



Is Tucows Inc. a Buy After its Recent Dip?

Description

Tucows Inc. ([TSX:TC](#))([NASDAQ:TCX](#)) has declined 25.4% in 2018 as of close on January 16. This comes after the stock reached an all-time high of \$89.78 on December 29 — the last trading day of 2017. Should investors keep their distance or stack shares in the midst of this correction?

On January 8, Tucows was targeted by a particularly vicious report by the anonymous stock research group Copperfield Research. The report was titled “Cashing in on Neo-Nazis, Child Porn, & a Hidden Lawsuit as Insiders Dump.” Copperfield alleges that the business model at Tucows “enables and supports Neo-Nazism, pedophilia, and bigotry.”

The status of fringe political groups online has been a heated talking point since the 2016 election and especially following the August 2017 Charlottesville far right protests. The American domain registrar **GoDaddy Inc.** banned the self-described “pro-genocide” far right website The Daily Stormer after it posted a derogatory article mocking a civilian who was killed during the protests. The Daily Stormer then attempted to register a domain through Tucows, which promptly booted the website after it was made aware of its new status.

Interestingly, the Federal Communications Commission (FCC) cited the case of The Daily Stormer in its 200-page fact sheet titled “Restoring Internet Freedom” — a read-out justifying its intent to repeal net neutrality. The FCC pointed to this case as an example of internet service providers (ISP) blocking content “on viewpoint grounds.” Tucows leadership has been a vocal supporter of [net neutrality](#).

The accusation of “Neo-Nazi” and “fascist” support in the report centres on the status of Stormfront, a white nationalist online forum that has a Tucows domain. After he booted The Daily Stormer from its GoDaddy domain, CEO Blake Irving was forced to explain his decision. His apprehension and reasoning are crucial to consider in cases like this.

“We always have to ride the fence on making sure we are protecting a free and open internet,” he said in August. “And regardless of whether speech is hateful, bigoted, racist, ignorant, tasteless, in many cases we will still keep that content up because we don’t want to be a censor and First Amendment rights matter not just in speech but on the internet as well. But when the line gets crossed. And that

speech starts to incite violence then we have a responsibility to take that down.”

The report also alleges that the company failed to disclose a lawsuit that would result in the loss of 11% of its revenue-producing domains. It details what it calls “three structurally broken segments” that reported 69% revenue growth. The report alleges that it was a 4% organic decline according to public filings.

This same short seller targeted **Web.com Group Inc.** over four years ago. Copperfield Research was forced to withdraw allegations about illegal revisions to Web.com accounts. The Ontario Securities Commission (OSC) [recently vowed](#) that it would look to respond to “short-and-distort” campaigns in the future. What form these presumably punitive measures will take is yet to be determined.

Investors should monitor Tucows closely and consider adding on the dip in light of this suspect short-sell campaign.

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