



News Release

FOR IMMEDIATE RELEASE

Ref. # NRE2021-05

Tecsyst Reports Financial Results for the Third Quarter of Fiscal 2021

Eighth consecutive quarter of record revenue; SaaS revenue up 89%

Montreal, February 24, 2021— Tecsyst Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the third quarter of fiscal year 2021, ended January 31, 2021. 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 89% to \$4.7 million in Q3 2021, up from \$2.5 million in Q3 2020.
- Cloud, maintenance and subscription revenue increased 26% year-over-year to \$13.4 million in Q3 2021, up from \$10.6 million in Q3 2020. The performance was primarily driven by SaaS.
- Annual Recurring Revenue (ARRⁱ) at January 31, 2021 was up 20% to \$50.8 million compared to \$42.5 million at January 31, 2020 and up 3% sequentially from October 31, 2020 on a constant currency basis.
- During Q3 2021, SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) were \$1.0 million, down 49% compared to \$2.0 million in the third quarter of 2020, while YTD bookings were up 29% compared to last year.
- Professional services revenue was up 24% to \$12.3 million in Q3 2021 compared to \$9.9 million in Q3 2020. Professional services bookingsⁱ were down 19% to \$10.5 million in the third quarter of fiscal 2021 compared to \$12.9 million in the same period last year, while YTD bookings were up 20% compared to last year.
- Total revenue was a record \$31.9 million, 19% higher than \$26.8 million reported for Q3 2020.
- Gross margin was 48% compared to 48% in the prior year quarter. Total gross profit increased to \$15.4 million, up 20% from \$12.8 million in Q3 2020.



- Operating expenses increased to \$12.8 million, higher by \$1.3 million or 12% compared to \$11.4 million in Q3 fiscal 2020 with continuing investment in sales and marketing as well as research and development.
- Profit from operations in Q3 2021 was \$2.6 million, up 89% from \$1.4 million in Q3 2020.
- Net profit was \$1.8 million or \$0.12 per share on a fully diluted basis in Q3 2021 compared to a net profit of \$0.8 million or \$0.06 per share for the same period in fiscal 2020.
- Adjusted EBITDAⁱⁱ was \$4.0 million in Q3 2021, up 50% compared to \$2.6 million reported in Q3 2020.

“Our performance for the third quarter of fiscal 2021 continues to reflect momentum in the market for Tecsys solutions,” said Peter Brereton, president and CEO of Tecsys Inc. “This is our eighth straight quarter reporting record revenue. The second major COVID wave delayed some deals into our fourth quarter resulting in a significant new business pipeline for the last quarter of our fiscal year. As that wave subsides, these deals are coming in. We were delighted to sign six new accounts in the quarter, three of which were major accounts that signed small initial orders with some significant growth to come. Our developing partner ecosystem continues to have a solid impact on our pipeline and deal flow.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “We expect to see our SaaS revenue continue on its growth trend and we expect this to come from both expansion and migrations of our base customers as well as from new customer wins. With regard to new customer wins, we are pleased with the addition of two new hospital networks during the quarter.”

Results from operations	3 months ended		9 months ended		Trailing 12		Trailing 12					
	January 31, 2021		January 31, 2020		months ended		months ended					
Total Revenue	\$	31 942	\$	26 847	\$	90 727	\$	77 105	\$	118 477	\$	100 296
Cloud, Maintenance and Subscription Revenue		13 358		10 575		39 043		30 420		49 681		39 780
Gross Profit		15 407		12 834		44 907		37 422		57 803		48 331
Gross Margin %		48%		48%		49%		49%		49%		48%
Operating Expenses		12 777		11 439		36 857		33 308		49 159		45 054
Op. Ex. As % of Revenue		40%		43%		41%		43%		41%		45%
Profit from Operations		2 630		1 395		8 050		4 114		8 644		3 277
Adjusted EBITDA ⁱⁱ		3 964		2 648		12 303		8 320		14 254		9 004
EPS basic		0.13		0.06		0.36		0.15		0.39		0.16
EPS diluted		0.12		0.06		0.35		0.15		0.38		0.16
License Bookings		1 172		1 524		3 537		3 330		4 925		4 575
SAAS ARR Bookings		993		1 952		6 055		4 683		10 130		5 698
Annual Recurring Revenue		50 817		42 471		50 817		42 471		50 817		42 471
Professional Services Backlog		37 795		24 262		37 795		24 262		37 795		24 262



