



# News Release

FOR IMMEDIATE RELEASE

Ref. # NRE2022-09

## Tecsys Reports Financial Results for the Fourth Quarter and Full Year Fiscal 2022

### SaaS revenue up 41% for the full year

**Montreal**, June 29, 2022— Tecsys Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the fourth quarter and full year of fiscal year 2022, ended April 30, 2022. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

#### Fourth Quarter Highlights:

- SaaS revenue increased by 40% to \$7.7 million, up from \$5.5 million in Q4 2021.
- Annual Recurring Revenue (ARR<sup>i</sup>) at April 30, 2022 was up 20% to \$62.7 million compared to \$52.5 million at April 30, 2021.
- SaaS subscription bookings<sup>i</sup> (measured on an ARR<sup>i</sup> basis) were \$4.5 million, up 29% compared to \$3.5 million in the fourth quarter of 2021.
- Professional services revenue was up 6% to \$12.9 million compared to \$12.2 million in Q4 2021.
- Total revenue was \$34.3 million, 6% higher than \$32.4 million reported for Q4 2021.
- Gross margin was 44% compared to 49% in the prior year quarter.
- Total gross profit decreased to \$15.1 million, down 4% from \$15.7 million in Q4 2021.
- Operating expenses increased to \$13.8 million, higher by \$0.7 million or 6% compared to \$13.1 million in Q4 fiscal 2021, with continued investment in sales and marketing.
- Profit from operations was \$1.3 million, down 50% from \$2.6 million in Q4 2021.
- Net profit was \$2.6 million or \$0.17 per share on a fully diluted basis compared to a net profit of \$2.0 million or \$0.14 per share for the same period in fiscal 2021. Net Profit was positively impacted in the three and twelve months ended April 30, 2022 as a result of the recognition of approximately \$1.9 million net deferred tax assets and the recognition of approximately \$0.6 million gain on remeasurement of lease liability.
- Adjusted EBITDA<sup>ii</sup> was \$1.7 million, down 56% compared to \$3.9 million reported in Q4 2021.
- A weaker USD to CAD exchange rate negatively impacted revenue and Profit from operations and Adjusted AEBITDA by approximately \$0.7 million compared to the same quarter last year.



“Our solid fourth quarter results cap off a compelling year of top-line growth. SaaS bookings drove our double digit Annual Recurring Revenue growth for the year and resulted in SaaS revenue growth of 47% on a constant currency basis. We are proud of our performance as the pandemic headwinds begin to subside and the potential emergence of tailwinds position us for continued growth well into the future.” said Peter Brereton, president and Chief Executive Officer of Tecsys Inc. “Healthcare continues to be a significant contributor as we added another two networks in the quarter for a total of eight in the fiscal year. The rising adoption of our agile end-to-end SaaS supply chain solutions by leading companies as the vendor of choice cements the important role we play in their digital transformation journeys and validates our strategy as well poised for continued success.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “Looking ahead, we believe our evolution as a SaaS company and our drive to expand our partner ecosystem will continue to have an impact on our revenue mix. From an investment standpoint, we believe our existing professional services capacity is adequate for the near term. We believe that our prior investments in sales and marketing put us in a solid position to grow as productivity continues to improve. Our investment in research and development during the fourth quarter will impact Q1 of fiscal 2023, but we expect investment to moderate beyond that point.”

<b>Results from operations</b>	3 months ended		Fiscal Year	
	April 30, 2022	April 30, 2021	ended	ended
			April 30, 2022	April 30, 2021
Total Revenue	\$ 34,288	\$ 32,374	\$ 137,200	\$ 123,101
Cloud, Maintenance and Subscription Revenue	15,716	13,836	59,627	52,879
Gross Profit	15,130	15,723	60,310	60,630
Gross Margin %	44%	49%	44%	49%
Operating Expenses	13,819	13,092	54,934	49,949
Op. Ex. As % of Revenue	40%	40%	40%	41%
Profit from Operations	1,311	2,631	5,376	10,681
Adjusted EBITDA <sup>ii</sup>	1,730	3,917	10,130	16,220
EPS basic	0.18	0.14	0.31	0.50
EPS diluted	0.17	0.14	0.30	0.49
License Bookings	540	752	2,402	4,288
SAAS ARR Bookings	4,457	3,493	11,920	9,548
Annual Recurring Revenue			62,737	52,485
Professional Services Backlog			33,427	33,639



