1st Quarter Fiscal 2024 Report

40 Years of **Growth**

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management Discussion and Analysis (MD&A) dated September 7, 2023, comments on our operations, financial performance and financial condition as at and for the three-month periods ended July 31, 2023 and July 31, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Tecsys Inc. ("Tecsys", the "Company") and Notes thereto, which are included in this document, and the annual report for the year ended April 30, 2023. The Company's first quarter of fiscal year 2024 ended on July 31, 2023.

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements are 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 otherwise indicated. The functional currency of the Company and its subsidiaries is the Canadian dollar with the exception of its Danish subsidiaries whose functional currency is the Danish kroner.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 7, 2023. Additional information about Tecsys Inc., including copies of the continuous disclosure materials such as the annual information form and the management proxy circular, can be obtained from SEDAR+ at www.sedarplus.ca.

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 report for the year ended April 30, 2023.

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 and geopolitical 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 and (xx) cyber security.

Use of non-IFRS Performance Measures

The Company uses certain non-IFRS financial performance measures in its MD&A and other communications which are 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 cloud-based supply chain solutions that equip the borderless enterprise for growth and competitive advantage. Tecsys caters to multiple complex, regulated and high-volume distribution industries. Dynamic and powerful solutions include warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, financial management and analytics solutions.

Customers running on Tecsys' supply chain platform have confidence they can execute with consistency, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating on a Tecsys platform can adapt and scale to business needs or size, enabling them to expand and collaborate with customers, suppliers and partners as one borderless enterprise. The platform allows organizations to transform their supply chains for agility and performance 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, enabling business leaders to establish sustainable and scalable logistics so they can 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, automotive and service parts, third-party logistics, converging commerce, and industrial and general wholesale high-volume distribution markets. Tecsys is the market leader in North America for supply chain solutions for health systems and hospitals. It serves a number of marquee brands located in the U.S., Canada, Europe and Australia, and continues to expand its global footprint across its principal markets.

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;
- Licenses; and
- Hardware.

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 months ended July 31, 2023, the Company generated $42.0 million in total revenue. The revenue mix for the three months ended July 31, 2023, was: SaaS 27%; maintenance and support 20%; professional services 36%; license 1%; and hardware 16%. The revenue mix for the three months ended July 31, 2022 was: SaaS 24%; maintenance and support 24%; professional services 40%; license 1%; and hardware 11%.

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 IFRS and Non-IFRS measures as well as 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, 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 refer 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) and professional services 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, (b) Professional Services Backlog and (c) Remaining Performance Obligation (RPO). The Company enters into SaaS subscription agreements that are typically multi-year performance obligations with original contract terms of three to five years. SaaS RPO 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. Unlike ARR which has a one-year time horizon, SaaS RPO can include multiple years of contracted SaaS subscriptions.

Results of Operations

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

(in thousands of CAD, except earnings per share)	Three months ended July 31, 2023	2022
Statement of Operations		
Revenue	$ 41,975	$ 34,204
Cost of revenue	22,475	19,446
Gross profit	19,500	14,758
Operating expenses	17,742	14,668
Profit from operations	1,758	90
Other (income) cost	(272)	25
Profit before income taxes	$ 2,030	$ 65
Income tax expense	859	25
Net Profit	$ 1,171	$ 40
Adjusted EBITDA[1]	$ 3,173	$ 1,484
Basic and diluted earnings per share	$ 0.08	$ 0.00
SaaS Remaining Performance Obligation (RPO)[2]	$ 139,402	$ 102,540
Total Annual Recurring Revenue (ARR)[2]	$ 78,332	$ 65,074

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, gain on remeasurement of lease liability and recognition of tax credits generated in prior periods. The exclusion of interest expense, interest income and income taxes eliminates the impact on earnings derived from non-operational activities, and the exclusion of depreciation, amortization, share-based compensation, gain on remeasurement of lease liability and recognition of tax credits generated in prior periods eliminates the non-cash impact of these items.

The Company believes that these measures are useful measures of financial performance without the variation caused by the impacts of the items described above and that could potentially distort the analysis of trends in our operating performance. In addition, they 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. Excluding these items does not imply that they are necessarily non-recurring. Management believes these non-GAAP financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance and future prospects in a manner similar to management. Although EBITDA and Adjusted EBITDA are frequently used by securities analysts, lenders and others in their evaluation of companies, they have limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS.

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

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

The reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS measure is provided below.

	Three months ended July 31,	
(in thousands of CAD)	**2023**	**2022**
Profit for the period	$ 1,171	$ 40
Adjustments for:		
Depreciation of property and equipment and right-of-use assets	384	430
Amortization of deferred development costs	142	102
Amortization of other intangible assets	396	396
Interest expense	38	119
Interest income	(269)	(104)
Income taxes	859	25
EBITDA	$ 2,721	$ 1,008
Adjustments for:		
Stock based compensation	452	476
Adjusted EBITDA	$ 3,173	$ 1,484

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 and Danish kroner 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

Total revenue for the three months ended July 31, 2023, was $42.0 million, an increase of $7.8 million or 23%, compared to the same period last year. Total revenue excluding hardware for the three months ended July 31, 2023 increased by 16%, compared to the same period last year (11% on a constant currency basis). Revenue is broken down as follows:

	Three months ended July 31,		
(in thousands of CAD)	**2023**	**2022**	**Change %**
SaaS	$ 11,495	$ 8,001	44%
Maintenance and support	8,298	8,268	0%
Professional services	14,908	13,631	9%
License	456	459	-1%
Hardware	6,818	3,845	77%
Total Revenue	$ 41,975	$ 34,204	23%
Total Revenue Excluding Hardware	$ 35,157	$ 30,359	16%

Approximately 73% of the Company's revenues were generated in U.S. dollars during the first quarter of Fiscal 2024 (2023-65%). The U.S. dollar averaged CA$1.3341 in the first quarter of Fiscal 2024 in comparison to CA$1.2869 in the same period of Fiscal 2023. The increase in the value of the U.S dollar combined with the net impact of the Company's partial hedging of U.S. revenue gave rise to a net favorable foreign currency related revenue variance of $1.5 million in comparison to the first quarter of Fiscal 2023.

