

News Release

FOR IMMEDIATE RELEASE

TECSYS Reports Financial Results for the Second Quarter of Fiscal 2019

Record breaking contract bookings of \$16.2 million, highest in Company history

MONTREAL, November 29, 2018— TECSYS Inc. (TSX: TCS) an industry-leading supply chain management software company, today announced its results for the second quarter of fiscal year 2019, ended October 31, 2018. The unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Second Quarter Highlights:

- Total revenue was \$18.2 million, in line with \$18.1 million for Q2 2018.
- Proprietary products revenue increased 50% to \$2.5 million from \$1.6 million in Q2 2018.
- Cloud, maintenance and subscription revenue was \$6.8 million, a 6% increase from \$6.4 million in Q2 2018.
- Professional services revenue was \$6.9 million compared with \$7.9 million in Q2 2018 which included \$1.0 million of deferred professional services revenue due to termination of a contract and its associated future obligations.
- Total gross profit margin was 52%, even with 52% in Q2 2018.
- Operating expenses were \$8.7 million, compared to \$7.8 million for Q2 2018.
- Profit from operations was \$0.8 million compared to \$1.6 million for the same period in fiscal 2018.
- EBITDA was \$1.4 million, compared to \$2.2 million for Q2 2018.
- Total contract value bookings amounted to \$16.2 million, up 41% compared to \$11.5 million for the same period in fiscal 2018.
- Backlog grew to \$51.7 million, compared to \$42.4 million at the end of Q2 2018.
- Cash and cash equivalents, as well as redeemable short-term and long-term investments, totaled \$21.7 million at the end of Q2 fiscal 2019, compared to \$23.5 million at the end of Q4 2018.

“We have achieved record quarterly bookings driven by healthcare base accounts which grew 196% YoY,” said Peter Brereton, President and CEO of Tecsys Inc. “We are off to a good start with our recent acquisition, OrderDynamics. The OrderDynamics platform processed \$40M worth of orders during black Friday week, an impressive 144% increase over last year. Our pipeline remains strong and we will focus on capitalizing on our strong market position by growing our sales team and investing in marketing as we look to the second half of the year.”

In thousands of dollars except per share amounts:

Results from Operations	Q2 2019	Q2 2018	6 months ended Oct. 31, 2018	6 months ended Oct. 31, 2017	Trailing 12 months ended Oct. 31, 2018	Trailing 12 months ended Oct. 31, 2017
Total Revenue	\$18,184	\$18,072	\$34,466	\$34,583	\$70,602	\$70,415
Gross Margin	\$9,510	\$9,438	\$17,373	\$17,190	\$34,779	\$35,489
Gross Margin %	52%	52%	50%	50%	49%	50%
Operating Expenses	\$8,686	\$7,843	\$16,368	\$15,530	\$31,459	\$26,441*
Op. Ex. As % of Revenue	48%	43%	47%	45%	45%	38%
Profit from Operations	\$824	\$1,595	\$726	\$1,660	\$3,320	\$9,048*
EBITDA	\$1,422	\$2,184	1,958	\$2,871	5,577	\$11,486*
EPS	\$0.05	\$0.10	\$0.05	\$0.11	\$0.24	\$0.57*
Contract Bookings	\$16,226	\$11,453	\$26,865	\$21,345	\$53,620	\$47,037
Backlog	\$51,657	\$42,350				

* Recognized \$4.6 million of Canadian federal non-refundable R&D tax credit

“The comparison of FY19 Q2 Operating Profit and EBITDA to prior year results is challenging given the impact of (a) \$1.0 million of deferred professional services revenue recognized in FY18 Q2 resulting from the contract termination in that prior period and (b) costs related to the acquisition of OrderDynamics and stock-based compensation expenses of \$0.2 million recognized in the current period. That said, we are pleased with FY19 Q2 profitability and will continue to invest in sales and marketing and research and development to take advantage of market opportunity” said Mark J. Bentler, Chief Financial Officer.

First Half Fiscal 2019 Highlights:

- Total revenue was \$34.5 million, in line with \$34.6 million for H2 2018.
- Proprietary products revenue increased 31% to \$3.8 million, compared to \$2.9 million for H2 2018.
- Cloud, maintenance and subscription revenue was \$13.8 million, compared with \$13.5 million for Q2 2018.
- Professional services revenue was \$13.0 million, compared with \$14.0 million in H2 2018.