### **Fiscal 2022 Highlights:**

- SaaS revenue increased 41% to \$26.9 million, up from \$19.2 million in fiscal 2021.
- SaaS subscription bookings<sup>i</sup> increased 25% to \$11.9 million compared to \$9.5 million in fiscal 2021.
- Professional services revenue was up 9% to \$52.0 million compared to \$47.5 million in fiscal 2021.
- Total revenue was \$137.2 million, up 11% from \$123.1 million reported in fiscal 2021.
- Gross margin was 44% compared to 49% for fiscal 2021.
- Total gross profit decreased to \$60.3 million, down \$0.3 million or 1% compared to \$60.6 million in the same period last year.
- Operating expenses increased to \$54.9 million, higher by \$5.0 million or 10% compared to \$49.9 million in the same period of fiscal 2021.
- Profit from operations was \$5.4 million, down from \$10.7 million in the same period of fiscal 2021.
- Net profit was \$4.5 million, or \$0.30 per diluted share, compared to a profit \$7.2 million or \$0.49 per share, for fiscal 2021.
- Adjusted EBITDA<sup>ii</sup> was \$10.1 million, down 38% compared to \$16.2 million for fiscal 2021.
- A weaker USD to CAD exchange rate negatively impacted revenue by \$6.6 million and Profit from operations and Adjusted AEBITDA by \$5.2 million compared to the same period last year.

On June 29, 2022, the Company declared a quarterly dividend of \$0.07 per share payable on August 5, 2022 to shareholders of record at the close of business on July 15, 2022.

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

<sup>i</sup> See Key Performance Indicators in Management’s Discussion and Analysis of the 2022 Financial Statements.

<sup>ii</sup> See Non-IFRS Performance Measures in Management’s Discussion and Analysis of the 2022 Financial Statements.

Fourth Quarter and Full Year Fiscal 2022 Results Conference Call

Date: June 30, 2022

Time: 8:30am EDT

Phone number: (800) 758-5606 or (416) 641-6662

The call can be replayed until July 7, 2022 by calling:

(800) 558-5253 or (416) 626-4100 (access code: 22019359)



## 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](http://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](http://www.tecsys.com)) and on SEDAR ([www.sedar.com](http://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, fair value adjustment on contingent consideration earnout, restructuring costs, gain on remeasurement of lease liability and recognition of tax credits generated in prior periods. The exclusion of interest expense, interest income, income taxes and restructuring costs eliminates the impact on earnings derived from non-operational activities, and the exclusion of depreciation, amortization, and share-based compensation, fair value adjustments, gains and losses on remeasurement of lease liabilities and recognition of tax credits generated in prior years eliminates the non-cash impact of these items. For the year ended April 30, 2022, we amended the definition of Adjusted EBITDA to include adjustments for the gain on remeasurement of lease liability and the recognition of tax credits generated in prior periods as a result of new significant non-cash transactions.

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, it has 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 EBITDA and Adjusted EBITDA calculation for fiscal 2022, 2021 and 2020 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:



	<b>Year ended April 30,</b>		
<i>(in thousands of CAD)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Profit for the period	\$ 4,478	\$ 7,188	\$ 2,346
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	2,162	2,180	2,004
Amortization of deferred development costs	290	269	536
Amortization of other intangible assets	1,612	1,663	1,530
Interest expense	622	787	1,080
Interest income	(474)	(174)	(74)
Income taxes	946	3,169	1,234
<b>EBITDA</b>	<b>\$ 9,636</b>	<b>\$ 15,082</b>	<b>8,656</b>
Adjustments for:			
Stock based compensation	1,684	1,138	1,024
Fair value adjustment on contingent consideration earnout – Tecsys A/S	-	-	171
Restructuring costs	-	-	420
Gain on remeasurement of lease liability	(573)	-	-
Recognition of tax credits generated in prior periods	(617)	-	-
<b>Adjusted EBITDA</b>	<b>\$ 10,130</b>	<b>\$ 16,220</b>	<b>\$ 10,271</b>



Consolidated Statements of Financial Position  
As at April 30, 2022 and April 30, 2021  
(in thousands of Canadian dollars)

