



News Release

FOR IMMEDIATE RELEASE

Tecsyst Reports Financial Results for the Second Quarter of Fiscal 2024

SaaS Revenue Rises 37% in the Second Quarter, SaaS RPO reaches \$147 million

Montreal, November 30, 2023 — [Tecsyst Inc.](#) (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the second quarter fiscal year 2024, ended October 31, 2023. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

“We have made notable progress this quarter, with a 37% increase in SaaS revenue,” said Peter Brereton, president and CEO of Tecsyst. “Our activities in the quarter have strengthened our market position, bolstered our customer and partner communities, and reaffirmed our commitment to innovation. We are seeing strong pipeline expansion and activity across verticals. Notably, there is accelerated demand for our pharmacy supply chain solutions, where we have multiple new customer proof points in the face of Drug Supply Chain Security Act regulation enforcement. On top of that, our user conference in Scottsdale in the month of September was excellent, with attendance up 40% and a massive increase in average customer size.”

Mark Bentler, chief financial officer of Tecsyst adds, “We continue to see positive momentum with SaaS RPO up 34%, our SaaS margins continuing to expand and our partner driven pipeline up 98% from the same time last year.”

Second Quarter Highlights:

- SaaS revenue increased by 37% to \$12.1 million, up from \$8.8 million in Q2 2023.
- SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) increased by 34% to \$3.7 million, compared to \$2.8 million in the second quarter of fiscal 2023.
- SaaS Remaining Performance Obligation (RPOⁱ) increased by 34% to \$146.7 million at October 31, 2023, up from \$109.5 million at the same time last year.
- Annual Recurring Revenue (ARRⁱ) at October 31, 2023 was up 19% to \$84.9 million compared to \$71.2 million at October 31, 2022.
- Professional services revenue was down by 5% to \$12.9 million compared to \$13.5 million in Q2 fiscal 2023.
- Total revenue excluding hardware revenue was \$34.1 million, 8% higher than \$31.5 million reported for Q2 last year, while total revenue rose 9% to reach \$41.5 million.



- Gross margin was 44%, flat compared to the same period of fiscal 2023.
- Total gross profit increased to \$18.3 million, up 10% from \$16.7 million in Q2 fiscal 2023.
- Operating expenses increased to \$18.7 million, higher by \$3.1 million or 20% compared to \$15.6 million in Q2 last year.
- Loss from operations was \$0.4 million compared to Profit from operations of \$1.0 million in Q2 last year.
- Net loss was \$340 thousand or \$0.02 per share on a fully diluted basis in Q2 fiscal 2024, compared to net profit of \$0.7 million or \$0.05 per share for the same period in fiscal 2023.
- Adjusted EBITDAⁱⁱ was \$1.0 million compared to \$2.8 million reported in Q2 last year.

Year-to-date performance for first half of Fiscal 2024:

- SaaS revenue increased by 40% to \$23.6 million, up from \$16.8 million in the same period of fiscal 2023.
- SaaS subscription bookingsⁱ (measured on an ARRⁱ basis) decreased by 15% to \$5.7 million, compared to \$6.7 million in the same period of fiscal 2023.
- Professional services revenue was up 2% to \$27.8 million compared to \$27.2 million in the same period of fiscal 2023.
- Total revenue excluding hardware revenue was \$69.2 million, 12% higher than \$61.8 million reported for the same period of fiscal 2023, while total revenue rose 15% to reach \$83.5 million.
- Gross margin was 45% for the first half of fiscal 2024 compared to 43% for the same period in fiscal 2023.
- Total gross profit increased to \$37.8 million, up 20% from \$31.4 million in the same period of fiscal 2023.
- Operating expenses increased to \$36.5 million, higher by \$6.2 million or 20% compared to \$30.3 million in the same period of fiscal 2023.
- Profit from operations was \$1.4 million, up from \$1.1 million in the same period of fiscal 2023.
- Net profit was \$0.8 million or \$0.06 per fully diluted share compared to \$0.8 million or \$0.05 per share on a fully diluted basis for the same period in fiscal 2023.
- Adjusted EBITDAⁱⁱ was \$4.2 million compared to \$4.3 million reported in the same period of fiscal 2023.

