



# News Release

FOR IMMEDIATE RELEASE

Ref. # **NRE2022-19**

## Tecsys Reports Financial Results for the Second Quarter of Fiscal 2023

### Revenue sets new record while SaaS revenue up 34% year-over-year

**Montreal**, November 30, 2022— Tecsys Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the second quarter of fiscal year 2023, ended October 31, 2022. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

#### **Second Quarter Highlights:**

- SaaS revenue increased by 34% to \$8.8 million, up from \$6.6 million in Q2 2022.
- SaaS subscription bookings<sup>i</sup> (measured on an ARR<sup>i</sup> basis) decreased by 31% to \$2.8 million, compared to \$4.0 million in the second quarter of 2022.
- SaaS Remaining Performance Obligation (RPO<sup>i</sup>) increased by 51% to \$109.5 million at October 31, 2022, up from \$72.7 million at the same time last year.
- Annual Recurring Revenue (ARR<sup>i</sup>) at October 31, 2022 was up 25% to \$71.2 million compared to \$56.9 million at October 31, 2021.
- Professional services revenue was up 4% to \$13.5 million compared to \$13.1 million in Q2 last year.
- Total revenue excluding hardware revenue was \$31.5 million, 9% higher than \$28.8 million reported for Q2 last year, while total revenue reached a record \$38.1 million.
- Gross margin was 44% compared to 45% in the same period in fiscal 2022.
- Total gross profit increased to \$16.7 million, up 7% from \$15.5 million in Q2 last year.
- Operating expenses increased to \$15.6 million, higher by \$1.7 million or 13% compared to \$13.9 million in Q2 last year.
- Profit from operations was \$1 million, down from \$1.6 million in Q2 last year.
- Net profit was \$0.7 million or \$0.05 per share on a fully diluted basis for both Q2 2023 and Q2 2022.
- Adjusted EBITDA<sup>ii</sup> was \$2.8 million, down 13% compared to \$3.2 million reported in Q2 last year.



"We continue to see great traction across our vertical markets in the quarter with seven new logo wins as well as solid base account activity including another hospital network migration. Among the new logo wins, we added two new hospital networks, as well as North American and international logos in our converging complex distribution market." said Peter Brereton, president and CEO of Tecsys, Inc. "In spite of challenging general economic conditions in the near term, we continue to see robust pipeline activity and strong demand. In light of this opportunity, we continue to invest to drive organic growth."

Mark Bentler, chief financial officer of Tecsys Inc., added, "We are pleased with our Q2 performance, a record revenue quarter led by 34% SaaS revenue growth. We also crossed an important milestone this quarter in that our SaaS revenue now represents more than 50% of all our recurring revenue, and we are seeing the momentum continue with year-to-date SaaS bookings up by 30%."

	Three months ended		Six months ended		Trailing 12 months ended	
	October 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021
<b>Results from operations</b>						
Total Revenue	\$ 38,111	\$ 34,269	\$ 72,315	\$ 67,501	\$ 142,014	\$ 131,817
Total Revenue Excluding Hardware	31,490	28,823	61,849	56,279	120,043	110,178
SaaS Revenue, Maintenance and Support Revenue	16,896	14,765	33,165	28,744	64,048	55,938
Professional Services Revenue	13,539	13,076	27,170	26,202	53,008	50,691
Gross Profit	16,679	15,518	31,437	29,947	61,800	61,077
Gross Margin %	44%	45%	43%	44%	44%	46%
Operating Expenses	15,631	13,891	30,299	27,232	58,001	53,101
Op. Ex. As % of Revenue	41%	41%	42%	40%	41%	40%
Profit from Operations	1,048	1,627	1,138	2,715	3,799	7,976
Adjusted EBITDA <sup>ii</sup>	2,777	3,206	4,261	5,662	8,729	13,543
EPS basic	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.07	\$ 0.29	\$ 0.34
EPS diluted	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.06	\$ 0.28	\$ 0.34
License Booking	1,006	1,061	1,255	1,347	2,310	3,270
SaaS ARR Bookings	2,796	4,050	6,704	5,149	13,476	9,635
Annual Recurring Revenue					71,198	56,939
SaaS RPO					109,534	72,673
Professional Services Backlog					31,869	33,124