On a constant currency basis, revenue for the three months ended July 31, 2023 grew by approximately 17%, compared to the same period last year.

Total ARR on July 31, 2023, was $78.3 million, up 20% compared to $65.1 million on July 31, 2022. 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 17% during the twelve months ended July 31, 2023.

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 first quarter of Fiscal 2024 was $11.5 million, up 44% or $3.5 million compared to the first quarter of Fiscal 2023. The increase is due to new SaaS revenue from bookings in recent quarters and foreign exchange, net of cancellations impacting the quarter. Foreign exchange positively impacted reported SaaS revenue growth as a significant portion of the Company's SaaS revenue is denominated in U.S. dollars. On a constant currency basis, SaaS revenue in the first quarter of Fiscal 2024 grew by approximately 38% compared to the same period of Fiscal 2023. SaaS revenue in the first quarter of Fiscal 2024 was up $0.4 million sequentially compared to the fourth quarter of Fiscal 2023.

In the first quarter of Fiscal 2024, SaaS subscription bookings (measured on an ARR basis) were $1.9 million, down 50% compared to $3.9 million in the first quarter of Fiscal 2023. The Company has historically seen some lumpiness in quarterly deal closings, and the Company expects this to continue.

On July 31, 2023, SaaS RPO[3] was $139.4 million, up 36% from $102.5 million at the same time last year. A significant amount of SaaS RPO is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will impact reported SaaS RPO. On a constant currency basis, SaaS RPO increased 33% during the twelve months ended July 31, 2023. SaaS RPO was up by 1% sequentially compared to the fourth quarter of Fiscal 2023 and up 3% 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 months ended July 31, 2023 was $8.3 million, flat compared to the same period of Fiscal 2023. On a constant currency basis, first quarter ended July 31, 2023 maintenance and support revenue was down by 4%, compared to same period of Fiscal 2023. 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 July 31, 2023 was $14.9 million, up 9% compared to $13.6 million during the same period of Fiscal 2023. Foreign exchange positively impacted 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, first quarter of Fiscal 2024 professional services revenue was up by 5% compared to the same period of Fiscal 2023. In the first quarter of Fiscal 2024, Professional services bookings were $13.8 million, up by 42% compared to $9.7 million in the same period of Fiscal 2023. Professional services bookings are in part linked to SaaS subscription bookings and license

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

bookings and are subject to timing. We continue to see an uptick on work performed by implementation partners and expect this trend to continue and have a long-term effect of moderating professional services revenue growth.

License revenue

License revenue includes revenue from proprietary software as well as third-party software. In the three months ended July 31, 2023, license revenue amounted to $0.5 million, flat compared to the same period of Fiscal 2023. Perpetual license bookings in the three months ended July 31, 2023 were $0.7 million, compared to $0.3 million in the same period last year. 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. While hardware revenue can tend to be uneven, it is a key component of our market offering and thereby supports our recurring revenue business. Hardware revenue for the three months ended July 31, 2023, was $6.8 million, up 77% compared to $3.8 million during the same period of Fiscal 2023.

Cost of Revenue and Gross Profit

	Three months ended July 31,		Change
(in thousands of CAD)	**2023**	**2022**	**%**
Cost of revenue:			
SaaS, maintenance, support and professional services	$ 17,489	$ 16,255	8%
License and hardware	4,986	3,191	56%
Total cost of revenue	**22,475**	**19,446**	**16%**
Gross profit & gross profit margin:			
SaaS, maintenance, support and professional services gross profit	$ 17,212	$ 13,645	26%
Gross profit margin	50%	46%	
License and hardware gross profit	$ 2,288	$ 1,113	106%
Gross profit margin	31%	26%	
Total gross profit	**$ 19,500**	**$ 14,758**	**32%**
Total gross profit margin	**46%**	**43%**	

Total cost of revenue for the first quarter of Fiscal 2024, increased to $22.5 million, or an increase of 16% compared to the same period of Fiscal 2023. The increase is driven by both higher SaaS, maintenance, support and professional services costs as well as higher cost of hardware.

For the first quarter of Fiscal 2024, the cost of SaaS, maintenance, support and professional services increased to $17.5 million, up $1.2 million, compared to the same period of Fiscal 2023. Cost of SaaS, maintenance, support and professional services increased compared to the prior year period as a result of direct costs associated with higher revenue, including higher employee costs and higher public cloud infrastructure costs. For the first quarter of Fiscal 2024, the cost of SaaS, maintenance, support and professional services includes tax credits of $0.7 million, flat compared to the same period of Fiscal 2023.

The cost of license and hardware was $5.0 million in the first quarter of Fiscal 2024, an increase of 56% compared to the same period in Fiscal 2023, mainly driven by higher hardware revenue.

Gross profit was $19.5 million, up $4.7 million in the first quarter of Fiscal 2024 compared to the same period in Fiscal 2023 mainly driven by higher gross profit contribution from SaaS, maintenance, support and professional services.

