



July 23, 2015

Inteliquent Reports Second Quarter Results

Raising Bottom-End of Estimates for Revenue and Adjusted EBITDA

Financial and operating highlights include:

- Net income of \$10.0 million for the second quarter of 2015, an increase of 6.4% compared to the second quarter of 2014.
- Adjusted EBITDA (a non-GAAP financial measure) of \$21.0 million for the second quarter of 2015, an increase of 7.7% compared to the second quarter of 2014.
- Minutes of use of 34.3 billion for the second quarter of 2015, an increase of 1.2% compared to the second quarter of 2014.
- Revised financial estimates for 2015 of \$220 million to \$230 million of revenue, and \$77 million to \$81 million of adjusted EBITDA (a non-GAAP financial measure).

CHICAGO, July 23, 2015 (GLOBE NEWSWIRE) -- Inteliquent, Inc. (Nasdaq:IQNT), a leading provider of voice services, today announced its financial results for the second quarter of 2015.

"We had a very profitable quarter, which has positioned the Company well for the remainder of 2015 and beyond," said Matt Carter, Chief Executive Officer of Inteliquent. "We continue to cut costs in our network through our operational efficiency initiatives, while focusing on maintaining more profitable minutes on our network. I'm also excited about the opportunities we have identified for the second half of the year, and as a result, we are raising the bottom-end of expectations for two of our key metrics."

Second Quarter Results

Inteliquent generated revenue of \$52.9 million in the second quarter of 2015, a decrease of 3.6%, or \$2.0 million, from \$54.9 million of revenue in the second quarter of 2014. The decrease related primarily to a decrease in the average rate per minute, offset slightly by an increase in minute volumes. Average rate per minute for the second quarter of 2015 was \$0.00154, a decrease of 4.9%, compared to \$0.00162 for the second quarter of 2014. Minutes of use increased 1.2% to 34.3 billion minutes in the second quarter of 2015, compared to 33.9 billion minutes in the second quarter of 2014.

Network and facilities expense for the second quarter of 2015 was \$21.3 million, a decrease of 7.8%, or \$1.8 million, from \$23.1 million for the second quarter of 2014. The decrease in network and facilities expense was primarily due to decreased network costs as a result of optimization efforts and lower termination costs as a result of a traffic mix shift.

Combined operating expenses consisting of Operations, Sales and Marketing, and General and Administrative expenses were \$13.1 million for the second quarter of 2015, a decrease of 1.5%, or \$0.2 million, from \$13.3 million for the second quarter of 2014.

Depreciation and amortization expense was \$2.6 million for the second quarter of 2015, or 4.9% of revenue, compared to \$3.0 million for the second quarter of 2014, or 5.5% of revenue. The decrease of \$0.4 million in our depreciation and amortization expense resulted from a lower depreciable asset base due to more existing assets becoming fully depreciated in the current period coupled with lower capital expenditures.

Income from operations in the second quarter of 2015 was \$16.0 million, compared to income from operations of \$15.5 million for the second quarter of 2014.

Adjusted EBITDA (a non-GAAP financial measure) from continuing operations in the second quarter of 2015 was \$21.0 million, an increase of 7.7% or \$1.5 million, from \$19.5 million for the second quarter of 2014. See "Use of Non-GAAP Financial Measures" below for a discussion of the presentation of Adjusted EBITDA and reconciliation to net income.

Free Cash Flow (a non-GAAP financial measure) in the second quarter of 2015 was \$18.2 million, an increase of 8.3% or \$1.4 million, from \$16.8 million for the second quarter of 2014. See "Use of Non-GAAP Financial Measures" below for a discussion of the presentation of Free Cash Flow and a reconciliation to net income.

2015 Business Outlook

As a result of Inteliquent's year-to-date results and the updated forecast for the remainder of the year, Inteliquent is increasing its financial estimates for 2015. The new outlook is as follows:

	<u>Current Estimates</u>	<u>Prior Estimates</u>
Revenue	\$220 to \$230 million	\$215 to \$230 million
Adjusted EBITDA	\$77 to \$81 million	\$75 to \$81 million
Capital Expenditures	\$11 to \$13 million	\$11 to \$13 million

