



FOR THE THREE AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2024, AND 2023

Empowering the Good you Do



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

This Management Discussion and Analysis ("MD&A") dated November 7, 2024, comments on the Company's operations, financial performance, and financial condition as at and for the three and nine-month periods ended September 30, 2024, and September 30, 2023, and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Sylogist Ltd. ("Sylogist" or the "Company") and the notes thereto, and the annual financial statements and MD&A for the year ended December 31, 2023.

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

This document and the unaudited condensed interim consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. The functional currency of the Company is the Canadian dollar.

Where indicated, select prior period comparisons and year-to-date figures have been restated to reflect the impact of the divestiture of the Managed IT Services division. Refer to the "Selected Key Events" section for more information.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 7, 2024. Additional information about Sylogist Ltd. including copies of continuous disclosure materials such as the annual information form and the management information circular, can be obtained from SEDAR+ at www.sedarplus.ca.

Forward-Looking Information

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

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

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

Certain information set out herein 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 Sylogist's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

Use of Non-IFRS Performance Measures

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

Overview

Founded in 1993, Sylogist is a software-as-a-service (“SaaS”) provider of Enterprise Resource Planning (“ERP”), Customer Relationship Management (“CRM”), and other mission critical business administration software solutions to public-sector organizations that operate in the non-profit organization (“NPO”)/non-governmental organization (“NGO”), public school administration, and local and municipal government market segments.

Sylogist is headquartered in Calgary, Alberta, with regional offices across the U.S., Canada, and the U.K., and currently employs approximately 200 professionals. The Company is led by an experienced executive team with a significant leadership, operational, and entrepreneurial track-record across the public-sector software markets. The Company has 2,000+ mid to up-market customers primarily located across North America.

Sylogist, over the past three years, has gone through a transformation. In late 2020, Sylogist underwent a Chief Executive Officer (“CEO”) retirement and an ensuing strategic review resulted in the appointment of current President and CEO Bill Wood, who has since been the key architect for the Company’s transformation from a low growth/high profitability consolidator model to an organic growth oriented, SaaS focused model complemented by business acquisitions. Mr. Wood has over 25 years of experience in the non-profit and municipal government sectors, and, notably, was an early founding member at Blackbaud, a major Sylogist competitor in the non-profit software market, where he led their sales and marketing organization. Under Mr. Wood’s leadership, Sylogist has invested in creating new market specific SaaS platform offerings, including the rewrite of strategic legacy products from the bottom up. In addition, Sylogist expanded its credit facility with a Canadian chartered bank (the “Credit Facility”), reduced its quarterly dividend and made significant investments internally, which allowed it to transform from being a suite of siloed software solutions to a sophisticated provider of purpose-built integrated SaaS platforms. In addition, three strategic acquisitions over the past three years accelerated this transformation and strengthened Sylogist’s position as a prominent Microsoft partner focused on the public sector.

Financial Strategy and Business Model

Sylogist’s financial strategy is focused on achieving a “Rule of 40”¹ posture, over the long term, with organic revenue growth in the low to mid-teens balanced by Adjusted EBITDA² margins in the mid-20s percentage range. The overall strategy is therefore a combination of scalable growth leveraged off a strong foundation of profitability.

As an evolution from the prior business model, the Company’s current strategy is focused on selling its product offerings primarily on a SaaS subscription basis. As a result, SaaS subscription revenue as a percentage of total recurring revenue is expected to go up over time and is a significant part of the Company’s focus in terms of its product development and sales and marketing efforts. The Company generates additional recurring revenue in the form of maintenance and support services related to the Company’s prior sales of perpetual licenses with attached maintenance and support contracts. The Company expects maintenance and support revenue as a percentage of overall recurring revenue will continue to decline over time as new customers acquire SaaS subscriptions and existing customers migrate to the Company’s new SaaS offerings.

The Company also earns non-recurring revenue in the form of project services and hardware sales. These revenue sources are primarily ancillary to its pursuit of SaaS revenue.

In addition, the Company has a successful record of strategic mergers and acquisitions (“M&A”), and this continues to be a catalyst for additional growth and value creation.

¹ The Rule of 40” is a commonly used calculation for assessing the efficiency software companies. The premise behind the Rule of 40 is that software companies are thought as being efficiently run when the sum of their year-over-year revenue growth rate percentage and their EBITDA or Adjusted EBITDA as a percentage of revenue is at least 40% (refer to the “Non-IFRS Performance Measures” section for the definition of EBITDA and Adjusted EBITDA).

