

Investor presentation

05.07.2020

tuco//s

Nasdaq (TCX) | TSX (TC)

Safe Harbor Statement



This presentation may contain forward-looking statements, relating to the Company's operations or to the environment in which it operates, which are based on Tucows Inc.'s operations, estimates, forecasts and projections. These statements are not guarantees of future performance and are subject to important risks, uncertainties and assumptions concerning future conditions that may ultimately prove to be inaccurate or differ materially from actual future events or results. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, investors should not place undue reliance on these forward-looking statements, which are based on Tucows Inc.'s current expectations, estimates, projections, beliefs and assumptions. These forward-looking statements speak only as of the date of this presentation and are based upon the information available to Tucows Inc. at this time. Tucows Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Our business

Consistent, reliable cash flow generation + growth

Investment Summary

Consistent and reliable revenue and cash flow generation

through high volume, low-cost subscription services

Committed to returning capital to shareholders

Dominant position

in the global wholesale domain name market

Brand leadership and potential for continued growth

as MVNO with Ting mobile

Building next phase of outsized long-term growth opportunity

as an early mover in next generation services in the fiber-to-the-premise space

Good ideas into great businesses

Three distinct businesses that leverage our central technical, administrative and support competencies, and follow our uncompromising customer-centric orientation

Domains

Pioneer and leading provider in the global domains services market



Network Access | Ting Mobile

Consistently top-rated US mobile phone service provider



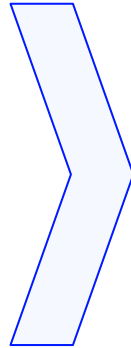
Network Access | Ting Internet

Early mover in long-term growth opportunity of the fiber-to-the-premise space



Our business

Strong cash flowing
businesses



Generating
capital for

Tucows next phase of
outsized growth



Proven track record of long-term performance

18

consecutive years

of revenue growth¹

18

consecutive years

of positive cash flow from operations

19

years

as a public company

16.4%

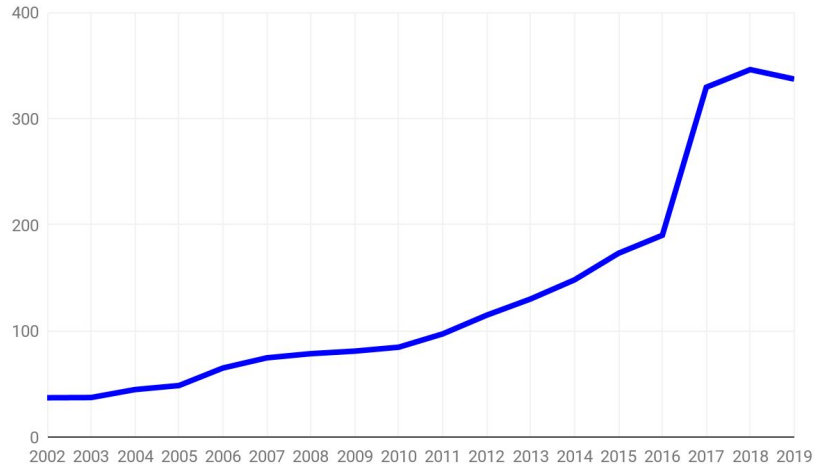
annual ROI

since going public

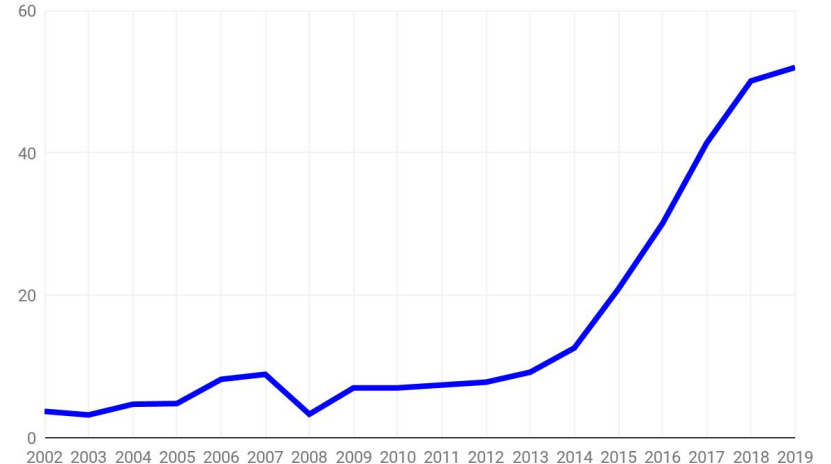
¹Excluding the impact of a transitional revenue stream acquired and subsequently disposed of in 2018.

