



2nd Quarter Fiscal 2024 Report

40 Years of **Growth**



Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management Discussion and Analysis (MD&A) dated November 30, 2023, comments on our operations, financial performance and financial condition as at and for the three and six-month periods ended October 31, 2023 and October 31, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Tecsys Inc. ("Tecsys", the "Company") and Notes thereto, which are included in this document, and the annual report for the year ended April 30, 2023. The Company's second quarter of fiscal year 2024 ended on October 31, 2023.

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). The unaudited condensed interim consolidated financial statements are prepared by and are the responsibility of the Company's Management.

This document and the unaudited condensed interim consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. The functional currency of the Company and its subsidiaries is the Canadian dollar with the exception of its Danish subsidiaries whose functional currency is the Danish kroner.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 30, 2023. Additional information about Tecsys Inc., including copies of the continuous disclosure materials such as the annual information form and the management proxy circular, can be obtained from SEDAR+ at www.sedarplus.ca.

Forward-Looking Information

This management's discussion and analysis contains "forward-looking information" within the meaning of applicable securities legislation. Although the forward-looking information is based on what the Company believes are reasonable assumptions, current expectations, and estimates, investors are cautioned from placing undue reliance on this information since actual results may vary from the forward-looking information. Forward-looking information may be identified by the use of forward-looking terminology such as "believe", "intend", "may", "will", "expect", "estimate", "anticipate", "continue" or similar terms, variations of those terms or the negative of those terms, and the use of the conditional tense as well as similar expressions.

Such forward-looking information that is not historical fact, including statements based on management's belief and assumptions, cannot be considered as guarantees of future performance. They are subject to a number of risks and uncertainties, including but not limited to future economic conditions, the markets that the Company serves, the actions of competitors, major new technological trends, and other factors, many of which are beyond the Company's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. The Company undertakes no obligation to update publicly any forward-looking information whether as a result of new information, future events or otherwise other than as required by applicable legislation. Important risk factors that may affect these expectations include, but are not limited to, the factors described under the section "Risks and Uncertainties" in the Company's annual report for the year ended April 30, 2023.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this management discussion and analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) competitive environment; (ii) operating risks; (iii) the Company's management and employees; (iv) capital investment by the Company's customers; (v) customer project implementations; (vi) liquidity; (vii) current global financial and geopolitical conditions; (viii) implementation of the Company's commercial strategic plan; (ix) credit; (x) potential product liabilities and other lawsuits to which the Company may be subject; (xi) additional financing and dilution; (xii) market liquidity of the Company's common shares; (xiii) development of new products; (xiv) intellectual property and other proprietary rights; (xv) acquisition and expansion; (xvi) foreign currency; (xvii) interest rates; (xviii) technology and regulatory changes; (xix) internal information technology infrastructure and

applications and (xx) cyber security.

Use of non-IFRS Performance Measures

The Company uses certain non-IFRS financial performance measures in its MD&A and other communications which are described in the “Non-IFRS Performance Measures” section of this MD&A. The non-IFRS measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Company’s performance.

Overview

Tecsys is a global provider of cloud-based supply chain solutions that equip the borderless enterprise for growth and competitive advantage. Tecsys caters to multiple complex, regulated and high-volume distribution industries. Dynamic and powerful solutions include warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, financial management and analytics solutions.

Customers running on Tecsys’ supply chain platform have confidence they can execute with consistency, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating on a Tecsys platform can adapt and scale to business needs or size, enabling them to expand and collaborate with customers, suppliers and partners as one borderless enterprise. The platform allows organizations to transform their supply chains for agility and performance at the speed that their growth demands. From demand planning to demand fulfillment, Tecsys puts power into the hands of both front-line workers and back-office planners, enabling business leaders to establish sustainable and scalable logistics so they can focus on the future of their products, services and people, not on their operational challenges.

Customers around the world trust their supply chains to Tecsys in the healthcare, automotive and service parts, third-party logistics, converging commerce, and industrial and general wholesale high-volume distribution markets. Tecsys is the market leader in North America for supply chain solutions for health systems and hospitals. It serves a number of marquee brands located in the U.S., Canada, Europe and Australia, and continues to expand its global footprint across its principal markets.

The Company has five principal sources of revenue:

- Software as a service (SaaS) subscription which represent the right to access our software platform in a hosted and managed environment for a period of time; these subscriptions are typically sold in three to five year term agreements with auto-renewal provisions;
- Maintenance and support services sold with perpetual licenses and hardware maintenance services; these services are typically sold in annual agreements with auto-renewal provisions;
- Professional services, including implementation, consulting and training services provided to customers;
- Licenses; and
- Hardware.

