



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

	March 31, 2023	December 31, 2022
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,773	\$ 23,496
Accounts receivable	24,173	18,404
Contract asset, current portion	5,172	5,159
Inventory	6,539	7,284
Prepaid expenses and deposits	18,331	17,005
Derivative instrument asset, current portion	1,249	1,903
Deferred costs of fulfillment, current portion	98,258	94,198
Income taxes recoverable	2,206	2,471
Total current assets	<u>167,701</u>	<u>169,920</u>
Contract asset, long-term portion	124	2,328
Deferred costs of fulfillment, long-term portion	16,372	16,476
Investments	2,012	2,012
Deferred tax asset	8	-
Property and equipment	303,791	281,495
Right of use operating lease asset	22,191	20,489
Contract costs	1,976	1,827
Intangible assets	37,084	39,790
Goodwill	130,410	130,410
Total assets	<u>\$ 681,669</u>	<u>\$ 664,747</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 16,639	\$ 17,171
Accrued liabilities	22,032	22,653
Customer deposits	16,126	15,783
Derivative instrument liability, current portion	129	389
Operating lease liability, current portion	5,040	4,642
Deferred revenue, current portion	128,977	122,894
Accreditation fees payable, current portion	662	809
Income taxes payable	2,515	2,248
Other current liabilities	-	1,600
Total current liabilities	<u>192,120</u>	<u>188,189</u>
Deferred revenue, long-term portion	22,457	22,237
Accreditation fees payable, long-term portion	-	142
Operating lease liability, long-term portion	13,660	12,438
Loan payable	236,025	238,930
Redeemable preferred shares	124,804	90,434
Deferred tax liability	12,951	15,720
Stockholders' equity:		
Common stock - no par value, 250,000,000 shares authorized; 10,817,452 shares issued and outstanding as of March 31, 2023 and 10,817,110 shares issued and outstanding as of December 31, 2022	32,461	31,868
Additional paid-in capital	9,759	8,106
Retained earnings	36,816	55,899
Accumulated other comprehensive income (loss)	616	784
Total stockholders' equity	<u>79,652</u>	<u>96,657</u>
Total liabilities and stockholders' equity	<u>\$ 681,669</u>	<u>\$ 664,747</u>

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

	Three months ended March 31,	
	2023	2022
	(unaudited)	
Net revenues	\$ 80,430	\$ 81,099
Cost of revenues:		
Direct cost of revenues	49,290	49,421
Network, other costs	6,323	4,180
Network, depreciation of property and equipment	8,436	5,895
Network, amortization of intangible assets	378	378
Network, impairment of property and equipment	1,942	27
Total cost of revenues	66,369	59,901
Gross profit	14,061	21,198
Expenses:		
Sales and marketing (*)	\$ 15,737	\$ 11,987
Technical operations and development (*)	4,815	3,765
General and administrative (*)	8,146	7,296
Depreciation of property and equipment	152	148
Loss on disposition of property and equipment	-	385
Amortization of intangible assets	2,494	2,465
Total expenses	31,344	26,046
Loss from operations	(17,283)	(4,848)
Other income (expenses):		
Interest expense, net	(7,880)	(1,796)
Income Earned on Sale of Transferred Assets, net	4,370	4,752
Other expense, net	-	(50)
Total other income (expenses)	(3,510)	2,906
Loss before provision for income taxes	(20,793)	(1,942)
Provision for income taxes	(1,710)	1,078
Net income for the period	(19,083)	(3,020)
Other comprehensive income, net of tax		
Unrealized income (loss) on hedging activities	68	968
Net amount reclassified to earnings	(236)	66
Other comprehensive income net of tax expense (recovery) of (\$52) and \$329 for the three months ended March 31, 2023 and March 31, 2022	(168)	1,034
Comprehensive loss, net of tax for the period	\$ (19,251)	\$ (1,986)
Basic loss per common share	\$ (1.77)	\$ (0.28)
Shares used in computing basic earnings per common share	10,806,321	10,754,758
Diluted loss per common share	\$ (1.77)	\$ (0.28)
Shares used in computing diluted earnings per common share	10,806,321	10,754,758
(*) Stock-based compensation has been included in expenses as follows:		
Network expenses	\$ 169	\$ 110
Sales and marketing	\$ 607	\$ 375
Technical operations and development	\$ 304	\$ 118
General and administrative	\$ 1,166	\$ 788

