

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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") (branded as Platypus). 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 decisions and 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. The exclusions include: 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 years ended December 31, 2024, 2023 and 2022, we reported revenue of \$362 million, \$339 million and \$321 million, respectively.

Ting

Ting and its wholly owned subsidiaries, Cedar and Simply Bits, includes the provision of high-speed Internet access services to select towns throughout the United States, with operations focused on serving 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 from Ting Internet are all generated in the U.S. and are billed on a monthly basis. Ting Internet services have no fixed contract terms.

As of December 31, 2024, Ting Internet had access to 134,000 owned infrastructure serviceable addresses, 45,000 partner infrastructure serviceable addresses and 51,000 active accounts under its management; compared to having access to 121,000 owned infrastructure serviceable addresses, 29,000 partner infrastructure serviceable addresses and 43,000 active accounts under its management as of December 31, 2023. These figures exclude the increase in serviceable addresses and accounts attributable to the Simply Bits acquisition.

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 \$3.2 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 and capital outlays, which impacted approximately 42% of Ting's workforce or 17% of the Company's total workforce. The Company incurred non-recurring charges of approximately \$7.7 million in connection with the Capital Efficiency Plan, primarily consisting of severance payments, notice pay, employee benefits contributions and outplacement costs.

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, which is a non-GAAP financial measure. Please see discussion of Adjusted EBITDA as well as the Adjusted EBITDA reconciliation to net income in the Results of Operations section below.

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 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 more than 34,000 resellers that operate in 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 from renewals 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 24.5 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 decreased by 0.1 million, or less than 1%, since December 31, 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 34,000 surname domains – that 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 individual and small business websites.

KEY BUSINESS METRICS AND NON-GAAP FINANCIAL MEASURES

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

Ting Internet

	For the year ended December 31,		
	2024	2023	2022
	(in '000's)		
Ting Internet accounts under management	51	43	35
Ting Internet owned infrastructure serviceable addresses (1)	134	121	96
Ting Internet partner infrastructure serviceable addresses (1)	45	29	19

(1) Defined as premises to which Ting has the capability to provide a customer connection in a service area.

Tucows Domains

	As of December 31,		
	2024	2023	2022
		(in '000's)	
Total new, renewed and transferred-in domain name registrations provisioned(1)	21,765	22,031	21,774
Domains under management:			
Registered using Registrar Accreditation belonging to the Tucows Group	17,537	17,565	17,921
Registered using Registrar Accreditation belonging to Resellers	6,963	6,995	6,469
Total domain names under management	24,500	24,560	24,390

(1) For a discussion of these period-to-period changes in the domains provisioned and domains under management and how they impacted our financial results see the Net Revenues discussion below.

Tucows reports all financial information in accordance with United States generally accepted accounting principles (“GAAP”). Along with this information, to assist financial statement users in an assessment of our historical performance, we typically disclose and discuss a non-GAAP financial measure, Adjusted EBITDA, on investor conference calls and related events that 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 new fiber to the home (“FTTH”) deployments in select markets in the United States. The investments are a reflection of our ongoing efforts to build FTTH network via public-private partnerships in communities we identify as having strong, unmet demand for FTTH services. Given the significant upfront build and operational investments for these FTTH deployments, there is risk that future technological and regulatory changes as well as competitive responses from incumbent local providers, may result in us not fully recovering these investments.

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 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.

Domain Services

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

Other opportunities, challenges and risks

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 twelve months ended December 31, 2024, the Company has accrued \$1.3 million of penalties associated with the minimum commitment shortfall. The Company expects to incur penalties throughout 2025 and thereafter until the contract is complete.

An in-depth assessment of the risk factors impacting our businesses has been discussed at length above in Part I under the caption "Item 1A Risk Factors" in this Annual Report.

Critical Accounting Estimates

The following is a discussion of our critical accounting estimates. Critical accounting estimates are defined as those that are both important to the portrayal of our financial condition and results of operations and are reflective of significant judgments and uncertainties made by management that may result in materially different results under different assumptions and conditions. "Note 2 – Significant Accounting Policies" in the Notes to the Consolidated Financial Statements for Fiscal 2024 included in Part II, Item 8 of this Annual Report, includes further information on the significant accounting policies and methods used in the preparation of our consolidated financial statements.

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience, available market information as applicable, and on various other assumptions that are believed to be reasonable under the circumstances at the time they are made. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of the Company's control. Management evaluates its estimates on an on-going basis.

Acquired customer relationships

For acquired customer relationships, the Company estimates the fair value based on the income approach. The income approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows expected to be generated over the remaining useful life of the asset. This valuation involves significant subjectivity and estimation uncertainty, including assumptions related to future revenues attributable to acquired customer relationships, attrition rates and discount rates.

Loss contingencies

We are sometimes subject to claims, suits, regulatory and government investigations, and other proceedings involving competition, intellectual property, privacy, tax and related compliance, labor and employment, commercial disputes, and other matters. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages. We record a liability when we believe that it is probable that a loss has been incurred and the amount can be reasonably estimated.

We evaluate, on a regular basis, developments in our legal matters that could affect the amount of liability that has been previously accrued, and the matters and related reasonably possible losses disclosed, and make adjustments and changes to our disclosures as appropriate. Significant judgment is required to determine both the likelihood and the estimated amount of a loss related to such matters. Until the final resolution of such matters, there may be an exposure to loss in excess of the amount recorded, and such amounts could be material.

Impairment of Goodwill and intangibles

Any changes to our key assumptions about our businesses and our prospects, or changes in market conditions, could cause the fair value of our operating segments to fall below their carrying values, resulting in a potential impairment charge. In addition, changes in our organizational structure or how our management allocates resources and assesses performance, could result in a change in our operating segments, requiring a reallocation and updated impairment analysis of goodwill and indefinite life intangible assets.

We evaluate factors such as macro-economic, industry and market conditions including the capital markets, the competitive environment, in addition to other internal factors including changes to our market capitalization, cash inflows, obligations and access to capital of our segments.

