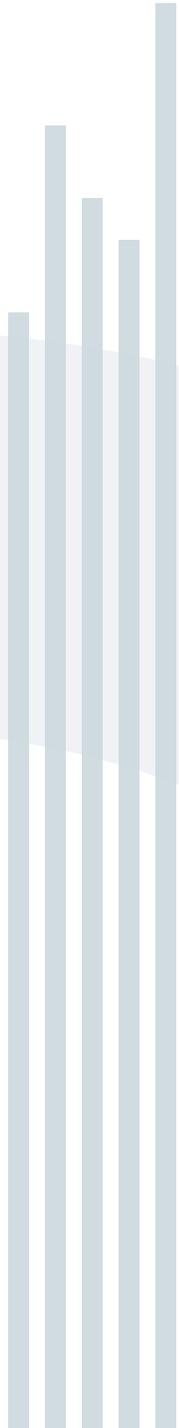




# 2nd Quarter Fiscal 2025 Report

A Higher Standard



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

This Management Discussion and Analysis (MD&A) dated December 4, 2024, comments on our operations, financial performance and financial condition as at and for the three and six-month periods ended October 31, 2024 and October 31, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Tecsys Inc. ("Tecsys", the "Company") and Notes thereto and the annual report for the year ended April 30, 2024. The Company's second quarter of fiscal year 2025 ended on October 31, 2024.

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 December 4, 2024. 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](http://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, 2024.

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. The Company’s dynamic and powerful solutions include enterprise resource planning, warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, financial management and analytics.

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 requires. 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 represents 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, 2024, the Company generated \$42.4 million and \$84.7 million in total revenue, respectively. The revenue mix for the three months ended October 31, 2024, was: SaaS 38%; maintenance and support 18%; professional services 33%; license 1%; and hardware 10%. 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 six months ended October 31, 2024, was: SaaS 37%; maintenance and support 19%, professional services 33%, license 2%; and hardware 9%. 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%.

## **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) SaaS Remaining Performance Obligation (SaaS 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,	
	2024	2023	2024	2023
<b>Statement of Operations</b>				
Revenue	\$ 42,442	\$ 41,489	\$ 84,718	\$ 83,464
Cost of revenue	21,994	23,144	44,542	45,619
Gross profit	20,448	18,345	40,176	37,845
Operating expenses	19,456	18,749	38,117	36,491
Profit (loss) from operations	992	(404)	2,059	1,354
Other income (costs)	193	(17)	360	255
Profit (loss) before income taxes	\$ 1,185	\$ (421)	\$ 2,419	\$ 1,609
Income tax expense (benefit)	427	(81)	863	778
Net Profit (loss)	\$ 758	\$ (340)	\$ 1,556	\$ 831
Adjusted EBITDA <sup>1</sup>	\$ 2,942	\$ 1,021	\$ 5,533	\$ 4,194
Basic earnings (loss) per share	\$ 0.05	\$ (0.02)	\$ 0.11	\$ 0.06
Diluted earnings (loss) per share	\$ 0.05	\$ (0.02)	\$ 0.10	\$ 0.06
SaaS Remaining Performance Obligation (RPO) <sup>2</sup>			\$ 203,761	\$ 146,688
Total Annual Recurring Revenue (ARR) <sup>2</sup>			\$ 100,567	\$ 84,946

## 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 and restructuring costs. The exclusion of interest expense, interest income, income taxes and restructuring costs eliminates the impact on earnings derived from non-operational activities and non-recurring items, and the exclusion of depreciation, amortization and stock-based compensation 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-IFRS 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.

<sup>1</sup> Refer to section "Non-IFRS Performance Measures" for definition.

<sup>2</sup> 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>	<b>Three months ended October 31,</b>		<b>Six months ended October 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net Profit (loss) for the period	\$ 758	\$ (340)	\$ 1,556	\$ 831
Adjustments for:				
Depreciation of property and equipment and right-of-use assets	377	377	748	761
Amortization of deferred development costs	198	147	395	289
Amortization of other intangible assets	328	394	662	790
Interest expense	24	53	49	91
Interest income	(163)	(253)	(380)	(522)
Income taxes	427	(81)	863	778
<b>EBITDA</b>	<b>\$ 1,949</b>	<b>\$ 297</b>	<b>\$ 3,893</b>	<b>\$ 3,018</b>
Adjustments for:				
Stock based compensation	993	724	1,640	1,176
<b>Adjusted EBITDA</b>	<b>\$ 2,942</b>	<b>\$ 1,021</b>	<b>\$ 5,533</b>	<b>\$ 4,194</b>