As a percentage of revenue, total gross profit margin for the three months ended July 31, 2023 was 46% compared to 43% for the same period in Fiscal 2023.

Combined SaaS, maintenance, support and professional services gross profit margin for the three months ended July 31, 2023 was 50% compared to 46% for the same period in Fiscal 2023. The main driver for this increased gross profit margin was SaaS margin expansion.

License and hardware gross profit margin for the three months ended July 31, 2023 was 31% compared to 26% for the same period in Fiscal 2023. The uptick in this gross profit margin was the result of delivering a larger mix of higher margin hardware.

Operating Expenses

	Three months ended July 31,		Change
(in thousands of CAD)	**2023**	**2022**	**%**
Sales and marketing expenses	$ 7,671	$ 6,250	23%
As a percentage of Total Revenue	18%	18%	
General and administration expenses	2,959	2,734	8%
As a percentage of Total Revenue	7%	8%	
Research and development expenses, net of tax credits	7,112	5,684	25%
As a percentage of Total Revenue	17%	17%	
Total operating expenses	**$ 17,742**	**$ 14,668**	**21%**
As a percentage of Total Revenue	**42%**	**43%**	

Total operating expenses for the three months ended July 31, 2023 were $17.7 million, an increase of $3.1 million, compared to the same period last year. The impact of foreign exchange during the three months ended July 31, 2023 had an unfavorable impact on expenses of $0.3 million when compared to the same period in Fiscal 2023.

Sales and marketing expenses

Sales and marketing expenses for the three months ended July 31, 2023 amounted to $7.7 million, an increase of $1.4 million when compared to the same period in Fiscal 2023. The increase is mainly attributed to higher personnel costs, travel and marketing program costs, representing investments to take advantage of expected market opportunity.

General and administrative expenses

General and administrative expenses for the three months ended July 31, 2023, were $3.0 million, an increase of $0.2 million when compared to the same period of last year. The increase is attributed to higher professional fees and employee costs.

Net R&D expenses

Net R&D expenses for the three months ended July 31, 2023, were $7.1 million, an increase of $1.4 million from the same period in Fiscal 2023. The increase was mainly attributable to higher personnel costs offset slightly by higher tax credits.

For the three months ended July 31, 2023, the Company deferred development costs of $0.2 million, flat compared the same period in Fiscal 2023. The Company amortized deferred development costs of $0.1 million in the first quarter of Fiscal 2024, flat compared to the same period of Fiscal 2023.

The Company recorded R&D tax credits and e-business tax credits of $0.8 million for the first quarter of Fiscal 2024 compared to $0.7 million for the same period in Fiscal 2023.

Other (Income) Costs and Income Tax Expense

(in thousands of CAD)		Three months ended July 31, 2023		2022	Change %
Other (Income) Costs	$	(272)	$	25	-1188%
Income Tax Expense		859		25	3336%
Income Tax Expense as a percentage of profit before income taxes		42%		38%	

Other income in the first quarter of Fiscal 2024, consists primarily of interest income and foreign exchange gain, offset by interest expense on lease obligations.

Income tax expense for the three months ended July 31, 2023 were $0.9 million, compared to a not significant amount for the same period in Fiscal 2023. The increase in income tax expense is mainly due to higher pre-tax profits in the current year.

Net Profit

(in thousands of CAD)		Three months ended July 31, 2023		2022	Change %
Net Profit	$	1,171	$	40	2828%
Adjusted EBITDA	$	3,173	$	1,484	114%
Basic and diluted earnings per share	$	0.08		0.00	

Net Profit, Adjusted EBITDA and earnings per share were all positively impacted by higher contribution from SaaS, maintenance and support and Professional services as well as license and hardware. During the first quarter of Fiscal 2024, we continued to invest in sales and marketing as well as research and development to drive continued growth. This investment drove operating expenses higher. Adjusted EBITDA (as well as Net Profit) in the quarter was positively impacted by about $1.2 million from favorable foreign exchange movements compared to the same period in Fiscal 2023.

Quarterly Selected Financial Data

The following table summarizes selected results for the eight most recently completed quarters to July 31, 2023:

	FY 2024	FY 2023				FY 2022		
(in thousands of CAD, except earnings per share)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total revenue	$ 41,975	$ 41,192	$ 38,917	$ 38,111	$ 34,204	$ 34,288	$ 35,411	$ 34,269
Net Profit	1,171	446	888	715	40	2,586	940	708
Comprehensive income (loss)	3,318	414	3,998	(796)	(110)	2,159	317	489
Adjusted EBITDA[4]	3,173	2,449	2,774	2,777	1,484	1,730	2,738	3,206
Basic earnings per common share	0.08	0.03	0.06	0.05	0.00	0.18	0.06	0.05
Diluted earnings per common share	0.08	0.03	0.06	0.05	0.00	0.17	0.06	0.05

Total quarterly revenue excluding hardware has generally trended upward over the past eight quarters, primarily due to an increase in revenue from SaaS. Fiscal 2024 Q1 profit and Adjusted EBITDA was positively impacted by higher gross profit, in particular from SaaS, and was also positively impacted by foreign exchange. During Fiscal 2023, the impact of foreign exchange, lower license revenue as well as additional investment in delivery capacity, sales and marketing and research and development moderated Profit and Adjusted EBITDA. Profit in the fourth quarter of Fiscal 2022 included the recognition of approximately $1.9 million net deferred tax assets, $0.6 million gain on remeasurement of lease liability and $0.6 million recognition of tax credits generated in prior periods.

