3rd Quarter Fiscal 2022 Report

Strength in Numbers

Management's Discussion and Analysis of Financial Condition and Results of Operations dated March 2, 2022

The following discussion and analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements of Tecsys Inc. (the "Company") and Notes thereto, which are included in this document, and the annual report for the year ended April 30, 2021. The Company's third quarter of fiscal year 2022 ended on January 31, 2022. Additional information about the Company, including copies of the continuous disclosure materials such as the annual information form and the management proxy circular are available through the SEDAR Website at http://www.sedar.com.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

This document and the unaudited condensed interim consolidated financial statements are expressed in Canadian dollars unless it is otherwise indicated. The Company and its subsidiaries functional currency is the Canadian dollar with the exception of Danish subsidiaries (Danish kroner).

Forward-Looking Information

This management's discussion and analysis contains "forward-looking information" within the meaning of applicable securities legislation. Although the forward-looking information is based on what the Company believes are reasonable assumptions, current expectations, and estimates, investors are cautioned from placing undue reliance on this information since actual results may vary from the forward-looking information. Forward-looking information may be identified by the use of forward-looking terminology such as "believe", "intend", "may", "will", "expect", "estimate", "anticipate", "continue" or similar terms, variations of those terms or the negative of those terms, and the use of the conditional tense as well as similar expressions.

Such forward-looking information that is not historical fact, including statements based on management's belief and assumptions, cannot be considered as guarantees of future performance. They are subject to a number of risks and uncertainties, including but not limited to future economic conditions, the markets that the Company serves, the actions of competitors, major new technological trends, and other factors, many of which are beyond the Company's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. The Company undertakes no obligation to update publicly any forward-looking information whether as a result of new information, future events or otherwise other than as required by applicable legislation. Important risk factors that may affect these expectations include, but are not limited to, the factors described under the section "Risks and Uncertainties" in the Company's annual consolidated financial statements for the year ended April 30, 2021.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this management discussion and analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) competitive environment; (ii) operating risks; (iii) the Company's management and employees; (iv) capital investment by the Company's customers; (v) customer project implementations; (vi) liquidity; (vii) current global financial conditions; (viii) implementation of the Company's commercial strategic plan; (ix) credit; (x) potential product liabilities and other lawsuits to which the Company may be subject; (xi) additional financing and dilution; (xii) market liquidity of the Company's common shares; (xiii) development of new products; (xiv) intellectual property and other proprietary rights; (xv) acquisition and expansion; (xvi) foreign currency; (xvii) interest rates; (xviii) technology and regulatory changes; (xix) internal information technology infrastructure and applications, (xx) cyber security and (xxi) expected impact of COVID-19 on the Company's future operations and performance.

Use of non-IFRS Performance Measures

The Company uses certain non-IFRS financial performance measures in its MD&A and other communications which is described in the "Non-IFRS Performance Measures" section of this MD&A. The non-IFRS measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Company's performance.

Overview

Tecsys is a global provider of SaaS supply chain solutions that equip the borderless enterprise for growth. Spanning multiple complex, regulated and 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 financial management and analytics solutions.

Customers running on Tecsys' supply chain platform are confident knowing they can execute, day in and day out, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating a Tecsys platform can adapt and scale to business needs or size, expand and collaborate with customers, suppliers and partners as one borderless enterprise, and transform their supply chains at the speed that their growth demands. From demand planning to demand fulfillment, Tecsys puts power into the hands of both front-line workers and back-office planners, helping business leaders operate sustainable and scalable logistics so they may focus on the future of their products, services and people, not on their operational challenges.

Customers around the world trust their supply chains to Tecsys in the healthcare, service parts, third-party logistics, retail and general wholesale high- volume distribution industries. Tecsys is the market leader in North America for supply chain solutions for health systems and hospitals.

The Company has five principal sources of revenue:

- software as a service (SaaS) subscription which represent the right to access our software platform in a hosted and managed environment for a period of time; these subscriptions are typically sold in three to five year term agreements with auto-renewal provisions;
- maintenance and support services sold with perpetual licenses and hardware maintenance services; these services are typically sold in annual agreements with auto-renewal provisions;
- professional services, including implementation, consulting and training services provided to customers as well as reimbursable expenses;
- licenses; and
- hardware.

Starting in 2019, the Company shifted its business model and began selling its solutions primarily on a SaaS subscription basis. As such, Tecsys expects SaaS revenue to continue to grow over time. Revenue from maintenance and support services relate in a large part to our prior business model of selling perpetual licenses with attached maintenance and support fees. The Company expects maintenance and support services revenue to generally decline over time as new customers acquire SaaS subscriptions and existing customers eventually migrate to SaaS.

In the three and nine months ended January 31, 2022, the Company generated $35.4 million and $102.9 million in total revenue, respectively. The revenue mix for the three months ended January 31, 2022, was: SaaS 20%; maintenance and support 23%; professional services 37%; license 3%; and hardware 17%. The revenue mix for the nine months ended January 31, 2022 was: SaaS 19%; maintenance and support 24%; professional services 38%; license 2%; and hardware 17%.

Key Performance Indicators

The Company uses certain key performance indicators in its MD&A and other communications which are described in the following section. These key performance indicators do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled indicators reported by other companies and cannot be reconciled to a directly comparable IFRS measure. Readers are cautioned that the disclosure of these metrics are meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS.

Management uses both IFRS measures and key performance indicators when planning, monitoring and evaluating the Company's performance.

Recurring Revenue

Recurring revenue (also referred to as Annual Recurring Revenue (ARR)) is defined as the contractually committed purchase of SaaS, proprietary software maintenance, and customer support services over the next twelve months. The quantification assumes that the customer will renew the contractual commitment on a periodic basis as they come up for renewal unless the customer has cancelled. This portion of the Company's revenue is predictable and stable.

Bookings

Broadly speaking, bookings refers to the total value of accepted contracts. This includes SaaS ARR bookings (the average annual value of committed SaaS recurring revenue at the time of contract signing), professional services bookings and perpetual license bookings. The Company believes that these metrics are primary indicators of business performance.

Backlog

Backlog in general refers to the value of contracted revenue that is not yet recognized. Our backlog reporting focuses on (a) Annual Recurring Revenue and (b) Professional Services Backlog.

The Company also focuses on contracted SaaS backlog as a key performance indicator. The Company enters into SaaS subscription agreements that are typically multi-year performance obligations with original contract terms of three to five years. Contracted SaaS backlog represents revenue that we expect to recognize in the future related to firm performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. This is also known as Remaining Performance Obligation (RPO) and, unlike ARR which has a one-year time horizon, it includes multiple years of contracted SaaS subscriptions.

Results of Operations

The following table presents a summary of the results of operations:

	Three months ended January 31,		**Nine months ended January 31,**	
(in thousands of CAD, except earnings per share)	**2022**	**2021**	**2022**	**2021**
Statement of Operations				
Revenue	$ 35,411	$ 31,942	$ 102,912	$ 90,727
Cost of revenue	20,178	16,535	57,732	45,820
Gross profit	15,233	15,407	45,180	44,907
Operating expenses	13,883	12,777	41,115	36,857
Profit from operations	1,350	2,630	4,065	8,050
Net finance (income) costs	(127)	100	116	229
Profit before income taxes	$ 1,477	$ 2,530	$ 3,949	$ 7,821
Income taxes	537	683	2,057	2,653
Profit	$ 940	$ 1,847	$ 1,892	$ 5,168
Adjusted EBITDA[1]	$ 2,738	$ 3,964	$ 8,400	$ 12,303
Basic earnings per share	$ 0.06	$ 0.13	$ 0.13	$ 0.36
Diluted earnings per share	$ 0.06	$ 0.12	$ 0.13	$ 0.35
Total Annual Recurring Revenue (ARR)[2]	$ 59,540	$ 50,817	$ 59,540	$ 50,817

[1] Refer to section below "Non-IFRS Performance Measures" for definition.

[2] Refer to section "Key Performance Indicators" for definition.