- Total gross profit margin was even with H2 2018 at 50%.
- Operating expenses were \$16.4 million, compared to \$15.5 million for Q2 2018.
- Profit from operations was \$0.7 million, compared to \$1.7 million for the same period in fiscal 2018.
- Profit was \$0.6 million or \$0.05 per share compared with \$1.4 million or \$0.11 per share in H2 2018.
- EBITDA was \$2.0 million, compared to \$2.9 million for H2 2018.
- Total contract value bookings increased 26% to \$26.9 million, compared to \$21.3 million for H2 2018.

The Company has increased its dividend to \$0.055 per share to be paid on January 11, 2019 to shareholders of record at the close of business on December 21, 2018.

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

Second Quarter 2019 Results Conference Call

Date: November 30, 2018

Time: 8:30 am EST

Phone number: (416) 981-9070 or (888) 224-3715

The call can be replayed until December 7th, 2018 by calling (416) 626-4100 or (800) 558 5253 (access code: 21900462).

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 and 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 need 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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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 30th, 2018. 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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TECSYS Inc.**Condensed Interim Consolidated Statements of Financial Position**

As at October 31, 2018 and April 30, 2018

(in thousands of Canadian dollars)

	31-Oct-18 2018 (Unaudited)	April 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 11,708	\$ 13,496
Short-term investment	10,007	-
Accounts receivable	13,485	13,939
Work in progress	900	617
Other receivables	430	535
Tax credits	4,964	3,391
Inventory	878	1,145
Prepaid expenses	2,664	1,829
Total current assets	45,036	34,952
Non-current assets		
Long-term investments	-	10,007
Other long-term receivables	208	215
Tax credits	4,978	4,840
Property and equipment	2,759	3,091
Deferred development costs	1,357	1,850
Other intangible assets	1,164	1,342
Goodwill	3,596	3,596
Deferred tax assets	3,595	3,524
Total non-current assets	17,657	28,465
Total assets	\$ 62,693	\$ 63,417
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,269	\$ 9,087
Current portion of long-term debt	47	47
Deferred revenue	11,894	10,774
Total current liabilities	20,210	19,908
Non-current liabilities		
Long-term debt	51	74
Other non-current liabilities	294	300
Total non-current liabilities	345	374
Total liabilities	20,555	20,282
Contingencies and commitments		
Equity		
Share capital	19,144	19,144
Contributed surplus	9,694	9,577
Retained earnings	13,407	14,527
Accumulated other comprehensive income (loss)	(107)	(113)
Total equity attributable to the owners of the Company	42,138	43,135
Total liabilities and equity	\$ 62,693	\$ 63,417

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
Three and six-month periods ended October 31, 2018 and 2017
(in thousands of Canadian dollars, except per share data)

	Six Months Ended October 31, 2018 (unaudited)	Six Months Ended October 31, 2017 (unaudited)	Three Months Ended October, 2018 (unaudited)	Three Months Ended October, 2017 (unaudited)
Revenue:				
Proprietary products	3,786 \$	2,893 \$	2,461 \$	1,645 \$
Third-party products	2,812	2,969	1,356	1,447
Cloud, maintenance and subscription	13,827	13,536	6,836	6,446
Professional services	12,998	14,028	6,931	7,884
Reimbursable expenses	1,043	1,157	600	650
Total revenue	34,466	34,583	18,184	18,072
Cost of revenue:				
Products	2,644	2,732	1,369	1,372
Services	13,685	13,504	6,705	6,612
Reimbursable expenses	1,043	1,157	600	650
Total cost of revenue	17,372	17,393	8,674	8,634
Gross profit	17,094	17,190	9,510	9,438
Operating expenses:				
Sales and marketing	7,534	7,484	4,100	3,851
General and administration	3,511	3,187	1,931	1,611
Research and development, net of tax credits	5,323	4,859	2,655	2,381
Total operating expenses	16,368	15,530	8,686	7,843
Profit from operations	726	1,660	824	1,595
Net finance (income)	(141)	(67)	(49)	(33)
Profit before income taxes	867	1,727	873	1,628
Income taxes expense	258	302	277	272
Profit attributable to the owners of the Company	609 \$	1,425 \$	596 \$	1,356 \$
Other comprehensive income (loss):				
Effective portion of changes in fair value on designated revenue hedges	6	140	(44)	(655)
Comprehensive income attributable to the owners of the Company	615 \$	1,565 \$	552 \$	701 \$
Basic and diluted earnings per common share	0.05	0.11 \$	0.05 \$	0.10 \$

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.
Condensed Interim Consolidated Statements of Cash Flows
Three and six-month periods ended October 31, 2018 and 2017
(in thousands of Canadian dollars)

