



News Release

FOR IMMEDIATE RELEASE

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Tecsyst Reports Financial Results for Fourth Quarter and Full Year Fiscal 2020

Record SaaS Bookings, Record Revenue Drive Strong Performance Across All Segments.

Montreal July 8, 2020 — Tecsyst 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 2020, ended April 30, 2020. 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 a record \$27.7 million, 20% higher than \$23.2 million reported for Q4 2019.
- In the fourth quarter of 2020, SaaS subscription bookings¹ (measured on an Annual Recurring Revenue (ARR)¹ basis) were a record \$4.1 million, up 356% compared to \$0.9 million reported for Q4 2019.
- Cloud, Maintenance and Subscription Revenue increased 14% year-over-year to \$10.6 million in Q4 2020 from \$9.4 million in Q4 2019. The increase was primarily driven by SaaS.
- Total ARR¹ at April 30, 2020 was \$48.1 million, up 26% compared to \$38.3 million at April 30, 2019 and up 13% from \$42.5 million at January 31, 2020.
- During Q4 2020, the Company signed eight new accounts with a total contract value of \$25.4 million compared to nine new accounts with a total contract value of \$6.7 million in Q4 2019.
- Professional services revenue was \$10.8 million, 20% higher than \$9.0 million reported for Q4 2019. Professional services bookings¹ in Q4 2020 increased 127% or \$11.6 million to \$20.7 million from \$9.1 million in Q4 2019. Sequentially, professional services bookings¹ is also up 60% from Q3 2020.



- Total gross profit increased to \$12.9 million, up 18% from \$10.9 million reported for Q4 2019.
- Total gross profit margin declined slightly to 46% in Q4 2020 compared to 47% reported in Q4 2019. Operating expenses increased to \$12.3 million, higher by \$0.6 million or 5% compared to \$11.7 million in Q4 2019. Profit from operations was \$0.6 million, compared to a loss of \$0.8 million reported for Q4 2019.
- Net Profit was \$0.4 million or \$0.03 per share in Q4 2020 compared to \$0.1 million or \$0.01 per share reported for the same period in fiscal 2019.
- Adjusted EBITDAⁱⁱ was \$2.0 million in Q4 2020 compared to \$0.7 million reported for Q4 2019.

“Fiscal 2020 was another exciting year for Tecsys,” said Peter Brereton, president and CEO of Tecsys Inc. “The rapid shift to SaaS has proven to be a tremendous value creator for our company. Against almost all internal metrics we are meeting, or exceeding, our goals. In fiscal 2020, we signed 34 new accounts with a total contract value of \$52.7 million compared to 23 new accounts with a total contract value of \$15.4 million in fiscal 2019. This is an increase of 242%. On the healthcare front, fiscal 2020 was another strong year. We added 6 new hospital networks. We are confident that the ongoing expansion of our product suite and growing global reach should help us to continue to attain strong bookings going forward.”

“On March 11, 2020, the COVID-19 outbreak was declared a global pandemic,” continued Brereton. “Tecsys is well-equipped to uphold comprehensive support and services for its end-to-end supply chain execution software through its multi-tiered customer care and support teams. Employees are now working remotely and supporting Tecsys’ customers and partners. Work that was historically done both on site and remotely is now supported remotely by our employees. To date, Tecsys’ ability to continue to progress sales cycles, sign new orders and execute project implementations has not been affected adversely by the pivot to remote work. While Tecsys anticipates that some client projects may be postponed or delayed during the pandemic, other client projects are starting up. Based on current activity and considering the Corporation’s significant project backlog, Tecsys believes that this outbreak is not having any material adverse impact on its operating results. Moreover, Tecsys is not currently experiencing or anticipating any material credit losses as a result of the pandemic. In short, we are weathering these unprecedented challenges very well indeed.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “Our transition from perpetual license revenues to SaaS which helps us to deliver a more robust, predictable recurring revenue stream accelerated through fiscal 2020. This pace of transition continues to exceed our own internal forecasts. In fiscal 2020, SaaS subscription bookings comprised





approximately 77% of our software product bookings compared to 33% in fiscal 2019. Even adjusting for the currency tailwind we enjoyed during the year, all KPI's were very strong.”