Year-to-date performance for first nine months of fiscal 2021 ended January 31, 2021

Highlights:

- SaaS revenue for the nine-month period increased 116% to \$13.7 million, up from \$6.3 million in the first nine months of fiscal 2020.
- Cloud, maintenance and subscription revenue increased 28% year-over-year to \$39.0 million in the first nine months of fiscal 2021, up from \$30.4 million in the prior year, driven primarily by SaaS revenue.
- SaaS subscription bookingsⁱ increased 29% to \$6.1 million in the first nine months of fiscal 2021 compared to \$4.7 million in the prior year period.
- Professional services revenue was up 18% to \$35.3 million in the first nine months of fiscal 2021 compared to \$29.8 million in the prior year period. Professional services bookings were up 20% to \$36.1 million in the first nine months of fiscal 2021 compared to \$30.0 million in the same period last year.
- Revenue for the first nine months of fiscal 2021 was \$90.7 million, up 18% from \$77.1 million reported in the previous fiscal year period.
- Total gross profit increased to \$44.9 million, up \$7.5 million or 20% in the first nine months of fiscal 2021 compared to \$37.4 million in the same prior year period.
- Total gross profit margin remained flat at 49% compared to the first nine months of fiscal 2020.
- Net profit for the first nine months of fiscal 2021 was \$5.2 million, or \$0.35 per diluted share, compared to a profit \$2.0 million or \$0.15 per share, for the same period in fiscal 2020.
- Adjusted EBITDAⁱⁱ for the first nine months of fiscal 2021 was \$12.3 million, up 48% compared to \$8.3 million reported for the same period in fiscal 2020.

On February 24, 2021, the Company declared a quarterly dividend of \$0.065 per share payable on April 8, 2021 to shareholders of record at the close of business on March 18, 2021.

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



Third Quarter Fiscal 2021 Results Conference Call
Date: February 25, 2021
Time: 8:30am EST
Phone number: (800) 698-1231 or (416) 981-0147
The call can be replayed until March 4, 2021 by calling:
(800) 558-5253 or (416) 626-4100 (access code: 21991616)

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).

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ⁱ See Key Performance Indicators in Management's Discussion and Analysis of the Q3 2021 Financial Statements.

ⁱⁱ See Non-IFRS Performance Measures in Management's Discussion and Analysis of the Q3 2021 Financial Statements.



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

	Three months ended January 31, 2021	Three months ended January 31, 2020	Nine months ended January 31, 2021	Nine months ended January 31, 2020
Profit for the period	\$ 1,847	\$ 834	\$ 5,168	\$ 1,971
Adjustments for:				
Depreciation of property and equipment and right-of-use assets	554	506	1,613	1,463
Amortization of deferred development costs	48	104	209	417
Amortization of other intangible assets	425	394	1,259	1,132
Interest expense	158	267	629	838
Interest income	(43)	(16)	(156)	(62)
Income taxes	683	282	2,653	1,160
EBITDA	\$ 3,672	\$ 2,371	\$ 11,375	\$ 6,919
Adjustments for:				
Stock based compensation	292	277	928	810
Restructuring costs	-	-	-	420
Fair value adjustment on contingent consideration earnout – Tecsys A/S	-	-	-	171
Adjusted EBITDA	\$ 3,964	\$ 2,648	\$ 12,303	\$ 8,320



Condensed Interim Consolidated Statements of Financial Position
As at January 31, 2021 and April 30, 2020
(Unaudited)