Tecsys expects SaaS revenue to continue to grow over time. Revenue from maintenance and support services relate in a large part to our prior business model of selling perpetual licenses with attached maintenance and support fees. Revenue from maintenance and support services also results from selling hardware with attached maintenance which is part of our continuing business model. The Company expects maintenance and support services revenue to generally decline over time as new customers acquire SaaS subscriptions and existing customers eventually migrate to SaaS.

In the three and six months ended October 31, 2023, the Company generated \$41.5 million and \$83.5 million in total revenue, respectively. The revenue mix for the three months ended October 31, 2023, was: SaaS 29%;

maintenance and support 21%; professional services 31%; license 1%; and hardware 18%. The revenue mix for the three months ended October 31, 2022 was: SaaS 23%; maintenance and support 21%; professional services 36%; license 3%; and hardware 17%.

The revenue mix for the six months ended October 31, 2023, was: SaaS 28%; maintenance and support 21%; professional services 33%; license 1%; and hardware 17%. The revenue mix for the six months ended October 31, 2022 was: SaaS 23%; maintenance and support 23%; professional services 38%; license 2%; and hardware 14%.

Key Performance Indicators

The Company uses certain key performance indicators in its MD&A and other communications which are described in the following section. These key performance indicators do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled indicators reported by other companies and cannot be reconciled to a directly comparable IFRS measure. Readers are cautioned that the disclosure of these metrics are meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses IFRS and Non-IFRS measures as well as key performance indicators when planning, monitoring and evaluating the Company's performance.

Recurring Revenue

Recurring revenue (also referred to as Annual Recurring Revenue (ARR)) is defined as the contractually committed purchase of SaaS, maintenance, and customer support services over the next twelve months. The quantification assumes that the customer will renew the contractual commitment on a periodic basis as they come up for renewal unless the customer has cancelled. This portion of the Company's revenue is predictable and stable.

Bookings

Broadly speaking, bookings refer to the total value of accepted contracts. This includes SaaS ARR bookings (the average annual value of committed SaaS recurring revenue at the time of contract signing) and professional services bookings. The Company believes that these metrics are primary indicators of business performance.

Backlog

Backlog in general refers to the value of contracted revenue that is not yet recognized. Our backlog reporting focuses on (a) Annual Recurring Revenue, (b) Professional Services Backlog and (c) Remaining Performance Obligation (RPO). The Company enters into SaaS subscription agreements that are typically multi-year performance obligations with original contract terms of three to five years. SaaS RPO represents revenue that we expect to recognize in the future related to firm performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. Unlike ARR which has a one-year time horizon, SaaS RPO can include multiple years of contracted SaaS subscriptions.

Results of Operations

The following table presents a summary of the results of operations:

<i>(in thousands of CAD, except earnings per share)</i>	Three months ended October 31,		Six months ended October 31,	
	2023	2022	2023	2022
Statement of Operations				
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	18,749	15,631	36,491	30,299
(Loss) profit from operations	(404)	1,048	1,354	1,138
Other cost (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
Adjusted EBITDA ¹	\$ 1,021	\$ 2,777	\$ 4,194	\$ 4,261
Basic and diluted earnings per share	\$ (0.02)	\$ 0.05	\$ 0.06	\$ 0.05
SaaS Remaining Performance Obligation (RPO) ²			\$ 146,688	\$ 109,534
Total Annual Recurring Revenue (ARR) ²			\$ 84,946	\$ 71,198

Non-IFRS Performance Measures

The terms and definitions of the non-IFRS measures used in this MD&A are provided below. These non-IFRS measures do not have any standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

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.

¹ Refer to section below "Non-IFRS Performance Measures" for definition.

² Refer to section "Key Performance Indicators" for definition.

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,		
	2023	2022		2023	2022	
Net (loss) profit for the period	\$ (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	53	178		91	297	
Interest income	(253)	(150)		(522)	(254)	
Income taxes	(81)	389		778	414	
EBITDA	\$ 297	\$ 2,069		\$ 3,018	\$ 3,077	
Adjustments for:						
Stock based compensation	724	708		1,176	1,184	
Adjusted EBITDA	\$ 1,021	\$ 2,777		\$ 4,194	\$ 4,261	

Constant currency

Financial results at constant currency allow results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial results at constant currency are obtained by translating prior period results denominated in U.S. dollars and Danish kroner at the foreign exchange rates of the current period. Current period foreign exchange rates used in the constant currency translation include the impact of designated U.S. dollar revenue hedges.

