

# **SYLOGIST LTD.**

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

**For the three and nine-month periods ended  
September 30, 2023, and 2022**



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Management's Discussion &amp; Analysis

For the three and nine-month periods ended September 30, 2023, and 2022

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

The following Management's Discussion & Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the periods ended September 30, 2023 and September 30, 2022, as well as the Company's annual audited Consolidated Financial Statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2022 ("Financial Statements"). The Company's Financial Statements and MD&A consist of its results and the results of its wholly owned subsidiaries; Sylogist USA, Inc. and Serenic Software (U.K.) Limited, and its indirect wholly owned subsidiaries, Serenic Software, Inc., Serenic Software (US) Corporation, Municipal Accounting Systems, Inc. ("MAS"), and Information Strategies, Inc. ("InfoStrat").

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risk and Uncertainties" in our annual MD&A. Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

The words "we", "our", "us", "Company" and "Sylogist" refer to Sylogist Ltd. together with its subsidiaries and/or the management and employees of the Company (as the context may require).

The Company's fiscal year ends on December 31 of each year.

Unless otherwise indicated, the reporting and measurement currency referred to in this MD&A is the Canadian dollar.

This MD&A is dated as of November 8, 2023.

**Overview**

Sylogist provides mission-critical software-as-a-service ("SaaS") solutions to over two thousand customers in the mid-market space across the nonprofit ("SylogistMission"), education ("SylogistEd"), and government ("SylogistGov") industry verticals. We refer to our software solutions and related services for customers outside these three verticals as "SylogistServices".

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### **Organic Growth Strategy**

Over the past three years, our business strategy has shifted from a cash optimization model to a sustainable growth with profitability model that focusses on predictability in revenue growth in our targeted industry verticals complemented by strong cash generation.

We believe that there is a strong market opportunity in our target industry verticals, which we intend to pursue through continuing focus and investment in go-to-market capacity, product innovation, and customer account management, to enhance the Company's market presence and drive growth via new logo wins and product expansions across our significant existing customer base.

Concurrent with these investments, we have executed a rebranding strategy that consolidates legacy brands and aligns with our market focus: SylogistGov, SylogistEd, and SylogistMission. The rebranding strategy simplifies messaging, increases marketing return on investment, drives market awareness, and emphasizes our core areas of focus.

We see our organic growth strategy leading to long term sustainable growth and shareholder value creation.

### **M&A Growth Strategy**

We view business acquisitions as accelerators of our organic growth strategy. Acquired companies will be fully integrated with a focus on the realization of both revenue and cost synergies, while maintaining capital discipline. To execute our acquisition strategy, we maintain a pipeline of opportunities, investing in target engagement and outreach and continuously evaluating the merit of potential targets.

In addition, we will continue to explore the ability to effect exits over the near to mid-term in sections of our business that do not contribute to maximization of shareholder value.

### **Significant Events**

#### **Credit facility**

Effective January 31, 2023, we renewed our revolving credit facility, which was originally entered into in October 2020, as amended from time to time (the "Credit Facility"). The renewal extends the maturity date to January 31, 2024, under the existing terms.

#### **Outlook**

Our long-term goal is to drive sustainable and profitable growth. One of our key measures in achieving this objective is the "Rule of 40" posture, meaning that the combination of organic revenue growth percentage and Adjusted EBITDA Margin percentage will be at or greater than 40 (see "non-IFRS measures" section for Adjusted EBITDA Margin definition).

In order to achieve this long-term goal, we are making targeted investments in areas such as sales, marketing, product development and customer success. We expect that these investments will have an impact on near-term profit margins but will enable us to continue the revenue acceleration that we have experienced over the past year and to realize on our overall market opportunity. In the near term, we are expecting an organic year-over-year revenue growth run rate percentage in the low-to-mid-teen percentage on a constant currency basis while

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maintaining an Adjusted EBITDA Margin in the mid-twenty percentage, with a trend toward maintaining or exceeding the Rule of 40 over time.

### **Non-IFRS Measures**

This MD&A includes certain measures which have not been prepared in accordance with International Financial Reporting Standards ("IFRS"), namely "Adjusted Working Capital", "Adjusted EBITDA", "Adjusted EBITDA Margin", "Adjusted EBITDA per share", "Backlog", "Bookings" and "Funded Debt to EBITDA".

These terms are not measures that have any standardized meaning prescribed by IFRS and are considered non-IFRS measures. While these measures may not be comparable to similar measures presented by other issuers, these measures have been described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations. When assessing the Company's operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for net profit, cash flow from operating activities or other cash flow data calculated in accordance with IFRS. In addition, the Company's calculation of these non-IFRS measures may not be comparable to similarly titled measures utilized by other companies since other companies may not calculate non-IFRS measures in the same manner.

The non-IFRS measures "Adjusted Working Capital", "Adjusted EBITDA", "Adjusted EBITDA Margin", and "Adjusted EBITDA per share" used in this MD&A are calculated as follows:

Adjusted Working Capital refers to current assets less current liabilities excluding deferred revenue. The Company believes Adjusted Working Capital is a useful metric as it demonstrates the Company's ability to manage its resources, meet its short-term obligations, and is monitored internally for such purposes most efficiently.

Adjusted EBITDA refers to profit for the period before stock-based compensation, share-based payments, foreign exchange gains and losses, interest expense, income taxes, acquisition-related costs, executive retirement compensation, acquisition-related earnouts, depreciation and amortization. The Company believes that Adjusted EBITDA is useful supplemental information, as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration significant non-recurring items comprised of costs directly attributable to acquisitions, share-based payments, executive retirement compensation and earnouts, as well as non-cash expenses, which include stock-based compensation and share-based payments, depreciation and amortization. Adjusted EBITDA also serves as a proxy for the Company's cash flow. Management also uses Adjusted EBITDA and Adjusted EBITDA Margin measures to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet its capital expenditure, current taxes payable, and working capital requirements. Foreign exchange gains or losses are excluded from Adjusted EBITDA as they are not operational in nature. The Company believes that the fluctuation in exchange rates is not a true indicator of the Company's performance.

Adjusted EBITDA Margin refers to Adjusted EBITDA as a percentage of revenue.

Adjusted EBITDA per share (Basic) refers to Adjusted EBITDA per basic weighted average number of shares outstanding.

Backlog refers to the value of contracted revenue that is not yet recognized and includes unrecognized contracted revenues, from SaaS subscriptions, maintenance and support or project services, that have not been recognized or invoiced to date but will be in future periods.

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sBookings are the total value of customer contracts entered into during the reporting period, that are new, committed and incremental to our existing contracts and are inclusive of new, committed and incremental project services engagements.

SaaS ARR refers to annualized value of monthly recurring revenues attributable to SaaS customer contracts.

Funded Debt to EBITDA refers to the ratio of Credit Facility principal outstanding, less unencumbered cash and cash equivalents, to EBITDA.

Each non-IFRS measure is reconciled to its most directly comparable IFRS measure within the "Results of Operations" and "Liquidity and Capital Resources" sections of this MD&A, except Funded Debt to EBITDA, which was discussed above.

### **Three months ended September 30, 2023 highlights**

During the three-month period ended September 30, 2023, revenue increased 18% to \$16.8 million compared to the same period in the last year. Our Adjusted EBITDA for the period was \$4.4 million, or 26% of revenues.

The increase in revenues was driven mainly by SylogistMission and SylogistGov industry verticals, with both seeing greater new bookings and associated project delivery. To a lesser degree, exchange rate fluctuations positively impacted Q3 revenue compared with the same period last year. Excluding this impact, revenue grew by 16% at constant currency.

Operational and financial results for the three months ended September 30, 2023, compared to the same period in the prior year (or otherwise noted) include:

- Total revenues of \$16.8 million, compared to \$14.2 million, an increase of 18% ;
- Recurring revenues from SaaS subscriptions, and maintenance & support grew by a combined 12% to \$10.2 million, compared to \$9.2 million;
- SaaS subscription revenues grew by 18% to \$6.7 million, compared to \$5.7 million;
- SaaS ARR growth of 26% to \$27.7 million;
- Maintenance & support revenues grew by 2% to \$3.5 million, compared to \$3.4 million;
- Gross Profit of \$10.2 million, compared to \$8.9 million, an increase of 14%;
- Gross Profit Margin of 61%, compared to 62%;
- Profit before income tax of \$0.8 million, compared to \$0.6 million;
- Backlog of \$32.2 million, compared to \$28.9 million as at June 30, 2023;
- Adjusted EBITDA of \$4.4 million, compared to \$4.1 million, an increase of 7%;
- Adjusted EBITDA Margin of 26%, compared to 29%;
- Adjusted EBITDA per share of \$0.19 per share, compared to \$0.17 per share;
- Cash generated from operations totaled \$10.0 million, compared to \$11.5 million;
- Pursuant to our Normal Course Issuer Bid ("NCIB"), we repurchased 14,600 common shares at a total cost of \$0.1 million at an average price of \$6.98, compared to nil,
- \$0.2 million in dividend payout to shareholders, compared to \$3.0 million; and,
- Cash and cash equivalents totaled \$13.8 million compared to \$14.5 million as at December 31, 2022.

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**Results of operations**

(Amounts are in thousands of dollars, except percentages, share, and per share amounts.)

