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Tucows Inc. reports financial results for the fourth quarter of 2009

TORONTO, Feb. 16 - 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 fourth quarter and the year ended December 31, 2009. All figures are in U.S. dollars.

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

	3 Months Ended Dec. 31, 2009 (unaudited)	3 Months Ended Dec. 31, 2008 (unaudited)	12 Months Ended Dec. 31, 2009 (unaudited)	12 Months Ended Dec. 31, 2008 (unaudited)
Net Revenue	20,330	19,159	80,939	78,468
Net Income (Loss)	1,746	1,019	12,241	2,075
Net Income (Loss)/Share	0.03	0.01	0.18	0.03
Cash Flow from Operations	2,880	(229)	6,466	2,361

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

	Revenue		Cost of Revenue	
	3 Months Ended Dec. 31, 2009 (unaudited)	3 Months Ended Dec. 31, 2008 (unaudited)	3 Months Ended Dec. 31, 2009 (unaudited)	3 Months Ended Dec. 31, 2008 (unaudited)
OpenSRS:				
Domain Services (Traditional Domain Registration)	15,211	14,138	12,578	11,398
Email Services	799	1,122	110	95
Other Services	1,130	1,137	410	403
Total OpenSRS Services	17,140	16,397	13,098	11,896
YummyNames (Domain Portfolio Services)	1,521	854	193	174
Hover (Retail Services)	1,208	1,436	443	571
Butterscotch (Content Services)	461	472	12	14
Total	20,330	19,159	13,746	12,655

"The fourth quarter saw the continued solid financial performance we delivered throughout 2009," said Elliot Noss, President and CEO of Tucows. "The consistently strong performance of our OpenSRS wholesale business combined with the work we have undertaken to revitalize other parts of our business contributed to record revenue of \$81 million amidst a very challenging economic environment. We are confident that 2010 will bring continued top-line growth complemented by continued operational efficiency."

"At the same time, we remain committed to returning value to our shareholders. Over the last thirteen months we have repurchased more than 17% of Tucows' outstanding shares."

Net revenue for the fourth quarter of 2009 increased 6.1% to \$20.3 million from \$19.2 million for the fourth quarter of 2008.

Net income for the fourth quarter of 2009 was \$1.7 million, or \$0.03 per share, compared with \$1.0 million, or \$0.01 per share, for the fourth quarter of 2008. Net income for the fourth quarter of 2009 benefitted from a gain on foreign exchange of \$0.5 million (inclusive of a mark-to-market gain of \$0.3 million) compared to a loss on foreign exchange of \$2.2 million (inclusive of a mark-to-market loss of \$1.4 million) for the fourth quarter of 2008. Net income for the fourth quarter of 2009 also benefitted from an income tax recovery of \$0.5 million. Net income for the fourth quarter of 2008 included other income of \$3.2 million generated by the sale of the Company's equity position in Afilius.

Deferred revenue at the end of the fourth quarter of fiscal 2009 was \$56.3 million, an increase of 4% from \$54.2 million at the end of the fourth quarter of fiscal 2008 and a slight decrease from \$56.5 million at the end of the third quarter of fiscal 2009.

Cash and cash equivalents at the end of the fourth quarter of fiscal 2009 were \$9.6 million compared with \$5.4 million at the end of the fourth quarter of fiscal 2008 and \$8.2 million at the end of the third quarter of fiscal 2009. The increase in cash compared with the second quarter of 2009 is primarily the result of cash flow from operations for the fourth quarter of \$2.9 million, which was partially offset by the repayment of \$479,000 of the Company's bank loan and the use of \$534,000 for the repurchase of shares under the Company's modified "Dutch auction" tender offer, which concluded in October 2009.