Revenue

Total revenue for the three and six months ended October 31, 2023, was \$41.5 million and \$83.5 million, respectively, an increase of \$3.4 million or 9% and \$11.2 million or 15%, respectively, compared to the same periods last year. Total revenue excluding hardware for the three and six months ended October 31, 2023 increased by 8% and 12%, respectively, compared to the same periods last year (5% and 8%, respectively on a constant currency basis). Revenue is broken down as follows:

<i>(in thousands of CAD)</i>	Three months ended October 31,			Six months ended October 31,		
	2023	2022	Change %	2023	2022	Change %
SaaS	\$ 12,072	\$ 8,798	37%	\$ 23,567	\$ 16,799	40%
Maintenance and support	8,899	8,098	10%	17,197	16,366	5%
Professional services	12,869	13,539	-5%	27,777	27,170	2%
License	252	1,055	-76%	708	1,514	-53%
Hardware	7,397	6,621	12%	14,215	10,466	36%
Total Revenue	\$ 41,489	\$ 38,111	9%	\$ 83,464	\$ 72,315	15%
Total Revenue Excluding Hardware	\$ 34,092	\$ 31,490	8%	\$ 69,249	\$ 61,849	12%

Approximately 73% of the Company's revenues were generated in U.S. dollars during the second quarter of Fiscal 2024 (2023-70%). The U.S. dollar averaged CA\$1.3576 in the second quarter of Fiscal 2024 in comparison to CA\$1.3314 in the same period of Fiscal 2023. The increase in the value of the U.S dollar combined with the net impact of the Company's partial hedging of U.S. revenue gave rise to a net favorable foreign currency related revenue variance of \$0.9 million in comparison to the second quarter of Fiscal 2023.

Approximately 73% of the Company's revenues were generated in U.S. dollars during the first six months of Fiscal 2024 (2023-68%). The U.S. dollar averaged CA\$1.3459 in the first six months of Fiscal 2024 in comparison to CA\$1.3091 in the same period of Fiscal 2023. The increase in the value of the U.S dollar combined with the net impact of the Company's partial hedging of U.S. revenue gave rise to a net favorable foreign currency related revenue variance of \$2.4 million in comparison to the first six months of Fiscal 2023.

On a constant currency basis, revenue for the three and six months ended October 31, 2023 grew by approximately 6% and 11%, respectively, compared to the same periods last year.

Total ARR on October 31, 2023, was \$84.9 million, up 19% compared to \$71.2 million on October 31, 2022. A significant amount of ARR is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will have an impact on ARR. On a constant currency basis, ARR increased 17% during the twelve months ended October 31, 2023. ARR was up 8% sequentially compared to the first quarter of Fiscal 2024 and up 5% on a constant currency basis.

SaaS revenue

The Company generates revenue from proprietary software under a SaaS model. SaaS subscriptions represent the right to access our software platform in a hosted and managed environment for a period of time. The Company enters into SaaS subscription agreements that are typically multi-year performance obligations with original contract terms of three to five years.

SaaS revenue in the second quarter of Fiscal 2024 was \$12.1 million, up 37% or \$3.3 million compared to the second quarter of Fiscal 2023. The increase is due to new SaaS revenue from bookings in recent quarters and foreign exchange, net of cancellations impacting the quarter. Foreign exchange positively impacted reported SaaS revenue growth as a significant portion of the Company's SaaS revenue is denominated in U.S. dollars. On a constant currency basis, SaaS revenue in the second quarter of Fiscal 2024 grew by approximately 34% compared to the same period of Fiscal 2023. SaaS revenue in the second quarter of Fiscal 2024 was up \$0.6 million sequentially compared to the first quarter of Fiscal 2024. SaaS revenue for the first half of Fiscal 2024 was \$23.6 million, up 40% (36% on a constant currency basis) or \$6.8 million compared to the same period in Fiscal 2023.

In the second quarter of Fiscal 2024, SaaS subscription bookings (measured on an ARR basis) were \$3.7 million, up 34% compared to \$2.8 million in the second quarter of Fiscal 2023. In the first six months of Fiscal 2024, SaaS bookings were \$5.7 million, down 15% from \$6.7 million in the same period of Fiscal 2023. The Company has historically seen some lumpiness in quarterly deal closings, and the Company expects this to continue.