Conference Call & Web Cast

The second quarter conference call will be held on Thursday, July 23, 2015 at 10:00 a.m. (ET). A live web cast of the conference call as well as a replay will be available online on the Company's corporate web site at www.inteliquent.com. Participants can also access the call by dialing 1-800-862-9098 (within the United States and Canada), or 1-785-424-1051 (international callers) and entering the conference ID number: 8229218. A replay of the call will be available approximately two hours after the call has ended and will be available until 12:00 p.m. (ET) on August 22, 2015. To access the replay, dial 1-888-203-1112 (within the United States and Canada), or 1-719-457-0820 (international callers) and enter the conference ID number: 8229218.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains "forward-looking statements" that involve substantial risks and uncertainties. All statements, other than statements of historical fact, included in this press release are forward-looking statements. The words "anticipates," "believes," "efforts," "expects," "estimates," "projects," "proposed," "plans," "intends," "may," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Factors that might cause such differences include, but are not limited to: the effects of competition, including direct connects, and downward pricing pressure resulting from such competition; our regular review of strategic alternatives; the impact of current and future regulation, including intercarrier compensation reform enacted by the Federal Communications Commission; the risks associated with our ability to successfully develop and market new voice services, many of which are beyond our control and all of which could delay or negatively affect our ability to offer or market new voice services; the ability to develop and provide other new services; technological developments; the ability to obtain and protect intellectual property rights; the impact of current or future litigation; the potential impact of any future acquisitions, mergers or divestitures; natural or man-made disasters; the ability to attract, develop and retain executives and other qualified employees; changes in general economic or market conditions; matters arising out of or related to the impairment charge and financial forecasting practices that were the subject of an investigation by the Company's Audit Committee; the possibility that the Securities and Exchange Commission may disagree with the Audit Committee's findings and may require a restatement of financial statements or additional or different remediation; the possibility of litigation or other actions related to the impairment charge and financial forecasting practices that were subject to investigation by the Audit Committee and related matters; and other important factors included in our reports filed with the Securities and Exchange Commission, particularly in the "Risk Factors" section of our Annual Report on Form 10-K for the period ended December 31, 2014 and our Quarterly Report on Form 10-Q for the period ended March 31, 2015, as such Risk Factors may be updated from time to time in subsequent reports. Furthermore, such forward-looking statements speak only as of the date of this press release. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

About Inteliquent

Inteliquent is a leading provider of wholesale voice services for carriers and service providers. Inteliquent is used by nearly all national and regional wireless carriers, cable companies and CLECs in the markets it serves, and its network carries approximately eleven billion minutes of traffic per month. Please visit Inteliquent's website at www.inteliquent.com and follow us on Twitter @Inteliquent.

The condensed consolidated statements of income, balance sheets and statements of cash flows are unaudited and subject to reclassification.

INTELIQUENT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Three Months Ended Six Months Ended

(In thousands, except per share amounts)	June 30,		June 30,	
	2015	2014	2015	2014
Revenue	\$ 52,886	\$ 54,881	\$ 107,940	\$ 111,098
Operating expense:				
Network and facilities expense (excluding depreciation and amortization)	21,295	23,129	44,060	48,019
Operations	7,391	7,202	15,011	14,509
Sales and marketing	765	818	1,408	1,494
General and administrative	4,942	5,254	9,497	9,054
Depreciation and amortization	2,600	3,010	5,243	6,151
Gain on sale of property and equipment	(149)	(31)	(116)	(31)
Loss on sale of Americas data assets	—	—	—	1,081
Total operating expense	<u>36,844</u>	<u>39,382</u>	<u>75,103</u>	<u>80,277</u>
Income from operations	<u>16,042</u>	<u>15,499</u>	<u>32,837</u>	<u>30,821</u>
Other expense (income):				
Interest expense	11	17	27	19
Other income	—	(2)	(1,290)	(2)
Total other expense (income)	<u>11</u>	<u>15</u>	<u>(1,263)</u>	<u>17</u>
Income before provision for income taxes	16,031	15,484	34,100	30,804
Provision for income taxes	<u>6,031</u>	<u>6,036</u>	<u>12,918</u>	<u>12,163</u>
Net income	<u>\$ 10,000</u>	<u>\$ 9,448</u>	<u>\$ 21,182</u>	<u>\$ 18,641</u>
Earnings per share:				
Basic	\$ 0.30	\$ 0.29	\$ 0.63	\$ 0.57
Diluted	\$ 0.29	\$ 0.28	\$ 0.62	\$ 0.57
Weighted average number of shares outstanding:				
Basic	33,568	32,832	33,532	32,554
Diluted	34,033	33,369	33,988	32,892
Dividends paid per share:	\$ 0.150	\$ 0.075	\$ 0.300	\$ 0.150

INTELIQUENT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except per share amounts)	June 30,	December 31,
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 119,602	\$ 104,737
Receivables — net of allowance of \$2,284 and \$2,336, respectively	32,093	32,766
Deferred income taxes-current	—	836
Prepaid expenses	2,248	2,198
Other current assets	<u>659</u>	<u>1,320</u>
Total current assets	154,602	141,857
Property and equipment—net	22,744	23,678
Restricted cash	345	345
Deferred income taxes-noncurrent	5,077	3,284
Other assets	<u>1,282</u>	<u>1,007</u>
Total assets	<u>\$ 184,050</u>	<u>\$ 170,171</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		

