



August 3, 2020

DISH AND TUCOWS MSE AGREEMENT: MANAGEMENT REMARKS

Introduction [Monica Webb, Head of Market Development and Strategic Partnerships]

Welcome to Tucows' management commentary regarding the announcement on August 3rd about the transition of its mobile business from a mobile virtual network operator model, or MVNO, to a mobile services enabler, or MSE model, and its agreement with DISH to provide mobile enablement services to DISH to support their business. That news release, and a transcript of these remarks, are available on the Company's website at www.tucows.com in the investors section under News.

As per our usual format, in lieu of a live question and answer period following these remarks, shareholders, analysts, and prospective investors are invited to submit their questions to Tucows' management via email at ir@tucows.com until end of day, Wednesday, August 12th. Management will address your questions directly, or in a recorded audio response and transcript that will be posted to the Tucows website on Monday, August 17th at approximately 4 p.m. eastern time. This Q&A will be combined with the Q&A for our Q2 management remarks, which will be reported out as part of our Q2 results, this Thursday, August 6th, at 5:05 p.m. eastern time.

Please note that the following discussion may include forward-looking statements, which, as such, 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-K and 10-Q. The company urges you to read its security filings for a full description of the risk factors applicable for its business.

I would now like to turn the call over to Tucows' President and Chief Executive Officer, Mr. Elliot Noss.

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

Thanks, Monica. As Monica noted, Tucows has reached an agreement to provide mobile services enabler, or MSE services to DISH, to support its US mobile business, as Tucows transitions its mobile business to an MSE model, a platform model, from its current MVNO model.

As part of this agreement, effective August 1st, DISH will acquire the Ting Mobile customer relationships and other related assets, including the right to use the Ting Mobile brand for two years. With this agreement, Ting's foundational MVNO platform, which helped make it one of the most innovative and respected providers in the industry, becomes Tucows' MSE platform. And DISH becomes Tucows' first MVNO customer on the platform. DISH's recently acquired Boost Mobile customer base is expected to migrate to the new Tucows MSE platform towards late 2021.

Our agreement with DISH offers rich benefits for both parties. DISH acquires the Ting Mobile brand, a loyal customer base, and access to a proven platform. We re-focus our mobile business away from an increasingly competitive retail market and towards our strengths in building and maintaining platforms that simplify complex business processes. And we are able to do this while both increasing the consistency in the already strong cash flows in this segment, while providing a significantly greater upside.

And finally the US mobile industry gets an aggressive competitor that we can help be a great success. We are really excited to help DISH disrupt the US mobile industry.

Strategically, our move from an MVNO business to the MSE model aligns with our longstanding belief that leveraging Tucows' core competencies and technology platforms to manage complex business processes is a competitive advantage that is key to our continued growth. We still get asked about the connective tissue between Domains and the mobile business, and it all boils down to our competence in billing, provisioning, and customer service for underserved technology markets. Our transition here concentrates our US mobile offering on these essential, and easily-scalable capabilities, at a time when the industry is becoming more competitive with scale and efficiency becoming increasingly critical. We are focusing on what we do best, and, within the context of the future of the industry, it best positions our mobile business for success going forward, and allows us to most contribute to what gets us up in the morning: changing the telecom industry for the better.

We've always recognized the potential for this to be an MSE business. At the time we entered however, we did not like the specific business opportunity, serving long-tail MVNO customers. We did not see the economic return there. We have had multiple discussions over the years, particularly in the last couple of years, with some large potential customers other than DISH, about providing MSE services. So our view was to consider large individual customers, but not to take on that business structurally. However, the DISH opportunity tipped the scales for us. I have been watching DISH's likely entry into the mobile space for years. I have always liked the way they thought about the business long-term, specifically building a virtualized, standalone 5G network and recognizing there was room for further price competition. It became easy to believe in their long-term ability to disrupt the mobile market in the US. For many quarters now, I have discussed the outlook for Ting Mobile within the context of how DISH enters the market and what that

would mean for the industry competitively. I absolutely believe that they will be very aggressive with pricing, which has two implications for our announcement. First, it would make remaining as a retail MVNO that much more difficult. Second, it will make their entry into the market that much more successful. The net result is that DISH is well positioned to disrupt the US mobile market, and Tucows will be on the right side of that disruption.

Our immediate focus is enhancing our existing MVNO platform to take it to the next level as the best MSE in the world, and preparing for the Boost migration. Our MSE business will be heads down on servicing DISH for the next 12 months or so.

The agreement includes a sale of the Ting Mobile subscriber base to DISH. There is no consideration at close. Instead Tucows will receive a fair value earnout for the life of the Ting Mobile subscribers. We expect our mobile business to now generate margins over time in excess of Ting Mobile's previous margins.

Tucows is entering into a multi-year master services agreement with DISH. DISH will pay Tucows a monthly fee to provide our MSE services. Currently, Boost Mobile has millions of prepaid monthly subscribers. There is also a multi-year transition services agreement as we will continue to operate as we have, but on DISH's behalf, in the near term. Longer term, the best way to think about it is that we will be doing everything we did before -- particularly in product management and engineering -- but even more so. Over time we will move from dealing directly with end-users to providing tier 2 support to DISH. Again, for the first while, there will be little change operationally.

In addition, we will participate in DISH's 5G market trials. This will give us a window into working with MNOs using the most modern approaches to building mobile networks.

As noted earlier, DISH will use the Ting Mobile brand for the near term, with the option to purchase the brand for agreed-upon consideration. I will note that Tucows will continue to operate the fiber Internet business in parallel under the Ting Internet name. In the event DISH chooses to keep the brand, we will rename Ting Fiber. As many of you know, our domain name assets provide us with lots of excellent brand options!

With respect to the impact on our overall financial results, we expect the deal to be neutral to slightly negative for 2020 EBITDA and we will of course update this as we have more visibility.

As many of you who have engaged with us over the last couple of years know, we have consistently identified gross adds, or finding new customers in the mobile business, as our greatest operating challenge. It is the one that I would consistently say I believe we could improve, but that the market was extremely competitive, and we had no visibility as to how, or certainty that we could.

For next year and beyond, we expect the contribution to EBITDA from mobile to be improved by this relationship. This pivot allows us to put behind us what was the biggest operating risk in the business, while improving our overall economic outlook.

Any pivot of a business nearly a decade old, with tens of millions of dollars in contribution, requires hard work and entails some risk. But we think this move sets us up beautifully for a brighter future, while allowing us to potentially have an even greater impact on the US mobile phone market -- a market we continue to believe is in need of some shaking up.

We could not be more excited to be in the boat with DISH on this journey.

I'll be speaking with you all again on Thursday for our Q2 remarks, and I look forward to your written questions on this announcement, and on those remarks. Again, please send your questions to ir@tucows.com by Wednesday, August 12th, and look for our recorded Q&A audio response and transcript to be posted to the Tucows website on Monday, August 17th at approximately 4 p.m. eastern time.

Thank you.