

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains, in addition to historical information, forward-looking statements by us with regard to our expectations as to financial results and other aspects of our business that involve risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “should,” “anticipate,” “believe,” “plan,” “estimate,” “expect” and “intend,” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements contained in this report include statements regarding, among other things: the competition we expect to encounter as our business develops and competes in a broader range of Internet services; the Company's foreign currency requirements, specifically for the Canadian dollar; Wavelo, and Ting subscriber growth and retention rates; our belief regarding the underlying platform for our Tucows Domains services, our expectation regarding the trend of sales of domain names and advertising; our expectations regarding portfolio revenue, our belief that, by increasing the number of services we offer, we will be able to generate higher revenues; our expectation regarding litigation; the potential impact of current and pending claims on our business; our valuations of certain deferred tax assets; our expectation to collect our outstanding receivables, net of our allowance for doubtful accounts; our expectation regarding fluctuations in certain expense and cost categories; our expectations regarding our unrecognized tax; our expectations regarding cash from operations to fund our business; the impact of cancellations of or amendments to market development fund programs under which we receive funds, our expectation regarding our ability to manage realized gains/losses from foreign currency contracts; our partnership with an affiliate of Generate TF Holdings, LLC, a Delaware limited liability company (“Generate Affiliate”); the impact of the COVID-19 pandemic on our business, operations and financial performance; and general business conditions and economic uncertainty. These statements are based on management’s current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Many factors affect our ability to achieve our objectives and to successfully develop and commercialize our services including:

- Our ability to continue to generate sufficient working capital to meet our operating requirements;
- Our ability to service our debt and preferred share commitments;
- Our ability to maintain a good working relationship with our vendors and customers;
- The ability of vendors to continue to supply our needs;
- Actions by our competitors;
- Our ability to attract and retain qualified personnel in our business;
- Our ability to effectively manage our business;
- The effects of any material impairment of our goodwill or other indefinite-lived intangible assets;
- Our ability to obtain and maintain approvals from regulatory authorities on regulatory issues;
- Our ability to invest in the build-out of fiber networks into selected towns and cities to provide Internet access services to residential and commercial customers while maintaining the development and sales of our established services;
- Our ability to meet the operational and financial drawdown milestones under the Unit Purchase Agreement with Generate TF Holdings, LLC, a Delaware limited liability company (“Generate”), which provides the Company with the ability to obtain additional financing to invest in the expansion of fiber networks;
- Adverse tax consequences such as those related to changes in tax laws or tax rates or their interpretations, including with respect to the impact of the Tax Cuts and Jobs Act of 2017;
- The application of judgment in determining our global provision for income taxes, deferred tax assets or liabilities or other tax liabilities given the ultimate tax determination is uncertain;
- Our ability to effectively integrate acquisitions;
- Our ability to monitor, assess and respond to the rapidly changing impacts of the COVID-19 pandemic, geopolitical developments, economic impacts including rising inflation and interest rates. Our current assessment of expected impacts has been included below as part of the Opportunities, Challenges & Risks section.
- Our ability to collect anticipated payments from DISH in connection with the 10-year payment stream that is a function of the margin generated by the transferred subscribers over a 10-year period pursuant to the terms of the DISH Purchase Agreement;
- Pending or new litigation; and
- Factors set forth under the caption “Item 1A Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on March 1, 2022 (the “2021 Annual Report”) and in “Item 1A Risk Factors” in Part II of this report.

As previously disclosed under the caption “Item 1A Risk Factors” in our 2021 Annual Report, data protection regulations may impose legal obligations on us that we cannot meet or that conflict with our ICANN contractual requirements.

This list of factors that may affect our future performance and financial and competitive position and the accuracy of forward-looking statements is illustrative, but it is by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All forward-looking statements included in this document are based on information available to us as of the date of this document, and we assume no obligation to update these cautionary statements or any forward-looking statements, except as required by law. These statements are not guarantees of future performance.

We qualify all the forward-looking statements contained in this Quarterly Report on Form 10-Q by the foregoing cautionary statements.

OVERVIEW

Our mission is to provide simple useful services that help people unlock the power of the Internet.

We accomplish this by reducing the complexity of our customers' experience as they access the Internet (at home or on the go) and while using Internet services such as domain name registration, email and other Internet related services. During the first quarter of 2022, the Company completed a reorganization of its reporting structure into three operating and reportable segments: Ting, Wavelo and Tucows Domains. Previously, we disclosed the three operating and reportable segments: Fiber Internet Services, Mobile Services and Domain Services. The change to our reportable operating segments was the result of a shift in our business and management structures that was initiated in 2021 and completed during the first quarter of 2022. The operations supporting what was previously known as our Mobile Services segment have become increasingly operationally distinct between our mobile retail services and our platform services. Through the reorganization of our reporting structure, the Mobile Services segment was changed to the Wavelo segment, which no longer includes the 10-year payment stream on transferred legacy subscribers earned as part of the DISH Purchase Agreement as well as the retail sale of mobile phones, retail telephony services and transition services, all of which are not considered a part of our core business operations with the shift from Mobile Virtual Network Operator (MVNO) to Wavelo provider. The Wavelo segment includes our platform and professional services offerings, as well as the billing solutions to Internet services providers ("ISPs") (branded as Platypus), that was previously reported under the Ting segment. The Ting segment now only contains the operating results of our retail high speed Internet access operations, excluding the billing solutions moved to the new Wavelo segment. The product offerings included in the Tucows Domains segment remains unchanged. The three segments are differentiated primarily by their services, the markets they serve and the regulatory environments in which they operate.

Our management regularly reviews our operating results on a consolidated basis, principally to make decisions about how we utilize our resources and to measure our consolidated operating performance. To assist us in forecasting growth and to help us monitor the effectiveness of our operational strategies, our management regularly reviews revenues, operating results and performance for each of our service offerings in order to gain more depth and understanding of the key business metrics driving our business. Commencing in the first quarter of 2022, our Chief Executive Officer (CEO), who is also our chief operating decision maker, reviewed the operating results of Ting, Wavelo and Tucows Domains as three distinct segments in order to make key operating decisions as well as evaluate segment performance. Accordingly, effective January 1, 2022 we report Ting, Wavelo and Tucows Domains revenue separately. The 10-year payment stream on transferred legacy subscribers as well as retail sale of mobile phones, retail telephony services and transition services will be excluded from segment EBITDA results as they are no longer centrally managed and not monitored by or reported to our CEO by segment.

For the three months ended September 30, 2022 and September 30, 2021, we reported net revenue of \$78.1 million and \$75.9 million, respectively.

For the nine months ended September 30, 2022 and September 30, 2021, we reported net revenue of \$242.2 million and \$221.9 million, respectively.

On August 8, 2022, the Company entered into a Third Amended and Restated Senior Secured Credit Agreement (the “Amended Credit Agreement”) with its existing syndicate of lenders (“the Lenders”). The Amended Credit Agreement continues to provide the Company with access to an aggregate of \$240 million in committed funds (“the Credit Facility”). Under the Amended Credit Agreement, and in connection with the Unit Purchase Agreement the Lenders have agreed that Ting Fiber, Inc. (converted to Ting LLC) and its wholly owned subsidiaries shall cease to be Guarantors under the Credit Facility and shall automatically be released from their respective guarantee and security documents, including a release of the Lenders’ security interests and liens upon the assets of such entities. Additionally, the Amended Credit Agreement has extended the maturity of the Credit Facility to June 14, 2024. The Company is subject to the following financial covenants at all times, which are to be calculated on a rolling four quarter basis: (i) maximum Total Funded Debt to Adjusted EBITDA Ratio of 4.00:1.00 until September 29, 2023 and 3.75:1.00 thereafter; and (ii) minimum Interest Coverage Ratio of 3.00:1.00. The financial covenant calculations will exclude the financial results of Ting Fiber Inc. (converted to Ting LLC) and its wholly owned subsidiaries. The Amended Credit Agreement added SOFR Loans as a form of advance available under the Credit Facility to replace LIBOR Rate Advances, and such SOFR Loans may bear interest based on Adjusted Daily Simple SOFR (defined to be the applicable SOFR rate published by the Federal Reserve Bank of New York plus 0.10% per annum subject to a floor of zero) or Adjusted Term SOFR (defined to be the applicable SOFR rate published by CME Group Benchmark Administration Limited plus 0.10% for one-month, 0.15% for three-months, and 0.25% for six-months per annum).

Ting

Ting and its wholly owned subsidiaries - Cedar, and Simply Bits includes the provision of fixed high-speed Internet access services to select towns throughout the United States, with further expansion underway to both new and existing markets. Our primary sales channel is through the Ting website. The primary focus of this segment is to provide reliable Gigabit Internet services to consumer and business customers. Revenues are all generated in the U.S. and are provided on a monthly basis and have no fixed contract terms.

Wavelo

Wavelo includes the provision of full-service platforms and professional services providing a variety of solutions that support Communication Services providers (“CSPs”), including subscription and billing management, network orchestration and provisioning, and individual developer tools. Wavelo’s focus is to provide accessible telecom software to CSPs globally, minimizing network and technical barriers and improving internet access worldwide. Wavelo’s suite of flexible, cloud-based software simplifies the management of mobile and internet network access, enabling CSPs to better utilize their existing infrastructure, focus on customer experience and scale their businesses faster. Wavelo launched as a proven asset for CSPs, with DISH using Wavelo’s Mobile Network Operating System (“MONOS”) software to drive additional value within its Digital Operator Platform since early 2021. More recently, Ting Internet has also integrated Wavelo’s Internet Service Operating System (“ISOS”) software to enable faster subscriber growth and footprint expansion. The Wavelo segment also includes the Platypus brand and platform, our legacy billing solution for ISPs, that was previously reported under the Ting segment. Wavelo revenues from MONOS, ISOS and professional services are all generated in the U.S. and our customer agreements have set contract lengths with the underlying CSP. Similarly, Platypus revenues are largely generated in the U.S., with a small portion earned in Canada and other countries.

Tucows Domains

Tucows Domains includes wholesale and retail domain name registration services, as well as value added services derived through our OpenSRS, eNom, Ascio, EPAG and Hover brands. We earn revenues primarily from the registration fees charged to resellers in connection with new, renewed and transferred domain name registrations. In addition, we earn revenues from the sale of retail domain name registration and email services to individuals and small businesses. Tucows Domains revenues are attributed to the country in which the contract originates, which is primarily in Canada and the U.S. for OpenSRS and eNom brands. Ascio domain services contracts and EPAG agreements primarily originate in Europe.