“Despite a temporary dip in professional services revenue this quarter due to project scheduling and the swift growth of our partner ecosystem, we maintain a strong backlog” added Mark Bentler “We anticipate continued growth in professional services revenue and are adequately staffed to meet these demands. As a result of that temporary slow down in professional services revenue, we are adjusting our short-term Adjusted EBITDA outlook to provide a range, while affirming our Adjusted EBITDA guidance for Fiscal 2025 and our SaaS and total revenue growth guidance for Fiscal 2024.”



Financial Guidance:

Tecsys is updating financial guidance as follows:

	Current	Previous	Reiterate
	FY24 Guidance	FY24 Guidance	FY25 Guidance
Total Revenue Growth	10-15%	10-15%	n.a.
SaaS Revenue Growth	35-37%	35-37%	n.a.
Adjusted EBITDA¹ Margin	4-6%	6%	8-9%

On November 30, 2023, the Company declared a quarterly dividend of \$0.08 per share to be paid on January 5, 2024 to shareholders of record on December 14, 2023.

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

ⁱ See Key Performance Indicators in Management’s Discussion and Analysis of the Q2 2024 Financial Statements.

ⁱⁱ See Non-IFRS Performance Measures in Management’s Discussion and Analysis of the Q2 2024 Financial Statements.

Second Quarter Fiscal 2024 Results Conference Call

Date: December 1, 2023

Time: 8:30am EST

Phone number: 877-224-7327 or 416-641-6705

The call can be replayed until December 8, 2023 by calling:

800-558-5253 or 416-626-4144 (access code: 22028536)



About Tecsys

Since our founding 40 years ago, much has changed in the realm of supply chain technology. But one thing has remained constant; by developing dynamic and innovative supply chain solutions, Tecsys has been equipping organizations for growth and competitive advantage. Serving healthcare, distribution and converging commerce industries, and spanning multiple complex, regulated and high-volume markets, Tecsys delivers warehouse management, distribution and transportation management, supply management at point of use, and 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.

Contact

- **Public Relations:** Adam Polka adam.polka@tecsys.com
- **Investor Relations:** investor@tecsys.com
- **General Information:** info@tecsys.com
- **By Phone:** (514) 866-0001 or (800) 922-8649



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.tecsyst.com) and on SEDAR+ (www.sedarplus.ca).

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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,	
	2023	2022	2023	2022	2023	2022
Net profit for the period	\$ (340)	\$ 715	\$ 831	\$ 755	\$ 2,165	\$ 4,281
Adjustments for:						
Depreciation of property and equipment and right-of-use assets	377	429	761	859	1,677	1,925
Amortization of deferred development costs	147	114	289	216	569	383
Amortization of other intangible assets	394	394	790	790	1,603	1,580
Interest expense	53	178	91	297	200	613
Interest income	(253)	(150)	(522)	(254)	(954)	(648)
Income taxes	(81)	389	778	414	1,988	(160)
EBITDA	\$ 297	\$ 2,069	\$ 3,018	\$ 3,077	\$ 7,248	\$ 7,974
Adjustments for:						
Stock based compensation	724	708	1,176	1,184	2,169	1,945
Gain on remeasurement of lease liability	-	-	-	-	-	(573)
Recognition of tax credits generated in prior periods	-	-	-	-	-	(617)
Adjusted EBITDA ⁱⁱ	\$ 1,021	\$ 2,777	\$ 4,194	\$ 4,261	\$ 9,417	\$ 8,729



Consolidated Statements of Financial Position
As at October 31, 2023 and April 30, 2023
(In thousands of Canadian dollars)

