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## Tucows Inc. reports financial results for the third quarter of 2009

**TORONTO, Nov. 11** - Tucows Inc. (NYSE AMEX:TCX, TSX:TC), a global provider of domain names, email and other Internet services, today reported its financial results for the third quarter of 2009 ended September 30, 2009. All figures are in U.S. dollars.

Summary Financial Results  
(Numbers in Thousands of US Dollars, Except Per Share Data)

	3 Months Ended Sept. 30, 2009 (unaudited)	3 Months Ended Sept. 30, 2008 (unaudited)	9 Months Ended Sept. 30, 2009 (unaudited)	9 Months Ended Sept. 30, 2008 (unaudited)
Net Revenue	20,496	20,147	60,610	59,309
Net Income (Loss)	5,051	(71)	10,495	1,056
Net Income (Loss)/Share	0.07	(0.00)	0.15	0.01
Cash Flow from Operations	82	(102)	3,586	2,595

Summary of Revenue and Cost of Revenue before Network Costs  
(Numbers in Thousands of US Dollars)

	Revenue		Cost of Revenue	
	3 Months Ended Sept. 30, 2009 (unaudited)	3 Months Ended Sept. 30, 2008 (unaudited)	9 Months Ended Sept. 30, 2009 (unaudited)	9 Months Ended Sept. 30, 2008 (unaudited)
OpenSRS:				
Domain Services (Traditional Domain Registration)	15,098	13,680	12,326	11,016
Email Services	842	1,517	103	162
Other Services	1,109	1,104	412	403
Total OpenSRS Services	17,049	16,309	12,841	11,581
YummyNames (Domain Portfolio Services)	1,782	1,265	218	183
Hover (Retail Services)	1,204	2,071	493	558
Butterscotch (Content Services)	461	502	26	5
Total	20,496	20,147	13,578	12,327

"Throughout 2009, we have consistently delivered solid financial results, driven by the strong performance of our OpenSRS wholesale business, the initiatives we have undertaken to improve other components of our business, and the success of our efforts to improve our cost structure," said Elliot Noss, President and CEO of Tucows. "Fundamentally, our business is strong and we are performing very well operationally. Amidst a weakening Internet services environment, our strong competitive position, supported by continuing improvements to our OpenSRS platform, has enabled us to grow new registrations in excess of industry performance. All of this continues to position us well

for the remainder of 2009 and beyond."

Net revenue for the third quarter of 2009 was \$20.5 million compared with \$20.1 million for the third quarter of 2008.

Net income for the third quarter of 2009 was \$5.1 million, or \$0.07 per share, compared with a net loss of \$71,000, or less than \$0.01 per share, for the third quarter of 2008. Net income for the third quarter of 2009 benefitted from other income of \$1.9 million generated by receipt of the third and final payment related to the sale of the Company's equity stake in Aflias, as well as a gain on foreign exchange of \$1.9 million (inclusive of a mark-to-market gain of \$1.9 million) compared to a loss on foreign exchange of \$0.7 million (inclusive of a mark-to-market loss of \$0.5 million) for the third quarter of 2008. In addition, because the Company is no longer subject to state taxes in certain jurisdictions, it has amended its tax rate payable in connection with its deferred tax liability resulting in an income tax recovery of \$0.4 million in the third quarter of 2009.

Deferred revenue at the end of the third quarter of fiscal 2009 was \$56.5 million, an increase of 4% from \$54.4 million at the end of the third quarter of fiscal 2008 and a slight decrease from \$56.9 million at the end of the second quarter of fiscal 2009.

Cash and cash equivalents at the end of the third quarter of fiscal 2009 were \$8.2 million compared with \$2.7 million at the end of the third quarter of fiscal 2008 and \$7.4 million at the end of the second quarter of fiscal 2009. This increase in cash compared with the second quarter of 2009 is primarily the result of the receipt of the \$2.0 million payment related to the sale of the Company's equity stake in Aflias last year, which was partially offset by the repayment of \$479,000 of the Company's bank loan and the use of \$570,000 for the repurchase of shares under the Company's second modified "Dutch auction" tender offer, which concluded in July of this year. Cash flow from operations for the quarter was \$82,000 and was impacted by a change in non-cash working capital related to the timing of payables and receivables of \$1.5 million, the result of the receipt of \$0.5 million in receivables shortly after quarter end and the payment of \$1.0 million in certain payables to comply with changes in the Company's relationships with certain suppliers.

### Conference Call

Tucows will host a conference call today, Wednesday, November 11, 2009 at 5:00 p.m. ET to discuss the Company's third quarter fiscal 2009 results. To access the conference call via the Internet, go to <http://tucowsinc.com/investors>.

For those unable to participate in the conference call at the scheduled time, it will be archived for replay both by telephone and via the Internet beginning approximately one hour following completion of the call. To access the archived conference call by telephone, dial 416-640-1917 or 1-877-289-8525 and enter the pass code 4171862 followed by the pound key. The telephone replay will be available until Wednesday, November 18, 2009 at midnight. To access the archived conference call as an MP3 via the Internet, go to <http://tucowsinc.com/investors>.