² Refer to the “Non-IFRS Performance Measures” section for definition.

Strategic Alliances and Partners

During the 2023 fiscal year, Sylogist made substantial investments in the partner channel with a view to driving a larger portion of its project services delivery via partners.

The Company expects to continue expanding its partner ecosystem in 2024 and beyond to increase project delivery capacity and increase SaaS subscription deal flow. To this end, in the near term, the Company expects to continue to invest in its internal team of project services staff to support both directly delivered implementation services as well as the onboarding and empowerment of partners.

Partners also help Sylogist to uncover future displacement and upgrade opportunities in their communities of customers (e.g., opportunities related to the sunset of Microsoft Dynamics Great Plains ERP in 2028).

The Microsoft relationship

Technology

The Microsoft relationship is a competitive advantage for Sylogist, facilitating seamless integration of Sylogist's products into Microsoft's ecosystem and technology suite. This relationship provides Sylogist with significant technological benefits, including top-tier data security, reduction of its own data center requirements (as systems and data are hosted in Microsoft's Azure data centers) and enabling Sylogist to gain leverage from investments that Microsoft makes in its technology stack.

All of this makes for research and development ("R&D") cost savings for Sylogist, allowing the Company to focus its R&D spend on efforts that provide value addition and greater return on investment for its customers.

Additionally, the Microsoft relationship allows the Company's customers greater accessibility to Microsoft's Artificial Intelligence ("AI") capabilities as they consider generative AI adoption, as the Company incorporates AI into its offerings.

Go to Market ("GTM")

The Microsoft relationship provides the Company a competitive GTM advantage in the form of joint GTM activities, critical validation and brand recognition, in-bound referrals, the ability to leverage Microsoft's partner channels, easier adoption of Sylogist products by customers who are in the Microsoft ecosystem and additional 'referencability' in a RFP³ process.

Customer Centric focus

Sylogist's customer base is rooted in the mid to up-market. The Company prioritizes customer service, and its customer base is well diversified and loyal. The Company typically sees a three-to-nine-month sales cycle, with current SaaS gross revenue retention rates above 90% and SaaS net revenue retention rates⁴ above 100% as Sylogist's customers typically stay with the Company for years, even decades.

Given the mission critical nature of the Company's platforms, it effectively creates a "moat" and barriers to entry for competitors due to high switching costs and risks for customers.

The Company's focus on customer-centric service has led to a significant increase in the Company's Net Promoter Score ("NPS") to 51 at fiscal year-end 2023, up significantly from 20 at fiscal year-end 2021 and near zero prior to that. Given the collegial nature of the public sector markets that Sylogist operates in, customer advocacy and "word-of-mouth" referrals are critical to winning new business. Additionally, the Company has moved very purposefully to a 'land and expand' model via its integrated platform as compared to previous management's siloed products strategy. Therefore, customer satisfaction is a key factor in expanded customer utilization and monetization by Sylogist.

Research and Development

Sylogist made significant investments in strategic R&D initiatives between the second quarter of fiscal 2021 and fiscal year end 2023 allowing it to create SaaS-based platforms tailored to its three strategic public sector markets.

These investments included both in-house talent and contractor expansion in developing its modern SaaS platforms and included moving from a waterfall to agile software development methodology allowing it to deliver new innovation at a higher cadence. This acceleration of R&D investment has largely concluded and moving forward, overall R&D costs, including capitalized development costs, are expected to settle to a relatively consistent percentage of revenue.

³ Request for proposal.

⁴ Refer to the "Key Performance Indicators" section for the definitions of gross revenue retention and net revenue retention.

Acquisitions

The Company views potential strategic acquisitions as an accelerator to its organic growth and operational targets to generate synergistic value creation. Therefore, any inorganic acquisition activity is not critical to the Company achieving its organic revenue growth targets for any given period.

Sylogist is a disciplined acquirer of the right businesses at the right price and cultivates a pipeline of qualified potential acquisition opportunities in-house. The Company also evaluates broker-originated opportunities.

Companies and/or assets that are acquired are typically fully integrated within six months, allowing the Company to gain the benefit of synergies in a short period of time. Importantly, the management team has deep expertise doing so.

The Company has a strong balance sheet and significant capacity for acquisitions through its Credit Facility. This provides it with the financial means to make strategic acquisitions without shareholder dilution.

