

# Q3 2024 Investor presentation

11.07.2024

**tuco**///s

Nasdaq (TCX) | TSX (TC)



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# Quarterly Business Highlights



## tucows

- Four consecutive quarters of growth of revenue and gross profit
- Year-over-year growth of all KPIs:
  - Revenue +6% YoY | +3% QoQ
  - Gross Profit +32% YoY | +7% QoQ
  - Adjusted EBITDA +94% YoY
- \$2.5m Q3 payment on syndicated loan

## ting

- Strong year over year growth in:
  - Revenue +19%
  - Gross Margin +38%
  - Total Subscribers +21%
  - Owned Serviceable Addresses +15%
  - Partner Serviceable Addresses +60%

## wavelo

- Continued strong revenue, gross margin and Adjusted EBITDA
- Margin expansion to 99% of revenue in Q3 2024 from 95% in Q3 2023

## tucows/domains

- Year-over-year and quarter-over-quarter growth:
  - Revenue +6% YoY | +4% QoQ
  - Gross Margin +8% YoY | +5% QoQ
  - Adjusted EBITDA +6% YoY | +3% QoQ

# Tucows | Quarterly KPI Summary

## Operating Statistics

(Amounts in thousands)

	QUARTERLY							YTD		ANNUAL	
	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	2024	2023	2022	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	

### REVENUE

Ting	\$15,310	\$14,571	\$14,102	\$13,821	\$12,855	\$12,408	\$11,853	\$43,983	\$50,937	\$42,425
Wavelo	\$10,082	\$10,501	\$9,390	\$9,545	\$11,074	\$10,751	\$7,300	\$29,973	\$38,670	\$24,344
Tucows Domains	\$64,715	\$62,368	\$61,882	\$61,811	\$61,088	\$59,956	\$59,242	\$188,965	\$242,097	\$243,158
Tucows Corporate <sup>1</sup>	\$2,190	\$1,983	\$2,083	\$1,781	\$1,954	\$1,863	\$2,035	\$6,256	\$7,633	\$11,215
<b>Total Revenue</b>	<b>\$92,297</b>	<b>\$89,423</b>	<b>\$87,457</b>	<b>\$86,958</b>	<b>\$86,971</b>	<b>\$84,978</b>	<b>\$80,430</b>	<b>\$269,177</b>	<b>\$339,337</b>	<b>\$321,142</b>

### GROSS MARGIN

Ting	\$10,989	\$9,818	\$8,742	\$7,881	\$7,986	\$7,051	\$7,868	\$29,549	\$30,786	\$25,421
Wavelo	\$10,019	\$10,162	\$9,039	\$9,214	\$10,504	\$10,052	\$6,274	\$29,220	\$36,044	\$21,418
Tucows Domains	\$19,810	\$18,869	\$18,536	\$18,858	\$18,375	\$17,929	\$17,521	\$57,215	\$72,683	\$76,269
Tucows Corporate <sup>1</sup>	(\$1,134)	(\$754)	(\$654)	(\$501)	(\$611)	(\$797)	(\$523)	(\$2,542)	(\$2,432)	\$1,766
Network Expenses	(\$17,496)	(\$17,285)	(\$17,347)	(\$17,631)	(\$19,501)	(\$16,203)	(\$17,079)	(\$52,128)	(\$70,414)	(\$46,626)
<b>Total Gross Profit</b>	<b>\$22,188</b>	<b>\$20,810</b>	<b>\$18,316</b>	<b>\$17,821</b>	<b>\$16,753</b>	<b>\$18,032</b>	<b>\$14,061</b>	<b>\$61,314</b>	<b>\$66,667</b>	<b>\$78,248</b>