Non-IFRS Performance Measures

The terms and definitions of the non-IFRS measures used in this MD&A are provided below. These non-IFRS measures do not have any standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

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 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,**	
(in thousands of CAD)	**2022**	**2021**	**2022**	**2021**
Profit for the period	$940	$ 1,847	$ 1,892	$ 5,168
Adjustments for:				
Depreciation of property and equipment and right-of-use assets	551	554	1,647	1,613
Amortization of deferred development costs	80	48	203	209
Amortization of other intangible assets	408	425	1,230	1,259
Interest expense	138	158	444	629
Interest income	(337)	(43)	(417)	(156)
Income taxes	537	683	2,057	2,653
EBITDA	$ 2,317	$ 3,672	$ 7,056	$ 11,375
Adjustments for:				
Stock based compensation	421	292	1,344	928
Adjusted EBITDA	$ 2,738	$ 3,964	$ 8,400	$ 12,303

Constant currency

Financial results at constant currency allow results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial results at constant currency are obtained by translating prior period results denominated in U.S. dollars at the foreign exchange rates of the current period. Current period foreign exchange rates used in the constant currency translation include the impact of designated U.S. dollar revenue hedges.

Revenue

The Company has changed the presentation of revenue in the Condensed Interim Consolidated Statements of Income and Comprehensive income as of the beginning of the current fiscal year. As a result of the change, comparative figures have been reclassified to conform with the basis of presentation used in the current year. Refer to Note 15 - Comparative information of the Condensed Interim Consolidated Financial Statements.

Total Revenue for the three and nine months ended January 31, 2022, increased to $35.4 million and $102.9 million, respectively, an increase of $3.5 million or 11% and $12.2 million or 13% compared to the same periods of fiscal 2021. Revenue is broken down as follows:

(in thousands of CAD)	Three months ended January 31, 2022	2021	2022 to 2021 %	Nine months ended January 31, 2022	2021	2022 to 2021 %
SaaS	$ 7,003	$ 4,708	49%	$ 19,221	$ 13,672	41%
Maintenance and Support	8,164	8,650	-6%	24,690	25,371	-3%
Professional Services	12,942	12,314	5%	39,144	35,355	11%
License	915	1,190	-23%	2,248	3,895	-42%
Hardware	6,387	5,080	26%	17,609	12,434	42%
	35,411	31,942	11%	102,912	90,727	13%

Approximately 64% of the Company's revenues were generated in U.S. dollars during the third quarter of fiscal 2022 (2021-58%). The U.S. dollar averaged CA$1.2660 in the third quarter of fiscal 2022 in comparison to CA$1.2867 in the same period of fiscal 2021. The decline in the value of the U.S. dollar combined with the net impact of the Company's partial hedging of U.S. revenue giving rise to a net unfavorable foreign currency related revenue variance of $1.7 million in comparison to the third quarter of fiscal 2021.

For the nine-months ended January 31, 2022, approximately 65% (2021-63%) of the Company's revenues were generated in U.S. dollars. The U.S. dollar averaged CA$1.2507 in the first nine months of fiscal 2022 and CA$1.3252 in the first nine months of fiscal 2021. The decline in the value of the U.S. dollar more than offset the Company's partial hedging of U.S. revenue giving rise to a net unfavorable foreign currency related revenue variance of $6.0 million in comparison to the first nine months of fiscal 2021. The unfavorable foreign currency movement impacted all revenue lines.

On a constant currency basis (using fiscal 2022 currency rates), third quarter and first nine months of fiscal 2022 revenue grew by approximately 16% and 19%, respectively, compared to the same periods of fiscal 2021.

Total ARR on January 31, 2022, was $59.5 million, up 17% compared to $50.8 million on January 31, 2021. A significant amount of ARR is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will have an impact on ARR. On a constant currency basis, ARR increased 19% during the twelve months ended January 31, 2022. ARR was up 5% sequentially compared to the second quarter of fiscal 2022 and up 3% on a constant currency basis.

SaaS revenue

The Company generates revenue from proprietary software under a SaaS model. SaaS subscriptions represent the right to access our software platform in a hosted and managed environment for a period of time. The Company enters into SaaS subscription agreements that are typically multi-year performance obligations with original contract terms of three to five years.

SaaS revenue in the third quarter of fiscal 2022 was $7.0 million, up 49% or $2.3 million compared to the third quarter of fiscal 2021 and up $0.4 million sequentially compared to the second quarter of fiscal 2022. The increases are due to new SaaS revenue from bookings[3] in recent quarters, net cancellations impacting the quarter and foreign exchange, as a significant portion of the Company's SaaS fees are denominated in U.S. dollars. SaaS revenue for the nine months ended January 31, 2022, was $19.2 million, up 41% or $5.5 million compared to the same period in fiscal 2021. On a constant currency basis, third quarter and first nine months of fiscal 2022 SaaS revenue grew by approximately 56% and 49%, respectively, compared to the same periods of fiscal 2021.

In the third quarter of fiscal 2022, SaaS subscription bookings (measured on an ARR basis) were $2.3 million, up 133% compared to $1.0 million in the third quarter of fiscal 2021. In the first nine months of fiscal 2022 SaaS subscription bookings were $7.5 million, up 23% compared to $6.1 million in the same period of fiscal 2021.The Company has historically seen some lumpiness in quarterly deal closings, and the Company expects this to continue.

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[3] Refer to section "Key Performance Indicators" for definition

On January 31, 2022, SaaS backlog[4] was $78.5 million, up 36% from $57.6 million at the same time last year. A significant amount of SaaS backlog is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will impact reported SaaS backlog. On a constant currency basis, SaaS backlog increased 37% during the twelve months ended January 31, 2022. SaaS backlog was up 8% sequentially compared to the second quarter of fiscal 2022 and up 6% on a constant currency basis.

Maintenance and support revenue

Maintenance and support revenue derives largely from the Company's legacy perpetual license installed base. The Company enters into maintenance and support contracts that typically have an original term of one year and are subject to annual renewal. Maintenance and support revenue for the three and nine months ended January 31, 2022, was $8.2 million and $24.7 million, down 6% and 3%, respectively, compared to the same periods in fiscal 2021. On a constant currency basis, maintenance and support revenue was down by approximately 1% in the third quarter and grew by approximately 3% in first nine months of fiscal 2022. Maintenance and support revenue generally follows the trend of License revenue, and we expect a decline in maintenance and support revenue over time as the business continues to shift to SaaS.

Professional services revenue

Professional services revenue includes fees for implementation, consulting and training services provided to customers, as well as reimbursable expenses. Professional services revenue for the three months ended January 31, 2022, was $12.9 million, up 5% compared to $12.3 million during the same period last year. For the nine months ended January 31, 2022, professional services revenue was $39.1 million, up 11% compared to $35.4 million during the same period in the prior year. Negative foreign exchange impact reduced reported professional services revenue growth as a significant portion of the Company's professional services revenue is denominated in U.S. dollars. On a constant currency basis, third quarter and first nine months of fiscal 2022 professional services revenue grew by approximately 9% and 16%, respectively, compared to the same periods of fiscal 2021. In the third quarter of fiscal 2022, Professional Services bookings were $9.3 million, down 11% compared to $10.5 million in the third quarter of fiscal 2021. In the first nine months of fiscal 2022 Professional services bookings were $41.7 million, up 15% compared to $36.1 million in the first nine months of fiscal 2021. Professional services bookings are in part linked to SaaS subscription bookings and license bookings and are subject to timing.

License revenue

License revenue is defined as internally developed products including proprietary software as well as third-party software. In the three months ended January 31, 2022, license revenue amounted to $0.9 million, down 23% from $1.2 million in the same period last year. For the nine months ended January 31, 2022, license revenue was $2.2 million, down 42% compared to $3.9 million during the same period in fiscal 2021. Perpetual license bookings in the three and nine months ended January 31, 2022, were $0.5 million and $1.9 million, respectively, compared to $1.2 million and $3.5 million during the same periods in fiscal 2021. We expect license revenue to generally decline over time because of the shift to SaaS.

Hardware revenue

Hardware revenue includes third-party hardware products and proprietary technology products. Hardware revenue for the three months ended January 31, 2022, was $6.4 million, up 26% from $5.1 million in the same period last year. For the nine months ended January 31, 2022, hardware revenue was $17.6 million, up 42% from $12.4 million during the same period in fiscal 2021. The increase in hardware revenue has been the result of a strong hardware order backlog coming into the current fiscal year.