Impairment of Property and equipment

The Company assesses its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. When such indicators exist, management estimates the recoverability of the asset group based on the undiscounted future cash flows expected to be generated. If the carrying amount exceeds the estimated recoverable amount, an impairment loss is recognized for the excess of the carrying amount over the fair value of the asset group. We concluded that there were indications of impairment under the qualitative approach during Fiscal 2024 as a result of the decisions resulting from the Capital Efficiency Plan from October 2024. This resulted in an impairment charge of \$17.7 million in Fiscal 2024 for both Ting assets under construction and computer equipment.

Management's estimates are based on historical experience, available market information as applicable, third-party analysis, and various other assumptions that are believed to be reasonable under the circumstances at the time they are made. Given the subjectivity involved, changes in assumptions or market conditions could result in materially different outcomes.

Changes in estimates

There were no material changes to our critical accounting estimates during Fiscal 2024.

SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition Policy

The Company's revenues are derived from (a) the provisioning of retail fiber Internet services in our Ting segment, (b) the provisioning of CSP focused platform and professional services in our Wavelo segment; and from (c) domain name registration contracts, other domain related value-added services, domain sale contracts, and other advertising revenue in our Tucows Domains segment. Amounts received in advance of meeting the revenue recognition criteria described below are recorded as contract liabilities. All products are generally sold without the right of return or refund.

Revenue is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Nature of goods and services

The following is a description of principal activities – separated by reportable segments – from which the Company generates its revenue. For more detailed information about reportable segments. See "Note 20 – Segment Reporting" of the Notes to the Consolidated Financial Statements included in this report for more information.

(a) 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 operations focused on serving 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.

(b) 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'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 from Wavelo's performance of standalone technology services development work. These are billed to our customers monthly at established rates for services provided in period. The Company recognizes professional services revenue as the Company satisfies its obligations to provide professional services.

(c) 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. Tucows Domains will continue to be the largest portion of our business and will further fuel our ability to sell add-on services.

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

Wholesale – Value-Added Services

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

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

Retail

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

For information about geographic areas, see "Note 20 – Segment Reporting" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

(d) Corporate and all other - 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 our Wavelo segment. Effective January 1, 2022 we decided to exclude retail telephony services and transition services revenues from segment Adjusted EBITDA results as they are no longer centrally managed and not monitored by or reported to our CEO by segment.

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

These mobile services revenue streams also includes transitional services provided to EchoStar. These are billed monthly at established rates for services provided in period, including: 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.

Valuation of Goodwill, Intangible Assets and Long-Lived Assets

The excess of the purchase price over the fair values of the identifiable assets and liabilities from our acquisitions is recorded as goodwill. At December 31, 2024, we had \$130.4 million in goodwill related to our acquisitions and \$24.8 million in intangible assets comprised of \$12.3 million of indefinite life intangibles and \$12.5 million of finite life intangible assets. At December 31, 2023, we had \$130.4 million in goodwill related to our acquisitions and \$29.5 million in intangible assets comprised of \$12.3 million of indefinite life intangibles and \$17.2 million of finite life intangible assets. As described above, we report our financial results as three operating segments, Ting, Wavelo and Tucows Domains. The goodwill balance is built up of \$107.7 million (83%) related to Tucows Domains and \$22.7 million (17%) related to Ting. Of our goodwill balance, \$90.3 million is not deductible for tax purposes. The intangible asset balance is built up of \$17.4 million (70%) related to Tucows Domains and \$7.4 million (30%) related to Ting.

We account for goodwill and indefinite life intangible assets in accordance with the Financial Accounting Standards Board ("FASB")'s authoritative guidance, which requires that goodwill and indefinite life intangible assets are not amortized, but are subject to an annual impairment test. We complete our impairment test on an annual basis, during the fourth quarter of our fiscal year, or more frequently, if changes in facts and circumstances indicate that impairment indicators are present.

Our indefinite life intangible assets consist of surname domain names and direct navigation domain names. In order to maintain our rights to these domain names, we pay annual renewal fees to the applicable domain name registries. Over the course of time, we sometimes decide not to renew certain under-performing domain names and incur an impairment charge associated with such non-renewal. There was no impairment recorded on indefinite-life intangible assets during 2024, 2023 and 2022.

With regard to long-lived assets comprised of property and equipment and finite life intangible assets, we continually evaluate whether events or circumstances have occurred that indicate the remaining estimated useful lives of our definite-life intangible assets may warrant revision or whether the carrying amount of such assets may not be recoverable and exceed their fair value. We use an estimate of the related undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. During Fiscal 2024, 2023 and 2022, property and equipment with net book values of \$19.1 million, \$4.8 million, and \$0.1 million, respectively, were written off and included in impairment of property and equipment in the consolidated statements of comprehensive income (loss). \$17.7 million of the impairment losses incurred in 2024 related to the announced Capital Efficiency Plan, both specific assets under construction projects no longer planned to be completed and the capital inventory to be used in those projects were assessed as an impairment loss. The full cost of the identified assets under construction impacted was recorded as an impairment loss as well as the difference between carrying value and liquidation value of capital inventory. The remaining \$1.4 million impairment charges relate to specific network assets that were identified through routine inspections as being damaged and no longer in use. During Fiscal 2024, 2023 and 2022 there was no impairment recorded on definite-life intangible assets.

We performed a qualitative assessment to determine whether there were events or circumstances which would lead to a determination, whether it is more likely than not, that goodwill and indefinite life intangible assets have been impaired. In performing the qualitative testing, we made an evaluation of the impact of various factors to the expected future cash flows attributable to our reporting units and to the assumed discount rate which would be used to present value those cash flows. Consideration was given to factors such as macro-economic, industry and market conditions including the capital markets, the competitive environment, in addition to other internal factors including changes to our market capitalization, cash inflows, obligations and access to capital of our segments. We concluded that there were no indications of impairment under the qualitative approach. The analysis was consistent with the approach we utilized in prior years.

In connection with business acquisitions that we have completed, we identify and estimate the fair value of net assets acquired, including certain identifiable intangible assets (other than goodwill) and liabilities assumed. The determination of acquisition date fair values requires us to make significant estimates and assumptions regarding projected revenues, costs, earnings before interest, taxes, depreciation and amortization, attrition rates and discount rates. Changes to these assumptions may result in material differences depending on the size of the acquisition completed.

