



2nd Quarter Fiscal 2023 Report

Committed to a Connected World



Condensed Interim Consolidated Financial Statements

(Unaudited)

TECSYS INC.

For the three and six-month periods ended October 31, 2022 and 2021

MANAGEMENT'S COMMENTS ON THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2022 and 2021

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors, KPMG LLP, have not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

Dated this 30th day of November 2022.

Tecsys Inc.

Condensed Interim Consolidated Statements of Financial Position

As at October 31, 2022 and April 30, 2022 (Unaudited)

(In thousands of Canadian dollars)

	Note	October 31, 2022	April 30, 2022
Assets			
Current assets			
Cash and cash equivalents		\$ 21,331	\$ 23,004
Short-term investments	3	20,456	20,239
Accounts receivable		21,370	16,962
Work in progress		1,651	1,579
Other receivables		718	234
Tax credits		7,912	5,224
Inventory		949	806
Prepaid expenses		6,574	6,392
Total current assets		80,961	74,440
Non-current assets			
Other long-term receivables		179	192
Tax credits		4,083	3,782
Property and equipment		1,775	2,064
Right-of-use assets	4	4,421	4,547
Contract acquisition costs	5	3,507	3,177
Deferred development costs		2,121	1,870
Other intangible assets		9,502	10,301
Goodwill		16,856	16,863
Deferred tax assets		8,613	8,608
Total non-current assets		51,057	51,404
Total assets		\$ 132,018	\$ 125,844
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 19,963	\$ 16,971
Deferred revenue		30,343	24,689
Current portion of long-term debt	6	1,200	1,200
Lease obligations	7	660	662
Total current liabilities		52,166	43,522
Non-current liabilities			
Long-term debt	6	6,600	7,200
Deferred tax liabilities		1,257	1,258
Lease obligations	7	4,975	5,181
Total non-current liabilities		12,832	13,639
Total liabilities		\$ 64,998	\$ 57,161
Equity			
Share capital	8	\$ 44,094	\$ 43,973
Contributed surplus		14,336	13,176
Retained earnings		11,685	12,968
Accumulated other comprehensive loss	12	(3,095)	(1,434)
Total equity attributable to the owners of the Company		67,020	68,683
Total liabilities and equity		\$ 132,018	\$ 125,844

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Tecsys Inc.

Condensed Interim Consolidated Statements of Income and Comprehensive Income

For the three and six-month periods ended October 31, 2022 and 2021

(Unaudited)

(In thousands of Canadian dollars, except per share data)

	Note	Three Months Ended October 31,		Six Months Ended October 31,	
		2022	2021	2022	2021
Revenue:					
SaaS		\$ 8,798	\$ 6,565	\$ 16,799	\$ 12,218
Maintenance and Support		8,098	8,200	16,366	16,526
Professional Services		13,539	13,076	27,170	26,202
License		1,055	982	1,514	1,333
Hardware		6,621	5,446	10,466	11,222
Total revenue		38,111	34,269	72,315	67,501
Cost of revenue	10	21,432	18,751	40,878	37,554
Gross profit		16,679	15,518	31,437	29,947
Operating expenses:					
Sales and marketing		6,703	6,022	12,953	11,704
General and administration		3,072	2,801	5,806	5,660
Research and development, net of tax credits		5,856	5,068	11,540	9,868
Total operating expenses		15,631	13,891	30,299	27,232
Profit from operations		1,048	1,627	1,138	2,715
Net finance (income) costs	11	(56)	128	(31)	243
Profit before income taxes		1,104	1,499	1,169	2,472
Income tax expense		389	791	414	1,520
Net profit, attributable to the owners of the Company		\$ 715	\$ 708	\$ 755	\$ 952
Other comprehensive (loss) income:					
Effective portion of changes in fair value on designated revenue hedges	12	(2,007)	233	(1,853)	(125)
Exchange differences on translation of foreign operations	12	496	(452)	192	(485)
Comprehensive (loss) profit, attributable to the owners of the Company		\$ (796)	\$ 489	\$ (906)	\$ 342
Basic earnings per common share	8	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.07
Diluted earnings per common share	8	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.06

