

# News Release

TECSYS INC.

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**FOR IMMEDIATE RELEASE**

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## **TECSYS Reports Financial Results for Second Quarter of Fiscal 2018**

### ***Rising Profits Leads to Rising Dividend***

MONTREAL, December 1, 2017 - TECSYS Inc. (TSX: TCS), an industry-leading supply chain management software company, today announced its results for the second quarter of fiscal year 2018, ended October 31, 2017. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS) and are unaudited.

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

- Total revenue was \$18.1 million, 9% higher than \$16.5 million for Q2 2017.
- Proprietary products revenue decreased 8% to \$1.6 million, compared to Q2 2017.
- Cloud, maintenance and subscription revenue increased to \$6.4 million, 4% higher than \$6.2 million for Q2 2017.
- Professional services revenue was \$7.9 million, 22% higher than \$6.5 million in Q2 2017.
- Total gross profit margin was 52%, compared to 50% in Q2 2017.
- Operating expenses decreased to \$7.8 million, compared to \$8.0 million for Q2 2017.
- Profit from operations was \$1.6 million, compared to \$320,000 for the same period in fiscal 2017.
- Profit was \$1.4 million or \$0.10 per share in Q2 2018 compared to \$206,000 or \$0.02 per share for Q2 2017.
- EBITDA was \$2.2 million, compared to \$935,000 for Q2 2017.
- Total contract value bookings amounted to \$11.5 million, compared to \$10.9 million for Q2 2017.
- Cash and cash equivalents, as well as redeemable long-term investments, totaled \$22.5 million at the end of Q2 2018 compared to \$13.5M at the end of Q4 2017.

"In the second quarter of fiscal 2018, solid bookings and revenue growth combined with flat to declining expenses led to a surge in profitability," said Peter Brereton, President and CEO of TECSYS Inc. "The quarter was also a validation of our strategy to deploy one common technology platform that is robust and versatile into two diverse sectors where each has a different sales cycle and is affected differently by external events. In the quarter, our complex distribution business achieved solid growth in terms of both new contract and base account sales and added accounts in floor finishing products, heavy equipment and MRO. Our healthcare business continued to be constrained in the quarter by uncertainty around U.S. healthcare legislation, however this situation seems to be improving based on orders signed early in the third quarter. Our pipeline and general business activity in healthcare remains strong. The board has approved an increase of the quarterly dividend of 11% to \$0.05."

TECSYS INC.

Results from Operations	Q2 2018	Q2 2017	6 months ended Oct. 31, 2017	6 months ended Oct. 31, 2016	Trailing 12 months ended Oct. 31, 2017	Trailing 12 months ended Oct. 31, 2016
In thousands of dollars except per share amounts						
Total Revenue	<b>\$18,072</b>	\$16,518	<b>\$34,583</b>	\$32,615	<b>\$70,415</b>	\$69,388
Gross Margin	<b>\$9,438</b>	\$8,291	<b>\$17,190</b>	\$15,897	<b>\$35,489</b>	\$35,512
Gross Margin %	<b>52%</b>	50%	<b>50%</b>	49%	<b>50%</b>	51%
Operating Expenses	<b>\$7,843</b>	\$7,971	<b>\$15,530</b>	\$15,334	<b>\$26,441</b>	\$31,108
Op. Ex. As % of Revenue	<b>43%</b>	48%	<b>45%</b>	47%	<b>38%</b>	45%
Profit from Operations	<b>\$1,595</b>	\$320	<b>\$1,660</b>	\$563	<b>\$9,048</b>	\$4,404
EBITDA	<b>\$2,184</b>	\$935	<b>\$2,871</b>	\$1,749	<b>\$11,486</b>	\$6,929
EPS	<b>\$0.10</b>	\$0.02	<b>\$0.11</b>	\$0.03	<b>\$0.57</b>	\$0.38
Contract Bookings	<b>\$11,453</b>	\$10,920	<b>\$21,345</b>	\$16,936	<b>\$47,037</b>	\$39,029

**First Half Fiscal 2018 Highlights:**

- Total revenue was \$34.6 million, 6% higher than \$32.6 million for H1 2017.
- Proprietary products revenue decreased 4% to \$2.9 million, compared to H1 2017.
- Cloud, maintenance and subscription revenue increased to \$13.5 million, 5% higher than \$12.8 million for H1 2017.
- Professional services revenue was \$14.0 million, 11% higher than \$12.6 million in H1 2017.
- Total gross profit margin was 50%, compared to 49% in H1 2017.
- Operating expenses were flat year-over-year at \$15.5 million, compared to \$15.3 million for H1 2017.
- Profit from operations was \$1.7 million, compared to \$563,000 for the same period in fiscal 2017.
- Profit was \$1.4 million or \$0.11 per share for H1 2018 compared to \$334,000 or \$0.03 per share for H1 2017.
- EBITDA was \$2.9 million, compared to \$1.7 million for H1 2017.
- Total contract value bookings amounted to \$21.3 million, compared to \$16.9 million for H1 2017.