Accounts payable	\$ 1,894	\$ 1,607
Accrued liabilities:		
Taxes payable	1,237	1,263
Circuit cost	6,136	7,266
Rent	1,959	2,015
Payroll and related items	3,588	3,079
Other	1,383	897
Deferred income taxes-current	167	—
Total current liabilities	<u>16,364</u>	<u>16,127</u>
Shareholders' equity:		
Preferred stock—par value of \$.001; 50,000 authorized shares; no shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Common stock—par value of \$.001; 150,000 authorized shares; 33,594 shares and 33,458 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	33	33
Less treasury stock, at cost; 3,351 shares at June 30, 2015 and December 31, 2014	(51,668)	(51,668)
Additional paid-in capital	220,154	217,628
Accumulated deficit	(833)	(11,949)
Total shareholders' equity	<u>167,686</u>	<u>154,044</u>
Total liabilities and shareholders' equity	<u>\$ 184,050</u>	<u>\$ 170,171</u>

INTELIQUENT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended	
	June 30,	
	2015	2014
Operating		
Net income	\$ 21,182	\$ 18,641
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	5,243	6,151
Deferred income taxes	(790)	1,334
Gain on sale of property and equipment	(116)	(31)
Loss on sale of Americas data assets	—	1,081
Gain on settlement of Tinet escrow	(1,290)	—
Non-cash share-based compensation	2,711	2,110
(Benefit) Provision for uncollectible accounts	(30)	1,443
Excess tax benefit associated with share-based payments	(313)	(753)
Changes in assets and liabilities:		
Receivables	753	(11,523)
Other current assets	593	(849)
Other noncurrent assets	(275)	(16)
Accounts payable	868	(104)
Accrued liabilities	<u>1,384</u>	<u>(2,570)</u>
Net cash provided by operating activities	<u>29,920</u>	<u>14,914</u>
Investing		
Purchase of property and equipment	(4,930)	(5,267)
Proceeds from sale of property and equipment	125	33
Increase in restricted cash	<u>—</u>	<u>(220)</u>
Net cash used for investing activities	<u>(4,805)</u>	<u>(5,454)</u>
Financing		

Proceeds from the exercise of stock options	253	7,720
Restricted shares withheld to cover employee taxes paid	(750)	(477)
Dividends paid	(10,066)	(4,925)
Excess tax benefit associated with share-based payments	313	753
Net cash (used for) provided by financing activities	(10,250)	3,071
Net increase in cash and cash equivalents	14,865	12,531
Cash and cash equivalents — Beginning	104,737	77,004
Cash and cash equivalents — Ending	\$ 119,602	\$ 89,535
Supplemental disclosure of cash flow information:		
Cash paid for taxes	\$ 13,164	\$ 14,261
Cash paid for interest	\$ —	\$ —
Supplemental disclosure of noncash flow items:		
Investing activity — Accrued purchases of property and equipment	\$ 767	\$ 621

The following table includes selected financial and operational metrics, sequentially, for the last five quarters.

Selected Financial and Operational Metrics:

(In millions, except per minute amounts)	Three Months Ended				
	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30
	2014	2014	2014	2015	2015
Total Revenue	\$ 54.9	\$ 54.0	\$ 55.4	\$ 55.1	\$ 52.9
Adjusted EBITDA	\$ 19.5	\$ 20.0	\$ 20.1	\$ 21.2	\$ 21.0
Total Capital Expenditures	\$ 2.7	\$ 1.0	\$ 3.8	\$ 2.1	\$ 2.8
Free Cash Flow	\$ 16.8	\$ 19.0	\$ 16.3	\$ 19.1	\$ 18.2
Average Revenue per Minute	\$ 0.00162	\$ 0.00156	\$ 0.00158	\$ 0.00159	\$ 0.00154
<u>Minutes of Use (in millions):</u>					
Local					
Local Transit Services	15,513	15,706	15,040	15,155	14,818
Switched Access (Long Distance)					
Termination Services	13,161	13,878	15,123	14,729	14,831
Origination Services	5,222	5,038	4,768	4,794	4,639
Total Minutes of Use	33,896	34,622	34,931	34,678	34,288
# of Employees	154	155	160	160	160

Use of Non-GAAP Financial Measures

In this press release we disclose "Adjusted EBITDA" and "Free Cash Flow," which are non-GAAP financial measures. For purposes of SEC rules, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure, calculated and prepared in accordance with generally accepted accounting principles in the United States (GAAP).

