



News Release

FOR IMMEDIATE RELEASE

Ref. # NRE2020-25

Tecsyst Reports Financial Results for the Second Quarter of Fiscal 2021

33% growth in recurring revenue drives seventh consecutive quarter of record revenue

Montreal, December 2, 2020 — Tecsyst Inc. (TSX: TCS), an industry-leading supply chain management software company, today announced its results for the second quarter of fiscal year 2021, ended October 31, 2020. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

Second Quarter Highlights:

- SaaS Revenue in Q2 2021 increased 142% to \$5.1 million, up from \$2.1 million in Q2 2020.
- Cloud, maintenance and subscription revenue increased 33% year-over-year to \$13.4 million in Q2 2021, up from \$10.1 million in Q2 2020. The increase was primarily driven by SaaS.
- Annual Recurring Revenue (ARRⁱ) at October 31, 2020 was up 26% to \$50.9 million compared to \$40.5 million at October 31, 2019 and up 3.9% sequentially from July 31, 2020 on a constant currency basis.
- During Q2 2021, SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) were \$2.7 million, a 15% increase over \$2.4 million reported in Q2 2020.
- Professional services revenue was up 16% to \$11.8 million in Q2 2021 compared to \$10.2 million in Q2 2020. Professional services bookingsⁱ were up 19% to \$11.5 million in the second quarter of fiscal 2021 compared to \$9.7 million in the same period last year.
- Total revenue was a record \$30.7 million, 18% higher than \$26.0 million reported for Q2 2020.
- Gross margin was 52% compared to 50% in the prior year quarter. Total gross profit increased to \$16.0 million, up 23% from \$13.1 million in Q2 2020.



- Operating expenses increased to \$12.6 million, higher by \$1.8 million or 16% compared to \$10.8 million in Q2 fiscal 2020 with continuing investment in sales and marketing as well as research and development.
- Profit from operations in Q2 2021 was \$3.5 million, compared to \$2.2 million in Q2 2020.
- Profit was \$2.1 million or \$0.14 per share on a fully diluted basis in Q2 2021 compared to a profit of \$1.4 million or \$0.11 per share for the same period in fiscal 2020.
- Adjusted EBITDAⁱⁱ was a record \$4.8 million in Q2 2021, up 31% compared to \$3.7 million reported in Q2 2020.

“Our performance for the second quarter of fiscal 2021 represents a continuation of positive business momentum that we have been experiencing,” said Peter Brereton, president and CEO of Tecsys Inc. “This is our seventh straight quarter reporting record revenue. The pandemic has had minimal negative effect on our business and solid growth in our pipeline bodes well for our financial performance for the remainder of fiscal 2021 and beyond. Our trailing twelve month SaaS bookings are up 159% compared to prior trailing twelve to a large extent driven by an explosion of business coming from our customer base. Finally, volume on our distributed order management platform was up 140% for the black Friday period compared to last year.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “SaaS revenue continues to be our fastest growing revenue stream and in the second quarter of fiscal 2021 represented 38% of total cloud, maintenance and subscription revenues, up from 21% in the prior year period. We continue to see strong demand and the transition to SaaS continues with 81% of our product bookings coming from SaaS in the first half of fiscal 2021 compared to 75% for the same period last year. While we continue to see some demand for perpetual licenses, the longer term trend toward SaaS appears solid.”

Results from operations	3 months ended		3 months ended		6 months ended		6 months ended		Trailing 12		Trailing 12	
	October 31, 2020		October 31, 2019		October 31, 2020		October 31, 2019		months ended		months ended	
Total Revenue	\$	30 694	\$	26 008	\$	58 785	\$	50 258	\$	113 382	\$	92 241
Cloud, Maintenance and Subscription Revenue		13 432		10 063		25 685		19 845		46 898		37 300
Gross Profit		16 010		13 055		29 500		24 588		55 230		44 935
Gross Margin %		52%		50%		50%		49%		49%		49%
Operating Expenses		12 558		10 839		24 080		21 869		47 821		44 740
Op. Ex. As % of Revenue		41%		42%		41%		44%		42%		49%
Profit from Operations		3 452		2 216		5 420		2 719		7 409		195
Adjusted EBITDA ⁱⁱ		4 830		3 677		8 339		5 672		12 938		6 258
EPS basic and diluted		0.14		0.11		0.23		0.09		0.32		(0.02)
License Bookings		1 904		1 413		2 365		1 806		5 277		4 639
SAAS ARR Bookings		2 692		2 350		5 062		2 730		11 090		4 275
Annual Recurring Revenue		50 873		40 499		50 873		40 499		50 873		40 499
Professional Services Backlog		38 746		22 142		38 746		22 142		38 746		22 142



