



News Release

FOR IMMEDIATE RELEASE

Tecsyst Reports Financial Results for Third Quarter Fiscal 2020

Record Q3 Revenue of \$26.8M with continued strength in SaaS Bookings; year to date Adjusted EBITDA increases 4X to \$8.3 million

Montreal, February 27, 2020—Tecsyst Inc. (TSX: TCS), an industry-leading supply chain management software company, today announced its results for the third quarter of fiscal year 2020, ended January 31, 2020. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

Third Quarter Highlights:

- Recurring cloud, maintenance and subscription revenue increased 31% year-over-year to \$10.6 million during Q3 2020, including 14% organic SaaS growth.
- Annual Recurring Revenueⁱ reached \$42.5 million in Q3 2020 compared to \$32.7 million in Q3 2019. This increase reflects the Company's ongoing focus on the transition to a SaaS revenue and business model which should result in ongoing value creation for shareholders.
- Total revenue was a record \$26.8 million, higher by 43% or \$8.1 million over \$18.8 million reported for Q3 2019.
- Adjusted EBITDAⁱ was \$2.6 million, or 10% of revenue, in Q3 2020 compared to (\$0.1) million, or (1%) of revenue in Q3 2019.
- SaaS subscription bookingsⁱ of \$2.0 million were added in Q3 2020 compared to \$0.5 million in Q3 2019.
- Professional services revenue was \$9.9 million, 35% higher than \$7.3 million in Q3 2019.
- Proprietary products revenue, comprised primarily of perpetual license revenue, remained flat at \$1.5 million compared to Q3 2019 in spite of strong SaaS bookings and continued transition to SaaS licensing.
- Higher service margins increased total gross profit to \$12.8 million for Q3 2020, up 36% from \$9.4 million in Q3 2019.
- Gross margin was 48% compared to 50% in the prior year, with the decline due to a higher mix of lower margin hardware due primarily to the PCSYS acquisition.
- Operating expenses increased by \$0.3 million to \$11.4 million, a 3% increase compared to \$11.1 million reported in Q3 fiscal 2019.

ⁱ See Key Performance Indicators and Non-IFRS Performance Measures in Management's Discussion and Analysis of the 2020 Financial Statements



- Profit from operations was \$1.4 million, compared to a loss of (\$1.7) million in Q3 2019.
- Net Profit in Q3 2020 was \$0.8 million or \$0.06 per share compared to a loss of (\$1.4) million or (\$0.11) per share for the same period in fiscal 2019.
- Total backlogⁱ at January 31, 2020 was \$98.2 million, up sequentially from \$87.0 million at October 31, 2019.
- Total contract value bookingsⁱ increased by 75% to \$29.9 million in Q3 2020, up from \$17.1 million in Q3 2019. During Q3 2020, the Company signed 8 new accounts with a total contract value of \$8.3 million compared to 7 new accounts with a total contract value of \$5.6 million signed in Q3 2019.

"We are actively transforming Tecsys into a global SaaS software company. Our acquisitions are successfully integrating and we are winning in Europe, in North America and across all of our verticals. We are pleased to continue this excellent momentum of delivering another strong quarter of financial results. We are experiencing strong SaaS bookings for new customers and we are starting to see SaaS bookings from our existing customers that have made the decision to migrate to SaaS. This not only creates added recurring revenue but also increases our ability to provide world-class value to those customers. All verticals contributed nicely to the results, with new hospital networks joining us, an existing network expanding very significantly and some great wins in complex distribution" said Peter Brereton, President and CEO of Tecsys Inc. "We continue to successfully drive operational efficiencies, focus on long-term profitable growth, and deliver superior returns to our shareholders."

Mark Bentler, Chief Financial Officer of Tecsys Inc., added, "We are pleased with another record setting bookings and revenue quarter and continued strength in SaaS results. Our year to date operating results are ahead of our plan. We continue to transition our revenue base away from a perpetual license model and towards a higher-quality, stable, recurring SaaS licensing model. This will have an impact on operating results in the intermediate term. We believe that this accelerated transition to SaaS will provide an excellent outcome for both customers and shareholders."

First Nine Months of fiscal 2020 Highlights:

- First nine months recurring cloud, maintenance and subscription revenue increased by 39% to \$30.4 million from \$21.9 million reported for first nine months of fiscal 2019.
- Total revenue in the first nine months of fiscal 2020 increased by 45% to \$77.1 million from \$53.3 million in the prior year period.
- Adjusted EBITDAⁱ for the first nine months of fiscal 2020 increased by 298% to \$8.3 million from \$2.1 million in the prior year period.
- SaaS subscription bookingsⁱ increased almost 8x to \$4.7 million in the first nine months of fiscal 2020 from \$0.6 million in the first nine months of fiscal 2019.