### 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, 2024, was \$42.4 million and \$84.7 million, respectively, an increase of \$1.0 million or 2% and \$1.3 million or 2%, respectively, compared to the same periods last year. Total revenue excluding hardware increased 13% and 11%, respectively, for the quarter and six-month periods ended October 31, 2024. On a constant currency basis (using current quarter currency rates), revenue for the second quarter and six months ended October 31, 2024 increased 2% and 1%, respectively, compared to the same periods of Fiscal 2024. Revenue is broken down as follows:

<i>(in thousands of CAD)</i>	<b>Three months ended October 31,</b>			<b>Change %</b>	<b>Six months ended October 31,</b>			<b>Change %</b>
	<b>2024</b>	<b>2023</b>			<b>2024</b>	<b>2023</b>		
SaaS	\$ 16,130	\$ 12,072	34%	\$ 31,444	\$ 23,567	33%		
Maintenance and support	7,703	8,899	-13%	16,418	17,197	-5%		
Professional services	14,145	12,869	10%	27,532	27,777	-1%		
License	444	252	76%	1,305	708	84%		
Hardware	4,020	7,397	-46%	8,019	14,215	-44%		
<b>Total Revenue</b>	<b>\$ 42,442</b>	<b>\$ 41,489</b>	<b>2%</b>	<b>\$ 84,718</b>	<b>\$ 83,464</b>	<b>2%</b>		

Approximately 73% of the Company's revenues were generated in U.S. dollars during the second quarter of Fiscal 2025 (2024-73%). The U.S. dollar averaged CA\$1.3650 in the second quarter of Fiscal 2025 in comparison to CA\$1.3576 in the same period of Fiscal 2024. 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 \$0.1 million in comparison to the second quarter of Fiscal 2024.

Approximately 72% of the Company's revenues were generated in U.S. dollars during the first six months of Fiscal 2025 (2024-73%). The U.S. dollar averaged CA\$1.3673 in the first six months of Fiscal 2025 in comparison to CA\$1.3459 in the same period of Fiscal 2024. 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 \$0.4 million in comparison to the first six months of Fiscal 2024.

Total ARR on October 31, 2024, was \$100.6 million, up 18% compared to \$84.9 million on October 31, 2023. 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, 2024.

### **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 2025 was \$16.1 million, up 34% or \$4.1 million compared to the second quarter of Fiscal 2024. The increase is driven by new SaaS revenue from bookings in recent quarters. 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 2025 grew by approximately 33% compared to the same period of Fiscal 2024. SaaS revenue for the first half of Fiscal 2025 was \$31.4 million, up 33% or \$7.9 million compared to the same period in Fiscal 2024. Foreign exchange did not have a significant impact on SaaS revenue in the first half of Fiscal 2025 compared to the same period of Fiscal 2024.

In the second quarter of Fiscal 2025, SaaS subscription bookings (measured on an ARR basis) were \$3.7 million, flat compared to the second quarter of Fiscal 2024. In the first half of Fiscal 2025, SaaS subscription bookings were \$6.8 million, up 20% compared to \$5.7 million in the first half of Fiscal 2024. The Company has historically seen some lumpiness in quarterly deal closings, and the Company expects this to continue.

On October 31, 2024, SaaS RPO<sup>3</sup> was \$203.8 million, up 39% from \$146.7 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 38% during the twelve months ended October 31, 2024.

### **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, 2024 were \$7.7 million and \$16.4 million, respectively, down 13% and 5%, respectively, compared to the same periods of Fiscal 2024. We expect a decline in maintenance and support revenue over time as the business continues to shift to SaaS.