Any changes to our key assumptions about our businesses and our prospects, or changes in market conditions, could cause the fair value of our operating segments to fall below its carrying value, resulting in a potential impairment charge. In addition, changes in our organizational structure or how our management allocates resources and assesses performance, could result in a change in our operating segments, requiring a reallocation and updated impairment analysis of goodwill and indefinite life intangible assets. A goodwill or intangible asset impairment charge could have a material effect on our consolidated financial statements because of the significance of goodwill and intangible assets to our consolidated balance sheet. There was no impairment of goodwill or intangible assets, both definite and indefinite life, as a result of the annual impairment tests completed during the fourth quarters of 2024, 2023 or 2022.

Accounting for Income Taxes

We operate in various tax jurisdictions, and accordingly, our income is subject to varying tax rates. Losses incurred in one jurisdiction cannot be used to offset taxable income in another jurisdiction. Our ability to use income tax loss carryforwards and future income tax deductions is dependent upon our operations in the tax jurisdictions in which such losses or deductions arise. Significant judgment is required in determining our provision for income taxes and evaluating our uncertain tax positions.

We account for income taxes under the asset and liability method, which recognizes the deferred tax assets or liabilities for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that the benefit from the deferred tax assets will not be realized. In assessing the need for valuation allowance, historical and future levels of income, expectations and risks associated with estimates of future taxable income and tax planning strategies are considered. As of December 31, 2024, the valuation allowance of \$51.7 million was recorded, which we are not expected to realize on a more than likely than not basis.

We apply a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if on the weight of available evidence, it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit that is more than 50% likely to be realized upon settlement. As of December 31, 2024, we did not recognize any uncertain tax provisions within the provision for income taxes.

See "Note 9 – Income Taxes" to the Consolidated Financial Statements for further information regarding income taxes included in Part II, Item 8 of this Annual Report.

Recently Issued Accounting Standards

See "Note 2 – Significant Accounting Policies" of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for information regarding recently issued accounting standards.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2024 AS COMPARED TO THE YEAR ENDED DECEMBER 31, 2023

For additional information on our financial condition as of December 31, 2023 and results of operations, liquidity and capital resources for the year ended December 31, 2023 as compared to the year ended December 31, 2022, refer to Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on [10-K for the year ended December 31, 2023](#) which was filed with the United States Securities and Exchange Commission on April 1, 2024.

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 the OpenSRS, eNom and Ascio domain expiry streams.

Retail

We derive revenues mainly from Hover and eNom's retail properties through the sale of retail domain name registration and email services to individuals and small businesses. The retail segment now 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.

Corporate and all other - 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 Wavelo provider for CSPs globally.

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

These mobile services revenue streams also includes transitional services provided to 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 Fiscal 2023 or 2024.

The following table presents our net revenues, by revenue source:

(Dollar amounts in thousands of U.S. dollars)

	Year ended December 31,	
	2024	2023
Ting:		
Fiber Internet Services	\$ 59,732	\$ 50,937
Wavelo:		
Platform Services	39,824	37,082
Other professional services	37	1,588
Total Wavelo	39,861	38,670
Tucows Domains:		
Wholesale		
Domain Services	197,113	189,013
Value Added Services	19,882	17,712
Total Wholesale	216,995	206,725
Retail	37,644	35,372
Total Tucows Domains	254,639	242,097
Corporate and all other:		
Mobile Services and eliminations	8,043	7,633
	\$ 362,275	\$ 339,337
Increase over prior period	\$ 22,938	
Increase - percentage	7%	

The following table presents our net revenues, by revenue source, as a percentage of total net revenues:

	Year ended December 31,	
	2024	2023
Ting:		
Fiber Internet Services	16%	15%
Wavelo:		
Platform Services	11%	11%
Other Professional Services	0%	0%
Total Wavelo	11%	11%
Tucows Domains:		
Wholesale		
Domain Services	55%	56%
Value Added Services	5%	5%
Total Wholesale	60%	61%
Retail	10%	10%
Total Tucows Domains	70%	71%
Corporate and all other:		
Mobile services and eliminations	3%	3%
	100%	100%

Total net revenues for Fiscal 2024 increased by \$23.0 million, or 7%, to \$362.3 million compared the year ended December 31, 2023 ("Fiscal 2023"). The increase in net revenue was driven by higher revenues across all operations. The Domains segment increased \$12.5 million in the current period primarily driven by pricing increases through the current period and strong performance in the Expiry stream. The Ting segment increased \$8.8 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 \$1.2 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 Mobile services revenues.

Contract liabilities at December 31, 2024 increased by \$8.7 million to \$156.8 million from \$148.1 million at December 31, 2023. The increase was driven primarily by Tucows Domains, which accounted for \$7.4 million of the increase as a result of the increase in pricing and domain name transactions through the current period. This was furthered by a smaller \$1.2 million increase from Wavelo as a result of the contract liability associated with select customer contracts.

A customer, EchoStar, within our Wavelo segment accounted for 10.7% of total net revenue during the year ended December 31, 2024 and 10.7% of total net revenue during the year ended December 31, 2023. EchoStar accounted for 56% of total accounts receivable at December 31, 2024 and 59% of total accounts receivable at December 31, 2023. 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 expected credit losses were \$0.9 million and \$0.5 million as at December 31, 2024 and at December 31, 2023, respectively. Based on this assessment, we expect the carrying amount of our outstanding receivables, net of expected credit losses, to be fully collected.

Ting

Ting generated \$59.7 million in net revenue during Fiscal 2024, which increased by \$8.8 million or 17% compared to Fiscal 2023. This growth is driven by continued subscriber growth across the markets we serve, as well as the continued expansion of our Ting Internet footprint to new Ting towns throughout the United States.

As of December 31, 2024, Ting Internet had access to 134,000 owned infrastructure serviceable addresses, 45,000 partner infrastructure serviceable addresses and 51,000 active accounts under its management; compared to having access to 121,000 owned infrastructure serviceable addresses, 29,000 partner infrastructure serviceable addresses and 43,000 active accounts under its management as of December 31, 2023. These figures exclude the increase in serviceable addresses and accounts attributable to the Simply Bits acquisition.

