



News Release

FOR IMMEDIATE RELEASE

Ref. # NRE2022-12

Tecsyst Reports Financial Results for the First Quarter of Fiscal 2023

SaaS revenue up 42%

Montreal, September 8, 2022— Tecsyst Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the first quarter of fiscal year 2023, ended July 31, 2022. 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 42% to \$8.0 million, up from \$5.7 million in Q1 2022.
- SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) were \$3.9 million, up 256% compared to \$1.1 million in the first quarter of 2022.
- SaaS Remaining Performance Obligation (RPOⁱ) increased by 58% to \$102.5 million at July 31, 2022, up from \$65.0 million at the same time last year.
- Annual Recurring Revenue (ARRⁱ) at July 31, 2022 was up 21% to \$65.1 million compared to \$53.7 million at July 31, 2021.
- Professional services revenue was up 4% to \$13.6 million compared to \$13.1 million in Q1 2022.
- Total revenue excluding hardware revenue was \$30.4 million, 11% higher than \$27.5 million reported for Q1 2022.
- Gross margin was 43% compared to 43% in the same period in fiscal 2022.
- Total gross profit increased to \$14.8 million, up 2% from \$14.4 million in Q1 2022.
- Operating expenses increased to \$14.7 million, higher by \$1.3 million or 10% compared to \$13.3 million in Q1 2022.
- Profit from operations was \$0.1 million, down from \$1.1 million in Q1 2022.
- Net profit was \$40 thousand or \$0.00 per share on a fully diluted basis compared to a net profit of \$0.2 million or \$0.02 per share for the same period in fiscal 2022.
- Adjusted EBITDAⁱⁱ was \$1.5 million, down 40% compared to \$2.5 million reported in Q1 2022.



"We are pleased to report a very strong start to Fiscal 2023. Our solid bookings for the quarter span our vertical markets and included three new hospital networks. We believe this serves as a testament that our SaaS solution suite is well-suited to the demands of a market ripe for transformation," said Peter Brereton, president and CEO of Tecsys, Inc. "Supply chain organizations around the world have been facing tough challenges when it comes to consumer expectations, labor shortages and legacy software unable to manage modern fulfillment complexity. With supply chain gaining so much mindshare as a strategic lever in organizations, we are seeing demand signals and buyer intent for more robust supply chain software. And we are fully prepared with the right software and the right market position to deliver customer and shareholder value."

Mark Bentler, chief financial officer of Tecsys Inc., added, "With another record quarter of SaaS revenue representing a 42% increase over last year, solid revenue growth and substantial SaaS ARR bookings, we are pleased with our topline growth. Our SaaS ARR bookings are up 256% over last year, which translates into a positive impact on RPO up 58% year over year. As we continue to see rapid growth in bookings and RPO, we continue to invest in cloud infrastructure, R&D, and Sales and marketing to take advantage of this evolving market opportunity."



Results from operations	Three months ended	Three months ended	Trailing 12 months ended	Trailing 12 months ended
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Total Revenue	\$ 34,204	\$ 33,232	\$ 138,172	\$ 128,242
Total Revenue Excluding Hardware	30,359	27,456	117,376	108,604
SaaS, Maintenance and Support Revenue	16,269	13,979	61,917	54,605
Gross Profit	14,758	14,429	60,639	61,569
Gross Margin %	43%	43%	44%	48%
Operating Expenses	14,668	13,341	56,261	51,768
Op. Ex. As % of Revenue	43%	40%	41%	40%
Profit from Operations	90	1,088	4,378	9,801
Adjusted EBITDA	1,484	2,456	9,158	15,167
EPS basic	0.00	0.02	0.29	0.43
EPS diluted	0.00	0.02	0.28	0.42
License Bookings	249	286	2,365	4,114
SAAS ARR Bookings	3,908	1,099	14,730	8,277
SAAS RPO			102,540	64,997
Annual Recurring Revenue			65,074	53,656
Professional Services Backlog			30,674	35,124

On September 8, 2022, the Company declared a quarterly dividend of \$0.07 per share payable on October 7, 2022 to shareholders of record at the close of business on September 23, 2022.

