



News Release

FOR IMMEDIATE RELEASE

Ref. # NRE2019-08

Tecsys Reports Financial Results for Fourth Quarter and Full Year Fiscal 2019 – Aggressive SaaS Focus Results in 46% Growth in Annual Recurring Revenueⁱ

Montreal, July 3, 2019 — Tecsys Inc. (TSX: TCS), an industry-leading supply chain management software company, today announced its results for the fourth quarter and full year of fiscal year 2019, ended April 30, 2019. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

Fourth Quarter Highlights:

- Total revenue was \$23.2 million, 23% higher than \$18.9 million for Q4 2018. This increase is primarily attributable to inclusion of revenues from OrderDynamics and PCSYS (fiscal 2019 acquisitions) in the quarter.
- Influenced by a shift to Software as a Service (SaaS) bookingsⁱ, proprietary products revenue decreased 48% to \$1.6 million compared to Q4 2018 primarily due to a decrease in proprietary software license revenue. During Q4 2019, approximately 60% of software product bookings were SaaS compared to 4% in Q4 2018.
- Cloud, maintenance and subscription revenue increased 36% year-over-year to \$9.4 million in Q4 2019 driven primarily by the acquisition of OrderDynamics and PCSYS and by 6% organic growth.
- Professional services revenue was \$9.0 million, 39% higher than \$6.5 million in Q4 2018, resulting from the acquisitions of OrderDynamics and PCSYS and also from 19% organic growth.
- Total gross profit increased to \$10.9 million, up 14% from \$9.6 million in Q4 2018.
- Total gross profit margin declined to 47% in Q4 2019 from 51% in Q4 2018 with the key driver being a decline in the mix of perpetual software license revenue influenced by a shift to SaaS.



- Operating expenses increased to \$11.7 million, higher by \$3.9 million or 50% compared to \$7.8 million in Q4 2018. The increase was primarily driven by operating expenses from OrderDynamics and PCSYS as well as incremental investment in Sales and Marketing and Research and Development (R&D) combined with acquisition costs, stock-based compensation and bonus expense.
- Loss from operations was \$0.8 million, compared to a profit of \$1.7 million in Q4 2018. The decline was the result of OrderDynamics losses and increased operating expenses as well as the decline in perpetual software license revenue (influenced by a shift to SaaS) partially offset by higher professional services and cloud, maintenance and subscription margins and PCSYS profit.
- Profit was \$0.1 million or \$0.01 per share in Q4 2019 compared to \$1.8 million or \$0.13 per share for the same period in fiscal 2018.
- Adjusted EBITDAⁱⁱ was \$0.7 million in Q4 2019 compared to \$2.3 million in Q4 2018. As noted previously, the decline in perpetual license revenue influenced by the shift to SaaS bookings was a key contributor to the decline.
- Total contract value bookingsⁱ increased 31% from \$14.7 million in Q4 2018 to \$19.2 million in Q4 2019. During Q4 2019, the Company signed nine new accounts with a total contract value of \$6.7 million compared to six new accounts with a total contract value of \$8.3 million in Q4 2018.

"Fiscal 2019 was an exciting year for Tecsys," said Peter Brereton, President and CEO of Tecsys Inc. "The rapid shift to SaaS provides tremendous value creation and we made great progress on every significant front. In November 2018, we purchased OrderDynamics, a Canadian-based SaaS distributed order management solution business. This acquisition greatly extends our supply chain execution and warehouse management system offerings by adding omnichannel capabilities for our clients running complex retail supply chains. In February 2019, we continued our European expansion through the acquisition of PCSYS, a leading supplier of hardware and software solutions for warehouse management, transportation management and labelling systems. The integration of these businesses is well underway. In fiscal 2019, we signed 23 new accounts compared to 12 in fiscal 2018. On the healthcare front, fiscal 2019 was a tremendous year. We added six new hospital networks, including two that were signed in the fourth quarter. We are confident our expanding product suite offering and growing global reach should help us to continue to attain strong booking growth rates going forward. In January 2019, we unveiled our new brand. It is our inherent culture of excellence that drove the rebranding rather than the other way around. The feedback has been tremendous as both clients and employees recognize the brand as bringing clarity to our abilities to empower good companies to solve complex uncertainties in their supply chains."



