



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

	<b>March 31,</b> <b>2020</b>	<b>December 31,</b> <b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,446	\$ 20,393
Accounts receivable	12,480	14,564
Inventory	2,553	3,457
Prepaid expenses and deposits	13,464	13,478
Derivative instrument asset, current portion	172	731
Prepaid domain name registry and ancillary services fees, current portion	93,893	91,252
Income taxes recoverable	1,460	1,800
Total current assets	<u>136,468</u>	<u>145,675</u>
Derivative instrument asset, long-term portion	370	-
Prepaid domain name registry and ancillary services fees, long-term portion	18,127	17,915
Property and equipment	94,289	82,121
Right of use operating lease asset	11,463	11,335
Contract costs	1,371	1,400
Intangible assets	59,915	57,654
Goodwill	115,837	109,818
Total assets	<u>\$ 437,840</u>	<u>\$ 425,918</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 8,996	\$ 6,671
Accrued liabilities	7,838	9,373
Customer deposits	14,132	14,074
Derivative instrument liability	1,718	-
Operating lease liability, current portion	1,488	1,413
Deferred revenue, current portion	126,152	123,101
Accreditation fees payable, current portion	1,045	952
Income taxes payable	1,302	1,324
Total current liabilities	<u>162,671</u>	<u>156,908</u>
Deferred revenue, long-term portion	26,493	26,202
Accreditation fees payable, long-term portion	208	216
Operating lease liability, long-term portion	9,293	9,424
Loan payable, long-term portion	113,545	113,503
Other long-term liability	3,152	-
Deferred tax liability	27,122	25,471
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; 10,562,774 shares issued and outstanding as of March 31, 2020 and 10,585,159 shares issued and outstanding as of December 31, 2019	18,751	16,633
Additional paid-in capital	-	880
Retained earnings	77,323	76,208
Accumulated other comprehensive income (loss)	(718)	473
Total stockholders' equity	<u>95,356</u>	<u>94,194</u>
Total liabilities and stockholders' equity	<u>\$ 437,840</u>	<u>\$ 425,918</u>

**Tucows Inc.**  
**Consolidated Statements of Operations and Comprehensive Income**  
(Dollar amounts in thousands of U.S. dollars)

Three months ended March 31,

**2020**

(unaudited)

**2019**

(unaudited)

Net revenues	\$ 83,985	\$ 78,953
Cost of revenues:		
Cost of revenues	53,188	51,932
Network expenses (*)	2,416	2,395
Depreciation of property and equipment	2,877	1,801
Amortization of intangible assets	354	174
Total cost of revenues	<u>58,835</u>	<u>56,302</u>
Gross profit	25,150	22,651
Expenses:		
Sales and marketing (*)	8,985	8,741
Technical operations and development (*)	2,751	2,523
General and administrative (*)	4,741	4,448
Depreciation of property and equipment	113	124
Amortization of intangible assets	2,947	1,866
Loss (gain) on currency forward contracts	441	(79)
Total expenses	<u>19,978</u>	<u>17,623</u>
Income from operations	5,172	5,028
Other income (expenses):		
Interest expense, net	(1,150)	(972)
Other income, net	(87)	-
Total other income (expenses)	<u>(1,237)</u>	<u>(972)</u>
Income before provision for income taxes	3,935	4,056
Provision for income taxes	<u>1,101</u>	<u>1,257</u>
Net income for the period	2,834	2,799
Other comprehensive income, net of tax		
Unrealized income (loss) on hedging activities	(1,234)	549
Net amount reclassified to earnings	<u>43</u>	<u>61</u>
Other comprehensive income (loss) net of tax (expense) recovery of \$366 and (\$194) for the three months ended March 31, 2020 and March 31, 2019	<u>(1,191)</u>	<u>610</u>
Comprehensive income, net of tax for the period	<u>\$ 1,643</u>	<u>\$ 3,409</u>
Basic earnings per common share	<u>\$ 0.27</u>	<u>\$ 0.26</u>
Shares used in computing basic earnings per common share	<u>10,612,230</u>	<u>10,634,842</u>
Diluted earnings per common share	<u>\$ 0.26</u>	<u>\$ 0.26</u>
Shares used in computing diluted earnings per common share	<u>10,713,678</u>	<u>10,835,897</u>

