



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

	December 31,	December 31,
	2020	2019
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,311	\$ 20,393
Accounts receivable	15,540	14,564
Inventory	1,875	3,457
Prepaid expenses and deposits	16,845	13,478
Derivative instrument asset, current portion	3,860	731
Deferred costs of fulfillment, current portion	93,467	91,252
Income taxes recoverable	1,302	1,800
Total current assets	141,200	145,675
Deferred costs of fulfillment, long-term portion	17,599	17,915
Property and equipment	117,530	82,121
Right of use operating lease asset	11,238	11,335
Contract costs	362	1,400
Deferred tax asset	226	-
Intangible assets	47,444	57,654
Goodwill	116,304	109,818
Total assets	\$ 451,903	\$ 425,918
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,329	\$ 6,671
Accrued liabilities	10,235	9,373
Customer deposits	15,402	14,074
Derivative instrument liability, current portion	99	-
Operating lease liability, current portion	1,761	1,413
Deferred revenue, current portion	127,336	123,101
Accreditation fees payable, current portion	940	952
Income taxes payable	863	1,324
Total current liabilities	162,965	156,908
Derivative instrument liability, long-term portion	114	-
Deferred revenue, long-term portion	24,909	26,202
Accreditation fees payable, long-term portion	195	216
Operating lease liability, long-term portion	9,179	9,424
Loan payable, long-term portion	121,733	113,503
Other long-term liability	3,416	-
Deferred tax liability	24,694	25,471
Stockholders' equity:		
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding	-	-
Common stock - no par value, 250,000,000 shares authorized; 10,612,414 shares issued and outstanding as of December 31, 2020 and 10,585,159 shares issued and outstanding as of December 31, 2019	20,798	16,633
Additional paid-in capital	1,458	880
Retained earnings	80,106	76,208
Accumulated other comprehensive income (loss)	2,336	473
Total stockholders' equity	104,698	94,194
Total liabilities and stockholders' equity	\$ 451,903	\$ 425,918

Tucows Inc.
Consolidated Statements of Operations and Comprehensive Income
(Dollar amounts in thousands of U.S. dollars)

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
Net revenues	\$ 70,784	\$ 85,946	\$ 311,202	\$ 337,145
Cost of revenues:				
Cost of revenues	47,093	55,018	200,401	217,579
Network expenses (*)	2,681	2,156	10,194	9,190
Depreciation of property and equipment	3,252	2,405	12,144	8,475
Amortization of intangible assets	330	322	1,340	1,124
Impairment of property and equipment	-	-	1,638	-
Total cost of revenues	53,356	59,901	225,717	236,368
Gross profit	17,428	26,045	85,485	100,777
Expenses:				
Sales and marketing (*)	7,753	7,904	34,274	34,270
Technical operations and development (*)	3,447	1,566	12,427	9,717
General and administrative (*)	5,194	4,062	20,268	17,880
Depreciation of property and equipment	125	111	488	486
Loss (gain) on disposition of property and equipment	(17)	-	(17)	73
Amortization of intangible assets	2,314	2,548	10,080	9,209
Impairment of definite life intangible assets	-	-	1,431	-
Loss (gain) on currency forward contracts	(284)	(108)	(383)	(198)
Total expenses	18,532	16,083	78,568	71,437
Income from operations	(1,104)	9,962	6,917	29,340
Other income (expenses):				
Interest expense, net	(855)	(1,220)	(3,611)	(4,769)
Gain on sale of Ting Customer Assets, net	6,522	-	7,612	-
Other income (expense), net	100	-	(158)	-
Total other income (expenses)	5,767	(1,220)	3,843	(4,769)
Income before provision for income taxes	4,663	8,742	10,760	24,571
Provision for income taxes	2,595	2,964	4,985	9,173
Net income for the period	2,068	5,778	5,775	15,398
Other comprehensive income, net of tax				
Unrealized income on hedging activities	1,044	487	1,653	1,101
Net amount reclassified to earnings	(79)	15	210	182
Other comprehensive income net of tax expense of \$288 and \$161 for the three months ended December 31, 2020 and December 31, 2019, \$550 and \$411 for the years ended December 31, 2020 and December 31, 2019	965	502	1,863	1,283
Comprehensive income, net of tax for the period	\$ 3,033	\$ 6,280	\$ 7,638	\$ 16,681
Basic earnings per common share	\$ 0.19	\$ 0.55	\$ 0.55	\$ 1.45
Shares used in computing basic earnings per common share	10,605,451	10,577,080	10,590,684	10,623,799
Diluted earnings per common share	\$ 0.19	\$ 0.54	\$ 0.54	\$ 1.43
Shares used in computing diluted earnings per common share	10,745,710	10,693,430	10,692,281	10,772,812

(*) Stock-based compensation has been included in expenses as follows:

Network expenses	\$ 139	\$ 82	\$ 472	\$ 307
Sales and marketing	\$ 475	\$ 395	\$ 1,678	\$ 1,251
Technical operations and development	\$ 198	\$ 168	\$ 756	\$ 596
General and administrative	\$ 242	\$ 191	\$ 812	\$ 722

Tucows Inc.
Consolidated Statements of Cash Flows
(Dollar amounts in thousands of U.S. dollars)