### ADJUSTED EBITDA<sup>2</sup>

Ting	(\$5,070)	(\$6,442)	(\$9,537)	(\$12,366)	(\$12,176)	(\$10,336)	(\$9,273)	(\$21,049)	(\$44,151)	(\$21,557)
Wavelo	\$3,429	\$3,911	\$2,787	\$2,604	\$4,207	\$3,427	\$335	\$10,127	\$10,573	\$3,875
Tucows Domains	\$11,529	\$11,217	\$10,011	\$10,794	\$10,913	\$10,578	\$10,338	\$32,757	\$42,623	\$44,834
Tucows Corporate	(\$1,200)	\$492	\$941	\$1,522	\$1,528	\$1,726	\$1,630	\$233	\$6,406	\$10,438
<b>Total Adjusted EBITDA<sup>2</sup></b>	<b>\$8,688</b>	<b>\$9,178</b>	<b>\$4,202</b>	<b>\$2,554</b>	<b>\$4,472</b>	<b>\$5,395</b>	<b>\$3,030</b>	<b>\$22,068</b>	<b>\$15,451</b>	<b>\$37,590</b>

<sup>1</sup> Tucows Corporate Revenue and Gross Margin includes revenue from retail mobile services, transition services provided to DISH and intercompany revenue eliminations.

<sup>2</sup> Our adjusted EBITDA definition excludes depreciation, amortization of intangible assets, income tax provision, interest expense (net), accretion of contingent consideration, stock-based compensation, asset impairment, loss on debt extinguishment, 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 foreign currency contracts not designated in accounting hedges, as well as the unrealized effect from the translation of monetary accounts denominated in non-U.S. dollars to U.S. dollars.

## Quarterly KPI summary

Operating Statistics (Amounts in thousands)

QUARTERLY							YTD		ANNUAL	
Q3/24	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	2024	2023	2022	

### TING INTERNET

Internet Subscribers under management <sup>3</sup>	49.6	48.2	46.1	43.4	41.1	38.6	36.7	49.6	43.4	34.5
Internet Subscribers under management - Net adds <sup>3</sup>	1.4	2.1	2.7	2.3	2.6	1.9	2.2	6.2	9.0	9.0
Owned Infrastructure Serviceable Addresses <sup>1,3,5</sup>	132.0	128.3	124.0	121.3	114.5	109.3	101.2	132.0	121.3	95.8
Owned Infrastructure Serviceable Addresses - Net adds <sup>1,3,5</sup>	3.7	4.3	2.7	6.8	5.2	8.1	5.4	10.7	25.6	19.9
Partner Infrastructure Serviceable Addresses <sup>1,5</sup>	40.7	36.2	33.0	29.4	25.4	21.1	19.4	40.7	29.4	19.1
Partner Infrastructure Serviceable Addresses - Net adds <sup>1,5</sup>	4.5	3.2	3.6	4.0	4.3	1.7	0.3	11.3	10.3	3.9
Fiber Capital Expenditures - Consumption <sup>2</sup>	\$8,200	12,100	\$18,100	\$18,000	\$17,250	\$21,800	\$23,200	\$38,400	\$80,250	\$86,250

### TUCOWS DOMAIN SERVICES

Domains under management	24,600	24,500	24,700	24,560	24,543	24,429	24,483	24,600	24,560	24,390
Total new, renewal and transferred-in domain name transactions <sup>4</sup>	5,278	5,276	5,996	5,253	5,391	5,424	5,963	16,550	22,031	21,774

<sup>1</sup> Defined as premises to which Ting Owned Infrastructure or Ting partner infrastructure has the capability to provide a customer connection in a service area.

<sup>2</sup> This includes all capital expenditures used to build and expand the Ting footprint, including construction and activation of the network and customers, capitalized labor, materials and acquisitions. The Company's life-to-date Fiber capex investment since February 2015 is \$385.2 million, including the Blue Ridge Websoft, Cedar Holdings, and Simply Bits acquisitions, net of capex write-offs.

<sup>3</sup> Internet Subscribers and Serviceable Addresses from Simply Bits are not included in Ting metrics.

<sup>4</sup> Includes all transactions processed under our accreditations for our resellers and our retail brands, as well as transactions processed on behalf of other registrars using our platform.

<sup>5</sup> Serviceable addresses were revised for Q1 2023 and Q4 2022 based on new address recognition methodology, resulting in a reduction of 419 Owned Infrastructure Serviceable Addresses and 420 Partner Infrastructure Serviceable Addresses.