Mark Bentler, Chief Financial Officer of Tecsys Inc., added, “We continue to make the transition from perpetual license revenues to SaaS which helps us to deliver a more robust, predictable recurring revenue stream. The financial impact of this transition can be seen in the Q4 fiscal 2019 results. Current revenue, margins and profitability are negatively impacted as SaaS subscription revenue is recognized monthly over multi-year terms whereas perpetual license revenues are typically recognized up front. This transition is happening even more rapidly than we had initially forecast. In fiscal 2019, SaaS subscription bookingsⁱ comprised approximately 33% of our software product bookingsⁱ compared to 2% in fiscal 2018.”

In thousands of dollars except per share amounts

Results from Operations	3 Months Ended Apr. 30, 2019	3 Months Ended Apr. 30, 2018	12 Months Ended Apr. 30, 2019	12 Months Ended Apr. 30, 2018
Total Revenue	\$23,191	\$18,908	\$76,449	\$70,718
Gross Profit	\$10,909	\$9,565	\$37,441	\$34,875
Gross Margin %	47%	51%	49%	49%
Operating Expenses	\$11,746	\$7,816	\$39,239	\$30,621
Op. Ex. as % of Revenue	51%	41%	51%	43%
(Loss) Profit from Operations	\$(837)	\$1,749	\$(1,798)	\$4,254
Adjusted EBITDA ⁱⁱ	\$684	\$2,307	\$2,776	\$6,490
EPS	\$0.01	\$0.13	\$(0.06)	\$0.30
Contract Bookings ⁱ	\$19,249	\$14,731	\$63,210	\$48,100



Fiscal 2019 Highlights:

- Revenue for fiscal 2018 was \$76.4 million, up 8% from \$70.7 million in the previous fiscal year.
- Total gross profit margin remained steady at 49%.
- Operating expenses increased to \$39.2 million, compared to \$30.6 million in the previous fiscal year. The majority of the increase is attributable to OrderDynamics and PCSYS, which accounted for \$3.6 million of this increase. Other factors include higher Sales and Marketing expenses including our rebranding program, higher R&D expenses, acquisition costs, stock-based compensation and legal costs.
- Loss from operations of \$1.8 million in fiscal 2019 in comparison to a profit of \$4.3 million in fiscal 2018. Most of the decline can be attributed to \$1.5 million in OrderDynamics losses, \$1.9 million increased investment in Sales and Marketing and R&D expenses and \$1.3 million in acquisition costs. The shift to SaaS had a negative impact on profitability in fiscal 2019.
- Net loss for fiscal 2019 was \$0.7 million, or (\$0.06) per share, compared to a profit of \$3.9 million, or \$0.30 per share, for fiscal 2018.
- Adjusted EBITDAⁱⁱ for the year was \$2.8 million, compared to \$6.5 million in fiscal 2018.
- Total contract bookingsⁱ for fiscal 2019 totalled \$63.2 million, compared to \$48.1 million for fiscal 2018, an increase of 31%.
- Annual Recurring Revenueⁱ at April 30, 2019 was \$38.3 million, up 46% from \$26.2 million at April 30, 2018.

The Company has declared a quarterly dividend of \$0.055 per share to be paid on August 2, 2019 to shareholders of record at the close of business on July 19, 2019.

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

Fourth Quarter 2019 Results Conference Call

Date: July 3, 2019

Time: 5:00 p.m. EDT

Phone number: (416) 981-9013 or (800) 931-1360

The call can be replayed until July 10th, 2019 by calling (416) 626-4100 or (800) 558-5253 (access code: 21926069).



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.

Over 600 mid-size and Fortune 1000 customers 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, 2018. 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 before acquisition related costs, stock-based compensation and non-recurring costs. The Company believes that this measure is 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 calculation for the three and twelve-months periods ending April 30, 2019 and 2018 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:

(in thousands of Canadian dollars)

	Three Months Ended April 30, 2019	Three Months Ended April 30, 2018	Twelve Months Ended April 30, 2019	Twelve Months Ended April 30, 2018
Profit (loss) for the year	\$ 79	\$ 1,802	\$ (741)	\$ 3,949
Adjustments for:				
Depreciation of property and equipment	230	198	879	760
Amortization of deferred development costs	172	262	949	1,118
Amortization of other intangible assets	493	114	995	462
Interest expense	187	3	196	4
Interest income	(26)	(86)	(197)	(259)
Income taxes	(1,018)	14	(1,018)	456
EBITDA	117	2,307	1,063	6,490
Adjustments for:				
Acquisition related costs	460	-	1,347	-
Stock-based compensation	107	-	366	-
Adjusted EBITDA	684	2,307	2,776	6,490

Acquisition related costs: These costs mainly pertain to professional fees related to the acquisition of OrderDynamics and PCSYS.