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three and six-month periods ended October 31, 2022 and 2021

(Unaudited)

(In thousands of Canadian dollars)

	Note	Three Months Ended October 31,		Six Months Ended October 31,	
		2022	2021	2022	2021
Cash flows from operating activities:					
Net profit		\$ 715	\$ 708	\$ 755	\$ 952
Adjustments for:					
Depreciation of property and equipment and right-of-use-assets		429	553	859	1,096
Amortization of deferred development costs		114	69	216	123
Amortization of other intangible assets		394	411	790	822
Interest expense (income) and foreign exchange (gain) loss	11	(56)	128	(31)	243
Unrealized foreign exchange and other		1,063	(333)	691	928
Non-refundable tax credits		(439)	(366)	(860)	(732)
Stock-based compensation	8	708	569	1,184	923
Income taxes		305	680	330	1,373
Net cash from operating activities excluding changes in non-cash working capital items related to operations		3,233	2,419	3,934	5,728
Accounts receivable		(3,847)	(223)	(4,390)	(2,715)
Work in progress		883	(1,275)	(71)	(1,822)
Other receivables		105	106	(230)	72
Tax credits		(1,081)	(911)	(2,129)	(1,821)
Inventory		112	(53)	(143)	(65)
Prepaid expenses		380	(443)	(182)	(908)
Contract acquisition costs		(77)	(226)	(330)	(98)
Accounts payable and accrued liabilities		2,931	(750)	(81)	(4,683)
Deferred revenue		4,415	2,000	5,653	1,941
Changes in non-cash working capital items related to operations		3,821	(1,775)	(1,903)	(10,099)
Net cash provided by (used in) operating activities		7,054	644	2,031	(4,371)
Cash flows from financing activities:					
Repayment of long-term debt		(300)	(304)	(600)	(616)
Payment of lease obligations	7	(178)	(224)	(422)	(455)
Payment of dividends		(2,038)	(1,889)	(2,038)	(1,889)
Interest paid		(178)	(145)	(297)	(306)
Issuance of common shares on exercise of stock options		35	1,020	97	1,020
Net cash used in financing activities		(2,659)	(1,542)	(3,260)	(2,246)
Cash flows from investing activities:					
Interest received	11	150	40	254	80
Acquisitions of property and equipment		(171)	(304)	(231)	(534)
Acquisitions of other intangible assets		-	(7)	-	(22)
Deferred development costs		(258)	(195)	(467)	(681)
Net cash used in investing activities		(279)	(466)	(444)	(1,157)
Net increase (decrease) in cash and cash equivalents during the period		4,116	(1,364)	(1,673)	(7,774)
Cash and cash equivalents - beginning of period		17,215	19,342	23,004	25,752
Cash and cash equivalents - end of period		\$ 21,331	\$ 17,978	\$ 21,331	\$ 17,978

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the six-month periods ended October 31, 2022 and 2021

(Unaudited)

(In thousands of Canadian dollars, except number of shares)

	Note	Share capital		Contributed surplus	Accumulated other comprehensive (loss)	Retained earnings	Total
		Number	Amount				
Balance, May 1, 2022		14,562,895	\$ 43,973	\$ 13,176	\$ (1,434)	\$ 12,968	\$ 68,683
Net profit		-	-	-	-	755	755
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges	12	-	-	-	(1,853)	-	(1,853)
Exchange difference on translation of foreign operations		-	-	-	192	-	192
Total comprehensive (loss)		-	-	-	(1,661)	755	(906)
Stock-based Compensation	8	-	-	1,184	-	-	1,184
Dividends to equity owners	8	-	-	-	-	(2,038)	(2,038)
Share options exercised	8	5,999	121	(24)	-	-	97
Total transactions with owners of the Company		5,999	121	1,160	-	(2,038)	(757)
Balance, October 31, 2022		14,568,894	\$ 44,094	\$ 14,336	\$ (3,095)	\$ 11,685	\$ 67,020
Balance, May 1, 2021		14,505,095	\$ 42,700	\$ 11,745	\$ 226	\$ 12,419	\$ 67,090
Net profit		-	-	-	-	952	952
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges		-	-	-	(125)	-	(125)
Exchange difference on translation of foreign operations		-	-	-	(485)	-	(485)
Total comprehensive income		-	-	-	(610)	952	342
Stock-based Compensation	8	-	-	923	-	-	923
Dividends to equity owners		-	-	-	-	(1,889)	(1,889)
Share options exercised	8	57,800	1,273	(253)	-	-	1,020
Total transactions with owners of the Company		57,800	\$ 1,273	\$ 670	-	(1,889)	\$ 54
Balance, October 31, 2021		14,562,895	\$ 43,973	\$ 12,415	\$ (384)	\$ 11,482	\$ 67,486