Historical Financial Performance

Revenue (US\$ millions)



Adj. EBITDA^{1,2} (US\$ millions)



1. Adjusted EBITDA excludes depreciation, amortization of intangible assets, income tax provision, interest expense, interest income, stock-based compensation, asset impairment, gains and losses from unrealized foreign currency transactions and infrequently occurring items, including acquisition and transition costs. (Prior to 2013 Adjusted EBITDA included net deferred revenue and did not include foreign currency transactions or acquisition and transition costs)

2. Adjusted EBITDA for 2017 reflects the impact of the purchase price accounting adjustment related to the fair value write down of deferred revenue from the Enom acquisition, which lowered Adjusted EBITDA by \$7.8 million. Adjusted EBITDA for 2019 reflects the impact of the purchase price accounting adjustment related to the fair value write down of deferred revenue from the Ascio acquisition, which lowered Adjusted EBITDA by \$2.5 million.



Market and Financial Data:

Share Price¹: **TCX (NASDAQ) US\$53.15**
TC (TSX) CA\$74.99

Cash²: **US\$12.5m**

Shares out¹: **~10.6m**

Debt²: **US\$113.5m**

Market cap¹: **~US\$563m**

1. At May 6/20.

2. At Mar 31/20.

Domain services

Tucows' portfolio of domain services



opensrs.com



hover.com



ascio.com



enom.com

Services Offered

domain registration | SSL certificates | email

Quiet growth to global domains leadership

Second largest domain name registrar
in the world

~24 million

Domains under management

Renewal rates well above industry
average

~1.5 million

Domain transactions every month

Leveraging global network of relationships

World's largest
wholesale domain name registrar

Established network of
>36,000
reseller customers

Global footprint in
>150
countries

Domains strategy

- Managed for margin contribution
- Modernizing tech stack to create true platform for domains ecosystem
- Development of new Value Added Services
- Centralize network infrastructure needs and costs with Network Access business

Network access



Strong network partners:

MVNO on Sprint, T-Mobile, and Verizon networks

Based on simple customer premise



**outstanding customer
support**



honest pricing



usable interfaces

Exceptional Consumer Reports Ratings



Ting Mobile has rated in the top three US mobile providers since debuting on the survey in 2015

Average of largest 4 carriers

Network access | Ting mobile: Key Metrics

~153,600
accounts¹

~271,700
subscribers¹

~\$37
average subscriber's bill

~60%
gross margin

3.25%
churn²

<\$100
customer acquisition costs

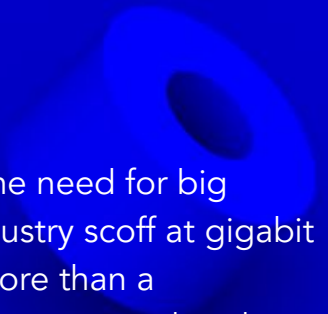
1. At Mar 31/20. 2. Average for TTM ended Mar. 31/20. Inclusive of acquired customer bases.