Dividends

In November 2022, the Company reduced its quarterly dividend payout to \$0.01 per share per quarter, down from \$0.125 per share per quarter. This strategic decision freed up approximately \$11 million of annualized free cash flow that the Company is now able to deploy towards its profitable growth and value creation strategy.

Share Buybacks

The Company has in place a Normal Course Issuer Bid⁵ (“NCIB”) program allowing it to buy up to 10% of its outstanding stock. This was a strategic capital allocation decision given the Company’s stock price and consistent cash generation from operations. The NCIB program expires every year in November. Under the current NCIB program through September 30, 2024, the Company has purchased 225,000 shares for a total cost of \$1.8 million at an average price of \$8.22 per share. The NCIB program has been renewed on an annual basis.

Cash Seasonality in the context of Debt Paydown

The Company strategically pays down portions of its Credit Facility. Given the seasonality related to invoicing of customers within its education market segment (discussed in more detail below), the Company’s cash balances are at their highest point in the second half of the year allowing for flexibility to paydown an appropriate portion of the Credit Facility to the extent the overall cash balance exceeds forecasted ongoing operational requirements.

Products and Services and Related Market Segments

The Company product suite is tailored to three primary market segments: the non-profits and non-governmental organizations segment (“SylogistMission”), the public-school administration segment (“SylogistEd”), and the local and municipal government segment (“SylogistGov”). Additionally, software solutions and related services for customers outside its three primary markets segments are included under Sylogist Solutions (“SylogistSolutions”⁶).

Other than its SylogistEd U.S. offering (discussed in more detail below), the SylogistGov and SylogistMission ERP offerings are built on the Microsoft Dynamics 365 Business Central platform and the SylogistMission CRM offering is built on the Microsoft Dynamics 365 CRM platform. As mentioned previously in this MD&A, Sylogist believes this has significant advantages, including ongoing R&D and innovation, top-tier data security, agile go-to-market capability, and ease of synergistic third-party integration for its customers.

⁵ A NCIB is a Canadian program that allows a for a public company's repurchase of its own stock and cancel it.

⁶ Previously referred to as “SylogistServices.”

SylogistMission



SylogistMission provides mission critical, modularized SaaS-based ERP, CRM and analytics solutions for NPOs and NGOs. The end-to-end platform allows its customers to track the entirety of the fundraising cycle, from the point of receiving donations through to the deployment of funds and the measurement of outcomes.

The SylogistMission platform has two primary modules:

- SylogistMission ERP, a financial and grants management solution built on Microsoft Dynamics 365 Business Central; and
- SylogistMission CRM, an end-to-end donor engagement, campaign management and analytics platform built on Microsoft Dynamics 365 CRM, which includes the Microsoft non-profit common data model.

The functionality of this modularized and integrated platform includes accounting, fundraising and donation processing capabilities including: grant administration, constituent management, online donations, major gift cultivation, volunteer management, reporting and analytics, and program/event-based functionality. Additionally, its modularized design enables the Company to execute its land & expand strategy by selling to the customer's primary need and then introducing the remainder of the platform's functionality over time.

Revenue generated from SylogistMission, inclusive of related project services revenue, was approximately 42% and 43% of total revenue for the three and nine-month periods ended September 30, 2024, respectively.

SylogistEd



SylogistEd is a wholly SaaS-based platform for K-12⁷ public school districts and career-technical institutes in North America. The platform was rebranded from the acquired WenGAGE brand as part of the Company's overall branding and GTM strategy. SylogistEd's modular functionality includes ERP and accounting, student information management, human resources and payroll, lunchroom administration, document management, online payments, and a teacher, parent/guardian and employee online portal. As referred to earlier, this market segment has a level of seasonality in terms of its sales cycle which is dictated by the school academic year. The result of this is that although bookings within SylogistEd happen throughout the year, software fulfillment and implementation typically happen during May through August of each year when students and faculty are on summer break.

Revenue generated from SylogistEd, inclusive of related project services revenue, was approximately 28% and 26% of total revenue for the three and nine-month periods ended September 30, 2024, respectively.

The SylogistEd U.S. suite is built utilizing the Microsoft development stack while the SylogistEd Canadian suite is built on the Microsoft Business Central platform and includes: ERP and accounting, human resource and payroll, and online payments.