### **Year-to-date performance for first half of fiscal 2023:**

- SaaS revenue increased by 37% to \$16.8 million, up from \$12.2 million the same period of fiscal 2022.
- SaaS subscription bookings<sup>i</sup> (measured on an ARR<sup>i</sup> basis) increased to \$6.7 million, 30% higher from \$5.1 million in the same period of fiscal 2022.
- Professional services revenue was up 4% to \$27.2 million compared to \$26.2 million in the same period of fiscal 2022.
- Total revenue excluding hardware revenue was \$61.8 million, 10% higher than \$56.3 million reported for the same period of fiscal 2022.
- Gross margin was 43% compared to 44% in the same period of fiscal 2022.
- Total gross profit increased to \$31.4 million, up 5% from \$29.9 million in the same period of fiscal 2022.
- Operating expenses increased to \$30.3 million, higher by \$3.1 million or 11% compared to \$27.2 million in the same period of fiscal 2022.
- Profit from operations was \$1.1 million, down from \$2.7 million in the same period of fiscal 2022.
- Net profit was \$755 thousand or \$0.05 per share on a fully diluted basis in the first half of fiscal 2022 compared to a net profit of \$952 thousand or \$0.06 per share on a fully diluted basis for the same period in fiscal 2022.
- Adjusted EBITDA<sup>ii</sup> was \$4.3 million, down 25% compared to \$5.7 million reported in the same period in fiscal 2022.

On November 30, 2022, the Company declared a quarterly dividend of \$0.075 per share, increasing the quarterly dividend from \$0.07 per share. The dividend is to be paid on January 6, 2023 to shareholders of record on December 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 Q2 2023 Financial Statements.

<sup>ii</sup> See Non-IFRS Performance Measures in Management’s Discussion and Analysis of the Q2 2023 Financial Statements.



## Second Quarter Fiscal 2023 Results Conference Call

Date: December 1, 2022

Time: 8:30am EDT

Phone number: (877) 521-4127 or (416) 641-6662

The call can be replayed until December 8, 2022 by calling:  
(800) 558-5253 or (416) 626-4100 (access code: 22022988)

### 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](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 Tecsyst Inc. serves, the actions of competitors, major new technological trends, and other factors beyond the control of Tecsyst Inc., which could cause actual results to differ materially from such statements. More information about the risks and uncertainties associated with Tecsyst 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, 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 October 31,		Six months ended October 31,		Trailing 12 months ended October 31,	
	2022	2021	2022	2021	2022	2021
Profit for the period	\$ 715	\$ 708	\$ 755	\$ 952	\$ 4,281	\$ 4,819
Adjustments for:						
Depreciation of property and equipment and right-of-use assets	429	553	859	1,096	1,925	2,217
Amortization of deferred development costs	114	69	216	123	383	231
Amortization of other intangible assets	394	411	790	822	1,580	1,651
Interest expense	178	145	297	306	613	622
Interest income	(150)	(40)	(254)	(80)	(648)	(141)
Income taxes	389	791	414	1,520	(160)	2,719
EBITDA	\$ 2,069	\$ 2,637	\$ 3,077	\$ 4,739	\$ 7,974	\$ 12,118
Adjustments for:						
Stock based compensation	708	569	1,184	923	1,945	1,425
Gain on remeasurement of lease liability	-	-	-	-	(573)	-
Recognition of tax credits generated in prior periods	-	-	-	-	(617)	-
Adjusted EBITDA <sup>ii</sup>	\$ 2,777	\$ 3,206	\$ 4,261	\$ 5,662	\$ 8,729	\$ 13,543



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

	Note	October 31, 2022	April 30, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 21,331	\$ 23,004
Short-term investments	3	20,456	20,239
Accounts receivable		21,370	16,962
Work in progress		1,651	1,579
Other receivables		718	234
Tax credits		7,912	5,224
Inventory		949	806
Prepaid expenses		6,574	6,392
<b>Total current assets</b>		<b>80,961</b>	<b>74,440</b>
<b>Non-current assets</b>			
Other long-term receivables		179	192
Tax credits		4,083	3,782
Property and equipment		1,775	2,064
Right-of-use assets	4	4,421	4,547
Contract acquisition costs	5	3,507	3,177
Deferred development costs		2,121	1,870
Other intangible assets		9,502	10,301
Goodwill		16,856	16,863
Deferred tax assets		8,613	8,608
<b>Total non-current assets</b>		<b>51,057</b>	<b>51,404</b>
<b>Total assets</b>		<b>\$ 132,018</b>	<b>\$ 125,844</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 19,963	\$ 16,971
Deferred revenue		30,343	24,689
Current portion of long-term debt	6	1,200	1,200
Lease obligations	7	660	662
<b>Total current liabilities</b>		<b>52,166</b>	<b>43,522</b>
<b>Non-current liabilities</b>			
Long-term debt	6	6,600	7,200
Deferred tax liabilities		1,257	1,258
Lease obligations	7	4,975	5,181
<b>Total non-current liabilities</b>		<b>12,832</b>	<b>13,639</b>
<b>Total liabilities</b>		<b>\$ 64,998</b>	<b>\$ 57,161</b>
<b>Equity</b>			
Share capital	8	\$ 44,094	\$ 43,973
Contributed surplus		14,336	13,176
Retained earnings		11,685	12,968
Accumulated other comprehensive loss	12	(3,095)	(1,434)
<b>Total equity attributable to the owners of the Company</b>		<b>67,020</b>	<b>68,683</b>
<b>Total liabilities and equity</b>		<b>\$ 132,018</b>	<b>\$ 125,844</b>