On October 31, 2023, SaaS RPO³ was \$146.7 million, up 34% from \$109.5 million at the same time last year. A significant amount of SaaS RPO is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will impact reported SaaS RPO. On a constant currency basis, SaaS RPO increased 32% during the twelve months ended October 31, 2023. SaaS RPO was up by 5% sequentially compared to the first quarter of Fiscal 2024 and up 1% on a constant currency basis.

Maintenance and support revenue

Maintenance and support revenue derives largely from the Company's legacy perpetual license installed base. The Company enters into maintenance and support contracts that typically have an original term of one year and are subject to annual renewal. Maintenance and support revenue for the three and six months ended October 31, 2023 was \$8.9 million and \$17.2 million, respectively, up 10% and 5% compared to the same periods of Fiscal 2023. On a constant currency basis, second quarter and first half of Fiscal 2024 maintenance and support revenue was up by 6% and 1%, respectively, compared to same periods of Fiscal 2023. We expect a decline in maintenance and support revenue over time as the business continues to shift to SaaS.

³ Refer to section "Key Performance Indicators" for definition.

Professional services revenue

Professional services revenue includes fees for implementation, consulting and training services provided to customers, as well as reimbursable expenses. Professional services revenue for the three and six months ended October 31, 2023 was \$12.9 million and \$27.8 million, respectively, down 5% and up 2%, respectively compared to the same periods of Fiscal 2023. Foreign exchange positively impacted reported professional services revenue growth as a significant portion of the Company's professional services revenue is denominated in U.S. dollars. On a constant currency basis, second quarter of Fiscal 2024 was down by 7% compared to the same period last year and first half of Fiscal 2024 professional services revenue decreased by 1% compared to the same period of Fiscal 2023. In the second quarter of Fiscal 2024, Professional services bookings were \$16.2 million, up by 9% compared to \$15.0 million in the same period of Fiscal 2023. In the first half of Fiscal 2024, Professional services bookings were \$30.0 million, up by 22% compared to \$24.6 million in the same period of Fiscal 2023. Professional services bookings are in part linked to SaaS subscription bookings and are subject to timing. In addition, project implementation timing can impact the speed at which professional services bookings convert to revenue. In the second quarter of fiscal 2024, we continued to see an uptick on work performed by implementation partners and we expect this trend to continue and have a long-term effect of moderating professional services revenue growth.

License revenue

License revenue includes revenue from proprietary software as well as third-party software. In the three months ended October 31, 2023, license revenue amounted to \$0.3 million, down by 76% compared to the same period of Fiscal 2023. For the six months ended October 31, 2023, license revenue was \$0.7 million, down by 53% from \$1.5 million in the same period last year. Perpetual license bookings in the three and six months ended October 31, 2023 were \$0.1 million and \$0.7 million, respectively, compared to \$1.0 million and \$1.3 million, respectively, in the same periods last year. We expect license revenue to generally decline over time because of the shift to SaaS.

Hardware revenue

Hardware revenue includes third-party hardware products and proprietary technology products. While hardware revenue can tend to be uneven, it is a key component of our market offering and thereby supports our recurring revenue business. Hardware revenue for the three months ended October 31, 2023, was \$7.4 million, up by 12%, compared to \$6.6 million during the same period of Fiscal 2023. For the six months ended October 31, 2023, hardware was \$14.2 million, up by 36% from \$10.5 million during the same period last year.

Cost of Revenue and Gross Profit

<i>(in thousands of CAD)</i>	Three months ended October 31,		Change %	Six months ended October 31		Change %
	2023	2022		2023	2022	
Cost of revenue:						
SaaS, maintenance, support and professional services	\$ 17,778	\$ 16,401	8%	\$ 35,267	\$ 32,656	8%
License and hardware	5,366	5,031	7%	10,352	8,222	26%
Total cost of revenue	23,144	21,432	8%	45,619	40,878	12%
Gross profit & gross profit margin:						
SaaS, maintenance, support and professional services gross profit	\$ 16,062	\$ 14,034	14%	\$ 33,274	\$ 27,679	20%
Gross profit margin	47%	46%		49%	46%	
License and hardware gross profit	\$ 2,283	\$ 2,645	-14%	\$ 4,571	\$ 3,758	22%
Gross profit margin	30%	34%		31%	31%	
Total gross profit	\$ 18,345	\$ 16,679	10%	\$ 37,845	\$ 31,437	20%
Total gross profit margin	44%	44%		45%	43%	

Total cost of revenue for the second quarter and first half of Fiscal 2024 increased to \$23.1 million and \$45.6 million, respectively, or an increase of 8% and 12% compared to the same periods of Fiscal 2023. The increase is driven by both higher SaaS, maintenance, support and professional services costs as well as higher cost of hardware.