	April 30, 2022	April 30, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 23,004	\$ 25,752
Short-term investments	20,239	20,100
Accounts receivable	16,962	16,840
Work in progress	1,579	182
Other receivables	234	2,034
Tax credits	5,224	5,359
Inventory	806	628
Prepaid expenses	6,392	4,897
<b>Total current assets</b>	<b>74,440</b>	<b>75,792</b>
<b>Non-current assets</b>		
Other long-term receivables	192	303
Tax credits	3,782	3,904
Property and equipment	2,064	2,682
Right-of-use assets	4,547	7,245
Contract acquisition costs	3,177	2,678
Deferred development costs	1,870	1,088
Other intangible assets	10,301	12,194
Goodwill	16,863	17,417
Deferred tax assets	8,608	6,006
<b>Total non-current assets</b>	<b>51,404</b>	<b>53,517</b>
<b>Total assets</b>	<b>\$ 125,844</b>	<b>\$ 129,309</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 16,971	\$ 19,417
Deferred revenue	24,689	22,044
Current portion of long-term debt	1,200	1,216
Other current liabilities	-	500
Lease obligations	662	848
<b>Total current liabilities</b>	<b>43,522</b>	<b>44,025</b>
<b>Non-current liabilities</b>		
Long-term debt	7,200	8,400
Deferred tax liabilities	1,258	1,499
Lease obligations	5,181	8,295
<b>Total non-current liabilities</b>	<b>13,639</b>	<b>18,194</b>
<b>Total liabilities</b>	<b>57,161</b>	<b>62,219</b>
<b>Contingencies and other commitments</b>		
<b>Equity</b>		
Share capital	43,973	42,700
Contributed surplus	13,176	11,745
Retained earnings	12,968	12,419
Accumulated other comprehensive income	(1,434)	226
<b>Total equity attributable to the owners of the Company</b>	<b>68,683</b>	<b>67,090</b>
<b>Total liabilities and equity</b>	<b>\$ 125,844</b>	<b>\$ 129,309</b>



Consolidated Statements of Income and Comprehensive Income  
 Three and twelve-month periods ended April 30, 2022 and 2021  
 (in thousands of Canadian dollars, except per share data)

	Three months ended April 30, 2022	Three months ended April 30, 2021	Twelve months ended April 30, 2022	Twelve months ended April 30, 2021
<b>Revenue:</b>				
SaaS	\$ 7,708	\$ 5,492	\$ 26,929	\$ 19,164
Maintenance and Support	8,008	8,344	32,698	33,715
Professional Services	12,896	12,175	52,040	47,530
License	558	1,026	2,806	4,921
Hardware	5,118	5,337	22,727	17,771
<b>Total revenue</b>	<b>34,288</b>	<b>32,374</b>	<b>137,200</b>	<b>123,101</b>
<b>Cost of revenue</b>	<b>19,158</b>	<b>16,651</b>	<b>76,890</b>	<b>62,471</b>
<b>Gross profit</b>	<b>15,130</b>	<b>15,723</b>	<b>60,310</b>	<b>60,630</b>
<b>Operating expenses:</b>				
Sales and marketing	6,388	5,649	24,294	20,985
General and administration	2,652	2,427	10,865	10,396
Research and development, net of tax credits	4,779	5,016	19,775	18,568
<b>Total operating expenses</b>	<b>13,819</b>	<b>13,092</b>	<b>54,934</b>	<b>49,949</b>
<b>Profit from operations</b>	<b>1,311</b>	<b>2,631</b>	<b>5,376</b>	<b>10,681</b>
<b>Net finance (income) costs</b>	<b>(164)</b>	<b>95</b>	<b>(48)</b>	<b>324</b>
<b>Profit before income taxes</b>	<b>1,475</b>	<b>2,536</b>	<b>5,424</b>	<b>10,357</b>
Income tax (benefit) expense	(1,111)	516	946	3,169
<b>Net profit, attributable to the owners of the Company</b>	<b>\$ 2,586</b>	<b>\$ 2,020</b>	<b>\$ 4,478</b>	<b>\$ 7,188</b>
<b>Other comprehensive income:</b>				
Effective portion of changes in fair value on designated revenue hedges	(52)	(300)	(693)	(77)
Exchange differences on translation of foreign operations	(375)	(632)	(967)	(113)
	\$			
<b>Comprehensive income attributable to the owners of the Company</b>	<b>2,159</b>	<b>\$ 1,088</b>	<b>\$ 2,818</b>	<b>\$ 6,998</b>
<b>Basic earnings per common share</b>	<b>\$ 0.18</b>	<b>\$ 0.14</b>	<b>\$ 0.31</b>	<b>\$ 0.50</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.17</b>	<b>\$ 0.14</b>	<b>\$ 0.30</b>	<b>\$ 0.49</b>

See accompanying notes to the unaudited condensed interim consolidated financial statements



Consolidated Statements of Cash Flows  
 Three and twelve-month periods ended April 30, 2022 and 2021  
 (in thousands of Canadian dollars)