Wavelo

Platform Services

Wavelo's Platform services generated \$39.8 million in net revenue during Fiscal 2024, which increased by \$2.7 million or 7% compared to Fiscal 2023. The increase in Fiscal 2024 net revenue is driven primarily by increased platform revenues earned from a full twelve months of fully loaded revenues from the completed migration of EchoStar's Boost Mobile subscriber base 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 flat fee platform fees. 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 Corporate and all other - Mobile services and eliminations.

Other Professional Services

During Fiscal 2024, Wavelo's Other Professional Services net revenue decreased by \$1.6 million or 100% compared to Fiscal 2023, to less than \$0.1 million. These revenues are related to the provision of standalone technology services development for our CSP customers and are non-recurring 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 limited standalone professional services for our customers.

Tucows Domains

Wholesale - Domain Services

Wholesale Tucows Domains generated \$197.1 million in net revenue during Fiscal 2024, which increased by \$8.1 million or 4% compared to Fiscal 2023. The increase from Wholesale domain services was driven primarily by increased domain name transactions and various price increases since Fiscal 2023.

Together the OpenSRS, eNom, EPAG and Ascio Domain Services manage 24.5 million domain names under the Tucows, eNom, EPAG and Ascio ICANN registrar accreditations and for other registrars under their own accreditations. Domains under management has decreased by 0.1 million domain names, or less than 1%, since December 31, 2023.

Wholesale - Value Added Services

Wholesale value-added services generated \$19.9 million in net revenue during Fiscal 2024, which increased by \$2.2 million or 12% compared to Fiscal 2023. The increase in value-added service revenue was driven by strong expiry sales and the inclusion of our storefront operations through the current period, partially offset by lower Digital Certificate revenues.

Retail

Retail domain services generated \$37.6 million in net revenue during Fiscal 2024, which increased by \$2.2 million or 6% compared to Fiscal 2023. The increase in retail revenue 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.

Corporate and all other - Mobile services and eliminations

Mobile Services and eliminations generated \$8.0 million in net revenue during Fiscal 2024, which increased by \$0.4 million or 5% compared to Fiscal 2023. The increase was driven primarily by lower intercompany corporate eliminations of \$1.8 million, primarily as a result of decreased revenues associated with inter segment billing between Wavelo and Ting. This was partially offset by decreased revenues of \$0.9 million associated with the mobile services and device revenues from the small group of customers retained by the Company as part of the EchoStar Purchase Agreement. This decrease was primarily a result of the organic subscriber churn and plan mix shifting towards lower price point rate plans compared to Fiscal 2023. This was also furthered by decreased transitional services of \$0.5 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 new 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 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.

Corporate and all other - 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, customer support, 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)

	Year ended December 31,	
	2024	2023
Ting:		
Fiber Internet Services	\$ 18,754	\$ 20,151
Wavelo:		
Platform Services	1,248	1,337
Other Professional Services	25	1,289
Total Wavelo	1,273	2,626
Tucows Domains:		
Wholesale		
Domain Services	158,383	150,664
Value Added Services	2,075	2,249
Total Wholesale	160,458	152,913
Retail	16,625	16,501
Total Tucows Domains	177,083	169,414
Corporate and all other:		
Mobile services and eliminations	12,637	10,065
Network Expenses:		
Network, other costs	26,723	28,222
Network, depreciation and amortization costs	41,335	37,370
Network, impairment	1,441	4,822
	69,499	70,414
	\$ 279,246	\$ 272,670
Increase over prior period	\$ 6,576	
Increase - percentage	2%	

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

	Year ended December 31,	
	2024	2023
Ting:		
Fiber Internet Services	7%	7%
Wavelo:		
Platform Services	0%	1%
Other Professional Services	0%	0%
Total Wavelo	0%	1%
Tucows Domains:		
Wholesale		
Domain Services	55%	54%
Value Added Services	1%	1%
Total Wholesale	56%	55%
Retail	6%	6%
Total Tucows Domains	62%	61%
Corporate and all other:		
Mobile services and eliminations	5%	4%
Network Expenses:		
Network, other costs	10%	11%
Network, depreciation and amortization costs	15%	14%
Network, impairment	1%	2%
	26%	27%
	100%	100%

Total cost of revenues for Fiscal 2024 increased by \$6.5 million, or 2%, to \$279.2 million, from \$272.7 million in Fiscal 2023. The increase in cost of revenues was driven by increases across Tucows Domains and mobile service and eliminations by \$7.7 million and \$2.6 million, respectively. The increase in Tucows Domains of \$7.7 million was a result of an increase in domain name transactions and registry side cost increases through the current period. The increase in mobile services and eliminations of \$2.6 million was primarily a result of higher mobile telephony services costs due to MNO minimum purchase commitments and plan mix changes in the current period. These increases were partially offset by decreases across Ting, Wavelo, and Network Expenses of \$1.4 million, \$1.4 million, and \$0.9 million, respectively. The decrease in Ting of \$1.4 million was primarily a result of decreased costs and savings from the Capital Efficiency Plan executed in October 2024. The decrease in Wavelo of \$1.4 million was primarily driven by Other Professional Services, consistent with limited standalone technology development work and revenues in the current period. The decrease in Network Expenses of \$0.9 million was primarily due to a decrease in impairment charges within the Ting segment compared to Fiscal 2023, as well as decreased costs and savings from the Capital Efficiency Plan; partially offset by an increase in depreciation costs.

Deferred costs of fulfillment as of December 31, 2024 increased by \$5.9 million, or 5%, to \$117.0 million from \$111.1 million at December 31, 2023. This increase was driven by Tucows Domains with an increase of \$6.5 million as a result of increased domain name transactions and registry cost increases through the current period, consistent with the increase in contract liabilities discussed above. This increase was partially offset by Wavelo, with a decrease of \$0.6 million related to the prior year which included Other Professional Services where the deferred costs to fulfill those services were amortized into costs of revenues.

