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 and Euro; Wavelo, and Ting subscriber growth and retention rates; the number of new, renewed and transferred-in domain names we register as our business develops and competes; the effect of a potential generic top level domain ("gTLD") expansion by the Internet Corporation for Assigned Names and Numbers ("ICANN") on the number of domains we register and the impact it may have on related revenues; our belief regarding the underlying platform for our domain services; our expectation regarding the trend of sales of domain names; 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 to obtain additional financing to further accelerate the Ting Internet footprint while sustaining liquidity; our expectations regarding our unrecognized tax; our expectations regarding cash from operations to fund our business; the timing, implementation and impact of the capital efficiency plan; 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"); 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 commitments and preferred unit 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 and address operational efficiencies, such as the 2024 Workforce Reductions;
- 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;
- 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 and the Organization for Economic Cooperation and Development ("OECD") model global minimum tax rules;
- Our ability to effectively respond or comply with new data protection regulations and any conflicts that may arise between such regulations and our ICANN contractual requirements;
- The application of business judgment in determining our global provision for income taxes, deferred tax assets or liabilities or other tax liabilities given that the ultimate tax determination is uncertain;
- Our ability to effectively integrate acquisitions;
- Our ability to monitor, assess and respond to changing geopolitical and economic environments including rising inflation and interest rates;
- Our ability to collect anticipated payments from Echostar 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 Asset Purchase Agreement dated August 1, 2020 between the Company and DISH Wireless LLC ("Echostar" DISH's post-merger parent) (the "Echostar Purchase Agreement");
- Our ability to meet the operational and financial drawdown milestones under the Unit Purchase Agreement with Generate, which provides the Company with the ability to obtain additional financing to invest in the expansion of fiber networks;
- Our ability to maintain compliance with the operational and financial covenants of the 2023 Notes as defined in "Note 7 - Notes Payable" of the Notes to the Consolidated Financial Statements included in Part I, of this report, which provides the Company with financing to invest in the expansion of fiber networks;

- Our ability to obtain further financing, if needed, to fund continued investment in the expansion of our fiber networks;
- Our ability to maintain the safety and security of our systems and data;
- Pending or new litigation;
- 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, 2023 filed with the SEC on April 1, 2024 (the “2023 Annual Report”) and in "Item 1A Risk Factors" in Part II of this report.

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. We are organized into three operating and reporting segments - Ting, Wavelo, and Tucows Domains. Each segment is differentiated primarily by their services, the markets they serve and the regulatory environments in which they operate. The Ting segment contains the operating results of our retail high speed Internet access operations, including its wholly owned subsidiaries - Cedar and Simply Bits. The Wavelo segment includes our platform and professional services offerings, as well as the billing solutions to Internet services providers ("ISPs"). 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.

Our Chief Executive Officer (CEO), who is also our chief operating decision maker, reviews 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. Certain revenues and expenses disclosed under the Corporate category are excluded from segment earnings before interest, tax, depreciation and amortization ("EBITDA") results as they are centrally managed and not monitored by or reported to our CEO by segment, including retail mobile services, the 10-year payment stream on transferred legacy Mobile subscribers, eliminations of intercompany transactions, portions of Finance and Human Resources, Legal and Corporate Information Technology ("IT") shared services.

For the three months ended September 30, 2024 and September 30, 2023, we reported net revenue of $92.3 million and $87.0 million, respectively.

For the nine months ended September 30, 2024 and September 30, 2023, we reported net revenue of $269.2 million and $252.4 million, respectively.

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.

As of September 30, 2024, Ting Internet had access to 132,000 owned infrastructure serviceable addresses, 41,000 partner infrastructure serviceable addresses and 50,000 active subscribers under its management; compared to having access to 114,000 owned infrastructure serviceable addresses, 25,000 partner infrastructure serviceable addresses and 41,000 active subscribers under its management as of September 30, 2023. These figures exclude any changes in serviceable addresses and accounts attributable to Simply Bits.

On February 7, 2024 Ting committed to the February 2024 workforce reduction, which aimed to realign the Company's operational structure within the Ting operating segment and reduce Ting's workforce by 13%, or 7% of the Company’s total workforce, to better support strategic objectives. The February 2024 workforce reduction was designed to streamline operations and reduce operating expenses within the Ting operating segment. Substantially all of the employees impacted by the workforce reduction were notified on February 7, 2024 and have since exited the Company. The Company incurred non-recurring charges of approximately $2.6 million in connection with the workforce reduction, primarily consisting of severance payments, notice pay, employee benefits contributions and outplacement costs.

On October 30, 2024, Ting undertook a capital efficiency plan (the “Capital Efficiency Plan”) to reflect the ongoing operational and financial prioritization of the Ting business and to lower the Company's year-over-year operating expenses, which impacted approximately 42% of Ting's workforce or 17% of the Company's total workforce. The Company estimates that it will incur non-recurring charges of approximately $7.4 million in connection with the Plan, primarily consisting of severance payments, notice pay, employee benefits contributions and outplacement costs. The Company expects that the implementation of the headcount reductions and majority of the charges associated with the Capital Efficiency Plan and cash payments will be incurred in the fourth quarter of fiscal 2024.

The Company expects that both the 2024 workforce reductions and Capital Efficiency Plan will realize personnel and related expense (net of capitalization) savings with the majority of the savings in sales and marketing, including related network support functions, followed by smaller impacts in technical operations and development, direct cost of revenues, network, general and administrative, and other costs. In Fiscal 2024 the realized savings will be partially offset by costs associated with both plans. These costs referenced above are classified as transitional and are excluded in our Adjusted EBITDA. Please see discussion of Adjusted EBITDA as well as the Adjusted EBITDA reconciliation to net income in the Results of Operations section below. The expected savings may also be offset by any continued spending related to Ting's expansion in serviceable markets, which may require incremental hiring for different roles, teams or markets; potential inflationary increases to salary, wages and other employee related costs that may be evaluated as necessary by management to retain and attract the best talent; or changes to the realization of capital labor impacts to net operating expenses.

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 Echostar using Wavelo's Mobile Network Operating System ("MONOS") software to drive additional value within its Digital Operator Platform, and Ting integrating Wavelo's Internet Service Operating System ("ISOS") and Subscriber Management ("SM") 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. The revenues from Wavelo's MONOS, ISOS, SM and professional services are all generated in the U.S. and our customer agreements have set contract lengths with the underlying CSP. Similarly, Wavelo's revenues from Platypus 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. Tucows Domains revenues are earned 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 whereas it is primarily in European nations for Ascio and EPAG.

Our primary distribution channel is a global network of almost 35,000 resellers that operate in over 200 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 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 name registration service. Together the OpenSRS, eNom, EPAG and Ascio Domain Services manage 24.6 million domain names under the Tucows, eNom, EPAG and Ascio ICANN registrar accreditations and for other registrars under their own accreditations. Domains under management have increased by less than 0.1 million, or less than 1%, since September 30, 2023.

