Can Tucows Inc. (TSX:TC) Bounce Back in 2018?

Description

Tucows (TSX:TC)(NASDAQ:TCX) stock has dropped 19.3% in 2018 and is down 11.5% over the past month as of close on August 24. The company was the target of a short-selling campaign in the beginning of 2018 that caused shares to plunge below the $70 mark before it mounted a steady comeback into the early summer. I'd recommend that investors consider adding Tucows on the dip after this campaign had been initiated.

The short-seller report from Copperfield Research certainly had some flaws, however, which I pointed out in the aforementioned article. Chief among them was the accusation that Tucows was enabling child predators, Neo-Nazis, and an assortment of other unsavory individuals. However, some of its concerns over weakness in key segments at Tucows have been vindicated.

Tucows released its second-quarter results on August 8. Net revenue fell 4% year-over-year to $81 million and net income dropped 31% to $3.6 million. Adjusted EBITDA managed to post an 8% increase to $11.1 million. According to Tucows, revenues took a hit primarily due to the transfer of 2.65 million "very low margin names" in the first quarter. Ting Mobile continued to post solid revenue growth year-over-year and Ting Internet also reported a positive quarter.

Tucows stock has climbed 9% year-over-year and is up 98% over a three-year period. Does this mean Tucows is a buy-low opportunity for some investors? Let's take a quick snapshot of another top domain registrar south of the border.

GoDaddy (NYSE:GDDY) is the largest ICANN-accredited registrar in the world. Shares of GoDaddy have climbed over 50% in comparison. It has also been challenged for hosting specific websites in a time of anxiety for hosts and social media giants alike. Like Tucows, GoDaddy was also an outspoken supporter of net neutrality, which was voted to be repealed by the FCC in December 2017. GoDaddy saw its revenue increase 16.8% year-over-year in the second quarter and total bookings rose 13% to $754.2 million.

There is still more than enough time for Tucows to rebound from a disappointing quarter. Year-to-date net income is only down 4% to $7.3 million, with the transfer of low margin names proving a major drag on earnings in the second quarter. Total revenues are still up 15% to $176.8 million in the first six months and adjusted EBITDA has climbed 29% to $21.5 million. Net cash from operating activities is also up 46% to $15.3 million.

Despite its positive long-term performance, Tucows stock has actually been relatively volatile since the beginning of 2017. Each of its drops have proven to be opportune buy-low spots. Overall results were still strong especially for its Ting Mobile and Ting Internet subsidiary. Shares may have further to fall in the late summer, but investors should be on the lookout for entry points once again as we look ahead to the fall.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TCX (Tucows)
2. NYSE:GDDY (GoDaddy Inc.)
3. TSX:TC (Tucows)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/06/28
Date Created
2018/08/27
Author
aocallaghan