



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

	December 31, 2023	December 31, 2022
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 92,687	\$ 23,496
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	18,404
Contract asset, current portion	1,417	5,159
Inventory	6,786	7,284
Prepaid expenses and deposits	17,387	17,005
Derivative instrument asset, current portion	2,277	1,903
Deferred costs of fulfillment, current portion	95,649	94,198
Income taxes recoverable	709	2,471
Total current assets	<u>242,757</u>	<u>169,920</u>
Contract asset, long-term portion	-	2,328
Deferred costs of fulfillment, long-term portion	15,419	16,476
Investment	2,012	2,012
Secured notes reserve funds receivable	8,652	-
Property and equipment	339,644	281,495
Right of use operating lease asset	27,467	20,489
Contract costs, long-term portion	2,581	1,827
Intangible assets	29,484	39,790
Goodwill	130,410	130,410
Total assets	<u>\$ 798,426</u>	<u>\$ 664,747</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 12,676	\$ 17,171
Accrued liabilities	35,356	22,653
Customer deposits	19,335	15,783
Derivative instrument liability, current portion	-	389
Operating lease liability, current portion	5,397	4,642
Deferred revenue, current portion	126,733	122,894
Accreditation fees payable, current portion	609	809
Income taxes payable	1,235	2,248
Other current liabilities	-	1,600
Total current liabilities	<u>201,341</u>	<u>188,189</u>
Deferred revenue, long-term portion	21,350	22,237
Accreditation fees payable, long-term portion	-	142
Operating lease liability, long-term portion	18,255	12,438
Syndicated revolver	210,354	238,930
Notes payable	222,895	-
Redeemable preferred shares	111,390	90,434
Deferred tax liability	2,966	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	<u>9,875</u>	<u>96,657</u>
Total liabilities and stockholders' equity	<u>\$ 798,426</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 December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
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	-	(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:

Network expenses	\$ 151	\$ 201	\$ 575	\$ 503
Sales and marketing	\$ 567	\$ 877	\$ 2,493	\$ 2,006
Technical operations and development	\$ 229	\$ 545	\$ 899	\$ 952
General and administrative	\$ 581	\$ 1,580	\$ 4,167	\$ 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,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Cash provided by:				
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	(142)	(140)	(754)	(748)
Accretion of contingent consideration	-	50	-	248
Deferred income taxes (recovery)	(3,659)	(3,584)	(13,040)	(6,981)
Excess tax benefits on share-based compensation expense	-	(35)	-	(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	-	-	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	(195)	(5,319)	6,754
Accrued liabilities	8,751	6,039	9,044	7,411
Customer deposits	595	1,010	3,552	(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	<u>9,003</u>	<u>2,901</u>	<u>(4,771)</u>	<u>19,876</u>
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)	-
Contingent consideration for acquisitions	-	-	(1,600)	(3,125)
Net cash (used in) provided by financing activities	<u>(11,750)</u>	<u>27,446</u>	<u>178,836</u>	<u>132,007</u>
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	<u>(14,692)</u>	<u>(37,357)</u>	<u>(92,583)</u>	<u>(137,492)</u>
(Decrease) increase in cash and cash equivalents	(17,439)	(7,010)	81,482	14,391
Cash and cash equivalents, restricted cash, and restricted cash	122,417	30,506	23,496	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	<u>104,978</u>	<u>23,496</u>	<u>104,978</u>	<u>23,496</u>
Supplemental cash flow information:				
Interest paid	\$ 4,832	\$ 3,251	\$ 24,736	\$ 10,289
Income taxes paid, net	\$ 1,587	\$ 1,355	\$ 4,929	\$ 3,883
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)

(unaudited)	Three months ended December 31,		Twelve months ended December 31,	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Net Income for the Period	\$ (23,374)	\$ (13,445)	\$ (96,197)	\$ (27,571)
Less:				
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 monetary assets and liabilities	(316)	(166)	(62)	281
Acquisition and other costs ¹	849	1,111	1,916	2,660
Adjusted EBITDA	\$ <u>2,554</u>	\$ <u>6,700</u>	\$ <u>15,451</u>	\$ <u>37,590</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.