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2023	2022	\$	%	2023	2022	\$	%
<b>Revenue</b>	<b>16,769</b>	14,234	2,535	18%	<b>49,344</b>	41,095	8,249	20%
Expenses, net of interest income	<b>12,901</b>	10,540	2,361	22%	<b>38,329</b>	29,811	8,518	29%
<b>Profit before income tax</b>	<b>790</b>	611	179	29%	<b>1,061</b>	2,774	(1,713)	-62%
Amortization of intangible and ROU assets	<b>2,448</b>	2,684	(236)	-9%	<b>7,450</b>	7,886	(436)	-6%
Depreciation of property and equipment	<b>50</b>	37	13	35%	<b>144</b>	102	42	41%
Stock based compensation	<b>76</b>	181	(105)	-58%	<b>223</b>	481	(258)	-54%
Interest expense	<b>504</b>	407	97	24%	<b>1,488</b>	1,051	437	42%
Share based (recovery) payments	<b>200</b>	(124)	324	-261%	<b>893</b>	(630)	1,523	-242%
Earnout	<b>256</b>	305	(49)	-16%	<b>1,164</b>	305	859	282%
Foreign exchange loss (gain)	<b>48</b>	(11)	59	n/m	<b>80</b>	(11)	91	n/m
Acquisition-related costs	-	11	(11)	-100%	-	377	(377)	-100%
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>4,372</b>	4,101	271	7%	<b>12,503</b>	12,335	168	1%
<b>Adjusted EBITDA Margin <sup>(1)</sup></b>	<b>26%</b>	29%			<b>25%</b>	30%		
<b>Income tax expense</b>								
Current income tax	<b>693</b>	565	128	23%	<b>2,075</b>	2,219	(144)	-6%
Deferred income tax	<b>(748)</b>	(1,409)	661	-47%	<b>(1,890)</b>	(2,481)	591	-24%
Income tax expense	<b>(55)</b>	(844)	789	-93%	<b>185</b>	(262)	447	-171%
<b>Profit for the period</b>	<b>845</b>	1,455	(610)	-42%	<b>876</b>	3,036	(2,160)	-71%
Weighted average number of shares outstanding								
Basic	<b>23,594,597</b>	23,915,877			<b>23,677,898</b>	23,915,877		
Diluted	<b>23,627,353</b>	23,915,877			<b>23,692,852</b>	23,915,877		
NCIB shares	<b>14,600</b>	Nil	-	-	242,100	Nil	-	-
Average NCIB price per share	<b>\$ 6.98</b>	Nil	-	-	\$ 5.80	Nil	-	-
<b>Profit per share</b>								
Basic	<b>\$ 0.04</b>	\$ 0.06	-0.02	-40%	<b>\$ 0.04</b>	\$ 0.13	(0.09)	-72%
Diluted	<b>\$ 0.04</b>	\$ 0.06	-0.02	-40%	<b>\$ 0.04</b>	\$ 0.13	(0.09)	-72%
<b>Adjusted EBITDA per share <sup>(1)</sup></b>								
Basic	<b>\$ 0.19</b>	\$ 0.17	0.02	12%	<b>\$ 0.53</b>	\$ 0.52	0.01	2%
Diluted	<b>\$ 0.19</b>	\$ 0.17	0.02	12%	<b>\$ 0.53</b>	\$ 0.52	0.01	2%
<b>Working Capital</b>	<b>(22,119)</b>	(26,057)	3,938	-15%	<b>(22,119)</b>	(26,057)	3,938	-15%
<b>Working Capital per share</b>								
(Basic shares outstanding at period end)	<b>\$ (0.94)</b>	\$ (1.09)	0.15	-14%	<b>\$ (0.94)</b>	\$ (1.09)	0.15	-14%
<b>Adjusted Working Capital <sup>(1)</sup></b>	<b>3,032</b>	(2,307)	5,339	-231%	<b>3,032</b>	(2,307)	5,339	-231%
Cash dividends declared per share	<b>\$ 0.01</b>	\$ 0.125	(0.115)	-92%	<b>\$ 0.03</b>	\$ 0.375	(0.345)	-92%
Total assets	<b>101,691</b>	115,430	(13,739)	-12%	<b>101,691</b>	115,430	(13,739)	-12%
Total long-term liabilities	<b>10,434</b>	14,331	(3,897)	-27%	<b>10,434</b>	14,331	(3,897)	-27%

n/m - "Not Meaningful"

1) Is a non-IFRS measure. See "Non-IFRS measures" for definition.

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**Revenue analysis**

(Amounts in thousands of dollars, except percentages)

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	<b>2023</b>	2022	\$	%	<b>2023</b>	2022	\$	%
SaaS subscriptions	<b>6,718</b>	5,713	1,005	18%	<b>19,138</b>	16,861	2,277	14%
Maintenance and support	<b>3,518</b>	3,448	70	2%	<b>10,568</b>	9,939	629	6%
<b>Total recurring revenue</b>	<b>10,236</b>	9,161	1,075	12%	<b>29,706</b>	26,800	2,906	11%
Project services	<b>5,268</b>	4,402	866	20%	<b>17,301</b>	12,528	4,773	38%
License	<b>192</b>	430	(238)	-55%	<b>516</b>	1,028	(512)	-50%
Hardware and other	<b>1,073</b>	241	832	345%	<b>1,821</b>	739	1,082	146%
<b>Total revenue</b>	<b>\$ 16,769</b>	\$ 14,234	\$ 2,535	18%	<b>\$ 49,344</b>	\$ 41,095	\$ 8,249	20%

For the three-month period ended September 30, 2023, total revenue increased 18% to \$16.8 million, compared to \$14.2 million in the same period last year.

For the three-month period ended September 30, 2023, SaaS subscriptions revenue increased by 18% to \$6.7 million, compared to \$5.7 million during the same period in 2022. The increase was driven by revenue growth from SylogistMission increased \$0.4 million over the prior year period, while SylogistEd, SylogistServices and SylogistGov revenues accounted for \$0.3 million, \$0.1 million and \$0.1 million, respectively.

For the three-month period ended September 30, 2023, maintenance and support revenue increased by 2% to \$3.5 million, compared to \$3.4 million during the same period in 2022. The increase was mainly driven by SylogistServices.

For the three-month period ended September 30, 2023, the \$0.9 million or 20% increase in project services revenue, compared to the prior year was due mainly to SylogistMission, up \$1.1 million that included both customer upgrades and new implementations. The increase was partially offset by decreases in project services related to SylogistServices, due to timing. The overall increase in revenues includes \$0.3 million in positive FX tailwinds.

As at September 30, 2023, our total Backlog was \$32.2 million, compared to \$28.9 million at June 30, 2023.

Our revenues are impacted by foreign exchange fluctuations due to the fact that greater than 60% of our revenues are generated in the United States. As a result, any weakening or strengthening of the Canadian dollar in relation to the United States dollar has a corresponding impact on our revenue. During the three months ended September 30, 2023, exchange rate fluctuations provided a positive revenue impact of approximately 2%, compared to the same period in the prior year.

For the nine-month period ended September 30, 2023, total revenue increased to \$49.4 million, compared to \$41.1 million for the same period last year.

SaaS subscriptions revenue was up 14% to \$19.1 million in the first nine months of fiscal year 2023, compared to \$16.9 million in the same period in fiscal 2022. This increase was driven mainly by revenue growth from SylogistMission with an increase of \$1.1 million over the prior year period, while SylogistEd, SylogistGov and SylogistServices SaaS subscriptions also increased by \$0.5 million, \$0.3 million and \$0.3 million, respectively..

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For the nine-month period ended September 30, 2023, maintenance and support revenue increased by 6% to \$10.6 million, compared to \$9.9 million during the same period in 2022. This increase was mainly driven by our SylogistServices contracts.

Project services revenue increased by 38% to \$17.3 million in the first nine months of fiscal year 2023, compared to \$12.5 million in the same period in fiscal 2022. The increase in project services was driven mainly by our SylogistMission vertical, up \$3.6 million, from increased customer upgrades and new implementations and our SylogistServices, SylogistGov and SylogistEd vertical's Project Services were also up, \$0.6 million, \$0.3 million and \$0.2 million, respectively.

### Geographical revenues:

(Amounts in thousands of dollars, except percentages)

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2023	2022	\$	%	2023	2022	\$	%
Canada	5,384	5,418	(34)	-1%	17,263	15,100	2,163	14%
U.S.	10,917	8,760	2,157	25%	30,635	25,824	4,811	19%
UK and other	468	56	412	n/m	1,446	171	1,275	n/m
	<b>\$ 16,769</b>	<b>\$ 14,234</b>	<b>\$ 2,535</b>	<b>18%</b>	<b>\$ 49,344</b>	<b>\$ 41,095</b>	<b>\$ 8,249</b>	<b>20%</b>

n/m - "Not Meaningful"

For the three-month period ended September 30, 2023, revenues in our Canadian operations was consistent at \$5.4 million, compared to the same period last year. Revenue from our U.S. operations increased 25% to \$10.9 million, compared to the same period last year. The increase in U.S. revenue was driven primarily by higher revenues from our U.S. SylogistMission growth, SylogistGov growth, and a more favourable USD/CAD exchange rate. For the three-month period ended September 30, 2023, our U.K. and other operations increased \$0.4 million, compared to the same period last year. This increase was driven mainly by our SylogistMission vertical.

