



[HOME](#) [ABOUT US](#) [INVESTORS](#) [NEWS](#) [CAREERS](#) [CONTACT](#)

TUCOWS FINANCIAL NEWS RELEASE, Q3 2008

Tucows Inc. Reports Financial Results For The Third Quarter Of 2008

TORONTO, November 10, 2008 - Tucows Inc., (AMEX:TCX, TSX:TC) a global provider of domain names, email and other Internet services, today reported its financial results for the third quarter ended September 30, 2008. All figures are in U.S. dollars.

"Despite a difficult environment, our third quarter revenue growth was driven by the strong performance of our OpenSRS Wholesale Services, primarily domain registration," said Elliot Noss, President and CEO of Tucows. "A number of factors, including weakness in our email business and the general economy putting downward pressure on advertising has dampened our cash flow in 2008. In addition, the significant strengthening of the Canadian dollar during the quarter negatively impacted net income by over \$1 million compared to the third quarter last year. As a result, while we still expect 2008 revenue and net income to grow compared to last year, we now expect cash flow from operations for 2008 to be lower than last year."

Mr. Noss continued, "In 2008 we completed numerous initiatives that will result in growth across our business. These accomplishments, combined with a business model composed predominantly of high-volume, low-cost transactions for services essential to establishing and maintaining a presence on the Internet, position us well to weather challenging economic conditions."

"Our business will continue to generate strong cash flow from operations," said Noss. "This, combined with proceeds from the sale of our equity position in Afilias and the recent divestiture of non-core hosting assets will support our share buyback program, as we focus on realizing value for our shareholders."

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

	Three Months Ended Sept. 30, 2008	Three Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2008	Nine Months Ended Sept. 30, 2007
Net Revenue	20,147	17,812	59,309	56,398
EBITDA	1,293	1,378	5,487	7,922
Adjusted Net Income	(93)	1,130	2,639	8,258
Net (Loss) Income	(71)	(311)	1,056	3,610
Net (Loss) Income/Share	-	-	0.01	0.05
Cash Flow from Operations	(107)	2,264	2,590	5,788

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

	Revenue		Cost of Revenue	
	Three Months Ended Sept. 30, 2008	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2008	Three Months Ended Sept. 30, 2007
Traditional Domain Registration Services	13,688	12,332	11,016	9,159
Domain Portfolio	1,265	538	183	161
Email Services	1,517	1,771	162	153
Retail Services	2,071	1,462	558	441
Other Services	1,606	1,709	408	417
Total	20,147	17,812	12,327	10,331

Net revenue for the third quarter of fiscal 2008 increased 13.1% to \$20.1 million from \$17.8 million for the third quarter of fiscal 2007. The increase was the result of the growth in both traditional domain registration services and domain portfolio services.

Adjusted net income for the third quarter of 2008 was a loss of \$93,000 compared with adjusted net income of \$1.1 million for the third quarter of 2007. Net loss was \$71,000, or \$0.00 per share, compared with a net loss of \$311,000, or \$0.00 per share, for the third quarter of fiscal 2007.

Deferred revenue at the end the third quarter of fiscal 2008 was \$54.4 million, an increase of 9% from \$49.8 million at the end of the third quarter of 2007 and unchanged from \$54.4 million at the end of the second quarter of fiscal 2008.

Cash and restricted cash at the end of the third quarter of fiscal 2008 was \$2.7 million compared with \$6.2 million at the end of the third quarter of fiscal 2007 and \$2.9 million at the end of the second quarter of fiscal 2008. This decrease compared to the second quarter of 2008 is primarily the result of cash used in operations of \$107,000, additions to property, plant and equipment of \$627,000 and the repayment of \$479,000 of the Company's bank loan, which was partially offset by \$921,000 generated through the sale of the Company's remaining hosting accounts.

EBITDA and Adjusted Net Income

To assist financial statement users in an assessment of the Company's historical performance and to project its future earnings and cash flows, the Company has included earnings before interest, taxes, depreciation and amortization (EBITDA). EBITDA is presented because it is an important supplemental measure of performance frequently used by securities analysts, investors and other interested parties in the evaluation of companies. Other companies may calculate EBITDA differently. EBITDA is not a measurement of financial performance under generally accepted accounting principles (GAAP) and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to Net Income as indicators of operating performance or any other measures of performance derived in accordance with (GAAP). Because EBITDA is calculated before recurring cash charges, including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business. See the Consolidated Statements of Cash Flows included in the attached financial statements. As a non-GAAP performance measure, EBITDA, has certain material limitations as follows:

- It does not include interest expense. Because the Company has borrowed money to finance some of its operations, interest is a necessary part of the Company's costs and ability to generate revenue. Therefore, any measure that excludes interest has material limitations;
- It does not include depreciation and amortization expense. Because the Company must utilize capital assets in order to generate revenues, depreciation and amortization expense is a necessary and ongoing part of the Company's costs. Therefore, any measure that excludes depreciation and amortization expense has material limitations; and,
- It does not include taxes. Because the payment of taxes is a necessary and ongoing part of the Company's operations, any measure that excludes taxes has material limitations.

Management compensates for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with its analysis of net earnings.

Adjusted Net Income represents EBITDA plus the additional adjustments described in the table below. The adjustments reflect the material amount of cash collected by the Company for domain registrations and other Internet services paid for the full term at the time of activation, with the revenue deferred, net of prepaid fees. In addition, adjusted Net Income reflects earnings and expenses considered as non-representative of ongoing business for the reasons specified below. Each of the items being adjusted for may create certain material limitations in the use of Adjusted Net Income as a non-GAAP financial measure. Adjusted Net Income is one of the primary measures the Company uses for planning and budgeting purposes, incentive compensation and to monitor and evaluate Tucows' financial and operating results. Adjusted Net Income is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measures of performance derived in accordance with generally accepted accounting principles. See the Consolidated Statements of Cash Flows included in the attached financial statements.

Conference Call

Tucows will host a conference call today, Monday, November 10, at 5:00 p.m. ET to discuss the Company's third quarter results. To access the conference call via the Internet go to <http://tuowsinc.com/investors> and click on "Financials."

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 21286921 followed by the pound key. The telephone replay will be available until Monday, November 17, 2008 at midnight. To access the archived conference call as an MP3 via the Internet, go to <http://tuowsinc.com/investors>.

About Tucows

Tucows is a global Internet services company.

OpenSRS manages over 8 million domain names and millions of email boxes through a reseller network of over 9,000 web hosts and ISPs. Our Retail group sells services directly to consumers and small businesses through Domain Direct, It's Your Domain and NetIdentity. 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://tuowsinc.com>.

This release may contain forward-looking statements, relating to the Company's operations or to the environment in which it operates, which are based on Tucows Inc.'s operations, estimates, forecasts and projections. These statements are not guarantees of future performance and are subject to important risks, uncertainties and assumptions concerning future conditions that may ultimately prove to be inaccurate or differ materially from actual future events or results. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, investors should not place undue reliance on these forward-looking statements, which are based on Tucows Inc.'s current expectations, estimates, projections, beliefs and assumptions. These forward-looking statements speak only as of the date of this presentation and are based upon the information available to Tucows Inc. at this time. Tucows Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

