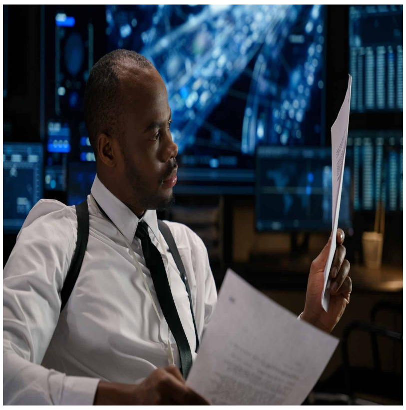

Why Tucows (TSX:TC) Stock Has Plunged 48% in 2022

Description

Tucows (TSX:TC)(NASDAQ:TCX) is a Toronto-based company that provides network access, domain name registration, email, mobile telephony, and other internet services in North America and Europe. Today, I want to discuss the recent performance for this web-focused tech stock. Is it worth snatching up in the middle of this market correction? Let's jump in.

What happened to Tucows stock over the past month?

Shares of Tucows have plunged 48% in 2022 as of close on June 17. This has represented all its losses in the year-over-year period. The tech stock had been a highly volatile hold since the beginning of 2017. It suffered a sharp drop after reaching an all-time high back in the spring of 2019. The previous year provided some uncharacteristic stability for Tucows. It went on to challenge its all-time high in November 2021 but has since suffered a steady drop. The tech stock has more than halved its value over a half-year span.

The market for Internet service providers has exploded over the past decade. Tucows may not offer the kind of growth that investors are chasing in the tech space, but its services are not going anywhere.

How does the company look after its recent earnings report?

Tucows unveiled its first-quarter 2022 earnings on May 5. It reported net revenues of $81.1 million — up 14% from the first quarter of 2021. The company was bolstered by revenue growth in Ting Internet Services and Wavelo Platform Services. Ting Internet lights and services high-speed fibre networks across North America, while Wavelo seeks to simplify the management of mobile and Internet network access. Demand for high-speed internet has accelerated in the wake of the COVID-19 pandemic, as many more workers are now operating out of their homes.

Gross profit jumped 22% from the previous year to $21.2 million. However, it reported a net loss of $3 million, or $0.28 per share — down from net income of $2.1 million, or $0.20 per share, in Q1 2021. Tucows posted the loss due to high depreciation and internet expenses, as it has ramped up its Ting

Internet Services fibre network.

The company saw its adjusted EBITDA fall 11% year over year to $11.3 million in the first quarter of 2022. This was also weighed down by expenses related to the ramp up of its Ting operations. Investors should not be overly discouraged, as this push is set to pay off down the line.

Should you look to buy Tucows stock on the dip?

Tucows is passing through a challenging period, as it ramps up its Ting Internet Services operations. This means that investors will have to be patient before they can celebrate serious profitability and cash generation. That said, this tech stock still has promising potential in this area. Investors in Tucows should strap themselves in for a multi-year effort before this stock will start to touch its true potential on the profit side.

Shares of this tech stock possess an RSI of 29. That puts Tucows in technically oversold territory at the time of this writing.

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