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

1. Description of business:

Tecsys Inc. (the "Company") was incorporated under the Canada Business Corporations Act in 1983. The Company's principal business activity is the development, marketing and sale of enterprise-wide supply chain management software for distribution, warehousing, transportation logistics, point-of-use and order management. The Company sells its software primarily on a subscription basis as Software as a Service and also on a perpetual license basis with recurring support. The Company also provides related consulting, education and support services. The Company is headquartered at 1, Place Alexis Nihon, Montréal, Canada, and derives most of its revenue from customers located in the United States, Canada and Europe. The Company's customers consist primarily of healthcare systems, services parts, third-party logistics, retail and general wholesale high volume distribution industries. The condensed interim consolidated financial statements comprise the Company and its wholly owned subsidiaries. The Company is a publicly listed entity, and its shares are traded on the Toronto Stock Exchange under the symbol TCS.

2. Basis of preparation:

(a) Statement of compliance:

The Company's unaudited condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended April 30, 2022.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 30, 2022.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at April 30, 2022.

(b) Functional and presentation currency:

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest thousand (\$000) except when otherwise indicated.

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

2. Basis of preparation (continued):

New standards and interpretations not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the period ended October 31, 2022 and have not been applied in preparing these condensed interim consolidated financial statements. The following amendments are currently being assessed by the Company:

Standard	Issue date	Effective date for the Company	Impact
	January 2020, July 2020 and February 2021		
IAS 1, Presentation of Financial Statements		May 1, 2023	In assessment
IAS 8, Definition of Accounting Estimates	February 2021	May 1, 2023	In assessment
IAS 12, Income Taxes	May 2021	May 1, 2023	In assessment

Refer to the Company's annual consolidated financial statements for Fiscal 2022 for a discussion of new standards and interpretation not yet adopted.

3. Short-term investments:

	Three-Months Ended October 31, 2022	Twelve Months Ended April 30, 2022
Balance, beginning of period	\$ 20,239	\$ 20,100
Interest on short-term investments	217	139
Balance, end of period	\$ 20,456	\$ 20,239

Short-term investment consists of Guaranteed Investment Certificate (GIC). The GIC has a 31-day withdrawal notice requirement, and the interest is automatically reinvested monthly.

4. Right-of-use assets:

The following table presents the right-of-use assets for the Company:

	Offices	Data centers	Vehicles and equipment	Total
Balance, April 30, 2022	\$ 4,474	\$ -	\$ 73	\$ 4,547
Depreciation	(283)	(30)	(26)	(339)
Additions	-	217	-	217
Effect of foreign currency exchange differences	(1)	(2)	(1)	(4)
Balance, October 31, 2022	\$ 4,190	\$ 185	\$ 46	\$ 4,421

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

5. Contract acquisition costs:

The following table presents the contract acquisition costs for the Company:

	Six-Months Ended October 31, 2022	Twelve Months Ended April 30, 2022
Balance, beginning of the period	\$ 4,891	\$ 4,202
Additions	1,391	2,482
Amortization	(985)	(1,793)
Balance, end of period	\$ 5,297	\$ 4,891

Presented as:

	October 31, 2022	April 30, 2022
Current	\$ 1,790	\$ 1,714
Non-current	\$ 3,507	\$ 3,177

The current portion of contract acquisition costs is included in Prepaid expenses in the unaudited condensed interim consolidated statements of financial position. Amortization of contract acquisition costs is recorded in sales and marketing expense.