EBITDA is defined as net income before (a) interest expense, net (b) income tax expense and (c) depreciation and amortization. Adjusted EBITDA is defined as EBITDA as further adjusted to eliminate: non-cash share-based compensation; non-recurring amounts incurred in connection with the discontinuation of our hosted service offering; amounts paid in connection with the resolution of employee related matters; and amounts received by the Company from an escrow fund related to the purchase of Tinet as a result of a settlement with the sellers of Tinet. We believe that the presentation of

Adjusted EBITDA included in this press release provides useful information to investors regarding our results of operations because it assists in analyzing and benchmarking the performance and value of our business. We believe that presenting Adjusted EBITDA facilitates company-to-company operating performance comparisons of companies within the same or similar industries by backing out differences caused by variations in capital structure, taxation and depreciation of facilities and equipment (affecting relative depreciation expense), which may vary for different companies for reasons unrelated to operating performance. These measures provide an assessment of controllable operating expenses and afford management the ability to make decisions, which are expected to facilitate meeting current financial goals as well as achieve optimal financial performance. They provide an indicator for management to determine if adjustments to current spending decisions are needed. Furthermore, we believe that the presentation of Adjusted EBITDA has economic substance because it provides important insight into our profitability trends, as a component of net income, and allows management and investors to analyze operating results with and without the impact of depreciation and amortization, interest and income tax expense, non-cash share-based compensation, amounts incurred in connection with the discontinuation of our hosted service offering, amounts paid in connection with the resolution of employee related matters, and amounts received by the Company from an escrow fund related to the purchase of Tinet as a result of a settlement with the sellers of Tinet. Accordingly, these metrics measure our financial performance based on operational factors that management can impact in the short-term, namely the operational cost structure and expenses of our business. In addition, we believe Adjusted EBITDA is used by securities analysts, investors and other interested parties in evaluating companies, many of which present an EBITDA measure when reporting their results. Although we use Adjusted EBITDA as a financial measure to assess the performance of our business, the use of Adjusted EBITDA is limited because it does not include certain material costs, such as depreciation, amortization and interest and taxes, necessary to operate our business. We disclose the reconciliation between EBITDA and Adjusted EBITDA and net income below to compensate for this limitation. While we use net income as a significant measure of profitability, we also believe that Adjusted EBITDA, when presented along with net income, provides balanced disclosure which, for the reasons set forth above, is useful to investors in evaluating our operating performance and profitability. Adjusted EBITDA included in this press release should be considered in addition to, and not as a substitute for, net income as calculated in accordance with generally accepted accounting principles as a measure of performance.

Free Cash Flow is defined as Adjusted EBITDA less capital expenditures as disclosed in the Condensed Consolidated Statements of Cash Flows. Free Cash Flow represents the cash that a company is able to generate after cash expenses and capital expenditures necessary to maintain or expand its asset base. Management believes that Free Cash Flow is a relevant metric to provide investors, as it is an indicator of the Company's ability to generate cash that can potentially be used by the Company for capital investments, acquisitions, payment of dividends or share repurchases. There are material limitations to using Free Cash Flow to measure the Company's performance as it excludes certain material items such as cash used to pay income taxes and dividends. Free Cash Flow should not be used as a substitute for net change in cash and cash equivalents on the Condensed Consolidated Statements of Cash Flows.

The following is a reconciliation of net income to EBITDA, Adjusted EBITDA and Free Cash Flow:

(In thousands)	Three Months Ended				
	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30
	2014	2014	2014	2015	2015
Net income	\$ 9,448	\$ 9,776	\$ 10,106	\$ 11,182	\$ 10,000
Interest expense	17	18	14	16	11
Provision for income taxes	6,036	6,123	6,417	6,887	6,031
Depreciation and amortization	<u>3,010</u>	<u>2,985</u>	<u>2,681</u>	<u>2,643</u>	<u>2,600</u>
EBITDA	\$ 18,511	\$ 18,902	\$ 19,218	\$ 20,728	\$ 18,642
Non-cash share-based compensation	1,085	1,159	1,001	1,778	933
Hosted services	(117)	(28)	(75)	--	--
Amounts paid in connection with the resolution of employee related matters	--	--	--	--	1,440
Gain on receipt resulting from Tinet escrow settlement	--	--	--	(1,290)	--
Adjusted EBITDA	<u>\$ 19,479</u>	<u>\$ 20,033</u>	<u>\$ 20,144</u>	<u>\$ 21,216</u>	<u>\$ 21,015</u>
Capital Expenditures	2,685	1,012	3,811	2,089	2,841
Free Cash Flow	<u>\$ 16,794</u>	<u>\$ 19,021</u>	<u>\$ 16,333</u>	<u>\$ 19,127</u>	<u>\$ 18,174</u>

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