



News Release

FOR IMMEDIATE RELEASE

Ref. # NRE2021-24

Tecsys Reports Financial Results for the Second Quarter of Fiscal 2022

Eleventh consecutive quarter of record revenue; SaaS revenue up 28% year-over-year

Montreal, December 1, 2021— Tecsys Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the second quarter of fiscal year 2022, ended October 31, 2021. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

Second Quarter Highlights:

- SaaS revenue increased by 28% to \$6.6 million in Q2 2022, up from \$5.1 million in Q2 2021.
- Annual Recurring Revenue (ARRⁱ) at October 31, 2021 was up 12% to \$56.9 million compared to \$50.9 million at October 31, 2020.
- During Q2 2022, SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) were \$4.0 million, up 50% compared to \$2.7 million in the second quarter of fiscal 2021.
- Professional services revenue was up 11% to \$13.1 million in Q2 2022 compared to \$11.8 million in Q2 2021.
- Total revenue was a record \$34.3 million, 12% higher than \$30.7 million reported for Q2 2021.
- Gross margin was 45% compared to 52% in the prior year quarter, negatively impacted by a weaker US dollar, investment in our key growth initiatives and revenue mix. Total gross profit decreased to \$15.5 million, down 3% from \$16.0 million in Q2 2021.
- Operating expenses increased to \$13.9 million, higher by \$1.3 million or 11% compared to \$12.6 million in Q2 fiscal 2021 with continuing investment in sales and marketing as well as research and development.
- Profit from operations in Q2 2022 was \$1.6 million, down from \$3.5 million in Q2 2021.
- Net profit was \$0.7 million or \$0.05 per share on a fully diluted basis in Q2 2022 compared to a net profit of \$2.1 million or \$0.14 per share on a fully diluted basis for the same period in fiscal 2021.



- Adjusted EBITDAⁱⁱ was \$3.2 million in Q2 2022, down 34% compared to \$4.8 million reported in Q2 2021.

“We continue our momentum into yet another quarter of record revenue and solid sequential and year-over-year growth. We are supporting that performance with excellent strides in building out our sales team, strengthening our delivery capacity, investing in our platform, and developing our pipeline,” said Peter Brereton, president and CEO of Tecsys, Inc. “Our three target verticals are all performing or outperforming expectations, with notable wins in healthcare with three new major hospital networks, and an expanding customer base in global retail and our distribution market. We are confident that we are favorably positioned as the heightened focus on supply chains turns into greater investment in supply chain agility and the specialized technologies that underpin it.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “We are pleased with another quarter of solid revenue growth in spite of significant foreign currency headwinds. On a constant currency basis, our second quarter fiscal 2022 revenue grew by about 18% compared to the same period last year, with SaaS revenue once again being a key driver. Currency fluctuations knocked about \$2 million off of revenue and \$1.5 million off of adjusted EBITDA compared to the same quarter last year. Considering the general trajectory of our SaaS revenue, within a few quarters we are likely to see SaaS revenue overtaking maintenance and support as our leading source of recurring revenue.”

Results from operations	3 months ended October 31, 2021	3 months ended October 31, 2020	6 months ended October 31, 2021	6 months ended October 31, 2020	Trailing 12 months ended October 31, 2021	Trailing 12 months ended October 31, 2020
Total Revenue	\$ 34,269	\$ 30,694	\$ 67,501	\$ 58,785	\$ 131,817	\$ 113,382
SaaS Revenue	6,565	5,120	12,218	8,964	22,418	14,109
Maintenance and Support Revenue	8,200	8,312	16,526	16,721	33,520	32,789
Gross Profit	15,518	16,010	29,947	29,500	61,077	55,230
Gross Margin %	45%	52%	44%	50%	46%	49%
Operating Expenses	13,891	12,558	27,232	24,080	53,101	47,821
Op. Ex. As % of Revenue	41%	41%	40%	41%	40%	42%
Profit from Operations	1,627	3,452	2,715	5,420	7,976	7,409
Adjusted EBITDA ⁱⁱ	3,206	4,830	5,662	8,339	13,543	12,938
EPS basic	0.05	0.14	0.07	0.23	0.34	0.32
EPS diluted	0.05	0.14	0.06	0.23	0.34	0.32
License Bookings	1,061	1,904	1,347	2,365	3,270	5,277
SAAS ARR Bookings	4,050	2,692	5,149	5,062	9,635	11,090
Annual Recurring Revenue	56,939	50,873	56,939	50,873	56,939	50,873
Professional Services Backlog	33,124	38,746	33,124	38,746	33,124	38,746



Year-to-date performance for first half of fiscal 2022:

- SaaS revenue increased by 36% to \$12.2 million in the first half of fiscal 2022, up from \$9.0 million the same period of fiscal 2021.
- SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) were \$5.1 million for both the first half of fiscal 2022 and 2021.
- Professional services revenue was up 14% to \$26.2 million in the first half of fiscal 2022 compared to \$23.0 million in the same period of fiscal 2021.
- Total revenue was a record \$67.5 million, 15% higher than \$58.8 million reported for the same period of fiscal 2021.
- Gross margin was 44% compared to 50% in the same period of fiscal 2021, negatively impacted by a weaker US dollar, investment in our key growth initiatives and revenue mix.
- Total gross profit increased to \$29.9 million, up 2% from \$29.5 million in the same period fiscal 2021.
- Operating expenses increased to \$27.2 million, higher by \$3.2 million or 13% compared to \$24.0 million in the same period of fiscal 2021 with continuing investment in sales and marketing as well as research and development.
- Profit from operations in the first half of fiscal 2022 was \$2.7 million, down from \$5.4 million in the same period of fiscal 2021.
- Net profit was \$1.0 million or \$0.06 per share on a fully diluted basis in the first half of fiscal 2022 compared to a net profit of \$3.3 million or \$0.23 per share on a fully diluted basis for the same period in fiscal 2021.
- Adjusted EBITDAⁱⁱ was \$5.7 million in the first half of fiscal 2022, down 32% compared to \$8.3 million reported in the same period in fiscal 2021.



On December 1, 2021, the Company's Board of Directors declared a quarterly dividend of \$0.07 per share to be paid on January 7, 2022 to shareholders of record on December 16, 2021.

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

Second Quarter of Fiscal 2022 Results Conference Call

Date: December 2, 2021

Time: 8:30 a.m. EST

Phone number: (800) 582-4087 or (416) 981-9018

The call can be replayed until December 9, 2021 by calling (800) 558-5253 or (416) 626-4100 (access code: 21999394).

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, 2021. 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 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. 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 the three and six months ended October 31, 2021 and October 31, 2020 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:

	Three months ended October 31,		Six months ended October 31,	
<i>(in thousands of CAD)</i>	2021	2020	2021	2020
Profit for the period	\$ 708	\$ 2,086	\$ 952	\$ 3,321
Adjustments for:				
Depreciation of property and equipment and right-of-use assets	553	526	1,096	1,059
Amortization of deferred development costs	69	58	123	161
Amortization of other intangible assets	411	426	822	834
Interest expense	145	195	306	471
Interest income	(40)	(63)	(80)	(113)
Income taxes	791	1,235	1,520	1,970
EBITDA	\$ 2,637	\$ 4,463	\$ 4,739	\$ 7,703
Adjustments for:				
Stock based compensation	569	367	923	636
Adjusted EBITDA	\$ 3,206	\$ 4,830	\$ 5,662	\$ 8,339

ⁱ See Key Performance Indicators in Management's Discussion and Analysis of the Q2 2022 Financial Statements.

ⁱⁱ See Non-IFRS Performance Measures in Management's Discussion and Analysis of the Q2 2022 Financial Statements.



Condensed Interim Consolidated Statements of Financial Position
As at October 31, 2021 and April 30, 2021

(unaudited)

(in thousands of Canadian dollars)

	October 31, 2021	April 30, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 17,978	\$ 25,752
Short-term investments	20,155	20,100
Accounts receivable	19,487	16,840
Work in progress	1,999	182
Other receivables	962	2,034
Tax credits	7,645	5,359
Inventory	688	628
Prepaid expenses	5,802	4,897
Total current assets	74,716	75,792
Non-current assets		
Other long-term receivables	213	303
Tax credits	4,171	3,904
Property and equipment	2,567	2,682
Right-of-use assets	6,775	7,245
Contract acquisition costs	2,776	2,678
Deferred development costs	1,646	1,088
Other intangible assets	11,185	12,194
Goodwill	17,207	17,417
Deferred tax assets	6,006	6,006
Total non-current assets	52,546	53,517
Total assets	\$ 127,262	\$ 129,309
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,196	\$ 19,417
Deferred revenue	23,963	22,044
Current portion of long-term debt	1,200	1,216
Other current liabilities	500	500
Lease obligations	812	848
Total current liabilities	42,671	44,025
Non-current liabilities		
Long-term debt	7,800	8,400
Deferred tax liabilities	1,452	1,499
Lease obligations	7,853	8,295
Total non-current liabilities	17,105	18,194
Total liabilities	59,776	62,219
Equity		
Share capital	43,973	42,700
Contributed surplus	12,415	11,745
Retained earnings	11,482	12,419
Accumulated other comprehensive (loss) income	(384)	226
Total equity attributable to the owners of the Company	67,486	67,090
Total liabilities and equity	\$ 127,262	\$ 129,309



Condensed Interim Consolidated Statements of Income and Comprehensive Income
For the three and six-month periods ended October 31, 2021 and 2020

(unaudited)