For the second quarter and first half of Fiscal 2024, the cost of SaaS, maintenance, support and professional services increased to \$17.8 million and \$35.3 million, respectively, up \$1.4 million and \$2.6 million compared to the same periods of Fiscal 2023. Cost of SaaS, maintenance, support and professional services increased compared to the prior year period as a result of direct costs associated with higher revenue, including higher employee costs and higher public cloud infrastructure costs. For the second quarter and first half of Fiscal 2024, the cost of SaaS, maintenance, support and professional services includes tax credits of \$0.7 million and \$1.4 million, respectively, compared to \$0.8 million and \$1.5 million for the same periods of Fiscal 2023.

The cost of license and hardware was \$5.4 million in the second quarter of Fiscal 2024, an increase of 7% compared to the same period in Fiscal 2023, mainly driven by higher hardware revenue. The cost of license and hardware increased to \$10.4 million in the first half of Fiscal 2024, up \$2.1 million or 26% compared to the same period of Fiscal 2023, again driven by higher hardware revenue.

Gross profit was \$18.3 million, up \$1.7 million in the second quarter of Fiscal 2024 compared to the same period in Fiscal 2023 driven by higher gross profit contribution from SaaS, maintenance, support and professional services. In the first half of Fiscal 2024 gross profit increased to \$37.8, up \$6.4 million compared to the same period in Fiscal 2023. This is mainly due to higher SaaS, maintenance, support and professional services gross profit contribution.

As a percentage of revenue, total gross profit margin for the three months ended October 31, 2023 was 44%, flat compared to the same period in Fiscal 2023. For the six months ended October 31, 2023, total gross profit margin was 45% compared to 43% for the same period of Fiscal 2023.

Combined SaaS, maintenance, support and professional services gross profit margin for the three months ended

October 31, 2023 was 47% compared to 46% in the prior year period. This increase was driven by SaaS margin expansion which was partially offset by the impact of lower professional services margins resulting from project implementation timing. For the six months ended October 31, 2023, combined SaaS, maintenance, support and professional services gross profit margin was 49% compared to 46% for the same period in Fiscal 2023. The main driver for this increased gross profit margin was SaaS margin expansion.

License and hardware gross profit margin for the three months ended October 31, 2023 was 30%, compared to 34% for the same period in Fiscal 2023. The lower margin in the current quarter was primarily the result of a higher mix of hardware revenue. For the first half of Fiscal 2024, license and hardware gross profit margin was 31%, flat compared to the same period of Fiscal 2023.

Operating Expenses

<i>(in thousands of CAD)</i>	Three months ended October 31,			Six months ended October 31,		
	2023	2022	Change %	2023	2022	Change %
Sales and marketing expenses	\$ 8,645	\$ 6,703	29%	\$ 16,316	\$ 12,953	26%
<i>As a percentage of Total Revenue</i>	21%	18%		20%	18%	
General and administration expenses	2,971	3,072	-3%	5,930	5,806	2%
<i>As a percentage of Total Revenue</i>	7%	8%		7%	8%	
Research and development expenses, net of tax credits	7,133	5,856	22%	14,245	11,540	23%
<i>As a percentage of Total Revenue</i>	17%	15%		17%	16%	
Total operating expenses	\$ 18,749	\$ 15,631	20%	\$ 36,491	\$ 30,299	20%
<i>As a percentage of Total Revenue</i>	45%	41%		44%	42%	

Total operating expenses for the three and six months ended October 31, 2023 were \$18.7 million and \$36.5 million, respectively, an increase of \$3.1 million and \$6.2 million compared to the same periods in Fiscal 2023. The impact of foreign exchange during the three and six months ended October 31, 2023 had an unfavorable impact on expenses of \$0.3 million and \$0.6 million, respectively, when compared to the same periods in Fiscal 2023.