Fiscal 2020 Highlights:

- Revenue for fiscal 2020 was \$104.9 million, up 37% from \$76.4 million reported for the previous fiscal year. Organic revenue growth (adjusting for acquisitions) was 14%.
- SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) were \$8.8 million in fiscal 2020, up 486% compared to \$1.5 million in fiscal 2019.
- Total gross profit increased to \$50.3 million, up \$12.9 million or 34% in fiscal 2020 compared to \$37.4 million in fiscal 2019.
- Total gross profit margin declined slightly to 48% compared to 49% reported for fiscal 2019.
- Operating expenses are \$45.6 million, an increase of 16% compared to \$39.2 million reported for the previous fiscal year. The majority of the increase is attributable to the acquisitions of Tecsys A/S (formerly known as PCSYS A/S) and OrderDynamics, which contributed \$5.6 million of the increase.
- Profit from operations was \$4.7 million compared to a loss from operations of \$1.8 million reported for fiscal 2019.
- Net profit for fiscal 2020 was \$2.3 million, or \$0.18 per share, compared to a loss of \$0.7 million or (\$0.06) per share, for fiscal 2019.
- Adjusted EBITDAⁱⁱ for the year was \$10.3 million, up 267% compared to \$2.8 million reported for fiscal 2019.
- Total contract bookingsⁱ for fiscal 2020 were \$112.7 million, up 78% from \$63.2 million in fiscal 2019. The increase was comprised of organic bookings growth of as well as increased bookings from acquisitions.
- The Company has declared a quarterly dividend of \$0.06 per share to be paid on August 7, 2020 to shareholders of record at the close of business on July 24, 2020. Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be “eligible” dividends.





Results from operations (Amounts in 000 except EPS)	3 months ended		Fiscal Year ended	
	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019
Total Revenue	\$ 27,750	\$ 23,191	\$ 104,855	\$ 76,449
Cloud, Maintenance and Subscription Revenue	10,638	9,360	41,058	31,282
Gross Profit	12,896	10,909	50,318	37,441
Gross Margin %	46%	47%	48%	49%
Operating Expenses	12,302	11,746	45,610	39,239
Op. Ex. As % of Revenue	44%	51%	43%	51%
Profit from Operations	594	(837)	4,708	(1,798)
Adjusted EBITDA ⁱⁱ	1,951	684	10,271	2,776
EPS	0.03	0.01	0.18	(0.06)
Bookings	40,885	19,248	112,683	63,211
License Bookings ⁱ	1,388	1,239	4,718	5,928
SAAS ARR Bookings ⁱ	4,075	917	8,758	1,530
Backlog	120,351	76,563	120,351	76,563
Annual Recurring Revenue ⁱ	48,140	38,276	48,140	38,276
Professional Services Backlog ⁱ	34,965	24,478	34,965	24,478

ⁱ See Key Performance Indicators in Management's Discussion and Analysis of the 2020 Financial Statements.

ⁱⁱ See Non-IFRS Performance Measure in Management's Discussion and Analysis of the 2020 Financial Statements.

Fourth Quarter 2020 Results Conference Call Date: July 9 2020

Time: 8:30 a.m. EDT

Phone number: (800)768-9711 or (416) 981-9013

The call can be replayed until July 16, 2020 by calling (800) 558-5253 or (416) 626-4100 (access code: 21965143).

About Tecsys

Tecsys is a global provider of supply chain solutions that equip the borderless enterprise for growth. Organizations thrive when they have the software, technology and expertise to drive operational greatness and deliver on their brand promise. Spanning healthcare, retail, service parts, third-party logistics, and general wholesale high-volume distribution industries, Tecsys delivers dynamic and powerful solutions for warehouse management, distribution and



transportation management, supply management at point of use, retail order management, as well as complete 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.

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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, 2020. 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

The terms and definitions of the non-GAAP measures used below and a reconciliation of the non-GAAP measures to the most directly comparable GAAP measure are provided below. These non-GAAP measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

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 calculation for fiscal 2020, 2019 and 2018 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:

	2020	2019	2018
Profit (loss) for the period	\$ 2,346	\$ (741)	\$ 3,949
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	2,004	879	760
Amortization of deferred development costs	536	949	1,118
Amortization of other intangible assets	1,530	995	462
Interest expense	1,080	196	4
Interest income	(74)	(197)	(259)
Income taxes	1,234	(1,018)	456
EBITDA	\$ 8,656	\$ 1,063	\$ 6,490
Adjustments for:			
Acquisition related costs	-	1,347	-
Stock based compensation	1,024	366	-
Fair value adjustment on contingent consideration earnout – Tecsys A/S	171	-	-
Restructuring costs	420	-	-
Adjusted EBITDA	\$ 10,271	\$ 2,776	\$ 6,490