## Consolidated business highlights

3 MONTHS ENDED September 30, 2024  
(\$000s except per share amounts)

	Q3 2024 (unaudited)	Q3 2023 (unaudited)	% Change
Total revenue	\$92,297	\$86,971	6%
Gross Profit	\$22,188	\$16,753	32%
Income Earned on Sale of Transferred Assets, Net	\$3,853	\$3,312	(11%)
Net Income (loss)	(\$22,297)	(\$22,772)	2%
Basic Net earnings (loss) per common share	(\$2.03)	(\$2.09)	3%
Adjusted EBITDA	\$8,688	\$4,472	94%
Net cash provided (used) by operating activities	(\$4,564)	(\$6,936)	34%



# tuco's

## Portfolio of tech businesses

Balancing cash generation with investment in long-term growth

# tucows

Corporate parent allocating capital  
and providing efficient shared services to three subsidiary companies

## DOMAIN SERVICES

**tucows/domains**

Leading global provider  
of wholesale and retail  
domain registration and  
related services

## PLATFORM SERVICES

 **wavelo**

Modernizing the utility and  
experience from software that  
powers communications and  
connectivity around the world

## FIBER INTERNET SERVICES

**ting**

Delivering subscribed  
services over owned and  
leased fiber-to-the-premise  
networks

# tucows

**Consistent revenue and cash flow generation + growth opportunities**  
through high volume, low-cost subscription services

## DOMAIN SERVICES

**tucows/domains**

**Reliable cash flow + global relationships + dominant position** in wholesale domains market

## PLATFORM SERVICES

 wavelo

**A visible revenue stream and strong growth potential** in a critical and underserved space

## FIBER INTERNET SERVICES

**ting**

**Outsized long-term growth** as an early mover in next generation telecom infrastructure & services

# Proven track record of long-term performance

**23**

**years**  
as a public company

**22**

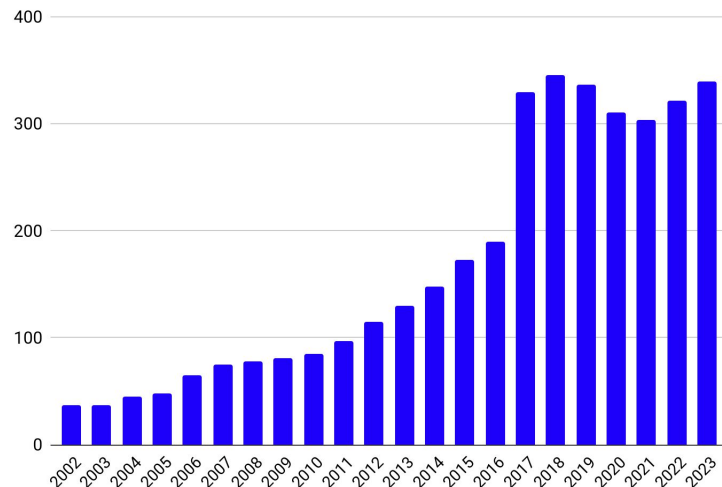
**consecutive years**  
of revenue growth<sup>1</sup>

**9.1%**

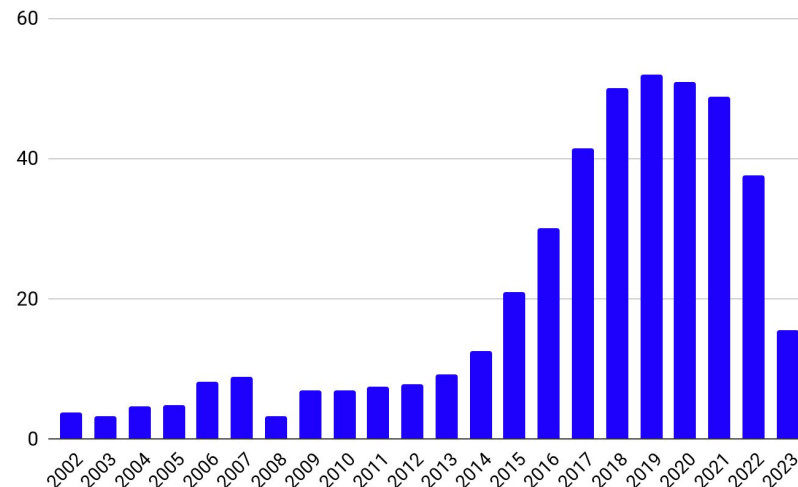
**annual ROI<sup>2</sup>**  
since going public

1. Excluding the impact of a transitional revenue stream acquired and subsequently disposed of in 2018, and the impacts of changing the Mobile business model starting in Q3 2020.  
2. As at September 30, 2024.