For the nine months ended September 30, 2023, revenues our Canadian operations were \$17.3 million, compared to \$15.1 million in the same period last year. Revenue from our U.S. operations increased to \$30.6 million, compared to \$25.8 million the first nine months last year. Our U.K. and other operations revenues increased to \$1.4 million for the nine months ended September 30, 2023, compared to \$172 thousand for the same period last year.

### Expenses

(Amounts in thousands of dollars, except percentages)

	Three months ended		Period-Over-Period Change		Nine months ended		Period-Over-Period	
	2023	2022	\$	%	2023	2022	\$	%
Expenses								
Cost of sales	6,596	5,344	1,252	23%	19,453	15,297	4,156	27%
General and administrative	2,919	2,298	621	27%	8,566	6,517	2,049	31%
Professional fees	415	384	31	8%	1,418	1,327	91	7%
Sales and marketing	1,799	943	856	91%	4,415	2,707	1,708	63%
Product development	669	1,169	(500)	-43%	2,991	2,918	73	3%
Interest expense	504	407	97	24%	1,488	1,051	437	42%
Interest income	(1)	(5)	4	n/m	(2)	(6)	4	-67%
	<b>\$ 12,901</b>	<b>\$ 10,540</b>	<b>\$ 2,361</b>	<b>22%</b>	<b>\$ 38,329</b>	<b>\$ 29,811</b>	<b>\$ 8,518</b>	<b>29%</b>

n/m - "Not Meaningful"

For the three-month period ended September 30, 2023, expenses, net of interest income, increased by 22% to \$12.9 million, compared to \$10.5 million in the same period last year. This

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increase was primarily driven by increased project delivery capacity, general and administrative expenses, and go-to-market investments.

For the nine-month period ended September 30, 2023, overall expense increased by 29% to \$38.3 million, compared to \$29.8 million in the same period last year.

**Cost of sales**

The components of cost of sales are: 1) personnel costs (employees and external consultants) related to providing support, upgrade, and implementation services to our customers; 2) royalties payable to Microsoft associated with the part of our business that resells the Microsoft Business Central product and other Microsoft SKUs; and 3) cost of hardware components that are included in the sale of our hardware products. Hardware sales are exclusive to SylogistServices. These costs are all directly related to revenues.

For the three-month period ended September 30, 2023, cost of sales of \$6.6 million was 23% higher than the same period last year, as the increase in cost of sales was proportionally consistent with the increase in revenue, leading to a consistent gross margin. The increase in cost of sales was primarily in project services capacity, customer support and license costs.

During the three-month period ended September 30, 2023, cost of sales was 39% of revenues compared to 38% of revenues for the comparative period ended September 30, 2022.

For the first nine months of fiscal 2023, cost of sales of \$19.5 million was 27% higher than the same period of prior year. This increase is directly related to increased revenues driven mainly by our SylogistMission and SylogistServices verticals.

During the nine-month period ended September 30, 2023, cost of sales was 39% of revenues, compared to 37% of revenues for the comparative period ended September 30, 2022.

**General and administrative**

General and administrative expenses include salaries paid to management and administrative personnel, accrued bonuses, training, public company expenses, occupancy costs, as well as other costs associated with operations, including doubtful accounts.

For the three-month period ended September 30, 2023, general and administrative expenses of \$2.9 million were 27% higher than the same period last year, due to increases in staffing and related compensation costs.

For the three-month period ended September 30, 2023, general and administrative expenses were 17% of revenues compared to 16% of revenues for the same period last year.

For the nine months ended September 30, 2023, general and administrative expenses were \$8.6 million, compared to \$6.5 million for the same period last year, an increase of 31%. Additional staffing and related compensation costs lead to the increase.

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### **Professional fees**

Professional fees consist primarily of legal, accounting, corporate financing services and recruitment fees.

During the three-month period ended September 30, 2023, professional fees were \$0.4 million, compared to \$0.4 million for the same period last year, an increase of 8%. The increase in professional fees was due mainly to higher recruitment fees.

For the nine months ended September 30, 2023, professional fees were \$1.4 million, compared to \$1.3 million for the same period last year. The increase in professional fees was mainly attributable to higher legal and recruitment costs.

### **Sales and marketing**

Expenses incurred in sales and marketing consist primarily of salaries, sales commissions, travel, and other costs required to retain existing clients and to develop new customer relationships. Additionally, expenses such as advertising, promotional material, trade shows and other go-to-market activities are included in this category.

Sales and marketing costs were \$1.8 million, or 11% of revenue, in the three months ended September 30, 2023, compared to \$0.9 million, or 7% of revenue in the same period last year. The increase was due to the continued Company-wide strategic investments in additional sales capacity and marketing activities to enhance market awareness, accelerate quality lead generation and close new business in our target market verticals.

For the nine months ended September 30, 2023, sales and marketing costs were \$4.4 million or 9% of revenue compared to \$2.7 million or 7% of revenue for the same period last year. The increase was due strategic investments made in additional sales capacity and marketing activities.

### **Product development**

We continue to focus on product development, innovation and advancements based on customer feedback, the competitive landscape, inhouse expertise, and overall market priorities. Certain costs associated with product development, measured through internal projects, create long term value to the Company and in turn our customers. Product development initiatives that upgrade and enhance our products, which help to drive new customer wins or wallet share expansion, are capitalized.

Internal product development projects are charged to expense until the determination of technological feasibility, probable future benefits, intent and ability to use or sell the software, resources to complete the software, and ability to measure cost, at which time they are eligible to be capitalized.

For the nine months ended September 30, 2023, Sylogist capitalized \$3.3 million of costs associated with software development (nine months ended September 30, 2022 - \$2.5 million), offset by \$263 thousand (September 30, 2022 - \$149 thousand) of investment tax credits.

For the three-month period ended September 30, 2023, product development expense was \$0.7 million, compared to \$1.2 million for the same period last year, a decrease of 43%. This is the result of the net impact of the increase in software development projects meeting the criteria for capitalization, offset by product development costs increasing due to additional product development capacity (mainly from outside consultants).

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In fiscal year 2023, we expect to continue to add further functionality to existing product lines, increasing the existing marketplace footprint and expanding growth.

**Interest expense**

For the three months ended September 30, 2023, we incurred interest expense of \$0.5 million, compared to \$0.4 million for the three months ended September 30, 2022. For the nine months ended September 30, 2023, interest expense was \$1.5 million, compared to \$1.1 million for the same period in the prior year.

**Earnout**

The 2021 Mission CRM acquisition included an earnout, which is tied to agreed-upon revenue and operating expense targets for each of the three years subsequent to the acquisition. The earnout is treated as employee remuneration and is accrued throughout the year, to be settled in cash within 90 days following each September 30, for three years up to and including September 2024. On January 3, 2023, the Company settled \$0.4 million related to the earnout period ended September 30, 2022.

As at September 30, 2023, we have accrued earnout payable of \$1.5 million.

**Acquisition-related costs**

For the three months ended September 30, 2023, we incurred no acquisition-related costs compared to \$11 thousand for the same period last year. The prior year costs were primarily associated with the Pavliks and Mission CRM acquisitions. For the nine months ended September 30, 2023, we incurred no acquisition-related costs compared to \$0.4 million for the same period last year.

**Profit before income tax**

For the three-month period ended September 30, 2023, we generated a profit before income tax of \$0.8 million, compared to \$0.6 million for the three months ended September 30, 2022. The decrease was due to the net impact of an increase in revenue offset by the Company-wide investments in revenue growth, increase in share-based payments and the Mission CRM acquisition earnout.

For the nine months ended September 30, 2023, profit before income tax was \$1.1 million compared to \$2.8 million in the same period in the prior year. The decrease was due mainly to higher general and administrative expenses, increased sales and marketing activities and higher share-based payments expense.

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**Adjusted EBITDA/Adjusted EBITDA per share**

(Amounts in thousands of dollars, except percentages and per share amounts)

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2023	2022	\$	%	2023	2022	\$	%
Adjusted EBITDA Calculation <sup>(1)</sup>								
<b>Profit before income tax</b>	<b>\$ 790</b>	\$ 611	\$ 179	29%	<b>\$ 1,061</b>	\$ 2,774	\$ (1,713)	-62%
<b>Adjusted for:</b>								
Depreciation of property and equipment	50	37	13	35%	144	102	42	41%
Amortization of intangible assets	2,448	2,684	(236)	-9%	7,450	7,886	(436)	-6%
Stock based compensation	76	181	(105)	-58%	223	481	(258)	-54%
Foreign exchange (gain)	48	(11)	59	n/m	80	(11)	91	n/m
Interest expense	504	407	97	24%	1,488	1,051	437	42%
Acquisition-related costs	-	11	(11)	-100%	-	377	(377)	-100%
Earnout	256	305	(49)	-16%	1,164	305	859	282%
Share based payments	200	(124)	324	-261%	893	(630)	1,523	-242%
Adjusted EBITDA	<b>\$ 4,372</b>	\$ 4,101	\$ 271	7%	<b>\$ 12,503</b>	\$ 12,335	\$ 168	1%
Adjusted EBITDA per basic weighted average number of shares outstanding	<b>\$ 0.19</b>	\$ 0.17	\$ 0.02	12%	<b>\$ 0.53</b>	\$ 0.52	\$ 0.01	2%
Adjusted EBITDA per diluted weighted average number of shares outstanding	<b>\$ 0.19</b>	\$ 0.17	\$ 0.02	12%	<b>\$ 0.53</b>	\$ 0.52	\$ 0.01	2%

n/m - "Not Meaningful"

(1) Adjusted EBITDA is a non-IFRS measure. See "Non-IFRS measures".