	October 31, 2023	April 30, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 17,374	\$ 21,235
Short-term investments	16,266	15,835
Accounts receivable	20,625	22,900
Work in progress	3,949	1,734
Other receivables	412	523
Tax credits	8,516	5,338
Inventory	2,117	1,034
Prepaid expenses	8,833	8,193
Total current assets	78,092	76,792
Non-current assets		
Other long-term receivables	119	363
Tax credits	5,723	5,368
Property and equipment	1,540	1,802
Right-of-use assets	1,463	1,708
Contract acquisition costs	3,598	3,738
Deferred development costs	2,465	2,254
Other intangible assets	8,393	9,287
Goodwill	17,347	17,467
Deferred tax assets	8,137	8,137
Total non-current assets	48,785	50,124
Total assets	\$ 126,877	\$ 126,916
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,445	\$ 21,669
Deferred revenue	32,999	30,388
Lease obligations	789	793
Total current liabilities	53,233	52,850
Non-current liabilities		
Other long-term accrued liabilities	1,825	253
Deferred tax liabilities	1,232	1,255
Lease obligations	1,713	2,120
Total non-current liabilities	4,770	3,628
Total liabilities	\$ 58,003	\$ 56,478
Equity		
Share capital	\$ 47,642	\$ 44,338
Contributed surplus	15,128	15,285
Retained earnings	9,455	10,832
Accumulated other comprehensive income (loss)	(3,351)	(17)
Total equity attributable to the owners of the Company	68,874	70,438
Total liabilities and equity	\$ 126,877	\$ 126,916



Consolidated Statements of Income and Comprehensive Income
For the three and six-month periods ended October 31, 2023 and 2022
(In thousands of Canadian dollars, except per share data)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2023	2022	2023	2022
Revenue:				
SaaS	\$ 12,072	\$ 8,798	\$ 23,567	\$ 16,799
Maintenance and Support	8,899	8,098	17,197	16,366
Professional Services	12,869	13,539	27,777	27,170
License	252	1,055	708	1,514
Hardware	7,397	6,621	14,215	10,466
Total revenue	41,489	38,111	83,464	72,315
Cost of revenue	23,144	21,432	45,619	40,878
Gross profit	18,345	16,679	37,845	31,437
Operating expenses:				
Sales and marketing	8,645	6,703	16,316	12,953
General and administration	2,971	3,072	5,930	5,806
Research and development, net of tax credits	7,133	5,856	14,245	11,540
Total operating expenses	18,749	15,631	36,491	30,299
(Loss) profit from operations	(404)	1,048	1,354	1,138
Other costs (income)	17	(56)	(255)	(31)
(Loss) profit before income taxes	(421)	1,104	1,609	1,169
Income tax (benefit) expense	(81)	389	778	414
Net (loss) profit	\$ (340)	\$ 715	\$ 831	\$ 755
Other comprehensive income (loss):				
Effective portion of changes in fair value on designated revenue hedges	(5,573)	(2,007)	(3,000)	(1,853)
Exchange differences on translation of foreign operations	92	496	(334)	192
Comprehensive loss	\$ (5,821)	\$ (796)	\$ (2,503)	\$ (906)
Basic and diluted (loss) earnings per common share	\$ (0.02)	\$ 0.05	\$ 0.06	\$ 0.05

See accompanying notes to the consolidated financial statements.