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 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 expiry 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 and email services to individuals and small businesses. Our retail domain services also include our Personal Names Service – based on over 36,000 surname domains – which allows roughly two-thirds of Americans to purchase an email address based on their last name. The retail segment now includes the sale of the rights to its portfolio of surname domains used in connection with our RealNames email service and our Exact Hosting Service, that provides Linux hosting services for 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 that we believe are the primary indicators of our performance for the periods presented:

Ting Internet	**September 30,**	
	2024	**2023**
	(in '000's)	
Internet subscribers accounts under management	50	41
Internet owned infrastructure serviceable addresses[1]	132	114
Internet partner infrastructure serviceable addresses[1]	41	25

Tucows Domains	For the Three Months Ended September 30,	
	2024	2023
	(in 000's)	
Total new, renewed and transferred-in domain name transactions [1]	5,278	5,391

(1) 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,	
	2024	2023
	(in 000's)	
Total new, renewed and transferred-in domain name transactions [1]	16,550	16,778

(1) 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,	
	2024	2023
	(in 000's)	
Registered using Registrar Accreditation belonging to the Tucows Group	17,470	17,613
Registered using Registrar Accreditation belonging to Resellers	7,095	6,930
Total domain names under management	24,565	24,543

Adjusted EBITDA

Tucows reports all financial information in accordance with U.S. 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 excludes 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 as well as the Adjusted EBITDA reconciliation to net income in the Results of Operations section below.

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 selective fiber to the home ("FTTH") expansion, primarily in existing footprints in the United States. The investments are a reflection of our ongoing efforts to build FTTH networks 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 Echostar using Wavelo's MONOS software to drive additional value within its Digital Operator Platform. More recently, Ting Internet has also integrated Wavelo's ISOS and SM software to enable faster subscriber growth and footprint expansion. With our external platform and professional services revenues concentrated to one customer in Echostar, we are exposed to significant risk if we are unable to maintain this customer relationship or establish new relationships for any of our Platforms in the future. Additionally, our revenues as a platform provider are directly tied to the subscriber volumes of Echostar's MVNO or Mobile Network Operator ("MNO") networks, and our profitability is contingent on the ability of Echostar 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 our 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, Tucows Domains also generate revenues through the sale of names from our portfolio of domain names and through the OpenSRS, eNom, and Ascio Domain Expiry Streams.

From time-to-time certain 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

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 Echostar Purchase Agreement executed in Fiscal 2020. 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 Echostar 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. Additionally, as part of the Echostar Purchase Agreement, the Company retained a small number of customer accounts associated with one MNO agreement that was not reassigned to Echostar 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 ended September 30, 2024, the Company has accrued $0.5 million of penalties associated with the minimum commitment shortfall; and $0.7 million of penalties during the nine months ended September 30, 2024. The Company expects to incur penalties throughout 2024 and thereafter until the contract expires.

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 8 of our 2023 Annual Report as of the reporting date.

Subsequent to the reporting date, the Company finalized and executed a capital efficiency plan, which, among other things, will significantly slow any new Ting Internet footprint. We believe that the capital efficiency plan will leave certain long-lived asset balances in our Ting reporting unit susceptible to future long-lived asset impairment risk, namely the assets under construction balance, which is reported under Property and equipment, net in the Company's Consolidated Balance Sheets and had a balance as of September 30, 2024 of $80.9 million. The planned reduction in the Company's capital expansion plans could have a significant negative impact on the fair value of assets under construction and could result in impairment charges. Such a decline could be driven by, among other things: (1) changes in our expectations over the completion of work zones that were under construction as of the reporting date; (2) decreases in the reporting unit's expected use of the capital inventory on hand as of the reporting date; and (3) the reporting unit's estimates of the net realizable value of capital inventory that may be deemed available for sale.

As of December 31, 2024, we will perform an impairment assessment for our Ting reporting unit, including the assets under construction long-lived asset balance. As it is our practice, during the fourth quarter we will also complete our annual budget process during which we reassess strategic priorities and forecast future operating performance and capital spending. Based on this assessment, the carrying value of certain long-lived assets in the Ting reporting unit could exceed its fair value, resulting in the recognition of an impairment of long-lived assets in the fourth quarter of 2024 that could be material.

Inflation, rising interest rates and expected impacts

The Company continues to operate in a challenging macro environment as inflation and high interest rates continue to persist in the global economic environment. 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, personnel costs continue to be impacted by sustained wage inflation incurred in the prior periods. 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, 2024 AS COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

NET REVENUES

Ting

Ting and its subsidiaries - Cedar, and Simply Bits includes the provision of 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 Fiber and Fixed Wireless Internet services to consumer and business customers. Revenues are all generated in the U.S., have no fixed contract terms and are billed 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, as is the case for service requiring installation, then revenue is not recognized until a customer's service is activated. 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, SM 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 launched as a proven asset for CSPs, with Echostar using Wavelo’s MONOS software to drive additional value within its Digital Operator Platform. More recently, Ting Internet has also integrated Wavelo’s ISOS and SM 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 the 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 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 ratably 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. We expect Domain Services will continue to be the largest portion of our business and will continue to enable us 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 storefront and 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 Echostar 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 platform provider for CSPs globally via Wavelo. Retail telephony services and transition services revenues are excluded from segment EBITDA results as they are 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 include transitional services provided to Echostar. These are billed monthly at set and established rates for services provided in period and include the provision of sales, marketing, order fulfillment, and data analytics related to the legacy customer base sold to Echostar. The Company recognizes revenue as the Company satisfies its obligations to provide transitional services.

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 Echostar, 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*):

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Ting:				
Fiber Internet Services	$ 15,310	$ 12,855	$ 43,983	$ 37,116
Wavelo:				
Platform Services	10,075	10,697	29,935	27,537
Other Professional Services	7	377	38	1,588
Total Wavelo	10,082	11,074	29,973	29,125
Tucows Domains:				
Wholesale				
Domain Services	49,871	47,657	146,527	140,734
Value Added Services	5,175	4,252	14,402	13,441
Total Wholesale	55,046	51,909	160,929	154,175
Retail	9,669	9,179	28,036	26,111
Total Tucows Domains	64,715	61,088	188,965	180,286
Tucows Corporate:				
Mobile services and eliminations	2,190	1,954	6,256	5,852
	$ 92,297	$ 86,971	$ 269,177	$ 252,379
Increase over prior period	$ 5,326		$ 16,798	
Increase - percentage	6%		7%	

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*):

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Ting:				
Fiber Internet Services	17%	15%	16%	15%
Wavelo:				
Platform Services	11%	12%	11%	11%
Other Professional Services	0%	0%	0%	1%
Total Wavelo	11%	12%	11%	12%
Tucows Domains:				
Wholesale				
Domain Services	54%	55%	54%	56%
Value Added Services	6%	5%	5%	5%
Total Wholesale	60%	60%	60%	61%
Retail	10%	11%	10%	10%
Total Tucows Domains	70%	71%	70%	71%
Tucows Corporate:				
Mobile services and eliminations	2%	2%	2%	2%
	100%	100%	100%	100%

Total net revenues for the three months ended September 30, 2024, increased by $5.3 million or 6%, to $92.3 million when compared to the three months ended September 30, 2023. The three-month increase in net revenue was driven by Tucows Domains, Ting, and Mobile Services and eliminations; partially offset by a decline in revenues from Wavelo. The Tucows Domains segment increased $3.6 million primarily driven by increased domains under management, pricing increases, and strong expiry auction revenue performance. The Ting segment increased $2.5 million in the current period as a result of subscriber growth from the continued buildout of our Fiber network across the United States. Mobile Services and eliminations increased by $0.2 million attributable to decreased intercompany revenues partially offset by decreased telephony services and decreased transitional services revenues. The Wavelo segment decreased $1.0 million in the current period primarily from the reduction of both platform and other professional services revenues with customers in the current period.