[4] Refer to section "Key Performance Indicators" for definition.

Cost of Revenue and Gross Profit

	Three months ended January 31,				2022 to 2021	Nine months ended January 31,				2022 to 2021
(in thousands of CAD)		2022		2021	%		2022		2021	%
Cost of revenue:										
SaaS, Maintenance, Support and Professional Services	$	14,923	$	12,326	21%	$	43,605	$	35,524	23%
License and Hardware		5,255		4,209	25%		14,127		10,296	37%
Total cost of revenue		20,178		16,535	22%		57,732		45,820	26%
Gross profit & gross profit margin:										
SaaS, Maintenance, Support and Professional Services gross profit	$	13,186	$	13,346	-1%	$	39,450	$	38,874	1%
Gross profit margin		47%		52%			47%		52%	
License and Hardware gross profit	$	2,047	$	2,061	-1%	$	5,730	$	6,033	-5%
Gross profit margin		28%		33%			29%		37%	
Total gross profit	$	15,233	$	15,407	-1%	$	45,180	$	44,907	1%
Total gross profit margin		43%		48%			44%		49%	

Total cost of revenue for the three and nine months ended January 31, 2022, increased to $20.2 million and $57.8 million, up 22% and 26% respectively compared to the same periods last year. The increase is driven by both higher SaaS, Maintenance, Support and Professional Services costs and higher License and Hardware costs.

In the three and nine months ended January 31, 2022, the cost of SaaS, Maintenance, Support and Professional Services increased to $14.9 million and $43.6 million, up $2.6 million and $8.1 million compared to the same periods last year. Cost of SaaS, Maintenance, Support and Professional Services increased primarily as a result of direct costs associated with higher revenue, including higher employee costs and higher public cloud infrastructure costs. Additionally, we are starting to see the impact on costs from an increasingly competitive labor market. The cost of SaaS, Maintenance, Support and Professional Services includes tax credits of $0.7 million for the third quarter of fiscal 2022 and fiscal 2021, and $2.0 million for the first nine months of fiscal 2022 compared to $1.8 million for the first nine months of fiscal 2021.

The cost of License and Hardware increased to $5.3 million in the third quarter of fiscal 2022, up $1.0 million or 25% in comparison to the same period in fiscal 2021. The increase was driven by increased costs related to the sale of third-party products, primarily hardware. The cost of License and Hardware increased to $14.1 million in the first nine months of fiscal 2022, up $3.8 million or 37% compared to the same period last year and driven by higher third-party product costs associated with higher revenue.

Gross profit was $15.2 million, down $0.2 million in the third quarter of fiscal 2022 compared to the same period last year. This is mainly attributable to slightly lower gross profit contribution from Saas, Maintenance, Support and Professional Services. The decline here resulted from the impact of foreign exchange as well as added investment to scale the business. In the first nine months of fiscal 2022 gross profit increased to $45.2 million, up $0.3 million compared to the same period in fiscal 2021. This is mainly due to higher SaaS, Maintenance, Support and Professional Services margin of $0.6 million, partially offset by lower License and Hardware margin of $0.3 million. Again, gross profit contribution increase from SaaS, Maintenance, Support and Professional Services in the first nine months was negatively impacted by foreign exchange and includes the impact of added investment to scale the business. Lower License and Hardware margin was driven by both a higher mix of lower margin hardware revenue as well as lower proprietary license revenue, and the latter is consistent with the shift to SaaS.

As a percentage of revenue, total gross profit margin for the three months ended January 31, 2022, was 43% compared to 48% for the same period last year. For the nine months ended January 31, 2022, total gross profit margin was 44% compared to 49% for the same period in fiscal 2021. The overall gross profit margin decline was the result of unfavorable foreign exchange, change in revenue mix and investment to support growth.

Operating Expenses

	Three months ended January 31,		2022 to 2021	Nine months ended January 31,		2022 to 2021
(in thousands of CAD)	**2022**	**2021**	**%**	**2022**	**2021**	**%**
Sales and marketing expenses	$ 6,202	$ 5,074	22%	$ 17,906	$ 15,336	17%
As a percentage of Revenue	18%	16%		17%	17%	
General and administration expenses	2,553	2,648	-4%	8,213	7,969	3%
As a percentage of Revenue	7%	8%		8%	9%	
Research and development expenses, net of tax credits	5,128	5,055	1%	14,996	13,552	11%
As a percentage of Revenue	14%	16%		15%	15%	
Total operating expenses	**13,883**	**12,777**	**9%**	**41,115**	**36,857**	**12%**
As a percentage of revenue	**39%**	**40%**		**40%**	**41%**	

Total operating expenses for the three and nine months ended January 31, 2022, increased to $13.9 million and $41.1 million, respectively, increases of $1.1 million and $4.3 million, respectively, compared to the same periods in fiscal 2021. The weaker U.S dollar during the third quarter of fiscal 2022 gave rise to a favorable impact of $0.1 million when compared to the same period last year. For the first nine months of fiscal 2022, the weaker U.S dollar had a favorable impact of $1.4 million when compared to the same period last year.

Sales and marketing expenses

During the third quarter of fiscal 2022, sales and marketing expenses amounted to $6.2 million, $1.1 million higher than the comparable quarter last year. The increase is mainly attributed to higher personnel costs. During the first nine months of fiscal 2022, sales and marketing expenses amounted to $17.9 million, $2.6 million higher than the comparable period last year. The increase is also attributed to higher personnel costs and is the result of our continued investment to expand sales capacity and coverage.

General and administrative expenses

General and administrative expenses for the three months ended January 31, 2022, were $2.6 million, a decrease of $0.1 million compared to the same period in fiscal 2021. The decrease is attributed to lower personnel costs.

General and administrative expenses for the nine months ended January 31, 2022, were $8.2 million, an increase of $0.2 million compared to the same period in fiscal 2021. The increase is attributed to higher professional fees and stock-based compensation costs, partially offset by lower personnel costs.

Net R&D expenses

Net R&D expenses for three and nine months ended January 31, 2022, were $5.1 million and $15.0 million, respectively, up $0.1 million and $1.4 million, respectively, from the same periods last year. The increases were primarily the result of higher personnel costs and consulting costs.

The Company recorded R&D tax credits and e-business tax credits of $0.6 million, and amortized deferred development costs and other intangible assets of $0.1 million during the third quarters of fiscal 2022 and 2021. Additionally, during the three months ended January 31, 2022, the company deferred $0.2 million of development costs compared to $0.1 million in the same period of last year.

For the nine months ended January 31, 2022, the Company recorded R&D tax credits and e-business tax credits of $1.8 million compared to $1.7 million for the same period in fiscal 2021. Amortized development costs and other intangible assets during the first nine months of fiscal 2022 and 2021 were $0.2. Additionally, during the nine months ended January 31, 2022, the Company deferred development costs of $0.9 million compared to $0.2 million in the same period of 2021.

Net Finance Costs and Income Taxes

	Three months ended January 31,		2022 to 2021	Nine months ended January 31,		2022 to 2021
(in thousands of CAD)	**2022**	**2021**	**%**	**2022**	**2021**	**%**
Net Finance (Income) Costs	$ (127)	$ 100	-227%	$ 116	$ 229	-49%
Income Taxes	$ 537	$ 683	-21%	$ 2,057	$ 2,653	-22%
Income Taxes as a percentage of profit before income taxes	36%	27%		52%	34%	

Net finance income for the three months ended January 31, 2022 was $0.1 million compared to net finance cost of 0.1 million for the same period in fiscal 2021. For the first nine months of fiscal 2022, net finance costs were $0.1 million, down from $0.2 million in the same period last year. Net finance costs in the three and nine months ended January 31, 2022, consisted primarily of interest expense on long-term debt and lease obligations and foreign exchange losses, offset by interest income. Interest income includes a $299 refund of interest related to the payment of the acquired tax liability. Refer to Note 11 - Comparative information of the Condensed Interim Consolidated Financial Statements.