Ting Mobile strategy

- Brand leadership, outstanding customer experience and providing a compelling alternative to the large mobile providers remain our competitive advantage
- Transitioning to new carrier relationship, from T-Mobile to Verizon, to provide superior network and improve economics

Ting Internet

Leveraging the Ting brand and operational base for the fixed Internet access market



“There are always skeptics of the need for big bandwidth and many in the industry scoff at gigabit broadband today as nothing more than a marketing ploy. What the critics ignore is that the world grows into larger bandwidth over time. Residential broadband usage is currently growing at a rate of about 21% annually in terms of both total monthly downloads and of desired customer speeds. When gigabit products were first introduced, they were 40 times faster than the average broadband product at that time of about 25 Mbps”

- Doug Dawson, CCG Consulting, 2019

Providing gigabit speeds over fiber-to-the-premise networks

50x

faster than average US
download speed

1000x

faster than average US
upload speed

Network access | Ting Internet: Key Metrics

Cost to build per serviceable address

\$1,000–\$1,500¹

Annual gross margin

\$1,000

Monthly price²

\$89³

Home

\$139

Business

Expected take rate

20%

year 1

50%

year 5

1. Cost of installation varies but is less than \$200/home or \$400/business.
2. Ting Internet Box costs \$200 upfront or \$9/mo. 5/5 Mbps service is \$19/mo + startup costs.
3. In Fullerton, CA, which has no live customers yet, the price will be \$79.

Aggregate Network Progress: Q1 2020

 **168,556**
Total Projected Potential
Serviceable Addresses (SAs)¹

 **45,404**
SAs Completed²

 **27%**
SAs Completed²


 **11,627**
Subscribers

Individual Town Progress: Q1 2020

Ting Owned Networks/Services Offered⁴

| Town | Potential SAs ¹ | SAs Completed ² | Build % Completed |
|----------------------------|----------------------------|----------------------------|---|
| Holly Springs | 8,958 | 8,502 |  95% |
| Charlottesville | 23,000 | 12,090 |  53% |
| Sandpoint | 5,000 | 4,116 |  82% |
| Centennial | 40,000 | 3,921 |  10% |
| Fuquay-Varina | 9,800 | 4,324 |  44% |
| Wake Forest/ Rolesville | 10,000 | N/A | Announced February 2019 |
| Cedar | N/A ³ | 6,400 | N/A ³ |

Ting Leased Networks/Services Offered⁴

| Town | Potential SAs ¹ | SAs Completed ² | Build % Completed |
|--------------|----------------------------|----------------------------|---|
| Westminster | 6,198 | 6,051 |  98% |
| Fullerton | 52,500 | N/A | Announced April 2019 |
| Solana Beach | 6,700 | N/A | Announced November 2019 |

1. Defined as premises to which Ting has the capability to provide a customer connection in a service area.
2. Projected serviceable addresses in total for all markets include the current SAs for the Cedar markets, but do not yet include total Potential SAs in the Cedar footprint. That information will be available in Q2 2020.
3. These numbers do not account for the total Potential SAs in the Cedar footprint. That information will be available in Q2 2020.
4. On leased networks, Ting may not be the sole internet service provider (ISP), or may have a head start before other providers or services. As a result, we do not expect long-term subscriber penetration to be as high as on our owned networks, where we are the sole ISP.

This report is intended for general guidance and information purposes only. This report is under no circumstances intended to be used or considered as financial or investment advice. Tucows has taken reasonable care to ensure that, and to the best of our knowledge, material information contained herein is in accordance with the facts and contains no omission likely to affect its understanding. The risk factors for Tucows business are described in detail in the company's documents filed with the SEC, specifically the most recent reports on the Forms 10-K and 10-Q. The company urges you to read its security filings for a full description of the risk factors applicable for its business.

Quarterly highlights



Quarterly KPI Summary

Operating Statistics

(Amounts in thousands)

| QUARTERLY | | | | | YTD | ANNUAL | |
|-----------|-------|-------|-------|-------|------|--------|------|
| Q1/20 | Q4/19 | Q3/19 | Q2/19 | Q1/19 | 2020 | 2019 | 2018 |

