



# News Release

FOR IMMEDIATE RELEASE

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## Tecsyst Reports Financial Results for the Third Quarter of Fiscal 2022

### SaaS revenue up 49% year-over-year

**Montreal**, March 2, 2022 — Tecsyst Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the third quarter of fiscal year 2022, ended January 31, 2022. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

#### Third Quarter Highlights:

- SaaS revenue increased by 49% to \$7.0 million in Q3 2022, up from \$4.7 million in Q3 2021.
- Annual Recurring Revenue (ARR<sup>1</sup>) at January 31, 2022 was up 17% to \$59.5 million compared to \$50.8 million at January 31, 2021.
- During Q3 2022, SaaS subscription bookings<sup>1</sup> (measured on an ARR<sup>1</sup> basis) were \$2.3 million, up 133% compared to \$1.0 million in the third quarter of fiscal 2021.
- Professional services revenue was up 5% to \$12.9 million in Q3 2022 compared to \$12.3 million in Q3 2021.
- Total revenue was a record \$35.4 million, 11% higher than \$31.9 million reported for Q3 2021.
- Gross margin was 43% compared to 48% in the prior year quarter, negatively impacted by a weaker US dollar, change in revenue mix and investment in key growth initiatives.
- Total gross profit decreased to \$15.2 million, down 1% from \$15.4 million in Q3 2021.
- Operating expenses increased to \$13.9 million, higher by \$1.1 million or 9% compared to \$12.8 million in Q3 fiscal 2022 with continuing investment in sales and marketing as well as research and development.
- Profit from operations in Q3 2022 was \$1.4 million, down from \$2.6 million in Q3 2021.
- Net profit was \$0.9 million or \$0.06 per share on a fully diluted basis in Q3 2022 compared to a net profit of \$1.8 million or \$0.12 per share on a fully diluted basis for the same period in fiscal 2021.



- Adjusted EBITDA<sup>ii</sup> was \$2.7 million in Q3 2022, down 31% compared to \$4.0 million reported in Q3 2021.
- A weaker USD to CAD exchange rate negatively impacted revenue by \$1.7 million and Profit from operations and Adjusted EBITDA by \$1.6 million compared to the same quarter last year.

“This quarter happened in the middle of a challenging global environment with the Omicron wave hitting many of our customers very hard in late December and January. We were pleased to see the quarter come in strong as the twelfth consecutive quarter of record revenue. We added another hospital network in the quarter and saw strong bookings from our base, as well. This solid growth trajectory is a strong testament to our greatest asset, the people of Tecsys, and our truly adaptable agile solutions helping our customers succeed in a climate where excellence in supply chain execution is a key driver for success,” said Peter Brereton, president and CEO of Tecsys, Inc. “Our pipeline continues to swell with new customer opportunities and as the pandemic seems to be finally fading away, Q4 is off to a strong start.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “We are pleased with another quarter of solid revenue growth in spite of significant foreign currency headwinds. On a constant currency basis, our third quarter fiscal 2022 revenue grew by about 16% compared to the same period last year, with SaaS revenue once again being a key driver at 56% constant currency growth. We continue to expect a key milestone in the coming quarters with SaaS revenue set to overtake maintenance and support as our leading source of recurring revenue.”



Results from operations	3 months ended		3 months ended		9 months ended		9 months ended		Trailing 12		Trailing 12	
	January 31, 2022		January 31, 2021		January 31, 2022		January 31, 2021		months ended		months ended	
Total Revenue	\$	35,411	\$	31,942	\$	102,912	\$	90,727	\$	135,286	\$	118,477
SaaS Revenue		7,003		4,708		19,221		13,672		24,713		16,327
Maintenance and Support Revenue		8,164		8,650		24,690		25,371		33,034		33,354
Gross Profit		15,233		15,407		45,180		44,907		60,903		57,803
Gross Margin %		43%		48%		44%		49%		45%		49%
Operating Expenses		13,883		12,777		41,115		36,857		54,207		49,159
Op. Ex. As % of Revenue		39%		40%		40%		41%		40%		41%
Profit from Operations		1,350		2,630		4,065		8,050		6,696		8,644
Adjusted EBITDA <sup>ii</sup>		2,738		3,964		8,400		12,303		12,317		14,254
EPS basic		0.06		0.13		0.13		0.36		0.27		0.39
EPS diluted		0.06		0.12		0.13		0.35		0.27		0.38
License Bookings		515		1,172		1,862		3,537		2,614		4,925
SAAS ARR Bookings		2,315		993		7,463		6,055		10,956		10,130
Annual Recurring Revenue		59,540		50,817		59,540		50,817		59,540		50,817
Professional Services Backlog		29,521		37,795		29,521		37,795		29,521		37,795