Income tax expense for the three and nine months ended January 31, 2022, was $0.5 million and $2.1 million compared to $0.7 million and $2.7 million for the same periods of 2021. As a percentage of profit before taxes, income tax expense was 36% and 52% for the three and nine months ended January 31, 2022, compared to 27% and 34% respectively for the same periods in fiscal 2021. The higher effective tax rate in the three months and nine months ended January 31, 2022, results from pre-tax losses at a subsidiary for which the company does not have offsetting deferred tax assets.

Profit

	Three months ended January 31,		2022 to 2021	Nine months ended January 31,		2022 to 2021
(in thousands of CAD)	**2022**	**2021**	**%**	**2022**	**2021**	**%**
Profit	$ 940	$ 1,847	-49%	$ 1,892	$ 5,168	-63%
Adjusted EBITDA	$ 2,738	$ 3,964	-31%	$ 8,400	$ 12,303	-32%
Basic earnings per share	$ 0.06	$ 0.13		$ 0.13	$ 0.36	
Diluted earnings per share	$ 0.06	$ 0.12		$ 0.13	$ 0.35	

Profit, Adjusted EBITDA and earnings per share were all negatively impacted by unfavorable foreign exchange movements compared to the same periods in the prior year. Approximately 65% of the Company's revenue is denominated in US dollars while a significant majority of the Company's costs are denominated in Canadian dollars. As such, foreign exchange movements can have a material impact on reported Profit, Adjusted EBITDA and earnings per share. During the three and nine months ended January 31, 2022, unfavorable foreign exchange movements had a negative impact on Profit and Adjusted EBITDA of approximately $1.6 million and $4.6 million, respectively, compared to the same periods last year.

Quarterly Selected Financial Data

The following table summarizes selected results for the eight most recently completed quarters to January 31, 2022:

	FY 2022			FY 2021				FY 2020
(in thousands of CAD, except earnings per share)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	35,411	34,269	33,232	32,374	31,942	30,694	28,091	27,750
Profit	940	708	244	2,020	1,847	2,086	1,235	375
Comprehensive income (loss)	317	489	(147)	1,088	1,527	1,486	2,897	1,200
Adjusted EBITDA[5]	2,738	3,206	2,456	3,917	3,964	4,830	3,509	1,951
Basic earnings per common share	0.06	0.05	0.02	0.14	0.13	0.14	0.09	0.03
Diluted earnings per common share	0.06	0.05	0.02	0.14	0.12	0.14	0.08	0.03

Total quarterly revenue has consistently trended upward during the past eight quarters, primarily due to an increase in revenue from SaaS and professional services driven by increased bookings and following the Company's transition to SaaS during the end of fiscal 2019. Improvements in Profit and Adjusted EBITDA is generally attributed to revenue growth and operating leverage during fiscal 2021. During fiscal 2022, the impact of foreign exchange as well as additional investment in delivery capacity, sales and marketing and research and development have moderated Profit and Adjusted EBITDA.

Liquidity and Capital Resources

On January 31, 2022, current assets totaled $76.7 million compared to $75.8 million at the end of fiscal 2021. Cash and cash equivalents and short-term investments decreased to $36.9 million compared to $45.9 million at the end of fiscal 2021. The decrease is due to changes in non-cash working capital items related to operations and in particular timing of cash collection resulting in an increase in accounts receivable and work in progress during the first nine months of fiscal 2022. The decrease is also reflective of net financing activity outflows including the payment of dividends and net investing activity outflows including capital expenditures and the final payment related to a prior business acquisition.

Accounts receivable and work in progress totaled $22.8 million on January 31, 2022, an increase of $5.8 million compared to $17.0 million as of April 30, 2021. The increase is mainly attributed to higher revenue and timing of cash collections. The Company's Days Sales Outstanding (DSO) stood at 58 days at the end of January 31, 2022 compared to 47 at the end of fiscal 2021 and 45 days at the end of January 31, 2021. DSO is a measure of the average number of days that a company takes to collect revenue after a sale. The Company's DSO is determined on a quarterly basis and can be calculated by dividing the total of accounts receivable and work in progress at the end of a quarter by the total value of sales during the same quarter and multiplying the result by 90 days.

Current liabilities on January 31, 2022, totaled $44.7 million compared to $44.0 million at the end of fiscal 2021. The increase is mainly due to an increase in deferred revenues partially offset by decrease in other current liabilities.

Working capital increased to $31.9 million as of January 31, 2022, in comparison to $31.8 million at the end of fiscal year 2021.

[5] Refer to section "Non-IFRS Performance Measures" for definition, as well as for the reconciliation of Adjusted EBITDA for the three months ended January 31, 2022 and 2021. The reconciliation of Adjusted EBITDA in the other periods presented can be found in the "Reconciliation of non-IFRS Performance Measures" sections of the first quarter of fiscal 2022 MD&A, the second quarter of fiscal 2022 MD&A, and the annual fiscal 2021 MD&A, all of which are available on the SEDAR Website at http://www.sedar.com, and are incorporated herein by reference.

Cash from Operating Activities

Operating activities generated $0.9 million of cash in the third quarter of fiscal 2022 in comparison to $11.7 million generated in the third quarter of fiscal 2021. Operating activities used $3.5 million of cash in the first nine months of fiscal 2022 in comparison to generating $11.0 million in the same period of fiscal 2021.

Changes in non-cash working capital items were the most significant driver in the overall change in net cash from operating activities in both the quarter and year-to-date periods compared to the same periods in the prior year. The main cause for these variances was movement in accounts receivable related to collection timing.

Financing Activities

Cash flows used in financing activities amounted to $1.3 million for the third quarter of fiscal 2022 in comparison to $0.8 million for the third quarter of fiscal 2021. Financing activities in the third quarter of fiscal 2022 related primarily to the repayment of long-term debt and payment of dividends.

Cash flows used in financing activities amounted to $3.6 million for the first nine months of fiscal 2022 in comparison to $6.1 million for the same period of fiscal 2021. Financing activities in the first nine months of fiscal 2022 related primarily to the repayment of long-term debt, payment of lease obligations and payment of dividends as well as issuance of common shares on exercise of stock options. Financing activities in the first nine months of fiscal 2021 included a one-time payment of an acquired tax liability.

Investing Activities

Cash flows used in investing activities amounted to $0.8 million for the third quarter of fiscal 2022 in comparison to $1.8 million for the third quarter of fiscal 2021.

In the third quarter of fiscal 2022, the Company made a final payment of $0.5 million related to a prior business acquisition. In the same quarter last year, the Company paid $1.5 million in payments related to prior business acquisitions.

During the first nine months of fiscal 2022 investing activities used funds of $1.9 million in comparison to $12.9 million for the same period in fiscal 2021. During the first nine months of fiscal 2021, the company invested $10.0 million in a guaranteed investment certificate (GIC). The GIC has a 31-day withdrawal notice requirement, and the interest is automatically reinvested monthly. The Company has maintained that GIC since the initial investment.

The Company believes that funds on hand at January 31, 2022 together with cash flows from operations, and its accessibility to the operating line of credit will be sufficient to meet its covenants and needs for working capital, R&D, capital expenditures and dividend policy, as well as to invest in long-term growth.

Related Party Transactions

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of $0.3 million during the first nine months of fiscal 2022 ($0.5 million for the same period of fiscal 2021) to facilitate their purchase of the Company’s common shares. As of January 31, 2022, loans outstanding amounted to $0.3 million (April 30, 2021 - $0.4 million).

Subsequent Events

On March 2, 2022, the Company’s Board of Directors declared a quarterly dividend of $0.07 per share to be paid on April 14, 2022, to shareholders of record on March 24, 2022.

Current and Anticipated Impacts of Current Economic Conditions

Current overall economic conditions together with market uncertainty and volatility may have an adverse impact on the demand for the Company’s products and services as industry may adjust quickly to exercise caution on capital spending. This uncertainty may impact the Company’s revenue.

Based on ARR of $59.5 million and Professional services backlog of $29.5 million, the Company’s management believes that quarterly services revenue (including SaaS, maintenance and support and professional services revenue) ranging between $27.5 million and $28.5 million per quarter can be sustained in the short term.