Liquidity and Capital Resources

On July 31, 2023, current assets totaled $77.9 million compared to $76.8 million at the end of Fiscal 2023. Cash and cash equivalents combined with short-term investments decreased $5.2 million to $31.9 million compared to $37.1 million at the end of Fiscal 2023. The decrease results primarily from changes in non-cash working capital items, the most significant of which was payments on accounts payable and accrued liabilities and timing of billing and collections of accounts receivable during the first quarter of Fiscal 2024.

Accounts receivable and work in progress totaled $27.2 million on July 31, 2023, an increase of $2.6 million compared to $24.6 million as of April 30, 2023. 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 July 31, 2023 compared to 54 days at April 30, 2023 (the end of prior fiscal quarter). 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 July 31, 2023, totaled $50.5 million compared to $52.9 million at the end of Fiscal 2023. The decrease is mainly due to a decrease in accounts payable and accrued liabilities, partially offset by an increase in deferred revenue.

Cash from Operating Activities

Operating activities used $6.9 million of cash in the first quarter of Fiscal 2024 in comparison to $5.0 million of cash used in the first quarter of Fiscal 2023.

Cash from operating activities excluding changes in non-cash working capital items remained relatively flat at $0.6 million in first quarter of Fiscal 2024 compared to $0.7 million in the same period of Fiscal 2023. Changes in non-

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

cash working capital items used $7.5 million in the first quarter of Fiscal 2024. As noted above, reduction in accounts payable and accrued liabilities and increase in accounts receivable were the key drivers.

Financing Activities

Cash provided by financing activities was $1.5 million for the first quarter of Fiscal 2024 in comparison to cash used of $0.6 million for the same period in Fiscal 2023. In the first quarter of Fiscal 2024, cash flow provided by financing activities was primarily the result of proceeds from the issuance of common shares on the exercise of stock options.

Investing Activities

During the first quarter of Fiscal 2024, investing activities used funds of $0.1 million compared to $0.2 million in the same period in Fiscal 2023.

The Company believes that funds on hand at July 31, 2023 together with cash flows from operations, and its accessibility to the operating line of credit will be sufficient to meet its 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 $0.4 million during the three months ended July 31, 2023 ($0.4 million for the same period last year) to facilitate their purchase of the Company's common shares. As of July 31, 2023, loans outstanding amounted to $0.5 million (April 30, 2023 - $0.1 million).

Subsequent Events

On August 4, 2023, the Company paid a dividend of $0.075 per share totaling $ 1,102. On September 7, 2023, the Company's Board of Directors declared a quarterly dividend of $0.075 per share to be paid on October 6, 2023 to shareholders of record on September 22, 2023.

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 the industry may adjust quickly to exercise caution on capital spending. This uncertainty may impact the Company's revenue.

Based on ARR of $78.3 million and Professional services backlog of $40.2 million, the Company's management believes that total services revenue (including SaaS, maintenance and support and professional services revenue) ranging between $34.5 million and $35.5 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 currently derives more than 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 July 31, 2023, the Company had 14,694,143 common shares outstanding.

Critical Accounting Policies and Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results.

The preparation of the unaudited 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, 2023.

Accounting standard amendments effective for the year ended April 30, 2024:

The following amendments to existing standards were adopted by the Company on May 1, 2023:

Standard	Issue date
IAS 8, Definition of Accounting Estimates	February 2021
IAS 12, Income Taxes	May 2021
IAS 1, Presentation of Financial Statements	February 2021

Refer to the Company's condensed interim consolidated financial statements for the period ended July 31, 2023 for a discussion of new standards and interpretations adopted.

New standards and interpretations not yet adopted:

A number of new amendments to IAS 1 were issued by the IASB that are not yet effective for the period ended July 31, 2023 and have not been applied in preparing these condensed interim consolidated financial statements. The following three amendments are currently being assessed by the Company:

Standard	Issue date	Effective date for the Company	Impact
IAS 1, Presentation of Financial Statements	January 2020, July 2020 and October 2022	May 1, 2024	In assessment

Refer to the Company's annual consolidated financial statements for Fiscal 2023 for a discussion of new amendments not yet adopted.

Controls & Procedures

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 July 31, 2023.

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 unaudited condensed interim 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 July 31, 2023, that have materially affected or are reasonably likely to materially affect internal controls over financial reporting.

Supplemental Information

Reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS measure

	FY 2024	FY 2023				FY 2022		
(in thousands of CAD)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Profit for the period	$ 1,171	$ 446	$ 888	$ 715	$ 40	$ 2,586	$ 940	$ 708
Adjustments for:								
Depreciation of property and equipment and right-of-use assets	384	440	476	429	430	515	551	553
Amortization of deferred development costs	142	145	135	114	102	87	80	69
Amortization of other intangible assets	396	402	411	394	396	382	408	411
Interest expense	38	17	92	178	119	178	138	145
Interest income	(269)	(211)	(221)	(150)	(104)	(57)	(337)	(40)
Income taxes	859	755	455	389	25	(1,111)	537	791
EBITDA	2,721	1,994	2,236	2,069	1,008	2,580	2,317	2,637
Adjustments for:								
Stock based compensation	452	455	538	708	476	340	421	569
Gain on remeasurement of lease liability	-	-	-	-	-	(573)	-	-
Recognition of tax credits generated in prior periods	-	-	-	-	-	(617)	-	-
Adjusted EBITDA	$ 3,173	$ 2,449	$ 2,774	$ 2,777	$ 1,484	$ 1,730	$ 2,738	$ 3,206

Condensed Interim Consolidated Financial Statements

(Unaudited)

TECSYS INC.

