

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

Assets Current assets: \$ 92,687 Cash and cash equivalents \$ 92,687 Restricted cash 3,639 Accounts receivable, net of allowance for doubtful accounts of \$511 as of December 31, 2023 and \$693 as of December 31, 2022 22,206 Contract asset, current portion 1,417 Inventory 6,786 Prepaid expenses and deposits 17,387 Defirered costs of fulfillment, current portion 2,277 Deferred costs of fulfillment, current portion 95,649 Income taxes recoverable 709 Contract asset, long-term portion 15,419 Investment 2,012 Secured notes reserve funds receivable 8,652 Property and equipment 3,964 Right of use operating lease asset 27,467 Contract costs, long-term portion 2,581 Intangible assets 3,954 Goodwill 313,041 Total assets 5,798,426 Current liabilities 5,356 Current liabilities 5,356 Current liabilities 35,356 Cur	December 31, 2022		
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Redeemable preferred shares 111,390	238,930		
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Deferred tax liability 2 066	90,434		
Z,500	15,720		
Stockholders' equity: Common stock - no par value, 250,000,000 shares authorized; 10,903,405 shares issued and			
outstanding as of December 31, 2023 and 10,817,110 shares issued and outstanding as of December			
31, 2022 34,373	31,868		
Additional paid-in capital 14,072	8,106		
Retained earnings (40,298)	55,899		
Accumulated other comprehensive income (loss) 1,728	784		
Total stockholders' equity 9,875	96,657		
Total liabilities and stockholders' equity \$ 798,426	\$ 664,747		

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

		Three months e	nded [December 31, 2022		Twelve months 2023	cember 31, 2022	
	_		unaudited)				audited)	
Net revenues	\$	86,958	\$	78,909	\$	339,337	\$	321,142
Cost of revenues:								
Direct cost of revenues		51,506		49,245		202,256		196,268
Network, other costs		7,584		4,245		28,222		17,433
Network, depreciation of property and equipment		9,533		7,969		35,864		27,589
Network, amortization of intangible assets		371		378		1,506		1,512
Network, impairment of property and equipment	_	143	_	62	_	4,822	_	92
Total cost of revenues	_	69,137	_	61,899	-	272,670	_	242,894
Gross profit		17,821		17,010		66,667		78,248
Expenses:								
Sales and marketing (*)	\$	18,363	\$	14,553	\$	67,415	\$	53,937
Technical operations and development (*)		4,904		3,974		19,118		14,187
General and administrative (*)		8,170		8,838		33,896		30,845
Depreciation of property and equipment		128		155		567		598
Loss on disposition of property and equipment		-		-		-		461
Amortization of intangible assets	_	2,357	_	2,488	_	9,323	_	9,882
Total expenses	_	33,922	-	30,008	_	130,319	_	109,910
Income from operations		(16,101)		(12,998)		(63,652)		(31,662)
Other income (expenses):								
Interest expense, net		(12,651)		(5,901)		(41,771)		(14,456)
Loss on debt extinguishment		-		-		(14,680)		-
Income earned on sale of transferred assets		4,062		4,498		17,033		18,507
Other expense		<u>-</u>	_	(50)	_		_	(177)
Total other income (expenses)	_	(8,589)	-	(1,453)	_	(39,418)	_	3,874
Income before provision for income taxes		(24,690)		(14,451)		(103,070)		(27,788)
Provision for income taxes		(1,316)	_	(1,006)		(6,873)		(217)
Net income for the period		(23,374)		(13,445)		(96,197)		(27,571)
Other comprehensive income, net of tax								
Unrealized income (loss) on hedging activities		1,667		928		1,830		418
Net amount reclassified to earnings		(79)	_	132	_	(886)		23
Other comprehensive income net of tax expense (recovery)	_	1,588	_	1,060	_	944	_	441
Comprehensive income, net of tax for the period	\$	(21,786)	\$	(12,385)	\$	(95,253)	\$	(27,130)
Basic earnings per common share	\$	(2.14)	\$_	(1.25)	\$	(8.85)	\$	(2.56)
Shares used in computing basic earnings per common share	_	10,899,916	=	10,765,595	=	10,864,086	_	10,758,691
(*) Stock-based compensation has been included in expenses as follows	:							
	\$	151	\$	201	\$	575	\$	503
	\$	567	\$	877			\$	2,006
Technical operations and development	\$	229	\$	545		,	\$	952
General and administrative	\$	581	\$	1,580			\$	4,138