	January 31, 2021	April 30, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 19,538	\$ 27,528
Short-term investments	20,079	10,000
Accounts receivable	15,432	18,434
Work in progress	554	837
Other receivables	2,622	1,633
Tax credits	6,531	4,162
Inventory	953	634
Prepaid expenses	4,659	3,778
Total current assets	70,368	67,006
Non-current assets		
Other long-term receivables	239	350
Tax credits	3,494	4,624
Property and equipment	2,752	2,823
Right-of-use assets	7,514	8,234
Contract acquisition costs	2,588	2,324
Deferred development costs	1,089	1,103
Other intangible assets	12,929	13,401
Goodwill	17,745	17,540
Deferred tax assets	7,021	7,028
Total non-current assets	55,371	57,427
Total assets	\$ 125,739	\$ 124,433
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 18,772	\$ 19,933
Deferred revenue	18,654	16,163
Current portion of long-term debt	1,227	1,231
Other current liabilities	1,178	4,670
Lease obligations	880	922
Total current liabilities	40,711	42,919
Non-current liabilities		
Long-term debt	8,700	9,600
Deferred tax liabilities	1,688	1,638
Lease obligations	8,538	9,157
Total non-current liabilities	18,926	20,395
Total liabilities	59,637	63,314
Equity		
Share capital	41,951	40,901
Contributed surplus	11,654	10,964
Retained earnings	11,339	8,838
Accumulated other comprehensive income	1,158	416
Total equity attributable to the owners of the Company	66,102	61,119
Total liabilities and equity	\$ 125,739	\$ 124,433



Condensed Interim Consolidated Statements of Income and Comprehensive Income
 Three and nine-month periods ended January 31, 2021 and 2020
 (Unaudited)
 (in thousands of Canadian dollars, except per share data)

	Three months ended January 31, 2021	Three months ended January 31, 2020	Nine months ended January 31, 2021	Nine months ended January 31, 2020
Revenue:				
Proprietary products	\$ 1,336	\$ 1,520	\$ 3,898	\$ 3,690
Third-party products	4,934	4,397	12,431	11,641
Cloud, maintenance and subscription	13,358	10,575	39,043	30,420
Professional services	12,271	9,882	35,251	29,793
Reimbursable expenses	43	473	104	1,561
Total revenue	31,942	26,847	90,727	77,105
Cost of revenue				
Products	4,209	3,530	10,296	9,287
Services	12,283	10,010	35,420	28,835
Reimbursable expenses	43	473	104	1,561
Total cost of revenue	16,535	14,013	45,820	39,683
Gross profit	15,407	12,834	44,907	37,422
Operating expenses:				
Sales and marketing	5,074	5,451	15,336	14,766
General and administration	2,648	2,363	7,969	7,184
Research and development, net of tax credits	5,055	3,625	13,552	10,938
Restructuring costs	-	-	-	420
Total operating expenses	12,777	11,439	36,857	33,308
Profit from operations	2,630	1,395	8,050	4,114
Net finance costs	100	279	229	983
Profit before income taxes	2,530	1,116	7,821	3,131
Income tax expense	683	282	2,653	1,160
Profit attributable to the owners of the Company	\$ 1,847	\$ 834	\$ 5,168	\$ 1,971
Other comprehensive income:				
Effective portion of changes in fair value on designated revenue hedges	(431)	(49)	223	69
Exchange differences on translation of foreign operations	111	33	519	(271)
Comprehensive income attributable to the owners of the Company	\$ 1,527	\$ 818	\$ 5,910	\$ 1,769
Basic earnings per common share	\$ 0.13	\$ 0.06	\$ 0.36	\$ 0.15
Diluted earnings per common share	\$ 0.12	\$ 0.06	\$ 0.35	\$ 0.15



Condensed Interim Consolidated Statements of Cash Flows
 Three and nine-month periods ended January 31, 2021 and 2020
 (Unaudited)