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<sup>3</sup> 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, 2024, was \$14.1 million and \$27.5 million, respectively, up 10% and down 1%, respectively, compared to the same periods of Fiscal 2024. Revenue increased compared to the previous quarter, where it was \$13.4 million. The timing of professional services revenue is affected by project delivery schedules, which can be outside the Company's control. In the second quarter of Fiscal 2025, Professional services bookings were \$11.5 million, down 29% compared to \$16.2 million in the same period of Fiscal 2024. In the first half of Fiscal 2025, Professional services bookings were \$28.7 million, down 4% compared to \$30.0 million in the same period of Fiscal 2024. Professional services bookings are in part linked to SaaS subscription bookings and are subject to timing. In addition, we continue to see an uptick on work performed by implementation partners and 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, 2024, license revenue amounted to \$0.4 million, an increase of \$0.2 million or 76% compared to the same period of Fiscal 2024. For the six months ended October 31, 2024, license revenue was \$1.3 million, up 84% from \$0.7 million in the same period 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, 2024, totaled \$4.0 million, a 46% decrease from \$7.4 million in the same period of Fiscal 2024. For the six months ended October 31, 2024, hardware revenue was \$8.0 million, down 44% from \$14.2 million during the same period last year. The higher revenue in the prior year was driven by a significantly larger backlog at the start of Fiscal 2024, partly resulting from earlier chip shortages.

## Cost of Revenue and Gross Profit

<i>(in thousands of CAD)</i>	Three months ended			Six months ended		
	2024	October 31, 2023	Change %	2024	October 31, 2023	Change %
<b>Cost of revenue:</b>						
SaaS, maintenance, support and professional services	\$ 18,586	\$ 17,778	5%	\$ 37,577	\$ 35,267	7%
License and hardware	3,408	5,366	-36%	6,965	10,352	-33%
<b>Total cost of revenue</b>	<b>\$ 21,994</b>	<b>\$ 23,144</b>	<b>-5%</b>	<b>\$ 44,542</b>	<b>\$ 45,619</b>	<b>-2%</b>
<b>Gross profit &amp; gross profit margin:</b>						
SaaS, maintenance, support and professional services gross profit	\$ 19,392	\$ 16,062	21%	\$ 37,817	\$ 33,274	14%
Gross profit margin	51%	47%		50%	49%	
License and hardware gross profit	\$ 1,056	\$ 2,283	-54%	\$ 2,359	\$ 4,571	-48%
Gross profit margin	24%	30%		25%	31%	
<b>Total gross profit</b>	<b>\$ 20,448</b>	<b>\$ 18,345</b>	<b>11%</b>	<b>\$ 40,176</b>	<b>\$ 37,845</b>	<b>6%</b>
<b>Total gross profit margin</b>	<b>48%</b>	<b>44%</b>		<b>47%</b>	<b>45%</b>	

Total cost of revenue for the second quarter and first half of Fiscal 2025 decreased to \$22.0 million and \$44.5 million, respectively, compared to the same period of Fiscal 2024 at \$23.1 million and \$45.6 million, respectively. The decrease is attributed to lower license and hardware costs, partially offset by higher SaaS, maintenance, support and professional services costs.

For the second quarter and first half of Fiscal 2025, the cost of SaaS, maintenance, support and professional services increased to \$18.6 million and \$37.6 million, respectively, up \$0.8 million and \$2.3 million, respectively, compared to the same periods of Fiscal 2024. Cost of SaaS, maintenance, support and professional services increased 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 2025, the cost of SaaS, maintenance, support and professional services included tax credits of \$0.8 million and \$1.4 million, respectively, compared to \$0.7 million and \$1.4 million, respectively, for the same periods of Fiscal 2024.

The cost of license and hardware was \$3.4 million in the second quarter of Fiscal 2025, a decrease of 36% compared to the same period in Fiscal 2024, driven by lower hardware revenue. The cost of license and hardware was \$7.0 million in the first half of Fiscal 2025, down \$3.4 million or 33% compared to the same period of Fiscal 2024, driven by lower hardware revenue.

Gross profit was \$20.4 million, up \$2.1 million in the second quarter of Fiscal 2025 compared to the same period in Fiscal 2024, driven by higher gross profit contribution from SaaS, maintenance, support and professional services which was partly offset by a decline in gross profit contribution from license and hardware. In the first half of Fiscal 2025, gross profit increased to \$40.2 million, up \$2.3 million compared to the same period in Fiscal 2024. This is driven by higher SaaS, maintenance, support and professional services gross profit contribution, which was partly offset by lower gross profit contribution from license and hardware.

As a percentage of revenue, total gross profit margin for the three months ended October 31, 2024 was 48% compared to 44% for the same period in Fiscal 2024. For the six months ended October 31, 2024, total gross profit

margin was 47% compared to 45% for the same period of Fiscal 2024. SaaS margin expansion was the key driver of increased gross profit margin in the second quarter and first half of Fiscal 2025.