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

Network expenses	\$ 87	\$ 57
Sales and marketing	\$ 370	\$ 196
Technical operations and development	\$ 167	\$ 117
General and administrative	\$ 177	\$ 155

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

Three months ended March 31,

2020	2019
(unaudited)	(unaudited)

Cash provided by:

Operating activities:

Net income for the period	\$ 2,834	\$ 2,799
Items not involving cash:		
Depreciation of property and equipment	2,990	1,925
Loss on write off of property and equipment	-	22
Amortization of debt discount and issuance costs	67	78
Amortization of intangible assets	3,301	2,040
Net amortization contract costs	29	19
Accretion of contingent consideration	87	-
Deferred income taxes (recovery)	(190)	462
Excess tax benefits on share-based compensation expense	(180)	(356)
Net Right of use operating assets/Operating lease liability	(179)	(30)
Loss on disposal of domain names	13	4
Loss (gain) on change in the fair value of forward contracts	348	(118)
Stock-based compensation	801	525
Change in non-cash operating working capital:		
Accounts receivable	2,151	(1,188)
Inventory	904	408
Prepaid expenses and deposits	25	(390)
Prepaid domain name registry and ancillary services fees	(2,853)	(1,716)
Income taxes recoverable	500	(1,236)
Accounts payable	1,771	786
Accrued liabilities	(1,831)	1,321
Customer deposits	58	287
Deferred revenue	3,342	3,269
Accreditation fees payable	85	80
Net cash provided by operating activities	<u>14,073</u>	<u>8,991</u>

Financing activities:

Proceeds received on exercise of stock options	17	72
Payment of tax obligations resulting from net exercise of stock options	(182)	(339)
Repurchase of common stock	(3,117)	-
Proceeds received on loan payable	-	32,940
Repayment of loan payable	-	(4,600)
Payment of loan payable costs	(25)	(207)
Net cash (used in) provided by financing activities	<u>(3,307)</u>	<u>27,866</u>

Investing activities:

Additions to property and equipment	(9,943)	(10,435)
Acquisition of Cedar Holdings Group (net of cash of \$66)	(8,770)	-
Acquisition of Ascio Technologies (net of cash of \$1)	-	(28,024)
Net cash used in investing activities	<u>(18,713)</u>	<u>(38,459)</u>

(Decrease) increase in cash and cash equivalents

(7,947) (1,602)

Cash and cash equivalents, beginning of period

20,393 12,637

Cash and cash equivalents, end of period

\$ 12,446 \$ 11,035

Supplemental cash flow information:

Interest paid	\$ 1,154	\$ 976
Income taxes paid, net	\$ 956	\$ 2,118

Supplementary disclosure of non-cash investing and financing activities:

Property and equipment acquired during the period not yet paid for	\$ 1,102	\$ 392
Fair value of shares issued for acquisition of Cedar Holdings Group	\$ 2,000	\$ -
Fair value of contingent consideration for acquisition of Cedar Holdings Group	\$ 3,065	\$ -

Turows Inc. Reconciliation of Net income to Adjusted EBITDA (Dollar amounts in thousands of U.S. dollars)	Three months ended March 31,	
	2020	2019
	(unaudited)	(unaudited)
<b>Net income for the period</b>	\$ 2,834	\$ 2,799
Depreciation of property and equipment	2,990	1,925
Amortization of intangible assets	3,301	2,040
Interest expense, net	1,150	972
Accretion of contingent consideration	87	-
Provision for income taxes	1,101	1,257
Stock-based compensation	801	525
Unrealized loss (gain) on change in fair value of forward contracts	348	(118)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(42)	(328)
Acquisition and other costs <sup>1</sup>	111	359
<b>Adjusted EBITDA</b>	\$ 12,681	\$ 9,431

<sup>1</sup>Acquisition and other costs represents transaction-related expenses, transitional expenses, such as duplicative post-acquisition expenses, primarily related to our acquisition of eNom in January 2017, Ascio in March 2019 and Cedar in January 2020. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.