Consolidated Statements of Cash Flows
For the three and six-month periods ended October 31, 2023 and 2022
(In thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2023	2022	2023	2022
Cash flows from operating activities:				
Net profit	\$ (340)	\$ 715	\$ 831	\$ 755
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	377	429	761	859
Amortization of deferred development costs	147	114	289	216
Amortization of other intangible assets	394	394	790	790
Interest expense (income) and foreign exchange (gain) loss	17	(56)	(255)	(31)
Unrealized foreign exchange and other	600	1,063	(598)	691
Non-refundable tax credits	(774)	(439)	(1,214)	(860)
Stock-based compensation	724	708	1,176	1,184
Income taxes	362	305	376	330
Net cash from operating activities excluding changes in non-cash working capital items related to operations	1,507	3,233	2,156	3,934
Accounts receivable	4,045	(3,847)	2,225	(4,390)
Work in progress	(1,390)	883	(2,219)	(71)
Other receivables	214	105	(48)	(230)
Tax credits	(1,248)	(1,081)	(2,319)	(2,129)
Inventory	(242)	112	(1,084)	(143)
Prepaid expenses	(358)	380	(641)	(182)
Contract acquisition costs	137	(77)	140	(330)
Accounts payable and accrued liabilities	273	3,056	(3,293)	136
Deferred revenue	1,246	4,415	2,622	5,653
Changes in non-cash working capital items related to operations	2,677	3,946	(4,617)	(1,686)
Net cash provided by (used in) operating activities	4,184	7,179	(2,461)	2,248
Cash flows from financing activities:				
Repayment of long-term debt	-	(300)	-	(600)
Payment of lease obligations	(199)	(178)	(398)	(422)
Payment of dividends	(2,208)	(2,038)	(2,208)	(2,038)
Interest paid	(53)	(178)	(91)	(297)
Issuance of common shares on exercise of stock options	881	35	2,644	97
Shares repurchased and cancelled	(673)	-	(673)	-
Net cash used in financing activities	(2,252)	(2,659)	(726)	(3,260)
Cash flows from investing activities:				
Interest received	33	25	69	37
Transfer from short-term investments	-	-	22	-
Acquisitions of property and equipment	(163)	(171)	(265)	(231)
Deferred development costs	(253)	(258)	(500)	(467)
Net cash used in investing activities	(383)	(404)	(674)	(661)
Net increase (decrease) in cash and cash equivalents during the period	1,549	4,116	(3,861)	(1,673)
Cash and cash equivalents - beginning of period	15,825	17,215	21,235	23,004
Cash and cash equivalents - end of period	\$ 17,374	\$ 21,331	\$ 17,374	\$ 21,331

See accompanying notes to the consolidated financial statements.



Consolidated Statements of Changes in Equity
For the three and six -month periods ended October 31, 2023 and 2022
(In thousands of Canadian dollars, except number of shares)

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
	Number	Amount				
Balance, May 1, 2023	14,582,837	\$ 44,338	\$ 15,285	\$ (17)	\$ 10,832	\$ 70,438
Net profit	-	-	-	-	831	831
Other comprehensive income:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(3,000)	-	(3,000)
Exchange difference on translation of foreign operations	-	-	-	(334)	-	(334)
Total comprehensive (loss) income	-	-	-	(3,334)	831	(2,503)
Shares repurchased and cancelled	(25,800)	(84)	(589)	-	-	(673)
Stock-based Compensation	-	-	1,176	-	-	1,176
Dividends to equity owners	-	-	-	-	(2,208)	(2,208)
Share options exercised	161,249	3,388	(744)	-	-	2,644
Total transactions with owners of the Company	135,449	\$ 3,304	\$ (157)	\$ -	\$ (2,208)	\$ 939
Balance, October 31, 2023	14,718,286	\$ 47,642	\$ 15,128	\$ (3,351)	\$ 9,455	\$ 68,874
Balance, May 1, 2022	14,562,895	\$ 43,973	\$ 13,176	\$ (1,434)	\$ 12,968	\$ 68,683
Net profit	-	-	-	-	755	755
Other comprehensive income:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(1,853)	-	(1,853)
Exchange difference on translation of foreign operations	-	-	-	192	-	192
Total comprehensive (loss) income	-	-	-	(1,661)	755	(906)
Stock-based Compensation	-	-	1,184	-	-	1,184
Dividends to equity owners	-	-	-	-	(2,038)	(2,038)
Share options exercised	5,999	121	(24)	-	-	97
Total transactions with owners of the Company	5,999	\$ 121	\$ 1,160	\$ -	\$ (2,038)	\$ (757)
Balance, October 31, 2022	14,568,894	\$ 44,094	\$ 14,336	\$ (3,095)	\$ 11,685	\$ 67,020

See accompanying notes to the consolidated financial statements.