Conference Call

Tucows will host a conference call today, Tuesday, February 16, 2010 at 5:00 p.m. ET to discuss the Company's fourth 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 416-849-0833 or 1-800-642-1687 and enter the pass code 53582860. The telephone replay will be available until Tuesday, February 23, 2010 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 10,000 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)

	December 31, 2009	December 31, 2008
	----- (unaudited)	----- (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,632,394	\$ 5,427,467
Accounts receivable	2,822,045	3,200,362
Prepaid expenses and deposits	2,498,922	2,274,043
Derivative instrument assets, current portion	2,107,825	-
Prepaid domain name registry and ancillary services fees, current portion	31,596,236	29,212,610
Deferred tax asset, current portion	-	590,000
Income taxes recoverable	674,000	-
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Total current assets	49,331,422	40,704,482
Derivative instrument assets, long-term portion	96,845	-
Prepaid domain name registry and ancillary services fees, long-term portion	12,126,515	11,855,971
Property and equipment	1,986,768	3,072,958
Deferred financing charges	41,000	78,500
Deferred tax asset, long-term portion	3,907,476	2,410,000
Intangible assets	18,656,353	20,206,996
Goodwill	17,990,807	17,990,807
Investment	-	200,000

Total assets	\$ 104,137,186	\$ 96,519,714

Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,547,863	\$ 1,633,830
Accrued liabilities	1,889,980	2,000,146
Customer deposits	3,624,317	3,319,241
Derivative instrument liabilities	-	1,974,919
Loan payable, current portion	3,220,125	2,624,242
Deferred revenue, current portion	40,211,766	37,985,821
Deferred tax liability, current portion	907,476	-
Accreditation fees payable, current portion	530,656	510,548
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Total current liabilities	51,932,183	50,048,747
Deferred revenue, long-term portion	16,098,812	16,201,804
Accreditation fees payable, long-term portion	169,620	187,374
Loan payable, long-term portion	-	3,235,125
Deferred tax liability, long-term portion	4,840,000	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; 67,068,253 shares issued and outstanding as of December 31, 2009 and 73,073,782 shares issued and outstanding as of December 31, 2008	14,030,384	15,198,358
Additional paid-in capital	47,287,351	48,714,676
Deficit	(30,221,164)	(42,462,370)
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Total stockholders' equity	31,096,571	21,450,664
Total liabilities and stockholders' equity	\$ 104,137,186	\$ 96,519,714

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

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
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	(unaudited)		(unaudited)	
Net revenues	\$ 20,329,540	\$ 19,159,149	\$ 80,939,212	\$ 78,467,880
Cost of revenues:				
Cost of revenues(*)	14,993,792	13,819,760	57,936,106	54,614,036
Depreciation of property and equipment	256,357	472,311	1,673,191	2,909,853
Amortization of intangible assets	29,199	29,199	116,796	163,796
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Total cost of revenues	15,279,348	14,321,270	59,726,093	57,687,685
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Gross profit	5,050,192	4,837,879	21,213,119	20,780,195
Expenses:				
Sales and marketing (*)	1,550,937	1,536,504	5,812,007	6,668,884
Technical operations and development (*)	1,128,879	1,505,596	4,550,704	6,172,428
General and administrative (*)	950,749	2,003,748	5,558,921	6,809,601
Depreciation of property and equipment	35,915	86,428	266,251	263,745
Loss on disposition of property and equipment	524	-	40,893	498,529
Amortization of intangible assets	360,540	360,540	1,442,160	1,483,195
(Gain)/loss in fair value of forward				

exchange contracts	(277,195)	1,419,555	(4,179,589)	1,974,919
Total expenses	3,750,349	6,912,371	13,491,347	23,871,301
Income from operations	1,299,843	(2,074,492)	7,721,772	(3,091,106)
Other income (expenses):				
Interest income (expense), net	(46,471)	(116,647)	(225,140)	(583,911)
Other income	-	3,239,950	4,493,190	5,870,960
Total other income (expenses)	(46,471)	3,123,303	4,268,050	5,287,049
Income before provision for income taxes	1,253,372	1,048,811	11,989,822	2,195,943
Income tax (recovery) expense	(493,005)	30,000	(251,384)	121,134
Net income for the period	\$ 1,746,377	\$ 1,018,811	\$ 12,241,206	\$ 2,074,809
Basic earnings (loss) per common share	\$ 0.03	\$ 0.01	\$ 0.18	\$ 0.03
Shares used in computing basic earnings per common share	67,076,782	73,559,276	69,145,001	73,817,347
Diluted earnings (loss) per common share	\$ 0.03	\$ 0.01	\$ 0.17	\$ 0.03
Shares used in computing diluted earnings per common share	68,860,034	72,274,490	70,356,013	74,830,217