Year-to-date performance for first half of fiscal 2021

Highlights:

- SaaS revenue in the first half of fiscal 2021 increased 133% to \$9.0 million, up from \$3.9 million in the first half of fiscal 2020.
- Cloud, maintenance and subscription revenue increased 29% year-over-year to \$25.7 million in the first half of fiscal 2021, up from \$19.8 million in the prior year. The increase was primarily driven by SaaS.
- SaaS subscription bookingsⁱ increased 85% to \$5.1 million in the first six months of fiscal 2021 compared to \$2.7 million in the first half of fiscal 2020.
- Professional services revenue was up 15% to \$23.0 million the first half of fiscal 2021 compared to \$19.9 million in the prior year period. Professional services bookings were up 50% to \$25.6 million in the first half of fiscal 2021 compared to \$17.1 million in the same period last year.
- Revenue for the first six months of fiscal 2021 was \$58.8 million, up 17% from \$50.3 million reported in the previous fiscal year period.
- Total gross profit increased to \$29.5 million, up \$4.9 million or 20% in the first six months of fiscal 2021 compared to \$24.6 million in the same prior year period.
- Total gross profit margin increased slightly to 50% compared to 49% reported for the first half of fiscal 2020.
- Net profit for the first six months of fiscal 2021 was \$3.3 million, or \$0.23 per share, compared to a profit \$1.1 million or \$0.09 per share, for the same period in fiscal 2020.
- Adjusted EBITDAⁱⁱ for the first six months of fiscal 2021 was \$8.3 million, up 47% compared to \$5.7 million reported for the same period in fiscal 2020.

On December 2nd, 2020, the Company declared a quarterly dividend of \$0.065 per share payable on January 8, 2021 to shareholders of record at the close of business on December 17, 2020.

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

Second Quarter Fiscal 2021 Results Conference Call

Date: December 3, 2020

Time: 8:30am EST

Phone number: (800) 931 6427 or (416) 981 0157



The call can be replayed until December 10, 2020 by calling:
(800) 558 5253 or (416) 626 4100 (access code: 21972640)

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 30, 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). Copyright © Tecsys Inc. 2020. All names, trademarks, products, and services mentioned are registered or unregistered trademarks of their respective owners.

ⁱ See Key Performance Indicators in Management's Discussion and Analysis of the Q2 2021 Financial Statements.

ⁱⁱ See Non-IFRS Performance Measures in Management's Discussion and Analysis of the Q2 2021 Financial Statements.



Non-IFRS Measures

Reconciliation of EBITDA and Adjusted EBITDA

The terms and definitions of the non-GAAP measure used in this MD&A and a reconciliation of the non-GAAP measure 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 stock-based compensation, fair value adjustment on contingent consideration earnout 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 three and six months ended October 31, 2020 and October 31, 2019 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:

	Three months ended October 31, 2020	Three months ended October 31, 2019	Six months ended October 31, 2020	Six months ended October 31, 2019
Profit for the period	\$ 2,086	\$ 1,404	\$ 3,321	\$ 1,137
Adjustments for:				
Depreciation of property and equipment and right-of-use assets	526	480	1,059	957
Amortization of deferred development costs	58	151	161	313
Amortization of other intangible assets	426	325	834	738
Interest expense	195	290	471	571
Interest income	(63)	(18)	(113)	(46)
Income taxes	1,235	529	1,970	878
EBITDA	\$ 4,463	\$ 3,161	\$ 7,703	\$ 4,548
Adjustments for:				
Stock based compensation	367	345	636	533
Restructuring costs	-	-	-	420
Fair value adjustment on contingent consideration earnout – Tecsys A/S	-	171	-	171
Adjusted EBITDA	\$ 4,830	\$ 3,677	\$ 8,339	\$ 5,672