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

	Three months ended October 31, 2021	Three months ended October 31, 2020	Six months ended October 31, 2021	Six months ended October 31, 2020
Revenue:				
SaaS	\$ 6,565	\$ 5,120	\$ 12,218	\$ 8,964
Maintenance and Support	8,200	8,312	16,526	16,721
Professional Services	13,076	11,829	26,202	23,041
License	982	1,988	1,333	2,705
Hardware	5,446	3,445	11,222	7,354
Total revenue	34,269	30,694	67,501	58,785
Cost of revenue	18,751	14,684	37,554	29,285
Gross profit	15,518	16,010	29,947	29,500
Operating expenses:				
Sales and marketing	6,022	5,265	11,704	10,262
General and administration	2,801	2,895	5,660	5,321
Research and development, net of tax credits	5,068	4,398	9,868	8,497
Total operating expenses	13,891	12,558	27,232	24,080
Profit from operations	1,627	3,452	2,715	5,420
Net finance costs	128	131	243	129
Profit before income taxes	1,499	3,321	2,472	5,291
Income tax expense	791	1,235	1,520	1,970
Net profit, attributable to the owners of the Company	\$ 708	\$ 2,086	\$ 952	\$ 3,321
Other comprehensive income:				
Effective portion of changes in fair value on designated revenue				
Hedges	233	(455)	(125)	654
Exchange differences on translation of foreign operations	(452)	(145)	(485)	408
Comprehensive income attributable to the owners of the Company	\$ 489	\$ 1,486	\$ 342	\$ 4,383
Basic earnings per common share	\$ 0.05	\$ 0.14	\$ 0.07	\$ 0.23
Diluted earnings per common share	\$ 0.05	\$ 0.14	\$ 0.06	\$ 0.23



Condensed Interim Consolidated Statements of Cash Flows
For the three and six-month periods ended October 31, 2021 and 2020

(unaudited)

(in thousands of Canadian dollars)

	Three months ended October 31, 2021	Three months ended October 31, 2020	Six months ended October 31, 2021	Six months ended October 31, 2020
Cash flows from operating activities:				
Net profit for the period	\$ 708	\$ 2,086	\$ 952	\$ 3,321
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	553	526	1,096	1,059
Amortization of deferred development costs	69	58	123	161
Amortization of other intangible assets	411	426	822	834
Net finance costs	128	131	243	129
Unrealized foreign exchange and other	(333)	(233)	928	(472)
Non-refundable tax credits	(366)	(361)	(732)	(670)
Stock-based compensation	569	367	923	636
Income taxes	680	1,120	1,373	1,844
Net cash from operating activities excluding changes in non-cash working capital items related to operations	2,419	4,120	5,728	6,842
Accounts receivable	(223)	(6,038)	(2,715)	(4,963)
Work in progress	(1,275)	(234)	(1,822)	(541)
Other receivables	106	138	72	(78)
Tax credits	(911)	(903)	(1,821)	(1,658)
Inventory	(53)	(61)	(65)	(20)
Prepaid expenses	(443)	183	(908)	(606)
Contract acquisition costs	(226)	(154)	(98)	(349)
Accounts payable and accrued liabilities	(750)	902	(4,683)	(2,908)
Deferred revenue	2,000	1,609	1,941	3,578
Changes in non-cash working capital items related to operations	(1,775)	(4,558)	(10,099)	(7,545)
Net cash from (used in) operating activities	644	(438)	(4,371)	(703)
Cash flows from financing activities:				
Repayment of long-term debt	(304)	(300)	(616)	(600)
Payment of lease obligations	(224)	(234)	(455)	(487)
Payment of dividends	(1,889)	(1,730)	(1,889)	(1,730)
Payment of acquired tax liability	-	(2,191)	-	(2,191)
Common shares issued on exercise of stock options	1,020	36	1,020	36
Interest paid	(145)	(151)	(306)	(319)
Net cash used in financing activities	(1,542)	(4,570)	(2,246)	(5,291)
Cash flows from investing activities:				
Purchase of short-term investments	-	-	-	(10,000)
Interest received	40	63	80	113
Acquisitions of property and equipment	(304)	(454)	(534)	(503)
Acquisitions of other intangible assets	(7)	(16)	(22)	(521)
Deferred development costs	(195)	(54)	(681)	(160)
Net cash used in investing activities	(466)	(461)	(1,157)	(11,071)
Net decrease in cash and cash equivalents during the period	(1,364)	(5,469)	(7,774)	(17,065)
Cash and cash equivalents - beginning of period	19,342	15,932	25,752	27,528
Cash and cash equivalents - end of period	17,978	\$ 10,463	17,978	\$ 10,463



Condensed Interim Consolidated Statements of Changes in Equity
 For the six-month periods ended October 31, 2021 and 2020
 (unaudited)
 (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, 2021	14,505,095	42,700	11,745	226	12,419	67,090
Net profit	-	-	-	-	952	952
Other comprehensive loss for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(125)	-	(125)
Exchange difference on translation of foreign operations	-	-	-	(485)	-	(485)
Total comprehensive (loss) income for the period	-	-	-	(610)	952	342
Stock-based Compensation	-	-	923	-	-	923
Dividends to equity owners	-	-	-	-	(1,889)	(1,889)
Share Options exercised	57,800	1,273	(253)	-	-	1,020
Total transactions with owners of the Company	57,800	1,273	670	-	(1,889)	54
Balance, October 31, 2021	14,562,895	\$ 43,973	\$ 12,415	\$ (384)	\$ 11,482	\$ 67,486
Balance, April 30, 2020	14,416,543	\$ 40,901	\$ 10,964	\$ 416	\$ 8,838	\$ 61,119
Net profit	-	-	-	-	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