## Revenue (US\$ millions)



## Adj. EBITDA<sup>1,2</sup> (US\$ millions)



NOTE: Revenue for 2020 and 2021 reflects the impact of change in Mobile business model to Wavelo in Q3 2020.

1. Adjusted EBITDA excludes depreciation, amortization of intangible assets, income tax provision, interest expense, accretion of contingent consideration, stock-based compensation, asset impairment, gains and losses from unrealized foreign currency transactions and costs that are not indicative of ongoing performance (profitability), including acquisition and transition costs. (Prior to 2013 Adjusted EBITDA included net deferred revenue and did not included 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.

**TCX (NASDAQ) US\$17.72 | TC (TSX) CA\$24.70**

Share Price<sup>1</sup>

**~11.0m**

Shares out<sup>1</sup>

**~US\$194.5m**

Market cap<sup>1</sup>

**US\$75.2m**

Cash<sup>2,3</sup>

**US\$197.4m**

Tucows Debt Excluding Ting<sup>2</sup>

**US\$408.8m**

Ting Debt<sup>2</sup>

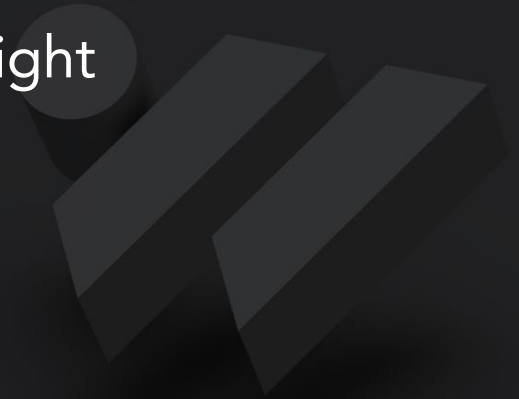
1 At Nov 6/2024.

2 At September 30/2024.

3 Unrestricted cash balance

# tucows/domains

Reliable cash flow + capital light



## **tucows**/domains

Leading global provider of  
wholesale and retail domain  
registration and related  
services

Highly efficient operation

Reliable cash flow

Global network of resellers

Renewal rates above industry average

World's largest wholesale domain registrar

World's second-largest domain registrar



**~24.6 million**

Domains under management

Global footprint in

**>195**

countries

**~1.8 million**

Domain transactions every month

Global network of

**>35,000**

reseller customers

## Services offered today

domain registration

SSL certificates

email

## Services being introduced

hosting

billing & provisioning

Web3 and identity



Managing for **margin**



Modernizing tech stack to create a **true platform** for domains ecosystem



Development of **new** Value Added Services to distribute through the reseller channel



Visible revenue stream and strong growth potential for SaaS in a large, critical, and underserved space



Modernizing the utility and  
experience from software  
that powers communications  
and connectivity  
around the world

Launched at a critical time for the  
global telecommunications industry –  
CSPs are competing to deliver more  
value from their networks

Leveraging:

Global race to 5G

Fiber proliferation

IOT Utilization

Fixed and mobile convergence

Need for better customer experience

## Building the modern alternative to outdated and inflexible OSS/BSS

Wavelo is solving decades of poor customer experience in telecom that is the result of antiquated core systems (or systems of record) that pass their inefficiency onto the customer.

