

News Release

FOR IMMEDIATE RELEASE

Tecsyst Reports Financial Results for the Third Quarter of Fiscal 2019

Second consecutive quarter of record bookings; strategic acquisitions expand market opportunities

MONTREAL, February 28, 2019— Tecsyst Inc. (TSX: TCS) an industry-leading supply chain management software company, today announced its results for the third quarter of fiscal year 2019, ended January 31, 2019. The unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Third Quarter Highlights:

- Total revenue increased 9% to \$18.8 million from \$17.2 million in Q3 2018.
- Proprietary products revenue increased 67% to \$1.6 million from \$0.9 million in Q3 2018.
- Cloud, maintenance and subscription revenue was \$8.1 million, a 23% increase from \$6.6 million in Q3 2018.
- Professional services revenue was flat at \$7.3 million.
- Total gross profit margin was 50%, compared with 47% in Q3 2018.
- Operating expenses were \$11.1 million, compared to \$7.3 million for Q3 2018.
- Loss from operations was \$1.7 million compared to a profit of \$0.8 million for the same period in fiscal 2018.
- Operating profitability was impacted by \$2.0 million of combined acquisition costs, expected and incurred operating losses from the acquired business, non-recurring marketing rebranding program costs and non-cash stock-compensation expenses.
- Total contract value bookings amounted to \$17.1 million, a 42% increase compared to \$12.0 million for the same period in fiscal 2018. During Q3 2019, the Company signed seven new accounts with a total contract value of \$5.6 million compared to one new account with a total contract value of \$1.3 million in Q3 2018.
- Cash and cash equivalents totaled \$11.4 million at the end of Q3 fiscal 2019, compared to \$13.5 million at the end of Q4 2018.

“With proprietary product revenue up 67%, total bookings up 42% and seven new accounts, this was a great quarter. There were many successful milestones we achieved in the third quarter, including the launching our new global brand identity, the acquisition of OrderDynamics, and Bill King joining the team as Chief Revenue Officer,” said Peter Brereton, President and CEO of Tecsyst Inc. “Additionally we continue to make strategic investments with our expansion into Europe through the acquisition of PCSYS A/S, announced on February 1. We are very pleased with the many important steps we undertook this past quarter to build upon our strong market position and best situate Tecsyst for accelerated growth.”

“Our bookings success has continued thanks to our strong pipeline, and as a result we achieved our second consecutive quarter of record booking levels. Consistent with our stated strategy, the Company is seeing increasing software as a service (SaaS) bookings. Roughly 40% of new account license bookings in the quarter were on a SaaS basis. Such bookings are recognized as revenue over the contract period as opposed to up-front sales of perpetual licenses. While this establishes a stream of recurring revenue, it will impact comparable quarterly revenue and operating profit in the medium term,” added Mark J. Bentler, Chief Financial Officer of Tecsys Inc.

In thousands of dollars except per share amounts:

Results from Operations	Q3 2019 Jan. 31, 2019	Q3 2018 Jan. 31, 2018	9 months ended Jan. 31, 2019	9 months ended Jan. 31, 2018	Trailing 12 months ended Jan. 31, 2019	Trailing 12 months ended Jan. 31, 2018
Total Revenue	\$ 18,792	\$ 17,227	\$ 53,258	\$ 51,810	\$ 72,166	\$ 70,257
Recurring Revenue ¹	8,095	6,569	21,922	20,105	28,817	26,978
Gross Margin	9,438	8,120	26,532	25,310	36,097	34,694
Gross Margin %	50%	47%	50%	49%	50%	49%
Operating Expenses	11,125	7,275	27,493	22,805	35,309	26,139
Op. Ex. As % of Revenue	59%	42%	52%	44%	49%	37%
(Loss) Profit from Operations	(1,687)	845	(961)	2,505	788	8,555 ³
EBITDA ²	(1,012)	1,312	946	4,183	3,253	10,857 ³
Adj. EBITDA ²	(98)	1,312	2,092	4,183	4,399	10,857 ³
EPS	(0.11)	0.06	(0.06)	0.17	0.07	0.56 ³
Contract Bookings	17,098	12,024	43,963	33,369	58,694	44,471