The Company has declared a dividend of \$0.05 per share to be paid on January 11, 2018 to shareholders of record at the close of business on December 21, 2017.

TECSYS INC.

**Second Quarter 2018 Results Conference Call**

Date: December 1, 2017 Time: 8:30 am EST

Phone number: (416) 359-3126 or (800) 672-2065

The call can be replayed until December 8, 2017 by calling (416) 626-4100 or (800) 558-5253 (access code: 21862899).

**About TECSYS**

TECSYS provides transformative supply chain solutions that equip our customers to succeed in a rapidly-changing omni-channel world. TECSYS solutions are built on a true enterprise supply chain platform, and include warehouse management, distribution, transportation management, supply management at point-of-use as well as complete financial management and analytics solutions. Customers running on TECSYS' Supply Chain Platform are confident knowing they can execute, day in and day out, regardless of business fluctuations or changes in technology, they can adapt and scale to any business needs or size, and they can expand and collaborate with customers, suppliers and partners as one borderless enterprise. From demand planning to demand fulfillment, TECSYS puts power into the hands of both front-line workers and back office planners, and unshackles business leaders so they can see and manage their supply chains like never before.

TECSYS is the market leader in supply chain solutions for health systems and hospitals. Over 600 mid-size and Fortune 1000 customers trust their supply chains to TECSYS in the healthcare, service parts, third-party logistics, and general wholesale high-volume distribution industries. TECSYS' shares are listed on the Toronto Stock Exchange under the ticker symbol TCS.

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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 30th, 2017. 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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**TECSYS Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Unaudited)  
As at October 31, 2017 and April 30, 2017  
(in thousands of Canadian dollars)

	October 31, 2017	April 30, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 12,458	\$ 13,476
Accounts receivable	11,347	14,218
Work in progress	525	612
Other receivables	705	370
Tax credits	4,562	3,126
Inventory	875	914
Prepaid expenses	1,659	1,899
<b>Total current assets</b>	<b>32,131</b>	<b>34,615</b>
<b>Non-current assets</b>		
Long-term investments	10,007	-
Other long-term receivables	249	-
Tax credits	5,252	5,407
Property and equipment	2,292	2,444
Deferred development costs	2,224	2,751
Other intangible assets	1,415	1,523
Goodwill	3,596	3,596
Deferred tax assets	2,402	2,201
<b>Total non-current assets</b>	<b>27,437</b>	<b>17,922</b>
<b>Total assets</b>	<b>\$ 59,568</b>	<b>\$ 52,537</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 8,348	\$ 9,265
Current portion of long-term debt	55	69
Deferred revenue	9,259	12,094
<b>Total current liabilities</b>	<b>17,662</b>	<b>21,428</b>
<b>Non-current liabilities</b>		
Long-term debt	98	121
Other non-current liabilities	256	277
<b>Total non-current liabilities</b>	<b>354</b>	<b>398</b>
<b>Total liabilities</b>	<b>18,016</b>	<b>21,826</b>
<b>Equity</b>		
Share capital	18,803	8,349
Contributed surplus	9,577	9,577
Retained earnings	13,311	13,064
Accumulated other comprehensive loss	(139)	(279)
<b>Total equity attributable to the owners of the Company</b>	<b>41,552</b>	<b>30,711</b>
<b>Total liabilities and equity</b>	<b>\$ 59,568</b>	<b>\$ 52,537</b>

**TECSYS Inc.****Condensed Interim Consolidated Statements of Income and Comprehensive Income**

(Unaudited)

Three and six-month periods ended October 31, 2017 and 2016

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

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
<b>Revenue:</b>				
Proprietary products	\$ 1,645	\$ 1,779	\$ 2,893	\$ 3,003
Third-party products	1,447	1,505	2,969	2,998
Cloud, maintenance and subscription	6,446	6,193	13,536	12,837
Professional services	7,884	6,457	14,028	12,641
Reimbursable expenses	650	584	1,157	1,136
<b>Total revenue</b>	<b>18,072</b>	<b>16,518</b>	<b>34,583</b>	<b>32,615</b>
<b>Cost of revenue:</b>				
Products	1,372	1,350	2,732	2,613
Services	6,612	6,293	13,504	12,969
Reimbursable expenses	650	584	1,157	1,136
<b>Total cost of revenue</b>	<b>8,634</b>	<b>8,227</b>	<b>17,393</b>	<b>16,718</b>
<b>Gross profit</b>	<b>9,438</b>	<b>8,291</b>	<b>17,190</b>	<b>15,897</b>
<b>Operating expenses:</b>				
Sales and marketing	3,851	3,769	7,484	7,355
General and administration	1,611	1,719	3,187	3,059
Research and development, net of tax credits	2,381	2,483	4,859	4,920
<b>Total operating expenses</b>	<b>7,843</b>	<b>7,971</b>	<b>15,530</b>	<b>15,334</b>
<b>Profit from operations</b>	<b>1,595</b>	<b>320</b>	<b>1,660</b>	<b>563</b>
<b>Net finance (income) costs</b>	<b>(33)</b>	<b>55</b>	<b>(67)</b>	<b>151</b>
<b>Profit before income taxes</b>	<b>1,628</b>	<b>265</b>	<b>1,727</b>	<b>412</b>
Income taxes	272	59	302	78
<b>Profit attributable to the owners of the Company</b>	<b>\$ 1,356</b>	<b>\$ 206</b>	<b>\$ 1,425</b>	<b>\$ 334</b>
Other comprehensive (loss) income:				
Effective portion of changes in fair value on designated revenue hedges	(655)	(136)	140	(861)
<b>Comprehensive income (loss) attributable to the owners of the Company</b>	<b>\$ 701</b>	<b>\$ 70</b>	<b>\$ 1,565</b>	<b>\$ (527)</b>
<b>Basic and diluted earnings per common share</b>	<b>\$ 0.10</b>	<b>\$ 0.02</b>	<b>\$ 0.11</b>	<b>\$ 0.03</b>