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

	•	Three months ended December 31,					Twelve months ended December 31,					
Cash provided by:	_	2023 2022 (unaudited)				-	2023 2022 (unaudited)					
Operating activities:		•		•			•	•				
Net income for the period	\$	(23,374)	\$		(13,445)	\$	(96,197)	\$	(27,571)			
Items not involving cash:												
Depreciation of property and equipment		9,661			8,124		36,431		28,187			
Impairment of property and equipment		143			62		4,822		92			
Amortization of debt discount and issuance costs		1,060			203		3,331		685			
Amortization of intangible assets		2,728			2,866		10,829		11,394			
Net amortization contract costs Accretion of contingent consideration		(142)			(140) 50		(754)		(748) 248			
Deferred income taxes (recovery)		(3,659)			(3,584)		(13,040)		(6,981)			
Excess tax benefits on share-based compensation expense		(3,033)			(35)		(13,040)		(193)			
Net Right of use operating assets/Operating lease liability		(89)			(126)		(406)		(897)			
Loss on disposal of domain names		2			-		5		7			
Accretion of redeemable preferred shares		4,916			2,646		14,163		3,896			
Loss on debt extinguishment		, <u>-</u>			· -		14,680		, -			
Write off of debt discount and issuance cost		_			-		277		_			
Loss (gain) on change in the fair value of forward contracts		-			(161)		1,624		281			
Amortization of discontinued cash flow hedge		-			(507)		(1,144)		(761)			
Stock-based compensation		1,528			3,203		8,134		7,599			
Remeasurement of contingent consideration		-			(400)		-		(400)			
Change in non-cash operating working capital:												
Accounts receivable		1,983			(3,686)		(3,802)		(3,825)			
Contract assets		1,893			575		6,070		(6,709)			
Inventory		865			(1,396)		361		(4,007)			
Prepaid expenses and deposits		2,012			1,622		(382)		3,981			
Deferred costs of fulfillment		1,570			1,252		(394)		2,037			
Income taxes recoverable		145			929		734		3,355			
Accounts payable		114 8,751			(195)		(5,319)		6,754			
Accrued liabilities Customer deposits		595			6,039 1,010		9,044 3,552		7,411 (1,191)			
Deferred revenue		(1,671)			(2,001)		2,952		(2,667)			
Accreditation fees payable		(28)			(4)		(342)		(101)			
Net cash provided by operating activities	_	9,003	-		2.901	_	(4,771)		19,876			
net dash provided by operating detivities	_	3,003	-		2,501	_	(1),,,2	_	23,070			
Financing activities:												
Proceeds received on exercise of stock options		-			288		-		1,096			
Proceeds from issuance of notes payable		-			-		227,258		-			
Redeemable preferred shares redemption		-			27,500		(45,718)		87,500			
Proceeds from redeemable preferred shares		-			-		35,000		-			
Deferred notes payable financing costs		(63)			-		(6,738)					
Deferred preferred financing costs		-			(262)		145		(1,016)			
Proceeds received on syndicated revolver		-			-		52,382		48,300			
Repayment of syndicated revolver		(11,530)			(18)		(80,182)		(748)			
Deferred syndicate revolver issued		(157)			(62)		(1,711)		(2.125)			
Contingent consideration for acquisitions Net cash (used in) provided by financing activities	_	(11,750)	-		27,446	_	(1,600) 178,836		132,007			
Net cash (used in) provided by infancing activities	_	(11,730)	-		27,440	_	178,830	_	132,007			
Investing activities:												
Additions to property and equipment		(14,579)			(36,692)		(92,055)		(136,710)			
Acquisition of intangible assets		(113)	_		(665)		(528)		(782)			
Net cash used in investing activities		(14,692)	-		(37,357)	_	(92,583)	_	(137,492)			
(Decrease) increase in cash and cash equivalents		(17,439)			(7,010)		81,482		14,391			
Cook and sook assistatore restricted and		122 447			20 500		22.400		0.405			
Cash and cash equivalents, restricted cash, and restricted cash	ė	122,417	ė		30,506	ė	23,496	ċ	9,105			
Cash and cash equivalents, restricted cash, and restricted cash	\$	104,978	\$		23,496	\$	104,978	\$	23,496			
Reconciliation of cash, cash equivalents, restricted cash, and restricted												
Cash and cash equivalents		92,687			23,496		92,687		23,496			
Restricted cash included in funds held for trustee		3,639			-		3,639		-			
Restricted cash included in secured notes reserve funds receivable		8,652			-		8,652		-			
Total Cash and cash equivalents, restricted cash, and restricted cash		104,978	-		23,496		104,978		23,496			
Supplemental cash flow information:												
Interest paid	\$	4,832	\$		3,251	\$	24,736	\$	10,289			
Income taxes paid, net	۶ \$	1,587	\$ \$		1,355	\$	4,929	\$	3,883			
mosme cases para, nec	7	1,507	ب		1,333	Ļ	7,323	Ý	3,003			
Supplementary disclosure of non-cash investing and financing activities:												
Property and equipment acquired during the period not yet paid for	\$	6,948	\$		501	\$	6,948	\$	501			
		•					•	•				

Reconciliation of Income before Provision for Income Taxes to Adjusted EBITDA (In Thousands of U.S. Dollars)		Three months e	ended	d December 31,	Twelve months ended December 31,					
(unaudited)	203	23 (unaudited)	udited) 2022 (unaud		2023 (unaudited)			2022 (unaudited)		
Net Income for the Period Less:	\$	(23,374)	\$	(13,445)	\$	(96,197)	\$	(27,571)		
Provision for income taxes		(1,316)		(1,006)		(6,873)		(217)		
Depreciation of property and equipment		9,661		8,124		36,431		28,187		
Impairment and loss on disposition of property and equipment		143		62		4,822		553		
Amortization of intangible assets		2,728		2,866		10,829		11,394		
Interest expense, net		12,651		5,901		41,771		14,456		
Loss on debt extinguishment		-		-		14,680		-		
Accretion of contingent consideration		-		50		-		248		
Stock-based compensation		1,528		3,203		8,134		7,599		
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated		(316)		(166)		(62)		281		
monetary assets and liabilities										
Acquisition and other costs ¹		849		1,111		1,916		2,660		
Adjusted EBITDA	\$	2,554	\$	6,700	\$	15,451	\$	37,590		

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.