.1

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

GTT Q2 2018	1Q18	2Q18
GTT Revenue as reported	260.7	326.8
Impact of:		
ACI	3.2	-
Interoute	-	69.2
GTT organic revenue	**257.5**	**257.6**
Previous period organic revenue base*	nm	267.1
Net installations	-	**(9.5)**
Reported revenue growth	*nm*	*25.4%*
Sequential organic growth % (not reported)	***nm***	***-3.7%***
Full quarter acquired revenue:		
ACI	9.6	-
Interoute	-	207.5
Organic revenue base*	267.1	465.1

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

GTT Q3 2018	2Q18	3Q18
GTT Revenue as reported	326.8	448.6
Impact of:		
Interoute	69.2	-
GTT organic revenue	**257.6**	**448.6**
Previous period organic revenue base*	nm	465.1
Net installations	-	**(16.5)**
Reported revenue growth	*nm*	*37.3%*
Sequential organic growth % (not reported)	***nm***	***-3.7%***
Full quarter acquired revenue:		
Interoute	207.5	-
Organic revenue base*	465.1	448.6

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

GTT Q4 2018	3Q18	4Q18
GTT Revenue as reported	448.6	454.8
Impact of:		
Access Point	-	10.2
GTT organic revenue	**448.6**	**444.6**
Previous period organic revenue base*	nm	448.6
Net installations	-	**(4.0)**
Reported revenue growth	*nm*	*1.4%*
Sequential organic growth % (not reported)	***nm***	***-0.9%***
Full quarter acquired revenue:		
Access Point	-	10.2
Organic revenue base*	448.6	454.8

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

GTT Q1 2019	4Q18	1Q19
GTT Revenue as reported	454.8	450.2
Impact of:		
Access Point	10.2	-
GTT organic revenue	**444.6**	**450.2**
Previous period organic revenue base*	nm	454.8
Net installations	-	**(4.6)**
Reported revenue growth	*nm*	*-1.0%*
Sequential organic growth % (not reported)	***nm***	***-1.0%***
Full quarter acquired revenue:		
Access Point	10.2	-
Organic revenue base*	454.8	450.2

**Organic revenue base = organic revenue + full quarter revenue of acquisitions made during the quarter.*

Appendix B – Depreciation and Amortization Adjustment Calculations

Depreciation & Amortization	Value	Note/Source
Interoute & GTT quarterly pro forma combined D&A	100.7	*GTT 8-K/A filed July 6, 2018, exhibit 99.5, p. 7*
Annualized pro forma D&A	402.8	*Quarterly number above times 4*
Pro rata from June 1 (1)	234.8	*Annualized number above times 7/12 (58.3% of the year)*
GTT estimated D&A pre-Interoute (2)	55.3	*GTT 2017 reported D&A times 5/12 (41.7% of the year)*
Expected D&A 2018 (3)	**290.1**	*(1) + (2)*
Reported D&A 2018 (4)	211.4	*GTT's actual reported D&A from 2018 10-K, p. F-4*
2018 Adjustment	**78.7**	*(3) - (4)*
Expected D&A 1Q19 (5)	100.7	*Using quarterly pro forma combined D&A from line 1*
Reported D&A 1Q19 (6)	62.8	*GTT's actual reported D&A in Q1 2019*
1Q19 Adjustment	**37.9**	*(5) - (6)*
2019 Annualized Adjustment	**151.6**	*Q1 2019 adjustment times 4*

Comparable Depreciation and Amortization Periods:

GTT Depreciation and Amortization vs. comps	GTT Communications (GTT)	Zayo Group (ZAYO)	Vonage Holdings (VG)	Cogent Communications (CCOI)
Intangible Assets - Amortization Period (2018)				
Customer lists	3 to 20 years	15 years	7 to 12 years	N/A
Non-competes	3 to 5 years	N/A	3 years	N/A
FCC license fees	N/A	N/A	N/A	N/A
Intellectual property	10 years	N/A	3 to 5 years	N/A
Trade names	1 to 3 years	N/A	2 to 5 years	N/A
Software	N/A	N/A	3 to 10 years	N/A
Underlying rights/other	N/A	20 years	N/A	N/A
PP&E - Useful Lives (2018)				
Buildings	30 years	15 to 39 years	Lease term	40 years
Furniture and fixtures	7 years	3 to 7 years	3 to 5 years	3 to 7 years
Fiber optic cable and duct	20 to 40 years	15 to 20 years	N/A	3 to 8 years
Fiber optic network equipment	3 to 15 years	8 years	N/A	5 to 10 years
Leasehold improvements	up to 10 years	N/A	Lease term	Lease term
Computer hardware and software	3 to 5 years	3 to 5 years	3 to 5 years	5 years
IRUs	N/A	N/A	N/A	15 to 20 years
Circuit switch equipment	N/A	10 years	3 years	N/A