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

ⁱ See Key Performance Indicators in Management's Discussion and Analysis of the Q1 2023 Financial Statements.

ⁱⁱ See Non-IFRS Performance Measures in Management's Discussion and Analysis of the Q1 2023 Financial Statements.

First Quarter Fiscal 2023 Results Conference Call

Date: September 9, 2022

Time: 8:30am EDT

Phone number: (800) 768-6727 or (416) 620-9188



The call can be replayed until September 16, 2022 by calling:
(800) 558-5253 or (416) 626-4100 (access code:22020336)

About Tecsys

Tecsys is a global provider of cloud-based supply chain solutions that equip the borderless enterprise for growth and competitive advantage. Serving healthcare, distribution and converging commerce industries, and spanning multiple complex, regulated and high-volume markets, Tecsys delivers dynamic and powerful solutions for warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, as well as 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 the most recently filed annual information form. 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, 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.



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

<i>(in thousands of CAD)</i>	Three months ended July 31		Trailing 12 months ended July 31	
	2022	2021	2022	2021
Profit for the period	\$ 40	\$ 244	4,274	6,197
Adjustments for:				
Depreciation of property and equipment and right-of-use assets	430	543	2,049	2,190
Amortization of deferred development costs	102	54	338	220
Amortization of other intangible assets	396	411	1,597	1,666
Interest expense	119	161	580	672
Interest income	(104)	(40)	(538)	(164)
Income taxes	25	729	242	3,163
EBITDA	\$ 1,008	\$ 2,102	8,542	13,944
Adjustments for:				
Stock based compensation	476	354	1,806	1,223
Gain on remeasurement of lease liability	-	-	(573)	-
Recognition of tax credits generated in prior periods	-	-	(617)	-
Adjusted EBITDA	\$ 1,484	\$ 2,456	9,158	15,167



Consolidated Statements of Financial Position
 As at July 31, 2022 and April 30, 2022
 (Unaudited)
 (In thousands of Canadian dollars)

	July 31, 2022	April 30, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 17,215	\$ 23,004
Short-term investments	20,331	20,239
Accounts receivable	17,447	16,962
Work in progress	2,526	1,579
Other receivables	622	234
Tax credits	6,542	5,224
Inventory	1,059	806
Prepaid expenses	6,949	6,392
Total current assets	72,691	74,440
Non-current assets		
Other long-term receivables	165	192
Tax credits	3,933	3,782
Property and equipment	1,864	2,064
Right-of-use assets	4,568	4,547
Contract acquisition costs	3,430	3,177
Deferred development costs	1,977	1,870
Other intangible assets	9,710	10,301
Goodwill	16,651	16,863
Deferred tax assets	8,605	8,608
Total non-current assets	50,903	51,404
Total assets	\$ 123,594	\$ 125,844
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,490	\$ 16,971
Deferred revenue	25,909	24,689
Current portion of long-term debt	1,200	1,200
Lease obligations	675	662
Total current liabilities	42,274	43,522
Non-current liabilities		
Long-term debt	6,900	7,200
Deferred tax liabilities	1,215	1,258
Lease obligations	5,114	5,181
Total non-current liabilities	13,229	13,639
Total liabilities	\$ 55,503	\$ 57,161
Equity		
Share capital	\$ 44,049	\$ 43,973
Contributed surplus	13,638	13,176
Retained earnings	11,988	12,968
Accumulated other comprehensive income	(1,584)	(1,434)
Total equity attributable to the owners of the Company	68,091	68,683
Total liabilities and equity	\$ 123,594	\$ 125,844



Consolidated Statements of Income and Comprehensive Income
 Three-month periods ended July 31, 2022 and 2021
 (Unaudited)
 (In thousands of Canadian dollars, except per share data)