Strategically, the Company continues to focus its efforts on the most likely opportunities within its existing vertical markets and customer base. The Company also currently offers subscription-based licensing, hosting services, modular sales and implementations and enhanced payment terms to promote revenue growth. We see continued market appetite for subscription-based SaaS licensing. To the extent our bookings continue to shift from perpetual license to SaaS, and considering that license revenue is typically recognized up front while SaaS revenue is recognized over the contract period, revenue and operating profit will be impacted in the medium term.

The exchange rate of the U.S. dollar in comparison to the Canadian dollar continues to be an important factor affecting revenues and profitability as the Company generally derives approximately 60% to 70% of its business from U.S. customers while the majority of its cost base is in Canadian dollars.

The Company will continue to adjust its business model to ensure that costs are aligned to its revenue expectations and economic reality to the extent possible.

Outstanding Share Data

As at March 2, 2022, the Company has 14,562,895 common shares outstanding.

Critical Accounting Policies

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results. A summary of the Company's significant accounting policies, including the critical accounting policies discussed below, is set out in the notes to the consolidated financial statements and the financial statements for the year ended April 30, 2021.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at April 30, 2021.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and recognized amounts of revenue and expenses. Actual results may differ from these estimates.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and the anticipated measures that management intends to take. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

There have been no significant changes in the key sources of estimation uncertainty and judgements made in relation to the accounting policies applied to those disclosed in the Company's annual consolidated financial statements for the year ended April 30, 2021.

New standards and interpretations not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the period ended January 31, 2022 and have not been applied in preparing these condensed interim consolidated financial statements. The following amendment is currently being assessed by the Company.

IAS 12, Income Taxes:

In May 2021, the IASB issued Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, so that it does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition. Instead, companies are required to recognize equal deferred tax assets and liabilities. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is currently assessing the impact of the amendments.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's Chief Executive Officer (CEO) and its Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures regarding the communication of information. They are assisted in this responsibility by the Company's Executive Committee, which is composed of members of senior management. Based on the evaluation of the Company's disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of January 31, 2022.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its consolidated financial statements. The control framework that was designed by the Company's ICFR is in accordance with the framework criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) (COSO).

No changes to internal controls over financial reporting have come to management's attention during the three-month period ending on January 31, 2022, that have materially affected or are reasonably likely to materially affect internal controls over financial reporting.

Condensed Interim Consolidated Financial Statements
(Unaudited)

TECSYS INC.

For the three and nine-month periods ended January 31, 2022 and 2021

MANAGEMENT’S COMMENTS ON THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE-MONTH PERIODS ENDED JANUARY 31, 2022 and 2021

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s Management.

The Company’s independent auditors, KPMG LLP, have not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditors.

Dated this 2nd day of March 2022.

Tecsys Inc.

Condensed Interim Consolidated Statements of Financial Position

As at January 31, 2022 and April 30, 2021

(Unaudited)

(in thousands of Canadian dollars)

	Note	January 31, 2022	April 30, 2021
Assets			
Current assets			
Cash and cash equivalents		$ 16,721	$ 25,752
Short-term investments	3	20,187	20,100
Accounts receivable		21,379	16,840
Work in progress		1,394	182
Other receivables		351	2,034
Tax credits		8,962	5,359
Inventory		951	628
Prepaid expenses		6,726	4,897
Total current assets		76,671	75,792
Non-current assets			
Other long-term receivables		199	303
Tax credits		4,271	3,904
Property and equipment		2,310	2,682
Right-of-use assets	4	6,565	7,245
Contract acquisition costs	5	2,788	2,678
Deferred development costs		1,796	1,088
Other intangible assets		10,766	12,194
Goodwill		17,187	17,417
Deferred tax assets		6,008	6,006
Total non-current assets		51,890	53,517
Total assets		$ 128,561	$ 129,309
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 19,355	$ 19,417
Deferred revenue		23,368	22,044
Current portion of long-term debt	6	1,200	1,216
Other current liabilities	16	-	500
Lease obligations	7	816	848
Total current liabilities		44,739	44,025
Non-current liabilities			
Long-term debt	6	7,500	8,400
Deferred tax liabilities		1,447	1,499
Lease obligations	7	7,669	8,295
Total non-current liabilities		16,616	18,194
Total liabilities		61,355	62,219
Equity			
Share capital	8	43,973	42,700
Contributed surplus		12,836	11,745
Retained earnings		11,404	12,419
Accumulated other comprehensive (loss) income	12	(1,007)	226
Total equity attributable to the owners of the Company		67,206	67,090
Total liabilities and equity		$ 128,561	$ 129,309

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.

Condensed Interim Consolidated Statements of Income and Comprehensive Income

For the three and nine-month periods ended January 31, 2022 and 2021

(Unaudited)

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

	Note	Three months ended January 31, 2022	Three months ended January 31, 2021	Nine months ended January 31, 2022	Nine months ended January 31, 2021
Revenue:					
SaaS	15	$ 7,003	$ 4,708	$ 19,221	$ 13,672
Maintenance and Support	15	8,164	8,650	24,690	25,371
Professional Services	15	12,942	12,314	39,144	35,355
License	15	915	1,190	2,248	3,895
Hardware	15	6,387	5,080	17,609	12,434
Total revenue		35,411	31,942	102,912	90,727
Cost of revenue	10,15	20,178	16,535	57,732	45,820
Gross profit		15,233	15,407	45,180	44,907
Operating expenses:					
Sales and marketing		6,202	5,074	17,906	15,336
General and administration		2,553	2,648	8,213	7,969
Research and development, net of tax credits		5,128	5,055	14,996	13,552
Total operating expenses		13,883	12,777	41,115	36,857
Profit from operations		1,350	2,630	4,065	8,050
Net finance (income) costs	11	(127)	100	116	229
Profit before income taxes		1,477	2,530	3,949	7,821
Income tax expense		537	683	2,057	2,653
Net profit, attributable to the owners of the Company		$ 940	$ 1,847	$ 1,892	$ 5,168
Other comprehensive income:					
Effective portion of changes in fair value on designated revenue hedges	12	(516)	(431)	(641)	223
Exchange differences on translation of foreign operations	12	(107)	111	(592)	519
Comprehensive income attributable to the owners of the Company		$ 317	$ 1,527	$ 659	$ 5,910
Basic earnings per common share	8	$ 0.06	$ 0.13	$ 0.13	$ 0.36
Diluted earnings per common share	8	$ 0.06	$ 0.12	$ 0.13	$ 0.35

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three and nine-month periods ended January 31, 2022 and 2021
(Unaudited)
(in thousands of Canadian dollars)

	Note	Three months ended January 31, 2022	Three months ended January 31, 2021	Nine months ended January 31, 2022	Nine months ended January 31, 2021
Cash flows from operating activities:					
Profit for the period		$ 940	$ 1,847	$ 1,892	$ 5,168
Adjustments for:					
Depreciation of property and equipment and right-of-use-assets		551	554	1,647	1,613
Amortization of deferred development costs		80	48	203	209
Amortization of other intangible assets		408	425	1,230	1,259
Net finance costs	11	(127)	100	116	229
Unrealized foreign exchange and other		292	(474)	1,220	(946)
Non-refundable tax credits		(608)	(333)	(1,340)	(1,003)
Stock-based compensation	8	421	292	1,344	928
Income taxes		484	486	1,857	2,330
Net cash from operating activities excluding changes in non-cash working capital items related to operations		2,441	2,945	8,169	9,787
Accounts receivable		(1,920)	8,031	(4,635)	3,068
Work in progress		606	829	(1,216)	288
Other receivables		67	(9)	139	(87)
Tax credits		(809)	(907)	(2,630)	(2,565)
Inventory		(263)	(295)	(328)	(315)
Prepaid expenses		(924)	(271)	(1,832)	(877)
Contract acquisition costs		(12)	85	(110)	(264)
Accounts payable and accrued liabilities		2,269	2,400	(2,414)	(508)
Deferred revenue		(593)	(1,110)	1,348	2,468
Changes in non-cash working capital items related to operations		(1,579)	8,753	(11,678)	1,208
Net cash from operating activities		862	11,698	(3,509)	10,995
Cash flows from (used in) financing activities:					
Repayment of long-term debt		(300)	(303)	(916)	(903)
Payment of lease obligations	7	(179)	(209)	(634)	(696)
Payment of dividends		(1,018)	(937)	(2,907)	(2,667)
Refund (payment) of acquired tax liability	11,16	299	-	299	(2,191)
Common shares issued on exercise of stock options		-	776	1,020	812
Interest paid		(138)	(169)	(444)	(488)
Net cash used in financing activities		(1,336)	(842)	(3,582)	(6,133)
Cash flows from (used in) investing activities:					
Purchase of short-term investments		-	-	-	(10,000)
Interest received	11	38	43	118	156
Payments related to prior business acquisitions	16	(500)	(1,468)	(500)	(1,468)
Acquisitions of property and equipment		(85)	(274)	(619)	(777)
Acquisitions of other intangible assets		(7)	(39)	(29)	(560)
Deferred development costs		(229)	(43)	(910)	(203)
Net cash used in investing activities		(783)	(1,781)	(1,940)	(12,852)
Net increase (decrease) in cash and cash equivalents during the period		(1,257)	9,075	(9,031)	(7,990)
Cash and cash equivalents - beginning of period		17,978	10,463	25,752	27,528
Cash and cash equivalents - end of period		$ 16,721	$ 19,538	$ 16,721	$ 19,538