6. Banking facilities and long-term debt:

On January 30, 2019, the Company entered into a Credit Agreement. The Credit Agreement includes a Term Facility of up to \$12,000 and a Revolving Facility of \$5,000. The Term Facility was used for the purchase of Tecsys A/S and for general corporate purposes. The Revolving Facility is for general corporate purposes. As at October 31, 2022, the Company had outstanding \$7,800 under the Term Facility (the "Term Loan") (April 30, 2022 - \$8,400). The Revolving Facility was undrawn as of October 31, 2022 and April 30, 2022.

Canadian Dollar borrowings under the Credit Agreement are made in the form of Prime Rate Loans (bearing interest at prime plus 0.75%-1.75% per annum) or Banker's Acceptances (bearing interest at base plus 1.75% - 2.75% per annum). The Company may repay outstanding amounts under the Credit Agreement at any time.

Security under the credit agreement consists of a first-ranking movable hypothec on the Company's corporeal and incorporeal, present, and future movable property.

The current Credit Agreement requires the Company to maintain a Fixed Charge Coverage Ratio of not less than 1.20 : 1.0 and a Net Debt to Bank EBITDA ratio not greater than 2.50 : 1. On October 31, 2022, the Company was in compliance with all its financial covenants.

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

6. Banking facilities and long-term debt (continued):

The remaining term loan is payable in quarterly installments of \$300 until January 2024, with the balance payable on that same date.

	October 31, 2022		April 30, 2022	
Term loan, secured by a hypothec on movable properties	\$	7,800	\$	8,400
Presented as:				
Current portion		1,200		1,200
Long-term debt	\$	6,600	\$	7,200

7. Lease obligations:

The Company's leases are for office space, data centers, vehicles, and equipment. Most of these leases do not contain renewal options. The range of renewal options for those that have such options are between 5 to 10 years. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company:

	October 31, 2022		April 30, 2022	
Current	\$	660	\$	662
Non-Current		4,975		5,181
	\$	5,635	\$	5,843

The following table presents the contractual undiscounted cash flows for lease obligations as at October 31, 2022:

Less than one year		\$	805
One to five years			4,135
More than five years			1,555
		\$	6,495

Interest expense on lease obligations for the three and six months ended October 31, 2022 was \$53 and \$107 (\$82 and \$166 for the same periods of fiscal 2022). Total cash outflow was \$231 and \$529 for the three months and six months ended October 31, 2022 (\$306 and \$621 for the same periods of fiscal 2022), including \$178 and \$422 of principal payments on lease obligations (\$224 and \$455 for the same periods of fiscal 2022). The expense relating to variable lease payments not included in the measurement of lease obligations was \$286 and \$539 for the three and six months ended October 31, 2022 (\$264 and \$533 for the same periods of fiscal 2022). This consists of variable lease payments for operating costs, property taxes and insurance.

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

7. Lease obligations (continued):

Expenses relating to short-term leases not included in the measurement of lease obligations for the three and six months ended October 31, 2022 was \$3 and \$7 (\$29 and \$60 for the same periods of fiscal 2022). Expenses relating to leases of low value assets was \$54 and \$109 for the three and six months ended October 31, 2022 (\$43 and \$79 for the same periods of fiscal 2022). Additions on lease obligations during the three months ended October 31, 2022 were \$nil (same for the same period of fiscal 2022) and for the six months ended October 31, 2022 were \$217 (\$nil for the same period of fiscal 2022).

8. Share capital and Stock option plan:

(a) Dividend policy:

The Company maintains a quarterly dividend policy. The declaration and payment of dividends is at the discretion of the Board of Directors, which will consider earnings, capital requirements, financial conditions and other such factors as the Board of Directors, in its sole discretion, deems relevant.

On June 29, 2022, the Company's Board of Directors declared a quarterly dividend of \$0.07 per share, paid on August 5, 2022 to shareholders of record on July 15, 2022.

On September 8, 2022, the Company declared a dividend of \$0.07 per share, paid on October 7, 2022 to shareholders of record on September 23, 2022.