For the three months ended October 31, 2024, combined SaaS, maintenance, support and professional services gross profit margin was 51% compared to 47% for the same period in Fiscal 2024. For the six months ended October 31, 2024, combined SaaS, maintenance, support and professional services gross profit margin was 50% compared to 49% for the same period in Fiscal 2024. SaaS margin expansion was the key driver of increased combined SaaS, maintenance, support and professional services gross profit margin in the second quarter and first half of Fiscal 2025.

License and hardware gross profit margin for the three months ended October 31, 2024 was 24% compared to 30% for the same period in Fiscal 2024. For the first half of Fiscal 2025, license and hardware gross profit margin was 25%, compared to 31% for the same period of Fiscal 2024. The decrease in gross profit margin was due to a higher mix of lower margin third-party licenses and third-party hardware in the current fiscal year.

## Operating Expenses

<i>(in thousands of CAD)</i>	Three months ended			Change %	Six months ended		
	2024	October 31, 2023			2024	October 31, 2023	Change %
Sales and marketing expenses <i>As a percentage of Total Revenue</i>	\$ 9,052 21%	\$ 8,645 21%	5%	\$ 17,404 21%	\$ 16,316 20%	7%	
General and administration expenses <i>As a percentage of Total Revenue</i>	3,199 8%	2,971 7%	8%	6,177 7%	5,930 7%	4%	
Research and development expenses, net of tax credits <i>As a percentage of Total Revenue</i>	7,205 17%	7,133 17%	1%	14,536 17%	14,245 17%	2%	
<b>Total operating expenses</b> <b><i>As a percentage of Total Revenue</i></b>	<b>\$ 19,456</b> <b>46%</b>	<b>\$ 18,749</b> <b>45%</b>	<b>4%</b>	<b>\$ 38,117</b> <b>45%</b>	<b>\$ 36,491</b> <b>44%</b>	<b>4%</b>	

Total operating expenses for the three and six months ended October 31, 2024 were \$19.5 million and \$38.1 million, respectively, an increase of \$0.7 million and \$1.6 million, compared to the same periods in Fiscal 2024. During the three months and six months ended October 31, 2024, foreign exchange had an unfavorable impact on expenses of \$0.1 million and \$0.4 million, respectively, when compared to the same periods in Fiscal 2024.

### Sales and marketing expenses

Sales and marketing expenses for the three and six months ended October 31, 2024 amounted to \$9.1 million and \$17.4 million, respectively, an increase of \$0.4 million and \$1.1 million, respectively, when compared to the same periods of Fiscal 2024. The year-to-date increase compared to last year is mainly attributed to higher personnel costs.

### General and administrative expenses

General and administrative expenses for the three months ended October 31, 2024, were \$3.2 million, an increase of \$0.2 million compared to the same period in Fiscal 2024. The increase is due to higher bonus and stock-based

compensation. General and administrative expenses for the six months ended October 31, 2024 were \$6.2 million, an increase of \$0.2 million compared to the same period in Fiscal 2024. The increase is attributed to higher stock-based compensation and bonus, partially offset by lower bad debt expense.

### Net R&D expenses

Net R&D expenses for the three and six months ended October 31, 2024, were \$7.2 million and \$14.5 million, respectively, an increase of \$0.1 million and \$0.3 million, respectively, from the same periods in Fiscal 2024.

For the three and six months ended October 31, 2024, the Company deferred development costs of \$0.4 million and \$0.9 million, respectively, compared to \$0.3 million and \$0.5 million, respectively, for the same periods in Fiscal 2024. The Company amortized deferred development costs of \$0.2 million in the second quarter of Fiscal 2025, compared to \$0.1 million for the same period in Fiscal 2024. The Company amortized deferred development costs of \$0.4 million in the first half of Fiscal 2025 in comparison to \$0.3 million for the same period in Fiscal 2024.

The Company recorded R&D tax credits and e-business tax credits of \$1.0 million in the second quarter of Fiscal 2025 compared to \$1.2 million for the same period in Fiscal 2024. For the first half of Fiscal 2025, the Company recorded R&D tax credits and e-business tax credits of \$1.9 million compared to \$2.0 million for the same period in Fiscal 2024.