See accompanying notes to the unaudited condensed interim consolidated financial statements

Tecsys Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine-month periods ended January 31, 2022 and 2021
(Unaudited)
(in thousands of Canadian dollars, except number of shares)

		Share capital					
	Note	**Number**	**Amount**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**
Balance, April 30, 2021		14,505,095	42,700	11,745	226	12,419	67,090
Net profit		-	-	-	-	1,892	1,892
Other comprehensive loss for the period:							
Effective portion of changes in fair value on designated revenue hedges	12	-	-	-	(641)	-	(641)
Exchange difference on translation of foreign operations		-	-	-	(592)	-	(592)
Total comprehensive (loss) income for the period		-	-	-	(1,233)	1,892	659
Stock-based Compensation	8	-	-	1,344	-	-	1,344
Dividends to equity owners	8	-	-	-	-	(2,907)	(2,907)
Share Options exercised	8	57,800	1,273	(253)	-	-	1,020
Total transactions with owners of the Company		57,800	1,273	1,091	-	(2,907)	(543)
Balance, January 31, 2022		**14,562,895**	**$ 43,973**	**$ 12,836**	**$ (1,007)**	**$ 11,404**	**$ 67,206**
Balance, April 30, 2020		14,416,543	$ 40,901	$ 10,964	$ 416	$ 8,838	$ 61,119
Net profit		-	-	-	-	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

See accompanying notes to the unaudited condensed interim consolidated financial statements

1. Description of business:

Tecsys Inc. (the "Company") was incorporated under the Canada Business Corporations Act in 1983. The Company's principal business activity is the development, marketing and sale of enterprise-wide supply chain management software for distribution, warehousing, transportation logistics, point-of-use and order management. The Company sells its software primarily on a subscription basis as Software as a Service and also on a perpetual license basis with recurring support. The Company also provides related consulting, education and support services. The Company is headquartered at 1, Place Alexis Nihon, Montréal, Canada, and derives substantially all of its revenue from customers located in the United States, Canada and Europe. The Company's customers consist primarily of healthcare systems, services parts, third-party logistics, retail and general wholesale high volume distribution industries. The condensed interim consolidated financial statements comprise the Company and its wholly-owned subsidiaries. The Company is a publicly listed entity and its shares are traded on the Toronto Stock Exchange under the symbol TCS.

2. Basis of preparation:

(a) Statement of compliance:

The Company's unaudited condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended April 30, 2021.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2022.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at April 30, 2021.

The Company has changed the presentation of revenue in the Condensed Interim Consolidated Statements of Income and Comprehensive Income for the three and nine months ended January 31, 2021. As a result of the change, comparative figures have been reclassified to conform with the basis of presentation used in the current year. Refer to Note 15 - Comparative information.

(b) Functional and presentation currency:

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest thousand ($000) except when otherwise indicated.

New standards and interpretations not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the period ended January 31, 2022 and have not been applied in preparing these condensed interim consolidated financial statements. The following amendment is currently being assessed by the Company:

IAS 12, Income Taxes:

In May 2021, the IASB issued Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, so that it does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition. Instead, companies are required to recognize equal deferred tax assets and liabilities. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is currently assessing the impact of the amendment.

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

3. Short-term investments:

	January 31, 2022	April 30, 2021
Beginning balance	$ 20,100	$ 10,000
Additions	-	10,000
Interest on short-term investments	87	100
Ending balance	$ 20,187	$ 20,100

The GIC's have a 31-day withdrawal notice requirement, and the interest is automatically reinvested monthly.

4. Right-of-use assets:

	Offices	Data centers	Vehicles and equipment	Total
Balance, April 30, 2021	$ 7,058	$ 30	$ 157	$ 7,245
Depreciation	(564)	(30)	(63)	(657)
Effect of foreign currency exchange differences	(20)	-	(3)	(23)
Balance, January 31, 2022	$ 6,474	$ -	$ 91	$ 6,565

5. Contract acquisition costs:

The following table presents changes in contract acquisition costs:

	January 31, 2022	**April 30, 2021**
Balance, beginning of the period	$ 4,202	$ 3,087
Additions	1,565	2,441
Amortization	(1,283)	(1,326)
Balance, end of the period	$ 4,484	$ 4,202
Presented as:		
Current portion	$ 1,696	$ 1,524
Non-current		
Contract acquisition costs	$ 2,788	$ 2,678

The current portion of contract acquisition costs is included in Prepaid expenses in the Condensed interim Consolidated Statements of Financial Position.

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

6. Banking facilities and long-term debt:

On January 30, 2019, the Company entered into a Credit Agreement. The Credit Agreement includes a Term Facility of up to $12,000 and a Revolving Facility of $5,000. The Term Facility was used for the purchase of Tecsys A/S and for general corporate purposes. The Revolving Facility is for general corporate purposes. As at January 31, 2022, the Company had outstanding $8,700 under the Term Facility (the ''Term Loan'') (April 30, 2021 - $9,600). The Revolving Facility was undrawn as of January 31, 2022 and April 30, 2021.

Canadian Dollar borrowings under the Credit Agreement are made in the form of Prime Rate Loans (bearing interest at prime plus 0.75%-1.75% per annum) or Banker's Acceptances (bearing interest at base plus 1.75% - 2.75% per annum). The Company may repay outstanding amounts under the Credit Agreement at any time.

Security under the credit agreement consists of a first-ranking movable hypothec on the Company's corporeal and incorporeal, present and future movable property.

The current Credit Agreement requires the Company to maintain a Fixed Charge Coverage Ratio of not less than 1.20 : 1.0 and a Net Debt to Bank EBITDA ratio not greater than 2.50 : 1.0. On January 31, 2022, the Company was in compliance with all its financial covenants.

The remaining term loan is payable in quarterly installments of $300 until January 2024, with the balance payable on that same date.

	January 31, 2021	April 30, 2021
Term loan, secured by hypothec on movable properties	$ 8,700	$ 9,600
Government funded debt, with no interest or security, payable over various instalments	-	16
	$ 8,700	$ 9,616
Current portion	(1,200)	(1,216)
Long-term debt	$ 7,500	$ 8,400

7. Lease obligations:

The Company's leases are for office space, data centers, vehicles and equipment. Most of these leases do not contain renewal options. The range of renewal options for those that have such options are between 5 to 10 years. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option. The following table presents lease obligations for the Company:

	January 31, 2022	April 30, 2021
Current	$ 816	$ 848
Non-current	7,669	8,295
Total lease obligations	$ 8,485	$ 9,143

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

7. Lease obligations (continued):

The following table presents the contractual undiscounted cash flows for lease obligations as at January 31, 2022:

Less than one year	$ 1,021
One to five years	5,487
More than five years	3,535
Total undiscounted lease obligations	$ 10,043

Interest expense on lease obligations for the three and nine months ended January 31, 2022 was $80 and $246 ($89 and $273 for the same periods of fiscal 2021). Total cash outflow was $259 and $880 for the three and nine months ended January 31, 2022 ($297 and $968 for the same periods of fiscal 2021), including $179 and $634 of principal payments on lease obligations ($209 and $696 for the same periods of fiscal 2021). The expense relating to variable lease payments not included in the measurement of lease obligations was $201 and $734 for the three and nine months ended January 31, 2022 ($233 and $821 for the same periods of fiscal 2021). This consists of variable lease payments for operating costs, property taxes and insurance.