All numbers from respective company's 2018 SEC Form 10-K

Appendix C – Custom Connect Income Statements, 2015 – 2017 (from Dutch filings)

Income Statement *(USD)*	**2015**	**2016**	**2017**
Conversion Rate (EURUSD)	*1.09*	*1.045*	*1.2*
Revenue	$ 16,394,179	$ 15,996,150	-
Depreciation	241,948	256,675	-
Revenue net of depreciation	16,152,230	15,739,475	-
Salaries and benefits	(12,219,010)	(12,508,644)	-
Other operating expenses	(3,144,471)	(3,011,280)	-
Total operating income	-	-	$ 18,252,990
Total operating expenses	-	-	18,169,961
Operating profit	**788,749**	**219,551**	**83,029**
Interest and other income	27,733	14,055	-
Interest and other expense	(152,799)	(131,868)	-
Total other income (expense)	**(125,067)**	**(117,812)**	**(80,074)**
Earnings before taxes	663,682	101,739	2,956
Provision (benefit) for income tax	164,097	(43,835)	-
Net Income	**$ 499,585**	**$ 145,574**	**$ 2,956**

Only total operating income/expenses were presented in the 2017 Dutch filing, as reflected above.
Our EBITDA multiple calculation assumes depreciation of $260,000 for 2017 – in line with 2016's actual number.

Appendix D – The Most Awkward Conference Call Transcript We've Ever Seen

To provide some context, CFO Mike Sicoli is in the middle of talking about the success of GTT's "capex-light" strategy and how a "really strong strategic fit" is key to GTT's M&A targets, when he is apparently informed in *real-time* that the Interoute deal has closed. Interoute is anything but "capex-light." Interoute owns a huge fiber optic cable network in Europe, employing an entirely *different strategy* than GTT. It is incredible to us that the CFO could have possibly been unaware that a $2.23 billion acquisition, which *more than doubled the size of the Company*, was set to close that day.

<**A** - **Michael T. Sicoli**>: Yeah. I would say the key is, when we think about M&A generally, there's a three-pronged approach. The first one, it has to be a really strong strategic fit. Strategic fit to us means it's in our business, it's in the cloud networking or the enterprise data networking business, and it has to be something that we could run on as a CapEx-light platform going forward. So, if somebody has spent billions previously and there's a quality asset there that we can sweat and leverage in the CapEx-light way going forward, then great, as long as it's underpinning that robust global IP network that we have.

The last mile fiber or building data centers or putting lots of servers in, it's impossible to run a CapEx-light business with those attributes. And so, that – you wouldn't see us doing those. But owning some long-haul fiber in the context of us being one of the five largest global IP backbones, yeah, it makes some sense. I do also want to put out we've just – sort of some late breaking news, while we're sitting here, we did just close the Interoute deal. So...

<**Q** - **Jonathan Charbonneau**>: Well, congratulations. Yeah.

<**A** - **Michael T. Sicoli**>: Yeah. When I said [ph] two I meant really too big (17:59). We're on all bunch of calls this morning. I wasn't sure if I was going to [indiscernible] (18:04)...

<**Q** - **Jonathan Charbonneau**>: Yeah.

<**A** - **Michael T. Sicoli**>: ...but I guess, we just put out the press release. So, yeah, really soon. It's like having a [indiscernible] (18:10).

<**Q** - **Jonathan Charbonneau**>: Oh, great. That's great news.

<**A** - **Michael T. Sicoli**>: It means we have a lot of work...

<**Q** - **Jonathan Charbonneau**>: So...

<**A** - **Michael T. Sicoli**>: ...a lot of work to do as soon as we [indiscernible] (18:15).

<**Q** - **Jonathan Charbonneau**>: Awesome. So, why don't I shift gears to sales – the sales force and rep-driven growth? You currently have roughly 180 sales reps and on track to have 200 by midyear and 250 by year-end. With the size of your sales force, really the biggest factor and you being able to grow faster. Ideally, if you could wake up tomorrow, Mike, how big would your sales force be?