- Net profit in the first nine months of fiscal 2020 increased to \$2.0 million compared to a net loss of (\$0.8) million in the same period last year.
- Total contract value bookingsⁱ in the first nine months of fiscal 2020 increased by 63% to \$71.8 million, up from \$44.0 million in the prior year period. During the first nine months of fiscal 2020, the Company signed 26 new accounts with a total contract value of \$27.3 million, up 214% on a dollar basis compared to 15 new accounts with a total contract value of \$8.7 million in the same period last year.

| Results from operations | 3 months ended | | 3 months ended | | 9 months ended | | 9 months ended | | Trailing 12 | Trailing 12 | | |
|---|------------------|--------|------------------|---------|------------------|--------|------------------|--------|------------------|------------------|----|--------|
| | January 31, 2020 | | January 31, 2019 | | January 31, 2020 | | January 31, 2019 | | months ended | months ended | | |
| | | | | | | | | | January 31, 2020 | January 31, 2019 | | |
| Total Revenue | \$ | 26 847 | \$ | 18 792 | \$ | 77 105 | \$ | 53 258 | \$ | 100 296 | \$ | 72 166 |
| Cloud, Maintenance and Subscription Revenue | | 10 575 | | 8 095 | | 30 420 | | 21 922 | | 39 780 | | 28 817 |
| Gross Profit | | 12 834 | | 9 438 | | 37 422 | | 26 532 | | 48 331 | | 36 097 |
| Gross Margin % | | 48% | | 50% | | 49% | | 50% | | 48% | | 50% |
| Operating Expenses | | 11 439 | | 11 125 | | 33 308 | | 27 493 | | 45 054 | | 35 309 |
| Op. Ex. As % of Revenue | | 43% | | 59% | | 43% | | 52% | | 45% | | 49% |
| Profit from Operations | | 1 395 | | (1 687) | | 4 114 | | (961) | | 3 277 | | 788 |
| Adjusted EBITDA ¹ | | 2 648 | | (98) | | 8 320 | | 2 092 | | 9 004 | | 4 399 |
| EPS | | 0.06 | | (0.11) | | 0.15 | | (0.06) | | 0.16 | | 0.07 |
| Bookings | | 29 941 | | 17 098 | | 71 798 | | 43 963 | | 91 046 | | 58 694 |
| License Booking | | 1 524 | | 1 587 | | 3 330 | | 4 689 | | 4 575 | | 7 915 |
| SAAS ARR Bookings | | 1 952 | | 503 | | 4 683 | | 613 | | 5 698 | | 659 |
| Backlog | | 98 166 | | 69 323 | | 98 166 | | 69 323 | | 98 166 | | 69 323 |
| Annual Recurring Revenue | | 42 471 | | 32 665 | | 42 471 | | 32 665 | | 42 471 | | 32 665 |
| Professional Services Backlog | | 24 262 | | 23 855 | | 24 262 | | 23 855 | | 24 262 | | 23 855 |

Today the Company declared a quarterly dividend of \$0.06 per share payable on April 9, 2020 to shareholders of record at the close of business on March 19, 2020.

Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be "eligible" dividends.

Third Quarter 2020 Results Conference Call

Date: February 28, 2020

Time: 8:30 am (EST)

Phone number: (416) 981-0147 or (888) 223-5127

The call can be replayed until March 6, 2020 by calling (416) 626 4100 or 1 (800) 558 5253 (access code: 21952932).



About Tecsys

Tecsys is a global provider of transformative supply chain solutions that equip growing organizations with industry-leading services and tools to achieve operational greatness. Tecsys' solutions are designed to create clarity out of the complex supply chain challenges that organizations with increases in scale, customer expectations and inventory. Built on an enterprise platform, Tecsys solutions include warehouse management, distribution and transportation management, supply management at point-of-use, retail order management, as well as complete financial management and analytics solutions. Through the co-creation of a more responsive supply chain, Tecsys ensures that growth-minded organizations have the chance to thrive and reach their aspirations. For more information on Tecsys' supply chain solutions, visit www.tecsys.com.

Customers around the world trust their supply chains to Tecsys in the healthcare, service parts, third-party logistics, and general wholesale high-volume distribution industries. Tecsys' shares are listed on the Toronto Stock Exchange under the ticker symbol TCS.