**Condensed Interim Consolidated Statements of Income and Comprehensive Income**  
**For the three and six-month periods ended October 31, 2022 and 2021**  
**(Unaudited)**  
**(In thousands of Canadian dollars, except per share data)**

	Note	Three Months Ended October 31,		Six Months Ended October 31,	
		2022	2021	2022	2021
<b>Revenue:</b>					
SaaS		\$ 8,798	\$ 6,565	\$ 16,799	\$ 12,218
Maintenance and Support		8,098	8,200	16,366	16,526
Professional Services		13,539	13,076	27,170	26,202
License		1,055	982	1,514	1,333
Hardware		6,621	5,446	10,466	11,222
<b>Total revenue</b>		<b>38,111</b>	<b>34,269</b>	<b>72,315</b>	<b>67,501</b>
<b>Cost of revenue</b>	10	<b>21,432</b>	<b>18,751</b>	<b>40,878</b>	<b>37,554</b>
<b>Gross profit</b>		<b>16,679</b>	<b>15,518</b>	<b>31,437</b>	<b>29,947</b>
<b>Operating expenses:</b>					
Sales and marketing		6,703	6,022	12,953	11,704
General and administration		3,072	2,801	5,806	5,660
Research and development, net of tax credits		5,856	5,068	11,540	9,868
<b>Total operating expenses</b>		<b>15,631</b>	<b>13,891</b>	<b>30,299</b>	<b>27,232</b>
<b>Profit from operations</b>		<b>1,048</b>	<b>1,627</b>	<b>1,138</b>	<b>2,715</b>
<b>Net finance (income) costs</b>	11	<b>(56)</b>	<b>128</b>	<b>(31)</b>	<b>243</b>
<b>Profit before income taxes</b>		<b>1,104</b>	<b>1,499</b>	<b>1,169</b>	<b>2,472</b>
<b>Income tax expense</b>		<b>389</b>	<b>791</b>	<b>414</b>	<b>1,520</b>
<b>Net profit, attributable to the owners of the Company</b>		<b>\$ 715</b>	<b>\$ 708</b>	<b>\$ 755</b>	<b>\$ 952</b>
Other comprehensive (loss) income:					
Effective portion of changes in fair value on designated revenue hedges	12	(2,007)	233	(1,853)	(125)
Exchange differences on translation of foreign operations	12	496	(452)	192	(485)
<b>Comprehensive (loss) profit, attributable to the owners of the Company</b>		<b>\$ (796)</b>	<b>\$ 489</b>	<b>\$ (906)</b>	<b>\$ 342</b>
<b>Basic earnings per common share</b>	8	<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.07</b>
<b>Diluted earnings per common share</b>	8	<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.06</b>





**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three and six-month periods ended October 31, 2022 and 2021**  
**(Unaudited)**  
**(In thousands of Canadian dollars)**