Stock-based compensation: expense related to the issuance of stock options to employees and directors of the Company.



Tecsys Inc.
Consolidated Statements of Financial Position
 As at April 30, 2019 and April 30, 2018
 (in thousands of Canadian dollars)

	April 30, 2019	April 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 14,913	\$ 13,496
Accounts receivable	14,986	13,939
Work in progress	811	617
Other receivables	392	535
Tax credits	3,493	3,391
Inventory	673	1,145
Prepaid expenses	3,223	1,829
Total current assets	38,491	34,952
Non-current assets		
Long-term investments	-	10,007
Other long-term receivables	278	215
Tax credits	5,260	4,840
Property and equipment	2,714	3,091
Deferred development costs	1,064	1,850
Other intangible assets	14,706	1,342
Goodwill	17,456	3,596
Deferred tax assets	5,476	3,524
Total non-current assets	46,954	28,465
Total assets	\$ 85,445	\$ 63,417
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,633	\$ 9,087
Deferred revenue	14,252	10,774
Current portion of long-term debt	1,022	47
Other current liabilities	4,111	-
Total current liabilities	31,018	19,908
Non-current liabilities		
Long-term debt	10,827	74
Other non-current liabilities	2,333	300
Deferred tax liabilities	1,769	-
Total non-current liabilities	14,929	374
Total liabilities	45,947	20,282
Equity		
Share capital	19,144	19,144
Contributed surplus	9,943	9,577
Retained earnings	10,618	14,527
Accumulated other comprehensive income (loss)	(207)	(113)
Total equity attributable to the owners of the Company	39,498	43,135
Total liabilities and equity	\$ 85,445	\$ 63,417

See accompanying notes to the consolidated financial statements.



Tecsys Inc.

Consolidated Statements of Income and Comprehensive Income

Three and twelve months periods ended April 30, 2019 and 2018

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

	Three Months Ended April 30, 2019	Three Months Ended April 30, 2018	Twelve Months Ended April 30, 2019	Twelve Months Ended April 30, 2018
Revenue:				
Proprietary products	\$ 1,606	\$ 3,072	\$ 6,948	\$ 6,895
Third-party products	2,694	1,935	6,822	6,847
Cloud, maintenance and subscription	9,360	6,895	31,282	27,000
Professional services	9,002	6,470	29,338	27,830
Reimbursable expenses	529	536	2,059	2,146
Total revenue	23,191	18,908	76,449	70,718
Cost of revenue:				
Products	2,377	1,689	6,036	6,187
Services	9,376	7,118	30,913	27,510
Reimbursable expenses	529	536	2,059	2,146
Total cost of revenue	12,282	9,343	39,008	35,843
Gross profit	10,909	9,565	37,441	34,875
Operating expenses:				
Sales and marketing	5,058	3,685	17,204	14,496
General and administration	2,836	1,550	9,354	6,328
Research and development, net of tax credits	3,852	2,581	12,681	9,797
Total operating expenses	11,746	7,816	39,239	30,621
(Loss) profit from operations	(837)	1,749	(1,798)	4,254
Net finance income	102	(67)	(39)	(151)
(Loss) profit before income taxes	(939)	1,816	(1,759)	4,405
Income tax (benefit) expense	(1,018)	14	(1,018)	456
(Loss) Profit attributable to the owners of the Company	\$ 79	\$ 1,802	\$ (741)	\$ 3,949
Other comprehensive (loss) income :				
Effective portion of changes in fair value on designated revenue hedges	(142)	(309)	(14)	166
Exchange differences on translation of foreign operations	(80)	-	(80)	-
Comprehensive (loss) income attributable to the owners of the Company	\$ (143)	\$ 1,493	\$ (835)	\$ 4,115
Basic and diluted (loss) earnings per common share	\$ 0.01	\$ 0.13	\$ (0.06)	\$ 0.30

See accompanying notes to the consolidated financial statements.



Tecsys Inc.