¹ Recurring revenue is comprised of cloud, maintenance and subscription revenue

² This is a non-IFRS measure. Please refer to the “Non-IFRS Measure” section below

³ Recognized \$4.6 million of Canadian federal non-refundable R&D tax credit

First Nine Months Highlights:

- Total revenue was \$53.3 million, an increase from \$51.8 million for the first nine months of fiscal 2018.
- Proprietary products revenue increased to \$5.3 million, compared to \$3.8 million for the first nine months of fiscal 2018.
- Cloud, maintenance and subscription revenue was \$21.9 million, compared with \$20.1 million for the first nine months of fiscal 2018.
- Professional services revenue was \$20.3 million, compared with \$21.4 million in the first nine months of fiscal 2018.
- Total gross profit margin was 50% compared with 49% for the first nine months of fiscal 2018.
- Operating expenses were \$27.5 million, compared to \$22.8 million for the first nine months of 2018.
- Loss from operations was \$1.0 million, compared to profit of \$2.5 million for the same period in fiscal 2018.
- Operating profitability was impacted by \$2.3 million of combined acquisition costs, expected and incurred operating losses from the acquired business, non-recurring marketing rebranding program costs and non-cash stock-compensation expenses.
- Net loss was \$0.8 million or \$(0.06) per share compared with a profit of \$2.1 million or \$0.17 per share for the same period in fiscal 2018.
- Total contract value bookings amounted to \$44.0 million, compared to \$33.4 million for the first nine months of 2018.

The Company has declared a dividend of \$0.055 per share to be paid on April 11, 2019 to shareholders of record at the close of business on March 21, 2019.

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

Third Quarter 2019 Results Conference Call

Date: March 1, 2019

Time: 8:30 am EST

Phone number: (416) 981-9011 or (800) 763-5615

The call can be replayed until March 8th, 2019 by calling (416) 626-4100 or (800) 558-5253 (access code: 21916614).

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.

Contact

Solutions and General info: info@tecsys.com

Investor Relations: steve.li@tecsys.com, (514) 866-5800 ext. 4120

Media Relations: adam.polka@tecsys.com

By phone: (514) 866-0001 or (800) 922-8649

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 and nine-months periods ending January 31 of fiscal 2019 and 2018, derived from IFRS measures in the Company's condensed interim consolidated financial statements, is as follows:

	Three-months ended January 31, 2019	Three-months ended January 31, 2018	Nine-months ended January 31, 2019	Nine-months ended January 31, 2018
Profit for the period	\$ (1,429)	\$ 722	\$ (820)	\$ 2,147
Adjustments for:				
Depreciation of property and equipment	214	157	649	562
Depreciation of deferred development costs	219	257	777	856
Depreciation of other intangible assets	259	113	502	348
Interest expense	9	-	9	1
Interest income	(26)	(77)	(171)	(173)
Income taxes	(258)	140	-	442
EBITDA	\$ (1,012)	\$ 1,312	\$ 946	\$ 4,183
Adjustments for:				
Acquisition related costs	772	-	887	-
Stock-based compensation	142	-	259	-
Adjusted EBITDA	\$ (98)	\$ 1,312	\$ 2,092	\$ 4,183

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

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

Tecsyst Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
As at January 31, 2019 and April 30, 2018
(in thousand of Canadian dollars)