Sales and marketing expenses

Sales and marketing expenses for the three and six months ended October 31, 2023 amounted to \$8.6 million and \$16.3 million, respectively, an increase of \$1.9 million and \$3.4 million when compared to the same periods in Fiscal 2023. The increase is mainly attributed to higher personnel costs, marketing programs costs including the user conference in Q2 Fiscal 2024 and travel.

General and administrative expenses

General and administrative expenses for the three months ended October 31, 2023, were \$3.0 million, a decrease of \$0.1 million when compared to the same period of last year. The decrease is attributed to lower bad debt expense and professional fees.

General and administrative expenses for the six months ended October 31, 2023 were \$5.9 million, an increase of \$0.1 million compared to the same period in Fiscal 2023. The increase is attributed to higher personnel costs and professional fees, partially offset by lower bad debt expense.

Net R&D expenses

Net R&D expenses for the three and six months ended October 31, 2023, were \$7.1 million and \$14.2 million, respectively, an increase of \$1.3 million and \$2.7 million from the same periods in Fiscal 2023. The increase was mainly attributable to higher personnel costs partially offset by higher tax credits.

For the three and six months ended October 31, 2023, the Company deferred development costs of \$0.3 million and \$0.5 million, respectively, flat compared to the same periods in Fiscal 2023. The Company amortized deferred development costs of \$0.1 million in the second quarter of Fiscal 2024, flat compared to the same period of Fiscal 2023. Amortized deferred development costs in the first half of Fiscal 2024 was \$0.3 million in comparison to \$0.2 million for the same period in Fiscal 2023.

The Company recorded R&D tax credits and e-business tax credits of \$1.2 million for the second quarter of Fiscal 2024 compared to \$0.7 million for the same period in Fiscal 2023. For the first half of Fiscal 2024, the Company recorded R&D tax credits and e-business tax credits of \$2.0 million compared to \$1.4 million for the same period in Fiscal 2023.

Other Costs (Income) and Income Tax (Benefit) Expense

<i>(in thousands of CAD)</i>	Three months ended October 31,			Six months ended October 31,		
	2023	2022	Change %	2023	2022	Change %
Other Costs (Income)	\$ 17	\$ (56)	-130%	\$ (255)	\$ (31)	723%
Income Tax (Benefit) Expense	(81)	389	-121%	778	414	88%
Income Tax Benefit/ Expense as a percentage of profit before income taxes	19%	35%		48%	35%	

Other costs in the second quarter of Fiscal 2024, consists primarily of interest expense and foreign exchange loss, partially offset by interest income. For the six months of Fiscal 2024, other income was \$0.3 million, driven primarily by interest income partially offset by foreign exchange loss.

Income tax benefit for the second quarter of Fiscal 2024 was \$0.1 million compared to income tax expense of \$0.4 million for the same period in Fiscal 2023.

Income tax expense for the six months ended October 31, 2023 was \$0.8 million compared to \$0.4 million for the same period in Fiscal 2023. The increase in income tax expense is mainly due to higher pre-tax profits in the current year period.

Net (Loss) Profit

<i>(in thousands of CAD)</i>	Three months ended			Six months ended		
	2023	October 31, 2022	Change %	2023	October 31, 2022	Change %
Net (Loss) Profit	\$ (340)	\$ 715	-148%	\$ 831	\$ 755	10%
Adjusted EBITDA	\$ 1,021	\$ 2,777	-63%	\$ 4,194	\$ 4,261	-2%
Basic and diluted earnings per share	\$ (0.02)	\$ 0.05		\$ 0.06	\$ 0.05	

Net (Loss), Adjusted EBITDA and earnings per share in the second quarter of Fiscal 2024 were impacted by higher operating expenses which was partially offset by higher margin contribution. During the second quarter of Fiscal 2024, we continued to invest in sales and marketing as well as research and development to drive continued growth. Relative to the second quarter of Fiscal 2023, in spite of solid growth in our SaaS business, lower professional services and license revenue negatively impacted current quarter profitability. Adjusted EBITDA as well as Net (Loss) Profit in the second quarter and first half of Fiscal 2024 were positively impacted by about \$0.6 million and \$1.8 million, respectively from favorable foreign exchange movements compared to the same periods in Fiscal 2023.

