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## TUCOWS FINANCIAL NEWS RELEASE, Q3 2001

### TUCOWS REPORTS RESULTS FOR THIRD QUARTER FISCAL 2001

**Quarter marks seventh consecutive quarter of revenue growth since launch of wholesale domain name registration services**

**Company continues to firmly hold number two spot in market share for new domain name registrations**

TORONTO, CANADA, Nov. 8, 2001/PR Newswire - **Tucows Inc. (OTCBB: TCOW)**, a leading wholesale provider of digital products and distributor of e-business services and applications on the Internet, today announced its results for the third quarter of fiscal 2001, ended September 30, 2001.

Tucows reported revenue for the third quarter of fiscal 2001 of \$8.2 million, an increase of 90% from \$4.3 million for the same quarter of fiscal 2000 and an increase of 14% from \$7.2 million in the second quarter of fiscal 2001. The year-over-year increase primarily reflects growth in revenue from the company's domain name registration business. The sequential increase reflects revenue from the company's registry management services, which began generating revenue late in August 2001, and revenue associated with the merger with Infonautics, Inc., which was completed on August 28, 2001.

"Against the backdrop of a challenging economic environment, Tucows' wholesale model continued to generate strong revenue growth both on a year-over-year and sequential basis," said Elliot Noss, president and chief executive officer of Tucows Inc. "The quarter marked the seventh consecutive quarter of revenue growth since the company launched its wholesale domain name registration services in January 2000. Our results reflect the company's commitment to continuing to expand and solidify its reseller network, providing the highest level of service and support, and leading the industry on a technological basis."

Tucows reported a record deferred revenue balance at the end of the third quarter of \$21.3 million, an increase of 56% from \$13.6 million at the end of the third quarter of last year and an increase of 15% from \$18.5 million at the end of the second quarter of this year.

Total operating expenses for the third quarter were \$5.6 million compared to \$8.4 million for the same quarter of fiscal 2000 and \$5.9 million for the second quarter of this year. The decrease in operating expenses from both comparative periods reflects the company's continued focus on managing costs toward the goal of becoming cash flow positive from operations.

Net loss for the third quarter of fiscal 2001 was \$3.7 million compared to \$6.5 million for the same quarter of fiscal 2000 and \$3.7 million in the second quarter of fiscal 2001.

Cash and cash equivalents at the end of the third quarter were \$5.0 million compared to \$2.3 million at the end of the second quarter. The increase in cash and cash equivalents is related to the merger with Infonautics, Inc.

"We are pleased with our progress from both a revenue and cost standpoint and look forward to achieving our near-term goal of returning the company to a positive cash flow position," said Elliot Noss, president and chief executive officer, Tucows Inc. "Going forward, we remain committed to operating with the necessary financial discipline to achieve our next financial goal - guiding the company to operating profitability."

For the nine-month period ended September 30, 2001, revenue increased by 155% to \$21.8 million from \$8.5 million for the same period last year. Net loss for the nine-month period was \$10.8 million compared to \$18.3 million for the same period last year. Mr. Noss continued, "As a wholesaler of digital applications and services, our extensive network of resellers is our most important asset. The third quarter saw continued expansion of our channel, further broadening our distribution base."

Domain names registered, renewed and transferred-in for the third quarter totaled 695,843 (including registrations on behalf of other registrars), the second largest number of transactions in the company's history. Total active domain names under management at the end of the third quarter increased to more than 3.0 million.

"For the third quarter in a row, Tucows firmly held the number two position in terms of market share of new domain name registrations," said Mr. Noss. "Additionally, Tucows' ability to grow renewals in an environment where renewals were down market-wide and our healthy transfer ratio of 2.5:1 is indicative of our continuing commitment to provide our resellers with the highest levels of service and support and our confirmed ability to win competitive battles."

Liberty Registry Management Services (RMS), the wholly-owned subsidiary of Tucows that provides technical registry management services to the .INFO registry, processed more than 350,000 domain names by the end of the third quarter. The .INFO domain opened for registration on July 25, 2001. By the end of the first 90 days of operation of the .INFO domain, Liberty had processed more than 500,000 names.