Total net revenues for the nine months ended September 30, 2024, increased by $16.8 million or 7%, to $269.2 million when compared to the nine months ended September 30, 2023. The nine-month increase in net revenue was driven by higher revenue across all operations. Consistent with the above discussion, the Tucows Domains segment increased $8.7 million primarily driven by increased domains under management and pricing increases through the current period. The Ting segment increased by $6.9 million in the current period as a result of subscriber growth from the continued buildout of our Fiber network across the United States. The Wavelo segment increased $0.8 million in the current period as a result of the complete Boost Mobile subscriber base migration onto our platform, compared to the prior period where subscriber migrations were only complete at the end of June 30, 2023; offset by a decrease in other professional services revenues. Mobile Services and eliminations increased by $0.4 million attributable to decreased intercompany revenues partially offset by decreased telephony services, and decreased transitional services revenues.

Deferred revenue at September 30, 2024, increased by $7.9 million to $156.0 million from $148.1 million at December 31, 2023. This was driven by Tucows Domains as a result of the increase in current period billings for domain name registrations and service renewals, characteristic of the seasonal renewal pattern we see during the beginning of a Fiscal Year as well as the increase in pricing and domain names under management through the current period. This was furthered by a smaller increase from Wavelo as a result of the contract liability associated with select customer contracts.

During both the three and nine months ended September 30, 2024, a customer, Echostar, within our Wavelo segment accounted for 11% and 11% of total net revenues, respectively. Echostar also accounted for 14% and 11% of total net revenue during the three and nine months ended September 30, 2023, respectively. As of September 30, 2024, Echostar also represented for 47% of total accounts receivable. At December 31, 2023 Echostar represented 39% of accounts receivable. Though a significant portion of the Company's domain services revenues are prepaid by our customers, where the Company does collect receivables, 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. Our allowance for doubtful accounts was $0.5 million as of September 30, 2024 and $0.5 million as of December 31, 2023, respectively. 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 $15.3 million in net revenue during the three months ended September 30, 2024, up $2.5 million or 19% compared to the three months ended September 30, 2023. This growth is driven by subscriber growth across our Fiber network relative to the three months ended September 30, 2023, as well as the continued expansion of our Ting Internet footprint to new Ting towns throughout the United States.

Ting generated $44.0 million in net revenue during the nine months ended September 30, 2024, up $6.9 million or 19% compared to the nine months ended September 30, 2023. This growth is driven by subscriber growth across our Fiber network relative to the nine months ended September 30, 2023, as well as the continued expansion of our Ting Internet footprint to new Ting towns throughout the United States.

As of September 30, 2024, Ting Internet had access to 132,000 owned infrastructure serviceable addresses, 41,000 partner infrastructure serviceable addresses and 50,000 active subscribers under its management; compared to having access to 114,000 owned infrastructure serviceable addresses, 25,000 partner infrastructure serviceable addresses and 41,000 active subscribers under its management as of September 30, 2023. These figures exclude any changes in serviceable addresses and subscribers attributable to Simply Bits.

Wavelo

Platform Services

Net revenues from Wavelo Platform Services for the three months ended September 30, 2024, decreased by $0.6 million or 6%, to $10.1 million as compared to the three months ended September 30, 2023. This is driven by lower platform revenues from our CSP customers in the current period. Ting saw a reduction in flat fee platform fees, while Echostar experienced some churn to subscribers under management since the three months ended September 30, 2023 which negatively impacted Wavelo's current period revenues. Intercompany revenues earned for provision of services on the ISOS and SM platforms between Wavelo and Ting are included in Wavelo's segment revenues for purposes of segment analysis, but are ultimately eliminated upon consolidation. The elimination impact is presented below in Tucows Corporate - Mobile Services and Eliminations.

Net revenues from Wavelo Platform Services for the nine months ended September 30, 2024, increased by $2.4 million or 9%, to $29.9 million as compared to the nine months ended September 30, 2023. This is driven from increased MONOS platform revenues earned from a full nine months of fully loaded revenues from the completed migration of Echostar's Boost Mobile subscribers at the end of June 30, 2023. The increased platform fees from Echostar in the current period are partially offset by a reduction of revenues from Ting, as discussed above. Intercompany revenues earned for provision of services on the ISOS and SM platforms between Wavelo and Ting are included in Wavelo's segment revenues for purposes of segment analysis, but are ultimately eliminated upon consolidation. The elimination impact is presented below in Tucows Corporate - Mobile Services and Eliminations.

Other Professional Services

Net revenues from Other Professional Services for the three months ended September 30, 2024, decreased by $0.4 million or 98% as compared to the three months ended September 30, 2023. These revenues related to the provision of standalone technology services development work for our CSP customers and are non-recurring and often one-time in nature, and expectantly can fluctuate period over period. These revenues depend on the volume (if any) and scope of standalone technology services development work our customers engage us to perform. In the current period, we performed less standalone professional services for our customers.

Net revenues from Other Professional Services for the nine months ended September 30, 2024, decreased by $1.6 million or 98% as compared to the nine months ended September 30, 2023. These revenues related to the provision of standalone technology services development work for our CSP customers and are non-recurring and often one-time in nature, and expectantly can fluctuate period over period. These revenues depend on the volume (if any) and scope of standalone technology services development work our customers engage us to perform. In the current period, we performed less standalone professional services for our customers.

Tucows Domains

Wholesale - Domain Services

During the three months ended September 30, 2024, Wholesale domain services net revenue increased by $2.2 million or 5%, to $50 million as compared to the three months ended September 30, 2023. Increases from Wholesale domain registrations were driven from slight increase in domains under management through the current period and various price increases since September 30, 2023.

During the nine months ended September 30, 2024, Wholesale domain services net revenue increased by $5.8 million or 4%, to $146.5 million as compared to the nine months ended September 30, 2023. Increases from Wholesale domain registrations were driven from slight increase in domains under management through the current period and various price increases since September 30, 2023.

As of September 30, 2024 together, the OpenSRS, eNom, EPAG, and Ascio Domain Services manage 24.6 million domain names under the Tucows, eNom, EPAG and Ascio ICANN registrar accreditations and for other registrars under their own accreditations. Domains under management has increased by less than 0.1 million, or less than 1%, since September 30, 2023.

Wholesale - Value Added Services

During the three months ended September 30, 2024, value-added services net revenue decreased by $0.9 million or 21%, to $5.2 million as compared to the three months ended September 30, 2023. The decrease in value-added service revenue was driven by lower digital certifications and email revenues, partially offset by strong expiry sales and the inclusion of our storefront operations through the current period.

During the nine months ended September 30, 2024, value-added services net revenue decreased by $1.0 million or 7%, to $14.4 million as compared to the nine months ended September 30, 2023. The decrease in value-added service revenue was driven by lower digital certifications and email revenues, partially offset by strong expiry sales and the inclusion of our storefront operations through the current period.

Retail

During the three months ended September 30, 2024, retail domain services net revenue increased by $0.5 million or 5%, to $9.7 million as compared to the three months ended September 30, 2023. This was driven by price increases across domain name registrations, and strong Exact Hosting revenues in the current period.