Quarterly Selected Financial Data

The following table summarizes selected results for the eight most recently completed quarters to October 31, 2023:

<i>(in thousands of CAD, except earnings per share)</i>	FY 2024			FY 2023			FY 2022		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Total revenue	\$ 41,489	\$ 41,975	\$ 41,192	\$ 38,917	\$ 38,111	\$ 34,204	\$ 34,288	\$ 35,411	
Net (Loss) Profit	(340)	1,171	446	888	715	40	2,586	940	
Comprehensive (loss) income)	(5,821)	3,318	414	3,998	(796)	(110)	2,159	317	
Adjusted EBITDA ⁴	1,021	3,173	2,449	2,774	2,777	1,484	1,730	2,738	
Basic earnings per common share	(0.02)	0.08	0.03	0.06	0.05	0.00	0.18	0.06	
Diluted earnings per common share	(0.02)	0.08	0.03	0.06	0.05	0.00	0.17	0.06	

Total quarterly revenue excluding hardware has generally trended upward over the past eight quarters, primarily due to an increase in revenue from SaaS. Comprehensive (loss) income is impacted by foreign exchange movements resulting from revenue hedging. See also note 12 in our Condensed Interim Consolidated Financial Statements. Profit in the fourth quarter of Fiscal 2022 included the recognition of approximately \$1.9 million net deferred tax assets, \$0.6 million gain on remeasurement of lease liability and \$0.6 million recognition of tax credits generated in prior periods.

⁴ Refer to section below "Non-IFRS Performance Measures" for definition.

Liquidity and Capital Resources

On October 31, 2023, current assets totaled \$78.1 million compared to \$76.8 million at the end of Fiscal 2023. Cash and cash equivalents combined with short-term investments decreased \$3.4 million to \$33.6 million compared to \$37.1 million at the end of Fiscal 2023. The decrease results primarily from cash used in operating activities as well as financing and investing activities as described below.

Accounts receivable and work in progress totaled \$24.6 million on October 31, 2023, flat compared to April 30, 2023. The Company's Days Sales Outstanding (DSO) stood at 53 days at the end of October 31, 2023 compared to 54 days at April 30, 2023. DSO is a measure of the average number of days that a company takes to collect revenue after a sale. The Company's DSO is determined on a quarterly basis and can be calculated by dividing the total of accounts receivable and work in progress at the end of a quarter by the total value of sales during the same quarter and multiplying the result by 90 days.

Current liabilities on October 31, 2023, totaled \$53.2 million compared to \$52.9 million at the end of Fiscal 2023. The increase is mainly due to a decrease in accounts payable and accrued liabilities, partially offset by an increase in deferred revenue.

Cash from Operating Activities

Operating activities provided \$4.2 million of cash in the second quarter of Fiscal 2024 in comparison to \$7.2 million of cash provided in the second quarter of Fiscal 2023. Operating activities used \$2.5 million in the first half of Fiscal 2024 compared to providing \$2.2 million in the same period of Fiscal 2023.

Cash from operating activities excluding changes in non-cash working capital items decreased to \$1.5 million in second quarter of Fiscal 2024 compared to \$3.2 million in the same period of Fiscal 2023. Changes in non-cash working capital items provided \$2.7 million in the second quarter of Fiscal 2024. A decrease in accounts receivable and an increase in deferred revenue, partially offset by an increase in work in progress and tax credits were the key drivers.

For the first half of Fiscal 2024, cash from operating activities excluding changes in non-cash working capital items decreased to \$2.1 million from \$3.9 million in the first half of Fiscal 2023. Changes in non-cash working capital items used \$4.6 million in the first half of Fiscal 2024 driven primarily by growth in taxes credits, work in progress and inventory and decrease in accounts payable and accrued liabilities, partially offset by decrease in accounts receivable and growth in deferred revenue.

Financing Activities

Cash used by financing activities was \$2.3 million for the second quarter of Fiscal 2024 in comparison to cash used of \$2.7 million for the same period in Fiscal 2023. Cash flows used in financing activities was \$0.7 million for the first six months of Fiscal 2024 in comparison to \$3.3 million for the same period of Fiscal 2023. In the first half of Fiscal 2024, cash flow used by financing activities was primarily the result of payments of dividends and shares repurchased and cancelled under our Normal Course Issuer Bid during the second quarter, offset by proceeds from the issuance of common shares on the exercise of stock options.

Investing Activities

During the second quarter of Fiscal 2024 and Fiscal 2023, investing activities used funds of \$0.4 million. During the first six months of Fiscal 2024 and Fiscal 2023, investing activities used funds of \$0.7 million.

The Company believes that funds on hand at October 31, 2023 together with cash flows from operations, and its accessibility to the operating line of credit will be sufficient to meet its needs for working capital, R&D, capital expenditures and dividend policy, as well as to invest in long-term growth.