Ting

In Fiscal 2024, costs related to provisioning high speed Internet access for Ting and its subsidiaries, Cedar and Simply Bits, decreased by \$1.4 million, or 7%, to \$18.8 million as compared to \$20.2 million during Fiscal 2023. The decrease is primarily driven by decreased personnel costs and savings from the Capital Efficiency Plan executed in October 2024.

Wavelo*Platform Services*

Cost of revenues from Wavelo Platform Services for Fiscal 2024 decreased by \$0.1 million, or 8%, to \$1.2 million from \$1.3 million in Fiscal 2023. This was driven by the complete amortization of previously capitalized costs incurred to fulfill the EchoStar Master Services Agreement ("MSA") over the initial term of the agreement, which ended in July 2024.

Other Professional Services

Cost of revenues from Other Professional Services for Fiscal 2024 decreased by \$1.3 million, or 100%, to less than \$0.1 million as compared to \$1.3 million in Fiscal 2023. Cost 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. The 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 limited standalone professional services for our customers. The decrease is aligned to the decrease in Net Revenues discussed above.

Domain Services*Wholesale - Domain Services*

Costs for Wholesale domain services for Fiscal 2024 increased by \$7.7 million, or 5%, to \$158.4 million as compared to \$150.7 million in Fiscal 2023. Increases from Wholesale domain services were primarily driven by increased domain name transactions and various registry gTLD cost increases since Fiscal 2023. The increase is aligned to the increase in Net Revenues discussed above.

Wholesale - Value Added Services

Costs for wholesale value-added services for Fiscal 2024 decreased by \$0.1 million, or 5%, to \$2.1 million as compared to \$2.2 million in Fiscal 2023. The decrease was driven by decreased costs related to the Digital Certificate revenue stream, and was partially offset by the inclusion of our storefront operations, consistent with the Net Revenues discussion above.

Retail

Costs for retail domain services for Fiscal 2024 increased by \$0.1 million, or less than 1%, to \$16.6 million as compared to \$16.5 million in Fiscal 2023.

Corporate and all other - Mobile services and eliminations

Cost of revenues from Mobile Services and Eliminations for Fiscal 2024 increased by \$2.5 million, or 26%, to \$12.6 million as compared to \$10.1 million in Fiscal 2023. The increase is driven by increased costs associated with mobile services from the small group of customers retained by the Company as part of the EchoStar Purchase Agreement due to MNO minimum purchase commitments and plan mix changes towards unlimited plans. The Company accrued \$1.3 million in penalties associated with the MNO minimum commitment shortfall in Fiscal 2024, as compared to \$0.3 million in Fiscal 2023. The company expects to continue to incur penalties in Fiscal 2025 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 costs for Fiscal 2024 decreased by \$0.9 million, or 1% to \$69.5 million as compared to \$70.4 million in Fiscal 2023. The current period decrease was primarily driven by decreased normal course network impairment charges of \$3.4 million for Ting cable plant, asset under construction and capital inventory compared to Fiscal 2023. The current period decrease was furthered by a decrease in network costs of \$1.5 million driven by savings related to the Capital Efficiency Plan, executed in October 2024. This was offset by increased network depreciation of \$4.0 million, consisting of \$3.1 million in incremental depreciation from Ting's expansion of our Ting Internet footprint to new Ting towns throughout the United States, \$0.8 million in incremental depreciation of Wavelo's platform assets, and \$0.1 million in incremental depreciation 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)

	Year ended December 31,	
	2024	2023
Sales and marketing	\$ 59,382	\$ 67,806
Decrease over prior period	\$ (8,424)	
Decrease - percentage	(12)%	
Percentage of net revenues	16%	20%

Sales and marketing expenses for Fiscal 2024 decreased by \$8.4 million, or 12%, to \$59.4 million as compared to Fiscal 2023. The decrease was primarily driven by reduced marketing and customer acquisition related spend from Ting, as the segment looked to measure and optimize channel spending. These savings were furthered by reduced personnel costs following the Capital Efficiency Plan.

Excluding movements in exchange rates, we expect sales and marketing expenses for Fiscal 2025 to decrease in absolute dollars, with lower personnel costs through the year due to lower headcount and as we adjust our marketing programs to optimize channel spending.

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)

	Year ended December 31,	
	2024	2023
Technical operations and development	\$ 18,627	\$ 19,217
Decrease over prior period	\$ (590)	
Decrease - percentage	(3)%	
Percentage of net revenues	5%	6%

Technical operations and development expenses for Fiscal 2024 decreased by \$0.6 million, or 3%, to \$18.6 million as compared to Fiscal 2023. The decrease was primarily driven by reduced contracted services spending for tools, systems, and labor to support the technical operations and development of our systems and platforms, lower network connectivity and co-location costs. These decreases were partially offset by savings in personnel costs following the Capital Efficiency Plan.

Excluding movements in exchange rates, we expect technical operations and development expenses for Fiscal 2025, in absolute dollars, to increase when compared to Fiscal 2024 to support the ongoing growth in our operations.

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)

	Year ended December 31,	
	2024	2023
General and administrative	\$ 37,068	\$ 33,406
Increase over prior period	\$ 3,662	
Increase - percentage	11%	
Percentage of net revenues	10%	10%

General and administrative expenses for Fiscal 2024 increased by \$3.7 million, or 11%, to \$37.1 million as compared to Fiscal 2023. The increase was primarily driven by increased professional fees incurred in the current period and increased spending on tooling and software to support general and administrative functions. The increase was furthered by slight increases in credit card processing fees and bad debt expense as teams re-assess provisions against collectability. These increases were partially offset by some savings relating to the Capital Efficiency Plan.

Excluding movements in exchange rates, we expect general and administrative expenses for Fiscal 2025, in absolute dollars, to increase when compared to Fiscal 2024 largely to support the growth of our business.