Our primary distribution channel is a global network of approximately 35,000 resellers that operate in over 150 countries and who typically provide their customers, the end-users of Internet-based services, with solutions for establishing and maintaining an online presence. Our primary focus is serving the needs of this network of resellers by providing the broadest portfolio of generic top-level domain (“gTLD”) and the country code top-level domain options and related services, a white-label platform that facilitates the provisioning and management of domain names, a powerful Application Program Interface, easy-to-use interfaces, comprehensive management and reporting tools, and proactive and attentive customer service. Our services are integral to the solutions that our resellers deliver to their customers. We provide “second tier” support to our resellers by email, chat and phone in the event resellers experience issues or problems with our services. In addition, our Network Operating Center proactively monitors all services and network infrastructure to address deficiencies before customer services are impacted.

We believe that the underlying platforms for our services are among the most mature, reliable and functional reseller-oriented provisioning and management platforms in our industry, and we continue to refine, evolve and improve these services for both resellers and end-users. Our business model is characterized primarily by non-refundable, up-front payments, which lead to recurring revenue and positive operating cash flow.

Wholesale, primarily branded as OpenSRS, eNom, EPAG and Ascio, derives revenue from its domain service and from providing value-added services. The OpenSRS, eNom, EPAG and Ascio domain services manage 24.5 million domain names under the Tucows, eNom, EPAG and Ascio ICANN registrar accreditations and for other registrars under their own accreditations.

Value-Added Services include hosted email which provides email delivery and webmail access to millions of mailboxes, Internet security services, WHOIS privacy, publishing tools and other value-added services. All of these services are made available to end-users through a network of 35,000 web hosts, ISPs, and other resellers around the world. In addition, we also derive revenue by monetizing domain names which are near the end of their lifecycle through advertising or auction sale.

Retail, primarily the Hover and eNom portfolio of websites, including eNom, and eNom Central, derive revenues from the sale of domain name registration, email services to individuals and small businesses. Retail also includes our Personal Names Service – based on 36,000 surname domains – that allows roughly two-thirds of Americans to purchase a surname-based email address. The retail segment includes the sale of the rights to its portfolio of surname domains used in connection with our Realnames email service as well as our Exact Hosting Service, that provides Linux hosting services for websites of individuals and small businesses.

KEY BUSINESS METRICS AND NON-GAAP MEASURES

We regularly review a number of business metrics, including the following key metrics and non-GAAP measures, to assist us in evaluating our business, measure the performance of our business model, identify trends impacting our business, determine resource allocations, formulate financial projections and make strategic business decisions. The following tables set forth the key business metrics which we believe are the primary indicators of our performance for the periods presented:

Adjusted EBITDA

Tucows reports all financial information in accordance with United States generally accepted accounting principles (“GAAP”). Along with this information, to assist financial statement users in an assessment of our historical performance, we typically disclose and discuss a non-GAAP financial measure, adjusted EBITDA, on investor conference calls and related events that exclude certain non-cash and other charges as we believe that the non-GAAP information enhances investors’ overall understanding of our financial performance. Please see discussion of adjusted EBITDA in the Results of Operations section below.

Ting	September 30,	
	2022	2021
	(in '000's)	
Ting Internet accounts under management	33	23
Ting Internet owned infrastructure serviceable addresses	90	68
Ting Internet partner infrastructure serviceable addresses	19	14

Tucows Domains	For the Three Months Ended September 30,(1)	
	2022	2021
	(in 000's)	
Total new, renewed and transferred-in domain name transactions ²	5,234	5,356
Domains under management	24,504	25,430

- (1) For a discussion of these period-to-period changes in the domains provisioned and domains under management and how they impacted our financial results see the Net Revenues discussion below.
- (2) Includes all transactions processed under our accreditations for our resellers and our retail brands, as well as transactions processed on behalf of other registrars using our platform.

Tucows Domains	For the Nine Months Ended September 30,(1)	
	2022	2021
	(in 000's)	
Total new, renewed and transferred-in domain name transactions ²	16,617	17,302
Domains under management	24,504	25,430

- (1) For a discussion of these period-to-period changes in the domains provisioned and domains under management and how they impacted our financial results see the Net Revenues discussion below.
- (2) Includes all transactions processed under our accreditations for our resellers and our retail brands, as well as transactions processed on behalf of other registrars using our platform.

Tucows Domains	September 30,	
	2022	2021
	(in 000's)	
Registered using Registrar Accreditation belonging to the Tucows Group	18,066	19,195
Registered using Registrar Accreditation belonging to Resellers	6,438	6,235
Total domain names under management	24,504	25,430

OPPORTUNITIES, CHALLENGES AND RISKS

Our revenue is primarily realized in U.S. dollars and a major portion of our operating expenses are paid in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material effect on our business, financial condition and results from operations. In particular, we may be adversely affected by a significant weakening of the U.S. dollar against the Canadian dollar on a quarterly and an annual basis. Our policy with respect to foreign currency exposure is to manage our financial exposure to certain foreign exchange fluctuations with the objective of neutralizing some or all of the impact of foreign currency exchange movements by entering into foreign exchange forward contracts to mitigate the exchange risk on a portion of our Canadian dollar exposure. We may not always enter into such forward contracts and such contracts may not always be available and economical for us. Additionally, the forward rates established by the contracts may be less advantageous than the market rate upon settlement.

Ting

As an ISP, we have invested and expect to continue to invest in new fiber to the home ("FTTH") deployments in select markets in the United States. The investments are a reflection of our ongoing efforts to build FTTH network via public-private partnerships in communities we identify as having strong, unmet demand for FTTH services. Given the significant upfront build and operational investments for these FTTH deployments, there is risk that future technological and regulatory changes as well as competitive responses from incumbent local providers, may result in us not fully recovering these investments.

The communications industry continues to compete on the basis of network reach and performance, types of services and devices offered, and price.

Wavelo

Wavelo launched as a proven asset for CSPs, with DISH using Wavelo's MONOS software to drive additional value within its Digital Operator Platform since early 2021. More recently, Ting Internet has also integrated Wavelo's ISOS software to enable faster subscriber growth and footprint expansion. With our external platform and professional services revenues concentrated to one customer in DISH, we are exposed to significant risk if we are unable to maintain this customer relationship or establish new relationships for any our Platforms in the future. Additionally, our revenues as a platform provider are directly tied to the subscriber volumes of DISH's MVNO or Mobile Network Operator ("MNO") networks, and our profitability is contingent on the ability of DISH to continue to add subscribers, either from organic growth or from migration off legacy systems, onto our platforms.

Tucows Domains

The increased competition in the market for Internet services in recent years, which we expect will continue to intensify in the short and long term, poses a material risk for us. As new registrars are introduced, existing competitors expand service offerings and competitors offer price discounts to gain market share, we face pricing pressure, which can adversely impact our revenues and profitability. To address these risks, we have focused on leveraging the scalability of our infrastructure and our ability to provide proactive and attentive customer service to aggressively compete to attract new customers and to maintain existing customers.

Substantially all of our Tucows Domains revenue is derived from domain name registrations and related value-added services from wholesale and retail customers using our provisioning and management platforms. The market for wholesale registrar services is both price sensitive and competitive and is evolving with the introduction of new gTLDs, particularly for large volume customers, such as large web hosting companies and owners of large portfolios of domain names. We have a relatively limited ability to increase the pricing of domain name registrations without negatively impacting our ability to maintain or grow our customer base. Growth in Tucows Domains revenue is dependent upon our ability to continue to attract and retain customers by maintaining consistent domain name registration and value-added service renewal rates and to grow our customer relationships through refining, evolving and improving our provisioning platforms and customer service for both resellers and end-users. In addition, we also generate revenue through pay-per-click advertising and through the OpenSRS Domain Expiry Stream. The revenue associated with names sales and advertising has recently experienced flat to declining trends due to the uncertainty around the implementation of ICANN's New gTLD Program, lower traffic and advertising yields in the marketplace, which we expect to continue.

From time-to-time certain of our vendors provide us with market development funds to expand or maintain the market position for their services. Any decision by these vendors to cancel or amend these programs for any reason may result in payments in future periods not being commensurate with what we have achieved during past periods.

Other opportunities, challenges and risks

As described above, the Company is entitled to a long-term payment stream that is a function of the margin generated by the transferred subscribers over the 10-year term of the DISH Purchase agreement. This consideration structure may not prove to be successful or profitable in the long-term to us if the existing subscriber base churns at an above average rate. Additionally, given DISH controls the revenues and costs incurred associated with the acquired subscribers, there could arise a situation where profitability for the subscriber base is diminished either by lower price points or cost inflation. As part of the transactions contemplated by the DISH Purchase agreement, the Company retained a small number of customer accounts associated with one MNO agreement that was not reassigned to DISH at time of sale. We continue to be subject to the minimum revenue commitments previously agreed to with this excluded MNO agreement. The Company is able to continue adding customers under the excluded MNO network in order to meet the commitment. However, with no direct ability to change customer pricing and limited ability to renegotiate contract costs or significant terms, the Company may be unable to meet the minimum commitments with this MNO partner and could incur significant and recurring penalties until such a time that the contract is complete. These penalties would negatively impact our operational performance and financial results if enforced by the MNO. During the three months and nine months ended September 30, 2022, the Company was able to reverse the penalties previously accrued during the six months ended June 30, 2022, of \$0.7 million as a result of a successful negotiation with the MNO partner, deferring the impact of the penalties into Fiscal 2023 and beyond. The Company expects to incur penalties starting in Fiscal 2023 and thereafter until the contract is complete.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. There have been no material changes to the critical accounting estimates as previously disclosed in Part II, Item 7 of our 2021 Annual Report.

Current COVID-19 response and expected impacts

The ongoing global COVID-19 pandemic continues to characterize Fiscal 2022 thus far, however the financial and operational impacts from COVID-19 on our business have been limited. Over the last two years, we've monitored the situation and its impacts on our business but have ultimately seen trends stabilize, with continued recovery in U.S. markets due to large-scale vaccination programs. Management continues to assess the impact regularly but expects limited financial and operational impact through the upcoming fiscal year, should the COVID-19 pandemic persist. While the spread of COVID-19 may eventually be contained or mitigated, there is no guarantee that a future outbreak will not occur as evidenced by numerous variants of the virus emerging. Since the onset of this pandemic in 2020, all employees who could conceivably work from home were and continue to be encouraged to do so. Since then we have transitioned to defining ourselves as a remote-first organization, and for the small group of employees who are unable to work from home, including our order fulfillment and Fiber installation teams, many of whom work in the field, they are encouraged to practice social distancing and to continue to follow hygiene best practices and safety protocols as outlined by the Centers for Disease Control and Prevention in connection with the COVID-19 pandemic. In 2020, the Ting team established an installation solution for our employees and customers that minimizes risks associated with person-to-person contact and they continue to effectively deploy this installation solution currently. We have also implemented a vaccination policy requiring those employees who work from a Company office, meet in person with customers or travel by plan or train for business purposes to be fully vaccinated.