(b) Earnings per share:

The calculation of basic earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares.

Basic and diluted earnings per share are calculated as follows:

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Net profit, attributable to common shareholders	\$ 715	\$ 708	\$ 755	\$ 952
Weighted average number of common shares outstanding (basic)	14,567,499	14,534,623	14,565,718	14,512,538
Diluted impact of stock options	271,029	440,762	268,494	393,522
Weighted average number of common shares outstanding (diluted)	14,838,528	14,975,385	14,834,212	14,906,060
Basic earnings per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.07
Diluted earnings per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.06

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

8. Share capital and Stock option plan (continued):

As at October 31, 2022, 380,407 options were excluded from the three and six months weighted average number of diluted common shares as their effect would have been anti-dilutive (2,000 for the comparative periods of fiscal 2022).

(c) Stock option plan:

The Company has a stock option plan under which stock options may be granted to certain employees and directors. Under the terms of the plan, the Company may grant options up to 10% of its issued and outstanding shares. The stock option plan is administered by the Board of Directors who may determine, in accordance with the terms of the plan, the terms relating to each option, including the extent to which each option is exercisable during the term of the options.

The exercise price is generally determined based on the weighted average trading price of the Company's common shares for the 5 days prior to the date the Board of Directors grants the option.

The movement in outstanding stock options for the six months ended October 31, 2022 is as follows:

	Number of options		Weighted average exercise price
Outstanding at April 30, 2022	806,666	\$	22.64
Granted	214,846		34.81
Exercised	(5,999)		16.24
Forfeited	(10,490)		35.51
Outstanding at October 31, 2022	1,005,023	\$	25.14

The following table outlines the outstanding stock options of the Company as at October 31, 2022:

	Fair value per option	Remaining contractual life in years	Number of options currently exercisable		Exercise price	Outstanding options
Granted on September 6, 2018	\$ 4.42	0.85	108,900	\$	17.23	108,900
Granted on July 3, 2019	3.28	1.67	297,092		14.29	364,733
Granted on February 28, 2020	4.78	2.33	4,688		18.95	7,500
Granted on July 8, 2020	6.95	2.68	81,570		26.75	143,483
Granted on December 2, 2020	10.74	3.09	2,850		36.77	6,514
Granted on February 24, 2021	18.79	3.32	750		60.62	2,000
Granted on June 29, 2021	12.66	3.66	52,020		40.34	162,637
Granted on June 29, 2022	12.90	4.66	13,212		34.91	205,756
Granted on September 2, 2022	10.80	4.84	146		28.55	3,500

The issued options vest on quarterly straight-line basis (6.25% per quarter) over the vesting period of 4 years and must be exercised within 5 years from the date of grant.

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

8. Share capital and Stock option plan (continued):

The fair value of options granted on June 29, 2022 and September 26, 2022 were determined using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2023		Fiscal 2022
	June 29, 2022	September 26, 2022	June 29, 2021
Exercise share price	\$ 34.91	\$ 28.55	\$ 40.34
Expected option life (years)	5	5	5
Weighted average expected stock price volatility	39.67%	41.53%	36.61%
Weighted average dividend yield	0.77%	0.96%	0.62%
Weighted average risk-free interest rate	3.26%	3.39%	0.97%

For the three and six months ended October 31, 2022, the Company recognized stock-based compensation expense of \$708 and \$1,184 (\$569 and \$923 for the same periods of fiscal 2022). The contributed surplus accounts are used to record the accumulated compensation expense related to equity-settled share-based compensation transactions. Upon exercise of stock options, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

9. Remaining performance obligation

The Company enters into SaaS subscription agreements and has historically entered into hosting agreements (classified under Maintenance and Support) that are typically multi-year performance obligations with original contract terms of three to five years. The Company enters into maintenance and support contracts other than hosting agreements that typically have an original term of one year and are subject to annual renewal. These contracts with an original term of one year (or less) are excluded from the table below.

