



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

	December 31, 2021	December 31, 2020
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,105	\$ 8,311
Accounts receivable	14,579	15,540
Contract asset, current portion	778	-
Inventory	3,277	1,875
Prepaid expenses and deposits	20,986	16,845
Derivative instrument asset, current portion	299	3,860
Deferred costs of fulfillment, current portion	94,506	93,467
Income taxes recoverable	3,474	1,302
Total current assets	147,004	141,200
Deferred costs of fulfillment, long-term portion	18,205	17,599
Derivative instrument asset, long-term portion	278	-
Property and equipment	172,662	117,530
Right of use operating lease asset	17,515	11,238
Contract costs	1,079	362
Deferred tax asset	22	226
Intangible assets	50,409	47,444
Goodwill	130,410	116,304
Investment	2,012	-
Total assets	\$ 539,596	\$ 451,903
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,016	\$ 6,329
Accrued liabilities	15,240	10,235
Customer deposits	16,974	15,402
Derivative instrument liability, current portion	125	99
Operating lease liability, current portion	3,150	1,761
Deferred revenue, current portion	124,116	127,336
Accreditation fees payable, current portion	882	940
Income taxes payable	102	863
Other liabilities, current portion	3,078	-
Total current liabilities	173,683	162,965
Derivative instrument liability, long-term portion	-	114
Deferred revenue, long-term portion	23,677	24,909
Accreditation fees payable, long-term portion	170	195
Operating lease liability, long-term portion	11,853	9,179
Loan payable, long-term portion	190,748	121,733
Other long-term liability	1,804	3,416
Deferred tax liability	22,569	24,694
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; 10,747,417 shares issued and outstanding as of December 31, 2021 and 10,612,414 shares issued and outstanding as of December 31, 2020	28,515	20,798
Additional paid-in capital	2,764	1,458
Retained earnings	83,470	80,106
Accumulated other comprehensive income (loss)	343	2,336
Total stockholders' equity	115,092	104,698
Total liabilities and stockholders' equity	\$ 539,596	\$ 451,903

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

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
	(unaudited)		(unaudited)	
Net revenues	\$ 82,476	\$ 70,784	\$ 304,337	\$ 311,202
Cost of revenues:				
Direct cost of revenues	48,179	47,093	193,039	200,401
Network expenses (*)	4,474	2,681	14,769	10,194
Depreciation of property and equipment	5,108	3,252	17,452	12,144
Amortization of intangible assets	239	330	583	1,340
Impairment of property and equipment	(101)	-	201	1,638
Total cost of revenues	57,899	53,356	226,044	225,717
Gross profit	24,577	17,428	78,293	85,485
Expenses:				
Sales and marketing (*)	\$ 11,892	\$ 7,753	\$ 39,471	\$ 34,274
Technical operations and development (*)	4,266	3,447	14,310	12,427
General and administrative (*)	7,138	5,194	22,370	20,268
Depreciation of property and equipment	150	125	534	488
Loss on disposition of property and equipment	-	(17)	234	(17)
Amortization of intangible assets	2,515	2,314	9,424	10,080
Impairment of definite life intangible assets	-	-	-	1,431
Loss (gain) on currency forward contracts	-	(284)	(277)	(383)
Total expenses	25,961	18,532	86,066	78,568
Income from operations	(1,384)	(1,104)	(7,773)	6,917
Other income (expenses):				
Interest expense, net	(1,509)	(855)	(4,617)	(3,611)
Gain on sale of Ting Customer Assets, net	4,263	6,522	20,030	7,612
Other expense, net	(96)	100	(370)	(158)
Total other income (expenses)	2,658	5,767	15,043	3,843
Income before provision for income taxes	1,274	4,663	7,270	10,760
Provision for income taxes	3,241	2,595	3,906	4,985
Net income before redeemable non-controlling interest	(1,967)	2,068	3,364	5,775
Redeemable non-controlling interest	-	-	-	-
Net income attributable to redeemable non-controlling interest	-	-	-	-
Net income for the period	(1,967)	2,068	3,364	5,775
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	458	1,044	572	1,653
Net amount reclassified to earnings	174	(79)	(2,565)	210
Other comprehensive income net of tax expense (recovery) of	632	965	(1,993)	1,863
Comprehensive income, net of tax for the period	\$ (1,335)	\$ 3,033	\$ 1,371	\$ 7,638
Basic earnings per common share	\$ (0.18)	\$ 0.19	\$ 0.32	\$ 0.55
Shares used in computing basic earnings per common share	10,717,349	10,605,451	10,662,337	10,590,684
Diluted earnings per common share	\$ (0.18)	\$ 0.19	\$ 0.31	\$ 0.54
Shares used in computing diluted earnings per common share	10,883,860	10,745,710	10,817,468	10,692,281

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

Network expenses	\$ 131	\$ 139	\$ 531	\$ 472
Sales and marketing	\$ 444	\$ 475	\$ 1,941	\$ 1,678
Technical operations and development	\$ 214	\$ 198	\$ 824	\$ 756
General and administrative	\$ 446	\$ 242	\$ 1,296	\$ 812