Adjusted EBITDA for the three-month period ended September 30, 2023, was \$4.4 million, consistent with \$4.4 million for the same period last year. The tightening of the Adjusted EBITDA margin from 31% to 26% is a result of the investments to drive revenue growth in our target markets, as discussed above under "Organic Growth Strategy".

Due to the fact that a majority of our revenues and expenses being generated in the United States, any weakening or strengthening of the Canadian dollar in relation to the United States dollar has an impact on our Adjusted EBITDA. During the three months ended September 30, 2023, exchange rate changes did not have a material impact on our Adjusted EBITDA, compared to the same period in the prior year.

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### Cash from operating activities before non-cash change in working capital.

(Amounts in thousands of dollars, except percentages and per share amounts)

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over- Period Change	
	<u>2023</u>	<u>2022</u>	\$	%	<u>2023</u>	<u>2022</u>	\$	%
<b>Profit before income tax</b>	<b>\$ 790</b>	\$ 611	\$ 179	29%	<b>\$ 1,061</b>	\$ 2,774	\$ (1,713)	-62%
Items not affecting cash								
Depreciation of property and equipment	<b>50</b>	37	13	35%	<b>144</b>	102	42	41%
Amortization of intangible assets and ROU assets	<b>2,448</b>	2,832	(384)	-14%	<b>7,450</b>	7,886	(436)	-6%
Stock-based compensation	<b>76</b>	181	(105)	-58%	<b>223</b>	481	(258)	-54%
Interest on lease obligations	<b>11</b>	12	(1)	-8%	<b>34</b>	37	(3)	-8%
Interest paid (on financing)	<b>(494)</b>	(395)	(99)	25%	<b>(1,419)</b>	(1,014)	(405)	40%
Earnout paid	-	-	-	n/m	<b>(404)</b>	-	(404)	n/m
Share-based payments	<b>200</b>	(124)	324	-261%	<b>893</b>	(630)	1,523	-242%
Cash taxes paid	<b>(316)</b>	(505)	189	-37%	<b>(2,776)</b>	(1,708)	(1,068)	63%
<b>Cash generated from operating activities before non-cash change in working capital</b>	<b>\$ 2,765</b>	\$ 2,649	\$ 116	4%	<b>\$ 5,206</b>	\$ 7,928	\$ (2,722)	-34%
Cash generated from operating activities before non-cash change in working capital per share (basic)	<b>\$ 0.12</b>	\$ 0.11	\$ 0.01	9%	<b>\$ 0.22</b>	\$ 0.33	\$ (0.11)	-33%
Cash generated from operating activities before non-cash change in working capital per share (diluted)	<b>\$ 0.12</b>	\$ 0.11	\$ 0.01	9%	<b>\$ 0.22</b>	\$ 0.33	\$ (0.11)	-33%

n/m - "Not Meaningful"

The IFRS measure of cash from operating activities before non-cash changes working capital for the three months ended September 30, 2023, was \$2.8 million, compared to \$2.6 million for the same period last year.

For the nine months ended September 30, 2023, cash generated from operating activities before non-cash changes in working capital was \$5.2 million varying from \$7.9 million for the same period last year, due mainly a decrease in profit before income taxes and higher taxes paid.

### Amortization of intangible and Right of Use assets

For the three and nine-month periods ended September 30, 2023, the amortization of intangible assets represented the normal amortization expense for the acquisitions of intangible assets and Right of Use ("ROU") assets. For the three months ended September 30, 2023, total amortization costs related to intangible assets and ROU assets was \$2.4 million, compared to \$2.7 million for the same period last year. For the three months ended September 30, 2023, we recorded \$0.3 million of amortization expense related to capitalized development, compared to \$0.2 million for the same period in the prior year. Total amortization costs related to intangible assets and ROU assets was \$7.5 million for the first nine months of fiscal year 2023, compared to \$7.9 million for the same period last year. For the nine months ended September 30, 2023, we recorded \$0.8 million in amortization expense related to capitalized development, compared to \$0.4 million for the same period in the prior year.

### Share-based payments

During 2022, we instituted a shareholder-approved share unit plan. Under the share unit plan, the Company is authorized to grant restricted share units ("RSUs"), performance share units and deferred share units ("DSUs").

Under this plan, the Board of Directors granted DSUs to non-officer directors of the Company for services rendered. The DSUs are to be settled in cash no later than December 31<sup>st</sup> of the calendar year following the calendar year in which the non-officer director ceases to be a director of the

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Company. Additional DSUs are credited to the directors' accounts when cash dividends are paid to the common shareholders of the Company. Such amount of additional DSUs is determined by dividing the dividends which would have been paid on the DSUs had they been common shares of the Company by the volume weighted average trading price of the Company's shares over the 5-day trading period immediately preceding the date the dividends are paid.

Upon redemption, and at each reporting date, the DSUs are valued on a per DSU basis at an amount equal to the volume weighted average trading price of the Company's shares over the immediately preceding 5-day trading period. During the nine months ended September 30, 2023, 59,487 DSUs were granted to non-officer directors with an additional 513 DSUs granted based on dividends earned. There is a total of 96,829 DSUs outstanding. During the nine months ended September 30, 2023, \$0.5 million was included in the consolidated statement of comprehensive income related to DSUs, and the liability at September 30, 2023, amounted to \$0.7 million.

Also under this plan, the Board of Directors granted RSUs to employees of the Company for services rendered. RSUs vest annually over four years. Most RSUs are to be settled in cash or common shares, at the Board of Directors' discretion, prior to December 31 each year. Additional RSUs are credited to the employees' accounts when cash dividends are paid to the common shareholders of the Company. Such an amount of additional RSUs is determined by dividing the dividends which would have been paid on the RSUs had they been common shares of the Company. During the nine months ended September 30, 2023, 49,673 RSUs were granted to employees and 19,391 RSUs vested. During the nine months ended September 30, 2023, \$145 thousand was included in the consolidated statement of comprehensive income, and the liability at September 30, 2023, amounted to \$142 thousand.

Also included in calculation of share-based payments are the Phantom Interest Award Units ("PIAUs"), with 100,000 issued in 2020 and 50,000 issued in 2021. The PIAUs were issued to two executives and entitles the awardee to a cash payment after 5 years of service or when a payment event occurs, whichever is first. Vesting occurs annually over 5 years. The amount of cash payment for each vested PIAU shall be equal to the value of a Company common shares as of the payment date plus any dividends accrued on vested common shares.

The amount included in the share-based units liability relating to PIAUs is \$1.1 million at September 30, 2023 (December 31, 2022 - \$891). During the nine months ended September 30, 2023, an expense of \$0.3 million was included in the consolidated statements of comprehensive income (a recovery for nine months ended September 30, 2022 - \$0.7 million).

The total share-based payments expense for the nine months ended September 30, 2023, was \$0.9 million, compared to a recovery of \$0.6 million for the same period in the prior year. The recovery in the prior year was driven by fluctuations in the share price.

All share-based payments are excluded from Adjusted EBITDA.

**Stock-based compensation expense**

In the first nine months of fiscal year 2023, we granted 150,000 stock options to directors and officers of the Company (nine months ended September 30, 2022 - nil). In the same period, no stock options were exercised (nine months ended September 30, 2022 - nil) and 574,000 options expired (nine months ended September 30, 2022, - 32,333). During the nine months ended September 30, 2023, 3,334 options were forfeited (nine months ended September 30, 2022 - 82,667 options were forfeited).

The compensation cost for the stock options has been determined based on the fair value method. It resulted in a non-cash charge of \$0.2 million to profit before income tax in the first nine months

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of fiscal year 2023, compared to a non-cash charge to profit before income tax of \$0.5 million in the same period in 2022.

### Foreign exchange

A portion of our revenue is generated through our wholly owned U.S. and U.K. subsidiaries. In addition, some international contracts are denominated in U.S. and GBP currencies. Accordingly, we are susceptible to foreign exchange fluctuations. This exposure is reduced to the extent that we incur some payroll and other operating expenses in those foreign currencies. According to IFRS, exchange gains and losses arising on translation of our foreign operations are recorded as foreign currency translation adjustments in other comprehensive income.

For the three-month period ended September 30, 2023, the foreign exchange differences on translating our foreign operations was a gain of \$638 thousand, compared to a gain of \$1.2 million for the same period last year. For the nine-month period ended September 30, 2023, the foreign exchange differences on translating our foreign operations were a loss of \$141 thousand, compared to a gain of \$2.6 million for the same period last year.

All other foreign exchange gains and losses are recorded in earnings for the period. For the three-month period ended September 30, 2023, we recorded a foreign exchange loss of \$48 thousand, compared to a gain of \$11 thousand for the same period last year. For the nine-month period ended September 30, 2023, we recorded a foreign exchange loss of \$80 thousand, compared to a gain of \$11 thousand for the same period last year. These foreign exchange gains and losses are primarily the result of intercompany payables and receivables between the Company and its foreign subsidiaries.

### Profit for the period

For the third quarter of fiscal year 2023, profit was \$0.8 million compared to a profit of \$1.5 million for the same period in the prior year. The decrease was due to the net impact of an increase in revenue offset by the Company-wide investments in organic revenue growth, an increase in general and administrative expenses and increase in share-based payments.

