



FOR IMMEDIATE RELEASE

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NORTHSTATE REPORTS FOURTH QUARTER 2018 RESULTS

High Point, NC — February 14, 2019 — [NorthState](#), a fiber optic network, cloud and IT services provider, announced today its financial results for the fourth quarter and year ended December 31, 2018.

Summary of Selected Financial Data

Quarter Ended December 31, 2018 versus Quarter Ended December 31, 2017

- Consolidated net operating revenue (NOR) for the 2018 quarter totaled \$37.8 million, up 5.0% compared to NOR of \$35.9 million for the 2017 quarter.
- Total strategic revenue¹ for the 2018 quarter of \$27.7 million, consistent with total strategic revenue of \$27.7 million for the 2017 quarter. Strategic revenue comprised 73% of NOR for the 2018 quarter, compared to 77% of NOR for the 2017 quarter.
- Net income for the 2018 quarter of \$2.0 million, compared to net income of \$18.4 million for the 2017 quarter, which included a \$16.7 million adjustment related to the re-measurement of NorthState's net deferred tax liabilities at the lower corporate income tax rate provided by the federal Tax Cuts and Jobs Act. Excluding the benefit of the adjustment, net income in the 2017 quarter was \$1.7 million.
- Earnings per share (EPS) for the 2018 quarter of \$0.90 compared to EPS of \$8.10 for the 2017 quarter, which included a \$7.38 adjustment related to the deferred tax liability re-measurement. Excluding the benefit of the adjustment, EPS in the 2017 quarter was \$0.72.

Year Ended December 31, 2018 versus Year Ended December 31, 2017

- Consolidated NOR for the 2018 period of \$131.3 million, up 7.0% compared to NOR of \$123.0 million for the 2017 period.
- Total strategic revenue¹ for the 2018 period of \$96.2 million, up 7.5% compared to total strategic revenue of \$89.5 million for the 2017 period. Strategic revenue comprised 73% of NOR for both the 2018 period and 2017 period.
- Net income for the 2018 period of \$7.5 million compared to net income of \$21.7 million for the 2017 period, which included a \$16.7 million deferred tax liability adjustment in the

¹ Strategic Revenue is all revenue excluding legacy voice revenue. Legacy voice revenue is comprised of non-IP voice, long distance, and network access revenue. Please see the financial tables included in the press release on the company's website.

2017 fourth quarter. Excluding the benefit of the adjustment, net income in the 2017 period was \$5.0 million.²

- EPS for the 2018 period of \$3.32 compared to EPS of \$9.59 for the 2017 period, which included a \$7.38 adjustment related to the deferred tax liability re-measurement. Excluding the benefit of the adjustment, EPS in the 2017 period was \$2.21.²

Chief Executive Officer Royster Tucker III said, “During 2018 we executed on our growth strategy of helping businesses digitally transform themselves and expanding the number of fiber-connected households and businesses. We launched several new solutions that help businesses thrive in the digital world and experienced continued success with our fiber expansion in the Piedmont Triad Region of North Carolina. We are pleased with our financial performance for the year.

“During 2018, business Internet and communications revenues grew by 5.7%. IT services and hardware revenues grew by 11.8%, driven by a 23.0% increase in telecom and IT equipment revenue and a 44.0% increase in professional services revenue. Residential Internet and entertainment revenue increased 6.8%, driven by a 16.8% increase in fiber-connected households.

“In 2019, our focus is to continue to execute on our strategy of revenue growth. In particular, we plan to continue our focus on growing the business services segment for both IT solutions and fiber-connected businesses. In addition, we plan to further expand and differentiate our residential fiber offerings to meet the increasing demands of our customers for premium Internet and entertainment services.”

For further details on NorthState’s financial results for the fourth quarter and full year 2018, please see the financial tables included in the press release on the company’s website at: [4Q 2018 Earnings Report](#).

Forward-Looking Statements

Some of the statements made in this earnings release may be forward-looking statements including “our focus is to continue to execute on our strategy of revenue growth,” “we plan to continue our focus on growing the business services segment,” and “we plan to further expand and differentiate our residential fiber offerings.” The inclusion of forward-looking information should not be construed as a representation by NorthState that our plans or expectations will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About NorthState

[NorthState](#) is a technology company focused on inspiring the Internet-driven lifestyle through high-touch experiences. Its fiber-delivered, ultrafast Internet and Internet-driven applications enable residential customers and businesses to efficiently and securely take advantage of the Internet. Through its Technology Solutions business unit, NorthState provides data center colocation, customized cloud and IT solutions, managed disaster recovery services, managed security and unified communications. For more information, visit [northstate.net](#).

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² In 2017, Net Income and EPS were impacted by \$1.2 million and \$0.53, respectively, for restructuring charges related to the formation of our information technology services business unit.