



Q4 2023 Q&A Transcript

Introduction [Monica Webb, Vice President, Investor Relations]

Welcome to Tuco's' question and answer dialogue for Q4 2023. Elliot Noss, President and Chief Executive Officer, will be responding to your questions. For your convenience, this audio file is also available as a transcript in the Investors section of our website, along with our [Q4 2023 Financial Results](#) and [updated reports](#). I would also like to remind investors that if you would like to receive our quarterly reports and Q&A via email, please make the request to ir@tuco's.com.

Please note that the following discussion may include forward-looking statements which are subject to risks and uncertainties that could cause actual results to differ materially. These risk factors are described in detail in the company's documents filed with the SEC, specifically the most recent reports on the Forms 10-Q and 10-K. The company urges you to read its [security filings](#) for a full description of the risk factors applicable to its business.

Today's commentary includes responses to questions submitted to us following the [prerecorded management remarks](#) regarding the quarter and outlook for the Company. We are grouping similar questions into categories that we feel are addressing common queries. If your questions reach a certain threshold or volume, we may ask you to schedule a call instead to ensure we can address the full body of your questions. And if you feel that the recorded questions and/or any direct email you may receive do not address the full meat of your questions, please let us know.

Go ahead, Elliot.

Opening Remarks [Elliot Noss, President and Chief Executive Officer]

Thank you, Monica. And welcome to our Q&A for our fourth quarter 2023 financial results.

First, I wanted to talk a bit about the [recent announcement](#) of our partnership in [Orange Domains](#).

Orange Domains is a joint venture with Trust Machines and Hiro Systems that hopes to seamlessly connect domain names, identity and Web3. I have been looking at the intersection between the Open Internet and Web3 for some years and our partners here see the same future we do – one where elements of identity and functionality related to it rest on both sides and need to work together seamlessly.

In this venture, we're providing our expertise in DNS and web registry, and our reseller channel. Trust Machines and Hiro are bringing their phenomenal expertise in Web3. It's also worth noting that [Don Ruiz](#) – a 7+ year Tucows alum is the GM at Orange Domains.

This is a long-term initiative and we are a minority partner.

We had a few questions about Ting, on partner economics and a recurring question on our go-to-market strategy.

In our investor communications last year we talked about long-term margins in this business for a mature, loaded footprint at being in the 60 to 70% range. Each partner deal is different and depends upon the level of guarantee; whether the fee is per address or per customer; who pays for the drop and install; and other nuances. At the very highest level, with a gross oversimplification, you can think of the partner and the ISP splitting revenue 50:50. One can apply that to the above, and based on our current contracts and existing experience, see long-term margins on mature partner networks in the 30 to 35% range. This will generally be before the real overhead component of national costs which we cannot turn into a relative number without making a bunch of assumptions. I hope this helps.

We also had the recurring question around our go-to-market strategy. It reads, "Initially, it seemed the goal was to target rural locations where Ting would have no direct fiber competition. Now it seems we are running toward more competitive markets". I have answered this question regularly and will again. There are two elements: rural and competition.

We have never pursued rural markets. We are mostly in suburban areas, but our filter, whether urban or suburban, is density. Rural fiber will generally need to be subsidized and we are unlikely to be terribly active there. In terms of competition – again – nothing has changed. We have the same view of fiber competition we always have had. One network makes sense, multiple networks are much more difficult. We avoid them in all ways possible. I refer the questioner back to our recent decision to pull out of Mesa. We wonder if the questioner is referring to Colorado Springs and note that the first deal announced there was ours, in partnership with the local utility. Accordingly, the question is more appropriately put to those who made follow-up announcements – but we note that in our experience, virtually every rational provider views things similarly and usually saner heads prevail.

Thank you for listening to our Q&A and a reminder that if you feel that the recorded answers or any direct email you may receive do not address your question, please follow up with us at ir@tucows.com.