	Six Months Ended October 31, 2018 (unaudited)	Six Months Ended October 31, 2017 (unaudited)	Three Months Ended October 31, 2018 (unaudited)	Three Months Ended October 31, 2017 (unaudited)
Cash flows from (used in) operating activities:				
Profit for the year	\$ 609	\$ 1,356	\$ 596	\$ 1,356
Adjustments for:				
Depreciation of property and equipment	435	202	212	202
Depreciation of deferred development costs	558	297	280	297
Depreciation of other intangible assets	243	117	121	117
Net finance (income)	(141)	(33)	(49)	(33)
Unrealized foreign exchange and other	29	266	(113)	266
Non-refundable tax credit	(475)	(179)	(248)	(179)
Stock-based compensation	117	-	117	-
Income taxes	265	210	265	210
Operating activities excluding changes in non-cash working capital items related to operations	1,640	2,236	1,181	2,236
Accounts receivable	454	391	(915)	391
Work in progress	(283)	170	374	170
Other receivable	78	27	262	27
Tax credits	(1,417)	(641)	(740)	(641)
Inventory	267	158	44	158
Prepaid expenses	(429)	164	(18)	164
Accounts payable and accrued liabilities	(818)	702	35	702
Deferred revenue	139	(2,601)	(1,518)	(2,601)
Changes in non-cash working capital items related to operations	(2,009)	(1,630)	(2,476)	(1,630)
Net cash (used in) from operating activities	(369)	606	(1,295)	606
Cash flows (used in) financing activities:				
Repayment of long-term debt	(23)	(18)	(11)	(18)
Issuance of common shares	-	(1)	-	(1)
Payment of dividends	(1,308)	(1,178)	(1,308)	(1,178)
Interest paid	-	-	-	-
Net cash (used in) from financing activities	(1,331)	(1,197)	(1,319)	(1,197)
Cash flows (used in) investing activities:				
Long-term investments	-	(10,007)	-	(10,007)
Interest received	145	60	64	60
Acquisitions of property and equipment	(103)	(165)	(66)	(165)
Acquisitions of other intangible assets	(65)	(85)	(48)	(85)
Deferred development costs	(65)	-	(10)	-
Net cash (used in) investing activities	(88)	(10,197)	(60)	(10,197)
Net decrease in cash and cash equivalents during the year	(2,674)	(10,788)	(2,674)	(10,788)
Cash and cash equivalents - beginning of year	14,382	23,246	14,382	23,246
Cash and cash equivalents - end of year	11,708	12,458	11,708	12,458

TECSYS Inc.
Condensed Interim Consolidated Statements of Changes in Equity
Six-Month periods ended October 31, 2018 and 2017
(in thousands of Canadian dollars, except number of shares)

	Share capital		Contributed	Accumulated	Retained	Total
	Number	Amount	surplus	other comprehensive income (loss)	earnings	
Balance, April 30, 2018	13,082,376	\$ 19,144	\$ 9,577	\$ (113)	\$ 14,527	\$ 43,135
Adjustment on initial application of IFRS 15	-	-	-	-	(421)	(421)
	13,082,376	19,144	9,577	(113)	14,106	42,714
Profit for the year	-	-	-	-	609	609
Other comprehensive income for the year:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	6	-	6
Total comprehensive income for the year	-	-	-	6	609	615
Dividends to equity owners					(1,308)	(1,308)
Stock based compensation	-	-	117	-	-	117
Total transactions with owners of the Company	-	-	117	-	(1,308)	(1,191)
Balance, October 31, 2018	13,082,376	\$ 19,144	\$ 9,694	\$ (107)	\$ 13,407	\$ 42,138
Balance, April 30, 2017	12,315,326	\$ 8,349	\$ 9,577	\$ (279)	\$ 13,064	\$ 30,711
Profit for the year	-	-	-	-	1,425	1,425
Other comprehensive loss for the year:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	140	-	140
Total comprehensive income (loss) for the year	-	-	-	140	1,425	1,565
Common shares issued under bought deal financing, net of taxes of \$306	767,050	10,454	-	-	-	10,454
Dividends to equity owners	-	-	-	-	(1,178)	(1,178)
Total transactions with owners of the Company	767,050	10,454	-	-	(1,178)	9,276
Balance, October 31, 2017	13,082,376	\$ 18,803	\$ 9,577	\$ (139)	\$ 13,311	\$ 41,552

See accompanying notes to the consolidated financial statements.