	Three months ended April 30, 2022	Three months ended April 30, 2021	Twelve months ended April 30, 2022	Twelve months ended April 30, 2021
<b>Cash flows from operating activities:</b>				
Profit for the period	\$ 2,586	\$ 2,020	\$ 4,478	\$ 7,188
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	515	567	2,162	2,180
Amortization of deferred development costs	87	60	290	269
Amortization of other intangible assets	382	404	1,612	1,663
Interest expense (income) and foreign exchange (gain) loss	409	95	525	324
Gain on lease remeasurement	(573)		(573)	
Unrealized foreign exchange and other	(103)	(184)	1,117	(1,130)
Non-refundable tax credits	(992)	(392)	(2,332)	(1,395)
Stock-based compensation	340	210	1,684	1,138
Income taxes	(1,455)	215	402	2,545
<b>Net cash from operating activities excluding changes in non-cash working capital items related to operations</b>	<b>1,196</b>	<b>2,995</b>	<b>9,365</b>	<b>12,782</b>
Accounts receivable	4,365	(1,516)	(270)	1,552
Work in progress	(194)	364	(1,410)	652
Other receivables	80	376	219	289
Tax credits	2,233	1,841	(397)	(724)
Inventory	142	320	(186)	5
Prepaid expenses	330	(243)	(1,502)	(1,120)
Contract acquisition costs	(389)	(90)	(499)	(354)
Accounts payable and accrued liabilities	(662)	645	(3,076)	137
Deferred revenue	1,352	3,426	2,700	5,894
<b>Changes in non-cash working capital items related to operations</b>	<b>7,257</b>	<b>5,123</b>	<b>(4,421)</b>	<b>6,331</b>
<b>Net cash from operating activities</b>	<b>8,453</b>	<b>8,118</b>	<b>4,944</b>	<b>19,113</b>
<b>Cash flows from (used in) financing activities:</b>				
Repayment of long-term debt	(300)	(312)	(1,216)	(1,215)
Payment of lease obligations	(225)	(233)	(859)	(929)
Payment of dividends	(1,022)	(940)	(3,929)	(3,607)
Refund (payment) of acquired tax liability	-	-	299	(2,191)
Common shares issued on exercise of stock options	-	630	1,020	1,442
Interest paid	(178)	(150)	(622)	(638)
<b>Net cash used in financing activities</b>	<b>(1,725)</b>	<b>(1,005)</b>	<b>(5,307)</b>	<b>(7,138)</b>
<b>Cash flows from (used in) investing activities:</b>				
Purchase of short-term investments	-	-	-	(10,000)
Interest received	57	18	175	174
Acquisitions of property and equipment	(114)	(185)	(733)	(962)
Acquisitions of other intangible assets	(226)	(9)	(255)	(569)
Deferred development costs	(162)	(51)	(1,072)	(254)
Payments related to prior business acquisitions	-	(672)	(500)	(2,140)
<b>Net cash used in investing activities</b>	<b>(445)</b>	<b>(899)</b>	<b>(2,385)</b>	<b>(13,751)</b>
Net increase (decrease) in cash and cash equivalents during the period	6,283	6,214	(2,748)	(1,776)
Cash and cash equivalents - beginning of period	16,721	19,538	25,752	27,528
<b>Cash and cash equivalents - end of period</b>	<b>\$ 23,004</b>	<b>\$ 25,752</b>	<b>\$ 23,004</b>	<b>\$ 25,752</b>



## Consolidated Statements of Changes in Equity

For the year-ended April 30, 2022 and 2021  
(in thousands of Canadian dollars, except number of shares)

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total	
	Note	Number					Amount
<b>Balance, May 1, 2021</b>		14,505,095	\$ 42,700	\$ 11,745	\$ 226	\$ 12,419	\$ 67,090
Net profit		-	-	-	-	4,478	4,478
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges	22	-	-	-	(693)	-	(693)
Exchange difference on translation of foreign operations	22	-	-	-	(967)	-	(967)
<b>Total comprehensive (loss) income</b>		-	-	-	(1,660)	4,478	2,818
Stock-based compensation	14	-	-	1,684	-	-	1,684
Dividends to equity owners	14	-	-	-	-	(3,929)	(3,929)
Share options exercised	14	57,800	1,273	(253)	-	-	1,020
<b>Total transactions with owners of the Company</b>		57,800	1,273	1,431	-	(3,929)	(1,225)
<b>Balance, April 30, 2022</b>		14,562,895	\$ 43,973	\$ 13,176	\$ (1,434)	\$ 12,968	\$ 68,683
<b>Balance, May 1, 2020</b>		14,416,543	\$ 40,901	\$ 10,964	\$ 416	\$ 8,838	\$ 61,119
Net profit		-	-	-	-	7,188	7,188
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges		-	-	-	(77)	-	(77)
Exchange difference on translation of foreign operations		-	-	-	(113)	-	(113)
<b>Total comprehensive income</b>		-	-	-	(190)	7,188	6,998
Stock-based compensation		-	-	1,138	-	-	1,138
Dividends to equity owners		-	-	-	-	(3,607)	(3,607)
Share options exercised		88,552	1,799	(357)	-	-	1,442
<b>Total transactions with owners of the Company</b>		88,552	1,799	781	-	(3,607)	(1,027)
<b>Balance, April 30, 2021</b>		14,505,095	\$ 42,700	\$ 11,745	\$ 226	\$ 12,419	\$ 67,090