**Flexible, cloud-based, event-driven software simplifies management of mobile and internet network access, enabling providers to:**

Better utilize all owned and leased access

Focus on customer experience

Scale businesses faster

**Customizable and a la carte services for providers:**

Subscription and billing management

Network orchestration and provisioning

Individual developer tools and more

Macro trends

**\$2.5T**

Global telecom services  
revenue by 2028<sup>1</sup>

**~\$550B**

Telecom managed services  
spending by 2028<sup>2</sup>

**~\$130B**

Global OSS/BSS spending  
by 2028<sup>3</sup>

Anchor mobile customer



Anchor internet customer

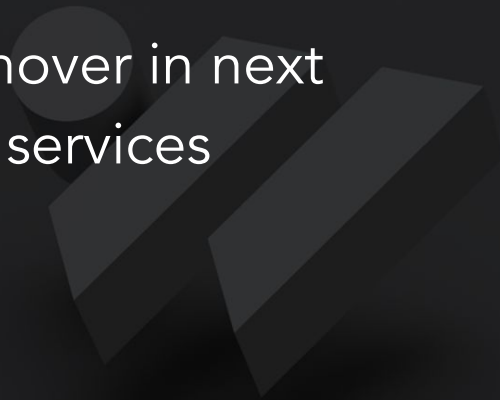


A neglected space with **large and growing need** for a solution

Future customer opportunities in the **global transition to 5G**  
and expansion of **fiber** infrastructure

# ting

Outsized long-term growth as an early mover in next generation telecom infrastructure & services

A decorative graphic in the bottom right corner consisting of several overlapping, semi-transparent geometric shapes: a circle, a rectangle, and a trapezoid, all in shades of dark gray.

# ting

Capitalizing on the U.S.  
coax-to-fiber transition by  
delivering subscribed services  
over owned and leased  
fiber-to-the-premise networks

“A billion fiber optic connections to the Internet are coming online in just a few years. A large majority of them will be in Asia, primarily led by China. These connections have already proven to be future-proof, capable of reaching not just gigabit speeds, but multi-gigabit speeds.

Fiber is not only faster; it's also cheaper long-term. No other connection even comes close by comparison. The future of the Internet is going to be fiber. ”

- Electronic Frontier Foundation, Dec 2020



## US Telecom infrastructure is making a generational transition from copper and coax to fiber

70% of US households do not yet have access to fiber.

ISP customers are consistently dissatisfied. In a [recent customer satisfaction index](#), ISPs came dead last.

Ting has established fiber footprints around the US and is partner ISP for other builders

Ting has the early mover advantage

Ting is consistently ranked highly by customers

Cost to build per serviceable address

~ **\$1,650<sup>1</sup>**

Annual gross margin per subscriber

**\$1,000**

Monthly price<sup>2</sup>

**\$89<sup>3</sup>**      **\$139**

Home

Business

Expected take rate

**20%**      **50%**

year 1

year 5

1. Cost of installation varies but starts at \$200/home or \$400/business, and does not include the cost of the drop fiber. This assumption was updated May 10, 2023.

2. Prices for 2GB services in markets that Ting built.

3. In Fullerton, CA, the price will be \$79 due to another ISP on the network.

Cost to build per serviceable address

~ \$1,650<sup>1</sup>

Profit Margin

60–75%

Churn

0.6–0.75%/mo

Expected take rate

20%      50%  
year 1      year 5

1. Cost of installation varies but starts at \$200/home or \$400/business, and does not include the cost of the drop fiber. This assumption was updated May 10, 2023.

## Aggregate Network Assets Q3 2024

 **49,637** Total Subscribers

### Ting Owned Networks Progress

Town	Serviceable Addresses <sup>1</sup>
Raleigh Region	47,219
Charlottesville	20,722
Sandpoint Region	6,678
Denver Region	32,251
Western Slope	6,400
Culver City	11,486
Alexandria	7,205
Marana	0
<b>Total</b>	<b>131,961</b>

### Ting Leased Networks Progress<sup>2</sup>

Town	Serviceable Addresses <sup>1</sup>
Westminster	6,632
Fullerton	6,567
San Diego Region	15,563
Colorado Springs	11,896
Memphis	0
<b>Total</b>	<b>40,658</b>

1. Defined as premises to which Ting infrastructure or Ting's partner infrastructure has the capability to provide a customer connection in a service area.

2. 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.



# Investor Resources

[tucows.com/investors](https://tucows.com/investors)

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