



# News Release

FOR IMMEDIATE RELEASE

Ref. # NRE2023-26

## Tecsyst Reports Financial Results for the Third Quarter of Fiscal 2023

### Record revenue quarter with SaaS bookings up 152%, year-to-date SaaS bookings up 68%

**Montreal**, March 1, 2023 — Tecsyst Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the third quarter of fiscal year 2023, ended January 31, 2023. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

#### **Third Quarter Highlights:**

- SaaS revenue increased by 36% to \$9.5 million, up from \$7.0 million in Q3 2022.
- SaaS subscription bookings<sup>i</sup> (measured on an ARR<sup>i</sup> basis) increased by 152% to \$5.8 million, compared to \$2.3 million in the third quarter of fiscal 2022.
- SaaS Remaining Performance Obligation (RPO<sup>i</sup>) increased by 63% to \$128.3 million at January 31, 2023, up from \$78.5 million at the same time last year.
- Annual Recurring Revenue (ARR<sup>i</sup>) at January 31, 2023 was up 27% to \$75.4 million compared to \$59.5 million at January 31, 2022.
- Professional services revenue was up 5% to \$13.6 million compared to \$12.9 million in Q3 last year.
- Total revenue excluding hardware revenue was \$32.5 million, 12% higher than \$29.0 million reported for Q3 last year, while total revenue reached a record \$38.9 million.
- Gross margin was 44% compared to 43% in the same period in fiscal 2022.
- Total gross profit increased to \$17.0 million, up 12% from \$15.2 million in Q3 last year.
- Operating expenses increased to \$16.0 million, higher by \$2.1 million or 15% compared to \$13.9 million in Q3 last year.
- Profit from operations was \$1.0 million, down from \$1.4 million in Q3 last year.
- Net profit was \$0.9 million or \$0.06 per share on both a basic and fully diluted basis in Q3 2023 compared to \$0.9 million or \$0.06 per share in Q3 2022.
- Adjusted EBITDA<sup>ii</sup> was \$2.8 million, up 1% compared to \$2.7 million reported in Q3 last year.



“We are pleased to continue our strong momentum through this quarter, supported by both new logo wins and solid base account activity, including major expansions and new SaaS migrations, which continues to contribute favorably to our bookings,” said Peter Brereton, president and CEO of Tecsys Inc. “We continue to see healthy pipeline activity that shows a growing demand for our value proposition to our base customers and to the supply chain market as a whole. In light of these favorable market conditions, we continue to invest to drive organic growth.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “Our Q3 performance continues at a solid pace as we drive market expansion and investor value. With a record revenue quarter led by 36% SaaS revenue growth and SaaS bookings up 152%, we are pleased with our topline growth, and we continue to create greater revenue visibility as we grow our RPO, which is up 63% year over year.”

<i>Results from operations</i>	Three months ended		Nine months ended		Trailing 12 months ended	
	January 31, 2023	January 31, 2022	January 31, 2023	January 31, 2022	January 31, 2023	January 31, 2022
Total Revenue	\$ 38,917	\$ 35,411	\$ 111,232	\$ 102,912	\$ 145,520	\$ 135,286
Total Revenue Excluding Hardware	32,542	29,024	94,391	85,303	123,561	112,340
SaaS Revenue, Maintenance and Support Revenue	17,900	15,167	51,065	43,911	66,781	57,747
Professional Services Revenue	13,569	12,942	40,739	39,144	53,635	51,319
Gross Profit	17,008	15,233	48,445	45,180	63,575	60,903
Gross Margin %	44%	43%	44%	44%	44%	45%
Operating Expenses	15,968	13,883	46,267	41,115	60,086	54,207
Op. Ex. As % of Revenue	41%	39%	42%	40%	41%	40%
Profit from Operations	1,040	1,350	2,178	4,065	3,489	6,696
Adjusted EBITDA <sup>ii</sup>	2,774	2,738	7,035	8,400	8,765	12,317
EPS basic	\$ 0.06	\$ 0.06	\$ 0.11	\$ 0.13	\$ 0.29	\$ 0.27
EPS diluted	\$ 0.06	\$ 0.06	\$ 0.11	\$ 0.13	\$ 0.28	\$ 0.27
License Booking	1,058	515	2,313	1,862	2,853	2,614
SaaS ARR Bookings	5,831	2,315	12,535	7,463	16,992	10,956
Annual Recurring Revenue					75,361	59,540
SaaS RPO					128,313	78,498
Professional Services Backlog					38,167	29,521