Related Party Transactions

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of \$0.4 million during the six months ended October 31, 2023 (\$0.4 million for the same period last year) to facilitate their purchase of the Company's common shares. As of October 31, 2023, loans outstanding amounted to \$0.3 million (April 30, 2023 - \$0.1 million).

Subsequent Events

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

Current and Anticipated Impacts of Current Economic Conditions

Current overall economic conditions together with market uncertainty and volatility may have an adverse impact on the demand for the Company's products and services as the industry may adjust quickly to exercise caution on capital spending. This uncertainty may impact the Company's revenue.

Based on ARR of \$84.9 million and Professional services backlog of \$40.3 million, the Company's management believes that total services revenue (including SaaS, maintenance and support and professional services revenue) ranging between \$34.5 million and \$35.5 million per quarter can be sustained in the short term.

Strategically, the Company continues to focus its efforts on the most likely opportunities within its existing vertical markets and customer base. The Company also currently offers SaaS subscriptions, modular sales and implementations and enhanced payment terms to promote revenue growth. We see continued market appetite for subscription-based SaaS licensing. To the extent our bookings continue to shift from perpetual license to SaaS and considering that license revenue is typically recognized up front while SaaS revenue is recognized over the contract period, revenue and operating profit will be impacted in the medium term.

The exchange rate of the U.S. dollar in comparison to the Canadian dollar continues to be an important factor affecting revenues and profitability as the Company currently derives more than 70% of its business from U.S. customers while the majority of its cost base is in Canadian dollars.

The Company will continue to adjust its business model to ensure that costs are aligned to its revenue expectations and economic reality to the extent possible.

Outstanding Share Data

As at October 31, 2023, the Company had 14,718,286 common shares outstanding.

Critical Accounting Policies and Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results.

The preparation of the unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and recognized amounts of revenue and expenses. Actual results may differ from these estimates.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and the anticipated measures that management intends to take. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

There have been no significant changes in the key sources of estimation uncertainty and judgements made in relation to the accounting policies applied to those disclosed in the Company's annual consolidated financial statements for the year ended April 30, 2023.

Accounting standard amendments effective for the year ended April 30, 2024:

The following amendments to existing standards were adopted by the Company on May 1, 2023:

Standard	Issue date
IAS 8, Definition of Accounting Estimates	February 2021
IAS 12, Income Taxes	May 2021
IAS 1, Presentation of Financial Statements	February 2021

Refer to the Company's condensed interim consolidated financial statements for the period ended October 31, 2023 for a discussion of new standards and interpretations adopted.

Controls & Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's Chief Executive Officer (CEO) and its Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures regarding the communication of information. They are assisted in this responsibility by the Company's Executive Committee, which is composed of members of senior management. Based on the evaluation of the Company's disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of October 31, 2023.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its unaudited condensed interim consolidated financial statements. The control framework that was designed by the Company's ICFR is in accordance with the framework criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) (COSO).

No changes to internal controls over financial reporting have come to management's attention during the three-month period ending on October 31, 2023, that have materially affected or are reasonably likely to materially affect internal controls over financial reporting.

Supplemental Information

Reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS measure

	FY 2024			FY 2023			FY 2022		
<i>(in thousands of CAD)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Net (loss) profit for the period	\$ (340)	\$ 1,171	\$ 446	\$ 888	\$ 715	\$ 40	\$ 2,586	\$ 940	
Adjustments for:									
Depreciation of property and equipment and right-of-use assets	377	384	440	476	429	430	515	551	
Amortization of deferred development costs	147	142	145	135	114	102	87	80	
Amortization of other intangible assets	394	396	402	411	394	396	382	408	
Interest expense	53	38	17	92	178	119	178	138	
Interest income	(253)	(269)	(211)	(221)	(150)	(104)	(57)	(337)	
Income taxes	(81)	859	755	455	389	25	(1,111)	537	
EBITDA	297	2,721	1,994	2,236	2,069	1,008	2,580	2,317	
Adjustments for:									
Stock based compensation	724	452	455	538	708	476	340	421	
Gain on remeasurement of lease liability	-	-	-	-	-	-	(573)	-	
Recognition of tax credits generated in prior periods	-	-	-	-	-	-	(617)	-	
Adjusted EBITDA	\$ 1,021	\$ 3,173	\$ 2,449	\$ 2,774	\$ 2,777	\$ 1,484	\$ 1,730	\$ 2,738	