### Year-to-date performance for first nine months of fiscal 2022:

- SaaS revenue for the nine-month period increased by 41% to \$19.2 million, up from \$13.7 million in the same period of fiscal 2021.
- SaaS subscription bookings<sup>i</sup> (measured on an ARR<sup>i</sup> basis) were \$7.5 million, up 23% compared to \$6.1 million the same period of fiscal 2021.
- Professional services revenue for the nine-month period was up 11% to \$39.1 million compared to \$35. million in the same period of fiscal 2021.
- Total revenue was a record \$102.9 million, 13% higher than \$90.7 million reported for the same period of fiscal 2021.
- Gross margin was 44% compared to 49% in the same period of fiscal 2021, negatively impacted by a weaker US dollar, revenue mix and investment in key growth initiatives.
- Total gross profit increased to \$45.2 million, up 1% from \$44.9 million in the same period fiscal 2021.
- Operating expenses increased to \$41.1 million, higher by \$4.3 million or 12% compared to \$36.9 million in the same period of fiscal 2021 with continuing investment in sales and marketing as well as research and development.



- Profit from operations in the first nine months of fiscal 2022 was \$4.1 million, down from \$8.1 million in the same period of fiscal 2021.
- Net profit was \$1.9 million or \$0.13 per share on a fully diluted basis in the first nine months of fiscal 2022 compared to a net profit of \$5.2 million or \$0.35 per share on a fully diluted basis for the same period in fiscal 2021.
- Adjusted EBITDA<sup>ii</sup> was \$8.4 million in the first nine months of fiscal 2022, down 32% compared to \$12.3 million reported in the same period in fiscal 2021.
- A weaker USD to CAD exchange rate negatively impacted revenue by \$6.0 million and Profit from operations and Adjusted EBITDA by \$4.6 million compared to the same period last year.



On March 2, 2022, the Company's Board of Directors declared a quarterly dividend of \$0.07 per share to be paid on April 14, 2022 to shareholders of record on March 24, 2022.

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

Third Quarter of Fiscal 2022 Results Conference Call

Date: March 3, 2022

Time: 8:30 a.m. EST

Phone number: (877) 200-1292 or (416) 620-9188

The call can be replayed until March 10, 2022 by calling:

(416) 626-4100 or (800) 558-5253 (access code: 22015722)

### 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 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](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. 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 and nine months ended January 31, 2022, and January 31, 2021 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:

<i>(in thousands of CAD)</i>	Three months ended January 31,		Nine months ended January 31,	
	2022	2021	2022	2021
Profit for the period	\$940	\$ 1,847	\$ 1,892	\$ 5,168
Adjustments for:				
Depreciation of property and equipment and right-of-use assets	551	554	1,647	1,613
Amortization of deferred development costs	80	48	203	209
Amortization of other intangible assets	408	425	1,230	1,259
Interest expense	138	158	444	629
Interest income	(337)	(43)	(417)	(156)
Income taxes	537	683	2,057	2,653
EBITDA	\$ 2,317	\$ 3,672	\$ 7,056	\$ 11,375
Adjustments for:				
Stock based compensation	421	292	1,344	928
Adjusted EBITDA	\$ 2,738	\$ 3,964	\$ 8,400	\$ 12,303

<sup>i</sup> See Key Performance Indicators in Management's Discussion and Analysis of the Q3 2022 Financial Statements.

<sup>ii</sup> See Non-IFRS Performance Measures in Management's Discussion and Analysis of the Q3 2022 Financial Statements.



Condensed Interim Consolidated Statements of Financial Position  
As at January 31, 2022 and April 30, 2021

(unaudited)

(in thousands of Canadian dollars)