For the three-month periods ended July 31, 2023 and 2022

MANAGEMENT'S COMMENTS ON THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE -MONTH PERIODS ENDED JULY 31, 2023 and 2022

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 7th day of September 2023.

Tecsys Inc.

Condensed Interim Consolidated Statements of Financial Position

As at July 31, 2023 and April 30, 2023

(Unaudited)

(In thousands of Canadian dollars)

	Note	July 31, 2023	April 30, 2023
Assets			
Current assets			
Cash and cash equivalents		$ 15,825	$ 21,235
Short-term investments	3	16,046	15,835
Accounts receivable		24,648	22,900
Work in progress		2,555	1,734
Other receivables		2,028	523
Tax credits		6,672	5,338
Inventory		1,874	1,034
Prepaid expenses		8,264	8,193
Total current assets		77,912	76,792
Non-current assets			
Other long-term receivables		1,415	363
Tax credits		5,545	5,368
Property and equipment		1,638	1,802
Right-of-use assets	4	1,575	1,708
Contract acquisition costs	5	3,944	3,738
Deferred development costs		2,359	2,254
Other intangible assets		8,733	9,287
Goodwill		17,280	17,467
Deferred tax assets		8,132	8,137
Total non-current assets		50,621	50,124
Total assets		**$ 128,533**	**$ 126,916**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 18,001	$ 21,669
Deferred revenue		31,745	30,388
Lease obligations	7	788	793
Total current liabilities		50,534	52,850
Non-current liabilities			
Other long-term accrued liabilities		-	253
Deferred tax liabilities		1,220	1,255
Lease obligations	7	1,910	2,120
Total non-current liabilities		3,130	3,628
Total liabilities		$ 53,664	$ 56,478
Equity			
Share capital	8	$ 46,645	$ 44,338
Contributed surplus		15,193	15,285
Retained earnings		10,901	10,832
Accumulated other comprehensive income (loss)	12	2,130	(17)
Total equity attributable to the owners of the Company		74,869	70,438
Total liabilities and equity		**$ 128,533**	**$ 126,916**

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-month periods ended July 31, 2023 and 2022

(Unaudited)

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

	Note	July 31, 2023	July 31, 2022
Revenue:			
SaaS		$ 11,495	$ 8,001
Maintenance and Support		8,298	8,268
Professional Services		14,908	13,631
License		456	459
Hardware		6,818	3,845
Total revenue		**41,975**	**34,204**
Cost of revenue	10	**22,475**	**19,446**
Gross profit		**19,500**	**14,758**
Operating expenses:			
Sales and marketing		7,671	6,250
General and administration		2,959	2,734
Research and development, net of tax credits		7,112	5,684
Total operating expenses		**17,742**	**14,668**
Profit from operations		**1,758**	**90**
Other (income) costs	11	(272)	25
Profit before income taxes		2,030	65
Income tax expense		859	25
Net profit		**$ 1,171**	**$ 40**
Other comprehensive income (loss):			
Effective portion of changes in fair value on designated revenue hedges	12	2,573	154
Exchange differences on translation of foreign operations	12	(426)	(304)
Comprehensive income (loss)		**$ 3,318**	**$ (110)**
Basic and diluted earnings per common share	8	**$ 0.08**	**$ 0.00**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Tecsys Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three-month periods ended July 31, 2023 and 2022

(Unaudited)

(In thousands of Canadian dollars)

	Note	July 31, 2023	July 31, 2022
Cash flows from operating activities:			
Net profit		$ 1,171	$ 40
Adjustments for:			
Depreciation of property and equipment and right-of-use-assets		384	430
Amortization of deferred development costs		142	102
Amortization of other intangible assets		396	396
Interest expense (income) and foreign exchange (gain) loss	11	(272)	25
Unrealized foreign exchange and other		(1,198)	(372)
Non-refundable tax credits		(440)	(421)
Stock-based compensation	8	452	476
Income taxes		14	25
Net cash from operating activities excluding changes in non-cash working capital items related to operations		649	701
Accounts receivable		(1,820)	(543)
Work in progress		(829)	(954)
Other receivables		(262)	(335)
Tax credits		(1,071)	(1,048)
Inventory		(842)	(255)
Prepaid expenses		(283)	(562)
Contract acquisition costs		3	(253)
Accounts payable and accrued liabilities		(3,799)	(3,012)
Deferred revenue		1,376	1,238
Changes in non-cash working capital items related to operations		(7,527)	(5,724)
Net cash used in operating activities		**(6,878)**	**(5,023)**
Cash flows from financing activities:			
Repayment of long-term debt	3	-	(300)
Payment of lease obligations	7	(199)	(244)
Interest paid		(38)	(119)
Issuance of common shares on exercise of stock options		1,763	62
Net cash provided by (used in) financing activities		**1,526**	**(601)**
Cash flows from investing activities:			
Interest received	11	269	104
Transfer from short-term investments	3	22	-
Acquisitions of property and equipment		(102)	(60)
Deferred development costs		(247)	(209)
Net cash used in investing activities		**(58)**	**(165)**
Net decrease in cash and cash equivalents during the period		(5,410)	(5,789)
Cash and cash equivalents - beginning of period		21,235	23,004
Cash and cash equivalents - end of period		**$ 15,825**	**$ 17,215**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Tecsys Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the three-month periods ended July 31, 2023 and 2022