Source: "Cowen & Co. Technology, Media, and Telecom Conference 2018," Accessed via Bloomberg LP

Appendix E – Insider Sales

CEO Rick Calder				
Date	**Net Sales**	**Net Buys**	**Close Price**	**Net Proceeds**
1/3/17	-10,000	0	$27.75	$277,500.00
2/1/17	-10,000	0	$27.90	$279,000.00
3/1/17	-10,000	0	$28.20	$282,000.00
4/3/17	-10,000	0	$23.55	$235,500.00
5/1/17	-10,000	0	$28.00	$280,000.00
6/1/17	-10,000	0	$33.55	$335,500.00
7/3/17	-10,000	0	$31.20	$312,000.00
8/1/17	-10,000	0	$30.35	$303,500.00
9/1/17	-10,000	0	$31.60	$316,000.00
10/2/17	-10,000	0	$32.45	$324,500.00
11/1/17	-10,000	0	$36.30	$363,000.00
12/1/17	-10,000	0	$39.55	$395,500.00
1/12/18	-6,000	0	$43.60	$261,600.00
2/15/18	-6,000	0	$46.65	$279,900.00
3/15/18	-6,000	0	$60.10	$360,600.00
4/16/18	-6,000	0	$49.65	$297,900.00
5/15/18	-6,000	0	$50.10	$300,600.00
6/15/18	-6,000	0	$50.35	$302,100.00
7/16/18	-6,000	0	$46.45	$278,700.00
8/16/18	-2,206	0	$40.00	$88,240.00
2/4/19	-7,545	0	$26.95	$203,337.75
2/19/19	-1,200	0	$30.60	$36,720.00
2/21/19	-1,107	0	$31.05	$34,372.35
2/25/19	-3,234	0	$32.04	$103,617.36
4/10/19	-1,321	0	$40.00	$52,840.00
5/3/19	-4,860	0	$42.36	$205,869.60
5/20/19	-1,757	0	$25.75	$45,242.75
5/22/19	-1,533	0	$26.32	$40,348.56
5/28/19	-1,160	0	$25.22	$29,255.20
Totals	**-187,923**	**0**	**$35.26**	**$6,625,243.57**

General Counsel & EVP Chris McKee				
Date	Net Sales	Net Buys	Close Price	Net Proceeds
1/3/17	-7,000	0	$27.75	$194,250.00
2/1/17	-7,000	0	$27.90	$195,300.00
3/1/17	-7,000	0	$28.20	$197,400.00
4/3/17	-7,000	0	$23.55	$164,850.00
5/1/17	-7,000	0	$28.00	$196,000.00
6/1/17	-7,000	0	$33.55	$234,850.00
7/3/17	-7,000	0	$31.20	$218,400.00
8/1/17	-7,000	0	$30.35	$212,450.00
8/7/17	-830	0	$31.80	$26,394.00
9/1/17	-7,000	0	$31.60	$221,200.00
10/2/17	-7,000	0	$32.45	$227,150.00
11/1/17	-7,000	0	$36.30	$254,100.00
12/1/17	-7,000	0	$39.55	$276,850.00
1/12/18	-7,000	0	$43.60	$305,200.00
2/15/18	-7,000	0	$46.65	$326,550.00
3/15/18	-7,000	0	$60.10	$420,700.00
4/16/18	-7,000	0	$49.65	$347,550.00
5/15/18	-7,000	0	$50.10	$350,700.00
6/15/18	-7,000	0	$50.35	$352,450.00
7/16/18	-7,000	0	$46.45	$325,150.00
8/16/18	-2,211	0	$40.00	$88,440.00
9/20/18	-7,000	0	$45.15	$316,050.00
2/4/19	-4,401	0	$26.95	$118,606.95
2/19/19	-515	0	$30.60	$15,759.00
2/21/19	-667	0	$31.05	$20,710.35
2/25/19	-1,720	0	$32.04	$55,108.80
3/6/19	-5,204	0	$29.84	$155,287.36
4/10/19	-371	0	$40.00	$14,840.00
5/3/19	-2,642	0	$42.36	$111,915.12
5/20/19	-780	0	$25.75	$20,085.00
5/22/19	-954	0	$26.32	$25,109.28
5/28/19	-638	0	$25.22	$16,090.36
Totals	**-160,933**	**0**	**$37.32**	**$6,005,496.22**

CFO Mike Sicoli				
Date	Net Sales	Net Buys	Close Price	Net Proceeds
2/4/19	-4,857	0	$26.95	$130,896.15
2/19/19	-570	0	$30.60	$17,442.00
2/21/19	-531	0	$31.05	$16,487.55
2/25/19	-1,902	0	$32.04	$60,940.08
4/15/19	-419	0	$41.71	$17,476.49
5/3/19	-2,778	0	$42.36	$117,676.08
5/20/19	-833	0	$25.75	$21,449.75
5/22/19	-727	0	$26.32	$19,134.64
5/28/19	-681	0	$25.22	$17,174.82
Totals	**-13,298**	**0**	**$31.48**	**$418,677.56**

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