



Is Evolving Global Internet Policy Good or Bad News for Tucows Inc.?

Description

Last week, **Facebook Inc.** founder and CEO Mark Zuckerberg gave testimony to U.S. Congress in the wake of the Cambridge Analytica data scandal. Zuckerberg spoke briefly about the [development of Facebook's artificial intelligence software](#) that he claims will be able to target and eliminate “hate speech” over the next five to 10 years. Facebook and other social media giants have been in the cross-hairs since the 2016 U.S. election, as elected officials and intelligence agencies have claimed these entities had insufficient policies to guard against “Russian meddling” and “divisive material.”

In the beginning of 2018, governments were already moving rapidly to change the internet and social media as we have known it so far. On January 1, the German government began to implement its “Network Enforcement Law,” which could fine social media companies up to €50 million if these entities fail to remove objectionable content. In response to protests earlier this year, the Iranian government blocked social media networks, including Facebook-owned Instagram, in an attempt to curb organizing that was being done through these channels.

Tucows Inc. ([TSX:TC](#))([NASDAQ:TCX](#)) is a Toronto-based internet content solutions company and the second-largest domain registrar in the world. Shares of Tucows have dropped 16.8% in 2018 as of close on April 16, but the stock has rebounded over a three-month span, rising 11.5% in this period.

Tucows has been an outspoken advocate of net neutrality. In December 2017, the U.S. Federal Communications Commission (FCC) voted three to two to repeal net neutrality rules that were introduced in 2015. Ting, a mobile virtual network launched in February 2012 by Tucows, has said that it will continue to adhere to the 2015 rules going forward. “We will never block, throttle, or otherwise interfere with the online activity of our customers,” a Ting spokesperson said to Mashable in December.

In January, Tucows was targeted by the anonymous short seller Copperfield Research, which alleged in a brutal report that the company had enabled Neo-Nazis and child pornographers, among others. There were good reasons to call the report into question. Domain registrars navigate an incredibly complex legal environment. For example, in the United States, even the most incendiary political speech is protected, so long as it does not threaten direct violence. I'd [recommended](#) that investors consider buying the dip at Tucows, as it hovered around the \$65 mark at one point early in the year.

Tucows released its 2017 fourth-quarter and full-year results on February 14. It announced a \$40 million stock-buyback program that would start February 14 and terminate on or before February 13, 2019. Adjusted EBITDA rose 37% from 2016 to \$41.3 million last year, and net revenue climbed 74% to \$329.4 million.

For the time being, it is social media giants that will remain in the cross-hairs of public officials. International censorship of networks may increase in the following years, but the expansion of the broader online space will continue. The number of global internet users is expected to reach 4.1 billion in 2020 compared to three billion in 2015. Tucows is still an attractive growth stock today.

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