During the nine months ended September 30, 2024, retail domain services net revenue increased by $1.9 million or 7%, to $28.0 million as compared to the nine months ended September 30, 2023. This was driven by a large transition of domain names from wholesale to retail, price increases across domain name registrations, strong domain name portfolio sales, and strong Exact Hosting revenues in the current period.

Tucows Corporate - Mobile Services and Eliminations

Net revenues from Mobile Services and eliminations for the three months ended September 30, 2024 increased by $0.2 million or 10%, to $2.2 million as compared to the three months ended September 30, 2023. This was driven by lower intercompany corporate eliminations of $0.4 million, primarily a result of decreased revenues associated with ISOS and SM platforms billing between Wavelo and Ting. This was partially offset by decreased revenues of $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 Echostar Purchase Agreement primarily a result of organic subscriber churn and plan mix shifting towards lower price point rate plans compared to the three months ended September 30, 2023. This was also furthered by decreased transitional services of $0.1 million, from a decreased level of dedicated support services provided to Echostar in connection with the legacy Ting Mobile customer base.

Net revenues from Mobile Services and eliminations for the nine months ended September 30, 2024 increased by $0.4 million or 7%, to $6.3 million as compared to the nine months ended September 30, 2023. This was driven by lower intercompany corporate eliminations of $1.3 million, primarily a result of decreased revenues associated with ISOS and SM platforms billing between Wavelo and Ting. This was partially offset by decreased revenues of $0.9 million associated with the mobile telephony services and device revenues from the small group of customers retained by the Company as part of the Echostar Purchase Agreement primarily a result of organic subscriber churn and plan mix shifting towards lower price point rate plans compared to the nine months ended September 30, 2023. This was also furthered by decreased transitional services of $0.3 million, from a decreased level of dedicated support services provided to Echostar in connection with the legacy Ting Mobile customer base.

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) for the physical planning, design, construction and build out of the physical Fiber network, and as well as personnel and related expenses (net of capitalization) for the installation, activation, repair, maintenance and overall field service delivery of the Ting business. Hardware costs include the cost of equipment sold to end customers, including routers, ONTs, and IPTV products, and any 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 to provide the MONOS, ISOS and SM platforms, as well as 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 ratably 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 for hosted email and fees paid to third-party hosting services. Fees payable for trust certificates and storefront customer domains 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 ratably 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 ratably 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 - Mobile Services and Eliminations

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 are 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 Echostar. These are billed monthly at set and established rates for services provided in period and include the provision of sales, marketing, order fulfillment, and data analytics related to the legacy customer base sold to Echostar. The Company recognizes costs as the Company satisfies its obligations to provide professional services.

Network Expenses

Network expenses include personnel and related expenses related to platform and network site reliability engineering, network operations centers, IT infrastructure and supply chain teams that support our various business segments. It also includes the depreciation and any impairment charges of property and equipment related to our networks and platforms, amortization of any intangible assets related to our networks and platforms, communication and productivity tool costs, and equipment maintenance costs. Communication and productivity tool costs include collaboration, customer support, bandwidth, co-location and provisioning costs we incur to support the supply of all our services across our segments.

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

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Ting:				
Fiber Internet Services	$ 4,321	$ 4,869	$ 14,434	$ 14,211
Wavelo:				
Platform Services	63	342	727	1,006
Other Professional Services	-	228	26	1,289
Total Wavelo	63	570	753	2,295
Tucows Domains:				
Wholesale				
Domain Services	40,180	38,060	117,764	112,352
Value Added Services	509	537	1,576	1,726
Total Wholesale	40,689	38,597	119,340	114,078
Retail	4,216	4,116	12,410	12,383
Total Tucows Domains	44,905	42,713	131,750	126,461
Tucows Corporate:				
Mobile services and eliminations	3,324	2,565	8,798	7,783
Network Expenses:				
Network, other costs	6,864	7,322	20,790	20,638
Network, depreciation of property and equipment	9,414	9,138	29,336	26,331
Network, amortization of intangible assets	366	378	1,097	1,135
Network, impairment of property and equipment	852	2,663	905	4,679
	17,496	19,501	52,128	52,783
	$ 70,109	$ 70,218	$ 207,863	$ 203,533
(Decrease) increase over prior period	$ (109)		$ 4,330	
(Decrease) increase - percentage	0%		2%	

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, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Ting:				
Fiber Internet Services	6%	7%	7%	7%
Wavelo:				
Platform Services	0%	0%	0%	0%
Other Professional Services	0%	0%	0%	1%
Total Wavelo	0%	0%	0%	1%
Tucows Domains:				
Wholesale				
Domain Services	57%	54%	57%	55%
Value Added Services	1%	1%	1%	1%
Total Wholesale	58%	55%	58%	56%
Retail	6%	6%	6%	6%
Total Tucows Domains	64%	61%	64%	62%
Tucows Corporate:				
Mobile services and eliminations	5%	4%	4%	4%
Network Expenses:				
Network, other costs	10%	10%	10%	10%
Network, depreciation of property and equipment	13%	13%	14%	13%
Network, amortization of intangible assets	1%	1%	1%	1%
Network, impairment of property and equipment	1%	4%	0%	2%
	25%	28%	25%	26%
	100%	100%	100%	100%

Total cost of revenues for the three months ended September 30, 2024, decreased by $0.1 million or 0%, to $70.1 million from $70.2 million in the three months ended September 30, 2023. The three-month decrease in cost of revenues was driven by decreases across Network Expenses, Ting, and Wavelo of $2.0 million, $0.5 million, and $0.5 million, respectively. The decrease in Network Expenses of $2.0 million was primarily due to a decrease in impairment charges within the Ting segment compared to the three months ended September 30, 2023. The decrease in Ting of $0.5 million was primarily a result of savings from Ting's workforce reduction. The decrease in Wavelo of $0.5 million was driven by the absence of deferred contract amortization which was completed in July 2024. These decreases were offset by increases across Tucows Domains and Mobile Service and eliminations of $2.2 million and $0.8 million, respectively. The increase in Tucows Domains of $2.2 million was primarily a result of an increase in domains under management and cost increases through the current period. The increase in Mobile Services and eliminations of $0.8 million was primarily a result of higher mobile telephony services costs due to plan mix changes in the current period and MNO penalties.

Total cost of revenues for the nine months ended September 30, 2024, increased by $4.4 million or 2%, to $207.9 million from $203.5 million in the nine months ended September 30, 2023. The nine-month increase in cost of revenues was driven by increases across Tucows Domains, Mobile Service and eliminations, and Ting of $5.3 million, $1.0 million, and $0.2 million, respectively. The increase in Tucows Domains of $5.3 million was primarily a result of an increase in registry costs and domains under management through the current period. The increase in Mobile Services and eliminations of $1.0 million was primarily a result of higher mobile telephony services costs due to plan mix changes and MNO penalties in the current period. The increase in Ting of $0.2 million was primarily driven by the costs of revenues associated with growth in active subscribers. These increases were partially offset by decreases in Wavelo and Network Expenses of $1.5 million and $0.7 million, respectively. The decrease in Wavelo of $1.5 million was primarily driven by Other Professional Services, consistent with less standalone technology development work and revenues in the current period. The decrease in Network Expenses of $0.7 million is primarily due to the absence of impairment charges within the Ting segment, offset by incremental depreciation associated with the continuing expansion of the Ting Internet network and development of Wavelo's platform assets.

