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## **Tucows Reports Financial Results for Third Quarter 2022**

**TORONTO, November 3, 2022** – Tucows Inc. (NASDAQ:TCX, TSX:TC), a global internet services leader, today reported its financial results for the third quarter ended September 30, 2022. All figures are in U.S. dollars.

“Total revenue for the third quarter of 2022 increased 2.8% to \$78.1 million, while gross profit was essentially flat. We had strong gains in the Ting business, with revenue up 71%, and gross profit up 141% year over year. The Ting business gains were offset primarily by the expected revenue declines in the Tucows Corporate business, from the impact of reduced transitional services from DISH on revenues, and the ongoing gross profit impact of the fiber network related depreciation within network expenses.” said Elliot Noss, President and Chief Executive Officer, Tucows Inc. “Year-to-date total revenue for 2022 is \$242 million, up 9% from the year-to-date total revenue of \$222 million at the end of Q3 of 2021. Adjusted EBITDA declined 35% year over year, driven primarily by the growth investment required by Wavelo and Ting, and we remain on track for end of year 2022 EBITDA guidance.”

### **Financial Results**

Net revenue for the third quarter of 2022 increased 2.8% to \$78.1 million from \$75.9 million for the third quarter of 2021. The increase was primarily the result of growth in revenue from Ting.

Gross profit for the third quarter of 2022 was effectively flat at \$18.0 million compared to the third quarter of 2021. The decrease was the result of increased network expenses, offset by growth in Ting's gross margin.

Net loss for the third quarter of 2022 was \$8.0 million, or a loss of \$0.74 per share, compared with net income of \$1.4 million, or \$0.13 per share, for the third quarter of 2021 with the loss being the result of accelerated build of our Ting Internet Services fiber network and ramp up of operations, higher interest expenses and higher depreciation.

Adjusted EBITDA<sup>1</sup> for the third quarter of 2022 decreased 35% to \$7.9 million from \$12.2 million for the third quarter of 2021. The decrease in adjusted EBITDA<sup>1</sup> was primarily related to reduced contributions from Wavelo, which has made significant investments to support future growth as well as a current period non-cash revenue impact from the reduction of the contract asset related to the DISH agreement. To a lesser extent the decrease in adjusted EBITDA<sup>1</sup> contributions also related to the

normalization of renewal rates in Tucows Domains to pre-COVID levels as well as the expected decrease in transitional services revenue from Tucows Corporate.

Cash and cash equivalents at the end of the third quarter of 2022 were \$30.5 million compared with \$6.5 million at the end of the second quarter of 2022 and \$5.5 million at the end of the third quarter of 2021.

**Summary Financial Results**  
(In Thousands of US Dollars, Except Per Share Data)

	3 Months ended September 30			9 Months Ended September 30		
	2022 (Unaudited)	2021 (Unaudited)	% Change	2022 (Unaudited)	2021 (Unaudited)	% Change
<b>Net Revenues</b>	78,050	75,893	2.8%	242,233	221,861	9.2%
<b>Gross Profit</b>	17,987	18,024	(0.2)%	61,238	53,716	14.0%
<b>Gain on Sale of Ting Customer Assets, net<sup>1</sup></b>	4,737	5,564	(14.9)%	14,009	15,767	(11.1)%
<b>Net income</b>	(7,981)	1,375	(680.4)%	(14,126)	5,331	(365.0)%
<b>Basic earnings per common share</b>	(0.74)	0.13	(669.2)%	(1.31)	0.50	(362.0)%
<b>Adjusted EBITDA<sup>1</sup></b>	7,879	12,205	(35.4)%	30,890	36,083	(14.4)%
<b>Net cash provided by operating activities</b>	(1,008)	1,492	(167.6)%	16,975	19,095	(11.1)%