Profit for the first nine-months of fiscal year 2023 was \$0.9 million, compared to a profit of \$3 million for the same period in the prior year. The decrease was due mainly to increased general and administrative expenses, increased sales and marketing expenses, increased product development expense, increased share-based payments and the Mission CRM acquisition earnout.

### Selected financial data

(Amounts in thousands of Canadian dollars, except per share amounts)

	Three months ended							
	2023			2022			2021	
	Sept	June	Mar	Dec	Sept	June	Mar	Dec
Revenue	\$ 16,769	\$ 16,650	\$ 15,925	\$ 15,344	\$ 14,234	\$ 13,725	\$ 13,136	\$ 12,561
Profit before income tax	790	14	257	182	512	1,141	1,021	93
Adjusted EBITDA <sup>(1)</sup>	4,372	4,289	3,842	4,878	4,101	4,315	3,920	3,734
Adjusted EBITDA per basic weighted number of shares <sup>(2)</sup>	0.19	0.18	0.16	0.20	0.17	0.18	0.16	0.16
Profit (loss) for the period	845	(72)	103	(229)	1,356	895	685	(165)
Profit (loss) per basic weighted average shares outstanding	0.040	(0.003)	0.004	(0.01)	0.06	0.04	0.03	(0.01)
Profit (loss) per diluted weighted average shares outstanding	0.040	(0.003)	0.004	(0.01)	0.06	0.04	0.03	(0.01)
Dividends per share	0.010	0.010	0.010	0.010	0.125	0.125	0.125	0.125

(1) Adjusted EBITDA is a non-IFRS measure. See "Non-IFRS measures" for definition.

(2) Non-IFRS measure. See "Non-IFRS measures" for definition.

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### **Summary of quarterly results**

During the periods in the table above, our financial and operating results were impacted by the following factors and trends:

- On November 14, 2022, we adjusted our quarterly dividend to \$0.01 per share;
- On February 3, 2022, we amended our Credit Facility agreement to expand available credit from \$75 million to \$125 million, as well as other aspects of the facility;
- On October 18, 2021, we acquired Pavliks, a provider of proprietary SaaS applications and project services primarily to public sector organizations and member associations, with three distinct business units. The acquisition brought scale, cash flows and strategic IP;
- On October 6, 2021, we acquired Mission CRM and their SaaS fundraising and donor engagement platform which complements and furthers Sylogist's platform versus siloed product strategy; and,
- We have strategically invested in talent across our product, sales, marketing, and customer account management teams to enhance the market awareness of our solutions, drive growth across product lines, and expand capacity to deliver and recognize backlog revenue due to increased Bookings.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2023, we had adjusted working capital of \$3 million, compared to a deficit of \$4.2 million as at December 31, 2022. As at September 30, 2023, we had cash and cash equivalents of \$13.8 million, compared to \$14.5 million as at December 31, 2022.

#### **Adjusted Working Capital <sup>(1)</sup>**

(Amounts in thousands of dollars)

	<b>September 30, 2023</b>	December 31, 2022
Current assets	<b>\$ 30,389</b>	\$ 24,456
Current liabilities	<b>(52,508)</b>	(47,893)
Deferred revenue	<b>25,151</b>	19,197
Adjusted working capital	<b>\$ 3,032</b>	\$ (4,240)

1) Adjusted Working Capital is a non-IFRS measure, See "Non-IFRS measures" for definition.

Our requirement for property and equipment ("PE") is generally limited to computers, networking equipment, servers and furniture and fixtures for leased space. Investment in PE for the nine months ended September 30, 2023, was \$107 thousand, compared to \$138 thousand in the same period last year.

Due to our stable customer base and strong financial position, we believe we have the appropriate resources in place to maintain our operations. Cash generated from operations and from previous financing activities are available to pursue business expansion through organic growth initiatives, such as continued investment in sales, marketing and product innovation, as well as strategic acquisitions.

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We have entered into various leases for our operating premises and service commitments. The following table discloses Sylogist's contractual obligations as at September 30, 2023:

(Amounts in thousands of Canadian dollars)

<b>Contractual Obligations</b>	<b>Total</b>	<b>Fiscal 2023</b>	<b>Fiscal 2024-2027</b>
Premise/Services	\$ 991	\$ 454	\$ 537

**FINANCIAL INSTRUMENTS**

Our principal financial instruments are cash and cash equivalents, trade and other receivables, trade and other payables, income taxes payable and the Credit Facility. The carrying value of all financial instruments approximates fair value.

**Counterparty credit risk management**

We are exposed to normal credit risk. The objective of managing counterparty credit risk is to prevent losses relating to financial assets. As at September 30, 2023, our cash and cash equivalents are held at one Canadian Chartered Bank. We have a concentration of credit risk. We mitigate exposure to credit risk by having concentrations with creditworthy clients and broadening our customer base. The allowance for doubtful accounts of \$181 represents approximately 1.6% of the trade accounts receivable as of September 30, 2023 (December 31, 2022 – 0.2%). As at September 30, 2023, three customers accounted for 16% (December 31, 2022 – three customers accounted for 30%) our total trade accounts receivable. Subsequent to September 30, 2023, approximately 27% of total trade accounts receivable was collected. Revenue from one customer represented approximately \$1,668 or 3.4% of consolidated revenue earned during the nine months ended September 30, 2023.

The aging of the trade receivables balance is as follows:

(Amounts in thousands of dollars)

	<b>September 30, 2023</b>	December 31, 2022
1-30 days	\$ 4,938	\$ 3,548
31-90 days	1,999	1,880
91 + days	4,185	926
Total trade receivables	11,122	6,354
Allowance for doubtful accounts	(181)	(14)
Other receivables <sup>(1)</sup>	947	54
	\$ 11,888	\$ 6,394

<sup>(1)</sup> Other receivables consist primarily of unbilled receivables.

The majority of outstanding balances exceeding 90 days pertain to our SylogistEd customers, whose renewals occurred in July. These customers are known for their reliability in payment; however, due to procedural requirements, they must convene board meetings for invoice approval and payment. We anticipate no collection issues, as this increase in receivables is part of the standard operating procedure.

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### **Foreign currency rate risk management**

A portion of our sales are made to customers in the United States and Europe. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates. We do not have any exposure to highly inflationary foreign currencies. We manage our exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and trade accounts receivable to offset foreign currency payables.

As at September 30, 2023, the change in profit before tax for each 1% change in the value of the Canadian dollar against the U.S. dollar amounts to approximately \$70 thousand (December 31, 2022 - \$48 thousand). For the same period, the increase or decrease in profit before income tax for each 1% change in the value of the Canadian dollar against the GBP amounts to approximately \$15 thousand (December 31, 2022 - \$4 thousand).

### **Liquidity risk**

Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Company:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value, which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

We expect that cash flow from operations together with cash and cash equivalents on hand, will be more than sufficient to fund our requirements for investments in working capital, maintenance capital expenditures, and product development. As these variables change, liquidity risks may necessitate the need for us to conduct equity issues, and/or draw on debt financing.

### **Interest rate risk**

Our cash and cash equivalents and Credit Facility are subject to interest rate price risk, as the value will fluctuate due to changes in market rates. As at September 30, 2023, the increase or decrease in profit before tax for each 1% change in interest rates on the Company cash and cash equivalents amounts to approximately \$138 thousand (December 31, 2022 - \$145 thousand) per annum.

## **OFF BALANCE SHEET FINANCIAL ARRANGEMENTS**

We have not engaged in any off-balance sheet financial arrangements as at September 30, 2023.

## **TRANSACTIONS WITH RELATED PARTIES**

During the nine months ended September 30, 2023, we paid cash portion of director's fees of \$85 (nine months ended September 30, 2022 - \$183), and no fees are outstanding as of September 30, 2023. This cash portion is in addition to 59,487 DSUs granted to non-officer directors during the nine months ended September 30, 2023 (nine months ended September 30, 2022 - 36,536), with an additional 513 DSUs granted based on dividends earned (nine months ended September 30, 2022 - 293). As at September 30, 2023, we have a total of 96,829 DSUs outstanding as a long term payable.

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Compensation of key management personnel, defined as the Board of Directors, the Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, the Vice President, BP&A and Operations, the Chief Customer Officer, the Chief Technology & Innovation Officer, Chief Revenue Officer, the Vice President, Talent and Engagement and the Vice President, Marketing was as follows:

	<b>Nine months ended September 30, 2023</b>	Nine months ended September 30, 2022
Salaries and benefits-key management	<b>\$ 2,064</b>	1,839
Executive bonus	<b>571</b>	374
Stock based compensation	<b>202</b>	503
Share based payments-PIAUs	<b>252</b>	(687)
Share based payments-DSUs	<b>496</b>	57
Share based payments-RSUs	<b>115</b>	-
Directors' fees	<b>85</b>	183
	<b>\$ 3,785</b>	<b>\$ 2,269</b>

## **CRITICAL ACCOUNTING ESTIMATES**

We prepare our financial statements in accordance with IFRS. Our significant accounting policies are contained in Note 3 to the December 31, 2022, Financial Statements. Some of these policies involve critical accounting estimates because they require us to make subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. We have discussed the application of key accounting policies and the critical accounting estimates and assumptions with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the disclosures described in the Financial Statements.