IMPAIRMENT AND RESTRUCTURING

(Dollar amounts in thousands of U.S. dollars)

	For the Year Ended	
	2024	2023
Impairment of property and equipment	\$ 17,726	\$ -
Restructuring charges	10,954	-
Increase over prior period	28,680	
Increase - percentage	N/A%	
Percentage of net revenues	8%	-%

During the year ended December 31, 2024, as part of the October 2024 Capital Efficiency Plan, the Company recorded an impairment loss of \$17.7 million related to Assets Under Construction and Capital Inventory. These assets were deemed no longer necessary for future operations following the implementation of the Capital Efficiency Plan, which included the decision to cease new market expansions in select Ting markets. This impairment loss was accounted for under *ASC 420 - Exit or Disposal Cost Obligations*.

During the year ended December 31, 2024, the Company also incurred \$11.0 million in one-time costs related to both the February 2024 Workforce Reduction and October 2024 Capital Efficiency Plan restructurings, which were both accounted for under *ASC 420 - Exit or Disposal Cost Obligations*. These costs associated with the Workforce Reduction and Capital Efficiency Plan predominantly consisted of termination benefits for the terminated employees associated with the restructuring, continuation of benefits, outplacement costs, and professional services.

DEPRECIATION OF PROPERTY AND EQUIPMENT

(Dollar amounts in thousands of U.S. dollars)

	Year ended December 31,	
	2024	2023
Depreciation of property and equipment	\$ 451	\$ 567
Decrease over prior period	(116)	
Decrease - percentage	(20)%	
Percentage of net revenues	-%	-%

Depreciation costs for Fiscal 2024 decreased by less than \$0.1 million to \$0.5 million as compared to Fiscal 2023. The slight decrease was due to lower additions to property and equipment in Fiscal 2024 while additions from prior years became fully depreciated.

AMORTIZATION OF INTANGIBLE ASSETS

(Dollar amounts in thousands of U.S. dollars)

	Year ended December 31,	
	2024	2023
Amortization of intangible assets	\$ 3,834	\$ 9,323
Decrease over prior period	(5,489)	
Decrease - percentage	(59)%	
Percentage of net revenues	1%	3%

Amortization of intangible assets for Fiscal 2024 decreased by \$5.5 million, or 59%, to \$3.8 million as compared to Fiscal 2023. This decrease in amortization was driven by the completed amortization of customer relationships associated with the Company's Fiscal 2017 acquisition of eNom. The amortization of the related assets was completed in January 2024.

Network rights, brand and customer relationships acquired in connection with the following acquisitions are amortized on a straight-line basis over a range of two to seven years: eNom in January 2017, Ascio in March of 2019, Cedar in January 2020 and Simply Bits in November 2021.

OTHER INCOME (EXPENSES)

(Dollar amounts in thousands of U.S. dollars)

	Year ended December 31,	
	2024	2023
Other income (expense), net	\$ (36,861)	\$ (39,418)
Increase over prior period	2,557	
Increase - percentage	6%	
Percentage of net revenues	10%	12%

Other income (expense) increased by \$2.6 million when compared to Fiscal 2023. The increase was primarily driven by the absence of 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. The increase was furthered by a slight increase in other income due to the inclusion of Orange Domains joint venture and sublease rental income received in the current period. The increase was partially offset by higher net interest expense 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.

INCOME TAXES

The following table presents our provision for income taxes for the periods presented:

(Dollar amounts in thousands of U.S. dollars)

	Year ended December 31,	
	2024	2023
Provision for income taxes	\$ 7,986	\$ (6,873)
Increase in provision over prior period	\$ 14,859	
Increase - percentage	(216)%	
Effective tax rate	(8)%	7%

Income taxes increased by \$14.8 million and the effective tax rate decreased from 7% to (8%) when compared to the year ended December 31, 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.

A reconciliation of the federal statutory income tax rate to our effective tax rate is set forth in "Note 9 – Income Taxes" of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

ADJUSTED EBITDA

We believe that the provision of this supplemental non-GAAP financial 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 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 II, Item 8 of this Annual 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 net income to Adjusted EBITDA:

Reconciliation of Income before Provision for Income Taxes to Adjusted EBITDA (In Thousands of US Dollars)	Twelve months ended December 31,		
	2024	2023	2022
Net Income (Loss) for the period	\$ (109,860)	\$ (96,197)	\$ (27,571)
Less:			
Provision for income taxes	7,986	(6,873)	(217)
Depreciation of property and equipment	40,323	36,431	28,187
Impairment and loss on disposition of property and equipment	19,167	4,822	553
Amortization of intangible assets	5,297	10,829	11,394
Interest expense, net	51,275	41,771	14,456
Loss on debt extinguishment	-	14,680	-
Accretion of contingent liability	-	-	248
Stock-based compensation	7,021	8,134	7,599
Unrealized loss (gain) on change in fair value of foreign currency forward contracts	-	-	-
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	(168)	(62)	281
Acquisition and other costs ¹	13,876	1,916	2,660
Adjusted EBITDA	\$ 34,917	\$ 15,451	\$ 37,590

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

Segment Adjusted EBITDA for the year ended December 31, 2024 increased by \$19.4 million, or 125% to \$34.9 million when compared to the year ended December 31, 2023. The increase in segment Adjusted EBITDA from period-to-period was primarily driven by increases in Ting, Wavelo, and Tucows Domains. Ting contribution, which excludes the restructuring impact of the February 2024 workforce reduction and 2024 Capital Efficiency Plan, increased \$21.6 million, primarily driven by subscriber growth across the markets we serve as well, the reduction in spend across sales and marketing activities, and reduced personnel costs due to the execution of the Capital Efficiency Plan. The Wavelo contribution increased \$3.2 million primarily driven by increased platform revenues earned from the increased level of EchoStar subscribers on the platform throughout Fiscal 2024, compared to prior year where migrations of EchoStar subscribers were still occurring. Tucows Domains contributions increased by \$1.8 million from strong wholesale, expiry, and portfolio sales through the current period, as well as the inclusion of Orange Domains joint venture. These increases in segment Adjusted EBITDA were partially offset by decreases across Mobile Services and eliminations. Mobile Services and eliminations contributions decreased \$7.2 million primarily from the decrease in income earned on sale of Transferred Assets to EchoStar, increasing MNO minimum purchase obligations, as well as increased professional services fees; partially offset by reduced personnel costs due to the execution of the Capital Efficiency Plan.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2024, our cash and cash equivalents balance decreased \$35.8 million, our funds held by trustee balance increased by \$1.0 million, and our secured notes reserve funds balance increased by \$3.1 million, respectively, when compared to December 31, 2023. The decrease in our cash balance was primarily driven by \$56.5 million for the continued investment in property and equipment primarily driven by Ting Internet expansion and both Wavelo and Domains platforms, \$19.7 million from cash used in operating activities, \$16.5 million related to the repayment of the 2023 Credit Facility, \$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 proceeds from the issuance of additional notes payable for Ting Internet (as defined in "Note 8 - Notes Payable") and \$0.5 million from proceeds on disposal of property and equipment.