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

**Summary of Revenues, Gross Profit and Adjusted EBITDA**  
(In Thousands of US Dollars)

	Revenue		Gross Profit		Adj. EBITDA <sup>1</sup>	
	3 Months ended September 30		3 Months ended September 30		3 Months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
<b>Ting:</b>						
Fiber Internet Services	10,946	6,391	6,656	2,759	(5,040)	(5,490)
<b>Wavelo:</b>						
Platform Services	4,048	3,845	3,813	3,705		
Other Professional Services	-	-	-	-		
Total Wavelo Platform Services	4,048	3,845	3,813	3,705	(902)	1,751
<b>Tucows Domains:</b>						
Wholesale						
Domain Services	46,985	47,080	9,592	9,972		
Value Added Services	4,883	4,862	4,270	4,172		
Total Wholesale	51,868	51,942	13,862	14,144		
Retail	8,413	8,787	4,308	4,332		
Total Tucows Domains	60,281	60,729	18,170	18,476	10,385	11,473
<b>Tucows Corporate:</b>						
Mobile Services and Eliminations	2,775	4,928	1,109	1,413	3,436	4,471

<b>Network Expenses:</b>						
Network, other costs	n/a	n/a	(4,244)	(3,445)	n/a	n/a
Network, depreciation of property and equipment	n/a	n/a	(7,136)	(4,622)	n/a	n/a
Network, amortization of intangible assets	n/a	n/a	(378)	(21)	n/a	n/a
Network, impairment of property and equipment	n/a	n/a	(3)	(241)	n/a	n/a
Total Network expenses	n/a	n/a	(11,761)	(8,329)	n/a	n/a
<b>Total</b>	<b>78,050</b>	<b>75,893</b>	<b>17,987</b>	<b>18,024</b>	<b>n/a</b>	<b>n/a</b>

### Change in Reporting Segments

During the first quarter of 2022, Tucows completed a reorganization into three businesses: Fiber Internet Services (“Ting”), Platform Services (“Wavelo”) and Domain Services (“Tucows Domains”). Previously, we disclosed the three operating and reportable segments: Fiber Internet Services, Mobile Services and Domain Services. The previously named Mobile Services segment was renamed the Wavelo segment, and no longer includes the 10-year payment stream on transferred legacy subscribers earned as part of the DISH Purchase Agreement as well as the retail sale of mobile phones, retail telephony services and transition services, which are now part of the financial results reported under the Tucows Corporate category. The renamed Wavelo segment includes Platform and Professional Services offerings, as well as the billing solutions to Internet services providers (“ISPs”) that was previously reported under the Fiber Internet Services segment. The Ting segment now includes only the retail high speed Internet access operations, excluding the billing solutions moved to the new Wavelo segment. The offerings included in the Tucows Domains segment are unchanged. The Tucows Corporate category includes the aforementioned mobile services, as well as eliminations of intercompany transactions, portions of Finance and Human Resources that are centrally managed, Legal and Corporate IT. Prior period comparable results have been restated to reflect the changes in reporting segments. A quarterly summary of the Company’s restated segment revenue, gross margin and EBITDA for 2021 and annual 2020 can be found in the “KPI Summary Q3 2022” supplementary disclosure, posted on <https://tucows.com/investors/financials/>.

## Notes:

### 1. Adjusted EBITDA

Tucows reports all financial information required in accordance with United States generally accepted accounting principles (GAAP). Along with this information, to assist financial statement users in an assessment of our historical performance, the Company typically discloses and discusses a non-GAAP financial measure, adjusted EBITDA, in press releases and on investor conference calls and related events that exclude certain non-cash and other charges as the Company believes that the non-GAAP information enhances investors' overall understanding of our financial performance.

The Company believes that the provision of this supplemental non-GAAP measure allows investors to evaluate the operational and financial performance of the Company's core business using similar evaluation measures to those used by management. The Company uses adjusted EBITDA to measure its performance and prepare its budgets. Since adjusted EBITDA is a non-GAAP financial performance measure, the Company's calculation of adjusted EBITDA may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP. Because adjusted EBITDA is calculated before certain recurring cash charges, including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a liquidity measure. Non-GAAP financial measures do not reflect a comprehensive system of accounting and may differ from non-GAAP financial measures with the same or similar captions that are used by other companies and/or analysts and may differ from period to period. The Company endeavors to compensate for these limitations by providing the relevant disclosure of the items excluded in the calculation of adjusted EBITDA to net income based on U.S. GAAP, which should be considered when evaluating the Company's results. Tucows strongly encourages investors to review its financial information in its entirety and not to rely on a single financial measure.

