



Q2 2020 & Special Announcement Q&A Transcript

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

Welcome to Tuco's' combined question and answer dialog for Q2 2020, and the recent announcement of DISH selecting Tuco's as a technology partner, and DISH's acquisition of Ting Mobile assets. Elliot Noss, President and Chief Executive Officer, will be responding to your questions. For your convenience, this audio file is also available as a written document in the investors section of our website, along with our [Q2 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 Forms 10-Q and 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 [Elliot Noss, President and Chief Executive Officer]

Thank you, Monica. And welcome to our Q&A call combining questions regarding Q2 and our recent announcement of DISH selecting Tuco's as a technology partner, and their acquisition of Ting Mobile assets.

Understandably, investors this quarter had a lot of questions about the DISH deal, and our transition from retail to wholesale, or to put it another way, from mobile service provider to mobile services enabler.

I would like to start by noting that DISH is a much larger publicly traded company than Tucows, with a large analyst following. Accordingly, I will be more circumspect than normal with some of my commentary.

We had questions about what makes the Tucows MSE platform valuable to DISH. DISH chose us largely because we have the happiest mobile phone customers in the world. Our promise and their expectation is that we will do things differently as an enabler, which will help them be a very different sort of provider. We bring a provider's experience and insight which helps us address the frustrations we had when integrating directly with multiple carriers. We have the deep skills from backend to frontend, including user interfaces, pricing systems, customer support tools and more. We are also agnostic between Mobile Network Operators, partly because we expect to work with large companies that bring their own network deals, rather than small companies looking to piggyback on ours.

We also have demonstrable experience with large billing and provisioning platforms, having been a leader in the much more complex domain registration space for over twenty years. And we also have significant experience in large-scale customer base migrations in domain registration, email, and with mobile phone customers, specifically.

A related question we received was why wouldn't DISH build their own platform at some point. For the last 20 years, I've answered questions about why large ISPs and web hosts -- and others don't build domains platforms themselves, and don't internalize the associated processes. These are complex business processes that we're able to provide at an extremely efficient price. This price is profitable to us -- and makes a lot of sense to large companies, because they can access these integral processes at a tiny fraction of the revenue that a customer generates. If you look at other platform vendors like Salesforce, Stripe or AWS, you likewise see companies who have scaled their core competencies to fill a need for highly efficient SaaS solutions. This model is good business for both the supplier and the customer, and we know that from our direct experience. That being said, I do expect to continue answering this question for new investors in two spaces now -- both domains and mobile.

Also with respect to our platform, we had a question asking if ours was complete. I would respond that no technology platform is ever complete; that a platform is always evolving, whether it's an iteration of features, or routine upgrades.

We had a few questions about the Boost customer base, and other potential migrations on to the Tucows MSE platform. Our scope of work with DISH includes expanding the functionality of our platform to support multiple brands and customer bases. So Ting

Mobile and the current Ting Mobile customer base will live on that platform, along with new subscribers that are added to Ting Mobile. And Boost Mobile and its millions of subscribers will be migrated to that same platform, as well as other brands and customer bases over time. We get paid based on volume on the MSE platform -- on a regular basis -- so we win if DISH acquires and migrates more mobile subscribers to our platform, either organically or through acquisition.

A few of you asked about why we chose an earnout over an outright sale with cash upfront. First, this flexibility helped facilitate the deal. Getting paid via earnout was the easiest way for us to get fair value for our asset, and brings the added benefit of generating consistent cash flows. As the returns from the customer base earnout reduce over time, the income from MSE services conversely grows. Additionally, we don't need the extra capital right now. We have access to what we need at an attractive cost, and a large upfront payment would have only gone to reducing our debt and creating a large tax bill in the short term.

Investors are also interested in the prospects for the Tucows MSE business beyond DISH. First, if we never get a customer other than DISH, this deal still improves our financial outlook on the mobile business. I will reiterate that we have a lot of work to do, and a lot of opportunity, with DISH, and will be focusing on that work through 2021. So I would not expect to onboard even a second customer for a while. I think that a portfolio of three to five large customers, five years from now, would make this business line extremely successful. And I believe those opportunities are out there among large telcos -- most likely outside the US -- who want to improve their own stack of billing, provisioning and user management, particularly as the world transitions to 5G. So, I do think there is tremendous upside here beyond DISH, but it will be a bonus on a great deal, and you will not hear about it for a while.

Some of you also asked about the role of Ting's award-winning customer support in the DISH partnership. In the near term -- certainly prior to the Boost migration -- Tucows will be the primary source of frontline customer support, as well as certain marketing services, under a Transition Services Agreement with DISH. Long term however, we have no intention of becoming a large scale call-center outsourcer. And remember -- providing front-line customer service, even at the scale of just Boost, which is much less than DISH's larger ambitions, requires staffing one to two orders of magnitude greater than we are at today. DISH has a large customer support operation in conjunction with both DISH and Sling, and they inherited another customer services operation in connection with the Boost acquisition. Each of which is much larger than our customer services infrastructure. We will, however, be providing DISH with Tier 2 support throughout our MSE agreement,

which is a structure similar to what we provide to large hosting companies like Shopify and Wix, in the domains space today.

Additionally, while we are still utilizing our beloved customer support in our reasonably-sized retail domains business and our growing Internet business, in the mobile business, it was a sadness for us that we had a tiny retail customer base, relative to the size of the market. These are the happiest mobile customers in the world, and due to market dynamics, we were not able to bring that happiness to a greater number of people. We know that it's a greater challenge to do that indirectly, but it's a challenge we want to take on. Imagine if we could help create 40 or 50 million mobile customers as happy as the quarter million are today.

Closing Remarks

Finally, in their questions, folks rightly pointed out that we are making a bet on DISH with this deal. We are -- and I like that bet. The mobile market has a lot of space for a fourth competitor post the Sprint / T-Mobile merger. DISH has a great combination of assets, team, and hunger. They have a large, cash flow-generating business in video. They have near as much spectrum as Verizon does. They have a demonstrated history of disruption. The mobile market globally is in transition to native 5G. Having played the role of both Internet challenger and Internet dinosaur, (with technical debt), I can also tell you that it will be so much easier to build a 5G network when you don't have to be backwards compatible with older technologies. It will be so much easier to make aggressive marketing offers when you don't have to maintain margin on tens of millions of existing customers. Finally, we like making a bet on someone who is making an enormous bet on themselves, and in this case, DISH certainly is.

Again, thank you for listening in on our 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.