TING MOBILE

| | | | | | | | | |
|---|--------|-------|-------|-------|--------|--------|-------|-------|
| Mobile Accounts under management | 153.6 | 159.7 | 166.2 | 157.3 | 159.9 | 153.6 | 159.7 | 162.6 |
| Mobile Accounts under management - Net additions (deactivations) | (6.1) | (6.5) | 8.9 | (2.6) | (2.6) | (6.1) | (2.9) | (3.4) |
| Mobile Subscriptions under management | 271.7 | 289.1 | 293.8 | 280.3 | 284.0 | 271.7 | 289.1 | 296.3 |
| Mobile Subscriptions under management - Net additions (deactivations) | (17.6) | (4.7) | 13.5 | (3.7) | (12.3) | (17.6) | (7.2) | 14.0 |
| Mobile Account churn | 3.17% | 3.66% | 3.36% | 2.79% | 2.83% | 3.17% | 3.16% | 2.95% |

TING INTERNET

| | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|----------|----------|
| Internet Subscribers under management ⁴ | 11.6 | 10.2 | 9.5 | 8.8 | 7.7 | 11.6 | 10.2 | 7.0 |
| Internet Subscribers under management - Net additions ⁵ | 0.6 | 0.7 | 0.7 | 1.1 | 0.7 | 0.6 | 3.2 | 2.5 |
| Passed Addresses ^{1,4} | 62.6 | 53.4 | 50.0 | 44.3 | 38.5 | 62.6 | 53.4 | 33.2 |
| Passed Addresses - Net additions ⁵ | 2.8 | 3.4 | 5.7 | 5.8 | 5.3 | 2.8 | 20.2 | 15.6 |
| Serviceable Addresses ^{2,4} | 45.4 | 36.4 | 34.2 | 33.5 | 31.8 | 45.4 | 36.4 | 28.1 |
| Serviceable Addresses - Net additions ⁵ | 2.6 | 2.2 | 0.7 | 1.7 | 3.7 | 2.6 | 8.3 | 12.1 |
| Fiber Capital Expenditures ³ | \$7,600 | \$8,000 | \$8,500 | \$9,050 | \$6,900 | \$7,600 | \$32,450 | \$25,100 |

DOMAIN SERVICES

| | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| Domains under management | 23,895 | 23,773 | 23,858 | 25,010 | 25,207 | 23,895 | 23,773 | 23,309 |
| Total new, renewed and transferred-in domain name registrations provisioned | 4,756 | 4,119 | 4,227 | 4,377 | 4,562 | 4,756 | 17,285 | 17,358 |

¹ Defined as premises to which Ting has constructed the fiber network but does not yet have the capability to provide an active customer connection.

² Defined as premises to which Ting has the capability to provide an active customer connection in a service area.

³ The Company's life-to-date Fiber capex investment since February 2015 is \$97.3 million, including \$6.7 million related to the acquisition of Blue Ridge Websoft, LLC in 2015 and \$4.7 million for Cedar Holdings Group in 2020.

⁴ The Company acquired Cedar Holdings Group on January 1, 2020 which increased the opening Internet subscribers by 790 and Passed Addresses and Serviceable Addresses by 6,400, respectively.

⁵ The increase in acquired Internet Subscribers, Passed Addresses, and Serviceable Addresses from Cedar Holdings Group are not included in the Q1 Net Additions.



Summary Financial Results

| | 3 Months Ended March 31 | | |
|---|-------------------------|---------------------|----------|
| | 2020 (Unaudited) | 2019 (Unaudited) | % Change |
| Net revenue | 83,985 | 78,953 | 6% |
| Gross Profit | 25,150 | 22,651 | 11% |
| Net income | 2,834 | 2,799 | 1% |
| Basic Net earnings per common share | 0.27 | 0.26 | 4% |
| Adjusted EBITDA ^{1,2} | 12,681 | 9,431 | 34% |
| Net cash provided by operating activities | 14,073 | 8,991 | 57% |

1. This Non-GAAP financial measure is described below and reconciled to GAAP net income in the accompanying table.

2. Adjusted EBITDA for the three month period ended March 31, 2020 reflects the impact of the purchase price accounting adjustment related to the fair value write down of deferred revenue from the Ascio acquisition on March 18, 2019, which lowered Adjusted EBITDA by \$0.1 million.

Resources

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