### Other Income (costs) and Income Tax Expense (benefit)

<i>(in thousands of CAD)</i>	Three months ended			Six months ended		
	2024	October 31, 2023	Change %	2024	October 31, 2023	Change %
Other Income (costs)	\$ 193	\$ (17)	n.m.	\$ 360	\$ 255	41%
Income Tax Expense (benefit)	427	(81)	n.m.	863	778	11%
Income Tax Expense as a percentage of profit before income taxes	36%	19%		36%	48%	

n.m. : The percentage change has been excluded as it is not meaningful.

Other income in the second quarter and first half of Fiscal 2025 consisted primarily of interest income and gain in foreign exchange, partially offset by interest expense on lease obligations. Other income for the three months ended October 31, 2024 was \$0.2 million, compared to \$nil for the same period of Fiscal 2024. The increase in other income is attributed to foreign exchange gain, partially offset by lower interest income in the second quarter of Fiscal 2025. Other income for the six months ended October 31, 2024 was \$0.4 million, compared to \$0.3 million for the same period of Fiscal 2024.

Income tax expense for the three and six months ended October 31, 2024 were \$0.4 million and \$0.9 million, respectively, compared to an income tax benefit of \$0.1 million and income tax expense of \$0.8 million, respectively, for the same periods in Fiscal 2024. The increase in income tax expense is due primarily to higher pre-tax profits in the current periods.

## Net Profit (loss)

<i>(in thousands of CAD, except earnings per share)</i>	Three months ended October 31,			Change %	Six months ended October 31,			Change %
	2024		2023		2024		2023	
	\$	\$	\$		\$	\$	\$	
Net Profit (loss)	\$ 758	\$ (340)	n.m.	\$ 1,556	\$ 831	87%		
Adjusted EBITDA	\$ 2,942	\$ 1,021	188%	\$ 5,533	\$ 4,194	32%		
Basic earnings (loss) per share	\$ 0.05	\$ (0.02)		\$ 0.11	\$ 0.06			
Diluted earnings (loss) per share	\$ 0.05	\$ (0.02)		\$ 0.10	\$ 0.06			

n.m. : The percentage change has been excluded as it is not meaningful.

The increase in net profit, Adjusted EBITDA and earnings per share in the second quarter and first half of Fiscal 2025 compared to the same periods last year is mainly due to SaaS margin expansion. In the second quarter and first half of Fiscal 2025, foreign exchange did not have a significant impact on net profit, Adjusted EBITDA and earnings per share when compared to the same periods of Fiscal 2024.

## Quarterly Selected Financial Data

The following table summarizes selected results for the eight most recently completed quarters to October 31, 2024:

<i>(in thousands of CAD, except earnings per share)</i>	FY 2025		FY 2024				FY 2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
SaaS revenue	\$ 16,130	\$ 15,314	\$ 14,191	\$ 14,160	\$ 12,072	\$ 11,495	\$ 11,133	\$ 9,544
Total revenue	42,442	42,276	43,955	43,823	41,489	41,975	41,192	38,917
Net profit (loss)	758	798	259	759	(340)	1,171	446	888
Comprehensive income (loss)	410	935	(1,826)	4,770	(5,821)	3,318	414	3,998
Adjusted EBITDA <sup>4</sup>	2,942	2,591	2,780	2,640	1,021	3,173	2,449	2,774
Basic and diluted earnings (loss) per common share	\$ 0.05	\$ 0.05	\$ 0.02	\$ 0.05	\$ (0.02)	\$ 0.08	\$ 0.03	\$ 0.06

SaaS revenue has shown sustained growth over the last eight quarters. Total revenue growth during this period has been moderated by fluctuations in professional services revenue, hardware revenue as well as legacy maintenance & support revenue.

Comprehensive income (loss) is impacted by foreign exchange movements resulting from revenue hedging.

<sup>4</sup> See reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS measure

## Liquidity and Capital Resources

On October 31, 2024, current assets totaled \$74.1 million compared to \$79.0 million at the end of Fiscal 2024. Cash and cash equivalents combined with short-term investments decreased \$7.2 million to \$28.3 million compared to \$35.6 million at the end of Fiscal 2024. The decrease is mainly due to (1) cash outflows from share repurchases under our Normal Course Issuer Bid and (2) payment of dividends.

Accounts receivable and work in progress totaled \$26.3 million on October 31, 2024, flat compared to April 30, 2024. The Company's Days Sales Outstanding (DSO) stood at 56 days at the end of October 31, 2024 compared to 54 days at April 30, 2024. 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, 2024, decreased to \$56.7 million compared to \$57.1 million at the end of Fiscal 2024.