## In other developments:

- In July, Tucows began taking pre-registrations for .INFO, the first unrestricted generic top-level domain since .COM.
- In August, Tucows completed a merger with Infonautics, Inc., providing Tucows with resources to capitalize on growth opportunities in the marketplace.
- In September, Tucows began live registration for the .INFO top-level domain.
- Within its content business, in September, Tucows launched its new resource service, Author Resource Center (ARC), designed to provide software developers worldwide with the tools they need to cost-effectively manage and promote their software available on the Tucows Web site. In addition, the company's Electric Library search and reference media site was redesigned with new functionality added.
- Subsequent to quarter end, in November, Tucows began taking pre-registrations for .NAME, the world's only global generic top-level domain (gTLD) exclusively for personal name registrations.
- Also in November, Tucows began live registration for .BIZ, the world's first global gTLD exclusively for business.

Tucows will host a conference call on Thursday, November 8, 2001 at 5:00 p.m. (ET) to discuss its third quarter fiscal 2001 results. Participants can access the conference call via the Internet at [www.tucows.com](http://www.tucows.com) by clicking on "Tucows Inc." and then on "Investor Relations."

## Conference Call

For those unable to participate in the conference call at the scheduled time, it will be archived for replay both by telephone and via the Internet beginning approximately two hours following completion of the call. To access the archived conference call by telephone, dial 416-695-5800 and enter the pass code 952588. The telephone replay will be available until Thursday, November 15, 2001 at midnight. To access the archived conference call via the Internet, go to [www.tucows.com](http://www.tucows.com) and click on "Tucows Inc." and then on "Investor Relations."

## Tucows Inc.

Tucows Inc. is a leading distributor of e-business services and applications on the Internet, with a network of more than 5,000 resellers in more than 100 countries around the world. The Tucows site offers more than 30,000 software titles in libraries located around the world, providing users with a fast local download. Tucows is an ICANN-accredited registrar and a leading provider of wholesale domain name registrations for country code and generic top-level domains plus web certificates. Tucows' properties include Search and Reference Media sites consisting of Electric Library, Encyclopedia.com, and NewsDirectory.com. For more information, please visit :

<http://www.opensrs.org> or <http://partner.tucows.com> or go to <http://www.tucows.com> and click on Partner with Tucows.

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*This news release contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. These forward-looking statements may include statements regarding, for example, the continued growth and success of Tucows' business, the introduction of new products and services and their success, the inability to further develop and achieve commercial success for the company's business strategy, and the deployment of the company's resources. Such statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. More information about potential factors that could affect Tucows is included in the Risk Factors sections of Tucows' filings with the Securities and Exchange Commission. All forward-looking statements included in this document are based on information available to Tucows as of the date of this document, and Tucows assumes no obligation to update such forward-looking statements.*

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### Tucows Inc. Consolidated Statements of Operations (Dollar amounts in U.S. dollars) (unaudited)

|                            | Three months ended<br>September 30, |              | Nine months ended<br>September 30, |               |
|----------------------------|-------------------------------------|--------------|------------------------------------|---------------|
|                            | 2000                                | 2001         | 2000                               | 2001          |
| Net revenues               | \$ 4,320,315                        | \$ 8,200,917 | \$ 8,527,759                       | \$ 21,779,959 |
| Cost of revenues           | 2,486,149                           | 5,929,612    | 4,503,557                          | 14,500,083    |
| Gross profit               | 1,834,166                           | 2,271,305    | 4,024,202                          | 7,279,876     |
| <b>Operating expenses:</b> |                                     |              |                                    |               |