Deferred costs of fulfillment as of September 30, 2024, increased by $5.1 million, or 5%, to $116 million from $111.1 million at December 31, 2023. This was primarily driven by Tucows Domains with an increase of $5.8 million, from the increase in current period billings for domain name registrations and service renewals, characteristic of the seasonal renewal pattern we see during the beginning of a Fiscal Year as well as the increase in domain names under management and registry cost increases through the current period, consistent with the increase in deferred revenues discussed above. This increase was partially offset by Wavelo, with a decrease of $0.7 million, primarily related to the completion of Other Professional Services where the deferred costs to fulfill those services were amortized into costs of revenues in the prior period.

Ting

During the three months ended September 30, 2024, costs related to provisioning high speed Internet access for Ting and its subsidiaries - Cedar and Simply Bits, decreased by $0.6 million or 12%, to $4.3 million as compared to three months ended September 30, 2023. This was driven by a reduction in headcount following the February 2024 Ting workforce reduction. This was partially offset by the subscriber growth across our Fiber network driving an increase in costs of revenues.

During the nine months ended September 30, 2024, costs related to provisioning high speed Internet access for Ting and its subsidiaries - Cedar, and Simply Bits increased by $0.2 million or 1%, to $14.4 million as compared to nine months ended September 30, 2023. Consistent with the discussion above in the Net Revenue section, the subscriber growth across our Fiber network drove an increase in costs of revenues which included dark fiber, bandwidth and colocation costs. The 2024 February workforce reduction discussed above also drove an increase in one-time termination benefits, continuation benefits, and outplacement costs in Ting's cost of revenues in the current period.

Wavelo

Platform Services

Cost of revenues from Wavelo Platform Services for the three months ended September 30, 2024 decreased by $0.3 million or 82% to $0.1 million as compared to the three months ended September 30, 2023. This was driven by the absence of the amortization of previously capitalized costs incurred to fulfill the Echostar Master Services Agreement ("MSA") over the term of the agreement, as the agreement ended in July 2024.

Cost of revenues from Wavelo Platform Services for the nine months ended September 30, 2024, decreased by $0.3 million or 28% to $0.7 million as compared to the nine months ended September 30, 2023. This was driven by the absence of the amortization of previously capitalized costs incurred to fulfill the Echostar Master Services Agreement ("MSA") over the term of the agreement, as the agreement ended in July 2024.

Other Professional Services

Cost of revenues from Other Professional Services for the three months ended September 30, 2024, decreased by $0.2 million or 100%, to nil as compared to $0.2 million for the three months ended September 30, 2023. Costs of revenues to provide other professional services change depending on the nature and scope of work we are engaged to perform for our customers for select statements of work. These cost of revenues depend on the volume (if any) and scope of standalone technology services development work our customers engage us to perform. In the current period, we performed less standalone professional services for our customers. The decrease is aligned to the decrease in Net Revenues discussed above.

Cost of revenues from Other Professional Services for the nine months ended September 30, 2024, decreased by $1.3 million or 97%, to less than $0.1 million as compared to $1.3 million for the nine months ended September 30, 2023. Costs of revenues to provide other professional services change depending on the nature and scope of work we are engaged to perform for our customers for select statements of work. These cost of revenues depend on the volume (if any) and scope of standalone technology services development work our customers engage us to perform. In the current period, we performed less standalone professional services for our customers. The decrease is aligned to the decrease in Net Revenues discussed above.

Tucows Domains

Wholesale - Domain Services

Costs for Wholesale domain services for the three months ended September 30, 2024, increased by $2.1 million or 6%, to $40.2 million, as compared to $38.1 million to the three months ended September 30, 2023. Increases from Wholesale domain registrations were primarily driven from a slight increase in domains under management through the current period and various registry gTLD cost increases since September 30, 2023. The increase is aligned to the increase in Net Revenues discussed above.

Costs for Wholesale domain services for the nine months ended September 30, 2024, increased by $5.4 million or 5%, to $117.8 million, as compared to $112.4 million to the nine months ended September 30, 2023. Increases from Wholesale domain registrations were primarily driven from a slight increase in domains under management through the current period and various registry gTLD cost increases since September 30, 2023. The increase is aligned to the increase in Net Revenues discussed above.

Wholesale - Value-Added Services

Costs for wholesale value-added services for the three months ended September 30, 2024, decreased by less than $0.1 million or 0%, to $0.5 million, as compared to $0.5 million for the three months ended September 30, 2023. This decrease was driven by decreased costs related to the Digital Certificate stream of revenue, and was partially offset by the inclusion of our storefront operations consistent with the Net Revenue discussion above.

Costs for wholesale value-added services for the nine months ended September 30, 2024, decreased by $0.1 million or 6%, to $1.6 million, as compared to $1.7 million for the nine months ended September 30, 2023. This decrease was driven by decreased costs related to the Digital Certificate stream of revenue, and was partially offset by the inclusion of our storefront operations consistent with the Net Revenue discussion above.

Retail

Costs for retail domain services for the three months ended September 30, 2024, increased by $0.1 million or 2%, to $4.2 million, as compared to $4.1 million for the three months ended September 30, 2023.

Costs for retail domain services for the nine months ended September 30, 2024, increased by less than $0.1 million or 0%, to $12.4 million, as compared to $12.4 million for the nine months ended September 30, 2023.

Tucows Corporate - Mobile Services and Eliminations

Cost of revenues from Mobile Services and Eliminations for the three months ended September 30, 2024, increased by $0.8 million or 29%, to $3.3 million as compared to the three months ended September 30, 2023. The increase is driven by increased costs associated with mobile telephony services from the small group of customers retained by the Company as part of the Echostar Purchase Agreement due to plan mix changes towards unlimited plans. The Company accrued $0.5 million in penalties associated with the MNO minimum commitment shortfall in the three months ended September 30, 2024, as compared to $0.1 million in the three months ended September 30, 2023. The company expects to continue to incur penalties through the end of Fiscal 2024 and thereafter should limited subscriber growth persist. This was partially offset by a decrease in transitional services costs provided to Echostar in connection with the legacy Ting Mobile customer base, consistent with the above discussion around net revenues.

Cost of revenues from Mobile Services and Eliminations for the nine months ended September 30, 2024, increased by $1.0 million or 13%, to $8.8 million as compared to the nine months ended September 30, 2023. The increase is driven by increased costs associated with mobile telephony services from the small group of customers retained by the Company as part of the Echostar Purchase Agreement due to plan mix changes towards unlimited plans. The Company accrued $0.7 million in penalties associated with the MNO minimum commitment shortfall in the nine months ended September 30, 2024, as compared to $0.5 million in the nine months ended September 30, 2023. The company expects to continue to incur penalties through the end of Fiscal 2024 and thereafter should limited subscriber growth persist. This was partially offset by a decrease in transitional services costs provided to Echostar in connection with the legacy Ting Mobile customer base, consistent with the above discussion around net revenues.

Network Expenses

Network expenses for the three months ended September 30, 2024, decreased by $2.0 million or 10%, to $17.5 million, as compared to $19.5 million for the three months ended September 30, 2023. The current period decrease was driven by the absence of $2.5 million of impairment charges within the Ting segment that occurred in the three months ended September 30, 2023. This was slightly offset by an increase in provisions for impairment.