### About Tucows

Tucows is a global Internet services company. OpenSRS manages over 9 million domain names and millions of email boxes through a reseller network of over 9,000 web hosts and ISPs. Hover is the easiest way for individuals and small businesses to manage their domain names and email addresses. YummyNames owns premium domain names that generate revenue through advertising or resale. Butterscotch.com is an online video network building on the foundation of Tucows.com. More information can be found at <http://tucowsinc.com>.

*This news release contains, in addition to historical information, forward-looking statements related to such matters as our business, including the price per share at which Tucows will purchase shares and the level of under subscription. Such statements are based on management's current expectations and are subject to a number of uncertainties and risks, which could cause actual results to differ materially from those described in the forward-looking statements. Information about potential factors that could affect Tucows' business, results of operations and financial condition is included in the Risk Factors sections of Tucows' filings with the Securities and Exchange Commission. All forward-looking statements included in this document are based on information available to Tucows as of the date of this document, and except to the extent Tucows may be required to update such information under any applicable securities laws, Tucows assumes no obligation to update such forward-looking statements. TUCOWS is a registered trademark of Tucows Inc. or its subsidiaries. All other trademarks and service marks are the properties of their respective owners.*

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

	September 30, 2009	December 31, 2008
	----- (unaudited)	----- (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,154,455	\$ 5,427,467
Accounts receivable	3,929,882	3,200,362
Prepaid expenses and deposits	2,743,505	2,274,043
Derivative instrument assets	1,927,475	-
Prepaid domain name registry and ancillary services fees, current portion	31,513,882	29,212,610
Deferred tax asset, current portion	590,000	590,000
	-----	-----
Total current assets	48,859,199	40,704,482
Prepaid domain name registry and ancillary services fees, long-term portion	12,143,175	11,855,971

Property and equipment	2,148,509	3,072,958
Deferred financing charges	49,300	78,500
Deferred tax asset, long-term portion	2,410,000	2,410,000
Intangible assets	19,041,083	20,206,996
Goodwill	17,990,807	17,990,807
Investment	-	200,000
Total assets	\$102,642,073	\$ 96,519,714

Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	\$ 1,373,068	\$ 1,633,830
Accrued liabilities	1,888,427	2,000,146
Customer deposits	3,764,320	3,319,241
Derivative instrument liabilities	-	1,974,919
Loan payable, current portion	3,698,685	2,624,242
Deferred revenue, current portion	40,303,458	37,985,821
Accreditation fees payable, current portion	508,180	510,548
Total current liabilities	51,536,138	50,048,747
Deferred revenue, long-term portion	16,198,501	16,201,804
Accreditation fees payable, long-term portion	187,285	187,374
Loan payable, long-term portion	-	3,235,125
Deferred tax liability, long-term portion	4,899,000	5,396,000
Stockholders' equity:		
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding	-	-
Common stock - no par value, 250,000,000 shares authorized; 67,865,096 shares issued and outstanding as of September 30, 2009 and 73,073,782 shares issued and outstanding as of December 31, 2008	14,187,313	15,198,358
Additional paid-in capital	47,601,377	48,714,676
Deficit	(31,967,541)	(42,462,370)
Total stockholders' equity	29,821,149	21,450,664
Total liabilities and stockholders' equity	\$102,642,073	\$ 96,519,714

Tucows Inc.  
Consolidated Statements of Operations  
(Dollar amounts in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
Net revenues	\$ 20,496,129	\$ 20,147,195	\$ 60,609,673	\$ 59,308,731
Cost of revenues:				
Cost of revenues(*)	14,770,868	13,981,247	42,942,314	40,794,276
Depreciation of property and equipment	475,445	795,445	1,416,834	2,437,542
Amortization of intangible assets	29,199	29,199	87,597	134,597
Total cost of revenues	15,275,512	14,805,891	44,446,745	43,366,415
Gross profit	5,220,617	5,341,304	16,162,928	15,942,316
Expenses:				
Sales and marketing(*)	1,568,727	1,705,512	4,261,070	5,132,380
Technical operations and development(*)	1,142,331	1,527,237	3,421,825	4,666,832
General and administrative(*)	1,145,951	1,714,563	4,608,173	4,805,853
Depreciation of property and equipment	64,704	57,386	230,336	177,317
Loss on disposition of property and equipment	40,369	498,529	40,369	498,529