### **Outstanding share data**

As of the date of this MD&A, we have 23,573,677 common shares issued and outstanding and 1,207,000 stock options to acquire common shares outstanding, with an average exercise price of \$10.36 per common share.

## **RISK AND UNCERTAINTIES**

We are subject to risks and uncertainties that could result in a material adverse effect on our business and financial results on a consolidated basis. The Board of Directors of the Company has the overall responsibility and oversight of the Company's risk management practices. Our management is responsible for developing and monitoring the Company's risk strategy, and reports to the Board of Directors of the Company on its activities. Risk management is incorporated in all levels of strategic and operational planning and is reviewed regularly to reflect changes in market conditions and our activities. Management has identified the risks below as specific risks to the Company. The reader is urged to review these risk factors. The markets in which the Company operates are very competitive and change rapidly and therefore, new risks may emerge from time to time.

### **Profitability**

As we grow, we expect operating expenses and capital expenditures to increase correspondingly, and as a result, we will need to generate increased revenue to maintain profitability. We may not be able to sustain or to increase profitability or cash flows from operations on a quarterly or annual basis in the future and, in turn, could incur losses in future periods. If revenues

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decline, operating results could be seriously impaired because many of our expenses are fixed and cannot be easily or quickly reduced.

**Volatility in Quarterly Operating Results**

Quarterly operational results may be impacted by many factors, including revenue fluctuations based on demand, economic conditions, capital allocation and budgeting cycles, timing of sales, acquisitions and related costs, customer acceptance of product enhancements, and by seasonality variations in our markets. We consider fluctuations in our quarterly operations to have an impact on our future financial position. Our expense levels are based in part on our expectations of future sales and projects, and we may not be able to adjust spending in a timely manner to compensate for any sales shortfall.

**Fixed Price Contracts and Delivery Management**

A portion of our contracts are fixed price contracts. In the context of these fixed price contracts, there is a risk that we will be unable to deliver under the contract within the time specified and at a cost to us that is equal to or less than the contract price. The technical sophistication of the systems delivered under the contracts may require amendments to be negotiated from time to time, subject to mutually agreed upon contract change processes. A significant contract overrun that is caused by the actions or inactions of the Company could affect our results of operation and financial position.

**Market and Competition**

The markets for our products and services are competitive and significantly affected by new product introductions and other market activities by industry participants. We expect competition to persist, even increase and intensify in the future as the markets for our products and services continue to develop, and additional companies enter its markets. Numerous releases of products and services that compete with those of the Company can be expected in the future. There can be no assurance that we will be able to compete effectively with current and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to other competing products, or significant price competition was to otherwise develop, we may be forced to lower our prices.

**Potential Acquisitions and Investments**

In previous years, we acquired and expect to continue acquiring or investing in businesses, products and technologies that expand or complement our current business, products and services and accelerate our organic growth strategy. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisition or investment can be satisfactorily financed or, if acquired, will generate revenue, income or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on our administrative and operational resources and its ability to manage growth.

**Management of Growth and Integration of Acquisitions**

Our thesis is centered on a profitable growth strategy. We intend to grow both organically and through strategic acquisitions in the future. There can be no assurance that the Company will complete any future acquisitions and, if completed, such acquisitions will be successfully integrated into the Company. Our growth will likely place strains on its resources and increased demands on its internal systems, procedures, and controls. With any acquisition, we need to integrate and manage the businesses acquired. This would increase the demands on the our management, resources, systems, procedures and controls. There can be no assurance that the our administrative infrastructure, systems, procedures and controls will continue to adequately

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support our operations or that management will be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully expanded our products and services, and successfully integrate any acquisitions in the future.

**Major Contracts**

We have and may enter into major contracts that are complex and have several delivery milestones. These contracts are subject to delays, changes, revisions, and termination. There is no guarantee that we can complete all activities on time and on budget and that the funding available from the customer will be adequate to meet possible adjustments the project plan and duration. Failure by the Company to manage customer delivery responsibilities, the project schedule, deliver project resources, and collect payments on a timely basis are significant risks to us.

**Government Contracts**

A significant portion of our total annual services revenue is derived from contracts with public sector entities. Changes in government, government policy, priorities, or funding could affect our financial condition or results of operations. Government contracts could be terminated or suspended at any time.

**Risk to Reputation**

Reputation is a critical asset in the technology services industry. Potential damage to that reputation is a significant risk for us. Any of the risks identified in this MD&A could damage our reputation which, in turn, may result in a lack of customer or employee confidence, legal liability, and difficulties in securing capital.

**Volatility in Stock Price**

The market price of our common shares can be highly volatile and subject to fluctuations. These fluctuations in common share market price may continue due to quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the financial markets have experienced significant price fluctuations over the last 1.5 years that have particularly affected the market price of equity securities of many technology companies. In many cases, such pressures have been unrelated to the operating performance of such companies or the failure of such companies to meet market expectations in a particular timeframe.

**Foreign Currency Risk**

We operate internationally and, accordingly, a portion of our financial resources is held in currencies other than the Canadian dollar, the functional currency of the Company. Further, we generate revenues and incurs expenses in U.S. dollars, Euros and British Pounds. Our exposure to the U.S. dollar, Euros and the British pound may change over time as the geographic mix of the business changes. Consequently, our results have been affected and we expect our future results could be adversely affected by significant foreign exchange fluctuations.

**Cyber Security**

We are attentive to our cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to the Company include, but are not limited to: nefarious breaches of its computer systems, loss of access to data, loss of Cloud connectivity, destruction or corruption of data, compromising of confidential customer and/or employee information, leaked information, disruption of business, and theft or extortion of

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funds. Any of said risks could have a material, adverse effect on our competitive position, financial condition, and results from operations. We apply technical and process controls that are in line with industry-accepted standards to protect our information assets and systems.

We may need to expend significant capital and other resources to protect against the threat of, or recover from, nefarious security breaches. Identifying and eliminating security breaches, viruses and other external intrusions may require interruptions, delays or cessation of service to users and customers transacting business with us. Infrastructure and network security breaches may lead to a material disruption of our business and/or the loss of business information, which may materially and adversely affect our business. Risks relating to any such security breach may include, among other things: a material adverse impact on our business and future financial results due to the theft, destruction, loss, misappropriation or release of confidential data; possible negative publicity resulting in reputation or brand damage with customers, vendors or peers due to the theft, destruction, loss, misappropriation or release of confidential data; operational or business delays resulting from the disruption of information technology systems and subsequent clean-up and mitigation activities; and potential adverse effects on our compliance with regulatory laws and regulations. Repeated or substantial interruptions could result in the loss of customers and reduced revenues.

**Environment and Market Risk**

Sales are subject to some conditions outside our control such as economic cycles, the growth of complementary businesses such as communications networks and software applications or events in specific industry verticals. The liquidity and financial position of the Company is a function of the decisions it will have to make to successfully compete and expand. As the marketplace for our products and services evolves, our future results could be impacted by a dependence on a few customer or partner relationships. In addition, the timing and customer acceptance of new or upgraded products and services may also affect our results in the future.

**Pricing and Margins**

Pricing of software and services is highly competitive, as is pricing for related hardware and components. There are competitors of all sizes with similar offerings to that of the Company, with notably larger competitors offering mission critical systems and support services. These competitive offerings can put pressure on prices and, consequently, operating margins. Although not a primary focus of the Company, margins on hardware sales are typically lower than those realized in software sales.

**Dividends**

Our Board of Directors determined to pay a quarterly dividend commencing in 2010, which is reviewed quarterly. Our Board of Directors will, at their discretion, determine the amount of any future dividends payable. Although we have paid quarterly dividends since 2010, there can be no assurance that the Board of Directors will declare further dividends. The actual dividends declared, if any, will depend on numerous factors, such as capital requirements to fund growth, working capital, and sufficient operating cash flow. We may adjust future dividends payable upward or downward based on shareholder valuation creation and capital allocation opportunities available to us.

**Intellectual Property Rights**

Although we make efforts to protect our intellectual property rights, there can be no guarantee that unlicensed copying of our software will not take place, especially in countries where software piracy laws and enforcement are weak. Policing unauthorized use of our technology, if required, may be difficult and costly.

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From time to time we may receive notices from third parties alleging that it has infringed their intellectual property rights. Responding to any such claim, regardless of its merit, may be time-consuming, result in costly litigation, divert management's attention and resources or cause us to incur significant expenses. Any meritorious claim of intellectual property infringement against us may potentially result in a temporary or permanent injunction, prohibiting us from marketing or selling certain products or requiring it to pay royalties to a third-party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology may materially adversely affect its business and results of operations.

As we develop new technologies, our ability to protect our proprietary rights from unauthorized use by third parties may be possible only to the extent that our intellectual property is effectively maintained as confidential know-how/trade secrets. The industries in which the Company operates can be subject to expensive litigation regarding intellectual property rights. As a result, we may be required to defend against claims of intellectual property infringement which may adversely affect our financial condition and operating results. Although we do not typically pursue patents, if we choose to do so in the future, we cannot foresee whether any of our future patent applications will result in the issuance of any patents. If approved, any future patents of the Company may not be sufficiently broad to prevent others from developing competing products. The validity and enforceability of the Company's patents, if any, cannot be predicted with certainty and its future patents may be found to be invalid or unenforceable or its future patent applications may not be accepted.

Unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our intellectual property is difficult, and the Company cannot be certain that the steps it has taken will prevent unauthorized use of its technology. If competitors are able to use the Company's technology, its ability to compete effectively could be harmed. Moreover, others may independently develop and obtain patents for technologies that are similar to, or superior to, the Company's technologies. If that happens, the Company may need to license these technologies, and it may not be able to obtain licenses on reasonable terms, if at all, which could have a material adverse effect on its business.

**Information Systems**

Certain Company information systems are internally developed and contain external applications that are linked to the proprietary core. There are continued risks when various departments operate on different systems and we must rely on developed interfaces between these systems.

**Intrusion of the Company's Computer Systems**

Our operations are dependent on the continued and uninterrupted performance of our computer systems, which are hosted in the cloud. Accordingly, we rely on our ability to protect our cloud-based computer systems against a wide range of risks, including but not limited to malware and data breaches. Any system failure, security breach or unanticipated problem with our cloud-based computer systems could interrupt or delay our operations, damage our reputation, and, if sustained or repeated, reduce the attractiveness of our services, potentially resulting in the loss of revenue and customers. In this cloud-based environment, the risk of data breaches and malware attacks is a particularly significant concern that we must address proactively to safeguard our operations and protect our stakeholders' interests.

**Third Party Technology**

We incorporate third party technology into some of our products and may incorporate additional third-party technology as we develop and expand our product offerings. The operation of our products could be impaired if errors occur in such third-party technology, which errors may be difficult to correct being out of our control, or to replace if a third-party vendor seeks to

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terminate our license to use the technology. Such technology could become subject to claims of infringement by others.

### **Legislative, Insurance, Compliance Costs, Regulatory Action and Environment**

To comply with various increasing and complex regulatory reporting and standards involves significant cost. Recent changes to securities regulatory standards, accounting policy, and compliance reporting have placed an additional expense burden on us. We are utilizing more outside legal, accounting and advisory services than in the past. As a result, general and administrative costs will increase. Insurers may increase premiums as a result of high claims rates experienced by them over the past and so future premiums for our various insurance policies, including directors' and officers' insurance policies, could be subject to increase. Proposed changes in the accounting rules could materially increase our internal accounting and external audit fees. Corporate governance standards in Canada are evolving continuously. Despite its best attempts, there can be no assurance that the Company will comply with all applicable corporate governance guidelines or best practices.

### **Key Partner Relationships**

We have some reliance on partner relationships with third-party providers to generate revenue. The financial stability, marketing plans, and personnel of these partnering organizations could change and materially impact our relationships, and the services and products we provides to our customers.

### **Key Supplier Relationships**

Sylogist is dependent on its relationships with third parties to provide strategic components of its software sales and maintenance revenue, and its hardware sales. To the extent third parties are unable to support us in such areas, we may be forced to source components or software from others, perhaps at increased prices and with an impact on our ability to service our customers and win new business. Many of our products are dependent on the uninterrupted operations of third-party data hosting centers, which, if unavailable, even for a limited period, could result in revenue loss and customer claims. While we take reasonable precautions against some events, and that we believe our hosting providers, primarily Microsoft, are reputable businesses with strong availability, redundancy, and security protocols, there can be no assurance that their services will be provided uninterrupted.

### **Financial Condition, Liquidity, and Requirements Outlook**

Our cash balance and working capital position are expected to be adequate to sustain our existing operations. If we are unable to continue to grow revenue and cash flow from operations, our cash and working capital position could be affected.

### **Management of Future Growth and Expansion**

Planned expansion of our business and our future success will depend on our ability to manage strategic growth as we expand our products and marketing capacities, which may place a significant strain on our management resources, employees and operations, as well as our ability to finance such growth. To manage strategic growth effectively, we will be required to continue to implement changes in certain aspects of our business, expand our operations, and develop, train, manage and assimilate an increasing number of management-level and other employees. If management is unable to oversee and throttle growth effectively, our business, prospects, financial condition and operating results could be affected.

### **Dependence on Key Personnel**

The success of the Company is largely dependent on the performance of its senior leadership. Failure to retain key employees and to attract and retain additional ones with required skills

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and experience could impact our growth and profitability. Competition for highly skilled management, technical, project delivery, and other key work streams is intense in the information technology industry.

Our progress to date in commercializing our proprietary products has been dependent, to a significant extent, on the skills of our senior management. The departure or death of certain members of the executive team could have an adverse effect on us.

We have experienced changes in our management personnel in the past and further changes may occur in the future. We may face transitional difficulties in connection with these changes, and there can be no assurance that we will be able to attract and retain highly skilled and qualified personnel to replace key employees who leave the Company.

**Financial Position of Customers**

If a material number, or market segment, of our customers are not able to continue operations for whatever reason, consolidate or reduce their operations, or postpone current or expected purchases of our products and services, our business, results of operations, and financial condition could be adversely affected.

**Customer Retention/Attrition**

Once our solutions are deployed to a customer, they generally rely on us support services for myriad reasons. Due to the collegial nature of the markets we serve, a high level of customer satisfaction wellness is important to revenue retention and successful future marketing and sales activities of the Company to win new business and expand customer wallet share.

**Industry Growth**

There can be no assurance that the market for our existing products will continue to grow or that we will be successful in independently growing market share for its products. If the markets in which our products compete grow more slowly than we currently anticipate, or if we are unable to grow within our target markets, our operating results, and financial condition could be adversely affected.

**Reliance on Third Party Suppliers**

Certain IP and components sold to our customers, and used in our products, are purchased from third party suppliers. Our reliance on suppliers involves certain risks and uncertainties, including the possibility of a shortage or discontinuation of certain key IP and hardware and reduced control over delivery schedules, manufacturing capability, quality and costs.

**Third Party Software**

We license certain technologies from third parties, which may in turn be offered by the Company to customers or channel partners and ultimately to end users. The termination of any of these third-party products or material licensing changes could materially impact our ability to sell our products and we may be forced to seek alternative solutions. There can be no guarantee that alternative solutions will be readily available, if at all. If our third-party licensors do not maintain or update their products, our ability to sell our products could be materially impacted, again potentially requiring us to seek alternatives, which may not be available. It may be necessary in the future to seek new third-party licenses from others than whom it currently contract, to sustain our business offerings and there can be no certainty that such licenses will be available on commercially reasonable terms, if at all.

**Lengthy and Variable Sales Cycle**

Selling our products typically includes a thorough procurement process. Our sales cycle generally ranges from three to eighteen months. We spend a substantial amount of time

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educating potential customers about the use and benefits of our solutions and related services. Because the adoption of our technologies often represents a substantial investment, potential customers may take months to evaluate our technologies and products, determine the size of the user base to be covered, and obtain the necessary budget allocation and expenditure authorizations to purchase our products. The process of entering into a contractual agreement typically involves lengthy negotiations. Additionally, we may be required to integrate our solution with synergistic third party products, which must be specified in the contract and agreed to by the customer.

We may also spend a significant amount of time and money on a potential customer that ultimately does not purchase our solution. Any such lost sales could cause our operating results to vary significantly from projected results. Also, we may not be able to accurately predict sales by partners, since our partners may not always keep us informed about the status of possible sales and other revenue opportunities with their prospects and customers. Sales of our products by partners also may depend on the availability of their own products and implementation resource. We have no control over the timing of our partners' product rollouts, and we may not be informed of when these rollouts will occur.

Because of these factors, it is difficult to forecast our revenue and operating results. Our inability to accurately predict the timing and magnitude of our sales could cause a number of problems, including: (i) we may have difficulty meeting our customers' delivery requirements in the event an unusually high number of bookings occur in a period of time; (ii) we may expend significant management efforts and incur substantial sales and marketing expenses in a particular period that do not translate into bookings in the planned periods, or at all; and, (iii) we may have difficulty meeting our cash flow requirements and obtaining credit because of delays in winning bookings or delays in receiving payment for its products and services. The problems resulting from our lengthy and variable sales cycle could impede our growth, harm our valuation, and restrict our ability to take advantage of new opportunities.

### **Risks Related to Acquisitions**

We intend to expand our operations and business by acquiring additional strategic businesses, products, and technologies. There can be no assurance that we will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of risks, including diversion of management's attention, failure to retain key personnel, failure to retain customers, unanticipated events or circumstances, and legal liabilities. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. Acquisitions could also result in potentially dilutive issuances of equity securities. Our failure to manage our acquisition strategy successfully could have a material adverse effect on our business, results of operations and financial condition.

### **Economic Slowdown**

From time-to-time markets have witnessed the weakening of global macro-economic conditions. This weakness affected information technology spending patterns on a global basis, and as a result affected our ability to forecast current and future period revenues. An unforeseen deterioration of economic conditions or unexpected market forces may have a negative impact on our future financial performance.

### **International Markets**

Sales outside of Canada represent a significant portion of our total gross revenues. Sales to international customers are subject to a number of risks and uncertainties including, but not limited to, complications in both compliance with and unexpected changes in foreign government laws, regulations and telecommunications standards, import and export license

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requirements, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, exchange controls, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, potential political and economic instability, events of international terrorism, economic effects of public health threats such as pandemics or epidemics, uncertainties of laws and enforcement relating to the protection of property rights including intellectual property rights, unauthorized copying of our proprietary technologies, uncertainties in local commercial or financial sector practices, uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations, and other factors depending on the country involved. While international sales are typically denominated in U.S. dollars and we typically extend limited credit terms, fluctuations in currency exchange rates could cause our products to become relatively more expensive to customers in a particular country, leading to a reduction in sales or profitability in that country. As a result of these factors, we may not be successful in entering certain international markets and maintaining or increasing international market demand for our products.

