



Tucows Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Thanos Moschopoulos from BMO Capital Markets. Please go ahead.

Thanos Moschopoulos - BMO Capital Markets

Hi. Good afternoon.

Elliot Noss

Hi, Thanos.

Thanos Moschopoulos - BMO Capital Markets

Hi, Elliot. To begin with, on your comments regarding the margin in the domain registration business: I am not quiet sure that I understand what you mean by mix. Could you just try more color on that?

Elliot Noss

Sure. The additional volumes that we're seeing are being driven by a greater contribution from our larger customers. Customers that are at lower prices.

Thanos Moschopoulos - BMO Capital Markets

Okay.

Elliot Noss

And so that's just having the effect of driving down the blended number.

Thanos Moschopoulos - BMO Capital Markets

Okay.

Elliot Noss

We think that fact provides some openings going forward.

Thanos Moschopoulos - BMO Capital Markets

Okay. As far as the ongoing pricing pressure in that market, has it been accelerating in recent weeks given the downturn and perhaps more overall pressure on people to be more aggressive? Or has it been in line with the ongoing decline you've seen over a prolonged period?

Elliot Noss

I think that certainly the fact that vast majority of our customers, like us sell bread and milk, not cars and refrigerators. And so I think that those are things that are a little bit less impacted. There is no question that there is an impact, there is an impact everywhere. I think it's also the case that where we are dealing with services that are relatively quite low margin right now. So we will be surprised if we see a little more pressure; we're not quite seeing that yet.

Thanos Moschopoulos - BMO Capital Markets

On the email front, you mentioned how your expectation now is for, I believe it was \$4 million in revenue for 2009, is that correct?

Elliot Noss

That's right.

Thanos Moschopoulos - BMO Capital Markets

Let us say that you develop \$6 million run rate currently. Does that mean that we're going to have more of a drop off in the near-term? I know you're anticipating growth I guess for the \$4 million for '09, is that correct?

Elliot Noss

No, you'll see a trend down all through. It really depends on the specific migration plans of the customers, something that is so tough to predict. I said on the call, we expect by the end of Q1 all three companies will be gone. We could stretch it to Q2 as well. You're talking about very big companies, and as you can imagine, everybody's plans are in flux.

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