### **Year-to-date performance for first nine months of fiscal 2023:**

- SaaS revenue increased by 37% to \$26.3 million, up from \$19.2 million the same period of fiscal 2022.
- SaaS subscription bookings<sup>i</sup> (measured on an ARR<sup>i</sup> basis) increased to \$12.5 million, 68% higher from \$7.5 million in the same period of fiscal 2022.
- Professional services revenue for the nine-month period was up 4% to \$40.7 million compared to \$39.1 million in the same period of fiscal 2022.
- Total revenue excluding hardware revenue was \$94.4 million, 11% higher than \$85.3 million reported for the same period of fiscal 2022.
- Gross margin was 44% for both periods in fiscal 2023 and fiscal 2022.
- Total gross profit increased to \$48.4 million, up 7% from \$45.2 million in the same period of fiscal 2022.
- Operating expenses increased to \$46.3 million, higher by \$5.2 million or 13% compared to \$41.1 million in the same period of fiscal 2022.
- Profit from operations was \$2.2 million, down from \$4.1 million in the same period of fiscal 2022.
- Net profit was \$1.6 million or \$0.06 per share on both a basic and fully diluted basis in the first nine months of fiscal 2023 compared to a net profit of \$1.9 million or \$0.13 per share for the same period in fiscal 2022.
- Adjusted EBITDA<sup>ii</sup> was \$7.0 million, down 16% compared to \$8.4 million reported in the same period in fiscal 2022.

On March 1, 2023, the Company declared a quarterly dividend of \$0.075 per share to be paid on April 13, 2023 to shareholders of record on March 23, 2023.

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

<sup>i</sup> See Key Performance Indicators in Management’s Discussion and Analysis of the Q3 2023 Financial Statements.

<sup>ii</sup> See Non-IFRS Performance Measures in Management’s Discussion and Analysis of the Q3 2023 Financial Statements.



### Third Quarter Fiscal 2023 Results Conference Call

Date: March 2, 2023

Time: 8:30am EDT

Phone number: (877) 954-0686 or (416) 981-9014

The call can be replayed until March 9, 2023 by calling:  
(800) 558-5253 or (416) 626-4100 (access code: 22026120)

### About Tecsys

Tecsys is a global provider of cloud-based supply chain solutions that equip the borderless enterprise for growth and competitive advantage. Serving healthcare, distribution and converging commerce industries, and spanning multiple complex, regulated and high-volume markets, Tecsys delivers dynamic and powerful solutions for warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, as well as financial management and analytics solutions.

Tecsys' shares are listed on the Toronto Stock Exchange under the ticker symbol TCS. For more information on Tecsys, visit [www.tecsys.com](http://www.tecsys.com).

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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 the most recently filed annual information form. These documents have been filed with the Canadian securities commissions and are available on our website ([www.tecsys.com](http://www.tecsys.com)) and on SEDAR ([www.sedar.com](http://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 stock-based compensation, gain on remeasurement of lease liability and recognition of tax credits generated in prior periods. The exclusion of interest expense, interest income and income taxes eliminates the impact on earnings derived from non-operational activities, and the exclusion of depreciation, amortization, share-based compensation, gain on remeasurement of lease liability and recognition of tax credits generated in prior periods eliminates the non-cash impact of these items.

The Company believes that these measures are useful measures of financial performance without the variation caused by the impacts of the items described above and that could potentially distort the analysis of trends in our operating performance. In addition, they 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. Excluding these items does not imply that they are necessarily non-recurring. Management believes these non-GAAP financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance and future prospects in a manner similar to management. Although EBITDA and Adjusted EBITDA are frequently used by securities analysts, lenders and others in their evaluation of companies, they have limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS.



The reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS measure is provided below.

	Three months ended January 31,		Nine months ended January 31,		Trailing 12 months ended January 31,	
<i>(in thousands of CAD)</i>	2023	2022	2023	2022	2023	2022
Profit for the period	\$ 888	\$ 940	\$ 1,643	\$ 1,892	\$ 4,229	\$ 3,912
Adjustments for:						
Depreciation of property and equipment and right-of-use assets	476	551	1,335	1,647	1,850	2,214
Amortization of deferred development costs	135	80	351	203	438	263
Amortization of other intangible assets	411	408	1,201	1,230	1,583	1,634
Interest expense	92	138	389	444	567	602
Interest income	(221)	(337)	(475)	(417)	(532)	(435)
Income taxes	455	537	869	2,057	(242)	2,573
EBITDA	\$ 2,236	\$ 2,317	\$ 5,313	\$ 7,056	\$ 7,893	\$ 10,763
Adjustments for:						
Stock based compensation	538	421	1,722	1,344	2,062	1,554
Gain on remeasurement of lease liability	-	-	-	-	(573)	-
Recognition of tax credits generated in prior periods	-	-	-	-	(617)	-
Adjusted EBITDA <sup>ii</sup>	\$ 2,774	\$ 2,738	\$ 7,035	\$ 8,400	\$ 8,765	\$ 12,317



**Condensed Interim Consolidated Statements of Financial Position**  
**As at January 31, 2023 and April 30, 2022**  
**(Unaudited)**  
**(In thousands of Canadian dollars)**

	January 31, 2023	April 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 12,201	\$ 23,004
Short-term investments	15,651	20,239
Accounts receivable	24,001	16,962
Work in progress	1,950	1,579
Other receivables	1,404	234
Tax credits	9,793	5,224
Inventory	1,309	806
Prepaid expenses	7,874	6,392
<b>Total current assets</b>	<b>74,183</b>	<b>74,440</b>
<b>Non-current assets</b>		
Other long-term receivables	182	192
Tax credits	4,233	3,782
Property and equipment	1,750	2,064
Right-of-use assets	4,295	4,547
Contract acquisition costs	3,895	3,177
Deferred development costs	2,116	1,870
Other intangible assets	9,549	10,301
Goodwill	17,304	16,863
Deferred tax assets	8,617	8,608
<b>Total non-current assets</b>	<b>51,941</b>	<b>51,404</b>
<b>Total assets</b>	<b>\$ 126,124</b>	<b>\$ 125,844</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 19,566	\$ 16,971
Deferred revenue	29,197	24,689
Current portion of long-term debt	-	1,200
Lease obligations	728	662
<b>Total current liabilities</b>	<b>49,491</b>	<b>43,522</b>
<b>Non-current liabilities</b>		
Long-term debt	-	7,200
Deferred tax liabilities	1,350	1,258
Lease obligations	4,805	5,181
<b>Total non-current liabilities</b>	<b>6,155</b>	<b>13,639</b>
<b>Total liabilities</b>	<b>\$ 55,646</b>	<b>\$ 57,161</b>
<b>Equity</b>		
Share capital	\$ 44,112	\$ 43,973
Contributed surplus	14,871	13,176
Retained earnings	11,480	12,968
Accumulated other comprehensive income (loss)	15	(1,434)
<b>Total equity attributable to the owners of the Company</b>	<b>70,478</b>	<b>68,683</b>
<b>Total liabilities and equity</b>	<b>\$ 126,124</b>	<b>\$ 125,844</b>



**Condensed Interim Consolidated Statements of Income and Comprehensive Income**  
**For the three and nine-month periods ended January 31, 2023 and 2022**  
**(Unaudited)**  
**(In thousands of Canadian dollars, except per share data)**