The following table presents revenue expected to be recognized in the future related to SaaS and maintenance and support performance obligations that are part of a contract with an original duration of greater than one year and that are unsatisfied (or partially satisfied) at October 31, 2022:

	Remainder of fiscal 2023	Fiscal 2024	Fiscal 2025 and thereafter	Total
SaaS	\$ 17,857	31,948	59,729	109,534
Maintenance and support	931	939	163	2,033
	\$ 18,788	32,887	59,892	111,567

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

10. Cost of revenue:

	Three Months ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
SaaS, maintenance, support and professional services:				
Gross expenses	\$ 16,650	\$ 14,642	\$ 33,144	\$ 29,369
Amortization of intangible assets	172	154	345	310
Reimbursable expenses	371	163	692	286
E-business tax credits	(792)	(635)	(1,525)	(1,283)
	\$ 16,401	\$ 14,324	\$ 32,656	\$ 28,682
License and hardware	5,031	4,427	8,222	8,872
	\$ 21,432	\$ 18,751	\$ 40,878	\$ 37,554

11. Net finance (income) costs:

	Three Months ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
Interest expense on bank loans and other	\$ 125	\$ 63	\$ 190	\$ 140
Interest accretion expense – lease obligations	53	82	107	166
Foreign exchange loss (gain)	(84)	23	(74)	17
Interest income	(150)	(40)	(254)	(80)
	\$ (56)	\$ 128	\$ (31)	\$ 243

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

12. Derivative instruments and risk management:

The Company is exposed to currency risk as a certain portion of the Company's revenues and expenses are incurred in U.S. dollars resulting in U.S. dollar-denominated accounts receivable and accounts payable and accrued liabilities. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars. These balances are therefore subject to gains or losses due to fluctuations in that currency. The Company may enter into foreign exchange contracts in order to (a) offset the impact of the fluctuation of the U.S. dollar on its U.S. net monetary assets and (b) hedge highly probable future revenue denominated in U.S. dollars. The Company uses derivative financial instruments only for risk management purposes, not for generating trading profits. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the net monetary position in the foreign currency and the recognition of highly probable future U.S. denominated revenue and related accounts receivable.

Non-hedge designated derivative instruments

On October 31, 2022, the Company held one outstanding foreign exchange contract with maturity date for December 30, 2022, to sell US\$1,500 into Canadian dollars at the exchange rate of CA\$1.3600 to yield CA\$2,040. As of October 31, 2022, the Company recorded an unrealized exchange loss of \$2 included in the accounts payable and accrued liabilities representing the change in fair value of this outstanding contract since inception.

On October 31, 2021, the Company held four outstanding foreign exchange contracts with various maturities to February 2022 to sell US\$3,900 into Canadian dollars at rates averaging CA\$1.2456 to yield CA\$4,858. As of October 31, 2021, the Company recorded an unrealized exchange gain of \$31 included in other receivables representing the change in fair value of these outstanding contracts since inception.

Revenue hedge designated derivative instruments

On October 31, 2022, the Company held fifty-two outstanding foreign exchange contracts with various maturities to July 2024 to sell US\$82,000 at rates averaging CA\$1.3158 to yield CA\$107,893. Of the outstanding US\$82,000 hedge designated foreign exchange contracts, US\$70,000 pertain to highly probable future revenue denominated in U.S. dollars expected over the eighteen-month period through April 2024 while US\$12,000 relates to realized U.S. dollar denominated revenue. On October 31, 2022, the Company had recorded an unrealized loss of \$3,325 included in accounts payables and accrued liabilities and an unrealized gain of \$241 included in other receivables representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On October 31, 2021, the Company held seventeen outstanding foreign exchange contracts with various maturities to July 2022 to sell US\$28,000 at rates averaging CA\$1.2585 to yield CA\$35,239. Of the outstanding US\$28,000 hedge designated foreign exchange contracts, US\$18,250 pertained to highly probable future revenue denominated in U.S. dollars expected over the six-month period through April 2022 while US\$9,750 related to realized U.S. dollar denominated revenue. On October 31, 2021, the Company had recorded an unrealized exchange gain of \$566 included in other receivables representing the change in fair value of these outstanding contracts since inception.

