



News Release

FOR IMMEDIATE RELEASE

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Tecsys Reports Financial Results for First Quarter Fiscal 2020

Strong SaaS Momentum and 41% Organic Professional Services Growth Powers Almost 4x Adjusted EBITDA Expansion

Montreal, September 5, 2019 — Tecsys Inc. (TSX: TCS), an industry-leading supply chain management software company, today announced its results for the first quarter of fiscal year 2020, ended July 31, 2019. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

First Quarter Highlights:

- Cloud, maintenance and subscription revenue increased 40% year-over-year to \$9.8 million in Q1 2020 driven by \$2.2 million contribution from OrderDynamics and PCSYS and by 9% organic growth primarily on the back of recent SaaS bookings.
- Total revenue was \$24.3 million, \$8.0 million or 49% higher than \$16.3 million for Q1 2019. Organic revenue growth of 15% contributed \$2.4 million of the increase including \$0.5 million from a favorable foreign exchange impact.
- Adjusted EBITDAⁱ was \$2.0 million or 8.2% of revenue in Q1 2020 compared to \$0.5 million or 3.3% of revenue in Q1 2019. Growth in professional services and cloud revenues drove this increase.
- During Q1 2020, SaaS subscription bookingsⁱ were \$0.4 million compared to zero in Q1 2019.
- Professional services revenue was \$9.7 million, 61% higher than \$6.1 million in Q1 2019, driven primarily by organic growth of \$2.5 million or 41%. This increase continues the sequential trend from the fourth quarter of fiscal 2019 and results from the accumulation of backlog over the previous quarters.

ⁱ See Key Performance Indicators and Non-IFRS Performance Measure in Management's Discussion and Analysis



- Total gross profit increased to \$11.5 million, up 52% from \$7.6 million in Q1 2019, driven by higher service margin of \$4.3 million offset by lower products margin of \$0.4 million.
- Gross margin was 48% compared to 47% in the prior year, with significant expansion in services gross margin offset by lower product margin due to lower mix of license revenue.
- Operating expenses increased to \$11.0 million, higher by \$3.3 million or 44% compared to \$7.7 million in Q1 fiscal 2019. \$2.7 million of this increase was attributed directly to operating expenses from OrderDynamics and PCSYS, including acquisition integration costs of \$0.4 million.
- Profit from operations was \$0.5 million, compared to a loss of \$0.1 million in Q1 2019 and a loss of \$0.8 million in Q4 2019. This was driven primarily by higher professional services and cloud, maintenance and subscription contribution.
- Loss was \$0.3 million or \$0.02 per share in Q1 2020 compared to profit of \$13,000 or \$NIL per share for the same period in fiscal 2019.
- Total backlogⁱ at July 31, 2019 was \$76.4 million, up from \$47.8 million at July 31, 2018, with \$14.1 million or 29% representing growth in organic backlog.
- Annual Recurring Revenueⁱ was \$38.3 million in Q1 2020 compared to \$26.8 million in Q1 2019. This increase reflects the Company's ongoing focus on the move to a SaaS revenue and business model which should result in value creation for shareholders.
- Total contract value bookingsⁱ increased 32% from \$10.6 million in Q1 2019 to \$14.0 million in Q1 2020. During Q1 2020, the Company signed 8 new accounts with a total contract value of \$3.4 million compared to 3 new accounts with a total contract value of \$1.9 million in Q1 2019.

"The first quarter of fiscal 2020 represented a continuation of the core strategic focus for Tecsys," said Peter Brereton, President and CEO of Tecsys Inc. "We continue to transform our revenue base as we move to SaaS revenues and are seeing growth in our pipeline of business larger than that at any time in our history. We are particularly pleased with the robust growth in our professional services business where several quarters of strong bookings are now flowing through into revenue. Our healthcare business continues to perform well with a new hospital network (IDN) added in the first quarter and the momentum continued in August with another IDN added as well as the signing of a significant SaaS deal."

ⁱ See Key Performance Indicators and Non-IFRS Performance Measure in Management's Discussion and Analysis



Mark Bentler, Chief Financial Officer of Tecsys Inc., added, "We are pleased that our Cloud, Maintenance and Subscription revenues continue their robust growth in line with our plans. We will continue to make the transition from perpetual license revenues to SaaS which helps us to deliver a more predictable recurring revenue stream."