Condensed Interim Consolidated Statements of Financial Position

As at October 31, 2020 and April 30, 2020

(Unaudited)

(in thousands of Canadian dollars)

	October 31, 2020	April 30, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 10,463	\$ 27,528
Short-term investments	20,058	10,000
Accounts receivable	23,466	18,434
Work in progress	1,383	837
Other receivables	2,510	1,633
Tax credits	6,260	4,162
Inventory	658	634
Prepaid expenses	4,385	3,778
Total current assets	69,183	67,006
Non-current assets		
Other long-term receivables	322	350
Tax credits	4,854	4,624
Property and equipment	2,777	2,823
Right-of-use assets	7,757	8,234
Contract acquisition costs	2,673	2,324
Deferred development costs	1,103	1,103
Other intangible assets	13,308	13,401
Goodwill	17,738	17,540
Deferred tax assets	7,024	7,028
Total non-current assets	57,556	57,427
Total assets	\$ 126,739	\$ 124,433
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 18,345	\$ 19,933
Deferred revenue	19,762	16,163
Current portion of long-term debt	1,231	1,231
Other current liabilities	2,646	4,670
Lease obligations	905	922
Total current liabilities	42,889	42,919
Non-current liabilities		
Long-term debt	9,000	9,600
Deferred tax liabilities	1,686	1,638
Lease obligations	8,720	9,157
Total non-current liabilities	19,406	20,395
Total liabilities	62,295	63,314
Equity		
Share capital	40,960	40,901
Contributed surplus	11,577	10,964
Retained earnings	10,429	8,838
Accumulated other comprehensive income	1,478	416
Total equity attributable to the owners of the Company	64,444	61,119
Total liabilities and equity	\$ 126,739	\$ 124,433



Condensed Interim Consolidated Statements of Income and Comprehensive Income

Three and six months ended October 31, 2020 and 2019

(Unaudited)

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

	Three months ended October 31, 2020	Three months ended October 31, 2019	Six months ended October 31, 2020	Six months ended October 31, 2019
Revenue:				
Proprietary products	\$ 1,918	\$ 1,726	\$ 2,562	\$ 2,170
Third-party products	3,515	3,592	7,497	7,244
Cloud, maintenance and subscription	13,432	10,063	25,685	19,845
Professional services	11,788	10,169	22,980	19,911
Reimbursable expenses	41	458	61	1,088
Total revenue	30,694	26,008	58,785	50,258
Cost of revenue				
Products	2,845	2,795	6,087	5,757
Services	11,798	9,700	23,137	18,825
Reimbursable expenses	41	458	61	1,088
Total cost of revenue	14,684	12,953	29,285	25,670
Gross profit	16,010	13,055	29,500	24,588
Operating expenses:				
Sales and marketing	5,265	4,807	10,262	9,315
General and administration	2,895	2,437	5,321	4,821
Research and development, net of tax credits	4,398	3,595	8,497	7,313
Restructuring costs	-	-	-	420
Total operating expenses	12,558	10,839	24,080	21,869
Profit from operations	3,452	2,216	5,420	2,719
Net finance costs	131	283	129	704
Profit before income taxes	3,321	1,933	5,291	2,015
Income tax expense	1,235	529	1,970	878
Profit attributable to the owners of the Company	\$ 2,086	\$ 1,404	\$ 3,321	\$ 1,137
Other comprehensive income:				
Effective portion of changes in fair value on designated revenue hedges	(455)	(18)	654	118
Exchange differences on translation of foreign operations	(145)	53	408	(304)
Comprehensive income attributable to the owners of the Company	\$ 1,486	\$ 1,439	\$ 4,383	\$ 951
Basic and diluted earnings per common share	\$ 0.14	\$ 0.11	\$ 0.23	\$ 0.09



Condensed Interim Consolidated Statements of Cash Flows

Three and six months ended October 31, 2020 and 2019

(Unaudited)

(in thousands of Canadian dollars)