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Forward Looking Statements

The statements in this news release relating to matters that are not historical fact are forward looking statements that are based on management's beliefs and assumptions. Such statements are not guarantees of future performance and are subject to a number of uncertainties, including but not limited to future economic conditions, the markets that Tecsys Inc. serves, the actions of competitors, major new technological

trends, and other factors beyond the control of Tecsys Inc., which could cause actual results to differ materially from such statements. More information about the risks and uncertainties associated with Tecsys Inc.'s business can be found in the MD&A section of the Company's annual report and annual information form for the fiscal year ended April 30th, 2019. These documents have been filed with the Canadian securities commissions and are available on our website (www.tecsys.com) and on SEDAR (www.sedar.com).

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Non-IFRS Measures

Reconciliation of EBITDA and adjusted EBITDA

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before acquisition related costs, fair value adjustment on contingent consideration, stock-based compensation and restructuring costs. The Company believes that these measures are commonly used by investors and analysts to measure a company's performance, its ability to service debt and to meet other payment obligations, or as a common valuation measurement.

The EBITDA and Adjusted EBITDA calculations, for the three and nine-month periods ending January 31 of fiscal 2020 and 2019, derived from IFRS measures in the Company's condensed interim consolidated financial statements, is as follows:

| | Three-months ended January 31, 2020 | Three-months ended January 31, 2019 | Nine-months ended January 31, 2020 | Nine-months ended January 31, 2019 |
|--|--|--|---|---|
| Profit for the period | \$ 834 | \$ (1,429) | \$ 1,971 | \$ (820) |
| Adjustments for: | | | | |
| Depreciation of property and equipment and right-of-use assets | 506 | 214 | 1,463 | 649 |
| Amortization of deferred development costs | 104 | 219 | 417 | 777 |
| Amortization of other intangible assets | 394 | 259 | 1,132 | 502 |
| Interest expense | 267 | 9 | 838 | 9 |
| Interest income | (16) | (26) | (62) | (171) |
| Income taxes | 282 | (258) | 1,160 | - |
| EBITDA | \$ 2,371 | \$ (1,012) | \$ 6,919 | \$ 946 |
| Adjustments for: | | | | |
| Stock-based compensation | 277 | 142 | 810 | 259 |
| Restructuring costs | - | - | 420 | - |
| Fair value adjustment on contingent consideration earnout - PCSYS | - | - | 171 | - |
| Acquisition-related costs | - | 772 | - | 887 |
| Adjusted EBITDA | \$ 2,648 | \$ (98) | \$ 8,320 | \$ 2,092 |

Tecsys Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
As at January 31, 2020 and April 30, 2019
(in thousands of Canadian dollars)

| | Note | January 31, 2020 | April 30, 2019 |
|---|------|---------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ | 11,948 | \$ 14,913 |
| Accounts receivable | | 16,460 | 14,986 |
| Work in progress | | 670 | 811 |
| Other receivables | | 626 | 392 |
| Tax credits | | 5,775 | 3,493 |
| Inventory | | 809 | 673 |
| Prepaid expenses | | 5,031 | 3,223 |
| Total current assets | | 41,319 | 38,491 |
| Non-current assets | | | |
| Other long-term receivables | | 376 | 278 |
| Tax credits | | 5,716 | 5,260 |
| Property and equipment | | 2,713 | 2,714 |
| Right-of-use assets | | 7,635 | - |
| Deferred development costs | | 1,152 | 1,064 |
| Other intangible assets | | 13,532 | 14,706 |
| Goodwill | | 17,343 | 17,456 |
| Deferred tax assets | | 5,862 | 5,476 |
| Total non-current assets | | 54,329 | 46,954 |
| Total assets | \$ | 95,648 | \$ 85,445 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | \$ | 14,321 | \$ 11,633 |
| Deferred revenue | | 15,023 | 14,252 |
| Current portion of long-term debt | | 1,239 | 1,022 |
| Lease obligations | | 850 | - |
| Other current liabilities | | 4,569 | 4,111 |
| Total current liabilities | | 36,002 | 31,018 |
| Non-current liabilities | | | |
| Long-term debt | | 9,900 | 10,827 |
| Other non-current liabilities | | 628 | 2,333 |
| Lease obligations | | 8,618 | - |
| Deferred tax liabilities | | 1,753 | 1,769 |
| Total non-current liabilities | | 20,899 | 14,929 |
| Total liabilities | | 56,901 | 45,947 |
| Equity | | | |
| Share capital | | 19,158 | 19,144 |
| Contributed surplus | | 10,750 | 9,943 |
| Retained earnings | | 9,248 | 10,618 |
| Accumulated other comprehensive income loss | | (409) | (207) |
| Total equity attributable to the owners of the Company | | 38,747 | 39,498 |
| Total liabilities and equity | \$ | 95,648 | \$ 85,445 |