Results from operations	3 months ended		Trailing 12	
	July 31, 2019	July 30, 2018	months ended	months ended
			July 31, 2019	July 31, 2018
Total Revenue	\$ 24,250	\$ 16,282	\$ 84,417	\$ 70,489
Cloud, Maintenance and Subscription Revenue	9,782	6,991	34,073	26,901
Gross Profit	11,533	7,584	41,390	34,707
Gross Margin %	48%	47%	49%	49%
Operating Expenses	11,030	7,682	42,587	30,616
Op. Ex. As % of Revenue	45%	47%	50%	43%
Profit from Operations	503	(98)	(1,197)	4,091
Adjusted EBITDA ⁱ	1,995	536	4,235	6,339
EPS	(0.02)	NIL	(0.08)	0.29
Bookings	14,007	10,639	66,579	48,847
License Booking	393	963	5,364	6,460
SAAS ARR Bookings	380	NIL	2,008	73
Backlog	76,389	47,819	76,389	47,819
Annual Recurring Revenue	38,348	26,811	38,348	26,811
Professional Services Backlog	22,229	16,179	22,229	16,179

ⁱ See Key Performance Indicators and Non-IFRS Performance Measure in Management's Discussion and Analysis

Today the Company declared a quarterly dividend of \$0.055 per share payable on October 4, 2019 to shareholders of record at the close of business on September 20, 2019.

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

First Quarter 2020 Results Conference Call

Date: September 5, 2019

Time: 5:00 pm (EDT)

Phone number: (416) 359-3128 or (800) 671-8540

The call can be replayed until September 12, 2019 by calling (416) 626-4100 or (800) 558-5253 (access code: 21928966).



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 face 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.

Over 1,000 customers trust their supply chains to Tecsys in the healthcare, retail, 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 30, 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 Measure

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 less acquisition related costs and stock-based compensation. 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-months periods ending July 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 July 31, 2019	Three Months Ended July 31, 2018
Profit for the year	\$ (267)	\$ 13
Adjustments for:		
Depreciation of property and equipment and right-of-use assets	477	223
Depreciation of deferred development costs	162	278
Depreciation of other intangible assets	413	122
Interest expense	282	-
Interest income	(29)	(81)
Income taxes	349	(19)
EBITDA	1,387	536
Adjustments for:		
Stock-based compensation	188	-
Restructuring costs	420	-
Adjusted EBITDA	1,995	536

Tecsys Inc.**Condensed Interim Consolidated Statements of Financial position**

(Unaudited)

As at July 31, 2019 and April 30, 2019

(in thousands of Canadian dollars)

	July 31,	April 30,
	2019	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 13,348	\$ 14,913
Accounts receivable	13,203	14,986
Work in progress	660	811
Other receivables	756	392
Tax credits	4,356	3,493
Inventory	659	673
Prepaid expenses	3,785	3,223
Total current assets	36,767	38,491
Non-current assets		
Other long-term receivables	505	278
Tax credits	5,326	5,260
Property and equipment	2,620	2,714
Right-of-use asset	8,146	-
Deferred development costs	1,068	1,064
Other intangible assets	14,127	14,706
Goodwill	17,314	17,456
Deferred tax assets	5,878	5,476
Total non-current assets	54,984	46,954
Total assets	\$ 91,751	\$ 85,445
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,167	\$ 11,633
Deferred revenue	13,772	14,252
Current portion of long-term debt	1,097	1,022
Lease obligations	968	-
Other current liabilities	4,073	4,111
Total current liabilities	31,077	31,018
Non-current liabilities		
Long-term debt	10,516	10,827
Other non-current liabilities	2,066	2,333
Lease obligations	8,986	-
Deferred tax liabilities	1,745	1,769
Total non-current liabilities	23,313	14,929
Total liabilities	54,390	45,947
Equity		
Share capital	19,144	19,144
Contributed surplus	10,131	9,943
Retained earnings	8,514	10,618
Accumulated other comprehensive income loss	(428)	(207)
Total equity attributable to the owners of the Company	37,361	39,498
Total liabilities and equity	\$ 91,751	\$ 85,445

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

Tecsys Inc.**Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income**

(Unaudited)