	Three months ended October 31, 2020	Three months ended October 31, 2019	Six months ended October 31, 2020	Six months ended October 31, 2019
Cash flows from operating activities:				
Profit for the period	\$ 2,086	\$ 1,404	\$ 3,321	\$ 1,137
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	526	480	1,059	957
Amortization of deferred development costs	58	151	161	313
Amortization of other intangible assets	426	325	834	738
Net finance costs	131	283	129	704
Unrealized foreign exchange and other	(233)	(333)	(472)	(585)
Non-refundable tax credits	(361)	(510)	(670)	(746)
Stock-based compensation	367	345	636	533
Income taxes	1,120	207	1,844	556
Net cash from operating activities excluding changes in non-cash working capital items related to operations	4,120	2,352	6,842	3,607
Accounts receivable	(6,038)	(3,066)	(4,963)	(1,310)
Work in progress	(234)	191	(541)	330
Other receivables	138	253	(78)	(461)
Tax credits	(903)	(347)	(1,658)	(1,038)
Inventory	(61)	(177)	(20)	(163)
Prepaid expenses	183	(313)	(606)	(497)
Contract acquisition costs	(154)	(108)	(349)	(357)
Accounts payable and accrued liabilities	902	1,815	(2,908)	433
Deferred revenue	1,609	847	3,578	384
Changes in non-cash working capital items related to operations	(4,558)	(905)	(7,545)	(2,679)
Net cash (used in) from operating activities	(438)	1,447	(703)	928
Cash flows from (used in) financing activities:				
Repayment of long-term debt	(300)	(236)	(600)	(472)
Payment of lease obligations	(234)	(243)	(487)	(485)
Payment of dividends	(1,730)	(1,439)	(1,730)	(1,439)
Payment of acquired tax liability	(2,191)	-	(2,191)	-
Common shares issued on exercise of stock options	36	-	36	-
Interest paid	(151)	(248)	(319)	(489)
Net cash used in financing activities	(4,570)	(2,166)	(5,291)	(2,885)
Cash flows from (used in) investing activities:				
Purchase of short-term investments	-	-	(10,000)	-
Interest received	63	17	113	46
Acquisitions of property and equipment	(454)	(232)	(503)	(359)
Acquisitions of other intangible assets	(16)	(72)	(521)	(135)
Deferred development costs	(54)	(189)	(160)	(355)
Net cash used in investing activities	(461)	(476)	(11,071)	(803)
Net decrease in cash and cash equivalents during the period	(5,469)	(1,195)	(17,065)	(2,760)
Cash and cash equivalents - beginning of period	15,932	13,348	27,528	14,913
Cash and cash equivalents - end of period	\$ 10,463	\$ 12,153	\$ 10,463	\$ 12,153



Condensed Interim Consolidated Statements of Changes in Equity

Six months ended October 31, 2020 and 2019

(Unaudited)

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

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total	
	Note	Number					Amount
Balance, April 30, 2020		14,416,543	40,901	10,964	416	8,838	61,119
Profit for the period		-	-	-	-	3,321	3,321
Other comprehensive income for the period:							
Effective portion of changes in fair value on designated revenue hedges		-	-	-	654	-	654
Exchange difference on translation of foreign operations		-	-	-	408	-	408
Total comprehensive income for the period		-	-	-	1,062	3,321	4,383
Stock-based Compensation		-	-	636	-	-	636
Dividends to equity owners		-	-	-	-	(1,730)	(1,730)
Share options exercised		2,500	59	(23)	-	-	36
Total transactions with owners of the Company		2,500	59	613	-	(1,730)	(1,058)
Balance, October 31, 2020		14,419,043	\$ 40,960	\$ 11,577	\$ 1,478	\$ 10,429	\$ 64,444
Balance, April 30, 2019		13,082,376	\$ 19,144	\$ 9,943	\$ (207)	\$ 9,501	\$ 38,381
Profit for the period		-	-	-	-	1,137	1,137
Other comprehensive income (loss) for the period:							
Effective portion of changes in fair value on designated revenue hedges		-	-	-	118	-	118
Exchange difference on translation of foreign operations		-	-	-	(304)	-	(304)
Total comprehensive income (loss) for the period		-	-	-	(186)	1,137	951
Stock-based Compensation		-	-	533	-	-	533
Dividends to equity owners		-	-	-	-	(1,439)	(1,439)
Total transactions with owners of the Company		-	-	533	-	(1,439)	(906)
Balance, October 31, 2019		13,082,376	\$ 19,144	\$ 10,476	\$ (393)	\$ 9,199	\$ 38,426