	January 31, 2022	April 30, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 16,721	\$ 25,752
Short-term investments	20,187	20,100
Accounts receivable	21,379	16,840
Work in progress	1,394	182
Other receivables	351	2,034
Tax credits	8,962	5,359
Inventory	951	628
Prepaid expenses	6,726	4,897
<b>Total current assets</b>	<b>76,671</b>	<b>75,792</b>
<b>Non-current assets</b>		
Other long-term receivables	199	303
Tax credits	4,271	3,904
Property and equipment	2,310	2,682
Right-of-use assets	6,565	7,245
Contract acquisition costs	2,788	2,678
Deferred development costs	1,796	1,088
Other intangible assets	10,766	12,194
Goodwill	17,187	17,417
Deferred tax assets	6,008	6,006
<b>Total non-current assets</b>	<b>51,890</b>	<b>53,517</b>
<b>Total assets</b>	<b>\$ 128,561</b>	<b>\$ 129,309</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 19,355	\$ 19,417
Deferred revenue	23,368	22,044
Current portion of long-term debt	1,200	1,216
Other current liabilities	-	500
Lease obligations	816	848
<b>Total current liabilities</b>	<b>44,739</b>	<b>44,025</b>
<b>Non-current liabilities</b>		
Long-term debt	7,500	8,400
Deferred tax liabilities	1,447	1,499
Lease obligations	7,669	8,295
<b>Total non-current liabilities</b>	<b>16,616</b>	<b>18,194</b>
<b>Total liabilities</b>	<b>61,355</b>	<b>62,219</b>
<b>Equity</b>		
Share capital	43,973	42,700
Contributed surplus	12,836	11,745
Retained earnings	11,404	12,419
Accumulated other comprehensive (loss) income	(1,007)	226
<b>Total equity attributable to the owners of the Company</b>	<b>67,206</b>	<b>67,090</b>
<b>Total liabilities and equity</b>	<b>\$ 128,561</b>	<b>\$ 129,309</b>



Condensed Interim Consolidated Statements of Income and Comprehensive Income  
For the three and nine-month periods ended January 31, 2022 and 2021

(unaudited)

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

	Three months ended January 31, 2022	Three months ended January 31, 2021	Nine months ended January 31, 2022	Nine months ended January 31, 2021
<b>Revenue:</b>				
SaaS	\$ 7,003	\$ 4,708	\$ 19,221	\$ 13,672
Maintenance and Support	8,164	8,650	24,690	25,371
Professional Services	12,942	12,314	39,144	35,355
License	915	1,190	2,248	3,895
Hardware	6,387	5,080	17,609	12,434
<b>Total revenue</b>	<b>35,411</b>	<b>31,942</b>	<b>102,912</b>	<b>90,727</b>
<b>Cost of revenue</b>	<b>20,178</b>	<b>16,535</b>	<b>57,732</b>	<b>45,820</b>
<b>Gross profit</b>	<b>15,233</b>	<b>15,407</b>	<b>45,180</b>	<b>44,907</b>
<b>Operating expenses:</b>				
Sales and marketing	6,202	5,074	17,906	15,336
General and administration	2,553	2,648	8,213	7,969
Research and development, net of tax credits	5,128	5,055	14,996	13,552
<b>Total operating expenses</b>	<b>13,883</b>	<b>12,777</b>	<b>41,115</b>	<b>36,857</b>
<b>Profit from operations</b>	<b>1,350</b>	<b>2,630</b>	<b>4,065</b>	<b>8,050</b>
<b>Net finance (income) costs</b>	<b>(127)</b>	<b>100</b>	<b>116</b>	<b>229</b>
<b>Profit before income taxes</b>	<b>1,477</b>	<b>2,530</b>	<b>3,949</b>	<b>7,821</b>
Income tax expense	537	683	2,057	2,653
<b>Net profit, attributable to the owners of the Company</b>	<b>\$ 940</b>	<b>\$ 1,847</b>	<b>\$ 1,892</b>	<b>\$ 5,168</b>
<b>Other comprehensive income:</b>				
Effective portion of changes in fair value on designated revenue hedges	(516)	(431)	(641)	223
Exchange differences on translation of foreign operations	(107)	111	(592)	519
<b>Comprehensive income attributable to the owners of the Company</b>	<b>\$ 317</b>	<b>\$ 1,527</b>	<b>\$ 659</b>	<b>\$ 5,910</b>
<b>Basic earnings per common share</b>	<b>\$ 0.06</b>	<b>\$ 0.13</b>	<b>\$ 0.13</b>	<b>\$ 0.36</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.06</b>	<b>\$ 0.12</b>	<b>\$ 0.13</b>	<b>\$ 0.35</b>



Condensed Interim Consolidated Statements of Cash Flows  
For the three and nine-month periods ended January 31, 2022 and 2021

(unaudited)

(in thousands of Canadian dollars)