Network expenses for the nine months ended September 30, 2024, decreased by $0.7 million or 1%, to $52.1 million, as compared to $52.8 million for the nine months ended September 30, 2023. The current period decrease was primarily driven by a decrease in impairment charges of $3.8 million related to Ting capital inventory and assets under construction compared to the nine months ended September 30, 2023. This was offset by increased network depreciation of $3.0 million. The current period increase in network depreciation relates to $2.3 million in incremental depreciation from Ting's expansion of our Ting Internet footprint to new Ting towns throughout the United States, $0.6 million in incremental depreciation of Wavelo's platform assets, and increased depreciation of $0.1 million related to Tucows Domains and Corporate.

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.

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Sales and marketing	$ 15,180	$ 17,295	$ 48,491	$ 49,052
Decrease over prior period	$ (2,115)		$ (561)	
Decrease - percentage	(12)%		(1)%	
Percentage of net revenues	16%	20%	18%	19%

Sales and marketing expenses for the three months ended September 30, 2024, decreased by $2.1 million or 12%, to $15.2 million as compared to the three months ended September 30, 2023. The decrease was primarily driven by Ting's reduced marketing spend resulting in lower media placements and other customer acquisition related costs through the current period.

Sales and marketing expenses for the nine months ended September 30, 2024, decreased by $0.6 million or 1%, to $48.5 million as compared to the nine months ended September 30, 2023. The decrease was primarily driven by Ting's reduced marketing spend resulting in lower media placements and other customer acquisition related costs through the current period. This was partially offset by increases from the one-time termination benefits, continuation benefits, and outplacement costs associated with the February 2024 workforce reduction discussed above.

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, provide Wavelo's platform services, provide Ting's Internet Services, email, retail, domain portfolio and other Internet services. All technical operations and development costs are expensed as incurred.

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Technical operations and development	$ 4,615	$ 4,818	$ 14,153	$ 14,214
Increase (decrease) over prior period	$ (203)		$ (61)	
Increase (decrease) - percentage	(4)%		(0)%	
Percentage of net revenues	5%	6%	5%	6%

Technical operations and development expenses for the three months ended September 30, 2024, decreased by less than $0.2 million or 4%, to $4.6 million when compared to the three months ended September 30, 2023. The current period decrease was primarily related to lower contracted services for tools, systems and labor to support the technical operations and development of our systems and platforms. These decreases were partially offset by the net investment in hiring and retaining personnel across our segments. This investment increased personnel costs but was partially offset by increased capitalized labor.

Technical operations and development expenses for the nine months ended September 30, 2024, decreased by $0.1 million or 0%, to $14.2 million when compared to the nine months ended September 30, 2023. The current period decrease was primarily related to lower contracted services for tools, systems and labor to support the technical operations and development of our systems and platforms; as well as lower network connectivity and co-location costs. These decreases were partially offset by the net investment in hiring and retaining personnel across our segments. This investment increased personnel costs but was partially offset by increased capitalized labor for Wavelo.

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 September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
General and administrative	$ 11,485	$ 9,399	$ 30,491	$ 25,674
Increase over prior period	$ 2,086		$ 4,817	
Increase - percentage	22%		19%	
Percentage of net revenues	12%	11%	11%	10%

General and administrative expenses for the three months ended September 30, 2024, increased by $2.1 million or 22%, to $11.5 million as compared to the three months ended September 30, 2023. The increase is driven by additional professional services fees incurred in the current period as well as increased personnel costs from hiring additional personnel and salary increases for existing leadership and administrative teams. These increases were furthered by increased spending on tooling and software to support general and administrative functions, and partially offset by a favorable foreign exchange impact in the current period.

General and administrative expenses for the nine months ended September 30, 2024, increased by $4.8 million or 19%, to $30.5 million as compared to the nine months ended September 30, 2023. Consistent with the above discussion, the six months increase in general and administrative expenses was furthered by increased professional services fees, personnel costs from hiring additional personnel, salary increases for existing leadership and administrative teams, as well as increased spending on tooling and software to support general and administrative functions.

DEPRECIATION OF PROPERTY AND EQUIPMENT

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Depreciation of property and equipment	$ 112	$ 137	$ 350	$ 439
Decrease over prior period	$ (25)		$ (89)	
Decrease - percentage	(18)%		(20)%	
Percentage of net revenues	0%	0%	0%	0%

Depreciation costs for the three months ended September 30, 2024, decreased by less than $0.1 million, to $0.1 million as compared to the three months ended September 30, 2023.

Depreciation costs for the nine months ended September 30, 2024, decreased by less than $0.1 million, to $0.4 million as compared to the nine months ended September 30, 2023.

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,	
	2024	2023	2024	2023
Amortization of intangible assets	$ 843	$ 2,242	$ 2,992	$ 6,966
Decrease over prior period	$ (1,399)		$ (3,974)	
Decrease - percentage	(62)%		(57)%	
Percentage of net revenues	1%	3%	1%	3%

Amortization of intangible assets for the three months ended September 30, 2024, decreased by $1.4 million or 62% to $0.8 million as compared to the three months ended September 30, 2023. The decrease was driven in part by the completed amortization of brand and customer relationships associated with the Company's Fiscal 2017 acquisition of eNom in the current year.

Amortization of intangible assets for the nine months ended September 30, 2024, decreased by $4.0 million or 57% to $3.0 million as compared to the nine months ended September 30, 2023. The decrease was driven in part by the completed amortization of customer relationships associated with the Company's Fiscal 2016 acquisition of Melbourne IT assets in the prior year, as well as the completed amortization of brand and customer relationships associated with the Company's Fiscal 2017 acquisition of eNom in the current year.

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,	
	2024	2023	2024	2023
Other income (expense), net	$ (9,176)	$ (6,427)	$ (26,154)	$ (30,829)
Increase (decrease) over prior period	$ (2,749)		$ 4,675	
Increase (decrease) - percentage	43%		(15)%	
Percentage of net revenues	10%	(7)%	(10)%	(12)%

Other Income (Expenses) during the three months ended September 30, 2024, decreased by $2.7 million when compared to the three months ended September 30, 2023. The decrease was primarily driven by higher net interest expense and lower income earned on sale of Transferred Assets to Echostar; partially offset by other income. Net interest expense increased as a result of the inclusion of interest associated with the 2023 and 2024 Term Notes, an increase due to the absence of interest rate swap contracts in the current period, and lower interest expense capitalization associated with Fiber network assets under construction, partially offset by reduction in interest related to the Credit Facility for the Tucows businesses excluding Ting. Income earned on sale of Transferred Assets to Echostar decreased as a result of legacy customers naturally churning, as expected. Other income further increased as a result of the inclusion of sublease rental income received in the current period and the Orange Domains joint venture.