(Unaudited)

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

		Share capital			Accumulated		
	Note	Number	Amount	Contributed surplus	other comprehensive income (loss)	Retained earnings	Total
Balance, May 1, 2023		**14,582,837**	**$ 44,338**	**$ 15,285**	**$ (17)**	**$ 10,832**	**$ 70,438**
Net profit						1,171	1,171
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges	12				2,573		2,573
Exchange difference on translation of foreign operations					(426)		(426)
Total comprehensive income					**2,147**	**1,171**	**3,318**
Stock-based Compensation	8			452			452
Dividends to equity owners	8					(1,102)	(1,102)
Share options exercised	8	111,306	2,307	(544)			1,763
Total transactions with owners of the Company		**111,306**	**2,307**	**(92)**	**-**	**(1,102)**	**1,113**
Balance, July 31, 2023		**14,694,143**	**46,645**	**15,193**	**2,130**	**10,901**	**74,869**
Balance, May 1, 2022		**14,562,895**	**$ 43,973**	**$ 13,176**	**$ (1,434)**	**$ 12,968**	**$ 68,683**
Net profit		-	-	-	-	40	40
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges	12	-	-	-	154	-	154
Exchange difference on translation of foreign operations		-	-	-	(304)	-	(304)
Total comprehensive (loss) income		**-**	**-**	**-**	**150**	**40**	**(110)**
Stock-based Compensation	8	-	-	476	-	-	476
Dividends to equity owners		-	-	-	-	(1,020)	(1,020)
Share options exercised	8	3,994	76	(14)	-	-	62
Total transactions with owners of the Company		**3,994**	**$ 76**	**$ 462**	**$ -**	**(1,020)**	**$ (482)**
Balance, July 31, 2022		**14,566,889**	**$ 44,049**	**$ 13,638**	**$ (1,584)**	**$ 11,988**	**$ 68,091**

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 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 most 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, 2023.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 7, 2023.

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, 2023, except for changes as detailed below, if any.

(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.

Accounting standard amendments effective for the year ended April 30, 2024:

The following amendments to existing standards were adopted by the Company on May 1, 2023:

IAS 8, Definition of Accounting Estimates:

In February 2022, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* with amendments that are intended to help entities distinguish between accounting policies and accounting estimates. The amendments clarify that: the definition of a change in accounting estimate is replaced with a definition of accounting estimates; entities develop accounting estimates when items in the financial statements are subject to measurement uncertainty; a change

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

2. Basis of preparation (continued):

Accounting standard amendments effective for the year ended April 30, 2024 (continued):

IAS 8, Definition of Accounting Estimates (continued):

in accounting estimate that results from new information or new developments is not the correction of an error, and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier adoption was permitted. The amendment of IAS 8 had no impact on the Company's interim consolidated financial statements.

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 was permitted. The amendment of IAS 12 did not have a material impact on the Company's consolidated financial statements. Furthermore, the amendment of IAS 12 has no impact on the consolidated statements of financial position and the changes in its income taxes note disclosure will be reflected in the annual consolidated financial statements for the year ended April 30, 2024.

IAS 1, Presentation of Financial Statements:

In February 2021 the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 Making Materiality Judgements) with amendments that are required to help preparers in deciding which accounting policy to disclose in their financial statement. An entity is now required to disclose its material accounting policies rather than their significant accounting policies. The amendments clarify that accounting policy information may be material because if its nature, even if the related amounts are immaterial; accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The IASB has developed guidance on how an entity can identify material accounting policy information and provides examples of when accounting policy information is likely to be material. The amendments shall be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application was permitted. Once an entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The Company will update its accounting policy information disclosures in its annual consolidated financial statements for the year ended April 30, 2024.

New standards and interpretations not yet adopted:

A number of new amendments to IAS 1 were issued by the IASB that are not yet effective for the period ended July 31, 2023 and have not been applied in preparing these condensed interim consolidated financial statements. The following three amendments are currently being assessed by the Company:

Standard	Issue date	Effective date for the Company	Impact
IAS 1, Presentation of Financial Statements	January 2020, July 2020 and October 2022	May 1, 2024	In assessment

Refer to the Company's annual consolidated financial statements for Fiscal 2023 for a discussion of new amendments not yet adopted.

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

3. Short-term investments:

	Three-Months Ended July 31, 2023	Twelve Months Ended April 30, 2023
Balance, beginning of period	$ 15,835	$ 20,239
Withdrawals to repay long-term debt	-	(5,000)
Other withdrawals, net	(22)	-
Interest on short-term investments	233	596
Balance, end of period	**$ 16,046**	**$ 15,835**

Short-term investment consists of Guaranteed Investment Certificates (GIC). The GIC have a 31-day withdrawal notice requirement, and the interest is automatically reinvested monthly.

On December 30, 2022, the Company made a withdrawal to repay the outstanding balance of the term facility (note 6).

4. Right-of-use assets:

The following table presents the right-of-use assets for the Company:

	Offices	Data centers	Vehicles and equipment	Total
Balance, April 30, 2023	$ 1,513	$ 170	$ 25	$ 1,708
Depreciation	(90)	(17)	(11)	(118)
Effect of foreign currency exchange differences	(10)	(5)	-	(15)
Balance, July 31, 2023	**$ 1,413**	**$ 148**	**$ 14**	**$ 1,575**

5. Contract acquisition costs:

The following table presents the contract acquisition costs for the Company:

	Three-Months Ended July 31, 2023	Twelve Months Ended April 30, 2023
Balance, beginning of the period	$ 5,799	$ 4,891
Additions	574	2,920
Amortization	(577)	(2,012)
Balance, end of period	$ **5,796**	$ **5,799**

Presented as:

	July 31, 2023	April 30, 2023
Current	$ 1,852	$ 2,061
Non-current	$ 3,944	$ 3,738

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

5. Contract acquisition costs (continued):

The current portion of contract acquisition costs is included in Prepaid expenses in the unaudited condensed interim consolidated statements of financial position. Amortization of contract acquisition costs is recorded in sales and marketing expense.