### Cash from Operating Activities

Operating activities provided \$6.1 million of cash in the second quarter of Fiscal 2025 in comparison to \$4.2 million of cash provided in the second quarter of Fiscal 2024. Operating activities provided \$0.2 million in the first half of Fiscal 2025 in comparison to \$2.5 million of cash used in the same period of Fiscal 2024.

In the second quarter of Fiscal 2025, cash from operating activities excluding changes in non-cash working capital items increased by \$0.8 million (to \$2.3 million) compared to the same period in Fiscal 2024. Changes in non-cash working capital items provided \$3.8 million in the second quarter of Fiscal 2025 in comparison to \$2.7 million of cash provided in the same period in Fiscal 2024.

For the first half of Fiscal 2025, cash from operating activities excluding changes in non-cash working capital items increased to \$4.0 million from \$2.2 million in the first half of Fiscal 2024. Changes in non-cash working capital items used \$3.8 million in the first half of Fiscal 2025 compared to \$4.6 million used in the first half of Fiscal 2024.

### Financing Activities

Cash used by financing activities was \$4.4 million for the second quarter of Fiscal 2025 compared to \$2.3 million for the same period in Fiscal 2024. Cash flows used in financing activities was \$6.5 million for the first half of Fiscal 2025 compared to \$0.7 million for the same period of Fiscal 2024. The increase in cash used from financing activities is due to higher cash outflows from share repurchases under our NCIB and lower proceeds from the issuance of common shares on the exercise of stock options.

### Investing Activities

In the second quarter of Fiscal 2025, investing activities provided cash of \$4.4 million compared to cash used of \$0.4 million for the same period last year. In the first half of Fiscal 2025, investing activities provided cash of \$4.3 million compared to cash used of \$0.7 million for the same period of Fiscal 2024. The increase in funds generated from investing activities is due to higher transfers from short-term investments, partially offset by investment in deferred development costs and acquisition of property and equipment.

The Company believes that funds on hand at October 31, 2024 together with cash flows from operations 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 \$0.5 million during the six months ended October 31, 2024 (\$0.4 million for the same period last year) to facilitate their purchase of the Company's common shares. As of October 31, 2024, loans outstanding amounted to \$0.3 million (April 30, 2024 - \$0.1 million).

## **Subsequent Events**

On December 4, 2024 the Company's Board of Directors declared a quarterly dividend of \$0.085 per share to be paid on January 3, 2025 to shareholders of record on December 18, 2024.

## **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 \$100.6 million and Professional services backlog of \$34.6 million, the Company's management believes that total services revenue (including SaaS, maintenance and support and professional services revenue) ranging between \$38.0 million and \$39.0 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.

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, 2024, the Company had 14,752,849 common shares outstanding. During the second quarter of Fiscal 2025, the Company issued 11,362 common shares on the exercise of stock options and repurchased and cancelled 51,600 of its common shares as part of its ongoing Normal Course Issuer Bid.

During the first half of Fiscal 2025, the Company issued 23,899 common shares on the exercise of stock options and repurchased and cancelled 111,200 of its common shares as part of its ongoing Normal Course Issuer Bid.

## **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 judgements 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, 2024.

## **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, 2024.

### **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, 2024, 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

<i>(in thousands of CAD)</i>	FY 2025		FY 2024				FY 2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Profit (loss) for the period	\$ 758	\$ 798	\$ 259	\$ 759	\$ (340)	\$ 1,171	\$ 446	\$ 888
Adjustments for:								
Depreciation of property and equipment and right-of-use assets	377	371	361	355	377	384	440	476
Amortization of deferred development costs	198	197	147	147	147	142	145	135
Amortization of other intangible assets	328	334	347	356	394	396	402	411
Interest expense	24	25	27	45	53	38	17	92
Interest income	(163)	(217)	(233)	(260)	(253)	(269)	(211)	(221)
Income taxes	427	436	(781)	644	(81)	859	755	455
EBITDA	1,949	1,944	127	2,046	297	2,721	1,994	2,236
Adjustments for:								
Stock based compensation	993	647	531	594	724	452	455	538
Restructuring costs	-	-	2,122	-	-	-	-	-
Adjusted EBITDA	\$ 2,942	\$ 2,591	\$ 2,780	\$ 2,640	\$ 1,021	\$ 3,173	\$ 2,449	\$ 2,774