Tecsys Inc
 Consolidated Statements of Financial Position
 (in thousands of Canadian dollars)

	April 30, 2020	April 30, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 27,528	\$ 14,913
Short-term investments	10,000	-
Accounts receivable	18,434	14,986
Work in progress	837	811
Other receivables	1,633	392
Tax credits	4,162	3,493
Inventory	634	673
Prepaid expenses	3,778	2,687
Total current assets	67,006	37,955
Non-current assets		
Other long-term receivables	350	278
Tax credits	4,624	5,260
Property and equipment	2,823	2,714
Right-of-use assets	8,234	-
Contract acquisition costs	2,324	536
Deferred development costs	1,103	1,064
Other intangible assets	13,401	14,706
Goodwill	17,540	17,456
Deferred tax assets	7,028	5,476
Total non-current assets	57,427	47,490
Total assets	\$ 124,433	\$ 85,445
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,933	\$ 11,633
Deferred revenue	16,163	14,252
Current portion of long-term debt	1,231	1,022
Other current liabilities	4,670	4,111
Lease obligations	922	-
Total current liabilities	42,919	31,018
Non-current liabilities		
Long-term debt	9,600	10,827
Other non-current liabilities	-	2,333
Deferred tax liabilities	1,638	1,769
Lease obligations	9,157	-
Total non-current liabilities	20,395	14,929
Total liabilities	63,314	45,947
Contingencies and other commitments		
Equity		
Share capital	40,901	19,144
Contributed surplus	10,964	9,943
Retained earnings	8,838	10,618
Accumulated other comprehensive income (loss)	416	(207)
Total equity attributable to the owners of the Company	61,119	39,498
Total liabilities and equity	\$ 124,433	\$ 85,445



Tecsys inc

Consolidated Statements of Income (loss) and Comprehensive Income (loss)

Three and twelve months periods ended April 30, 2020 and 2019

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

	Three months Ended April 30, 2020	Three months Ended April 30, 2019	Twelve months Ended April 30, 2020	Twelve months Ended April 30, 2019
Revenue:				
Proprietary products	\$ 1 694	\$ 1 606	\$ 5 384	\$ 6 948
Third-party products	4 244	2 694	15 885	6 822
Cloud, maintenance and subscription	10 638	9 360	41 058	31 282
Professional services	10 823	9 002	40 616	29 338
Reimbursable expenses	351	529	1 912	2 059
Total revenue	27 750	23 191	104 855	76 449
Cost of revenue:				
Products	3 493	2 377	12 780	6 036
Services	11 010	9 376	39 845	30 913
Reimbursable expenses	351	529	1 912	2 059
Total cost of revenue	14 854	12 282	54 537	39 008
Gross profit	12 896	10 909	50 318	37 441
Operating expenses:				
Sales and marketing	5 368	5 058	20 134	17 204
General and administration	2 637	2 836	9 821	9 354
Research and development, net of tax credits	4 297	3 852	15 235	12 681
Restructuring costs	-	-	420	-
Total operating expenses	12 302	11 746	45 610	39 239
Profit (loss) from operations	594	(837)	4 708	(1 798)
Net finance costs (income)	145	102	1 128	(39)
Profit (loss) before income taxes	449	(939)	3 580	(1 759)
Income tax expense (benefit)	74	(1 018)	1 234	(1 018)
Profit (loss) attributable to the owners of the Company	\$ 375	\$ 79	\$ 2 346	\$ (741)
Other comprehensive income (loss) :				
Effective portion of changes in fair value on designated revenue hedges	627	(142)	696	(14)
Exchange differences on translation of foreign operations	198	(80)	(73)	(80)
Comprehensive income (loss) attributable to the owners of the Company	\$ 1 200	\$ (143)	\$ 2 969	\$ (835)
Basic and diluted earnings (loss) per common share	\$ 0.03	\$ 0.01	\$ 0.18	\$ (0.06)



Tecsys inc

Consolidated Statements of Cash Flows

Three and twelve months periods ended April 30, 2020 and 2019

(in thousands of Canadian dollars)

