



News Release

FOR IMMEDIATE RELEASE

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Tecsyst Reports Financial Results for the First Quarter of Fiscal 2022

Tenth consecutive quarter of record revenue; SaaS revenue up 47% year-over-year

Montreal, September 9, 2021— Tecsyst Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the first quarter of fiscal year 2022, ended July 31, 2021. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

First Quarter Highlights:

- SaaS revenue increased by 47% to \$5.7 million in Q1 2022, up from \$3.8 million in Q1 2021.
- Annual Recurring Revenue (ARRⁱ) at July 31, 2021 was up 9% to \$53.7 million compared to \$49.3 million at July 31, 2020.
- During Q1 2022, SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) were \$1.1 million, down 54% compared to \$2.4 million in the first quarter of 2021.
- Professional services revenue was up 17% to \$13.1 million in Q1 2022 compared to \$11.2 million in Q1 2021.
- Total revenue was a record \$33.2 million, 18% higher than \$28.1 million reported for Q1 2021.
- Gross margin was 43% compared to 48% in the prior year quarter, negatively impacted by a weaker US dollar, investment in our key growth initiatives and revenue mix. Total gross profit increased to \$14.4 million, up 7% from \$13.5 million in Q1 2021.
- Operating expenses increased to \$13.3 million, higher by \$1.8 million or 16% compared to \$11.5 million in Q1 fiscal 2021 with continuing investment in sales and marketing as well as research and development.
- Profit from operations in Q1 2022 was \$1.1 million, down from \$2.0 million in Q1 2021.
- Net profit was \$0.2 million or \$0.02 per share on a fully diluted basis in Q1 2022 compared to a net profit of \$1.2 million or \$0.08 per share on a fully diluted basis for the same period in fiscal 2021.



- Adjusted EBITDAⁱⁱ was \$2.5 million in Q1 2022, down 30% compared to \$3.5 million reported in Q1 2021.

“Fiscal 2022 is off to a very positive start. Our tenth consecutive quarter of record revenue demonstrates our sustained growth trajectory and is composed of a healthy blend of new customers and expanded investments from our existing accounts,” said Peter Brereton, president and CEO of Tecsys, Inc. “SaaS bookings demonstrated some lumpiness being down after a very strong Q4. We saw legal and procurement bottlenecks as the primary factor here. That said, we added two new hospital networks in Q1 and have already added another in August. Our strong performance is being led by our truly adaptable agile solutions, which are resonating extremely well in a climate more attuned to the importance of supply chain execution excellence. As we continue to set records for the company on a quarterly sequential basis, we expect our very strong pipeline to yield accelerated growth and sustained upside.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “In spite of significant foreign currency headwinds, we are pleased to report another solid quarter of revenue growth and profitability. In fact, on a constant currency basis our first quarter fiscal 2022 revenue grew by about 25% compared to the same period last year, with SaaS revenue once again being a key driver.”

Results from operations	3 months ended		Trailing 12	
	July 31, 2021	July 31, 2020	months ended	months ended
			July 31, 2021	July 31, 2020
Total Revenue	\$ 33 232	\$ 28 091	\$ 128 242	\$ 108 696
SaaS Revenue	5 653	3 844	20 973	11 102
Maintenance and Support Revenue	8 326	8 409	33 632	32 427
Gross Profit	14 429	13 490	61 569	52 275
Gross Margin %	43%	48%	48%	48%
Operating Expenses	13 341	11 522	51 768	46 102
Op. Ex. As % of Revenue	40%	41%	40%	42%
Profit from Operations	1 088	1 968	9 801	6 173
Adjusted EBITDA ⁱⁱ	2 456	3 509	15 167	11 785
EPS basic	0.02	0.09	0.43	0.29
EPS diluted	0.02	0.08	0.43	0.28
License Bookings	286	461	4 114	4 786
SAAS ARR Bookings	1 099	2 370	8 246	10 748
Annual Recurring Revenue	53 656	49 293	53 656	49 293
Professional Services Backlog	35 124	38 060	35 124	38 060



On September 9, 2021, the Company declared a quarterly dividend of \$0.065 per share payable on October 8, 2021 to shareholders of record at the close of business on September 24, 2021.

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

First Quarter of Fiscal 2022 Results Conference Call

Date: September 9, 2021

Time: 1:00pm EST

Phone number: (877) 232-4484 or (416) 981-9028

The call can be replayed until September 16, 2021 by calling:
(800) 558-5253 or (416) 626-4100 (access code: 21996813).

