



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

	June 30, 2023	December 31, 2022	
	(unaudited)	(audited)	
Assets			
Current assets:			
Cash and cash equivalents	\$ 147,864	\$ 23,496	
Restricted Cash	3,361	-	
Accounts receivable, net of allowance for doubtful accounts of \$603 as of June 30, 2023 and \$693 as of December 31, 2022	23,512	18,404	
Contract asset, current portion	4,572	5,159	
Inventory	7,800	7,284	
Prepaid expenses and deposits	20,448	17,005	
Derivative instrument asset, current portion	1,060	1,903	
Deferred costs of fulfillment, current portion	98,284	94,198	
Income taxes recoverable	1,818	2,471	
Total current assets	<u>308,719</u>	<u>169,920</u>	
Contract asset, long-term portion	31	2,328	
Deferred costs of fulfillment, long-term portion	15,874	16,476	
Investments	2,012	2,012	
Secured notes reserve funds receivable	8,370	-	
Deferred tax asset	5	-	
Property and equipment	319,393	281,495	
Right of use lease asset	21,615	20,489	
Contract costs	2,184	1,827	
Intangible assets	34,692	39,790	
Goodwill	130,410	130,410	
Total assets	<u>\$ 843,305</u>	<u>\$ 664,747</u>	
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 11,955	\$ 17,171	
Accrued liabilities	27,405	22,653	
Customer deposits	19,448	15,783	
Derivative instrument liability, current portion	-	389	
Operating lease liability, current portion	5,087	4,642	
Deferred revenue, current portion	128,868	122,894	
Accreditation fees payable, current portion	610	809	
Income taxes payable	754	2,248	
Other current liabilities	-	1,600	
Total current liabilities	<u>194,127</u>	<u>188,189</u>	
Deferred revenue, long-term portion	22,102	22,237	
Accreditation fees payable, long-term portion	-	142	
Operating lease liability, long-term portion	13,022	12,438	
Syndicated revolver	229,295	238,930	
Notes payable	221,089	-	
Redeemable preferred shares	102,970	90,434	
Deferred tax liability	9,594	15,720	
Stockholders' equity:			
Common stock - no par value, 250,000,000 shares authorized; 10,853,297 shares issued and outstanding as of June 30, 2023 and 10,817,110 shares issued and outstanding as of December 31, 2022	32,945	31,868	
Additional paid-in capital	11,509	8,106	
Retained earnings	5,848	55,899	
Accumulated other comprehensive income	804	784	
Total stockholders' equity	<u>51,106</u>	<u>96,657</u>	
Total liabilities and stockholders' equity	<u>\$ 843,305</u>	<u>\$ 664,747</u>	

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Net revenues	\$ 84,978	\$ 83,084	\$ 165,408	\$ 164,183
Cost of revenues:				
Direct cost of revenues	50,743	49,300	100,033	98,721
Network, other costs	6,993	4,764	13,316	8,944
Network, depreciation of property and equipment	8,757	6,589	17,193	12,484
Network, amortization of intangible assets	379	378	757	756
Network, impairment of property and equipment	74	-	2,016	27
Total cost of revenues	<u>66,946</u>	<u>61,031</u>	<u>133,315</u>	<u>120,932</u>
Gross profit	18,032	22,053	32,093	43,251
Expenses:				
Sales and marketing (*)	\$ 16,020	\$ 13,503	\$ 31,757	\$ 25,490
Technical operations and development (*)	4,581	3,465	9,396	7,230
General and administrative (*)	8,084	6,814	16,275	14,110
Depreciation of property and equipment	150	146	302	294
Loss on disposition of property and equipment	-	95	-	480
Amortization of intangible assets	2,230	2,465	4,724	4,930
Loss (gain) on currency forward contracts	68	-	23	-
Total expenses	<u>31,133</u>	<u>26,488</u>	<u>62,477</u>	<u>52,534</u>
Loss from operations	(13,101)	(4,435)	(30,384)	(9,283)
Other income (expenses):				
Interest expense, net	(10,501)	(2,422)	(18,381)	(4,217)
Loss on debt extinguishment	(14,680)	-	(14,680)	-
Income earned on sale of transferred assets, net	4,289	4,520	8,659	9,272
Other income (expense), net	-	(50)	-	(100)
Total other income (expenses)	<u>(20,892)</u>	<u>2,048</u>	<u>(24,402)</u>	<u>4,955</u>
Loss before provision for income taxes	(33,993)	(2,387)	(54,786)	(4,328)
Provision for income taxes	(3,025)	738	(4,735)	1,817
Net loss before redeemable non-controlling interest	(30,968)	(3,125)	(50,051)	(6,145)
Other comprehensive income, net of tax				
Unrealized income (loss) on hedging activities	578	195	646	1,163
Net amount reclassified to earnings	<u>(390)</u>	<u>(74)</u>	<u>(626)</u>	<u>(8)</u>
Other comprehensive income net of tax expense (recovery) of \$60 and \$40 for the three months ended June 30, 2023 and June 30, 2022, \$7 and \$369 for the six months ended June 30, 2023 and June 30, 2022	188	121	20	1,155
Comprehensive loss, for the period	<u>\$ (30,780)</u>	<u>\$ (3,004)</u>	<u>\$ (50,031)</u>	<u>\$ (4,990)</u>
Basic and diluted earnings per common share	<u>\$ (2.86)</u>	<u>\$ (0.29)</u>	<u>\$ (4.63)</u>	<u>\$ (0.57)</u>
Shares used in computing basic and diluted earnings per common	<u>10,836,652</u>	<u>10,765,595</u>	<u>10,821,608</u>	<u>10,758,691</u>