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2023	2022	2023	2022
<b>Revenue:</b>				
SaaS	\$ 9,544	\$ 7,003	\$ 26,343	\$ 19,221
Maintenance and Support	8,356	8,164	24,722	24,690
Professional Services	13,569	12,942	40,739	39,144
License	1,073	915	2,587	2,248
Hardware	6,375	6,387	16,841	17,609
<b>Total revenue</b>	<b>38,917</b>	<b>35,411</b>	<b>111,232</b>	<b>102,912</b>
<b>Cost of revenue</b>	<b>21,909</b>	<b>20,178</b>	<b>62,787</b>	<b>57,732</b>
<b>Gross profit</b>	<b>17,008</b>	<b>15,233</b>	<b>48,445</b>	<b>45,180</b>
<b>Operating expenses:</b>				
Sales and marketing	7,349	6,202	20,302	17,906
General and administration	2,813	2,553	8,619	8,213
Research and development, net of tax credits	5,806	5,128	17,346	14,996
<b>Total operating expenses</b>	<b>15,968</b>	<b>13,883</b>	<b>46,267</b>	<b>41,115</b>
<b>Profit from operations</b>	<b>1,040</b>	<b>1,350</b>	<b>2,178</b>	<b>4,065</b>
<b>Net finance (income) costs</b>	<b>(303)</b>	<b>(127)</b>	<b>(334)</b>	<b>116</b>
<b>Profit before income taxes</b>	<b>1,343</b>	<b>1,477</b>	<b>2,512</b>	<b>3,949</b>
<b>Income tax expense</b>	<b>455</b>	<b>537</b>	<b>869</b>	<b>2,057</b>
<b>Net profit</b>	<b>\$ 888</b>	<b>\$ 940</b>	<b>\$ 1,643</b>	<b>\$ 1,892</b>
Other comprehensive income (loss):				
Effective portion of changes in fair value on designated revenue hedges	2,368	(516)	515	(641)
Exchange differences on translation of foreign operations	742	(107)	934	(592)
<b>Comprehensive income</b>	<b>\$ 3,998</b>	<b>\$ 317</b>	<b>\$ 3,092</b>	<b>\$ 659</b>
<b>Basic and diluted earnings per common share</b>	<b>\$ 0.06</b>	<b>\$ 0.06</b>	<b>\$ 0.11</b>	<b>\$ 0.13</b>





**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three and nine-month periods ended January 31, 2023 and 2022**  
**(Unaudited)**  
**(In thousands of Canadian dollars)**

	Three Months Ended		Nine Months Ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Cash flows from operating activities:				
Net profit	\$ 888	\$ 940	\$ 1,643	\$ 1,892
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	476	551	1,335	1,647
Amortization of deferred development costs	135	80	351	203
Amortization of other intangible assets	411	408	1,201	1,230
Interest expense (income) and foreign exchange (gain) loss	(303)	(127)	(334)	116
Unrealized foreign exchange and other	(273)	292	418	1,220
Non-refundable tax credits	(806)	(608)	(1,666)	(1,340)
Stock-based compensation	538	421	1,722	1,344
Income taxes	100	484	430	1,857
Net cash from operating activities excluding changes in non-cash working capital items related to operations	1,166	2,441	5,100	8,169
Accounts receivable	(2,480)	(1,920)	(6,870)	(4,635)
Work in progress	(288)	606	(359)	(1,216)
Other receivables	9	67	(221)	139
Tax credits	(1,224)	(809)	(3,353)	(2,630)
Inventory	(351)	(263)	(494)	(328)
Prepaid expenses	(1,291)	(924)	(1,473)	(1,832)
Contract acquisition costs	(388)	(12)	(718)	(110)
Accounts payable and accrued liabilities	1,283	2,269	1,202	(2,414)
Deferred revenue	(1,198)	(593)	4,455	1,348
Changes in non-cash working capital items related to operations	(5,928)	(1,579)	(7,831)	(11,678)
<b>Net cash (used in) provided by operating activities</b>	<b>(4,762)</b>	<b>862</b>	<b>(2,731)</b>	<b>(3,509)</b>
Cash flows from financing activities:				
Repayment of long-term debt	(7,800)	(300)	(8,400)	(916)
Transfers from short-term investments	5,000	-	5,000	-
Payment of lease obligations	(148)	(179)	(570)	(634)
Payment of dividends	(1,093)	(1,018)	(3,131)	(2,907)
Refund of acquired tax liability	-	299	-	299
Interest paid	(92)	(138)	(389)	(444)
Issuance of common shares on exercise of stock options	15	-	112	1,020
<b>Net cash used in financing activities</b>	<b>(4,118)</b>	<b>(1,336)</b>	<b>(7,378)</b>	<b>(3,582)</b>
Cash flows from investing activities:				
Interest received	221	38	475	118
Payments related to prior business acquisitions	-	(500)	-	(500)
Acquisitions of property and equipment	(279)	(85)	(510)	(619)
Acquisitions of other intangible assets	(62)	(7)	(62)	(29)
Deferred development costs	(130)	(229)	(597)	(910)
<b>Net cash used in investing activities</b>	<b>(250)</b>	<b>(783)</b>	<b>(694)</b>	<b>(1,940)</b>
Net decrease in cash and cash equivalents during the period	(9,130)	(1,257)	(10,803)	(9,031)
Cash and cash equivalents - beginning of period	21,331	17,978	23,004	25,752
<b>Cash and cash equivalents - end of period</b>	<b>\$ 12,201</b>	<b>\$ 16,721</b>	<b>\$ 12,201</b>	<b>\$ 16,721</b>