Expenses relating to short-term leases not included in the measurement of lease obligations for the three and nine months ended January 31, 2022 was $19 and $79 ($31 and $216 for the same period of fiscal 2021). Expenses relating to leases of low value assets was $49 and $128 for the three and nine months ended January 31, 2022 ($44 and $143 for the same period of fiscal 2021). There were no additions on lease obligations during the three and nine months ended January 31, 2022 and January 31, 2021.

8. Share capital and Stock option plan:

(a) Dividend policy:

The Company maintains a quarterly dividend policy. The declaration and payment of dividends is at the discretion of the Board of Directors, which will consider earnings, capital requirements, financial conditions and other such factors as the Board of Directors, in its sole discretion, deems relevant.

On June 29, 2021, the Company declared a dividend of $0.065 per share, paid on August 6, 2021 to shareholders of record on July 16, 2021.

On September 9, 2021, the Company declared a dividend of $0.065 per share, paid on October 8, 2021 to shareholders of record on September 24, 2021.

On December 1, 2021, the Company declared a dividend of $0.07 per share, paid on January 7, 2022 to shareholders of record on December 16, 2021.

(b) Earnings per share:

The calculation of basic earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares.

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

8. Share capital and Stock option plan (continued):

(b) Earnings per share (continued):

Basic and diluted earnings per share are calculated as follows:

	Three Months Ended January 31, 2022	Three Months Ended January 31, 2021	Nine Months Ended January 31, 2022	Nine Months Ended January 31, 2021
Profit attributable to common shareholders	$ 940	$ 1,847	$ 1,892	$ 5,168
Weighted average number of common shares outstanding (basic)	14,562,895	14,430,161	14,527,169	14,420,291
Dilutive impact of assumed exercise of stock options	401,222	423,913	394,348	321,012
Weighted average number of common shares outstanding (diluted)	14,964,117	14,854,074	14,921,517	14,741,303
Basic earnings per common share	$ 0.06	$ 0.13	$ 0.13	$ 0.36
Diluted earnings per common share	$ 0.06	$ 0.12	$ 0.13	$ 0.35

As at January 31, 2022, 2,000 options were excluded from the three and nine months weighted average number of diluted common shares as their effect would have been anti-dilutive (Nil for the comparative period of fiscal 2021).

(c) Stock option plan:

The Company has a stock option plan under which stock options may be granted to certain employees and directors. Under the terms of the plan, the Company may grant options up to 10% of its issued and outstanding shares. The stock option plan is administered by the Board of Directors who may determine, in accordance with the terms of the plan, the terms relating to each option, including the extent to which each option is exercisable during the term of the options.

The exercise price is determined based on the weighted average trading price of the Company's common shares for the 5 days prior to the date the Board of Directors grants the option.

The movement in outstanding stock options for the nine months ended January 31, 2022 is as follows:

	Number of options	Weighted average exercise price
Outstanding at April 30, 2021	709,086	$ 18.02
Granted	166,472	40.34
Exercised	(57,800)	17.66
Forfeited	(11,092)	18.97
Outstanding at January 31, 2022	806,666	$ 22.64

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

8. Share capital and Stock option plan (continued):

(c) Stock option plan (continued):

The following table outlines the outstanding stock options of the Company as at January 31, 2022:

	Fair value per option	Remaining contractual life in years	Number of options currently exercisable	Exercise price	Outstanding options
Granted on September 6, 2018	$ 4.42	1.59	77,231	$ 17.23	108,900
Granted on July 3, 2019	3.28	2.42	223,916	14.29	370,266
Granted on February 28, 2020	4.78	3.08	3,281	18.95	7,500
Granted on July 8, 2020	6.95	3.43	54,380	26.75	145,014
Granted on December 2, 2020	10.74	3.84	1,629	36.77	6,514
Granted on February 24, 2021	18.79	4.07	375	60.62	2,000
Granted on June 29, 2021	12.66	4.41	20,809	40.34	166,472

The issued options vest on quarterly straight-line basis (6.25% per quarter) over the vesting period of 4 years and must be exercised within 5 years from the date of grant.

The fair value of options granted on June 29, 2021 were determined using the Black-Scholes option pricing model with the following assumptions:

	June 29, 2021
Exercise share price	$ 40.34
Expected option life (years)	5
Weighted average expected stock price volatility	36.61%
Weighted average dividend yield	0.62%
Weighted average risk-free interest rate	0.97%

For the three and nine months ended January 31, 2022, the Company recognized stock-based compensation expense of $421 and $1,344 ($292 and $928 for the same period of fiscal 2021). The contributed surplus accounts are used to record the accumulated compensation expense related to equity-settled share-based compensation transactions. Upon exercise of stock options, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

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

9. Remaining performance obligation

The Company enters into SaaS subscription agreements and has historically entered into hosting agreements (classified under Maintenance and Support) that are typically multi-year performance obligations with original contract terms of three to five years. The Company enters into maintenance and support contracts other than hosting agreements that typically have an original term of one year and are subject to annual renewal. These contracts with an original term of one year (or less) are excluded from the table below.

The following table presents revenue expected to be recognized in the future related to SaaS and maintenance and support performance obligations that are part of a contract with an original duration of greater than one year and that are unsatisfied (or partially satisfied) at January 31, 2022:

	Remainder of fiscal 2022	Fiscal 2023	Fiscal 2024 and thereafter	Total
SaaS	$ 6,889	$ 25,495	$ 46,114	$ 78,498
Maintenance and support	511	1,244	841	2,596
Total	$ 7,400	$ 26,739	$ 46,955	$ 81,094

10. Cost of revenue:

	Three Months Ended January 31, 2022	Three Months Ended January 31, 2021	Nine Months Ended January 31, 2022	Nine Months Ended January 31, 2021
SaaS, maintenance, support and professional services:				
Gross expenses	$ 15,201	$ 12,739	$ 44,477	$ 36,673
Amortization of intangible assets	202	197	605	592
Reimbursable expenses	235	43	521	104
E-business tax credits	(715)	(653)	(1,998)	(1,845)
	$ 14,923	$ 12,326	$ 43,605	$ 35,524
License and hardware	5,255	4,209	14,127	10,296
Cost of revenue	$ 20,178	$ 16,535	$ 57,732	$ 45,820

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

11. Finance costs (income):

	Three Months Ended January 31, 2022	Three Months Ended January 31, 2021	Nine Months Ended January 31, 2022	Nine Months Ended January 31, 2021
Interest expense on bank loans and other	$ 61	$ 69	$ 201	$ 356
Interest accretion expense – lease obligations	77	89	243	273
Foreign exchange loss (gain)	72	(15)	89	(244)
Interest income	(337)	(43)	(417)	(156)
Net finance (income) costs	$ (127)	$ 100	$ 116	$ 229

Interest income includes a $299 refund of interest related to the settlement of the acquired tax liability ("CRA Liability"), which was part of the total consideration to acquire OrderDynamics Corporation.

12. Derivative instruments and risk management:

The Company is exposed to currency risk as a certain portion of the Company's revenues and expenses are incurred in U.S. dollars resulting in U.S. dollar denominated accounts receivable and accounts payable and accrued liabilities. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars. These balances are therefore subject to gains or losses due to fluctuations in that currency. The Company may enter into foreign exchange contracts in order to (a) offset the impact of the fluctuation of the U.S. dollar on its U.S. net monetary assets and (b) hedge highly probable future revenue denominated in U.S. dollars. The Company uses derivative financial instruments only for risk management purposes, not for generating trading profits. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the net monetary position in the foreign currency and the recognition of highly probable future U.S. denominated revenue and related accounts receivable.