6. Banking facilities and long-term debt:

On January 30, 2019, the Company entered into a Credit Agreement. The Credit Agreement included a Term Facility of up to $12,000 and a Revolving Facility of $5,000. The Revolving Facility is for general corporate purposes. 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 repaid the outstanding balance of the term facility on December 30, 2022. As at July 31, 2023 the Company had no outstanding balance under the Term Facility (April 30, 2023 - nil). The Revolving Facility was undrawn as of July 31, 2023 and April 30, 2023.

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 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:

		July 31, 2023		**April 30, 2023**
Current	$	788	$	793
Non-Current		1,910		2,120
	$	**2,698**	**$**	**2,913**

The following table presents the contractual undiscounted cash flows for lease obligations as at July 31, 2023:

Less than one year	$	825
One to five years		1,907
More than five years		231
Total undiscounted lease obligations	**$**	**2,963**

Interest expense on lease obligations for the three months ended July 31, 2023 was $34 ($54 for the same period of fiscal 2023). Total cash outflow was $233 for the three months ended July 31, 2023 ($298 for the same period of fiscal 2023), including $199 of principal payments on lease obligations ($244 for the same period of fiscal 2023). The expense relating to variable lease payments not included in the measurement of lease obligations was $197 for the three months ended July 31, 2023 ($253 for the same period of fiscal 2023). This consists of variable lease payments for operating costs, property taxes and insurance.

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

7. Lease obligations (continued):

Expenses relating to short-term leases not included in the measurement of lease obligations for the three months ended July 31, 2023 was $4 ($4 for the same period of fiscal 2023). Expenses relating to leases of low value assets was $57 for the three months ended July 31, 2023 ($55 for the same period of fiscal 2023). Additions on lease obligations during the three months ended July 31, 2023 were $nil ($217 for the same period of fiscal 2023).

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, 2023, the Company's Board of Directors declared a quarterly dividend of $0.075 per share, paid on August 4, 2023 to shareholders of record on July 14, 2023.

(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.

Basic and diluted earnings per share are calculated as follows:

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022
Net profit, attributable to common shareholders	$ 1,171	$ 40
Weighted average number of common shares outstanding (basic)	14,613,668	14,563,894
Diluted impact of stock options	139,394	266,308
Weighted average number of common shares outstanding (diluted)	14,753,062	14,830,202
Basic and diluted earnings per common share	$ 0.08	$ 0.00

As at July 31, 2023, 506,535 options were excluded from the three months weighted average number of diluted common shares as their effect would have been anti-dilutive (386,332 for the comparative periods of fiscal 2023).

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

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

(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 generally 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 three months ended July 31, 2023 is as follows:

	Number of options		Weighted average exercise price
Outstanding at April 30, 2023	991,966	$	25.32
Granted	278,026		25.48
Exercised	(111,306)		15.84
Forfeited	(18,573)		36.13
Outstanding at July 31, 2023	**1,140,113**	**$**	**26.11**

The following table outlines the outstanding stock options of the Company as at July 31, 2023:

		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	0.10	49,700	$	17.23	49,700
Granted on July 3, 2019		3.28	0.92	298,352		14.29	298,352
Granted on February 28, 2020		4.78	1.58	6,094		18.95	7,500
Granted on July 8, 2020		6.95	1.94	107,282		26.75	143,041
Granted on December 2, 2020		10.74	2.34	4,072		36.77	6,514
Granted on February 24, 2021		18.79	2.57	1,125		60.62	2,000
Granted on June 29, 2021		12.66	2.91	78,314		40.34	154,803
Granted on June 29, 2022		12.90	3.91	50,186		34.91	193,677
Granted on September 26, 2022		10.80	4.16	656		28.55	3,500
Granted on March 1, 2023		10.42	4.58	188		26.88	3,000
Granted on June 29, 2023		9.98	4.91	0		25.48	278,026

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.

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

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

The fair value of options granted on June 29, 2023 were determined using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2024	Fiscal 2023
	June 29, 2023	**June 29, 2022**
Exercise share price	$ 25.48	$ 34.91
Expected option life (years)	5	5
Weighted average expected stock price volatility	43.56%	39.67%
Weighted average dividend yield	1.14%	0.77%
Weighted average risk-free interest rate	3.72%	3.26%

For the three months ended July 31, 2023, the Company recognized stock-based compensation expense of $452 ($476 for the same period of fiscal 2023). 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.