	January 31, 2019	April 30, 2018
Asset		
Current asset		
Cash and cash equivalent	\$ 11,416	\$ 13,496
Restricted cash	12,000	-
Accounts receivable	14,727	13,939
Work in progress	1,292	617
Other receivables	508	535
Tax credit	5,720	3,391
Inventory	767	1,145
Prepaid expenses	2,878	1,829
Total current Asset	49,308	34,952
Non-current assets		
Long-term investments	-	10,007
Other long-term receivables	208	215
Tax credits	5,048	4,840
Property and equipment	2,756	3,091
Deferred development costs	1,161	1,850
Other intangible assets	6,891	1,342
Goodwill	10,709	3,596
Deferred tax assets	3,984	3,524
Total non-current assets	30,757	28,465
Total assets	\$ 80,065	\$ 63,417
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	\$ 12,631	\$ 9,087
Current portion of long-term debt	947	47
Deferred revenue	13,388	10,774
Total current liabilities	26,966	19,908
Non-current liabilities		
Long-term debt	11,139	74
Other non-current liabilities	1,707	300
Total non-current liabilities	12,846	374
Total liabilities	39,812	20,282
Equity		
Share capital	19,144	19,144
Contributed surplus	9,836	9,577
Retained earnings	11,258	14,527
Accumulated other comprehensive income (loss)	15	(113)
Total equity attributable to the owners of the Company	40,253	43,135
Total liabilities and equity	\$ 80,065	\$ 63,417
Subsequent event		

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
(Unaudited)
Three and nine months periods ended January 31, 2019 and 2018
(in thousand of Canadian dollars, except per share data)

	Three months Ended January 31, 2019	Three months Ended January 31, 2018	Nine months Ended January 31, 2019	Nine months Ended January 31, 2018
Revenue:				
Proprietary products	\$ 1,556	\$ 930	\$ 5,342	\$ 3,823
Third-party products	1,316	1,943	4,128	4,912
Cloud, maintenance and subscription	8,095	6,569	21,922	20,105
Professional services	7,338	7,332	20,336	21,360
Reimbursable expenses	487	453	1,530	1,610
Total revenue	18,792	17,227	53,258	51,810
Cost of revenue:				
Products	1,015	1,766	3,659	4,498
Services	7,852	6,888	21,537	20,392
Reimbursable expenses	487	453	1,530	1,610
Total cost of revenue	9,354	9,107	26,726	26,500
Gross profit	9,438	8,120	26,532	25,310
Operating expenses:				
Sales and marketing	4,612	3,327	12,146	10,811
General and administration	3,007	1,591	6,518	4,778
Research and development, net of tax credit	3,506	2,357	8,829	7,216
Total operating expenses	11,125	7,275	27,493	22,805
(Loss) profit from operations	(1,687)	845	(961)	2,505
Net finance (income)	-	(17)	(141)	(84)
(Loss) profit before income taxes	(1,687)	862	(820)	2,589
Income tax	(258)	140	-	442
(Loss) profit attributable to the owners of the Company	\$ (1,429)	\$ 722	\$ (820)	\$ 2,147
Other comprehensive income:				
Effective portion of changes in fair value on designated revenue hedges	122	335	128	475
Comprehensive income attributable to the owners of the Company	\$ (1,307)	\$ 1,057	\$ (692)	\$ 2,622
Basic and diluted earnings per common share	\$ (0.11)	\$ 0.06	\$ (0.06)	\$ 0.17

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
Three and nine months periods ended January 31, 2019 and 2018
(in thousand of Canadian dollars)

