

[Intro]

Welcome to Tucows' special business and financial update. On Tuesday, July 9th, Tucows issued a news release reporting a new MVNO Service Provider Agreement for Ting Mobile, and an update on cash EBITDA Guidance for 2019. That news release is available on the company's website at tucows.com, under the News page. A transcript of these remarks is also available on the Company's website.

In lieu of a live question and answer period following the prepared remarks, shareholders and analysts are invited to submit their questions to Tucows' management via email at ir@tucows.com by Monday, July 15th. Management will address your questions directly, or in a recorded audio response and transcript that will be posted to the Investors section of the Tucows website on Tuesday, July 23rd at approximately 4:00 p.m., Eastern time.

We would also like to remind you that Tucows will report its second quarter 2019 financial results via news release, which will also be accompanied by management's usual prepared remarks, on August 7th at 5:05 p.m., Eastern time.

Please note that the following discussion may include forward-looking statements, which, as such, are subject to risks and uncertainties that could cause actual results to differ materially. These risk factors are described in detail in the company's documents filed with the SEC, specifically the most recent reports on the Form 10-Q, and Form 10-K. The company urges you to read all of its security filings for a full description of the risk factors applicable for its business.

I would now like to turn the call over to Tucows' President and Chief Executive Officer, Mr. Elliot Noss.

[Elliot Noss, President and Chief Executive Officer]

Hello. Today we are here to share important developments in our mobile carrier relationships, and their implications for our financial guidance for 2019.

We are pleased to announce that we will be adding Verizon as a partner later this year. We have also extended our relationship with Sprint through September 2020. Finally, we will not be renewing our contract with T-Mobile, which expires at the end of this year. While we view this as a positive move for the business long term, these moves do come at a short-term cost. Due to these costs, underperformance

in the mobile business, and carrier penalties, we are resetting our 2019 cash EBITDA guidance to \$52 million, from \$62 million.

Challenges and uncertainty in our carrier relationships have been hanging over us for some time, particularly after the announcement of the proposed Sprint/T-Mobile merger, and those challenges became problems in 2019. We believe addressing our carrier relationships now will be critical to the future success of the Ting Mobile business.

A number of factors motivated these changes. With Verizon, we will be adding the network that in our opinion has the best coverage and performance ratings in the U.S. Our contract with Verizon is better than that with T-Mobile in terms of rates, guarantees and other financial terms, which had negatively impacted Ting Mobile's past performance. Finally, our dealings with Verizon to this point have been productive and professional. So long-term, we see this as very positive news.

We had expected that the proposed Sprint/T-Mobile merger would have been resolved by now. If that had happened, we would have been able to engage with the parties and assess the financial implications of potential post-merger relationships. However,

because the merger has not occurred, we had to assess our relationships with Sprint and T-Mobile separately.

In terms of Sprint, we're pleased to have extended our relationship for an extra year. The economics are competitive, and we have a productive relationship with the current Sprint team. This additional year gives us time to see what happens with the Sprint/T-Mobile merger and make an assessment as to the best course for Ting after September 2020. We also view this extension as a positive development.

In terms of T-Mobile, we have given T-Mobile notice that we will be terminating our relationship with them effective December 19th of this year. Our agreement with T-Mobile provides a twelve-month runoff period, giving us until December 19th, 2020 to migrate our customers to another network. We sincerely thank them for their partnership over the past five years.

While this was a difficult decision, we believe that we will be moving to a much better network in Verizon, with better economics, better guarantees and a better strategic relationship, all of which sets the stage for stronger long-term prospects for our mobile business. We also believe we have insulated ourselves, to the greatest extent

possible, from the risks associated with the pending Sprint/T-Mobile merger.

We recognize that migrating a large MVNO customer base will be complicated and expensive, but, in the long term, we believe these carrier changes are in our best interests under the present circumstances. And we believe that many of the same skills that have made us successful at integrating large customer bases from failing MVNOs and domain registrars will serve us well in dealing with this exercise.

In light of these new agreements -- and specifically, costs associated with the carrier transition, and other challenges which have unexpectedly persisted in the second quarter in the Ting mobile business -- we are resetting our 2019 cash EBITDA guidance to \$52 million from \$62 million. The three primary drivers for the \$10M decrease in guidance -- Ting Mobile business underperformance, carrier migration costs, and excess carrier penalties -- each account for roughly one-third of the \$10 million decrease.

We estimate the costs of migration, primarily in the form of SIMs, shipping and device marketing, to be in the range of \$3 million this year, and as much as \$12 million over the following years. These

variable costs are mostly in the nature of the marketing costs needed to move customers from one network to the other, and will mostly be in the form of inducements, device subsidies and/or a form of service credit. There's not a lot of precedent to provide guidance on which marketing programs will be most effective, and we are also unsure of how many, if any, of our customers will refuse or fail to move. This makes the total migration cost difficult to estimate.

Taking on as much as \$12 to \$15 million in unplanned, one-time costs, over a few years, is a lot for us. That being said, this move is key to putting the mobile business back on a stronger long-term footing. We will be gaining between \$3 million and \$4 million in COGS savings annually, and we will have more flexible rates that will allow us to deliver a greater range of offers to end users, as well as lower guarantees, that will allow us to benefit from our growth, and a better network that will allow us to convert prospects at a higher rate. We still need to work on reaccelerating the growth in gross adds, but we now can get started in earnest on that work.

In terms of the overall Tucows business, we are all feeling positive. In terms of the Ting Mobile business we are confident that cleaning up our carrier relationships was a necessary step in setting the stage for a return to long-term growth.

As those of you who've been following our quarterly calls know, carrier challenges have been a shadow on the Ting Mobile business for the last eighteen months. We are relieved to have that shadow lifted, and are optimistic about moving forward. We are now in a position to deliver outstanding mobile service backed by Ting's award-winning customer support, creating an even more compelling mobile offering.

The actions we outlined today -- and all of our strategic decisions on our mobile and domains businesses -- are ensuring they continue to generate predictable flows of capital for our growing fiber business. And the fiber business is continuing to hit its benchmarks for 2019, provide more scale, and build the runway for long-term growth. We look forward to talking with you more on the Q2 call and remind you that if you have questions about this call, please submit them by email to ir@tucows.com by Monday, July 15th, and we will post responses on Tuesday, July 23rd at 4pm, or respond directly.

Thank you.