SylogistGov



SylogistGov is a SaaS solution for local and municipal governments in North America. It includes a fully integrated ERP along with market-specific functionality including citizen engagement, taxation & billing, asset management, budgeting, analytics, case management, and payments. SylogistGov also offers the Victim Services Suite ("VSS") solution, which is a specialized victim notification solution for state criminal justice agencies in the U.S., addressing a niche market that is underserved and supported by dated legacy applications.

SylogistGov experiences some slight seasonality as purchase decisions are driven by the local and municipal governments' budget cycles, causing sales to be influenced by budget approval timing.

Revenue generated from SylogistGov, inclusive of related project services revenue, was approximately 10% and 11% of total revenue for the three and nine-month periods ended September 30, 2024, respectively.

SylogistSolutions covers the remainder of the Company's product offerings and includes:

- **Dynamics 365 by Sylogist** – Tailored Dynamics 365 software solutions for enhanced productivity and workflows.
- **Epic Data by Sylogist (formerly known as Epic Data Solutions)** – Software solutions for safety, defense & manufacturing that supports well-known public organizations and military-related entities across North America and the U.K.
- **Portal Connector by Sylogist** – Software solutions for building self-serve, customer facing web portals connected to enterprise back-end applications, such as Microsoft Dynamics CRM and ERP.

⁷ Kindergarten to 12th grade.

- [Payroll by Sylogist](#) – Payroll and HR⁸ application modules that integrate seamlessly with SylogistMission, SylogistGov ERP and Microsoft Business Central.
- [Managed IT Services by Sylogist](#) – Expert service solutions for customers including computer software & hardware, cloud migration, cyber security, data backup and penetration testing. The Company has divested the Managed IT Services division. Refer to the "Selected Key Events" section for more information.
- [FuelPay by Sylogist](#) – A flexible and customizable payment processing solution with easy ERP integration tailored for fleet and retail fuel businesses, including features such as point of sale and standalone operation and support for multiple pump brands. Fuel Pay by Sylogist also targets businesses in the alternative fuel, marina fueling, and unattended operations space.

Revenue generated from SylogistSolutions, inclusive of related project services revenue was approximately 20% of total revenue for the three and nine-month periods ended September 30, 2024.

Project Services

The Company also provides project services that are billed primarily on a time and materials basis. In some limited cases due to unique customer procurement obligations, project services are also provided on a structured, well-defined fixed fee basis.

Project services fall into two categories:

- a. Implementation, configuration and training services related to Company's three strategic proprietary SaaS offerings (SylogistMission, SylogistGov, and SylogistEd); and
- b. Project services rendered via the SylogistSolutions team relating to strategic and/or customized project work.

Description of Business Model

The Company has four principal sources of revenue:

[SaaS subscription revenue](#) (~45% and 43% of total revenue for the three and nine-month periods ended September 30, 2024, respectively) is derived from multi-year subscription agreements for access to the Company's SaaS solutions. These agreements typically range from three to five years and include an "up to" 5% annual price increase, at the Company's discretion.

[Maintenance and support revenue](#) (~21% and 22% of total revenue for the three and nine-month periods ended September 30, 2024, respectively) is derived from annual maintenance and support contracts related to legacy on-premise customers.

[Project Services revenue](#) (~31% and 33% of total revenue for the three and nine-month periods ended September 30, 2024, respectively) consists of non-recurring services related to implementation, configuration, and upgrades. These services are typically charged on a time and materials basis.

[Hardware and other revenue](#) (~3% of total revenue for the three and nine-month periods ended September 30, 2024) includes revenue generated from hardware, ad hoc on-premise license sales and other ancillary revenue.

Sylogist expects SaaS revenue as a percentage of total revenue to continue to grow over time. The Company expects maintenance and support services revenue to generally decline over time as new customers purchase SaaS subscriptions and existing customers migrate to Sylogist's SaaS offerings and the corresponding revenue converts to SaaS revenue.

⁸ Human resource.