	July 31, 2022	July 31, 2021
Revenue:		
SaaS	\$ 8,001	\$ 5,653
Maintenance and Support	8,268	8,326
Professional Services	13,631	13,126
License	459	351
Hardware	3,845	5,776
Total revenue	34,204	33,232
Cost of revenue	19,446	18,803
Gross profit	14,758	14,429
Operating expenses:		
Sales and marketing	6,250	5,682
General and administration	2,734	2,859
Research and development, net of tax credits	5,684	4,800
Total operating expenses	14,668	13,341
Profit from operations	90	1,088
Financing Costs	25	115
Profit before income taxes	65	973
Income tax expense	25	729
Net profit, attributable to the owners of the Company	\$ 40	\$ 244
Other comprehensive income (loss):		
Effective portion of changes in fair value on designated revenue hedges	154	(358)
Exchange differences on translation of foreign operations	(304)	(33)
Comprehensive loss, attributable to the owners of the Company	\$ (110)	\$ (147)
Basic and Diluted earnings per common share	\$ 0.00	\$ 0.02



Consolidated Statements of Cash Flows
 Three-month periods ended July 31, 2022 and 2021
 (Unaudited)
 (In thousands of Canadian dollars)

	July 31, 2022	July 31, 2021
Cash flows from operating activities:		
Net profit	\$ 40	\$ 244
Adjustments for:		
Depreciation of property and equipment and right-of-use-assets	430	543
Amortization of deferred development costs	102	54
Amortization of other intangible assets	396	411
Interest expense (income) and foreign exchange (gain) loss	25	115
Unrealized foreign exchange and other	(372)	1,261
Non-refundable tax credits	(421)	(366)
Stock-based compensation	476	354
Income taxes	25	693
Net cash from operating activities excluding changes in non-cash working capital items related to operations	701	3,309
Accounts receivable	(543)	(2,492)
Work in progress	(954)	(547)
Other receivables	(335)	(34)
Tax credits	(1,048)	(910)
Inventory	(255)	(12)
Prepaid expenses	(562)	(465)
Contract acquisition costs	(253)	128
Accounts payable and accrued liabilities	(3,012)	(3,933)
Deferred revenue	1,238	(59)
Changes in non-cash working capital items related to operations	(5,724)	(8,324)
Net cash used in operating activities	(5,023)	(5,015)
Cash flows from financing activities:		
Repayment of long-term debt	(300)	(312)
Payment of lease obligations	(244)	(231)
Interest paid	(119)	(161)
Issuance of common shares on exercise of stock options	62	-
Net cash used in financing activities	(601)	(704)
Cash flows from investing activities:		
Interest received	104	40
Acquisitions of property and equipment	(60)	(230)
Acquisitions of other intangible assets	-	(15)
Deferred development costs	(209)	(486)
Net cash used in investing activities	(165)	(691)
Net decrease in cash and cash equivalents during the period	(5,789)	(6,410)
Cash and cash equivalents - beginning of period	23,004	25,752
Cash and cash equivalents - end of period	\$ 17,215	\$ 19,342



Consolidated Statements of Changes in Equity
 Three-month periods ended July 31, 2022 and 2021
 (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, 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	-	-	-	154	-	154
Exchange difference on translation of foreign operations	-	-	-	(304)	-	(304)
Total comprehensive income				(150)	40	(110)
Stock-based Compensation	-	-	476	-	-	476
Dividends to equity owners	-	-	-	-	(1,020)	(1,020)
Share options exercised	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
Balance, May 1, 2021	14,505,095	\$ 42,700	\$ 11,745	\$ 226	\$ 12,419	\$ 67,090
Net profit	-	-	-	-	244	244
Other comprehensive income:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(358)	-	(358)
Exchange difference on translation of foreign operations	-	-	-	(33)	-	(33)
Total comprehensive income	-	-	-	(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