2024 Ting Securitized Financing Facility

On August 20, 2024, the Company through its wholly owned subsidiaries, including Ting, entered into a definitive agreement relating to a securitized financing facility related to a privately placed securitized transaction. On the closing date, Ting issued (i) \$55,000,000 of its 5.63% Secured Fiber Revenue Notes, Series 2024-1, Class A-2 (the "2024 Class A-2 Notes"), (ii) \$8,000,000 of its 6.85% Secured Fiber Revenue Notes, Series 2024-1, Class B (the "2024 Class B Notes") and (iii) \$16,000,000 initial principal amount of 9.15% Secured Fiber Revenue Notes, Series 2024-1, Class C (the "2024 Class C Notes" and together with the 2024 Class A-2 Notes and the 2024 Class B Notes, the "2024 Term Notes").

The offering was exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). Subject to certain limitations, the 2024 Notes are secured by certain of the Company's revenue-generating assets, consisting principally of the Securitized Assets, that are owned by certain other limited-purpose, bankruptcy-remote, wholly owned indirect subsidiaries of the Company (collectively, the "Securitization Entities") that act as guarantors under the Base Indenture.

The 2024 Term Notes were issued under the Base Indenture, dated as of May 4, 2023 (as supplemented by the Base Indenture Supplement No. 1, dated as of November 10, 2023), by and between the Issuer, the asset parties party thereto and Citibank, N.A., as trustee (in such capacity, the "Indenture Trustee") and securities intermediary and a series supplement to the Base Indenture dated as of the Closing Date (the "Series 2024-1 Supplement"), by and among the Issuer, the asset parties party thereto and the Indenture Trustee. The Base Indenture and the Series 2024-1 Supplement will allow the Issuer to issue additional series of notes in the future, subject to certain conditions set forth therein.

Interest payments on the 2024 Term Notes are payable on a monthly basis. The legal final maturity date of the 2024 Term Notes is in August of 2054, but, unless earlier prepaid to the extent permitted under the Indenture, the anticipated repayment date of the 2024 Term Notes will be in August 2029. If the Issuer has not repaid or refinanced the 2024 Term Notes prior to the anticipated repayment date, additional interest will accrue on the 2024 Term Notes in an amount equal to the greater of (A) 5.00% per annum and (B) a per annum interest rate equal to the excess, if any, by which the sum of the following exceeds the original interest rate of such 2024 Term Note (i) the yield to maturity (adjusted to a "mortgage equivalent basis" pursuant to the standards and practices of the Securities Industry and Financial Markets Association) on such anticipated repayment date of the United States Treasury Security having a term closest to 10 years, plus (ii) 5.00%, plus (iii) (x) for the 2024 Class A-2 Notes, 2.00%, (y) for the 2024 Class B Notes, 3.25% and (z) for the 2024 Class C Notes, 7.00%. Please see the discussion in the Material Cash Requirements section below.

2023 Credit Facility

On September 22, 2023, the Borrowers and certain other subsidiaries of the Company, as guarantors, entered into 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 the 2023 Credit Facility in an aggregate amount not to exceed \$240 million. 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 December 31, 2024, the Company's leverage ratio was 3.26:1.00 and Interest Coverage Ratio was 3.50:1.00.

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 Fiscal 2024, the Company made net repayments of \$16.5 million towards the 2023 Credit Facility and the previous facility. The Company ended December 31, 2024 with a remaining principal balance of \$195.4 million, for which the required repayment is due in 2026.

As of December 31, 2024, the Company held contracts in the amount of \$29.4 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

Year ended December 31, 2024

Net cash inflows (outflows) from operating activities were (\$19.7) million, a decrease of (310%) when compared to the prior year. After adjusting for non-cash charges, the Company reported a net loss of (\$23.7) million during Fiscal 2024, a decrease of (38%) when compared to the prior year. Net income included non-cash charges and recoveries of \$86.1 million including depreciation, impairment of property and equipment, accretion of redeemable preferred units, stock-based compensation, amortization of intangible assets, amortization of debt discount and issuance costs, deferred income taxes (recovery), loss (gain) on disposal of assets, net amortization of contract costs, 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 inflow of \$4.0 million. Positive contributions of \$16.4 million from movements in contract liabilities, inventory, accrued liabilities, contract asset, accounts receivable, prepaid expenses and deposits, and accreditation fees payable, were partially offset by utilized cash of \$12.5 million from the changes in deferred costs of fulfillment, accounts payable, customer deposits, and income taxes recoverable.

Cash Flow from Financing Activities

Year ended December 31, 2024

Net cash inflows from financing activities during Fiscal 2024 totaled \$44.5 million as compared to cash inflows of \$178.8 million during Fiscal 2023. Total cash inflows were driven by \$63.0 million of proceeds from the issuance of notes payable and less than \$0.1 million from proceeds received on exercise of stock options. These cash inflows were partially offset by \$16.5 million related to the repayment of the syndicate revolver, \$2.0 million from deferred notes payable financing costs, and less than \$0.1 million related to the syndicate revolver issued.

Cash Flow from Investing Activities

Year ended December 31, 2024

Investing activities during the Fiscal 2024 used net cash of \$56.5 million as compared to using \$92.6 million during Fiscal 2023. Total cash outflows were driven by \$56.5 million related to the investment in property and equipment, primarily to support the continued expansion of our Ting Internet Fiber network footprints in Colorado, North Carolina, California, and Virginia as we seek to extend both our current network and expand to new markets, as well as \$0.6 million for the acquisition of other intangible assets. These cash outflows were partially offset by \$0.5 million of proceeds on disposal of property and equipment.