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

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net income for the period	\$ (1,967)	\$ 2,068	\$ 3,364	\$ 5,775
Items not involving cash:				
Depreciation of property and equipment	5,258	3,377	17,986	12,632
Impairment of property and equipment	(101)	-	201	1,638
Amortization of debt discount and issuance costs	98	67	300	269
Amortization of intangible assets	2,754	2,644	10,007	11,420
Net amortization contract costs	(273)	(3)	(717)	106
Impairment of definite life intangible assets	-	-	-	1,431
Other	-	-	-	223
Accretion of contingent consideration	96	86	383	344
Deferred income taxes (recovery)	40	(3,012)	(1,328)	(3,939)
Excess tax benefits on share-based compensation expense	(686)	(353)	(1,554)	(861)
Net Right of use operating assets/Operating lease liability	(55)	(44)	(2,204)	205
Loss on disposal of domain names	-	2	1	17
Loss (gain) on change in the fair value of forward contracts	-	(237)	606	(500)
Disposal of Ting Mobile customer assets	-	-	-	3,513
Stock-based compensation	1,235	1,054	4,592	3,718
Change in non-cash operating working capital:				
Accounts receivable	868	(2,951)	1,586	(281)
Contract asset	2,005	-	(778)	-
Inventory	449	(736)	(787)	945
Prepaid expenses and deposits	(2,100)	(3,142)	(3,974)	(3,459)
Deferred costs of fulfillment	485	2,174	(1,645)	(1,899)
Income taxes recoverable	1,108	2,589	(1,394)	908
Accounts payable	1,779	(1,664)	4,068	(902)
Accrued liabilities	2,918	710	4,859	376
Customer deposits	908	1,030	645	1,493
Deferred revenue	(4,237)	(1,985)	(4,495)	2,942
Accreditation fees payable	(38)	(40)	(83)	(33)
Net cash provided by operating activities	<u>10,542</u>	<u>1,634</u>	<u>29,637</u>	<u>36,081</u>
Financing activities:				
Proceeds received on exercise of stock options	1,974	307	4,818	985
Payment of tax obligations resulting from net exercise of stock	-	(77)	(387)	(556)
Repurchase of common stock	-	-	-	(3,281)
Proceeds received on loan payable	41,000	8,000	69,000	8,000
Payment of loan payable costs	(296)	-	(296)	(32)
Net cash (used in) provided by financing activities	<u>42,678</u>	<u>8,230</u>	<u>73,136</u>	<u>5,116</u>
Investing activities:				
Proceeds on disposal of property and equipment	510	-	510	-
Additions to property and equipment	(23,082)	(11,708)	(73,175)	(44,437)
Acquisition of Cedar Holdings Group, net of cash of \$66	-	-	-	(8,770)
Acquisition of Simply Bits, net of cash of \$801	(24,028)	-	(24,028)	-
Acquisition of Uniregistry	(2,499)	-	(2,499)	-
Acquisition of intangible assets	(551)	-	(774)	(72)
Investment in securities	-	-	(2,012)	-
Net cash used in investing activities	<u>(49,651)</u>	<u>(11,708)</u>	<u>(101,979)</u>	<u>(53,279)</u>
(Decrease) increase in cash and cash equivalents	3,570	(1,844)	794	(12,082)
Cash and cash equivalents, beginning of period	5,535	10,155	8,311	20,393
Cash and cash equivalents, end of period	<u>\$ 9,105</u>	<u>\$ 8,311</u>	<u>\$ 9,105</u>	<u>\$ 8,311</u>
Supplemental cash flow information:				
Interest paid	\$ 1,429	\$ 813	\$ 4,485	\$ 3,573
Income taxes paid, net	\$ 2,771	\$ 3,477	\$ 8,828	\$ 8,926
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 99	\$ 1,129	\$ 99	\$ 1,129
Fair value of shares issues for acquisition of Cedar Holdings Group	-	-	-	\$ 2,000
Group	-	-	-	\$ 3,072

Reconciliation of Adjusted EBITDA to Income before Provision for Income Taxes
(In Thousands of U.S. Dollars)

(unaudited)	Three months ended December 31,		Twelve months ended December 31,	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Adjusted EBITDA	\$ 12,736	\$ 12,847	\$ 48,821	\$ 50,972
Depreciation of property and equipment	5,254	3,377	17,986	12,632
Impairment and loss on disposition of property and equipment	(100)	(17)	435	1,621
Amortization of intangible assets	2,756	2,644	10,007	11,420
Impairment of indefinite life intangible assets	-	-	-	1,431
Write-down on disposal of Ting Mobile assets	-	-	-	3,513
Interest expense, net	1,509	855	4,617	3,611
Accretion of contingent consideration	98	86	383	344
Stock-based compensation	1,235	1,054	4,592	3,718
Unrealized loss (gain) on change in fair value of forward contracts	-	(237)	606	(500)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	39	(19)	219	461
Acquisition and other costs ¹	671	441	2,706	1,961
Income before provision for income taxes	\$ <u>1,274</u>	\$ <u>4,663</u>	\$ <u>7,270</u>	\$ <u>10,760</u>

¹Acquisition and other costs represent transaction-related expenses, transitional expenses, such as redundant post-acquisition expenses, primarily related to our acquisitions Cedar in January 2020 and Simply Bits in November 2021 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.