Tecsys Inc.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
(Unaudited)
Three and nine-month periods ended January 31, 2020 and 2019
(in thousand of Canadian dollars, except per share data)

| Note | Three months Ended January 31, 2020 | Three months Ended January 31, 2019 | Nine months Ended January 31, 2020 | Nine months Ended January 31, 2019 |
|--|---|---|--|--|
| Revenue: | | | | |
| Proprietary products | \$ 1,520 | \$ 1,556 | \$ 3,690 | \$ 5,342 |
| Third-party products | 4,397 | 1,316 | 11,641 | 4,128 |
| Cloud, maintenance and subscription | 10,575 | 8,095 | 30,420 | 21,922 |
| Professional services | 9,882 | 7,338 | 29,793 | 20,336 |
| Reimbursable expenses | 473 | 487 | 1,561 | 1,530 |
| Total revenue | 26,847 | 18,792 | 77,105 | 53,258 |
| Cost of revenue: | | | | |
| Products | 3,530 | 1,015 | 9,287 | 3,659 |
| Services | 10,010 | 7,852 | 28,835 | 21,537 |
| Reimbursable expenses | 473 | 487 | 1,561 | 1,530 |
| Total cost of revenue | 14,013 | 9,354 | 39,683 | 26,726 |
| Gross profit | 12,834 | 9,438 | 37,422 | 26,532 |
| Operating expenses: | | | | |
| Sales and marketing | 5,451 | 4,612 | 14,766 | 12,146 |
| General and administration | 2,363 | 3,007 | 7,184 | 6,518 |
| Research and development, net of tax credit | 3,625 | 3,506 | 10,938 | 8,829 |
| Restructuring costs | - | - | 420 | - |
| Total operating expenses | 11,439 | 11,125 | 33,308 | 27,493 |
| Profit (loss) from operations | 1,395 | (1,687) | 4,114 | (961) |
| Net finance costs (income) | 279 | - | 983 | (141) |
| Profit (loss) before income taxes | 1,116 | (1,687) | 3,131 | (820) |
| Income tax expense (benefit) | 282 | (258) | 1,160 | - |
| Profit (loss) attributable to the owners of the Company | \$ 834 | \$ (1,429) | \$ 1,971 | \$ (820) |
| Other comprehensive (loss) income: | | | | |
| Effective portion of changes in fair value on designated revenue hedges | (49) | 122 | 69 | 128 |
| Exchange differences on translation of foreign operations | 33 | - | (271) | - |
| Comprehensive income (loss) attributable to the owners of the Company | \$ 818 | \$ (1,307) | \$ 1,769 | \$ (692) |
| Basic and diluted earnings (loss) per common share | \$ 0.06 | \$ (0.11) | \$ 0.15 | \$ (0.06) |

Tecsys Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
Three and nine-month periods ended January 31, 2020 and 2019
(in thousand of Canadian dollars)

| Note | Three months Ended January 31, 2020 | Three months Ended January 31, 2019 | Nine months Ended January 31, 2020 | Nine months Ended January 31, 2019 |
|--|---|---|--|--|
| Cash flow from (used in) operating activities: | | | | |
| Profit for the period | \$ 834 | \$ (1,429) | \$ 1,971 | \$ (820) |
| Adjustments for: | | | | |
| Depreciation of property and equipment and right-of-use assets | 506 | 214 | 1,463 | 649 |
| Amortization of deferred development costs | 104 | 219 | 417 | 777 |
| Amortization of other intangible assets | 394 | 259 | 1,132 | 502 |
| Net finance costs (income) | 279 | - | 983 | (141) |
| Unrealized foreign exchange and other | (12) | (261) | (597) | (232) |
| Non-refundable tax credits | (297) | (201) | (1,043) | (676) |
| Stock-based compensation | 277 | 142 | 810 | 259 |
| Income taxes | 249 | (265) | 805 | - |
| Net cash from (used in) operating activities excluding changes in non-cash working capital items related to operations | 2,334 | (1,322) | 5,941 | 318 |
| Accounts receivable | (214) | (379) | (1,524) | 75 |
| Work in progress | (196) | (392) | 134 | (675) |
| Other receivables | 157 | 77 | (304) | 155 |
| Tax credits | (656) | (755) | (1,694) | (2,172) |
| Inventory | 26 | 111 | (137) | 378 |
| Prepaid expenses | (606) | 45 | (1,460) | (384) |
| Accounts payable and accrued liabilities | 1,683 | 2,047 | 2,116 | 1,229 |
| Deferred revenue | 404 | 1,076 | 788 | 1,215 |
| Changes in non-cash working capital items related to operations | 598 | 1,830 | (2,081) | (179) |
| Net cash from operating activities | 2,932 | 508 | 3,860 | 139 |
| Cash flow (used in) financing activities: | | | | |
| Repayment of long-term debt | (238) | (12) | (710) | (35) |
| Payment of dividends | (785) | (720) | (2,224) | (2,028) |
| Proceeds from long-term debt | - | 12,000 | - | 12,000 |
| Payment of lease obligations | (246) | - | (731) | - |
| Interest paid | (226) | - | (715) | - |
| Net cash (used in) from financing activities | (1,495) | 11,268 | (4,380) | 9,937 |
| Cash flows (used in) investing activities: | | | | |
| Interest received | 17 | 27 | 63 | 172 |
| Long-term investments | - | 10,000 | - | 10,000 |
| Business acquisition | (1,146) | (9,880) | (1,146) | (9,880) |
| Increase in restricted cash | - | (12,000) | - | (12,000) |
| Acquisition of property and equipment | (344) | (166) | (703) | (269) |
| Acquisition of other intangible assets | (19) | (27) | (154) | (92) |
| Deferred development costs | (150) | (22) | (505) | (87) |
| Net cash used in investing activities | (1,642) | (12,068) | (2,445) | (12,156) |
| Net decrease in cash and cash equivalents during the period | (205) | (292) | (2,965) | (2,080) |
| Cash and cash equivalents – beginning of period | 12,153 | 11,708 | 14,913 | 13,496 |
| Cash and cash equivalents – end of period | \$ 11,948 | \$ 11,416 | \$ 11,948 | \$ 11,416 |