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

12. Derivative instruments and risk management (continued):

The following table represents the movement in accumulated other comprehensive income (loss) since the designation of hedging derivative instruments.

	Three Months ended		Six Months ended	
	October 31,		October 31,	
	2022	2021	2022	2021
Accumulated other comprehensive (loss) income on cash flow hedges as at the beginning of period	\$ (47)	\$ 134	\$ (201)	\$ 492
Net gain (loss) on derivatives designated as cash flow hedges	(3,512)	364	(3,345)	57
Amounts reclassified from accumulated other comprehensive income to net earnings, and included in:				
Revenue	913	(26)	955	(136)
Net finance costs	592	(105)	537	(46)
Accumulated other comprehensive (loss)/ gain from cash flow hedges	\$ (2,054)	\$ 367	\$ (2,054)	\$ 367
Accumulated other comprehensive loss-translation adjustment from foreign operations at the end of period	(1,041)	(751)	(1,041)	(751)
Total accumulated other comprehensive loss as at the end of period	\$ (3,095)	\$ (384)	\$ (3,095)	\$ (384)

13. Related party transactions:

Key management includes Board of Directors (executive and non-executive) and members of the Executive Committee that report directly to the President and Chief Executive Officer of the Company.

As at October 31, 2022, key management and their spouses control 20.5% (April 30, 2022 – 21.6%) of the issued common shares of the Company.

The compensation paid or payable to key management for employee services during the three and six month periods ended October 31, 2022 and 2021 is as follows:

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

13. Related party transactions (continued):

	Three Months ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
Salaries	\$ 1,286	\$ 1,571	\$ 2,356	\$ 2,630
Other short-term benefits	64	86	114	168
Payment to defined contribution plans	27	34	57	70
	\$ 1,377	\$ 1,691	\$ 2,527	\$ 2,868

Under the provisions of the share purchase plan for key management and other management employees, during the three months ended October 31, 2022 the Company provided interest-free loans to key management and other management employees of \$nil (\$nil for the same period of fiscal 2022). During the six months ended October 31, 2022 the Company provided interest-free loans to key management and other management employees of \$416 (\$300 for the same period of fiscal 2022) to facilitate their purchase of the Company's common shares during the six months ended October 31, 2022. As of October 31, 2022, loans outstanding amounted to \$408 (April 30, 2022 - \$241) and are included in other receivables and other long-term receivables in the unaudited condensed interim consolidated statements of financial position.

14. Operating segment:

Management has organized the Company under one reportable segment: the development and marketing of enterprise-wide distribution software and related services. As at October 31, 2022, substantially all of the Company's property and equipment, goodwill and other intangible assets are located in Canada and Denmark. For Denmark, the property and equipment (including right-of-use assets), goodwill and other intangible assets (including deferred development costs) as at October 31, 2022 were \$644, \$6,074 and \$5,448 respectively (April 30, 2022 - \$540, \$6,081 and \$5,720). For Canada, the amounts were \$5,552, \$10,782 and \$6,175 respectively (April 30, 2022 - \$6,071, \$10,782 and \$6,451). As at October 31, 2022, total assets attributable to Denmark were \$16,477 (April 30, 2022 - \$15,300). The Company's subsidiaries in the U.S. and the U.K. comprise sales and service operations offering implementation and maintenance services only.

Following is a summary of revenue by geographic location in which the Company's customers are located:

	Three Months ended October 31, 2022		Six Months ended October 31, 2022	
	2022	2021	2022	2021
Canada	\$ 6,098	\$ 7,654	\$ 13,010	\$ 14,610
United States	26,612	22,141	49,122	44,277
Europe	4,174	4,280	8,626	8,116
Other	1,204	194	1,557	498
	\$ 38,111	\$ 34,269	\$ 72,315	\$ 67,501

Tecsys Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended October 31, 2022 and 2021

(In thousands of Canadian dollars, except per share data)

15. Subsequent event:

November 30, 2022, the Company's Board of Directors declared a quarterly dividend of \$0.075 per share to be paid on January 6, 2023 to shareholders of record on December 15, 2022.



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