About Tecsys

Tecsys is a global provider of supply chain solutions that equip the borderless enterprise for growth. Organizations thrive when they have the software, technology and expertise to drive operational greatness and deliver on their brand promise. Spanning healthcare, retail, service parts, third-party logistics, and general wholesale high-volume distribution industries, Tecsys delivers dynamic and powerful solutions for warehouse management, distribution and transportation management, supply management at point of use, retail order management, as well as complete financial management and analytics solutions. Tecsys' shares are listed on the Toronto Stock Exchange under the ticker symbol TCS. For more information on Tecsys, visit www.tecsys.com.

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Forward Looking Statements

The statements in this news release relating to matters that are not historical fact are forward looking statements that are based on management's beliefs and assumptions. Such statements are not guarantees of future performance and are subject to a number of uncertainties, including but not limited to future economic conditions, the markets that Tecsys Inc. serves, the actions of competitors, major new technological trends, and other factors beyond the control of Tecsys Inc., which could cause actual results to differ materially from such statements. More information about the risks and uncertainties associated with Tecsys Inc.'s business can be found in the MD&A section of the Company's annual report and annual information form for the fiscal year ended April 30, 2021. These documents have been filed with the Canadian securities commissions and are available on our website (www.tecsys.com) and on SEDAR (www.sedar.com).

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Non-IFRS Measures

Reconciliation of EBITDA and Adjusted EBITDA

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before stock based compensation. The Company believes that these measures are commonly used by investors and analysts to measure a company's performance, its ability to service debt and to meet other payment obligations, or as a common valuation measurement.

The EBITDA and Adjusted EBITDA calculation for the three months ended July 31, 2021 and 2020 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:

	Three months ended July 31,	
<i>(in thousands of CAD)</i>	2021	2020
Profit for the period	\$ 244	\$ 1,235
Adjustments for:		
Depreciation of property and equipment and right-of-use assets	543	533
Amortization of deferred development costs	54	103
Amortization of other intangible assets	411	408
Interest expense	161	276
Interest income	(40)	(50)
Income taxes	729	735
EBITDA	\$ 2,102	\$ 3,240
Adjustment for:		
Stock based compensation	354	269
Adjusted EBITDA	\$ 2,456	\$ 3,509

ⁱ See Key Performance Indicators in Management's Discussion and Analysis of the Q1 2022 Financial Statements.

ⁱⁱ See Non-IFRS Performance Measures in Management's Discussion and Analysis of the Q1 2022 Financial Statements.



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

(unaudited)

(in thousands of Canadian dollars)

	July 31, 2021	April 30, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 19,342	\$ 25,752
Short-term investments	20,121	20,100
Accounts receivable	19,335	16,840
Work in progress	731	182
Other receivables	589	2,034
Tax credits	6,501	5,359
Inventory	640	628
Prepaid expenses	5,362	4,897
Total current assets	72,621	75,792
Non-current assets		
Other long-term receivables	240	303
Tax credits	4,037	3,904
Property and equipment	2,597	2,682
Right-of-use assets	7,018	7,245
Contract acquisition costs	2,550	2,678
Deferred development costs	1,520	1,088
Other intangible assets	11,811	12,194
Goodwill	17,431	17,417
Deferred tax assets	6,007	6,006
Total non-current assets	53,211	53,517
Total assets	\$ 125,832	\$ 129,309
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,272	\$ 19,417
Deferred revenue	21,987	22,044
Current portion of long-term debt	1,204	1,216
Other current liabilities	500	500
Lease obligations	827	848
Total current liabilities	41,790	44,025
Non-current liabilities		
Long-term debt	8,100	8,400
Deferred tax liabilities	1,502	1,499
Lease obligations	8,086	8,295
Total non-current liabilities	17,688	18,194
Total liabilities	59,478	62,219
Equity		
Share capital	42,700	42,700
Contributed surplus	12,099	11,745
Retained earnings	11,720	12,419
Accumulated other comprehensive (loss) income	(165)	226
Total equity attributable to the owners of the Company	66,354	67,090
Total liabilities and equity	\$ 125,832	\$ 129,309



Condensed Interim Consolidated Statements of Income and Comprehensive (loss) Income
Three-month periods ended July 31, 2021 and 2020

(unaudited)