	Note	Three Months Ended		Six Months Ended	
		October 31,		October 31,	
		2022	2021	2022	2021
Cash flows from operating activities:					
Net profit		\$ 715	\$ 708	\$ 755	\$ 952
Adjustments for:					
Depreciation of property and equipment and right-of-use-assets		429	553	859	1,096
Amortization of deferred development costs		114	69	216	123
Amortization of other intangible assets		394	411	790	822
Interest expense (income) and foreign exchange (gain) loss	11	(56)	128	(31)	243
Unrealized foreign exchange and other		1,063	(333)	691	928
Non-refundable tax credits		(439)	(366)	(860)	(732)
Stock-based compensation	8	708	569	1,184	923
Income taxes		305	680	330	1,373
Net cash from operating activities excluding changes in non-cash working capital items related to operations					
Accounts receivable		3,233	2,419	3,934	5,728
Work in progress		(3,847)	(223)	(4,390)	(2,715)
Other receivables		883	(1,275)	(71)	(1,822)
Tax credits		105	106	(230)	72
Inventory		(1,081)	(911)	(2,129)	(1,821)
Prepaid expenses		112	(53)	(143)	(65)
Contract acquisition costs		380	(443)	(182)	(908)
Accounts payable and accrued liabilities		(77)	(226)	(330)	(98)
Deferred revenue		2,931	(750)	(81)	(4,683)
Changes in non-cash working capital items related to operations		4,415	2,000	5,653	1,941
<b>Net cash provided by (used in) operating activities</b>		<b>7,054</b>	<b>644</b>	<b>2,031</b>	<b>(4,371)</b>
Cash flows from financing activities:					
Repayment of long-term debt		(300)	(304)	(600)	(616)
Payment of lease obligations	7	(178)	(224)	(422)	(455)
Payment of dividends		(2,038)	(1,889)	(2,038)	(1,889)
Interest paid		(178)	(145)	(297)	(306)
Issuance of common shares on exercise of stock options		35	1,020	97	1,020
<b>Net cash used in financing activities</b>		<b>(2,659)</b>	<b>(1,542)</b>	<b>(3,260)</b>	<b>(2,246)</b>
Cash flows from investing activities:					
Interest received	11	150	40	254	80
Acquisitions of property and equipment		(171)	(304)	(231)	(534)
Acquisitions of other intangible assets		-	(7)	-	(22)
Deferred development costs		(258)	(195)	(467)	(681)
<b>Net cash used in investing activities</b>		<b>(279)</b>	<b>(466)</b>	<b>(444)</b>	<b>(1,157)</b>
Net increase (decrease) in cash and cash equivalents during the period		4,116	(1,364)	(1,673)	(7,774)
Cash and cash equivalents - beginning of period		17,215	19,342	23,004	25,752
<b>Cash and cash equivalents - end of period</b>		<b>\$ 21,331</b>	<b>\$ 17,978</b>	<b>\$ 21,331</b>	<b>\$ 17,978</b>



**Condensed Interim Consolidated Statements of Changes in Equity**  
**For the six-month periods ended October 31, 2022 and 2021**  
**(Unaudited)**  
**(In thousands of Canadian dollars, except number of shares)**

		Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total
	Note	Number	Amount				
<b>Balance, May 1, 2022</b>		<b>14,562,895</b>	<b>\$ 43,973</b>	<b>\$ 13,176</b>	<b>\$ (1,434)</b>	<b>\$ 12,968</b>	<b>\$ 68,683</b>
Net profit		-	-	-	-	755	755
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges	12	-	-	-	(1,853)	-	(1,853)
Exchange difference on translation of foreign operations		-	-	-	192	-	192
<b>Total comprehensive loss income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,661)</b>	<b>755</b>	<b>(906)</b>
Stock-based Compensation	8	-	-	1,184	-	-	1,184
Dividends to equity owners	8	-	-	-	-	(2,038)	(2,038)
Share options exercised	8	5,999	121	(24)	-	-	97
<b>Total transactions with owners of the Company</b>		<b>5,999</b>	<b>121</b>	<b>1,160</b>	<b>-</b>	<b>(2,038)</b>	<b>(757)</b>
<b>Balance, October 31, 2022</b>		<b>14,568,894</b>	<b>\$ 44,094</b>	<b>\$ 14,336</b>	<b>\$ (3,095)</b>	<b>\$ 11,685</b>	<b>\$ 67,020</b>
<b>Balance, May 1, 2021</b>		<b>14,505,095</b>	<b>\$ 42,700</b>	<b>\$ 11,745</b>	<b>\$ 226</b>	<b>\$ 12,419</b>	<b>\$ 67,090</b>
Net profit		-	-	-	-	952	952
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges		-	-	-	(125)	-	(125)
Exchange difference on translation of foreign operations		-	-	-	(485)	-	(485)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(610)</b>	<b>952</b>	<b>342</b>
Stock-based Compensation	8	-	-	923	-	-	923
Dividends to equity owners		-	-	-	-	(1,889)	(1,889)
Share options exercised	8	57,800	1,273	(253)	-	-	1,020
<b>Total transactions with owners of the Company</b>		<b>57,800</b>	<b>\$ 1,273</b>	<b>\$ 670</b>	<b>-</b>	<b>(1,889)</b>	<b>\$ 54</b>
<b>Balance, October 31, 2021</b>		<b>14,562,895</b>	<b>\$ 43,973</b>	<b>\$ 12,415</b>	<b>\$ (384)</b>	<b>\$ 11,482</b>	<b>\$ 67,486</b>