Amortization of intangible assets (Gain) / loss in fair value of forward exchange contracts	360,540	360,540	1,081,620	1,122,655
	(1,878,230)	525,571	(3,902,394)	555,364
<b>Total expenses</b>	<b>2,444,392</b>	<b>6,389,338</b>	<b>9,740,999</b>	<b>16,958,930</b>
Income from operations	2,776,225	(1,048,034)	6,421,929	(1,016,614)
Other income (expenses):				
Interest income (expense), net	(52,887)	(90,859)	(178,669)	(467,264)
Other income	1,880,000	1,098,245	4,493,190	2,631,010
<b>Total other income (expenses)</b>	<b>1,827,113</b>	<b>1,007,386</b>	<b>4,314,521</b>	<b>2,163,746</b>
Income before provision for income taxes	4,603,338	(40,648)	10,736,450	1,147,132
Income tax (recovery) expense	(447,455)	30,000	241,621	91,134
<b>Net income (loss) for the period</b>	<b>\$ 5,050,793</b>	<b>\$ (70,648)</b>	<b>\$ 10,494,829</b>	<b>\$ 1,055,998</b>
Basic earnings (loss) per common share	\$ 0.07	\$ (0.00)	\$ 0.15	\$ 0.01
Shares used in computing basic earnings per common share	68,008,871	73,923,542	69,841,981	73,903,998
Diluted earnings (loss) per common share	\$ 0.07	\$ (0.00)	\$ 0.15	\$ 0.01
Shares used in computing diluted earnings per common share	68,874,517	74,817,244	70,156,521	75,245,047
(*) Stock-based compensation has been included in expenses as follows:				
Cost of revenues	\$ 3,860	\$ 5,500	\$ 12,227	\$ 14,600
Sales and marketing	\$ 12,807	\$ 17,200	\$ 42,764	\$ 48,500
Technical operations and development	\$ 12,395	\$ 13,100	\$ 34,116	\$ 41,800
General and administrative	\$ 70,748	\$ 52,500	\$ 142,641	\$ 128,600

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

	Three months ended September 30, 2009	September 30, 2008	Nine months ended September 30, 2009	September 30, 2008
	(unaudited)		(unaudited)	
Cash provided by (used in):				

Operating activities:

Net income (loss) for the period	\$ 5,050,793	\$ (70,648)	\$10,494,829	\$ 1,055,998
Items not involving cash:				
Depreciation of property and equipment	540,149	852,831	1,647,170	2,614,859
Loss on disposition of property and equipment	40,369	498,529	40,369	498,529
Amortization of deferred financing charges	9,100	12,200	29,200	38,400
Amortization of intangible assets	389,739	389,739	1,169,217	1,257,252
Gain on disposal of investment in Afilias	(1,880,000)	-	(3,890,395)	-
Gain on sale of customer relationships	-	(921,384)	-	(2,042,449)
Reduction of deferred tax liability	(497,000)	-	(497,000)	-
Disposal of domain names	649	4,705	2,596	4,705
Unrealized (gain)/loss in the fair value of forward contracts	(1,878,230)	525,571	(3,902,394)	555,364
Stock-based compensation	99,810	88,300	231,748	233,500
Change in non-cash operating working capital:				
Accounts receivable	(465,454)	(518,310)	(729,520)	(234,387)
Prepaid expenses and deposits	419,761	641,629	(469,462)	536,392
Prepaid fees for domain name registry and ancillary services fees	33,425	(775,955)	(2,588,476)	(4,482,752)
Accounts payable	(977,967)	(480,839)	(597,560)	(231,770)
Accrued liabilities	(115,362)	(177,701)	(111,719)	(868,765)
Customer deposits	592,612	(167,691)	445,079	(148,692)
Deferred revenue	(398,657)	(9,699)	2,314,334	3,767,955
Accreditation fees payable	(46,762)	6,245	(2,457)	40,365
Income taxes payable	(835,398)	-	-	-
Net cash provided by (used in) operating activities	81,577	(102,478)	3,585,559	2,594,504

Financing activities:

Proceeds received on exercise of stock options	-	-	25,422	9,450
Repurchase of common stock	(570,335)	-	(2,381,514)	-
Repayment of loan payable	(478,561)	(478,561)	(2,160,682)	(8,435,681)
Net cash used in financing activities	(1,048,896)	(478,561)	(4,516,774)	(8,426,231)

Investing activities:

Cost of domain names acquired	-	-	(5,900)	(8,944)
Additions to property and equipment	(281,282)	(627,024)	(426,292)	(1,922,764)
Sale of customer relationships	-	921,384	-	2,343,114
Proceeds on disposition of property and equipment	-	66,039	-	66,039
Proceeds on disposal of investment in Afilias	1,980,000	-	4,090,395	-
Decrease in cash held in escrow	-	(5,396)	-	(18,161)

Net cash provided by investing activities	1,698,718	355,003	3,658,203	459,284
Increase (decrease) in cash and cash equivalents	731,399	(226,036)	2,726,988	(5,372,443)
Cash and cash equivalents, beginning of period	7,423,056	2,947,069	5,427,467	8,093,476
Cash and cash equivalents, end of period	\$ 8,154,455	\$ 2,721,033	\$ 8,154,455	\$ 2,721,033
Supplemental cash flow information:				
Interest paid	\$ 52,983	\$ 100,060	\$ 181,012	\$ 552,298
Supplementary disclosure of non-cash investing activity:				
Property and equipment acquired during the period not yet paid for	\$ 343,777	\$ 117,733	\$ 343,777	\$ 117,733

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