	Three months ended January 31, 2021	Three months ended January 31, 2020	Nine months ended January 31, 2021	Nine months ended January 31, 2020
Cash flows from operating activities:				
Profit for the period	\$ 1,847	\$ 834	\$ 5,168	\$ 1,971
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	554	506	1,613	1,463
Amortization of deferred development costs	48	104	209	417
Amortization of other intangible assets	425	394	1,259	1,132
Net finance costs	100	279	229	983
Unrealized foreign exchange and other	(474)	(12)	(946)	(597)
Non-refundable tax credits	(333)	(297)	(1,003)	(1,043)
Stock-based compensation	292	277	928	810
Income taxes	486	249	2,330	805
Net cash from operating activities excluding changes in non-cash working capital items related to operations	2,945	2,334	9,787	5,941
Accounts receivable	8,031	(214)	3,068	(1,524)
Work in progress	829	(196)	288	134
Other receivables	(9)	157	(87)	(304)
Tax credits	(907)	(656)	(2,565)	(1,694)
Inventory	(295)	26	(315)	(137)
Prepaid expenses	(271)	(280)	(877)	(777)
Contract acquisition costs	85	(326)	(264)	(683)
Accounts payable and accrued liabilities	2,400	1,683	(508)	2,116
Deferred revenue	(1,110)	404	2,468	788
Changes in non-cash working capital items related to operations	8,753	598	1,208	(2,081)
Net cash from operating activities	11,698	2,932	10,995	3,860
Cash flows from (used in) financing activities:				
Repayment of long-term debt	(303)	(238)	(903)	(710)
Payment of lease obligations	(209)	(246)	(696)	(731)
Payment of dividends	(937)	(785)	(2,667)	(2,224)
Payment of acquired tax liability	-	-	(2,191)	-
Common shares issued on exercise of stock options	776	-	812	-
Interest paid	(169)	(226)	(488)	(715)
Net cash used in financing activities	(842)	(1,495)	(6,133)	(4,380)
Cash flows from (used in) investing activities:				
Purchase of short-term investments	-	-	(10,000)	-
Interest received	43	17	156	63
Payments related to prior business acquisitions	(1,468)	(1,146)	(1,468)	(1,146)
Acquisitions of property and equipment	(274)	(344)	(777)	(703)
Acquisitions of other intangible assets	(39)	(19)	(560)	(154)
Deferred development costs	(43)	(150)	(203)	(505)
Net cash used in investing activities	(1,781)	(1,642)	(12,852)	(2,445)
Net increase (decrease) in cash and cash equivalents during the period	9,075	(205)	(7,990)	(2,965)
Cash and cash equivalents - beginning of period	10,463	12,153	27,528	14,913
Cash and cash equivalents - end of period	\$ 19,538	\$ 11,948	\$ 19,538	\$ 11,948



Condensed Interim Consolidated Statements of Changes in Equity
 Nine-month periods ended January 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, 2020	14,416,543	40,901	10,964	416	8,838	61,119
Profit for the period	-	-	-	-	5,168	5,168
Other comprehensive income for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	223	-	223
Exchange difference on translation of foreign operations	-	-	-	519	-	519
Total comprehensive income for the period	-	-	-	742	5,168	5,910
Stock-based Compensation	-	-	928	-	-	928
Dividends to equity owners	-	-	-	-	(2,667)	(2,667)
Share options exercised	48,552	1,050	(238)	-	-	812
Total transactions with owners of the Company	48,552	1,050	690	-	(2,667)	(927)
Balance, January 31, 2021	14,465,095	\$ 41,951	\$ 11,654	\$ 1,158	\$ 11,339	\$ 66,102
Balance, April 30, 2019	13,082,376	\$ 19,144	\$ 9,943	\$ (207)	\$ 9,501	\$ 38,381
Profit for the period	-	-	-	-	1,971	1,971
Other comprehensive income (loss) for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	69	-	69
Exchange difference on translation of foreign operations	-	-	-	(271)	-	(271)
Total comprehensive income (loss) for the period	-	-	-	(202)	1,971	1,769
Stock-based Compensation	-	-	810	-	-	810
Dividends to equity owners	-	-	-	-	(2,224)	(2,224)
Stock options Exercised	834	14	(3)	-	-	11
Total transactions with owners of the Company	834	14	807	-	(2,224)	(1,403)
Balance, January 31, 2020	13,083,210	\$ 19,158	\$ 10,750	\$ (409)	\$ 9,248	\$ 38,747