**Condensed Interim Consolidated Statements of Changes in Equity**  
**For the nine-month periods ended January 31, 2023 and 2022**  
**(Unaudited)**  
**(In thousands of Canadian dollars, except number of shares)**

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
	Number	Amount				
<b>Balance, May 1, 2022</b>	<b>14,562,895</b>	<b>\$ 43,973</b>	<b>\$ 13,176</b>	<b>\$ (1,434)</b>	<b>\$ 12,968</b>	<b>\$ 68,683</b>
Net profit	-	-	-	-	1,643	1,643
Other comprehensive income:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	515	-	515
Exchange difference on translation of foreign operations	-	-	-	934	-	934
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,449</b>	<b>1,643</b>	<b>3,092</b>
Stock-based Compensation	-	-	1,722	-	-	1,722
Dividends to equity owners	-	-	-	-	(3,131)	(3,131)
Share options exercised	7,054	139	(27)	-	-	112
<b>Total transactions with owners of the Company</b>	<b>7,054</b>	<b>139</b>	<b>1,695</b>	<b>-</b>	<b>(3,131)</b>	<b>(1,297)</b>
<b>Balance, January 31, 2023</b>	<b>14,569,949</b>	<b>\$ 44,112</b>	<b>\$ 14,871</b>	<b>\$ 15</b>	<b>\$ 11,480</b>	<b>\$ 70,478</b>
<b>Balance, May 1, 2021</b>	<b>14,505,095</b>	<b>\$ 42,700</b>	<b>\$ 11,745</b>	<b>\$ 226</b>	<b>\$ 12,419</b>	<b>\$ 67,090</b>
Net profit	-	-	-	-	1,892	1,892
Other comprehensive income:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(641)	-	(641)
Exchange difference on translation of foreign operations	-	-	-	(592)	-	(592)
<b>Total comprehensive (loss) income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,233)</b>	<b>1,892</b>	<b>659</b>
Stock-based Compensation	-	-	1,344	-	-	1,344
Dividends to equity owners	-	-	-	-	(2,907)	(2,907)
Share options exercised	57,800	1,273	(253)	-	-	1,020
<b>Total transactions with owners of the Company</b>	<b>57,800</b>	<b>\$ 1,273</b>	<b>\$ 1,091</b>	<b>\$ -</b>	<b>\$ (2,907)</b>	<b>\$ (543)</b>
<b>Balance, January 31, 2022</b>	<b>14,562,895</b>	<b>\$ 43,973</b>	<b>\$ 12,836</b>	<b>\$ (1,007)</b>	<b>\$ 11,404</b>	<b>\$ 67,206</b>