Three-month periods ended July 30, 2019 and 2018

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

	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018
Revenue:		
Proprietary products	\$ 444	\$ 1,325
Third-party products	3,652	1,456
Cloud, maintenance and subscription	9,782	6,991
Professional services	9,742	6,067
Reimbursable expenses	630	443
Total revenue	24,250	16,282
Cost of revenue:		
Products	2,962	1,275
Services	9,125	6,980
Reimbursable expenses	630	443
Total cost of revenue	12,717	8,698
Gross profit	11,533	7,584
Operating expenses:		
Sales and marketing	4,508	3,434
General and administration	2,384	1,580
Research and development, net of tax credits	3,718	2,668
Restructuring costs	420	-
Total operating expenses	11,030	7,682
Profit (Loss) from operations	503	(98)
Net finance costs (income)	421	(92)
Profit (loss) before income taxes	82	(6)
Income tax (benefit) expense	349	(19)
(Loss) profit attributable to the owners of the Company	\$ (267)	\$ 13
Other comprehensive (loss) income:		
Effective portion of changes in fair value on designated revenue hedges	136	50
Exchange differences on translation of foreign operations	(357)	-
Comprehensive (loss) income attributable to the owners of the Company	\$ (488)	\$ 63
Basic and diluted (loss) earnings per common share	\$ -	\$ NIL

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

Tecsys Inc.**Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited)

Three-month periods ended July 31, 2019 and 2018

(in thousands of Canadian dollars)

	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018
Cash flows (used in) from operating activities:		
(Loss) profit for the period	\$ (267)	13
Adjustments for:		
Depreciation of property and equipment and right-of-use assets	477	223
Amortization of deferred development costs	162	278
Amortization of other intangible assets	413	122
Net finance costs (income)	421	(92)
Unrealized foreign exchange and other	(252)	142
Non-refundable tax credits	(236)	(227)
Stock-based compensation	188	-
Income taxes	349	-
Net cash from operating activities excluding changes in non-cash working capital items related to operations	1,255	459
Accounts receivable	1,756	1,369
Work in progress	139	(657)
Other receivables	(714)	(184)
Tax credits	(691)	(677)
Inventory	14	223
Prepaid expenses	(433)	(411)
Accounts payable and accrued liabilities	(1,382)	(853)
Deferred revenue	(463)	1,657
Changes in non-cash working capital items related to operations	(1,774)	467
Net cash (used in) from operating activities	(519)	926
Cash flows (used in) financing activities:		
Repayment of long-term debt	(236)	(12)
Payment of lease obligations	(242)	-
Interest paid	(241)	-
Net cash (used in) financing activities	(719)	(12)
Cash flows (used in) investing activities:		
Interest received	29	81
Acquisitions of property and equipment	(127)	(37)
Acquisitions of other intangible assets	(63)	(17)
Deferred development costs	(166)	(55)
Net cash (used in) investing activities	(327)	(28)
Net (decrease) increase in cash and cash equivalents during the period	(1,565)	886
Cash and cash equivalents - beginning of period	14,913	13,496
Cash and cash equivalents - end of period	\$ 13,348	14,382

See accompanying notes to the consolidated financial statements.

Tecsys Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)
Three-month periods ended July 31, 2019 and 2018
(in thousands of Canadian dollars, except per share data)

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
	Number	Amount				
Balance, April 31, 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
Loss for the period	-	-	-	-	(267)	(267)
Other comprehensive income (loss) for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	136	-	136
Exchange difference on translation of foreign operations				(357)		(357)
Stock-Based Compensation			188			188
Total comprehensive income (loss) for the period	-	-	188	(221)	(267)	(300)
Dividends to equity owners	-	-	-	-	(720)	(720)
Total transactions with owners of the Company	-	-	-	-	(720)	(720)
Balance, July 31, 2019	13,082,376	\$ 19,144	\$ 10,131	\$ (428)	\$ 8,514	\$ 37,361
Balance, April 30, 2018	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	-	-	-	-	13	13
Other comprehensive income for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	50	-	50
Total comprehensive income (loss) for the period	-	-	-	50	13	63
Dividends to equity owners	-	-	-	-	(654)	(654)
Total transactions with owners of the Company	-	-	-	-	(654)	(654)
Balance, July 31, 2018	13,082,376	19,144	9,577	(63)	13,465	42,123

See accompanying notes to the unaudited interim consolidated financial statements.