**TECSYS Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Unaudited)  
Six-month periods ended October 31, 2017 and 2016  
(in thousands of Canadian dollars)

	<b>Six Months Ended October 31, 2017</b>	<b>Six Months Ended October 31, 2016</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit for the period	\$ 1,425	\$ 334
Adjustments for:		
Depreciation of property and equipment	405	413
Depreciation of deferred development costs	599	683
Depreciation of other intangible assets	235	247
Net finance (income) costs	(67)	151
Unrealized foreign exchange and other	(556)	575
Non-refundable tax credits	(368)	(457)
Income taxes	210	78
Operating activities excluding changes in non-cash working capital items related to operations	1,883	2,024
Accounts receivable	2,871	4,735
Work in progress	87	(1,331)
Other receivables	(327)	(598)
Tax credits	(1,329)	934
Inventory	39	(164)
Prepaid expenses	240	204
Accounts payable and accrued liabilities	(522)	(1,839)
Deferred revenue	(2,835)	(395)
Changes in non-cash working capital items related to operations	(1,776)	1,546
<b>Net cash from operating activities</b>	<b>107</b>	<b>3,570</b>
<b>Cash flows (used in) from financing activities:</b>		
Repayment of long-term debt	(37)	(717)
Issuance of common shares	10,454	-
Payment of dividends	(1,178)	(739)
Interest paid	(1)	(49)
<b>Net cash from (used in) financing activities</b>	<b>9,238</b>	<b>(1,505)</b>
<b>Cash flows (used in) from investing activities:</b>		
Long-term investments	(10,007)	-
Interest received	96	55
Acquisitions of property and equipment	(253)	(233)
Acquisitions of other intangible assets	(127)	(90)
Deferred development costs	(72)	(27)
<b>Net cash used in investing activities</b>	<b>(10,363)</b>	<b>(295)</b>
<b>Net (decrease) increase in cash and cash equivalents during the period</b>	<b>(1,018)</b>	<b>1,770</b>
Cash and cash equivalents - beginning of period	13,476	9,704
<b>Cash and cash equivalents - end of period</b>	<b>\$ 12,458</b>	<b>\$ 11,474</b>

**TECSYS Inc.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
(Unaudited)  
Six-month periods ended October 31, 2017 and 2016  
(in thousands of Canadian dollars, except number of shares)

	Share capital		Contributed	Accumulated	Retained	Total
	Number	Amount	surplus	other comprehensive (loss) income	earnings	
<b>Balance, April 30, 2017</b>	12,315,326	\$ 8,349	\$ 9,577	\$ (279)	\$ 13,064	\$ 30,711
Profit for the period	-	-	-	-	1,425	1,425
Other comprehensive income for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	140	-	140
<b>Total comprehensive income for the period</b>	-	-	-	140	1,425	1,565
Common shares issued under bought deal financing	767,050	10,454	-	-	-	10,454
Dividends to equity owners	-	-	-	-	(1,178)	(1,178)
<b>Total transactions with owners of the Company</b>	767,050	10,454	-	-	(1,178)	9,276
<b>Balance, October 31, 2017</b>	13,082,376	\$ 18,803	\$ 9,577	\$ (139)	\$ 13,311	\$ 41,552
<b>Balance, April 30, 2016</b>	12,315,326	\$ 8,349	\$ 9,577	\$ 607	\$ 8,913	\$ 27,446
Profit for the period	-	-	-	-	334	334
Other comprehensive loss for the period:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(861)	-	(861)
<b>Total comprehensive (loss) income for the period</b>	-	-	-	(861)	334	(527)
Dividends to equity owners	-	-	-	-	(739)	(739)
<b>Total transactions with owners of the Company</b>	-	-	-	-	(739)	(739)
<b>Balance, October 31, 2016</b>	12,315,326	\$ 8,349	\$ 9,577	\$ (254)	\$ 8,508	\$ 26,180