



## Why Tucows Inc. Is Plunging Today

### Description

**Tucows Inc.** ([TSX:TC](#))([NASDAQ:TCX](#)), the world's second-largest domain name registrar and one of North America's leading providers of mobile phone and internet services, released record fourth-quarter and full-year earnings results this morning, but its stock has responded by plunging over 8% to open the day's trading session.

The stock now sits more than 25% below its 52-week high of US\$71.75 reached back in December, so let's break down the fourth-quarter results, full-year results, and the fundamentals of its stock to determine if we should use this weakness as a long-term buying opportunity.

### The record financial performance

Here's a quick breakdown of eight of the most notable financial statistics from Tucow's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Network Access Services revenues	US\$25.15 million	\$18.76 million	34.1%
Domain Services revenues	US\$65.47 million	US\$30.05 million	117.9%
Total revenue	US\$90.62 million	US\$48.81 million	85.7%
Gross margin	US\$25.74 million	US\$16.42 million	56.7%
Adjusted EBITDA	US\$15.28 million	US\$7.33 million	108.3%
Net income	US\$11.20 million	US\$2.82 million	297.6%
Basic net earnings per common share (EPS)	US\$1.06	US\$0.27	292.6%
Net cash provided by operating activities	US\$14.08 million	US\$9.07 million	55.3%

And here's a breakdown of six notable financial statistics from Tucow's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Total revenue	US\$329.42 million	US\$189.82 million	73.5%
Gross margin	US\$84.52 million	US\$63.05 million	34.0%
Adjusted EBITDA	US\$41.36 million	US\$30.13 million	37.3%
Net income	US\$22.33 million	US\$16.07 million	39.0%
Basic net earnings per common share	US\$2.12	US\$1.53	38.6%
Net cash provided by operating activities	US\$31.90 million	US\$22.51 million	41.7%

### Stock-buyback program announced

In a separate press release, Tucows announced that its board of directors has approved a US\$40 million stock-buyback program, and it will begin today and end on or before February 13, 2019.

### Should you use the sell-off as a buying opportunity?

It was a phenomenal quarter overall for Tucows, highlighted by growth across all of its key financial metrics, and it capped off an incredibly strong year for the company, so I think the market should have responded by sending its stock significantly higher; that being said, I think the weakness represents a very attractive entry point for long-term investors, because the stock is now wildly undervalued based [on its growth](#), as it trades at less than 25 times fiscal 2017's EPS of US\$2.12 and less than 17 times the consensus analyst estimate of US\$3.19 for fiscal 2018.

Tucow's stock has taken a beating since [a short seller](#) targeted it in January, but I simply cannot ignore the incredible growth the company is experiencing right now, so I would use the recent weakness as a long-term buying opportunity.

### CATEGORY

1. Investing
2. Tech Stocks

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