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

	July 31, 2021	July 31, 2020
Revenue:		
SaaS	\$ 5,653	\$ 3,844
Maintenance and support	8,326	8,409
Professional services	13,126	11,212
License	351	717
Hardware	5,776	3,909
Total revenue	33,232	28,091
Cost of revenue	18,803	14,601
Gross profit	14,429	13,490
Operating expenses:		
Sales and marketing	5,682	4,997
General and administration	2,859	2,426
Research and development, net of tax credits	4,800	4,099
Total operating expenses	13,341	11,522
Profit from operations	1,088	1,968
Net finance costs (income)	115	(2)
Profit before income taxes	973	1,970
Income tax expense	729	735
Net profit, attributable to the owners of the Company	\$ 244	\$ 1,235
Other comprehensive (loss) income:		
Effective portion of changes in fair value on designated revenue hedges	(358)	1,109
Exchange differences on translation of foreign operations	(33)	553
Comprehensive (loss) income, attributable to the owners of the Company	\$ (147)	\$ 2,897
Basic earnings per common share	\$ 0.02	\$ 0.09
Diluted earnings per common share	\$ 0.02	\$ 0.08



Condensed Interim Consolidated Statements of Cash Flows
Three-month periods ended July 31, 2021 and 2020

(unaudited)

(in thousands of Canadian dollars)

	July 31, 2021	July 31, 2020
Cash flows from operating activities:		
Net profit	\$ 244	\$ 1,235
Adjustments for:		
Depreciation of property and equipment and right-of-use-assets	543	533
Amortization of deferred development costs	54	103
Amortization of other intangible assets	411	408
Net finance costs (income)	115	(2)
Unrealized foreign exchange and other	1,261	(239)
Non-refundable tax credits	(366)	(309)
Stock-based compensation	354	269
Income taxes	693	724
Net cash from operating activities excluding changes in non-cash working capital items related to operations	3,309	2,722
Accounts receivable	(2,492)	1,075
Work in progress	(547)	(307)
Other receivables	(34)	(216)
Tax credits	(910)	(755)
Inventory	(12)	41
Prepaid expenses	(465)	(789)
Contract acquisition costs	128	(195)
Accounts payable and accrued liabilities	(3,933)	(3,810)
Deferred revenue	(59)	1,969
Changes in non-cash working capital items related to operations	(8,324)	(2,987)
Net cash used in operating activities	(5,015)	(265)
Cash flows from financing activities:		
Repayment of long-term debt	(312)	(300)
Payment of lease obligations	(231)	(253)
Interest paid	(161)	(168)
Net cash used in financing activities	(704)	(721)
Cash flows from investing activities:		
Purchase of short-term investments	-	(10,000)
Interest received	40	50
Acquisitions of property and equipment	(230)	(49)
Acquisitions of other intangible assets	(15)	(505)
Deferred development costs	(486)	(106)
Net cash used in investing activities	(691)	(10,610)
Net decrease in cash and cash equivalents during the period	(6,410)	(11,596)
Cash and cash equivalents - beginning of period	25,752	27,528
Cash and cash equivalents - end of period	\$ 19,342	\$ 15,932



Condensed Interim Consolidated Statements of Changes in Equity

Three-month periods ended July 31, 2021 and 2020

(unaudited)

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

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
	Number	Amount				
Balance, April 30, 2021	14,505,095	42,700	11,745	226	12,419	67,090
Net profit	-	-	-	-	244	244
Other comprehensive loss for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(358)	-	(358)
Exchange difference on translation of foreign operations	-	-	-	(33)	-	(33)
Total comprehensive (loss) income for the period	-	-	-	(391)	244	(147)
Stock-based Compensation	-	-	354	-	-	354
Dividends to equity owners	-	-	-	-	(943)	(943)
Total transactions with owners of the Company	-	-	354	-	(943)	(589)
Balance, July 31, 2021	14,505,095	\$ 42,700	\$ 12,099	\$ (165)	\$ 11,720	\$ 66,354
Balance, April 30, 2020	14,416,543	\$ 40,901	\$ 10,964	\$ 416	\$ 8,838	\$ 61,119
Net profit	-	-	-	-	1,235	1,235
Other comprehensive income for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	1,109	-	1,109
Exchange difference on translation of foreign operations	-	-	-	553	-	553
Total comprehensive income for the period	-	-	-	1,662	1,235	2,897
Stock-based Compensation	-	-	269	-	-	269
Dividends to equity owners	-	-	-	-	(865)	(865)
Total transactions with owners of the Company	-	-	269	-	(865)	(596)
Balance, July 31, 2020	14,416,543	\$ 40,901	\$ 11,233	\$ 2,078	\$ 9,208	\$ 63,420