The Company's adjusted EBITDA definition excludes depreciation, impairment and loss on disposition of property and equipment, amortization of intangible assets, income tax provision, interest expense (net), accretion of contingent consideration, stock-based compensation, asset impairment, gains and losses from unrealized foreign currency transactions and costs that are one-time in nature and not indicative of on-going performance (profitability), including acquisition and transition costs. Gains and losses from unrealized foreign currency transactions removes the unrealized effect of the change in the mark-to-market values on outstanding unhedged foreign currency contracts, as well as the unrealized effect from the translation of monetary accounts denominated in non-U.S. dollars to U.S. dollars.

The following table reconciles adjusted EBITDA to income before provision for income taxes (dollars in thousands):

	3 months ended September 30		9 months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
<b>Adjusted EBITDA</b>	7,879	12,205	30,890	36,083
Depreciation of property and equipment	7,285	4,758	20,063	12,728
Impairment and loss on disposition of property and equipment	(16)	470	491	536
Amortization of intangible assets	2,842	2,288	8,528	7,253
Interest expense, net	4,337	1,169	8,555	3,108
Accretion of contingent consideration	50	96	198	287
Stock-based compensation	1,569	1,126	4,396	3,357
Unrealized loss (gain) on change in fair value of foreign currency forward contracts	-	249	-	606
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	348	72	446	178
Acquisition and transition costs*	472	901	1,549	2,034
<b>Income before provision for income taxes</b>	(9,008)	1,076	(13,336)	5,996

\* Acquisition and other costs represent transaction-related expenses, transitional expenses, such as redundant post-acquisition expenses, primarily related to our acquisitions, including Simply Bits in November 2021. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.

## Management Commentary

Concurrent with the dissemination of its quarterly financial results news release at 5:05 p.m. ET on Thursday, November 3, 2022, management's pre-recorded audio commentary (and transcript), discussing the quarter and outlook for the Company, will be posted to the Tucows website at <http://www.tucows.com/investors/financials>.

Following management's prepared commentary, until Thursday, November 10, shareholders, analysts and prospective investors can submit questions to Tucows' management at [ir@tucows.com](mailto:ir@tucows.com). Management will post responses to questions in an audio recording and transcript to the Company's website at <http://www.tucows.com/investors/financials>, on Tuesday, November 22, 2022, at approximately 4 pm ET. All questions will receive a response, however, questions of a more specific nature may be responded to directly.

## About Tucows

Tucows helps connect more people to the benefit of internet access through communications service technology, domain services, and fiber-optic internet infrastructure. Ting (<https://ting.com>) delivers fixed fiber Internet access with outstanding customer support. Wavelo (<https://wavelo.com>) is a telecommunications software suite for service providers that simplifies the management of mobile and internet network access; provisioning, billing and subscription; developer tools; and more. Tucows Domains (<https://tucowsdomains.com>) manages approximately 25 million domain names and millions of value-added services through a global reseller network of over 35,000 web hosts and ISPs. More information can be found on Tucows' corporate website (<https://tucows.com>).

Tucows, Ting, Wavelo, and Hover are registered trademarks of Tucows Inc. or its subsidiaries.

*This release includes forward-looking statements as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995, including statements regarding our expectations regarding our future financial results and, including, without limitation, our expectations regarding our ability to realize synergies from the Enom acquisition and our expectation for growth of Ting Internet. These statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Information about other potential factors that could affect Tucows' business, results of operations and financial condition is included in the Risk Factors sections of Tucows' filings with the Securities and Exchange Commission. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All forward-looking statements are based on information available to Tucows as of the date they are made. Tucows assumes no obligation to update any forward-looking statements, except as may be required by law.*

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