Consolidated Statements of Cash Flows

Three and twelve months periods ended April 30, 2019 and 2018
(in thousands of Canadian dollars)

	Three Months Ended April 30, 2019	Three Months Ended April 30, 2018	Twelve Months Ended April 30, 2019	Twelve Months Ended April 30, 2018
Cash flows from (used in) operating activities:				
(Loss) Profit for the period	\$ 79	\$ 1,802	\$ (741)	\$ 3,949
Adjustments for:				
Depreciation of property and equipment	230	198	879	760
Amortization of deferred development costs	172	262	949	1,118
Amortization of other intangible assets	493	114	995	462
Net finance income	102	(67)	(39)	(151)
Unrealized foreign exchange and other	507	385	275	(465)
Non-refundable tax credits	(226)	(335)	(902)	(925)
Stock-based compensation	107	-	366	-
Income taxes	(1,182)	38	(1,182)	361
Net cash from operating activities excluding changes in non-cash working capital items related to operations	282	2,397	600	5,109
Accounts receivable	1,674	(1,312)	1,749	279
Work in progress	546	(145)	(129)	(5)
Other receivable	(46)	(8)	109	(346)
Tax credits	1,960	2,001	(212)	(156)
Inventory	98	282	476	(231)
Prepaid expenses	(211)	(18)	(595)	70
Accounts payable and accrued liabilities	(434)	17	795	294
Deferred revenue	92	758	1,307	(1,320)
Changes in non-cash working capital items related to operations	3,679	1,575	3,500	(1,415)
Net cash from operating activities	3,961	3,972	4,100	3,694
Cash flows (used in) from financing activities:				
Repayment of long-term debt	(237)	(14)	(272)	(69)
Issuance of long-term debt	-	-	12,000	-
Issuance of common shares	-	35	-	10,489
Payment of dividends	(719)	(654)	(2,747)	(2,486)
Interest paid	(115)	(3)	(115)	(4)
Net cash (used in) from financing activities	(1,071)	(636)	8,866	7,930
Cash flows from (used in) investing activities:				
Decrease (increase) in long-term investments	7	-	10,007	(10,007)
Decrease in restricted cash	12,000	-	-	-
Interest received	25	86	197	259
Acquisitions of property and equipment	(134)	(528)	(403)	(1,358)
Acquisitions of other intangible assets	(68)	(40)	(160)	(281)
Deferred development costs	(76)	(73)	(163)	(217)
Business acquisitions	(11,147)	-	(21,027)	-
Net cash from (used in) investing activities	607	(555)	(11,549)	(11,604)
Net increase in cash and cash equivalents during the period	3,497	2,781	1,417	20
Cash and cash equivalents - beginning of period	11,416	10,715	13,496	13,476
Cash and cash equivalents - end of period	\$ 14,913	\$ 13,496	\$ 14,913	\$ 13,496

See accompanying notes to the consolidated financial statements.



Tecsys Inc.

Consolidated Statements of Changes in Equity

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

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
	Number	Amount				
Balance, April 30, 2017	12,315,326	\$ 8,349	\$ 9,577	\$ (279)	\$ 13,064	\$ 30,711
Profit for the year	-	-	-	-	3,949	3,949
Other comprehensive income for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	166	-	166
Total comprehensive income for the period	-	-	-	166	3,949	4,115
Common shares issued under bought deal financing, net of taxes of \$306	767,050	10,795	-	-	-	10,795
Dividends to equity owners	-	-	-	-	(2,486)	(2,486)
Total transactions with owners of the Company	767,050	10,795	-	-	(2,486)	8,309
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
Loss for the year	-	-	-	-	(741)	(741)
Other comprehensive income (loss) for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(14)	-	(14)
Exchange difference on translation of foreign operations				(80)		(80)
Stock Based Compensation			366			366
Total comprehensive income (loss) for the period	-	-	366	(94)	(741)	(469)
Dividends to equity owners	-	-	-	-	(2,747)	(2,747)
Total transactions with owners of the Company	-	-	-	-	(2,747)	(2,747)
Balance, April 30, 2019	13,082,376	\$ 19,144	\$ 9,943	\$ (207)	\$ 10,618	\$ 39,498

See accompanying notes to the consolidated financial statements.

ⁱ See Key Performance Indicators in Management's Discussion and Analysis of the 2019 Financial Statements

ⁱⁱ See Non-IFRS Performance Measure in Management's Discussion and Analysis of the 2019 Financial Statements