We have not experienced any productivity issues, material resource constraints nor do we foresee requiring any material expenditures to continue to implement our business continuity plans described above. Likewise, we have not experienced nor do we foresee any future impacts to our liquidity position, credit risk, internal controls or impacts to our accounting policies as a result of the COVID-19 pandemic.

Inflation, rising interest rates and expected impacts

The Company continues to operate in a challenging macro environment as inflation and interest rates continue to rise globally. The impact of these issues on our business will vary by geographic market and operating segment. We continue to monitor economic conditions closely, as well as segment revenues, cash position, cash flow from operations, interest rates and other factors. Across our three operating segments - Ting, Wavelo and Tucows Domains, personnel costs were impacted by wage inflation in the current period, with issued increases in excess of 5% to align with economic conditions and market rates. These increases were necessary in order to remain competitive to attract and retain the best talent. The Company continues to monitor and assess wage inflation and is managing it against offsets in hiring plans and contractor mix. Outside of wage inflation, the operating segment most impacted by inflation overall is Ting, as sustained levels of inflation increase our Fiber Network build costs across both materials and contracted labor. We continue to assess ways to reduce build costs through more efficient management of our build design, build efficiency and real-time tracking of build costs to more effectively manage total cost estimates against actual spends. We are also managing our significant vendor relationships closely to mitigate supply chain disruptions and ensure optimal pricing. However, there can be no assurance as to the effectiveness of our efforts to mitigate any impact of the current and future adverse economic conditions, and other unknown developments.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AS COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021**NET REVENUES*****Ting***

Ting and its subsidiaries - Cedar, and Simply Bits includes the provision of fixed high-speed Internet access services to select towns throughout the United States, with further expansion underway to both new and existing markets. Our primary sales channel is through the Ting website. The primary focus of this segment is to provide reliable Gigabit Internet services to consumer and business customers. Revenues are all generated in the U.S., have no fixed contract terms and are provided on a monthly basis, with unlimited bandwidth based on a fixed price.

The Company's billing cycle for all Ting Internet customers is computed based on the customer's activation date. Since consideration is collected before the service period, revenue is initially deferred and recognized as the Company performs its obligation to provide Internet access within each reporting period. In addition, revenues associated with the sale of Internet hardware to subscribers are recognized when title and risk of loss is transferred to the subscriber and shipment has occurred. Incentive marketing credits given to customers are recorded as a reduction of revenue.

In those cases, where payment is not received at the time of sale, revenue is not recognized until contract inception unless the collection of the related accounts receivable is reasonably assured. The Company records costs that reflect expected refunds, rebates and credit card charge-backs as a reduction of revenues at the time of the sale based on historical experiences and current expectations.

Wavelo***Platform Services***

Tucows' Platform Services include the following full-service platforms from Wavelo, including MONOS, ISOS and our legacy Platypus ISP Billing software. Under each of these platforms there are a variety of solutions that support CSPs, including subscription and billing management, network orchestration and provisioning, and individual developer tools. Wavelo launches as a proven asset for CSPs, with DISH using Wavelo's MONOS software to drive additional value within its Digital Operator Platform since early 2021. More recently, Ting has also integrated Wavelo's ISOS software to enable faster subscriber growth and footprint expansion. Wavelo's customers are billed monthly, on a postpaid basis. The monthly fees are variable, based on the volume of their subscribers utilizing the platform during a given month, to which minimums may apply. Customers may also be billed fixed platform fees and granted fixed credits as part of the consideration for long-term contracts. Consideration received is allocated to platform services and bundled professional services and recognized as each service obligation is fulfilled. Any fixed fees for Wavelo are recognized into revenue evenly over the service period, while variable usage fees are recognized each month as they are consumed. Professional services revenue is recognized as the hours of professional services granted to the customer are used or expire. When consideration for these platform services is received before the service is delivered, the revenue is initially deferred and recognized only as the Company performs its obligation to provide services. Likewise, if platform services are delivered before the Company has the unconditional right to invoice the customer, revenue is recognized as a Contract Asset.

Other Professional Services

This revenue stream includes any other professional services earned in connection with Tucows' new Wavelo business from the provision of standalone technology services development work. These are billed to our customers monthly at set and established rates for services provided in period. The Company recognizes revenue over this new revenue stream as the Company satisfies its obligations to provide professional services.

Tucows Domains***Wholesale - Domain Services***

Domain registration contracts, which can be purchased for terms of one to ten years, provide our resellers and retail registrant customers with the exclusive right to a personalized internet address from which to build an online presence. The Company enters into domain registration contracts in connection with each new, renewed and transferred-in domain registration. At the inception of the contract, the Company charges and collects the registration fee for the entire registration period. Though fees are collected upfront, revenue from domain registrations are recognized rateably over the registration period as domain registration contracts contain a 'right to access' license of IP, which is a distinct performance obligation measured over time. The registration period begins once the Company has confirmed that the requested domain name has been appropriately recorded in the registry under contractual performance standards.

Historically, our wholesale domain service has constituted the largest portion of our business and encompasses all of our services as an accredited registrar related to the registration, renewal, transfer and management of domain names. In addition, this service fuels other revenue categories as it often is the initial service for which a reseller will engage us, enabling us to follow on with other services and allowing us to add to our portfolio by purchasing names registered through us upon their expiration. Tucows Domains will continue to be the largest portion of our business and will further fuel our ability to sell add-on services.

The Company is an ICANN accredited registrar. Thus, the Company is the primary obligor with our reseller and retail registrant customers and is responsible for the fulfillment of our registrar services to those parties. As a result, the Company reports revenue in the amount of the fees we receive directly from our reseller and retail registrant customers. Our reseller customers maintain the primary obligor relationship with their retail customers, establish pricing and retain credit risk to those customers. Accordingly, the Company does not recognize any revenue related to transactions between our reseller customers and their ultimate retail customers.

Wholesale – Value-Added Services

We derive revenue from domain related value-added services like digital certifications, WHOIS privacy and hosted email and by providing our resellers and retail registrant customers with tools and additional functionality to be used in conjunction with domain registrations. All domain related value-added services are considered distinct performance obligations which transfer the promised service to the customer over the contracted term. Fees charged to customers for domain related value-added services are collected at the inception of the contract, and revenue is recognized on a straight-line basis over the contracted term, consistent with the satisfaction of the performance obligations.

We also derive revenue from other value-added services, which primarily consists of proceeds from the OpenSRS, eNom and Ascio domain expiry streams.

Retail

We derive revenues mainly from Hover and eNom's retail properties through the sale of retail domain name registration and email services to individuals and small businesses. The retail segment also includes the sale of the rights to its portfolio of surname domains used in connection with our Realnames email service and Linux hosting services for websites through our Exact Hosting brand.

Tucows Corporate - Mobile Services and Eliminations

Although we still provide mobile telephony services to a small subset of customers retained through the Ting Mobile brand as part of the DISH Purchase Agreement executed in Fiscal 2020; this revenue stream no longer represents the Company's strategic focus going forward. Instead we have transitioned towards being a Wavelo provider for CSPs globally. Where these retail mobile services revenues were previously disclosed as part of a Mobile Services segment in the prior year, effective January 1, 2022 we have decided to exclude retail telephony services and transition services revenues from segment EBITDA results as they are no longer centrally managed and not monitored by or reported to our CEO by segment.

Ting Mobile wireless usage contracts grant customers access to standard talk, text and data mobile services. Ting Mobile contracts are billed based on the customer's selected rate plan, which can either be usage based or an unlimited plan. All rate plan options are charged to customers on a postpaid, monthly basis at the end of their billing cycle. All future revenues associated with Retail Mobile Services stream will only be for this subset of customers retained by the Company, as mentioned above. Ting Mobile services are primarily contracted through the Ting website, for one month at a time and contain no commitment to renew the contract following each customer's monthly billing cycle. The Company's billing cycle for all Ting Mobile customers is computed based on the customer's activation date. In order to recognize revenue as the Company satisfies its obligations, we compute the amount of revenues earned but not billed from the end of each billing cycle to the end of each reporting period. In addition, revenues associated with the sale of wireless devices and accessories are recognized when title and risk of loss is transferred to the customer and shipment has occurred. Incentive marketing credits given to customers are recorded as a reduction of revenue.

These Mobile Services revenue streams also includes transitional services provided to DISH. These are billed monthly at set and established rates for services provided in period and include the provision of sales, marketing, customer support, order fulfillment, and data analytics related to the legacy customer base sold to DISH. The Company recognizes revenue as the Company satisfies its obligations to provide professional services. The Company expects transitional services revenues to continue to decrease through the remainder of Fiscal 2022 and thereafter as services are established directly by DISH.

As a form of consideration for the sale of the customer relationships, the Company receives a payout on the margin associated with the legacy customer base sold to DISH, over a period of 10 years. This has been classified as Other Income and not considered revenue in the current period.

The following table presents our net revenues, by revenue source (*Dollar amounts in thousands of U.S. dollars*):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Ting:				
Fiber Internet Services	\$ 10,946	\$ 6,391	\$ 30,955	\$ 17,021
Wavelo:				
Platform Services	4,048	3,845	18,115	7,217
Other Professional Services	-	-	1,750	-
Total Wavelo	4,048	3,845	19,865	7,217
Tucows Domains:				
Wholesale				
Domain Services	46,985	47,080	140,800	141,954
Value Added Services	4,883	4,862	16,129	15,424
Total Wholesale	51,868	51,942	156,929	157,378
Retail	8,413	8,787	25,961	26,837
Total Tucows Domains	60,281	60,729	182,890	184,215
Tucows Corporate:				
Mobile services and eliminations	2,775	4,928	8,523	13,408
	\$ 78,050	\$ 75,893	\$ 242,233	\$ 221,861
Increase over prior period	\$ 2,157		\$ 20,372	
Increase - percentage	3%		9%	

The following table presents our net revenues, by revenue source, as a percentage of total net revenues (*Dollar amounts in thousands of U.S. dollars*):

<i>(Dollar amounts in thousands of U.S. dollars)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Ting:				
Fiber Internet Services	14%	8%	13%	8%
Wavelo:				
Platform Services	5%	5%	7%	3%
Other Professional Services	0%	0%	1%	0%
Total Wavelo	5%	5%	8%	3%
Tucows Domains:				
Wholesale				
Domain Services	60%	62%	59%	64%
Value Added Services	6%	6%	7%	7%
Total Wholesale	66%	68%	66%	71%
Retail	11%	12%	11%	12%
Total Tucows Domains	77%	80%	77%	83%
Tucows Corporate:				
Mobile services and eliminations	4%	7%	2%	6%
	100%	100%	100%	100%

Total net revenues for the three months ended September 30, 2022 increased by \$2.2 million, or 3%, to \$78.1 million from \$75.9 million when compared to the three months ended September 30, 2021. The three-month increase in net revenue was driven by Ting which had a revenue increase of \$4.6 million in the current period from the attraction of additional customers to Ting from the continued buildout of our Fiber network footprint across the United States. This increase was furthered by Wavelo, as a result of increased MONOS platform revenues (both fixed and variable) fees earned from the migration of additional subscribers onto our new platform. Wavelo accounted for a \$0.2 million increase to total net revenues in the current period. The increases these two segments experienced were partially offset by reduced revenues from Mobile Services and eliminations of \$2.2 million, attributable to decreased transitional services revenues; as well as reduced revenues from our Tucows Domains segment of \$0.4 million from the continued normalization of domain name registration growth and renewal rates from those observed as a result of the COVID-19 pandemic in prior years.