Tecsys Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)
Nine-month periods ended January 31, 2020 and 2019
(in thousand of Canadian dollars, except per share data)

| | Note | Share capital | | Contributed surplus | Accumulated other comprehensive income (loss) | Retained earnings | Total |
|---|------|---------------|-----------|---------------------|---|-------------------|-----------|
| | | Number | Amount | | | | |
| Balance, April 30, 2019 | | 13,082,376 | \$ 19,144 | \$ 9,943 | \$ (207) | \$ 10,618 | \$ 39,498 |
| Adjustment on initial application of IFRS 16 | | - | - | - | - | (1,117) | (1,117) |
| Adjusted balance, May 1, 2019 | | 13,082,376 | 19,144 | 9,943 | (207) | 9,501 | 38,381 |
| Profit for the period | | - | - | - | - | 1,971 | 1,971 |
| Other comprehensive income for the period: | | | | | | | |
| Effective portion of changes in fair value on designated revenue hedges | | - | - | - | 69 | - | 69 |
| Exchange difference on translation of foreign operations | | - | - | - | (271) | - | (271) |
| Stock-based compensation | | - | - | 810 | - | - | 810 |
| Total comprehensive income (loss) for the period | | - | - | 810 | (202) | 1,971 | 2,579 |
| Dividends to equity owners | | - | - | - | - | (2,224) | (2,224) |
| Share options exercised | | 834 | 14 | (3) | - | - | 11 |
| Total transaction with owners of the Company | | 834 | 14 | (3) | - | (2,224) | (2,213) |
| Balance, January 31, 2020 | | 13,083,210 | \$ 19,158 | \$ 10,750 | \$ (409) | \$ 9,248 | \$ 38,747 |
| Balance, April 30, 2018 ¹ | | 13,082,376 | \$ 19,144 | \$ 9,577 | \$ (113) | \$ 14,527 | \$ 43,135 |
| Adjustment on initial application of IFRS 15 | | - | - | - | - | (421) | (421) |
| Adjusted balance, May 1, 2018 | | 13,082,376 | 19,144 | 9,577 | (113) | 14,106 | 42,714 |
| Profit for the period | | - | - | - | - | (820) | (820) |
| Other comprehensive income for the period: | | | | | | | |
| Effective portion of changes in fair value on designated revenue hedges | | - | - | - | 128 | - | 128 |
| Stock-based compensation | | - | - | 259 | - | - | 259 |
| Total comprehensive income (loss) for the period | | - | - | 259 | 128 | (820) | (433) |
| Dividends to equity owners | | - | - | - | - | (2,028) | (2,028) |
| Total transaction with owners of the Company | | - | - | - | - | (2,028) | (2,028) |
| Balance, January 31, 2019 ¹ | | 13,082,376 | \$ 19,144 | \$ 9,836 | \$ 15 | \$ 11,258 | \$ 40,253 |

¹ See Key Performance Indicators and Non-IFRS Performance Measures in Management's Discussion and Analysis of the 2020 Financial Statements