tucows

## Q2 2021 Q&A Transcript

**Introduction** [Monica Webb, Senior Director, Market Development and Strategic Partnerships]

Welcome to Tucows' question and answer dialog for Q2 2021. Elliot Noss, President and Chief Executive Officer, will be responding to your questions. For your convenience, this audio file is also available as a transcript in the investors section of our website, along with our Q2 2021 Financial Results and updated reports.

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 Forms 10-Q and 10-K. The company urges you to read its securities filings for a full description of the risk factors applicable for its business.

Today's commentary includes responses to questions submitted to us following the pre-recorded management remarks regarding the quarter and outlook for the Company. We are grouping similar questions into categories that we feel are addressing common queries. If your questions reach a certain threshold or volume we may ask you to schedule a call instead, to ensure we can address the full body of your questions. And if you feel that the recorded answers and/or any direct email you may receive, do not address the meat of your questions, please let us know.

Go ahead Elliot.

**Opening Remarks** [Elliot Noss, President and Chief Executive Officer]

Thank you, Monica. And welcome to our Q&A for our second quarter 2021 financial results.

Our investors, who are generally focused more on the long term than most, have always appreciated the culture at Tucows. We were asked how we are maintaining that culture as we scale more rapidly than we ever have.

I would add to the investor's question, we have had to do this in the context of a pandemic where many of the easy solutions to culture, like a physical office, have been removed.

We have always valued culture and my answer here is a classic simple, not easy answer. I feel the only way to maintain and deepen culture is to not compromise your values no matter how tempting. Business will always present choices between culture and profit. The employee who is mean-spirited or racist or misogynist -- but who is a great producer. The choice in pricing or product that will benefit the company, but to the clear detriment of the customer, sometimes when they won't even notice. The extra effort it takes to thank someone, or attend to someone when needed. These choices are relentless and we are not perfect, but we do try to appreciate that every decision will impact culture, however big or small, and it is not always clear which is which. We are not perfect, but I feel we have done pretty well.

Our investors are taking to heart my comments about the coax-to-fiber transition and the land rush that we are in.

We had a couple of questions asking about the speed of fiber deployment and the various tradeoffs that could be made to accelerate it: between us building and others building; between trading a lower IRR for a faster deployment; and between owning and operating networks.

I have talked about some of these previously, and I am sure I will again, so this quarter I will address the provocative question around IRR tradeoffs.

Our view is that these businesses -- these ISP businesses -- are extremely profitable, and deploy large amounts of capital. The balance between relative and absolute returns is made easier when these tradeoffs are often between two fantastic choices. We also know well that even building for a small proportion -- one million, three million -- of the 70 million homes that will be passed over the next five years, will create a fantastic outcome for this business.

Given all this, we are trying to focus on the right geography, the right partners, and the right pace, rather than fine tuning our returns. Put another way, we are focused on maximizing our probability of success at an operating level rather than a financial level. We are very comfortable that the returns, given these levels, will take care of themselves.

Turning to our Mobile business, understandably it continues to be confusing for investors. I do apologize, as this year is quite unique, and we are trying to be respectful in what we share as the information is primarily DISH's, and this is all made even more complicated with the exciting and positive changes like their acquisition of Republic Wireless, and now the big deal with AT&T.

Let me try and provide a bit more clarity. As I have previously shared, this year will be better than last in terms of our Mobile business contribution. This line of business hits steady state as the Boost Mobile customers are migrated to our MSE platform, and we expect this settling down to take place in 2022, making this year a bit anomalous. We also expect ‘22 to look good compared to ‘21.

We do not want to go into more detail here, but do recommend that investors keep an eye on DISH’s investor calls for potentially more information, particularly around timing.

We also had some questions relating to my comments about ISP billing and provisioning.

A couple of additional points here. First, the opportunity in ISP billing and provisioning is one we have always been aware of. Our CTO, Hanno Liem, and I both have been dealing with this issue going back to the mid-90’s. Our Chief Product Officer, Justin Reilly, dealt with this issue directly at Verizon with the FIOS business. And remember that physical network is what is now being operated by Verizon, Frontier, and Ziply -- three of the four largest fiber providers in the US.

Also remember that we have a small ISP billing and provisioning business that we bought in 2004 and have operated ever since.

This opportunity is of course increased by the coax-to-fiber transition, with, as I keep saying, as many as 70 million homes passed in the next five years. Second, we had the opportunity to see that across the industry this problem has not gotten any better over the years. Third, we are not ready to start dealing with these opportunities seriously until likely some time next year.

Finally, and most importantly, at some point this business will be combined with our MSE business, consistent with our theory of networks. We will all be moving more and more towards a world of a single data provider, fixed and mobile. Today’s distinctions are mostly historical anachronisms. We certainly intend to provide a SaaS platform that will deliver services consistent with the future of both telecom providers and, more importantly, customers.

Again, thank you for listening in on our Q&A, and a reminder that if you feel that the recorded answers and/or any direct email you may receive do not address your question, please follow up with us at ir@tucows.com.

Thank you.