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ 2,068	\$ 5,778	\$ 5,775	\$ 15,398
Items not involving cash:				
Depreciation of property and equipment	3,377	2,516	12,632	8,961
Impairment of property and equipment	-	-	1,638	142
Amortization of debt discount and issuance costs	67	65	269	297
Amortization of intangible assets	2,644	2,870	11,420	10,333
Net amortization contract costs	(3)	(2)	106	(10)
Accretion of contingent consideration	86	-	344	-
Impairment of definite life intangible asset	-	-	1,431	-
Other	-	-	223	-
Deferred income taxes (recovery)	(3,012)	(456)	(3,939)	1,285
Excess tax benefits on share-based compensation expense	(353)	156	(861)	(634)
Net Right of use operating assets/Operating lease liability	(44)	(27)	205	(32)
Loss on disposal of domain names	2	43	17	115
Loss (gain) on change in the fair value of forward contracts	(237)	(109)	(500)	(313)
Disposal of Ting Mobile customer assets	-	-	3,513	-
Stock-based compensation	1,054	836	3,718	2,876
Change in non-cash operating working capital:				
Accounts receivable	(2,951)	(1,095)	(281)	(3,015)
Inventory	(736)	446	945	318
Prepaid expenses and deposits	(3,142)	6,147	(3,459)	2,904
Deferred costs of fulfillment	2,174	3,924	(1,899)	7,678
Income taxes recoverable	2,589	1,210	908	(89)
Accounts payable	(1,661)	1,556	(902)	(1,222)
Accrued liabilities	710	(4,945)	376	2,329
Customer deposits	1,030	(846)	1,493	27
Deferred revenue	(1,985)	(4,838)	2,942	(6,900)
Accreditation fees payable	(40)	(33)	(33)	(67)
Net cash provided by operating activities	<u>1,637</u>	<u>13,196</u>	<u>36,081</u>	<u>40,381</u>
Financing activities:				
Proceeds received on exercise of stock options	307	83	985	395
Payment of tax obligations resulting from net exercise of stock options	(77)	(4)	(556)	(548)
Repurchase of common stock	-	-	(3,281)	(4,986)
Proceeds received on loan payable	8,000	12,000	8,000	57,371
Repayment of loan payable	-	(3,530)	-	(8,130)
Payment of loan payable costs	-	(2)	(32)	(641)
Net cash provided by financing activities	<u>8,230</u>	<u>8,547</u>	<u>5,116</u>	<u>43,461</u>
Investing activities:				
Additions to property and equipment	(11,708)	(12,913)	(44,437)	(44,070)
Acquisition of Cedar Networks (net of cash of \$66 and net of shares issued of \$2,000)	-	-	(8,770)	-
Acquisition of Ascio Technologies Inc. (net of cash of \$1)	-	(426)	-	(28,450)
Acquisition of intangible assets	(3)	-	(72)	(3,566)
Net cash used in investing activities	<u>(11,711)</u>	<u>(13,339)</u>	<u>(53,279)</u>	<u>(76,086)</u>
(Decrease) increase in cash and cash equivalents	(1,844)	8,404	(12,082)	7,756
Cash and cash equivalents, beginning of period	10,155	11,989	20,393	12,637
Cash and cash equivalents, end of period	<u>\$ 8,311</u>	<u>\$ 20,393</u>	<u>\$ 8,311</u>	<u>\$ 20,393</u>
Supplemental cash flow information:				
Interest paid	\$ 813	\$ 1,224	\$ 3,573	\$ 4,785
Income taxes paid, net	\$ 3,477	\$ 1,818	\$ 8,926	\$ 7,941
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 1,129	\$ 548	\$ 1,129	\$ 548
Fair value of shares issued for acquisition of Cedar Holdings Group	\$ -	\$ -	\$ 2,000	\$ -
Fair value of contingent consideration for acquisition of Cedar Holdings Group	\$ -	\$ -	\$ 3,072	\$ -

Reconciliation of Net income to Adjusted EBITDA
(In Thousands of U.S. Dollars)

(unaudited)	Three months ended December 31,		Year ended December 31,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Net income for the period	\$ 2,068	\$ 5,778	\$ 5,775	\$ 15,398
Depreciation of property and equipment	3,377	2,516	12,632	8,961
Impairment of property and equipment	-	-	1,638	-
Loss (gain) on disposition of property and equipment	(17)	-	(17)	73
Amortization of intangible assets	2,644	2,870	11,420	10,333
Impairment of definite life intangible assets	-	-	1,431	-
Disposal of Ting Mobile customer assets	-	-	3,513	-
Interest expense, net	855	1,220	3,611	4,769
Accretion of contingent consideration	86	-	344	-
Provision for income taxes	2,595	2,964	4,985	9,173
Stock-based compensation	1,054	836	3,718	2,876
Unrealized loss (gain) on change in fair value of forward contracts	(237)	(109)	(500)	(313)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(19)	(180)	461	(581)
Acquisition and other costs ¹	441	260	1,961	1,216
Adjusted EBITDA	<u>\$ 12,847</u>	<u>\$ 16,155</u>	<u>\$ 50,972</u>	<u>\$ 51,905</u>

¹Acquisition and other costs represents transaction-related expenses, transitional expenses, such as redundant post-acquisition expenses, primarily related to our acquisition of Ascio in March 2019 and Cedar in January 2020 and disposition of certain Ting Mobile assets in August 2020. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.