Other Income (Expenses) during the nine months ended September 30, 2024, increased by $4.7 million when compared to the nine months ended September 30, 2023. The increase was primarily driven by the absence of loss on debt extinguishment, partially offset by higher net interest expense and lower income earned on sale of Transferred Assets to Echostar; partially offset by other income. The absence of the loss on debt extinguishment related to the make-whole premium paid to Generate following the redemption of Series A Preferred Units in the three months ended September 30, 2023. Net interest expense increases as a result of the inclusion of interest associated with the 2023 and 2024 Term Notes, an increase due to the absence of interest rate swap contracts in the current period, and lower interest expense capitalization associated with Fiber network assets under construction, partially offset by reduction in interest related to the Credit Facility for the Tucows businesses excluding Ting, and the inclusion of interest income following the execution of Ting's 2023 and 2024 Term Notes. Income earned on sale of Transferred Assets to Echostar decreased as a result of legacy customers naturally churning, as expected. Other income further increased as a result of the inclusion of Orange Domains joint venture and sublease rental income received in the current period.

INCOME TAXES

(Dollar amounts in thousands of U.S. dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Provision for income taxes	$ 3,074	$ (822)	$ 6,068	$ (5,557)
Increase in provision over prior period	$ 3,896		$ 11,625	
Increase - percentage	*		*	
Effective tax rate	(16)%	3%	(10)%	7%

* not meaningful

Income tax expense for the three and nine months ended September 30, 2024, increased by $3.9 million and $11.6 million respectively when compared to the three and nine months ended September 30, 2023. The change in effective tax rate is primarily due an increase in valuation allowance on net operating losses, which exceeded the impact of existing reversible temporary differences when compared to the same period in the prior year.

We regularly evaluate our deferred tax assets, including net operating losses, to determine whether a valuation allowance is necessary based on our expectations of future taxable income. The increase in our valuation allowance on net operating losses reflects our assessment of the likelihood of realizing future tax benefits associated with these losses.

ADJUSTED EBITDA

We believe that the provision of this 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. For liquidity measures, see the Consolidated Statements of Cash Flows included in Part I, of this Quarterly Report. 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 provision for income tax, depreciation, amortization of intangible assets, asset impairment, interest expense (net), loss on debt extinguishment, accretion of contingent liabilities, stock-based compensation, 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 Loss before Provision for Income Taxes to Adjusted EBITDA (In Thousands of US Dollars)	**Three Months Ended September 30, 2024**	**Three Months Ended September 30, 2023**	**Nine Months Ended September 30, 2024**	**Nine Months Ended September 30, 2023**
Net Loss for the period	$ (22,297)	$ (22,772)	$ (67,385)	$ (72,823)
Less:				
Provision (recovery) for income taxes	3,074	(822)	6,068	(5,557)
Depreciation of property and equipment	9,526	9,275	29,686	26,770
Impairment and loss on disposition of property and equipment	852	2,663	905	4,679
Amortization of intangible assets	1,209	2,620	4,089	8,101
Interest expense, net	13,095	10,739	37,527	29,120
Loss on debt extinguishment	-	-	-	14,680
Stock-based compensation	1,808	2,308	5,383	6,606
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(197)	340	357	254
Acquisition and other costs[1]	1,618	121	5,438	1,067
Adjusted EBITDA	$ 8,688	$ 4,472	$ 22,068	$ 12,897

[1] Acquisition and other costs represent transaction-related expenses and transitional expenses. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.

Adjusted EBITDA increased by $4.2 million or 94%, to $8.7 million for the three months ended September 30, 2024, when compared to the three months ended September 30, 2023. The increase in Adjusted EBITDA from period-to-period was primarily driven by increases in Ting and Tucows Domains. Ting contribution increased $7.1 million, primarily driven by subscriber growth across the markets we serve as well as the reduction in spend across sales and marketing activities, partially a result of personnel costs reductions realized in connection with the February 2024 workforce reduction discussed above. Tucows Domains contribution increased by $0.6 million strong wholesale and expiry sales through the current period. These increases in Adjusted EBITDA were partially offset by decreases across Wavelo and Mobile Services and eliminations. Wavelo contributions decreased $0.8 million primarily driven by decreased revenues both from platform and other professional services in the current period with our customers. Mobile Services and eliminations contribution decreased $2.7 million primarily from increased professional services fees. This decrease was furthered by a decrease in income earned on sale of Transferred Assets to Echostar.

Adjusted EBITDA increased by $9.2 million or 71%, to $22.1 million for the nine months ended September 30, 2024, when compared to the nine months ended September 30, 2023. The increase in Adjusted EBITDA from period-to-period was primarily driven by increases in Ting, Wavelo, and Tucows Domains. Ting contribution, which excludes the impact of the February 2024 workforce reduction, increased $10.7 million, primarily driven by subscriber growth across the markets we serve as well as the reduction in spend across sales and marketing activities. Tucows Domains contribution increased by $0.9 million from strong wholesale, expiry and portfolio sales through the current period as well as the inclusion of Orange Domains joint venture. The Wavelo contribution increased $2.2 million primarily driven by increased platform revenues earned from the increased level of Echostar subscribers on the platform for the nine months ended September 30, 2024, compared to the prior year where migrations of Echostar subscribers were still occurring. These increases in Adjusted EBITDA were partially offset by decreases across Mobile Services and eliminations. Mobile Services and eliminations contribution decreased $4.7 million primarily from the decrease in income earned on sale of Transferred Assets to Echostar, increasing MNO penalties and increased professional services fees.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2024, our cash and cash equivalents balance decreased by $17.5 million, our funds held by trustee balance increased by $0.7 million, and our secured notes reserve funds balance increased by $2.9 million respectively when compared to December 31, 2023. The decrease in our cash balance was driven primarily by $44.8 million for the continued investment in property and equipment primarily driven by Ting Internet expansion, $14.5 million related to the repayment of the 2023 Credit Facility, $14.9 million from cash used in operating activities, $2.0 million related to deferred notes payable financing costs; and $0.6 million related to the acquisition of intangible assets. These uses of cash were partially offset by $63.0 million in proceeds from the issuance of additional notes payable for Ting Internet.

2023 Credit Facility

On September 22, 2023, the Company and its wholly owned subsidiaries, Tucows.com Co., Ting Inc., Tucows (Delaware) Inc., Wavelo, Inc. and Tucows (Emerald), LLC (each, a "Borrower" and together, the "Borrowers," collectively with the Company) and certain other subsidiaries of the Company, as guarantors, entered into the 2023 Credit Agreement (the "2023 Credit Agreement") with Bank of Montreal, as administrative agent ("BMO" or the "Agent"), and the lenders party thereto, to, among other things, provide the Borrowers with a revolving credit facility in an aggregate amount not to exceed $240 million (the "2023 Credit Facility"). The Borrowers may request an increase to the 2023 Credit Facility through new commitments of up to $60M if the Total Funded Debt to Adjusted EBITDA Ratio (as defined in the 2023 Credit Agreement) is less than 3.75:1.00. The Credit Facility expires on September 22, 2026, which is the third anniversary of the effective date of the 2023 Credit Facility.

The 2023 Credit Agreement contains customary representations and warranties, affirmative and negative covenants, and events of default. The 2023 Credit Agreement requires that the Company comply with certain customary non-financial covenants and restrictions. In addition, the Company has agreed to comply with the following financial covenants: (1) a leverage ratio by maintaining at all times a Total Funded Debt to Adjusted EBITDA Ratio of not more than (i) 4.50:1:00 at any time from and after the Closing Date to and including December 30, 2023; (ii) 4.25:1:00 from December 31, 2023 to and including March 30, 2024; (iii) 4.00:1.00 from March 31, 2024 to and including June 29, 2024; and (iv) 3.75:1.00 thereafter; and (2) an interest coverage ratio by maintaining as of the end of each rolling four financial quarter period, an Interest Coverage Ratio (as defined in the 2023 Credit Agreement) of not less than 3.00:1.00. As at September 30, 2024 the Company's leverage ratio was 3.29:1.00 and Interest Coverage Ratio was 3.31:1.00.