Total net revenues for the nine months ended September 30, 2022 increased by \$20.3 million, or 9% to \$242.2 million from \$221.9 million when compared to the nine months ended September 30, 2021. The nine-month increase in net revenue was driven by Ting which had a revenue increase of \$13.9 million in the current period from the attraction of additional customers to Ting from the continued buildout of our Fiber network footprint across the United States. This increase was furthered by Wavelo, as a result of increased MONOS platform revenues (both fixed and variable) fees earned from the migration of additional subscribers onto our new platform, as well as incremental professional services revenues. Wavelo accounted for a \$12.6 million increase to total net revenues in the current period. The increases these two segments experienced were partially offset by reduced revenues from Mobile Services and eliminations of \$4.9 million, attributable to decreased transitional services revenues; as well as reduced revenues from our Tucows Domains segment of \$1.3 million from the continued normalization of domain name registration growth and renewal rates from those observed as a result of the COVID-19 pandemic in prior years.

Deferred revenue at September 30, 2022 decreased by \$0.7 million to \$147.1 million from \$147.8 million at December 31, 2021. This was primarily driven by Tucows Domains, accounting for \$0.6 million of the decrease which is due to the decrease in current period billings for domain name registrations and declining domain names under management. Additionally, Wavelo saw a decrease of \$0.4 million, specifically related to Other Professional Services revenues for standalone technology services development work with DISH, which we defer until such time as that work is complete and we've satisfied our obligations to provide the professional services. These other professional services were completed in the current period and thus recognized out of previously deferred revenues. These decreases were partially offset by a small increase from Ting of \$0.3 million, reflective of the continued growth in customer base and billings of that segment relative to December 31, 2021.

No customer accounted for more than 10% of total net revenue during the three and nine months ended September 30, 2022 or the three and nine months ended September 30, 2021. DISH accounted for 37% of total accounts receivable as at September 30, 2022 and 46% of total accounts receivable as at December 31, 2021. Though a significant portion of the Company's Tucows Domains revenues are prepaid by our customers, where the Company does collect receivables, significant management judgment is required at the time revenue is recorded to assess whether the collection of the resulting receivables is reasonably assured. On an ongoing basis, we assess the ability of our customers to make required payments. Based on this assessment, we expect the carrying amount of our outstanding receivables, net of allowance for doubtful accounts, to be fully collected.

Ting

Ting generated \$10.9 million in net revenue during the three months ended September 30, 2022, up \$4.5 million or 70% compared to the three months ended September 30, 2021. This growth is driven by subscriber growth across our Fiber network relative to the three months ended September 30, 2021, as well as the continued expansion of our Ting Internet footprint to new Ting towns throughout the United States. Included in this current period increase is \$2.2 million of revenues attributed to the prior period acquisition of Simply Bits, which closed in the fourth quarter of Fiscal 2021.

Ting generated \$31 million in net revenue during the nine months ended September 30, 2022, up \$14 million or 82% compared to the nine months ended September 30, 2021. This growth is driven by subscriber growth across our Fiber network relative to the nine months ended September 30, 2021, as well as the continued expansion of our Ting Internet footprint to new Ting towns throughout the United States. Included in this current period increase is \$6.8 million of revenues attributed to the prior period acquisition of Simply Bits, which closed in the fourth quarter of Fiscal 2021.

As of September 30, 2022, Ting Internet had access to 90,000 owned infrastructure serviceable addresses, 19,000 partner infrastructure serviceable addresses and 33,000 active subscribers under its management; compared to having access to 68,000 owned infrastructure serviceable addresses, 14,000 partner infrastructure serviceable addresses and 23,000 active subscribers under its management as of September 30, 2021. These figures include the increase in serviceable addresses and subscribers attributable to the acquisition of Cedar in January 2020, but exclude those of Simply Bits.

Wavelo

Platform Services

Net revenues from Wavelo for the three months ended September 30, 2022 increased by \$0.2 million to \$4 million as compared to the three months ended September 30, 2021. This is driven from increased MONOS platform revenues (both fixed and variable) fees earned from the migration of additional DISH subscribers, from their Boost Mobile brand onto our new platform. The increased platform fees are partially offset by a reduction of revenues related to the amortization of the related contract asset with DISH. The Company expects the contract asset to continue to amortize against revenue through the remainder of Fiscal 2022 and thereafter as we continue to fulfill the performance obligations of the contract. Our full-service platforms support CSPs with subscription and billing management, network orchestration and provisioning, and individual developer tools. Wavelo launched as a proven asset for CSPs, with DISH using Wavelo's MONOS software to drive additional value within its Digital Operator Platform since early 2021. More recently, Ting Internet has also integrated Wavelo's ISOS software to enable faster subscriber growth and footprint expansion. Any intercompany ISOS revenues earned from Ting Internet are eliminated upon consolidation.

Net revenues from Wavelo for the nine months ended September 30, 2022 increased by \$10.9 million to \$18.1 million as compared to the nine months ended September 30, 2021. This is driven from increased MONOS platform revenues (both fixed and variable) fees earned from the migration of additional DISH subscribers, from their Boost Mobile brand onto our new platform. The increased platform fees are partially offset by a reduction of revenues related to the amortization of the related contract asset with DISH. The Company expects the contract asset to continue to amortize against revenue through the remainder of Fiscal 2022 and thereafter as we continue to fulfill the performance obligations of the contract. Our full-service platforms support CSPs with subscription and billing management, network orchestration and provisioning, and individual developer tools. Wavelo launched as a proven asset for CSPs, with DISH using Wavelo's MONOS software to drive additional value within its Digital Operator Platform since early 2021. More recently, Ting Internet has also integrated Wavelo's ISOS software to enable faster subscriber growth and footprint expansion. Any intercompany ISOS revenues earned from Ting Internet are eliminated upon consolidation.

Other Professional Services

Net revenues from Other Professional Services for the three months ended September 30, 2022 and September 30, 2021 were nil. There was no standalone technology services development work for DISH in the current period or prior period.

Net revenues from Other Professional Services for the nine months ended September 30, 2022 increased to \$1.8 million as compared to the nine months ended September 30, 2021. This increase was the result of completion of select standalone technology services development work for DISH in the current period, where nine months ended September 30, 2021 did not have any revenues from comparable services.

Tucows Domains

Wholesale - Domain Services

During the three months ended September 30, 2022, Wholesale domain services net revenue decreased by \$0.1 million to \$47 million, when compared to the three months ended September 30, 2021. Decreases from Wholesale domain registrations were driven from the continued normalization of domain name registration growth and slowed renewal rates from those observed as a result of the COVID-19 pandemic in prior years.

During the nine months ended September 30, 2022, Wholesale domain services net revenue decreased by \$1.2 million to \$140.8 million, when compared to the nine months ended September 30, 2021. Decreases from Wholesale domain registrations were driven from the continued normalization of domain name registration growth and slowed renewal rates from those observed as a result of the COVID-19 pandemic in prior years.

Total domains that were managed under the OpenSRS, eNom, EPAG, and Ascio domain services decreased by 0.9 million domain names to 24.5 million as of September 30, 2022, when compared to 25.4 million at September 30, 2021. The decrease in domains under management came largely from eNom, with smaller decreases from OpenSRS and the European brands, Ascio and EPAG.

Wholesale - Value Added Services

During the three months ended September 30, 2022, value-added services net revenue remained flat at \$4.9 million compared to the three months ended September 30, 2021.

During the nine months ended September 30, 2022, value-added services revenue increased by \$0.7 million to \$16.1 million compared to the nine months ended September 30, 2021. The increase was primarily driven by increased expiry revenue of \$1.1 million from the OpenSRS, eNom, Ascio brands and their respective domain expiry streams, and was partially offset by other small decreases in Digital Certificates, Email and Other revenues of \$0.4 million.

Retail

During the three months ended September 30, 2022, retail domain services net revenue decreased by \$0.4 million or 5% to \$8.4 million compared to the three months ended September 30, 2021. This was driven by decreased revenues related to retail domain name registrations of \$0.4 million and partially offset by a small increase in Exact Hosting revenues of less than \$0.1 million.

During the nine months ended September 30, 2022, retail domain services net revenue decreased by \$0.9 million or 3% to \$26.0 million compared to the nine months ended September 30, 2021. This was driven by decreased revenues related to retail domain name registrations of \$1.3 million and partially offset by an outsized domain name portfolio sale of \$0.2 million and a small increase in Exact Hosting revenues of \$0.2 million.

Tucows Corporate

Net revenues from Tucows Corporate for the three months ended September 30, 2022 decreased by \$2.2 million or 44% to \$2.8 million as compared to the three months ended September 30, 2021. This decrease was driven by decreased transitional services of \$2.2 million, notably from a decreased level of customer support and marketing services provided to DISH in connection with the legacy Ting Mobile customer base. The Company expects transitional services revenues to continue to decrease through the remainder of Fiscal 2022 and thereafter as services are established directly by DISH. This decrease was partially offset by an increase in revenues of less than \$0.2 million associated with the mobile telephony services and device revenues from the small group of customers retained by the Company as part of the DISH Purchase Agreement. Revenues increased as a result of the organic subscriber growth we experienced relative to the three months ended September 30, 2021. These decreases were partially offset by increased corporate eliminations of \$0.2 million as a result of the revenues associated with ISOS platform billing between Wavelo and Ting, which began in Fiscal 2022.

Net revenues from Tucows Corporate for the nine months ended September 30, 2022 decreased by \$4.9 million or 37% to \$8.5 million as compared to the nine months ended September 30, 2021. This decrease was driven by decreased transitional services of \$4.9 million, notably from a decreased level of customer support and marketing services provided to DISH in connection with the legacy Ting Mobile customer base. The Company expects transitional services revenues to continue to decrease through the remainder of Fiscal 2022 and thereafter as services are established directly by DISH. This decrease was partially offset by an increase in revenues of \$0.5 million associated with the mobile telephony services and device revenues from the small group of customers retained by the Company as part of the DISH Purchase Agreement. Revenues increased as a result of the organic subscriber growth we experienced through Fiscal 2021, brought about by new unlimited usage rate plans introduced in late Fiscal 2020. Additionally, corporate eliminations increased by \$0.5 million as a result of the revenues associated with ISOS platform billing between Wavelo and Ting, which began in Fiscal 2022.