Market and Competitive Conditions

The public sector software space is fragmented with a few large companies and numerous smaller regional providers. Additionally, several of Sylogist's competitors offer dated and/or not fully integrated SaaS solutions, which positions Sylogist well to gain new business. As supported by publicly available research data, the Company believes that a substantial portion of the public sector market continues to operate on legacy systems. Digital transformation in this sector, post-COVID, has become a priority, complemented by federal stimulus dollars in the U.S., creating a significant opportunity for Sylogist. Competitors of Sylogist include Blackbaud Inc., Tyler Technologies Inc., Sage Group Plc, Central Square Technologies, Power School Holdings Inc., Cherry Road Technologies, Infinite Campus Inc., among others. The larger horizontal ERP and CRM companies such as Oracle Inc., Workday, Inc., and Salesforce Inc. are also active in the public sector, but their offerings do not typically provide the required "out of the box" functionality, are more expensive, and take much longer to implement due to the customization they require. Sylogist competes favorably across its target markets on account of the modernity and purpose-built nature of its SaaS platforms and customer-centric approach.

Selected Key Events

On February 23, 2024, Sylogist acquired the assets of Time Clock Now ("Time Clock Now") for USD\$1.65 million inclusive of a USD\$400,000 holdback. Time Clock Now is a comprehensive SaaS solution for streamlining employee time tracking and scheduling. The integration of Time Clock Now's capabilities into Sylogist's cloud based SylogistGov, SylogistEd, SylogistMission and Payroll platforms represents the expedited achievement of a targeted milestone on the Company's technology roadmap and the expansion of its addressable market. Over the next 24 months, this offering is expected to see strong adoption from Sylogist customers as well as the Microsoft Business Central and Dynamics GP user communities via download from the Microsoft "AppSource". During the three months ended September 30, 2024, the USD\$400,000 holdback was paid.

On June 28, 2024, Sylogist divested its non-strategic Managed IT Services division. The divestiture is in line with the Company's strategy to hand-off professional service activities to its vetted partner community over time, and to allow the Company to further concentrate efforts on growing its SaaS revenue profile.

Included below is a summary which provides the impact to revenues and EBITDA for the Managed IT Services division:

	FY 2024		FY 2023	
<i>(in thousands of CAD)</i>	Q2	Q1	Q4	Q3
Revenue				
SaaS subscriptions	\$ 327	\$ 309	\$ 310	\$ 275
Maintenance and support	1	1	3	4
Other	250	216	331	272
Total revenue	\$ 578	\$ 526	\$ 644	\$ 551
EBITDA ⁽¹⁾	\$ (107)	\$ (111)	\$ (45)	\$ (46)

(1) See "Non-IFRS Performance Measures" section for definition

Key Performance Indicators

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

Annualized Recurring Revenue

Annual Recurring Revenue (“ARR”) is defined as the annualized value of contractually committed SaaS and maintenance and support services. This quantification assumes that customers will renew the contractual commitment on a periodic basis as they come up for renewal unless the customer has notified the Company of its intention to cancel. This portion of the Company’s revenue is relatively predictable and stable.

Software as a Service (“SaaS”) ARR

Software as a Service (“SaaS”) ARR refers to ARR attributable to SaaS customer contracts.

Bookings

Bookings refers to the total value of customer accepted contracts during the reporting period. This includes SaaS bookings (the value of SaaS contracts for the entire contracted term) and the project services bookings (the full value of contracted project services).

Remaining Performance Obligation

Remaining Performance Obligation (“RPO”) generally refers to the value of contracted revenue that is expected to be recognized to revenue for the next twelve months. The Company defines RPO as the sum of its deferred revenue, and the total annualized value of un-invoiced SaaS and project services bookings.

Gross Revenue Retention and Net Revenue Retention Rates

Gross Revenue Retention (“GRR”) refers to the percentage beginning of period ARR retained over a given 12-month period inclusive of the impact of contractions and losses. For instance, if at the beginning of the measurement period ARR is \$100 million, and the Company retained \$95M million of ARR inclusive of the net impact of contractions and losses over the ensuing 12-month period, then GRR is 95%.

Net Revenue Retention (“NRR”) refers to the percentage of beginning of period ARR retained over a given 12-month period inclusive of the impact of contractions, losses and the impact of any additional expansion revenues and price increases from customer upgrades within the existing customer base. For instance, if at the beginning of the measurement period ARR is \$100 million, and the Company’s ARR at the end of the ensuing 12-month period is \$105 million inclusive of the impact of contractions, losses and expansion revenue, then NRR is 105%. The Company’s calculation of SaaS NRR includes the impact of customers converting from the Company’s maintenance and support offerings to its SaaS offerings.

The Company considers both GRR and NRR as valuable metrics that help manage its ‘land and expand’ strategy.

Results of Operations

The figures presented in the discussion to the results of operations reflect performance of the company both including and excluding the divested Managed IT Services division.