**Litigation**

We may be subject to litigation in the ordinary course of business, as well as in the context of potential securities claims, class actions and other corporate activities. Any litigation is time consuming and costly, both financially and by distracting management and staff resources from our day to day business.

**Taxation**

We are subject to income and non-income-based taxes in Canada, the United States, the United Kingdom and other foreign jurisdictions. Tax structure and tax filings are subject to review by taxation authorities in the ordinary course of business and we cannot be assured that the final determination of any such review will not be different from what is reflected in our historical income tax filings, provisions or accruals and any such differences could materially affect operating results or result in additional tax expense in future periods. Significant judgment is required of management in determining our provisions for income taxes and other tax liabilities and while management strives to ensure our estimates and filing positions are reasonable, there can be no assurance that the result of any tax audits or proceedings will not differ, which may materially impact operating results. In addition, tax laws are subject to change which may materially impact our tax filings and operating results.

**Potential Need for Future Financing**

There can be no assurance that we will be able to obtain the financial resources that may be required to successfully compete in our markets on favorable commercial terms, or at all. Failure to obtain such financing could result in the delay or abandonment of some or all of our plans for product development, or in us being unable to satisfy our obligations as they become due.

**Acquisition Related Liabilities**

We may incur contingent liabilities through acquisitions which may be material, despite our best efforts to estimate risks associated with the contingencies and the likelihood of them materializing. Our estimates could differ materially from such liabilities actually incurred.

**Product Liability**

Our solutions are highly complex and sophisticated and, from time to time, may contain design defects that are difficult to detect and correct. Errors may be found in new products after commencement of commercial shipments or, if discovered, we may not be able to successfully

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correct such errors in a timely manner, if at all. The occurrence of such errors and failures in our products could result in a loss or delay in their market acceptance and correcting these could require significant expenditure of capital. Our solutions are integrated into our customers' networks and equipment. The sale and support of these products may entail the risk of product liability or warranty claims based on damage to such networks and equipment. In addition, the failure of our products to perform to customer expectations could give rise to warranty and potentially other legal claims.

**MAINTENANCE OF DISCLOSURE CONTROLS, PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have, as at September 30, 2023, designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to Sylogist is made known to them by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of Sylogist's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management, under the supervision of the CEO and CFO, used the criteria and framework established in the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission to design its ICFR.

During the three months ended September 30, 2023, there were no changes in the Company's ICFR that have materially affected or are reasonably likely to materially affect its ICFR. As at September 30, 2023, the CEO and CFO have evaluated the design and operation of the Company's DC&P and ICFR and concluded that they were effective. This assessment was based on the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

It should be noted that a control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

**Forward-looking statements**

We caution that forward-looking statements in this MD&A are based on certain assumptions or anticipated results made by us that may prove to be inaccurate or unachievable. Such forward-looking statements are made for the purpose of providing information about management's current expectations and plans relating to the future. Investors are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions.

Since forward-looking information addresses future events and conditions, such information by its very nature involves inherent risks, uncertainties and other factors, any or all of which could cause or contribute to actual results or achievements differing materially from those currently anticipated. These include, but are not limited to, the risks and uncertainties associated with

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the industries and markets in which Sylogist operates in general such as: costs and expenses; impacts of public health crises (including the COVID-19 pandemic), commodity prices, interest rate and exchange rate fluctuations; competition; failure to realize the anticipated benefits of a transaction and to successfully integrate an acquired company or business unit; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws. Readers are referred to the "Risks and Uncertainties" section in this MD&A.

Forward-looking statements include those identified by the expressions "allow", "anticipate", "believe", "could", "may", "plan", "estimate", "expect", "intend" and "will", and similar expressions to the extent that they relate to the Company or its management. In particular, forward-looking information and statements contained in this MD&A include, but are not limited to, the following:

- Our long-term goal is to drive sustainable and profitable growth. One of our key measures in achieving this objective is the "Rule of 40" posture, meaning that the combination of organic revenue growth percentage and Adjusted EBITDA Margin percentage will be at or greater than 40.
- We are expecting an organic year-over-year revenue growth run rate percentage in the low-to-mid-teen percentage on a constant currency basis while maintaining an Adjusted EBITDA Margin in the mid-twenty percentage, with a trend toward achieving or exceeding the Rule of 40 over time.
- We see our organic growth strategy leading to long term sustainable growth and shareholder value creation.
- We intend to pursue the strong market opportunity in our target markets through continuing focus and investment in go-to-market capacity, product innovation, and customer account management, to enhance the Company's market presence and drive growth via new logo wins and product expansions across our significant existing customer base.
- We expect our organic growth strategy will lead to long term sustainable revenue expansion and shareholder value creation.
- We see acquisitions as accelerators of our organic growth strategy, and pursues a strategy of integrating, investing in, and growing acquired companies, while maintaining capital discipline.
- To execute our acquisition strategy, we are maintaining and nurturing a robust pipeline of opportunities, investing in our M&A outreach, and are continuously evaluating inorganic growth opportunities relative to shareholder value creation.
- In order to achieve our long-term goals, we are making targeted investments in areas such as sales, marketing, product development and customer success. We expect that these investments will have an impact on near-term profit margins, but will enable us to continue the revenue acceleration that we have experienced over the past year and to realize on our overall market opportunity.
- Effective January 31, 2023, we renewed our Credit Facility to extend the maturity date to January 31, 2024, under the same terms. This renewed Credit Facility provides the Company with further capacity to execute on our acquisition growth strategy.

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- Over the past three years, our business strategy has shifted from a cash optimization model to a growth model complemented by strong cash generation. We believe that there is a strong market opportunity in our target markets, which we intend to pursue through focus and investment in go-to-market capacity, product innovation, and customer account management, to enhance our market presence and drive growth via new customer wins and product expansions across our significant existing customer base.
- Concurrent with these investments, we have executed a rebranding strategy that consolidates legacy brands and aligns with our market focus: SylogistGov, SylogistEd, and SylogistMission. The rebranding strategy simplifies messaging, increases marketing return on investment, drives market awareness, and emphasizes our core areas of focus.
- We see our organic growth strategy leading to long term sustainable growth and shareholder value creation.
- The actual dividends declared, if any, will depend on numerous factors, such as capital requirements to fund growth, working capital and sufficient operating cash flow. We may adjust future dividends payable upward or downward based on opportunities available to us.
- We expect that cash flow from operations together with cash and cash equivalents on hand, will be more than sufficient to fund our requirements for investments in working capital, maintenance capital expenditures, and product development.
- Liquidity risks may necessitate the need for us to conduct equity issues, reduce our dividends, and/or draw on debt financing.
- We expect competition to persist, increase and intensify in the future as the markets for our products and services continue to develop and as additional companies enter each of our markets.
- The extent of future potential business disruption due to public health crises (including the COVID-19 pandemic) cannot be known with any degree of certainty but we do not believe it will have an overall material adverse effect on our long-term outlook.
- We may enter major contracts that are complex and have several delivery milestones.
- Our results have been affected and we expect our future results could be adversely affected by significant foreign exchange fluctuations.
- As we grow our business, we expect operating expenses and capital expenditures to increase correspondingly, and as a result, we will need to generate increased revenue to maintain profitability.
- Quarterly operational results may be impacted by many factors, including revenue fluctuations based on demand, economic conditions, capital allocation and budgeting cycles, timing of project sales, by acquisitions and related costs, by customer acceptance of product enhancements and by seasonal variations.
- We believe that growth of our product lines and number of personnel is required to maintain our competitive position.
- We plan to grow both organically and by acquisition in the future.
- We may need to expend significant capital and other resources to protect against the

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threat of security breaches or alleviate problems caused by breaches.

- Our cash balance and working capital position are expected to be adequate to sustain the our existing operations.

All of the aforementioned statements and information can be found in the “Overview”, “Focus and Strategy”, “Results of Operations”, “Liquidity and Capital Resources”, “Financial Instruments”, and “Risk and Uncertainties” sections of this MD&A.

These forward-looking statements relate to the future operations and profitability of the Company and are not historical facts but reflect our current expectations and assumptions regarding future results or events. Particularly, these forward-looking statements are based on management's estimate of revenues and expenses based on business volumes and commitments at the date of this MD&A. Readers are cautioned, as provided in this MD&A, that actual revenue and expense results may vary materially from estimates and, in particular, are subject to risks including delivery, competition and management of growth. Additional assumptions include: customer demand for our services, our ability to maintain and enhance customer relationships, as well as our ability to bring to market our services. Please see also the “Risk and Uncertainties” section for risks and uncertainties that may affect the Company.

Although we believe that the expectations and anticipated results reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because we can give no assurance that they will prove to be correct. The forward-looking statements contained in this MD&A are made as of its date and we undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information or future events, unless so required by applicable securities laws.

Certain information set out in this MD&A may be considered as “financial outlook” within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding our reasonable expectations as to the anticipated results of our proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

This MD&A should be read in conjunction with our other publicly available filings found on SEDAR+ at <http://www.sedarplus.ca/>.