	Three months Ended January 31, 2019	Three months Ended January 31, 2018	Nine months Ended January 31, 2019	Nine months Ended January 31, 2018
Cash flow from (used in) operating activities:				
Profit for the period	\$ (1,429)	\$ 722	\$ (820)	\$ 2,147
Adjustments for:				
Depreciation of property and equipment	214	157	649	562
Depreciation of deferred development costs	219	257	777	856
Depreciation of other intangible assets	259	113	502	348
Net finance (income)	-	(17)	(141)	(84)
Unrealized foreign exchange and other	(261)	(294)	(232)	(850)
Non-refundable tax credit	(201)	(222)	(676)	(590)
Stock-based compensation	142	-	259	-
Income taxes	(265)	113	-	323
Operating activities excluding changes in non-cash working capital items related to operations	(1,322)	829	318	2,712
Accounts receivable	(379)	(1,280)	75	1,591
Work in progress	(392)	53	(675)	140
Other receivables	77	(11)	155	(338)
Tax credits	(755)	(828)	(2,172)	(2,157)
Inventory	111	(552)	378	(513)
Prepaid expenses	45	(152)	(384)	88
Accounts payable and accrued liabilities	2,047	799	1,229	277
Deferred revenue	1,076	757	1,215	(2,078)
Changes in non-cash working capital items related to operations	1,830	(1,214)	(179)	(2,990)
Net cash from (used in) operating activities	508	(385)	139	(278)
Cash flow (used in) financing activities:				
Repayment of long-term debt	(12)	(18)	(35)	(55)
Proceeds from long-term debt	12,000	-	12,000	-
Issuance of common shares	-	-	-	10,454
Payment of dividends	(720)	(654)	(2,028)	(1,832)
Interest paid	-	-	-	(1)
Net cash from (used in) financing activities	11,268	(672)	9,937	8,566
Cash flows (used in) investing activities:				
Long-term investments	10,000	-	10,000	(10,007)
Business acquisition	(9,880)	-	(9,880)	-
Increase in restricted cash	(12,000)	-	(12,000)	-
Interest received	27	77	172	173
Acquisition of property and equipment	(166)	(577)	(269)	(830)
Acquisition of other intangible assets	(27)	(114)	(92)	(241)
Deferred development costs	(22)	(72)	(87)	(144)
Net cash (used in) investing activities	(12,068)	(686)	(12,156)	(11,049)
Net (decrease) in cash and cash equivalents during the period	(292)	(1,743)	(2,080)	(2,761)
Cash and cash equivalent – beginning of period	11,708	12,458	13,496	13,476
Cash and cash equivalent – end of period	\$ 11,416	\$ 10,715	\$ 11,416	\$ 10,715

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.
Condensed Interim Consolidated Statements of Changes in Equity
Nine Month periods ended January 31, 2019 and 2018
(in thousands of Canadian dollars, except number of shares)

	Share capital		Contributed	Accumulated	Retained	Total
	Number	Amount	surplus	other comprehensive income (loss)	earnings	
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)
	13,082,376	19,144	9,577	(113)	14,106	42,714
Profit for the year	-	-	-	-	(820)	(820)
Other comprehensive income for the year:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	128	-	128
Total comprehensive income for the year	-	-	-	128	(820)	(692)
Dividends to equity owners					(2,028)	(2,028)
Stock based compensation	-	-	259	-	-	259
Total transactions with owners of the Company	-	-	259	-	(2,028)	(1,769)
Balance, January 31, 2019	13,082,376	\$ 19,144	\$ 9,836	\$ 15	\$ 11,258	\$ 40,253
Balance, April 30, 2017	12,315,326	\$ 8,349	\$ 9,577	\$ (279)	\$ 13,064	\$ 30,711
Profit for the year	-	-	-	-	2,147	2,147
Other comprehensive loss for the year:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	475	-	475
Total comprehensive income (loss) for the year	-	-	-	475	2,147	2,622
Common shares issued under bought deal financing, net of taxes of \$306	767,050	10,454	-	-	-	10,454
Dividends to equity owners	-	-	-	-	(1,832)	(1,832)
Total transactions with owners of the Company	767,050	10,454	-	-	(1,832)	8,622
Balance, January 31, 2018	13,082,376	\$ 18,803	\$ 9,577	\$ 196	\$ 13,379	\$ 41,955

See accompanying notes to the consolidated financial statements.

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 Tecsyst Inc. serves, the actions of competitors, major new technological trends, and other factors beyond the control of Tecsyst Inc., which could cause actual results to differ materially from such statements. More information about the risks and uncertainties associated with Tecsyst 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.tecsyst.com) and on SEDAR (www.sedar.com).

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