Material Cash Requirements

At December 31, 2024, the Company's cash and cash equivalents, restricted cash and secured notes reserve funds balances totaled \$73.2 million, of which \$61.7 million belonged to Ting and \$11.5 million belonged to the other Tucows businesses.

In our 2023 Annual Report, we disclosed our material cash requirements of both the Ting segment and Tucows businesses excluding Ting. As of December 31, 2024, aside from 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 December 31, 2024, the balance owing on the Unit Purchase Agreement was \$122.2 million ("Note 13 - 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 2025.

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 \$121.7 million and \$120.1 million for the year ended December 31, 2024 and the year ended December 31, 2023, respectively. At December 31, 2024, Ting had \$45.4 million in unrestricted cash and cash equivalents, \$1.2 million in accounts receivable, \$1.2 million in accounts payable and \$15.8 million in accrued liabilities. At December 31, 2024, Ting's long-term liabilities included \$287.6 million payable on the 2023 and 2024 Term Notes, as well as \$122.2 million on the Redeemable Preferred Units. Ting incurred an operating cash flow deficit of \$49.9 million and \$41.7 million for the year ended December 31, 2024 and the year ended December 31, 2023, respectively. Ting has scheduled interest payments of \$39.2 million in the twelve months following December 31, 2024.

Ting may not be able to meet its financial obligations over the twelve months following December 31, 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 December 31, 2024, the Company's 2023 Credit Facility had an outstanding balance of \$195.4 million. Tucows businesses excluding Ting make principal repayments from time to time.

For Fiscal 2025, 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.

In the long-term, Tucows businesses excluding Ting may seek additional financing to accelerate the growth of our Wavelo business, repurchase shares or future acquisitions. The Company's 2023 Credit Facility expires on September 30, 2026 and the Company will be required to refinance the 2023 Credit Facility once it becomes due.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We develop products in Canada and sell these services in North America and Europe. Our sales are primarily made in U.S. dollars, while a major portion of our expenses are incurred in Canadian dollars. Our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. Our interest income is sensitive to changes in the general level of Canadian and U.S. interest rates, particularly since the majority of our investments are in short-term instruments. Based on the nature of our short-term investments, we have concluded that there is no material interest rate risk exposure as of December 31, 2024.

We are also subject to market risk exposure related to changes in interest rates under our 2023 Credit Agreement. Changes in interest rates will impact our borrowing cost. However, fluctuations in interest rates are beyond our control. We will continue to monitor and assess the risks associated with interest expense exposure and may act in the future to mitigate these risks.

Although our functional currency is the U.S. dollar, a substantial portion of our fixed expenses are incurred in Canadian dollars. Our policy with respect to foreign currency exposure is to manage financial exposure to certain foreign exchange fluctuations with the objective of neutralizing some of the impact of foreign currency exchange movements. Exchange rates are, however, subject to significant and rapid fluctuations, and therefore we cannot predict the prospective impact of exchange rate fluctuations on our business, results of operations and financial condition. Accordingly, we have entered into foreign exchange forward contracts to mitigate the exchange rate risk on portions of our Canadian dollar exposure.

As of December 31, 2024, we had the following outstanding foreign exchange forward contracts to trade U.S. dollars in exchange for Canada dollars:

Maturity date (Dollar amounts in thousands of U.S. dollars)	Notional amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Fair value
January - March 2025	\$ 18,218	1.3697	\$ (812)
April - June 2025	11,181	1.3692	(458)
	<u>\$ 29,399</u>	<u>1.3695</u>	<u>\$ (1,270)</u>

As of December 31, 2024, the Company had \$29.4 million of outstanding foreign exchange forward contracts which will convert to CDN \$40.3 million. Of these contracts, \$29.4 million met the requirements for hedge accounting.

As of December 31, 2023, the Company had \$61.4 million of outstanding foreign exchange forward contracts which will convert to CDN \$84.1 million. Of these contracts, \$61.4 million met the requirements for hedge accounting.

We have performed a sensitivity analysis model for foreign exchange exposure during the year ended December 31, 2024. The analysis used a modeling technique that compares the U.S. dollar equivalent of all expenses incurred in Canadian dollars, at the actual exchange rate, to a hypothetical 10% adverse movement in the foreign currency exchange rates against the U.S. dollar, with all other variables held constant. Foreign currency exchange rates used were based on the market rates in effect during the year ended December 31, 2024. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in a decrease in net income for the year ended December 31, 2024 of approximately \$6.4 million, before the effects of hedging. We will continue to monitor and assess the risk associated with these exposures and may take additional actions in the future to hedge or mitigate these risks.

Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents, marketable securities, foreign exchange contracts and accounts receivable. Our cash, cash equivalents and short-term investments are in high-quality securities placed with major banks and financial institutions whom we have evaluated as highly creditworthy, and commercial paper. Similarly, we enter into our foreign exchange contracts with major banks and financial institutions. With respect to accounts receivable, we perform ongoing evaluations of our customers, generally granting uncollateralized credit terms to our customers, and maintaining expected credit losses based on historical experience and our expectation of future losses.

Interest rate risk

Our exposure to interest rate fluctuations relate primarily to the 2023 Credit Agreement.

As of December 31, 2024, we had an outstanding balance of \$195.4 million on the 2023 Credit Facility. The 2023 Credit Agreement added SOFR Loans as a form of advance available under the 2023 Credit Facility to replace LIBOR Rate Advances, and such SOFR Loans may bear interest based on Adjusted Daily Simple SOFR (defined to be the applicable SOFR rate published by the Federal Reserve Bank of New York plus 0.10% per annum subject to a floor of zero) or Adjusted Term SOFR (defined to be the applicable SOFR rate published by CME Group Benchmark Administration Limited plus 0.10% for one-month, 0.15% for three-months, and 0.25% for six-months per annum). As of December 31, 2024, an adverse change of 100 bps on the interest rate would have the effect of increasing our annual interest payment on the 2023 Credit Agreement by approximately \$2.0 million, assuming that the loan balance as of December 31, 2024 is outstanding for the entire period.