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

<i>(in thousands of CAD, except earnings per share)</i>	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change (\$)	2024	2023	Change (\$)
Statement of Operations						
Revenue	\$ 16,564	\$ 16,769	\$ (205)	\$ 50,268	\$ 49,344	\$ 924
Cost of revenue	6,669	6,596	73	20,751	19,453	1,298
Gross profit	9,895	10,173	(278)	29,517	29,891	(374)
Operating expenses	5,709	5,802	(93)	16,593	17,390	(797)
Adjusted EBITDA ⁽¹⁾	\$ 4,186	\$ 4,371	\$ (185)	\$ 12,924	\$ 12,501	\$ 423
Other costs, net	5,061	3,581	1,480	14,756	11,440	3,316
Gain on sale of assets	—	—	—	130	—	130
Income taxes	256	55	201	239	(185)	424
Net (loss) profit	\$ (619)	\$ 845	\$ (1,464)	\$ (1,463)	\$ 876	\$ (2,339)
Basic and diluted (loss) earnings per common share	(0.030)	0.040		(0.060)	0.040	
RPO ⁽²⁾				\$ 32,146	\$ 32,178	\$ (32)
ARR ⁽²⁾				43,626	41,439	2,187
SaaS ARR ⁽²⁾				29,247	26,984	2,263

(1) See reconciliation of EBITDA and Adjusted EBITDA for the most directly comparable IFRS measure.

(2) See "Key Performance Indicators" for definition.

The following table presents a summary of the results of operations, excluding the Managed IT Services division:

<i>(in thousands of CAD, except earnings per share)</i>	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change (\$)	2024	2023	Change (\$)
Statement of Operations						
Revenue	\$ 16,564	\$ 16,218	\$ 346	\$ 49,164	\$ 47,710	\$ 1,454
Cost of revenue	6,669	6,094	575	19,587	17,967	1,620
Gross profit	9,895	10,124	(229)	29,577	29,743	(166)
Operating expenses	5,709	5,707	2	16,435	17,027	(592)
Adjusted EBITDA ⁽¹⁾	\$ 4,186	\$ 4,417	\$ (231)	\$ 13,142	\$ 12,716	\$ 426
Other costs, net	5,061	3,581	1,480	14,756	11,440	3,316
Gain on sale of assets	—	—	—	130	—	130
Income taxes	256	55	201	239	(185)	424
Net (loss) profit	\$ (619)	\$ 891	\$ (1,510)	\$ (1,245)	\$ 1,091	\$ (2,336)
Basic and diluted (loss) earnings per common share	(0.030)	0.040		(0.050)	0.050	
RPO ⁽²⁾				\$ 32,146	\$ 32,178	\$ (32)
ARR ⁽²⁾				43,626	40,223	3,403
SaaS ARR ⁽²⁾				29,247	25,784	3,463

(1) See reconciliation of EBITDA and Adjusted EBITDA for the most directly comparable IFRS measure.

(2) See "Key Performance Indicators" for definition.

Non-IFRS Performance Measures

The terms and definitions of the non-IFRS measures used in this MD&A are provided below. These non-IFRS measures do not have any standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation or as a substitute for analysis of the Company's results as reported under IFRS.

EBITDA and Adjusted EBITDA

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation, and amortization. Adjusted EBITDA is calculated as EBITDA before stock-based compensation, foreign exchange gains/losses and the impact of acquisitions and restructuring. The Company believes that the exclusion of these items eliminates the impact on earnings derived from non-operational activities, as well as the noncash impact of these items, where applicable.

The Company believes that these measures are useful measures of financial performance without the variation caused by the impacts of the items described above and that could potentially distort the analysis of trends in operating performance. In addition, they are commonly used by investors and analysts to measure a company's performance, its ability to service debt and to meet other payment obligations, or as a common valuation measurement. Excluding these items does not imply that they are necessarily non-recurring. Management believes these non-GAAP financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance and future prospects in a manner similar to management. Although EBITDA and Adjusted EBITDA are frequently used by securities analysts, lenders, and others in their evaluation of companies, they have limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS.

The reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS measure is provided below.