Non-hedge designated derivative instruments

On January 31, 2022, the Company held three outstanding foreign exchange contracts with various maturities to April 2022 to sell US$2,700 into Canadian dollars at rates averaging CA$1.2578 to yield CA$3,396. As of January 31, 2022, the Company had recorded an unrealized exchange loss of $38, included in accounts payable and accrued liabilities and an unrealized gain of $2, representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On January 31, 2021, the Company held two outstanding foreign exchange contracts with various maturities to March 31, 2021 to sell US$ 2,500 into Canadian dollars at a rate of CA$1.284 to yield CA$3,210. On January 31, 2021, the Company had recorded an unrealized exchange loss of $9, included in accounts payable and accrued liabilities and an unrealized gain of $21, representing the change in fair value of these outstanding contracts since inception and their initial measurement.

Revenue hedge designated derivative instruments

On January 31, 2022, the Company held twenty-two outstanding foreign exchange contracts with various maturities to December 2022 to sell US$35,250 at rates averaging CA$1.2644 to yield CA$44,571. Of the outstanding US$32,250 hedge designated foreign exchange contracts, US$24,00 pertain to highly probable future revenue denominated in U.S. dollars expected over the nine-month period through October 2022 while US$11,250 relates to realized U.S. dollar denominated revenue. On January 31, 2022, the Company had recorded an overall unrealized exchange loss of $261 representing the change in fair value of these outstanding contracts since inception.

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

12. Derivative instruments and risk management (continued):

Revenue hedge designated derivative instruments (continued)

On January 31, 2021, the Company held six outstanding foreign exchange contracts with various maturities to July 31, 2021 to sell US$11,200 into Canadian dollars at rates averaging CA$1.441 to yield CA$16,137. Of the outstanding US$11,200 hedge designated foreign exchange contracts, US$4,900 pertains to highly probable future revenue denominated in U.S. dollars expected over the next six-month period while US$6,300 relates to realized U.S. dollar denominated revenue. On January 31, 2021, the Company had recorded an overall unrealized gain of $1,810 representing the change in fair value of these outstanding contracts since inception.

The following table represents the movement in accumulated other comprehensive income (loss) from derivatives designated as hedges.

	Three months ended January 31, 2022	Three months ended January 31, 2021	Nine months ended January 31, 2022	Nine months ended January 31, 2021
Accumulated other comprehensive income on cash flow hedges as at the beginning of period	$ 367	$ 1,223	$ 492	$ 569
Changes in fair value on derivatives designated as cash flow hedges	(838)	787	(781)	2,333
Amounts reclassified from accumulated other comprehensive income to net earnings, and included in:				
Revenue	104	(990)	(32)	(1,649)
Net finance costs	218	(228)	172	(461)
Accumulated other comprehensive gain from cash flow hedges	$ (149)	$ 792	$ (149)	$ 792
Accumulated other comprehensive (loss)/gain - translation adjustment from foreign operations at the end of period	(858)	366	(858)	366
Total accumulated other comprehensive (loss)/gain as at the end of period	$ (1,007)	$ 1,158	$ (1,007)	$ 1,158

13. Related party transactions:

Key management includes Board of Directors (executive and non-executive) and members of the Executive Committee that report directly to the President and Chief Executive Officer of the Company.

As at January 31, 2022, key management and their spouses control 21.6% (April 30, 2021 – 22.5%) of the issued common shares of the Company.

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

13. Related party transactions (continued):

The compensation paid or payable to key management for employee services during the three- and nine-month periods ended January 31, 2022 and 2021 is as follows:

	Three Months Ended January 31, 2022	Three Months Ended January 31, 2021	Nine Months Ended January 31, 2022	Nine Months Ended January 31, 2021
Salaries	$ 1,435	$ 1,271	$ 4,065	$ 4,194
Other short-term benefits	90	98	258	355
Payment to defined contribution plans	29	30	100	98
	$ 1,554	$ 1,399	$ 4,423	$ 4,647

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of $300 ($500 for the same period of fiscal 2021) to facilitate their purchase of the Company's common shares during the nine months ended January 31, 2022. As of January 31, 2022, loans outstanding amounted to $337 (April 30, 2021 - $401) and are included in other receivables in the Consolidated Statements of Financial Position.

14. Operating segment:

Management has organized the Company under one reportable segment: the development and marketing of enterprise- wide distribution software and related services. As at January 31, 2022, substantially all of the Company's property and equipment, goodwill and other intangible assets are located in Canada and Denmark. For Denmark, the property and equipment (including right-of-use assets), goodwill and other intangible assets (including deferred development costs) as at January 31, 2022 were $618, $6,404 and $6,165 respectively (April 30, 2021 – $824, $6,635 and $6,823). For Canada, the amounts were $8,257, $10,783 and $6,397 respectively (April 30, 2021 - $9,103, $10,782 and $6,459). As at January 31, 2022, total assets attributable to Denmark were $16,938 (April 30, 2021 - $19,188). The Company's subsidiaries in the U.S. and the U.K. comprise sales and service operations offering implementation and maintenance services only.

Following is a summary of revenue by geographic location in which the Company's customers are located:

	Three Months Ended January 31, 2022	Three Months Ended January 31, 2021	Nine Months Ended January 31, 2022	Nine Months Ended January 31, 2021
Canada	$ 7,138	$ 7,273	$ 21,748	$ 18,048
United States	22,663	18,521	66,940	56,909
Europe	4,799	5,550	12,915	14,749
Other	811	598	1,309	1,021
	$ 35,411	$ 31,942	$ 102,912	$ 90,727

15. Comparative information:

Certain comparative figures have been reclassified to conform with the basis of presentation used in the current year. The change in the presentation of revenue reflects the Company's shift from perpetual license to SaaS and the growing importance of SaaS revenue to overall revenue. The change also reflects a disaggregation based on license and hardware revenues instead of proprietary and third-party revenues. Management believes that this new presentation will highlight revenue streams that are driving performance and will therefore provide a better understanding of the results of the business.

Following is a description of the reclassified items and amounts included in the condensed interim consolidated statements of income and comprehensive income for the three-months and nine-months ended January 31, 2021:

(a) The Company's previous presentation of cloud, maintenance and subscription revenue included SaaS and maintenance and support revenue. The Company has reclassified SaaS revenue onto a separate line. The reclassification was for a total of $4,708 and $13,672 for the three and nine months ended January 31, 2021.

Maintenance and support revenue now includes maintenance and support services, sold with perpetual licenses and hardware maintenance services.

(b) Reimbursable expense revenue and costs were previously presented as separate lines under revenue and costs of revenue, respectively. The company has now reclassified reimbursable expense revenue within professional services revenue and the related costs are included in costs of revenue. The reclassification was for a total of $43 and $104 for the three and nine months ended January 31, 2021. See also note 10.

(c) The Company's previous presentation of proprietary products revenue included both license and proprietary hardware products revenue. The Company has now reclassified proprietary hardware products within hardware revenue for a total of $217 and $298 for the three and nine months ended January 31, 2021.

License revenue now includes proprietary software license and third-party software license revenue.

(d) The Company's previous presentation of third-party products revenue included both third-party hardware products and third-party software license revenue. The Company has now reclassified third-party software license revenue within license revenue for a total of $70 and $293 for the three and nine months ended January 31, 2021.

(e) Hardware revenue now includes third-party products and proprietary hardware products. The Company previously has been presenting product costs and services costs separately. The Company now presents product and services costs combined under cost of revenue. See also note 10.

16. Payments related to prior business acquisition:

In August 2020, the Company paid $2,191 to the Canada Revenue Agency relating to the acquired tax liability ("CRA Liability"), which was part of the total consideration to acquire OrderDynamics Corporation.

As at April 30, 2021, other current liabilities included $500 indemnification holdback associated with the acquisition of OrderDynamics Corporation. During the third quarter of fiscal 2022, the Company made the final payment of $500 to the vendors ($1,468 for the same period of fiscal 2021).

17. Subsequent event:

On March 2, 2022, the Company's Board of Directors declared a quarterly dividend of $0.07 per share to be paid on April 14, 2022, to shareholders of record on March 24, 2022.

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