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

	Three months ended March 31,	
	<u>2023</u>	<u>2022</u>
	(unaudited)	
Cash provided by:		
Operating activities:		
Net income for the period	\$ (19,083)	\$ (3,020)
Items not involving cash:		
Depreciation of property and equipment	8,588	6,043
Impairment of property and equipment	1,942	27
Amortization of debt discount and issuance costs	238	120
Amortization of intangible assets	2,872	2,843
Net amortization contract costs	(149)	(227)
Accretion of contingent consideration	-	98
Deferred income taxes (recovery)	(2,710)	(686)
Excess tax benefits on share-based compensation expense	(1)	(52)
Net Right of use operating assets/Operating lease liability	(82)	59
Loss on disposal of domain names	-	2
Accretion of redeemable preferred shares	3,037	-
Loss (gain) on change in the fair value of forward contracts	745	-
Amortization of discontinued cash flow hedge from Accumulated other incor	(572)	-
Stock-based compensation	2,246	1,391
Change in non-cash operating working capital:		
Accounts receivable	(5,769)	(1,812)
Contract asset	2,191	(2,505)
Inventory	745	(281)
Prepaid expenses and deposits	(1,326)	(2,235)
Deferred costs of fulfillment	(3,956)	(1,949)
Income taxes recoverable	518	482
Accounts payable	(156)	2,267
Accrued liabilities	(926)	1,111
Customer deposits	343	(623)
Deferred revenue	6,303	4,368
Accreditation Fees Payable	(289)	(14)
Net cash provided by operating activities	<u>(5,251)</u>	<u>5,407</u>
Financing activities:		
Proceeds received on exercise of stock options	-	515
Proceeds from redeemable preferred shares	30,000	-
Deferred Preferred Financing Costs	145	-
Contingent consideration for acquisitions	(1,600)	(2,000)
Proceeds received on loan payable	-	16,500
Payment of loan payable costs	(2,800)	-
Payment of loan payable costs	(305)	(177)
Net cash (used in) provided by financing activities	<u>25,440</u>	<u>14,838</u>
Investing activities:		
Additions to property and equipment	(31,746)	(23,054)
Acquisition of intangible assets	(166)	(95)
Net cash used in investing activities	<u>(31,912)</u>	<u>(23,149)</u>
(Decrease) increase in cash and cash equivalents	(11,723)	(2,904)
Cash and cash equivalents, beginning of period	23,496	9,105
Cash and cash equivalents, end of period	<u>\$ 11,773</u>	<u>\$ 6,201</u>
Supplemental cash flow information:		
Interest paid	\$ 3,885	\$ 1,683
Income taxes paid, net	\$ 501	\$ 896
Supplementary disclosure of non-cash investing and financing activities:		
Property and equipment acquired during the period not yet paid for	\$ 1,581	\$ 1,909

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

	Three months ended March 31,	
	2023 (unaudited)	2022 (unaudited)
Net Loss for the Period	\$ (19,083)	\$ (3,020)
Less:		
Provision for income taxes	(1,710)	1,078
Depreciation of property and equipment	8,588	6,043
Impairment and loss on disposition of property and equipment	1,942	412
Amortization of intangible assets	2,872	2,843
Interest expense, net	7,880	1,796
Accretion of contingent consideration	-	98
Stock-based compensation	2,246	1,391
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	40	53
Acquisition and other costs ¹	255	617
Adjusted EBITDA	<u>\$ 3,030</u>	<u>\$ 11,311</u>

¹Acquisition 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.