|  |                |                |                 |                 |
|--|----------------|----------------|-----------------|-----------------|
| Sales and marketing, which includes stock-based compensation of \$27,707, \$27,707, \$65,385 and \$82,218, respectively        | 2,824,853      | 1,522,296      | 7,403,299       | 5,292,725       |
| Technical operations and development   | 1,248,022      | 1,411,193      | 2,676,730       | 4,054,074       |
| General and administrative, which includes stock-based compensation of \$13,303, \$13,303, \$35,715 and \$39,474, respectively | 997,486        | 912,277        | 2,662,430       | 2,850,088       |
| Depreciation of property and equipment   | 389,172        | 631,024        | 1,102,375       | 2,462,042       |
| Amortization of intangible assets  | 2,942,731      | 1,325,700      | 8,603,669       | 3,189,146       |
| Total operating expenses   | 8,402,264      | 5,802,490      | 22,448,503      | 17,848,075      |
| Loss from operations   | (6,568,098)    | (3,531,185)    | (18,424,301)    | (10,568,199)    |
| Interest income/(expense), net   | 71,587         | (156,428)      | 173,962         | (157,184)       |
| Loss before provision for income taxes   | (6,496,511)    | (3,687,613)    | (18,250,339)    | (10,725,383)    |
| Provision for income taxes   | -              | -              | -               | -               |
| Loss for the period  | \$ (6,496,511) | \$ (3,687,613) | \$ (18,250,339) | \$ (10,725,383) |
| Loss per common share - basic and diluted  | \$ (1.51)      | \$ (0.07)      | \$ (4.25)       | \$ (0.20)       |
| Weighted average shares outstanding - basic and diluted  | 4,291,500      | 56,574,253     | 4,291,500       | 53,297,131      |

**Tucows Inc.**  
**Consolidated Balance Sheets**  
(Dollar amounts in U.S. dollars)

|   | December 31, 2000 | September 30, 2001<br>(unaudited) |
|---|-------------------|-----------------------------------|
| <b>Assets</b>   |                   |                                   |
| Current assets:   |                   |                                   |
| Cash and cash equivalents   | \$ 2,170,195      | \$ 5,034,588                      |
| Accounts receivable, net of allowance for doubtful accounts of \$276,579 at September 30, 2001 and \$248,500 at December 31, 2000 | 767,104           | 1,600,499                         |
| Prepaid expenses and deposits   | 983,544           | 1,865,381                         |
| Prepaid domain name registry fees   | 7,873,677         | 9,960,006                         |
| Total current assets  | 11,794,520        | 18,460,474                        |
| Prepaid domain name registry fees, net of current portion   | 1,584,408         | 2,215,277                         |
| Property and equipment  | 3,842,364         | 4,068,302                         |
| Intangible assets   | 5,204,446         | 2,015,300                         |
| Investments   | 100,000           | 1,578,737                         |
| Total assets  | \$ 22,525,738     | \$ 28,338,090                     |
| <b>Liabilities and Stockholders' Deficiency</b>   |                   |                                   |
| Current liabilities:  |                   |                                   |
| Accounts payable  | \$ 2,796,892      | \$ 1,958,124                      |
| Accrued liabilities   | 3,467,592         | 3,191,461                         |
| Customer deposits   | 2,150,185         | 2,531,147                         |
| Obligations under capital lease   | -                 | 70,994                            |
| Deferred revenue  | 13,109,801        | 17,786,695                        |
| Total current liabilities   | 21,524,470        | 25,538,421                        |
| Deferred revenue, net of current portion  | 2,698,131         | 3,483,734                         |
| Obligations under capital lease, net of current portion   | -                 | 59,119                            |
| Stockholders' deficiency  |                   |                                   |
| Capital stock   | 44,390,257        | 58,532,817                        |
| Common stock to be issued   | 1,512,778         | -                                 |
| Options   | 1,072,412         | -                                 |
| Deferred stock-based compensation   | (508,704)         | (387,012)                         |

|  |               |               |
|--|---------------|---------------|
| Deficit  | (48,163,606)  | (58,888,989)  |
| Total stockholders' deficiency                 | (1,696,863)   | (743,184)     |
| Total liabilities and stockholders' deficiency | \$ 22,525,738 | \$ 28,338,090 |

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