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

Network expenses	\$ 118	\$ 95	\$ 286	\$ 205
Sales and marketing	\$ 648	\$ 347	\$ 1,255	\$ 724
Technical operations and development	\$ 142	\$ 151	\$ 446	\$ 270
General and administrative	\$ 1,144	\$ 842	\$ 2,312	\$ 1,630

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Cash provided by:				
Operating activities:				
Net loss for the period	\$ (30,968)	\$ (3,125)	\$ (50,051)	\$ (6,145)
Items not involving cash:				
Depreciation of property and equipment	8,907	6,735	17,495	12,778
Impairment of property and equipment	74	-	2,016	27
Amortization of debt discount and issuance costs	893	147	1,131	267
Amortization of intangible assets	2,609	2,843	5,481	5,686
Net amortization contract costs	(208)	(245)	(357)	(472)
Accretion of contingent consideration	-	50	-	148
Deferred income taxes (recovery)	(3,413)	(1,053)	(6,123)	(1,739)
Excess tax benefits on share-based compensation expense	-	(4)	(1)	(55)
Net Right of use operating assets/Operating lease liability	(15)	(115)	(97)	(56)
Loss on disposal of domain names	-	-	-	2
Accretion of redeemable preferred shares	3,338	-	6,375	-
Loss on debt extinguishment	14,680	-	14,680	-
Loss (gain) on change in the fair value of forward contracts	879	-	1,624	-
Amortization of discontinued cash flow hedge from Accumulated other	(572)	-	(1,144)	-
Stock-based compensation	2,052	1,436	4,298	2,828
Change in non-cash operating working capital:				
Accounts receivable	661	2,865	(5,108)	1,053
Contract asset	693	(5,671)	2,884	(8,176)
Inventory	(1,261)	(1,238)	(516)	(1,519)
Prepaid expenses and deposits	(2,117)	3,910	(3,443)	1,675
Deferred costs of fulfillment	472	819	(3,484)	(1,130)
Income taxes recoverable	(1,374)	1,086	(856)	1,568
Accounts payable	(4,943)	3,891	(5,099)	6,158
Accrued liabilities	5,220	1,334	4,294	2,444
Customer deposits	3,322	950	3,665	327
Deferred revenue	(464)	(1,984)	5,839	2,384
Accreditation Fees Payable	(52)	(55)	(341)	(69)
Net cash provided by/(used in) operating activities	(1,587)	12,576	(6,838)	17,984
Financing activities:				
Proceeds received on exercise of stock options	-	56	-	570
Proceeds from issuance of notes payable	227,258	-	227,258	-
Redeemable preferred shares redemption	(45,718)	-	(45,718)	-
Proceeds from redeemable preferred shares	5,000	-	35,000	-
Deferred notes payable financing costs	(6,745)	-	(6,745)	-
Deferred preferred financing costs	-	-	145	-
Contingent payments for acquisitions	-	(1,125)	(1,600)	(3,125)
Proceeds received on syndicated revolver	-	19,200	-	35,700
Repayment of syndicated revolver	(7,000)	-	(9,800)	-
Payment of syndicated revolver costs	(11)	(88)	(316)	(265)
Net cash provided by financing activities	172,784	18,043	198,224	32,880
Investing activities:				
Additions to property and equipment	(23,158)	(30,288)	(54,904)	(53,342)
Acquisition of intangible assets	(217)	(22)	(383)	(117)
Net cash used in investing activities	(23,375)	(30,310)	(55,287)	(53,459)
(Decrease) increase in cash and cash equivalents	147,822	309	136,099	(2,595)
Cash and cash equivalents, restricted cash, and restricted cash equivalents beginning of period	11,773	6,201	23,496	9,105
Cash and cash equivalents, restricted cash, and restricted cash equivalents end of period	\$ 159,595	\$ 6,510	\$ 159,595	\$ 6,510
Reconciliation of cash, cash equivalents, restricted cash, and restricted				
Cash and cash equivalents	147,864	6,510	147,864	6,510
Restricted cash included in funds held for trustee	3,361	-	3,361	-
Restricted cash included in secured notes reserve funds receivable	8,370	-	8,370	-
Total Cash and cash equivalents, restricted cash, and restricted cash	159,595	6,510	159,595	6,510
Supplemental cash flow information:				
Interest paid	\$ 6,442	\$ 2,351	\$ 10,327	\$ 4,033
Income taxes paid, net	\$ 1,474	\$ 1,391	\$ 1,995	\$ 2,287
Supplementary disclosure of non-cash investing and financing activities:				
Property and equipment acquired during the period not yet paid for	\$ 2,638	\$ 12,102	\$ 2,638	\$ 12,102

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

(unaudited)	Three months ended June 30,		Six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Net loss for the Period	\$ (30,968)	\$ (3,125)	\$ (50,051)	\$ (6,145)
Less:				
Provision for income taxes	(3,025)	738	(4,735)	1,817
Depreciation of property and equipment	8,907	6,735	17,495	12,778
Impairment and loss on disposition of property and equipment	74	95	2,016	507
Amortization of intangible assets	2,609	2,843	5,481	5,686
Interest expense, net	10,501	2,422	18,381	4,217
Loss on debt extinguishment	14,680	-	14,680	-
Accretion of contingent liability	-	50	-	148
Stock-based compensation	2,052	1,436	4,298	2,828
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(126)	46	(84)	100
Acquisition and other costs ¹	691	460	944	1,076
Adjusted EBITDA	\$ <u>5,395</u>	\$ <u>11,700</u>	\$ <u>8,425</u>	\$ <u>23,012</u>

¹ 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.