(*) Stock-based compensation has been included in expenses as follows:

Cost of revenues	\$ 3,730	\$ 5,100	\$ 15,957	\$ 19,700
Sales and marketing	\$ 16,018	\$ 15,700	\$ 58,782	\$ 64,200
Technical operations and development	\$ 15,186	\$ 10,900	\$ 49,302	\$ 52,700
General and administrative	\$ 28,579	\$ 22,600	\$ 171,220	\$ 151,200

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	

Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 1,746,377	\$ 1,018,811	\$ 12,241,206	\$ 2,074,809
Items not involving cash:				

Depreciation of property and equipment	292,272	558,739	1,939,442	3,173,598
Loss on disposition of property and equipment	524	-	40,893	498,529
Amortization of deferred financing charges	8,300	11,300	37,500	49,700
Amortization of intangible assets	389,739	389,739	1,558,956	1,646,991
Reduction of deferred tax liability	(59,000)	-	(556,000)	-
Gain on sale of customer relationships	-	(49,546)	-	(2,091,995)
Disposal of domain names	2,866	5,030	5,462	5,030
Unrealized (gain)/loss in the fair value of forward contracts	(277,195)	1,419,555	(4,179,589)	1,974,919
Stock-based compensation	63,513	54,300	295,261	287,800
Gain on disposal of investment in Afilias	-	(3,090,404)	(3,890,395)	(3,090,404)
Change in non-cash operating working capital:				
Accounts receivable	1,107,837	456,205	378,317	221,818
Prepaid expenses and deposits	244,583	321,694	(224,879)	858,086
Prepaid fees for domain name registry and ancillary services fees	(65,694)	(346,502)	(2,654,170)	(4,829,254)
Income taxes receivable/payable	(674,000)	-	(674,000)	-
Accounts payable	424,977	(557,655)	(172,583)	(789,425)
Accrued liabilities	1,553	(420,176)	(110,166)	(1,288,941)
Customer deposits	(140,003)	200,149	305,076	51,457
Deferred revenue	(191,381)	(193,558)	2,122,953	3,574,397
Accreditation fees payable	4,811	(6,878)	2,354	33,487
Net cash provided by (used in) operating activities	2,880,079	(229,197)	6,465,638	2,360,602
Financing activities:				
Proceeds received on exercise of stock options	-	-	25,422	9,450
Repurchase of common stock	(534,467)	(272,444)	(2,915,981)	(272,444)
Repayment of loan payable	(478,560)	(478,560)	(2,639,242)	(8,914,241)
Net cash used in financing activities	(1,013,027)	(751,004)	(5,529,801)	(9,177,235)
Investing activities:				
Cost of domain names acquired	(7,875)	(4,705)	(13,775)	(8,944)
Additions to property and equipment	(381,238)	(191,140)	(807,530)	(2,113,904)
Proceeds on disposition of property and equipment	-	-	-	66,039
Acquisition of Innerwise Inc., net of cash acquired	-	(500,000)	-	(500,000)
Proceeds on disposal of investment in Afilias	-	3,244,141	4,090,395	3,244,141
Sale of customer relationships	-	49,546	-	2,392,660
Decrease in cash held in escrow	-	1,088,793	-	1,070,632
Net cash provided by (used in) investing activities	(389,113)	3,686,635	3,269,090	4,150,624

Increase (decrease) in cash and cash equivalents	1,477,939	2,706,434	4,204,927	(2,666,009)
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Cash and cash equivalents, beginning of period	8,154,455	2,721,033	5,427,467	8,093,476

Cash and cash equivalents, end of period	\$ 9,632,394	\$ 5,427,467	\$ 9,632,394	\$ 5,427,467

Supplemental cash flow information: Interest paid	\$ 46,604	\$ 78,431	\$ 227,616	\$ 630,729
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Supplementary
disclosure of
non-cash investing
activity:

Property and equipment acquired during the period not yet paid for	\$ 93,594	\$ 6,979	\$ 93,594	\$ 6,979
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