	Three months Ended April 30, 2020	Three months Ended April 30, 2019	Twelve months Ended April 30, 2020	Twelve months Ended April 30, 2019
Cash flows from operating activities:				
Profit (loss) for the period	\$ 375	\$ 79	\$ 2 346	\$ (741)
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	542	230	2 005	879
Amortization of deferred development costs	119	172	536	949
Amortization of other intangible assets	398	493	1 530	995
Net finance costs (income)	145	102	1 128	(39)
Unrealized foreign exchange and other	352	507	(245)	275
Non-refundable tax credits	(355)	(226)	(1 398)	(902)
Stock-based compensation	214	107	1 024	366
Income taxes	(406)	(1 182)	399	(1 182)
Net cash from operating activities excluding changes in non-cash working capital items related to operations	1 384	282	7 325	600
Accounts receivable	(1 910)	1 674	(3 434)	1 749
Work in progress	(161)	546	(27)	(129)
Other receivables	(11)	(46)	(315)	109
Tax credits	1 797	1 960	103	(212)
Inventory	175	98	38	476
Prepaid expenses and contract acquisition costs	(1 417)	(211)	(2 877)	(595)
Accounts payable and accrued liabilities	5 169	(434)	7 285	795
Deferred revenue	1 120	92	1 908	1 307
Changes in non-cash working capital items related to operations	4 762	3 679	2 681	3 500
Net cash from operating activities	6 146	3 961	10 006	4 100
Cash flows from financing activities:				
Repayment of long-term debt	(308)	(237)	(1 018)	(272)
Issuance of long-term debt	-	-	-	12 000
Payment of lease obligations	(262)	-	(993)	-
Issuance of common shares	21 719	-	21 719	-
Payment of dividends	(785)	(719)	(3 009)	(2 747)
Issuance of common shares on exercise of stock options	12	-	12	-
Interest paid	(139)	(115)	(854)	(115)
Net cash from (used in) financing activities	20 237	(1 071)	15 857	8 866
Cash flows from investing activities :				
Purchase of short-term investments	(10 000)	-	(10 000)	-
Decrease in long-term investments	-	7	-	10 007
Decrease in restricted cash	-	12 000	-	-
Interest received	11	25	74	197
Acquisitions of property and equipment	(231)	(134)	(934)	(403)
Acquisitions of other intangible assets	(42)	(68)	(196)	(160)
Deferred development costs	(70)	(76)	(575)	(163)
Business acquisitions	(471)	(11 147)	(1 617)	(21 027)
Net cash used in (from) investing activities	(10 803)	607	(13 248)	(11 549)
Net increase in cash and cash equivalents during the period	15 580	3 497	12 615	1 417
Cash and cash equivalents - beginning of period	11 948	11 416	14 913	13 496
Cash and cash equivalents - end of period	\$ 27 528	\$ 14 913	\$ 27 528	\$ 14 913
Supplemental cash flow information:				
Purchase of property and equipment included in accounts payable and accrued liabilities	\$ 133	\$ -	\$ 133	\$ -
Right-of-use assets additions	\$ 863	\$ -	\$ 863	\$ -
Deferred tax asset recognized in share capital related to transaction fees	\$ 449	\$ -	\$ 449	\$ -
Transaction costs included in accounts payable and accrued liabilities related to issuance of common shares	\$ 426	\$ -	\$ 426	\$ -



Tecsyst 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, 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 year	-	-	-	-	2,346	2,346
Other comprehensive income (loss) for the year:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	696	-	696
Exchange difference on translation of foreign operations	-	-	-	(73)	-	(73)
Stock-based compensation	-	-	1,024	-	-	1,024
Total comprehensive income for the year	-	-	1,024	623	2,346	3,993
Dividends to equity owners	-	-	-	-	(3,009)	(3,009)
Share options exercised	834	15	(3)	-	-	12
Common shares issued under bought deal financing, net of share issue costs of \$1,707 and deferred taxes of \$449	1,333,333	21,742	-	-	-	21,742
Total transaction with owners of the Company	1,334,167	21,757	(3)	-	(3,009)	18,745
Balance, April 30, 2020	14,416,543	\$ 40,901	\$ 10,964	\$ 416	\$ 8,838	\$ 61,119
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 year:						
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 year	-	-	366	(94)	(741)	(469)
Dividends to equity owners	-	-	-	-	(2,747)	(2,747)
Total transaction 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