COST OF REVENUES

Ting

Cost of revenues primarily includes the costs for provisioning high speed Internet access for Ting and its subsidiaries - Cedar, and Simply Bits, which is comprised of network access fees paid to third-parties to use their network, leased circuit costs to directly support enterprise customers, the personnel and related expenses (net of capitalization) related to the physical planning, design, construction and build out of the physical Fiber network and as well as personnel and related expenses (net of capitalization) related to the installation, repair, maintenance and overall field service delivery of the Fiber business. Hardware costs include the cost of equipment sold to end customers, including routers, ONTs, and IPTV products, and any inventory adjustments on this inventory. Other costs include field vehicle expenses, and small sundry equipment and supplies consumed in building the Fiber network.

Wavelo

Platform Services

Cost of revenues, if any, to provide the MONOS, ISOS platforms and our legacy Platypus ISP Billing software services including network access, provisioning and billing services for CSPs. This includes the amortization of any capitalized contract fulfillment costs over the period consistent with the pattern of transferring network access, provisioning and billing services to which the cost relates. Additionally, this includes any fees paid to third-party service providers primarily for printing services in connection with the Platypus ISP Billing software.

Other Professional Services

Cost of revenues to provide standalone technology services development work to our CSP customers to help support their businesses. This includes any personnel and contractor fees for any client service resources retained by the Company. Only a subset of the Company's employee base provides professional services to our customers. This cost reflects that group of resources.

Tucows Domains

Wholesale - Domain Services

Cost of revenues for domain registrations represents the amortization of registry and accreditation fees on a basis consistent with the recognition of revenues from our customers, namely rateably over the term of provision of the service. Registry fees, the primary component of cost of revenues, are paid in full when the domain is registered, and are initially recorded as prepaid domain registry fees. This accounting treatment reasonably approximates a recognition pattern that corresponds with the provision of the services during the period. Market development funds that do not represent a payment for distinct goods or services provided by the Company, and thus do not meet the criteria for revenue recognition under ASU 2014-09, are reflected as cost of goods sold and are recognized as earned.

Wholesale - Value-Added Services

Costs of revenues for value-added services include licensing and royalty costs related to the provisioning of certain components of related to hosted email and fees paid to third-party hosting services. Fees payable for trust certificates are amortized on a basis consistent with the provision of service, generally one year, while email hosting fees and monthly printing fees are included in cost of revenues in the month they are incurred.

Retail

Costs of revenues for our provision and management of Internet services through our retail sites, Hover.com and the eNom branded sites, include the amortization of registry fees on a basis consistent with the recognition of revenues from our customers, namely rateably over the term of provision of the service. Registry fees, the primary component of cost of revenues, are paid in full when the domain is registered, and are recorded as prepaid domain registry fees and are expensed rateably over the renewal term. Costs of revenues for our surname portfolio represent the amortization of registry fees for domains added to our portfolio over the renewal period, which is generally one year, the value attributed under intangible assets to any domain name sold and any impairment charges that may arise from our assessment of our domain name intangible assets.

Tucows Corporate

Cost of revenues for Retail Mobile Services includes the costs of provisioning mobile services, which is primarily our customers' voice, messaging, data usage provided by our MNO partner, and the costs of providing mobile phone hardware, which is the cost of mobile phone devices and SIM cards sold to our customers, order fulfillment related expenses, and inventory write-downs. Included in the costs of provisioning mobile services is any penalties associated with the minimum commitments with our MNO partner.

These Mobile Services costs also include the personnel and related costs of transitional services provided to DISH. These are billed monthly at set and established rates for services provided in period and include the provision of sales, marketing, customer support, order fulfillment, and data analytics related to the legacy customer base sold to DISH. The Company recognizes costs as the Company satisfies its obligations to provide professional services. The Company expects transitional services costs to continue to decrease through the remainder of Fiscal 2022 and thereafter as services are established directly by DISH.

Network expenses

Network expenses include personnel and related expenses related to the core technologies, site reliability engineering and network operations, IT infrastructure and supply chain teams that support our various business segments. It also includes network depreciation and amortization, communication and productivity tool costs, and equipment maintenance costs. Communication and productivity tool costs includes collaboration, customer support, bandwidth, co-location and provisioning costs we incur to support the supply of all our services.

The following table presents our cost of revenues, by revenue source:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Ting:				
Fiber Internet Services	\$ 4,290	\$ 3,632	\$ 12,746	\$ 9,247
Wavelo:				
Platform Services	235	140	622	338
Other Professional Services	-	-	1,632	-
Total Wavelo	235	140	2,254	338
Tucows Domains:				
Wholesale				
Domain Services	37,393	37,108	110,728	110,593
Value Added Services	613	690	1,912	1,867
Total Wholesale	38,006	37,798	112,640	112,460
Retail	4,105	4,455	12,383	13,354
Total Tucows Domains	42,111	42,253	125,023	125,814
Tucows Corporate:				
Mobile services and eliminations	1,666	3,515	7,000	9,461
Network Expenses:				
Network, other costs	4,244	3,445	13,188	10,295
Network, depreciation of property and equipment	7,136	4,622	19,620	12,344
Network, amortization of intangible assets	378	21	1,134	344
Network, impairment of property and equipment	3	241	30	302
	11,761	8,329	33,972	23,285
	\$ 60,063	\$ 57,869	\$ 180,995	\$ 168,145
Increase over prior period	\$ 2,194		\$ 12,850	
Increase - percentage	4%		8%	

The following table presents our cost of revenues, as a percentage of total cost of revenues for the periods presented:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Ting:				
Fiber Internet Services	7%	6%	7%	5%
Wavelo:				
Platform Services	0%	0%	0%	0%
Other Professional Services	0%	0%	1%	0%
Total Wavelo	0%	0%	1%	0%
Tucows Domains:				
Wholesale				
Domain Services	62%	65%	61%	67%
Value Added Services	1%	1%	1%	1%
Total Wholesale	63%	66%	62%	68%
Retail	7%	8%	7%	8%
Total Tucows Domains	70%	74%	69%	76%
Tucows Corporate:				
Mobile services and eliminations	3%	6%	4%	6%
Network Expenses:				
Network, other costs	7%	6%	7%	6%
Network, depreciation of property and equipment	12%	8%	11%	7%
Network, amortization of intangible assets	1%	0%	1%	0%
Network, impairment of property and equipment	0%	0%	0%	0%
	20%	14%	19%	13%
	100%	100%	100%	100%

Total cost of revenues for the three months ended September 30, 2022, increased by \$2.2 million, or 4%, to \$60.1 million from \$57.9 million in the three months ended September 30, 2021. The three-month increase in cost of revenues was driven by a \$3.4 million increase in Network Expenses. The increase from Network Expenses is a result of the expansion of the Company's increased network infrastructure associated with the continuing expansion of the Ting Internet network footprint, the ramp up of Wavelo's MONOS and ISOS platforms, as well as increased communication and productivity tool costs across our operating segments. Another contributing factor was a \$0.7 million increase from Ting. As discussed above in the Net Revenues section, Ting has continued to add both serviceable addresses and active subscriptions relative to the three months ended September 30, 2021. Additionally, we experienced an increase from Wavelo of less than \$0.1 million, driven by the increased amortization of capitalized contract fulfillment costs. These increases were partially offset by a \$1.8 million decrease related to Tucows Corporate and \$0.1 million from Tucows Domains. The decrease in costs for Tucows Corporate was driven by decreased transitional services costs from the provision of less transitional services to DISH in the current period. The decrease in costs for Tucows Domains is aligned with the reduced net revenues discussed above in the Net Revenues section and reduction in domains under management in the current period.

Total cost of revenues for the nine months ended September 30, 2022, increased by \$12.9 million, or 8%, to \$181 million from \$168.1 million in the nine months ended September 30, 2021. The nine-month increase in cost of revenues was driven by a \$10.7 million increase in Network Expenses. The increase from Network Expenses is a result of the expansion of the Company's increased network infrastructure associated with the continuing expansion of the Ting Internet network footprint, the ramp up of Wavelo's MONOS and ISOS platforms, as well as increased communication and productivity tool costs across our operating segments. Another contributing factor was a \$3.5 million increase from Ting. As discussed above in the Net Revenues section, Ting has continued to add both serviceable addresses and active subscriptions relative to the nine months ended September 30, 2021. Additionally, we experienced a \$1.9 million increase from Wavelo, driven by the completion of select standalone technology services development work for DISH in the current period. These increases were partially offset by a decrease of less than \$0.8 million related to Tucows Domains and a \$2.5 million decrease related to Tucows Corporate. The decrease in costs for Tucows Domains is aligned with the reduced net revenues discussed above in the Net Revenues section and reduction in domains under management in the current period. The decrease related to Tucows Corporate is also driven by decreased transitional services costs from the provision of less transitional services to DISH in the current period.

Deferred costs of fulfillment as of September 30, 2022 decreased by \$0.8 million, or 1%, to \$111.9 million from \$112.7 million at December 31, 2021. This decrease was primarily driven by Wavelo of \$1.6 million, related to the completion of Other Professional Services discussed above for standalone technology services development work with DISH. As these professional services were completed in the current period, the deferred costs to fulfill those services were amortized into costs of revenues. This decrease was partially offset by an increase from Tucows Domains of \$0.8 million, which is due to increasing registry costs for domain name registrations and service renewals since December 31, 2021.

Ting

During the three months ended September 30, 2022, costs related to provisioning high speed Internet access increased \$0.7 million or 19%, to \$4.3 million as compared to \$3.6 million during three months ended September 30, 2021. The increase in costs were primarily driven by increased direct costs, bandwidth and colocation costs related to the continued expansion of the Ting Fiber network. Included in this current period increase is \$0.7 million of costs of revenues attributed to the prior period acquisition of Simply Bits, which closed in the fourth quarter of Fiscal 2021.

During the nine months ended September 30, 2022, costs related to provisioning high speed Internet access increased \$3.5 million or 38%, to \$12.7 million as compared to \$9.2 million during nine months ended September 30, 2021. The increase in costs were primarily driven by increased direct costs, bandwidth and colocation costs related to the continued expansion of the Ting Fiber network. Included in this current period increase is \$1.7 million of costs of revenues attributed to the prior period acquisition of Simply Bits, which closed in the fourth quarter of Fiscal 2021.

