tucows

Q1 2020 Q&A Transcript

Introduction [Monica Webb]

Welcome to Tucows’ Q1 2020 post-quarter question and answer dialogue with Elliot Noss, President and Chief Executive Officer. Thank you once again to all those who submitted questions following our recent management remarks. For your convenience, this audio file is also available as a written document in the investors section of our website, along with our Q1 2020 Financial Results and updated reports.

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 Form 10-Q and Form 10-K. The company urges you to read its securities filings for a full description of the risk factors applicable for its business.

Our current approach is pre-recorded management remarks followed by solicitation of follow-up questions. We are grouping similar questions into categories that we feel are addressing common queries. If your questions reach a certain threshold or volume, we may ask you to schedule a call instead, to ensure we can address the full body of your questions. And if you feel that the recorded answers and/or any direct email you may receive, do not address the meat of your questions, please let us know.

Go ahead Mr. Noss.

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

Thank you, Monica. And welcome to our Q1 2020 Q&A call.

We had a couple of questions about my references to cleaning up technical debt on our domains platform and how that work might impact the business going forward.

I have talked lots about the state of the work in the past, and I remind everyone that we have realized all expected financial synergies from the enom transaction already. I thought I would share a broader view.

In general, our domains platform will become simpler to operate, much more reliable, and much easier to extend; either to add functionality to domain registrations, or to add additional services.

We are a growing company, so we do not expect this to be reflected in cost savings. If it takes less people to burp and feed the newer platform, we can use them elsewhere in the business.

But technical debt exists in any aged software. Our mobile platform is now almost ten years old and we have identified potential uses of the newer frameworks from the domains business that will help us in mobile. And in the mobile business, we believe our platform is what has allowed us to deliver the best customer experience in the industry. It manifests for the customer in their experience with the website, the control panel, or a customer service rep, but all of that is made possible by the platform, and the data it captures and makes available.

We operate in three separate markets, but in each of them we are providing billing and provisioning, thus lessons and functionality from one platform, are often useful for all. While the three businesses are well separated, the more modular and more efficient the platforms, the greater our ability to both grow them all, and to let each of them naturally pursue their own futures. There is no signalling in that statement, but the technical work does facilitate greater optionality in the business as a whole.

We also had a question about how potential inflation might impact our business. Thinking about our business specifically, our predominant operational expense is people, and with record unemployment, and Tucows' ability to facilitate remote employment, we do not see wage inflation as an issue; in fact, we see the current employment market as an opportunity to hire above-market talent.

With cost of goods sold, there is virtually none in Ting Internet, and cost of goods sold for Mobile is currently under fixed contracts with carriers. Further, we believe that the entrance of DISH at some point in the market will have further downward pressure on both wholesale and retail pricing. For Domains, we remind that our wholesale pricing is independent of registry costs.

With that being said, I will share my macro view. It is simply an opinion. Despite the injection of trillions of dollars into the economy, we believe that reduced consumption, not just from the current pandemic, but as a longer term trend, combined with the demographic trends around population and aging, have us in a world that is more likely to be deflationary than inflationary in the longer term. Thus our views on a yield-starved world that I have shared previously.

Again, thank you for listening in on our Q1 2020 Q&A, and a reminder that if you feel that the recorded answers and/or any direct email you may receive do not address your question, please follow up with us at ir@tucows.com.