Third Amended 2019 Credit Facility

In connection with entering into the 2023 Credit Agreement, on September 22, 2023, the Company paid off the principal balance, including accrued interest thereon, of the revolving loans outstanding under the Third Amended and Restated Credit Agreement (the "RBC Credit Agreement"), dated as of August 8, 2022, as amended, by and among the Company, certain subsidiaries of the Company as borrowers, certain other subsidiaries of the Company as guarantors, Royal Bank of Canada, as administrative agent ("RBC"), and the lenders party thereto, pursuant to which Tucows' prior credit facility that provided the Borrowers with a $240 million revolving credit facility (the "2019 Credit Facility"). The RBC Credit Agreement automatically terminated upon the receipt by RBC of certain backstop letters of credit to be delivered by BMO.

During the nine months ended September 30, 2024, the Company made net repayments of $14.5 million towards the 2023 Credit Facility. The Company ended September 30, 2024 with a remaining principal balance of $197.4 million, for which the required repayment is due in 2026.

As of September 30, 2024, the Company held contracts in the amount of $43.2 million with BMO to trade U.S. dollars in exchange for Canadian dollars under an uncommitted treasury risk management facility which assists the Company with hedging Canadian dollar exposures. Please see the discussion in the Material Cash Requirements section below.

Cash Flow from Operating Activities

Net cash outflows from operating activities during the nine months ended September 30, 2024 totaled $15.0 million, an increase of 9% when compared to the nine months ended September 30, 2023.

Net loss, after adjusting for items not involving cash, during the nine months ended September 30, 2024 was $14.6 million, an increase of 46% when compared to the prior year. Net income included non-cash charges and recoveries of $52.8 million such as depreciation, accretion of redeemable preferred shares, stock-based compensation, amortization of intangible assets, amortization of debt discount and issuance costs, deferred income taxes (recovery), net amortization of contract costs, impairment of property and equipment, loss on disposal of domain names, undistributed earnings of equity method investee and net right of use operating asset or liability. In addition, changes in our working capital contributed to a net cash outflow of $0.3 million. Cash utilization $17.1 million from movement in accrued liabilities, deferred costs of fulfillment, accounts payable, and customer deposits. Partially offset by, positive cash contributions of $16.7 million from the changes in deferred revenue, accounts receivable, inventory, contract asset, prepaid expenses and deposits, income taxes recoverable and accreditation fees payable.

Cash Flow from Financing Activities

Net cash inflows from financing activities during the nine months ended September 30, 2024 totaled $46.4 million, as compared to the inflow of $190.6 through the nine months ended September 30, 2023. The total cash inflows were driven by $63.0 million in proceeds from the issuance of additional notes payable for Ting Internet, partially offset by the $14.5 million of repayments towards the 2023 Credit Facility and $2.0 million in deferred notes payable financing costs incurred through the nine months ended September 30, 2024.

Cash Flow from Investing Activities

Investing activities during the nine months ended September 30, 2024 used net cash of $45.4 million, a decrease of 42% when compared to the nine months ended September 30, 2023. Cash outflows of $44.8 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, 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 during Fiscal 2024. In addition to investment in property and equipment, the current period used $0.6 million for the acquisition of other intangible assets.

Material Cash Requirements

At September 30, 2024, the Company's Cash and cash equivalents, restricted cash and secured notes reserve funds balances totaled $91.1 million, of which $78.0 million belonged to Ting Internet and $13.1 million belonged to the other Tucows' segments.

In our 2023 Annual Report, we disclosed our material cash requirements of both the Ting segment as well as the other segments excluding Ting. As of September 30, 2024, other than the items mentioned below, there have been no other material changes to our material cash requirements outside the ordinary course of business.

Ting

As of September 30, 2024, the balance owing on the Unit Purchase Agreement was $122.1 million, with remaining capital commitments of $108.5 million ("Note 18 - Redeemable preferred units" of the Notes to the Consolidated Financial Statements included in Part I, of this report). On May 4, 2023, Tucows, through its indirect and wholly owned subsidiaries, including Ting Fiber, LLC entered into a definitive agreement relating to a securitized financing facility where Ting Issuer LLC, a Delaware limited liability company, issued the 2023 Term Notes for a total value of $238.5 million and 2024 Term Notes for a total value of $63.0 million ("Note 7 - Notes Payable" of the Notes to the Consolidated Financial Statements included in Part I, of this report). The combination of these agreements is expected to fund Ting operations through Fiscal 2024.

Ting committed to workforce reductions on February 7, 2024 and October 30, 2024, which aimed to reduce Ting's workforce by 13% and 42%, respectively. Both plans were designed to lower year-over-year operating expenses by streamlining operations, reducing capital activities and reducing operating expenses within the Ting operating segment.

Ting incurred a net loss of $75.7 million and $90.2 million for the nine months ended September 30, 2024 and the nine months ended September 30, 2023, respectively. At September 30, 2024, Ting had $62.2 million in unrestricted cash and cash equivalents, $1.1 million in accounts receivable, $1.7 million in accounts payable and $13.9 million in accrued liabilities. At September 30, 2024, Ting's long-term liabilities included $286.6 million payable on the 2023 and 2024 Term Notes, as well as $122.1 million on the Redeemable Preferred Units. Ting incurred an operating cash flow deficit of $41.7 million and $41.7 million for the nine months ended September 30, 2024 and the nine months ended September 30, 2023, respectively. Ting has scheduled interest payments of $38.9 million in the twelve months following September 30, 2024.

Ting may not be able to meet its financial obligations over the twelve months following September 30, 2024 without additional financing. Ting has historically relied on the proceeds from its Redeemable Preferred Units as well as its 2023 and 2024 Term Notes to fund its operations and the expansion of the Ting Fiber Internet footprint. Ting currently has limited capacity to expand its borrowings under the Base Indenture and it is uncertain whether Ting will be able to access additional Milestone Funding under the Redeemable Preferred Unit facility. Our ability to obtain additional financing if required will be subject to a number of factors, including market conditions, our operating performance and investor sentiment. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly restrict our operations or obtain funds by entering into agreements on unattractive terms, which would likely have a material adverse effect on our business, stock price and our relationships with third parties with whom we have business relationships, at least until additional funding is obtained, and which could result in additional dilution to our stockholders. If we do not have sufficient funds to continue operations, Ting could be required to seek bankruptcy protection or other alternatives that would likely result in our stockholders losing some or all of their investment in us.

Tucows Businesses Excluding Ting

Tucows businesses excluding Ting, acquisitions and capital investments have been funded by the Company's operating income and the Company's existing 2023 Credit Agreement. As of September 30, 2024, the Company's 2023 Credit Facility had an outstanding balance of $197.4 million. Tucows businesses excluding Ting make principal repayments from time to time.

For Fiscal 2024, the Company plans to fund the cash requirements of Tucows businesses excluding Ting solely through operating income, while making discretionary loan repayments to create greater operating flexibility and access to additional financing.