Wavelo

Platform Services

Cost of revenues from Wavelo for the three months ended September 30, 2022 increased \$0.1 million or 68%, to \$0.2 million as compared to \$0.1 million for the three months ended September 30, 2021. Costs incurred are driven by the amortization of previously capitalized costs incurred to fulfill the DISH Master Services Agreement ("MSA") over the term of the agreement. The continued incurrence of additional costs to fulfill the contract have resulted in increased amortization in the current period relative to the fixed term of the agreement.

Cost of revenues from Wavelo for the nine months ended September 30, 2022 increased \$0.3 million or 100%, to \$0.6 million as compared to \$0.3 million for the nine months ended September 30, 2021. Costs incurred are driven by the amortization of previously capitalized costs incurred to fulfill the DISH MSA over the term of the agreement. The continued incurrence of additional costs to fulfill the contract have resulted in increased amortization in the current period relative to the fixed term of the agreement.

Other Professional Services

Cost of revenues from Other Professional Services for the three months ended September 30, 2022 and September 30, 2021 were nil. There was no standalone technology services development work for DISH in the current period or prior period.

Cost of revenues from Other Professional Services for the nine months ended September 30, 2022 increased to \$1.6 million as compared to nil for the nine months ended September 30, 2021. Costs incurred represent the personnel and related expenses of employees and contractors providing professional services to DISH. The increase in Other Professional Services costs relative to the prior period was a result of the completion of select standalone technology services development work for DISH in the current period. No comparable costs were incurred in the prior period.

Tucows Domain

Wholesale - Domain Services

Costs for Wholesale domain services for the three months ended September 30, 2022 increased by \$0.3 million or 1%, to \$37.4 million, as compared to \$37.1 million for the three months ended September 30, 2021. The increase is driven by the prior period including significant registry rebates, standard cost and hedging adjustments, partially offset by decreased registration costs aligned with the discussion above in the Net Revenue section associated with the continued normalization of domain name registrations, slowed renewal rates and reduction in domains under management in the current period.

Costs for Wholesale domain services for the nine months ended September 30, 2022 increased by \$0.1 million or less than 1%, to \$110.7 million, as compared to \$110.6 million for the nine months ended September 30, 2021. The increase is driven by prior period including significant registry rebates, standard cost and hedging adjustments earned from the strong performance and additions to domains under management as a result of the COVID-19 pandemic during Fiscal 2020. Limited comparable rebates and adjustments were earned from registries in the current period. This increase was partially offset by decreased registration costs aligned with the discussion above in the Net Revenue section associated with the continued normalization of domain name registrations, slowed renewal rates and reduction in domains under management in the current period.

Wholesale - Value-Added Services

Costs for wholesale value-added services for the three months ended September 30, 2022 decreased by \$0.1 million or 11%, to \$0.6 million, as compared to \$0.7 million for the three months ended September 30, 2021. This decrease was driven by decreased costs related to Digital Certificates.

Costs for wholesale value-added services for the nine months ended September 30, 2022 remained flat at \$1.9 million for the nine months ended September 30, 2021.

Retail

Costs for retail domain services for the three months ended September 30, 2022 decreased by \$0.4 million or 8%, to \$4.1 million, as compared to \$4.5 million for the three months ended September 30, 2021. This was driven by decreased costs related to retail domain name registrations of \$0.3 million from lower retail registrations and furthered by a small decrease in Exact Hosting cost of revenues of less than \$0.1 million.

Costs for retail domain services for the nine months ended September 30, 2022 decreased by \$1.0 million or 7%, to \$12.4 million, as compared to \$13.4 million for the nine months ended September 30, 2021. This was driven by decreased costs related to retail domain name registrations of \$0.9 million from lower retail registrations and furthered by a small decrease in domain name portfolio costs of less than \$0.1 million.

Tucows Corporate

Cost of revenues from Tucows Corporate for the three months ended September 30, 2022 decreased by \$1.8 million or 53%, to \$1.7 million from \$3.5 million in the three months ended September 30, 2021. Consistent with the above discussion around net revenues, this was driven by decreased transitional services costs of \$1.4 million, notably from a decreased level of customer support and marketing services provided to DISH in connection with the legacy Ting Mobile customer base. The Company expects transitional services costs of revenues to continue to decrease through the remainder of Fiscal 2022 and thereafter as services are established directly by DISH. This decrease was furthered by a decrease in costs of revenues of \$0.4 million associated with the mobile telephony services and device costs associated with the small group of customers retained by the Company as part of the DISH Purchase Agreement. Costs of revenues decreased in the current period due to the reversal of the penalties previously accrued during the six months ended June 30, 2022, of \$0.7 million. The Company was able to successfully negotiate with the MNO partner, deferring the impact of the penalties into Fiscal 2023 and beyond. The Company expects to incur penalties starting in Fiscal 2023 and thereafter until the contract is complete.

Cost of revenues from Tucows Corporate for the nine months ended September 30, 2022 decreased by \$2.5 million or 26%, to \$7.0 million from \$9.5 million in the nine months ended September 30, 2021. Consistent with the above discussion around net revenues, this was driven by decreased transitional services costs of \$3.9 million, notably from a decreased level of customer support and marketing services provided to DISH in connection with the legacy Ting Mobile customer base. The Company expects transitional services costs of revenues to continue to decrease through the remainder of Fiscal 2022 and thereafter as services are established directly by DISH. This decrease was partially offset by an increase in costs of revenues of \$1.4 million associated with the mobile telephony services and device costs associated with the small group of customers retained by the Company as part of the DISH Purchase Agreement. Costs of revenues increased as a result of the organic growth of the customer base we experienced through Fiscal 2021, brought about by new unlimited usage rate plans introduced in late Fiscal 2020. This increase was partially offset by the reversal of the penalties previously accrued during the six months ended June 30, 2022, of \$0.7 million. The Company was able to successfully negotiate with the MNO partner, deferring the impact of the penalties into Fiscal 2023 and beyond. The Company expects to incur penalties starting in Fiscal 2023 and thereafter until the contract is complete.

Network Expenses

Network costs for the three months ended September 30, 2022 increased by \$3.5 million or 42%, to \$11.8 million, as compared to \$8.3 million for the three months ended September 30, 2021. The three-month increase was driven by increased depreciation of \$2.5 million driven by the Company's increased network infrastructure associated with the continuing expansion of the Ting Internet footprint and depreciation of Wavelo's new MONOS platform. This increase from depreciation was followed by increased network costs of \$0.8 million from increased personnel and contracted service costs focused on Ting and Wavelo, as well as a small increase in amortization of intangible assets of \$0.4 million attributed to the prior period acquisition of Simply Bits. These increases were partially offset by a decrease in impairment charges of \$0.2 million.

Network costs for the nine months ended September 30, 2022 increased by \$10.7 million or 46%, to \$34.0 million, as compared to \$23.3 million for the nine months ended September 30, 2021. The nine-month increase was driven by increased depreciation of \$7.3 million driven by the Company's increased network infrastructure associated with the continuing expansion of the Ting Internet footprint and depreciation of Wavelo's new MONOS platform. This increase from depreciation was followed by increased network costs of \$2.9 million from increased personnel and contracted service costs focused on Ting and Wavelo segments, as well as a small increase in amortization of intangible assets of \$0.8 million driven by the prior period acquisition of Simply Bits. These increases were partially offset by a decrease in impairment charges of \$0.3 million.

SALES AND MARKETING

Sales and marketing expenses consist primarily of personnel costs. These costs include commissions and related expenses of our sales, product management, public relations, call center, support and marketing personnel. Other sales and marketing expenses include customer acquisition costs, advertising and other promotional costs.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Sales and marketing	\$ 13,894	\$ 9,892	\$ 39,384	\$ 27,579
Increase over prior period	\$ 4,002		\$ 11,805	
Increase - percentage	40%		43%	
Percentage of net revenues	18%	13%	16%	12%

Sales and marketing expenses for the three months ended September 30, 2022 increased by \$4.0 million, or 40%, to \$13.9 million as compared to the three months ended September 30, 2021. This three-month increase primarily related to the investment in hiring additional personnel for both Ting Internet and Wavelo's sales, product, marketing, customer support and success teams to drive growth in Ting and to support the launch and go to market strategy of Wavelo. The current period also includes the teams acquired as part of the Simply Bits acquisition. Outside of additional hiring, personnel costs were impacted by wage inflation across our three segments, with issued increases in excess of 5% to align with economic conditions and market rates. In addition to personnel related costs, both marketing related costs and facility costs increased to drive active subscription growth given the increase in serviceable addresses available to Ting and to support our growing workforce in select Ting towns across the United States.

Sales and marketing expenses for the nine months ended September 30, 2022 increased by \$11.8 million, or 43%, to \$39.4 million as compared to the nine months ended September 30, 2021. This nine-month increase primarily related to the investment in hiring additional personnel for both Ting Internet and Wavelo's sales, product, marketing, customer support and success teams to drive growth in Ting and to support the launch and go to market strategy of Wavelo. The current period also includes the teams acquired as part of the Simply Bits acquisition. Outside of additional hiring, personnel costs were impacted by wage inflation across our three segments, with issued increases in excess of 5% to align with economic conditions and market rates. In addition to personnel related costs, both marketing related costs and facility costs increased to drive active subscription growth given the increase in serviceable addresses available to Ting and to support our growing workforce in select Ting towns across the United States.

TECHNICAL OPERATIONS AND DEVELOPMENT

Technical operations and development expenses consist primarily of personnel costs and related expenses required to support the development of new or enhanced service offerings and the maintenance and upgrading of existing infrastructure. This includes expenses incurred in the research, design and development of technology that we use to register domain names, Platform Services, Fiber Internet Services, email, retail, domain portfolio and other Internet services, as well as to distribute our digital content services. All technical operations and development costs are expensed as incurred.

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2022	2021	2022	2021
Technical operations and development	\$ 2,983	\$ 3,742	\$ 10,212	\$ 10,044
Increase (decrease) over prior period	\$ (759)		\$ 168	
Increase (decrease) - percentage	(20)%		2%	
Percentage of net revenues	4%	5%	4%	5%

Technical operations and development expenses for the three months ended September 30, 2022 decreased by \$0.8 million, or 20%, to \$3.0 million when compared to the three months ended September 30, 2021. The decrease in costs relates primarily to increased capitalization of personnel costs for internal use software related to development aspects of the MONOS and ISOS Platforms, work which has accelerated in the current period. This was partially offset by increased personnel costs including wage inflation across our three segments, with issued increases in excess of 5% to align with economic conditions and market rates.

Technical operations and development expenses for the nine months ended September 30, 2022 increased by \$0.2 million, or 2%, to \$10.2 million when compared to the nine months ended September 30, 2021. The increase in costs relates primarily to increased spending on both personnel costs and external contractors to provide development resources to assist our internal engineering teams with development aspects of the MONOS and ISOS platforms. Personnel costs were also impacted by wage inflation across our three segments, with issued increases in excess of 5% to align with economic conditions and market rates. Of these costs, a significant portion has been capitalized as internal use software related to development aspects of the MONOS and ISOS Platforms. Outside of personnel costs, the Company also experienced increases in bandwidth costs in the current period, driven by the acquisition of Uniregistry assets in the fourth quarter of Fiscal 2021.