	Three months ended January 31, 2022	Three months ended January 31, 2021	Nine months ended January 31, 2022	Nine months ended January 31, 2021
<b>Cash flows from operating activities:</b>				
Profit for the period	\$ 940	\$ 1,847	\$ 1,892	\$ 5,168
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	551	554	1,647	1,613
Amortization of deferred development costs	80	48	203	209
Amortization of other intangible assets	408	425	1,230	1,259
Net finance costs	(127)	100	116	229
Unrealized foreign exchange and other	292	(474)	1,220	(946)
Non-refundable tax credits	(608)	(333)	(1,340)	(1,003)
Stock-based compensation	421	292	1,344	928
Income taxes	484	486	1,857	2,330
<b>Net cash from operating activities excluding changes in non-cash working capital items related to operations</b>	<b>2,441</b>	<b>2,945</b>	<b>8,169</b>	<b>9,787</b>
Accounts receivable	(1,920)	8,031	(4,635)	3,068
Work in progress	606	829	(1,216)	288
Other receivables	67	(9)	139	(87)
Tax credits	(809)	(907)	(2,630)	(2,565)
Inventory	(263)	(295)	(328)	(315)
Prepaid expenses	(924)	(271)	(1,832)	(877)
Contract acquisition costs	(12)	85	(110)	(264)
Accounts payable and accrued liabilities	2,269	2,400	(2,414)	(508)
Deferred revenue	(593)	(1,110)	1,348	2,468
<b>Changes in non-cash working capital items related to operations</b>	<b>(1,579)</b>	<b>8,753</b>	<b>(11,678)</b>	<b>1,208</b>
<b>Net cash from operating activities</b>	<b>862</b>	<b>11,698</b>	<b>(3,509)</b>	<b>10,995</b>
<b>Cash flows from (used in) financing activities:</b>				
Repayment of long-term debt	(300)	(303)	(916)	(903)
Payment of lease obligations	(179)	(209)	(634)	(696)
Payment of dividends	(1,018)	(937)	(2,907)	(2,667)
Refund (payment) of acquired tax liability	299	-	299	(2,191)
Common shares issued on exercise of stock options	-	776	1,020	812
Interest paid	(138)	(169)	(444)	(488)
<b>Net cash used in financing activities</b>	<b>(1,336)</b>	<b>(842)</b>	<b>(3,582)</b>	<b>(6,133)</b>
<b>Cash flows from (used in) investing activities:</b>				
Purchase of short-term investments	-	-	-	(10,000)
Interest received	38	43	118	156
Payments related to prior business acquisitions	(500)	(1,468)	(500)	(1,468)
Acquisitions of property and equipment	(85)	(274)	(619)	(777)
Acquisitions of other intangible assets	(7)	(39)	(29)	(560)
Deferred development costs	(229)	(43)	(910)	(203)
<b>Net cash used in investing activities</b>	<b>(783)</b>	<b>(1,781)</b>	<b>(1,940)</b>	<b>(12,852)</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>(1,257)</b>	<b>9,075</b>	<b>(9,031)</b>	<b>(7,990)</b>
Cash and cash equivalents - beginning of period	17,978	10,463	25,752	27,528
<b>Cash and cash equivalents - end of period</b>	<b>\$ 16,721</b>	<b>\$ 19,538</b>	<b>\$ 16,721</b>	<b>\$ 19,538</b>



Condensed Interim Consolidated Statements of Changes in Equity  
 For the nine-month periods ended January 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				
<b>Balance, April 30, 2021</b>	14,505,095	42,700	11,745	226	12,419	67,090
Net profit	-	-	-	-	1,892	1,892
Other comprehensive loss for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(641)	-	(641)
Exchange difference on translation of foreign operations	-	-	-	(592)	-	(592)
<b>Total comprehensive (loss) income for the period</b>	-	-	-	(1,233)	1,892	659
Stock-based Compensation	-	-	1,344	-	-	1,344
Dividends to equity owners	-	-	-	-	(2,907)	(2,907)
Share Options exercised	57,800	1,273	(253)	-	-	1,020
<b>Total transactions with owners of the Company</b>	57,800	1,273	1,091	-	(2,907)	(543)
<b>Balance, January 31, 2022</b>	<b>14,562,895</b>	<b>\$ 43,973</b>	<b>\$ 12,836</b>	<b>\$ (1,007)</b>	<b>\$ 11,404</b>	<b>\$ 67,206</b>
<b>Balance, April 30, 2020</b>	14,416,543	\$ 40,901	\$ 10,964	\$ 416	\$ 8,838	\$ 61,119
Net profit	-	-	-	-	5,168	5,168
Other comprehensive income for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	223	-	223
Exchange difference on translation of foreign operations	-	-	-	519	-	519
<b>Total comprehensive income for the period</b>	-	-	-	742	5,168	5,910
Stock-based Compensation	-	-	928	-	-	928
Dividends to equity owners	-	-	-	-	(2,667)	(2,667)
Share options exercised	48,552	1,050	(238)	-	-	812
<b>Total transactions with owners of the Company</b>	48,552	1,050	690	-	(2,667)	(927)
<b>Balance, January 31, 2021</b>	14,465,095	\$ 41,951	\$ 11,654	\$ 1,158	\$ 11,339	\$ 66,102