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 July 31, 2023:

				July 31, 2023	July 31, 2022
	Remainder of fiscal 2024	**Fiscal 2025**	**Fiscal 2026 and thereafter**	**Total**	**Total**
SaaS	$ 32,387	$ 37,675	$ 69,340	$ $139,402	$ 102,540
Maintenance and support	945	305	105	$1,355	2,114
	$ $33,332	**$ $37,980**	**$ $69,445**	**$ $140,757**	**$ 104,654**

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

10. Cost of revenue:

		Three Months ended July 31,		
		2023		**2022**
SaaS, maintenance, support, and professional services:				
Gross expenses	$	17,487	$	16,494
Amortization of intangible assets		194		173
Reimbursable expenses		464		321
E-business tax credits		(656)		(733)
	$	17,489	$	16,255
License and hardware		4,986		3,191
	$	**22,475**	**$**	**19,446**

11. Other (income) costs:

		Three Months ended July 31,		
		2023		**2022**
Interest expense on bank loans and other	$	4	$	65
Interest accretion expense – lease obligations		34		54
Foreign exchange (gain) loss		(41)		10
Interest income		(269)		(104)
	$	**(272)**	**$**	**25**

12. Derivative instruments and risk management:

The Company is exposed to currency risk as a significant 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 July 31, 2023, the Company held four outstanding foreign exchange contracts with various maturities to October 31, 2023, to sell US$5,150 into Canadian dollars at the exchange rate of CA$1.3170 to yield CA$6,783. On July 31, 2023, the Company recorded an unrealized exchange loss of $14 included in accounts payable and accrued liabilities and an unrealized gain of $5 included in other receivables, representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On July 31, 2022, the Company held four outstanding foreign exchange contracts with various maturities to October 2022 to sell US$5,100 into Canadian dollars at rates averaging CA$1.2772 to yield CA$6,514. On July 31, 2022, the Company recorded an unrealized exchange loss of $17 included in accounts payable and accrued liabilities, representing the change in fair value of these outstanding contracts since inception and their initial measurement.

Revenue hedge designated derivative instruments

On July 31, 2023, the Company held fifty-eight outstanding foreign exchange contracts with various maturities to July 2025 to sell US$93,500 at rates averaging CA$1.3448 to yield CA$125,737. Of the outstanding US$93,500 hedge designated foreign exchange contracts, US$81,500 pertain to highly probable future revenue denominated in U.S. dollars expected over the twenty-one-month period through April 2025 while US$12,000 relates to realized U.S. dollar denominated revenue. Of the US$81,500 outstanding hedge designated foreign exchange contracts pertaining to highly probable future revenue denominated in U.S. dollars, US$38,000 related to highly probable future revenue in the nine-month period through April 2024 and US$43,500 related to highly probable future revenue in the twelve-month period through April 2025. On July 31, 2023, the Company had recorded an unrealized gain of $2,678 included in other receivables (of which $1,301 is included in non-current other receivables), representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On July 31, 2022, the Company held twenty-two outstanding foreign exchange contracts with various maturities to July 2023 to sell US$44,000 at rates averaging CA$1.27823 to yield CA$56,242. Of the outstanding US$44,000 hedge designated foreign exchange contracts, US$36,000 pertain to highly probable future revenue denominated in U.S. dollars expected over the twelve-month period through July 2023 while US$8,000 relates to realized U.S. dollar denominated revenue. On July 31, 2022, the Company had recorded an unrealized loss of $138 included in accounts payable and accrued liabilities and an unrealized gain of $27 included in other receivable representing the change in fair value of these outstanding contracts since inception and their initial measurement.

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

12. Derivative instruments and risk management (continued):

The following table represents the movement in accumulated other comprehensive income (loss) since the designation of hedging derivative instruments.

	Three Months ended July 31, 2023	2022
Accumulated other comprehensive (loss) income on cash flow hedges as at the beginning of period	$ (207)	$ (201)
Net gain (loss) on derivatives designated as cash flow hedges	2,984	167
Amounts reclassified from accumulated other comprehensive income to net earnings, and included in:		
Revenue	(126)	42
Net finance costs	(285)	(55)
Accumulated other comprehensive gain (loss) from cash flow hedges	$ 2,366	$ (47)
Accumulated other comprehensive loss- translation adjustment from foreign operations at the end of period	(236)	(1,537)
Total accumulated other comprehensive gain (loss) as at the end of period	**$ 2,130**	**$ (1,584)**

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 July 31, 2023, key management and their spouses control 18.75% (April 30, 2023 – 18.9%) of the issued common shares of the Company.

The compensation paid or payable to key management for employee services during the three-month period ended July 31, 2023, is as follows:

	Three Months ended July 31, 2023	2022
Salaries and bonus	$ 1,377	$ 1,070
Other short-term benefits	88	50
Payment to defined contribution plans	43	30
	$ 1,508	**$ 1,150**

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 $424 (2023- $416) to facilitate their purchase of the Company's common shares during the three months ended July 31, 2023. As of July 31, 2023, loans outstanding amounted to $456 (April 30, 2023 - $142) and are included in other receivables and other long-term receivables in the unaudited condensed interim consolidated statements of financial position.

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

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 July 31, 2023, 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 July 31, 2023 were $530, $6,498 and $5,402, respectively (April 30, 2023 – $595, $6,684 and $5,704). For Canada, the amounts were $2,683, $10,782 and $5,690, respectively (April 30, 2023 - $2,915, $10,783 and $5,837). As at July 31, 2023, total assets attributable to Denmark were $16,431 (April 30, 2023 - $16,910). 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 July 31,	
	2023	**2022**
Canada	$ $6,637	$ 7,125
United States	$30,762	22,373
Europe	$4,351	4,452
Other	$225	254
	$ $41,975	$ 34,204

15. Subsequent event:

On August 4, 2023, the Company paid a dividend of $0.075 per share totaling $1,102. On September 7, 2023 the Company's Board of Directors declared a quarterly dividend of $0.075 per share to be paid on October 6, 2023 to shareholders of record on September 22, 2023.

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