GENERAL AND ADMINISTRATIVE

General and administrative expenses consist primarily of compensation and related costs for managerial and administrative personnel, fees for professional services, public listing expenses, rent, foreign exchange and other general corporate expenses.

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2022	2021	2022	2021
General and administrative	\$ 7,897	\$ 5,069	\$ 22,006	\$ 15,232
Increase over prior period	\$ 2,828		\$ 6,774	
Increase - percentage	56%		44%	
Percentage of net revenues	10%	7%	9%	7%

General and administrative expenses for the three months ended September 30, 2022 increased by \$2.8 million, or 56% to \$7.9 million as compared to the three months ended September 30, 2021. The increase was primarily driven by an increase in personnel costs driven by the growth of teams acquired as part of the Simply Bits acquisition and continued investment in hiring for administrative teams to better support our segments as part of our new corporate reorganization. Outside of additional hiring, personnel costs were impacted by wage inflation across our three segments, with issued increases in excess of 5% to align with economic conditions and market rates. Another driver of the increase was the higher stock-based compensation expenses in order to attract, retain and scale core administrative teams to meet projected Company growth. Smaller contributors to the increase include bank charges, professional fees, and facility costs driven by Ting and the continuing expansion of the Ting Internet footprint.

General and administrative expenses for the nine months ended September 30, 2022 increased by \$6.8 million, or 44% to \$22 million as compared to the nine months ended September 30, 2021. The increase was primarily driven by an increase in personnel costs driven by the growth of teams acquired as part of the Simply Bits acquisition and continued investment in hiring for administrative teams to better support our segments as part of our new corporate reorganization. Outside of additional hiring, personnel costs were impacted by wage inflation across our three segments, with issued increases in excess of 5% to align with economic conditions and market rates. Another driver of the increase was the higher stock-based compensation expenses in order to attract, retain and scale core administrative teams to meet projected Company growth. Smaller contributors to the increase include other miscellaneous expenses such as business taxes, bank charges and facility costs driven by Ting and the continuing expansion of the Ting Internet footprint.

DEPRECIATION OF PROPERTY AND EQUIPMENT

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2022	2021	2022	2021
Depreciation of property and equipment	\$ 149	\$ 136	\$ 443	\$ 384
Increase over prior period	\$ 13		\$ 59	
Increase - percentage	10%		15%	
Percentage of net revenues	0%	0%	0%	0%

Depreciation costs increased less than \$0.1 million for the three months ended September 30, 2022, to \$0.1 million when compared to the three months ended September 30, 2021. This increase was a result of increased fixed assets in the period.

Depreciation costs increased less than \$0.1 million for the nine months ended September 30, 2022, to \$0.4 million when compared to the nine months ended September 30, 2021. This increase was a result of increased fixed assets in the period.

AMORTIZATION OF INTANGIBLE ASSETS

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Amortization of intangible assets	\$ 2,464	\$ 2,267	\$ 7,394	\$ 6,909
Increase over prior period	\$ 197		\$ 485	
Increase - percentage	9%		7%	
Percentage of net revenues	3%	3%	3%	3%

Amortization of intangible assets for the three months ended September 30, 2022 increased by \$0.2 million to \$2.5 million as compared to the three months ended September 30, 2021. This increase was a result of the acquisition of Uniregistry assets in the fourth quarter of Fiscal 2021.

Amortization of intangible assets for the nine months ended September 30, 2022 increased by \$0.5 million to \$7.4 million as compared to the nine months ended September 30, 2021. This increase was a result of the acquisition of Uniregistry assets in the fourth quarter of Fiscal 2021.

LOSS (GAIN) ON CURRENCY FORWARD CONTRACTS

Although our functional currency is the U.S. dollar, a major portion of our fixed expenses are incurred in Canadian dollars. Our goal with regard to foreign currency exposure is, to the extent possible, to achieve operational cost certainty, manage financial exposure to certain foreign exchange fluctuations and to neutralize some of the impact of foreign currency exchange movements. Accordingly, we enter into foreign exchange contracts to mitigate the exchange rate risk on portions of our Canadian dollar exposure.

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Loss (gain) on currency forward contracts	\$ -	\$ (87)	\$ -	\$ (277)
Increase over prior period	\$ 87		\$ 277	
Increase - percentage	100%		100%	
Percentage of net revenues	-%	-%	-%	-%

The Company recorded a net loss of nil in the change in fair value of outstanding contracts as well as realized on matured contracts during the three months ended September 30, 2022, compared to a net gain of \$0.1 million during the three months ended September 30, 2021.

The Company recorded a net loss of nil in the change in fair value of outstanding contracts as well as realized on matured contracts during the nine months ended September 30, 2022, compared to a net gain of \$0.3 million during the nine months September 30, 2021.

At September 30, 2022, our balance sheet reflects a derivative instrument asset of \$2.0 million and a liability of \$2.0 million as a result of our existing foreign exchange contracts. Until their respective maturity dates, these contracts will fluctuate in value in line with movements in the Canadian dollar relative to the U.S. dollar.

OTHER INCOME (EXPENSES)

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Other income (expense), net	\$ 373	\$ 4,300	\$ 5,326	\$ 12,385
Increase (decrease) over prior period	\$ (3,927)		\$ (7,059)	
Increase (decrease) - percentage	(91)%		(57)%	
Percentage of net revenues	0%	6%	2%	6%

Other Income during the three months ended September 30, 2022 decreased by \$3.9 million when compared to the three months ended September 30, 2021. This was driven by higher interest incurred of \$3.1 million, driven both by our Amended Credit Agreement (as defined below) as well as interest on redeemable preferred shares. In addition to higher interest expense, the Company experienced a \$0.8 million decrease in the gain on sale of Ting Customer Assets to DISH in the current period. As described above, the Company receives a payout on the margin associated with the legacy customer base sold to DISH over the 10-year term of the agreement, as form of consideration for the sale of the legacy customer relationships. The Company expects the gain on the sale of Ting Customer Assets to continue to decrease over the term of the payout as legacy customers naturally churn away from Ting Mobile.

Other Income during the nine months ended September 30, 2022 decreased by \$7.1 million when compared to the nine months ended September 30, 2021. This was partly due to higher interest incurred of \$5.3 million on our Amended Credit Agreement (as defined below) as well as interest on redeemable preferred shares. In addition to higher interest expense, the Company experienced a \$1.8 million decrease in the gain on sale of Ting Customer Assets to DISH in the current period. As described above, the Company receives a payout on the margin associated with the legacy customer base sold to DISH over the 10-year term of the agreement, as form of consideration for the sale of the legacy customer relationships. The Company expects the gain on the sale of Ting Customer Assets to continue to decrease over the term of the payout as legacy customers naturally churn away from Ting Mobile.

INCOME TAXES

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Provision for income taxes	\$ (1,027)	\$ (299)	\$ 790	\$ 665
Decrease in provision over prior period	\$ (728)		\$ 125	
Decrease - percentage	*		*	
Effective tax rate	11%	(28)%	(6)%	11%
* not meaningful				

Income taxes for the three months ended September 30, 2022 decreased by \$0.7 million when compared to the three months ended September 30, 2021. The change in effective tax rate is primarily due to the change in net income before tax for the period, and it is partially offset by an increase in valuation allowance on foreign tax credits as a result of a change in the geographical mix of income and reduced excess tax benefits related to stock-based compensation.

Income taxes for the nine months ended September 30, 2022 increased by \$0.1 million when compared to the nine months ended September 30, 2021. The change in effective tax rate is primarily due to the change in net income before tax for the period, and it is partially offset by an increase in valuation allowance on foreign tax credits as a result of a change in the geographical mix of income and reduced excess tax benefits related to stock-based compensation. There is aggregate tax expense over consolidated net loss for the period, primarily due to the geographical mix of income in taxable jurisdictions.

ADJUSTED EBITDA

We believe that the provision of this supplemental non-GAAP measure allows investors to evaluate the operational and financial performance of our core business using similar evaluation measures to those used by management. We use adjusted EBITDA to measure our performance and prepare our budgets. Since adjusted EBITDA is a non-GAAP financial performance measure, our calculation of adjusted EBITDA may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP. Because adjusted 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 liquidity measure. See the Consolidated Statements of Cash Flows included in the attached financial statements. Non-GAAP financial measures do not reflect a comprehensive system of accounting and may differ from non-GAAP financial measures with the same or similar captions that are used by other companies and/or analysts and may differ from period to period. We endeavor to compensate for these limitations by providing the relevant disclosure of the items excluded in the calculation of adjusted EBITDA to net income based on GAAP, which should be considered when evaluating the Company's results. Tucows strongly encourages investors to review its financial information in its entirety and not to rely on a single financial measure.

Our adjusted EBITDA definition excludes depreciation, amortization of intangible assets, income tax provision, interest expense (net), accretion of contingent consideration, stock-based compensation, asset impairment, gains and losses from unrealized foreign currency transactions and costs that are one-time in nature and not indicative of on-going performance (profitability), including acquisition and transition costs. Gains and losses from unrealized foreign currency transactions removes the unrealized effect of the change in the mark-to-market values on outstanding foreign currency contracts not designated in accounting hedges, as well as the unrealized effect from the translation of monetary accounts denominated in non-U.S. dollars to U.S. dollars.

The following table reconciles adjusted EBITDA to net income:

Reconciliation of Adjusted EBITDA to Income before Provision for Income Taxes (In Thousands of US Dollars) (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Adjusted EBITDA	\$ 7,879	\$ 12,205	\$ 30,890	\$ 36,083
Depreciation of property and equipment	7,285	4,758	20,063	12,728
Impairment and loss on disposition of property and equipment	(16)	470	491	536
Amortization of intangible assets	2,842	2,288	8,528	7,253
Interest expense, net	4,337	1,169	8,555	3,108
Accretion of contingent consideration	50	96	198	287
Stock-based compensation	1,569	1,126	4,396	3,357
Unrealized loss (gain) on change in fair value of foreign currency forward contracts	-	249	-	606
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	348	72	446	178
Acquisition and other costs ¹	472	901	1,549	2,034
Income/(loss) before provision for income taxes	\$ (9,008)	\$ 1,076	\$ (13,336)	\$ 5,996

¹ Acquisition and other costs represent transaction-related expenses, transitional expenses, such as redundant post-acquisition expenses, primarily related to our acquisitions, including Simply Bits in November 2021. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments

Adjusted EBITDA decreased by \$4.3 million to \$7.9 million for the three months ended September 30, 2022 when compared to the three months ended September 30, 2021. The decrease in adjusted EBITDA from period-to-period was primarily driven by decreased contribution from Wavelo due to significant investments into building out both our teams and platforms in support of future growth as well as a current period charge for amortization of the contract asset related to the DISH agreement. This decrease was furthered by Tucows Domains and to a lesser extent from Ting. For Tucows Domains, we continue to experience reduced contribution from continued normalization of domain registrations and slowed renewal rates relative to patterns experienced over the last fiscal years from the COVID-19 pandemic; as well as domains under management. For Ting, the decreased contribution is from the increased investment for the ramp of expenditures related to the Fiber Internet network build and expansion plan.

Adjusted EBITDA decreased by \$5.2 million to \$30.9 million for the nine months ended September 30, 2022 when compared to the nine months ended September 30, 2021. The decrease in adjusted EBITDA from period-to-period was primarily driven by decreased contribution from the increased investment in Ting for the ramp of expenditures related to the Fiber Internet network build and expansion plan. This was further decreased from Tucows Domain as we experience the reduced contribution from continued normalization of domain registrations and slowed renewal rates relative to patterns experienced over the last fiscal years from the COVID-19 pandemic; as well as domains under management. These decreases were partially offset by a small increase in contribution from Wavelo due to increased revenue growth in MONOS platform fees as additional DISH subscribers migrate to the platform.

OTHER COMPREHENSIVE INCOME (LOSS)

To mitigate the impact of the change in fair value of our foreign exchange contracts on our financial results, in October 2012 we begun applying hedge accounting for the majority of the contracts we need to meet our Canadian dollar requirements on a prospective basis.

The following table presents other comprehensive income for the periods presented:

<i>(Dollar amounts in thousands of U.S. dollars)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Other comprehensive income (loss)	\$ (1,774)	\$ (1,385)	\$ (619)	\$ (2,624)
Decrease over prior period	\$ (389)		\$ 2,005	
Decrease - percentage	28%		(76)%	
Percentage of net revenues	(2)%	(2)%	(0)%	(1)%

The impact of the fair value adjustments on outstanding hedged contracts for the three months ended September 30, 2022 was a gain in OCI before reclassifications of \$1.7 million as compared to a gain in OCI of \$0.5 million before reclassifications for the three months ended September 30, 2021.

The net amount reclassified to earnings during the three months ended September 30, 2022 was a gain of \$0.1 million compared to a gain of \$0.9 million during the three months ended September 30, 2021.

The impact of the fair value adjustments on outstanding hedged contracts for the nine months ended September 30, 2022 was a gain in OCI before reclassifications of \$0.5 million as compared to a loss in OCI of \$0.1 million before reclassifications for the nine months ended September 30, 2021.

The net amount reclassified to earnings during the nine months ended September 30, 2022 was a gain of \$0.1 million compared to a gain of \$2.7 million during the nine months ended September 30, 2021.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2022, our cash and cash equivalents balance increased by \$21.4 million when compared to December 31, 2021. Our principal uses of cash were \$100 million for the continued investment in property and equipment driven by Ting Internet expansion, \$3.1 million related to the contingent consideration related to the acquisition of Cedar and Simply Bits, \$0.8 million related to deferred preferred financing costs, \$0.7 million related to the payment of loan payable costs, and \$0.1 million related to the acquisition of intangible assets. These uses of cash were partially offset by \$60 million proceeds from redeemable preferred shares, \$48.3 million proceeds received from the drawdown of the Amended Credit Agreement, \$17.0 million from cash provided from operating activities and \$0.8 million from the proceeds received on the exercise of stock options.

Amended 2019 Credit Facility

On June 14, 2019, the Company and its wholly-owned subsidiaries, Tucows.com Co., Ting Fiber, Inc., Ting Inc., Tucows (Delaware) Inc. and Tucows (Emerald), LLC, entered into an Amended and Restated Senior Secured Credit Agreement with RBC, as administrative agent, and lenders party thereto (collectively with RBC, the “Lenders”) under which the Company has access to an aggregate of up to \$240 million in funds, which consists of \$180 million guaranteed credit facility and a \$60 million accordion facility. On November 27, 2019, the Company entered into Amending Agreement No. 1 to the Amended and Restated Senior Secured Credit Agreement (collectively with the Amended and Restated Senior Secured Credit Agreement, the “Amended 2019 Credit Facility”) to amend certain defined terms in connection with the Cedar acquisition.

The Amended 2019 Credit Facility replaced a secured Credit Agreement dated January 20, 2017 with Bank of Montreal, RBC and Bank of Nova Scotia.

The obligations of the Company under the Amended 2019 Credit Agreement are secured by a first priority lien on substantially all of the personal property and assets of the Company and has a four-year term, maturing on June 13, 2023.

Second Amended 2019 Credit Facility

On October 26, 2021, the Company entered into a Second Amended and Restated Senior Secured Credit Agreement (the “Second Amended 2019 Credit Agreement”) with the Lenders and Toronto-Dominion Bank (collectively the “New Lenders”) to, among other things, increase the existing revolving credit facility from \$180 million to \$240 million. The Second Amended Credit Agreement provides the Company with access to an aggregate of \$240 million in committed funds. Under the Second Amended Credit Agreement, the Company has agreed to comply with the following financial covenants at all times, which are to be calculated on a rolling four quarter basis: (i) maximum Total Funded Debt to Adjusted EBITDA Ratio of 4.50:1.00 until March 31, 2023 and 4.00:1.00 thereafter; and (ii) minimum Interest Coverage Ratio of 3.00:1.00. The Second Amended Credit Agreement also provides for two additional interest rate tiers if the Company exceeds a 3.50x Total Funded Debt to Adjusted EBITDA Ratio.

Third Amended 2019 Credit Facility

On August 8, 2022, the Company entered into the Third Amended 2019 Credit Facility (the “Amended Credit Agreement”) with the Lenders. The Amended Credit Agreement continues to provide the Company with access to the Credit Facility. Under the Amended Credit Agreement, and in connection with the Unit Purchase Agreement the Lenders agreed that Ting Fiber, Inc. (converted to Ting LLC) and its wholly owned subsidiaries ceased to be Guarantors under the Credit Facility and were released from their respective guarantee and security documents, including a release of the Lenders' security interests and liens upon the assets of such entities. Additionally, the Amended Credit Agreement has extended the maturity of the Credit Facility to June 14, 2024. The Company is subject to the following financial covenants at all times, which are to be calculated on a rolling four quarter basis: (i) maximum Total Funded Debt to Adjusted EBITDA Ratio of 4.00:1.00 until September 29, 2023 and 3.75:1.00 thereafter; and (ii) minimum Interest Coverage Ratio of 3.00:1.00. The financial covenant calculations will exclude the financial results of Ting Fiber Inc. (converted to Ting LLC) and its wholly owned subsidiaries. The Amended Credit Agreement added SOFR Loans as a form of advance available under the Credit Facility to replace LIBOR Rate Advances, and such SOFR Loans may bear interest based on Adjusted Daily Simple SOFR (defined to be the applicable SOFR rate published by the Federal Reserve Bank of New York plus 0.10% per annum subject to a floor of zero) or Adjusted Term SOFR (defined to be the applicable SOFR rate published by CME Group Benchmark Administration Limited plus 0.10% for one-month, 0.15% for three-months, and 0.25% for six-months per annum).

Cash Flow from Operating Activities

Net cash inflows from operating activities during the nine months ended September 30, 2022 totaled \$17.0 million, a decrease of 11% when compared to the nine months ended September 30, 2021.

Net income, after adjusting for non-cash charges, during the nine months ended September 30, 2022 was \$15.5 million, a decrease of 38% when compared to the prior year. Net income included non-cash charges and recoveries of \$29.6 million such as depreciation, amortization, stock-based compensation, loss (gain) on change in fair value of currency forward contracts, net right of use operating asset or liability, accretion of contingent consideration, amortization of debt discount and issuance costs, impairment of property and equipment, loss on disposal of domain names, net amortization of contract costs, excess tax benefits on stock-based compensation, accretion of redeemable preferred shares, and deferred income taxes (recovery). In addition, changes in our working capital contributed net cash of \$1.5 million. Utilized cash of \$13 million from the changes in contract assets, inventory, customer deposits, deferred revenue, accounts receivable and accreditation fees payable were offset by positive contributions of \$14.5 million from movements in accounts payable, income taxes recoverable, prepaid expenses and deposits, accrued liabilities, and deferred costs of fulfillment.

Cash Flow from Financing Activities

Net cash inflows from financing activities during the nine months ended September 30, 2022 totaled \$104.6 million, an increase of 243% when compared to the nine months ended September 30, 2021. Total cash inflows were driven by \$60 million of proceeds from redeemable preferred shares issued to Generate, \$48.3 million of proceeds received from drawdown of the Credit Facility, as well as \$0.8 million from proceeds received on exercise of stock options. These cash inflows were partially offset by \$3.1 million related to the contingent consideration related to the acquisition of Cedar and Simply Bits, \$0.8 million from deferred preferred financing costs, as well as \$0.7 million related to the payment of loan payable costs.

Cash Flow from Investing Activities

Investing activities during the nine months ended September 30, 2022 used net cash of \$100.1 million, an increase of 91% when compared to the nine months ended September 30, 2021. Cash outflows of \$100 million primarily related to the investment in property and equipment, primarily to support the continued expansion of our Ting Internet Fiber network footprints in California, Colorado, Idaho, North Carolina and Virginia as we seek to extend both our current network and expand to new markets. We expect our capital expenditures on building and expanding our fiber network to continue to increase during Fiscal 2022. In addition to investment in property and equipment, the current period used \$0.1 million for the acquisition of other intangible assets.

Material Cash Requirements

In order to continue the Company's planned expansion of the Ting Internet footprint, the Company will need to access additional financing under the Unit Purchase Agreement by meeting certain predetermined operational and financial drawdown milestones. Under the Unit Purchase Agreement, from the Transaction Close until the earlier of (i) the End Date and (ii) the date upon which Generate has purchased \$140 million of Series A Preferred units pursuant to Milestone Fundings, Ting LLC is required to pay Generate a standby fee at a rate of 0.50% of the unpaid \$140 million capital commitment which will be paid quarterly. In addition, in order to further accelerate the expansion of the Ting Internet footprint, the Company may seek additional financing, which may include an equity or debt issuance, a partnership or collaborating arrangement with another third party. We may not be able to secure additional financing on favorable terms, or at all, at the time when we need that funding. We currently have no commitments or agreements regarding the acquisition of other businesses. Any additional financing may be dilutive to existing investors.

In our 2021 Annual Report, we disclosed our material cash requirements. As of September 30, 2022, other than the items mentioned above, there have been no other material changes to our material cash requirements outside the ordinary course of business.