The following table presents the reconciliation of EBITDA and Adjusted EBITDA:

<i>(in thousands of CAD)</i>	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
Net (loss) profit	\$ (619)	\$ 845	\$ (1,464)	(173)%	\$ (1,463)	\$ 876	\$ (2,339)	(267)%
Adjusted for:								
Amortization and depreciation	2,634	2,498	136	5%	8,032	7,594	438	6%
Interest expense, net	347	503	(156)	(31)%	1,205	1,486	(281)	(19)%
Income taxes	(256)	(55)	(201)	n/m	(239)	185	(424)	(229)%
EBITDA	\$ 2,106	\$ 3,791	\$ (1,685)	(44)%	\$ 7,535	\$ 10,141	\$ (2,606)	(26)%
Adjusted for:								
Equity based compensation	859	276	583	211%	2,645	1,116	1,529	137%
Foreign exchange loss	26	48	(22)	(46)%	59	80	(21)	(26)%
Acquisition and restructuring costs	1,195	256	939	n/m	2,815	1,164	1,651	142%
Gain on sale of assets	—	—	—	—%	(130)	—	(130)	—%
Adjusted EBITDA	\$ 4,186	\$ 4,371	\$ (185)	(4)%	\$ 12,924	\$ 12,501	\$ 423	3%

The following table presents the reconciliation of EBITDA and Adjusted EBITDA, excluding the Managed IT Services division:

<i>(in thousands of CAD)</i>	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
Net (loss) profit	\$ (619)	\$ 891	\$ (1,510)	(169)%	\$ (1,245)	\$ 1,091	\$ (2,336)	(214)%
Adjusted for:								
Amortization and depreciation	2,634	2,498	136	5%	8,032	7,594	438	6%
Interest expense, net	347	503	(156)	(31)%	1,205	1,486	(281)	(19)%
Income taxes	(256)	(55)	(201)	n/m	(239)	185	(424)	(229)%
EBITDA	\$ 2,106	\$ 3,837	\$ (1,731)	(45)%	\$ 7,753	\$ 10,356	\$ (2,603)	(25)%
Adjusted for:								
Equity based compensation	859	276	583	211%	2,645	1,116	1,529	137%
Foreign exchange loss	26	48	(22)	(46)%	59	80	(21)	(26)%
Acquisition and restructuring costs	1,195	256	939	n/m	2,815	1,164	1,651	142%
Gain on sale of assets	—	—	—	—%	(130)	—	(130)	—%
Adjusted EBITDA	\$ 4,186	\$ 4,417	\$ (231)	(5)%	\$ 13,142	\$ 12,716	\$ 426	3%

Overview

Total revenue, excluding the Managed IT Services division, for the three and nine-months ended September 30, 2024, was \$16.6 million and \$49.2 million, respectively, up \$0.3 million or 2% and \$1.5 million or 3%, respectively, relative to the same periods of fiscal year 2023. This growth was primarily driven by SaaS subscription revenue, which grew by 15% and 16%, respectively, over the same periods of fiscal year 2023, offset by a decrease in hardware and other revenue, related to a large one-time sale in the prior year. Foreign exchange positively impacted the year-over-year change in revenues by \$0.2 million and \$0.4 million for the three and nine-months ended September 30, 2024, respectively, compared to the same periods of fiscal year 2023. ARR and SaaS ARR for the third quarter of fiscal year 2024 were \$43.6 million and \$29.2 million, growing at 8% and 13% year-over-year, respectively, with the increase coming primarily from SylogistMission supplemented by increases in SylogistEd and SylogistSolutions. Additionally, SaaS NRR was 107%, down from 109% at the end of the second quarter of 2024 because of some anticipated attrition related to SylogistEd customers. Revenue per employee for the third quarter of fiscal year 2024 was \$0.3 million an increase of 1% year over year. Overall bookings were \$8.7 million for the third quarter of fiscal year 2024 compared to \$7.7 million for the same period of fiscal year 2023.

Revenue

Total revenue, excluding the Managed IT Services division, for the three and nine-months ended September 30, 2024, was \$16.6 million and \$49.2 million, respectively, up \$0.3 million or 2% and \$1.5 million or 3%, respectively, relative to the same periods of fiscal year 2023. Overall revenue increased year-over-year primarily on account of growth in SaaS revenue offset by lower project services, due to an anticipated shift to a partner led strategy, and hardware and other revenue. Foreign exchange positively impacted the year-over-year change in revenues by \$0.2 million and \$0.4 million for the three and nine-months ended September 30, 2024, respectively, compared to the same periods of fiscal year 2023.

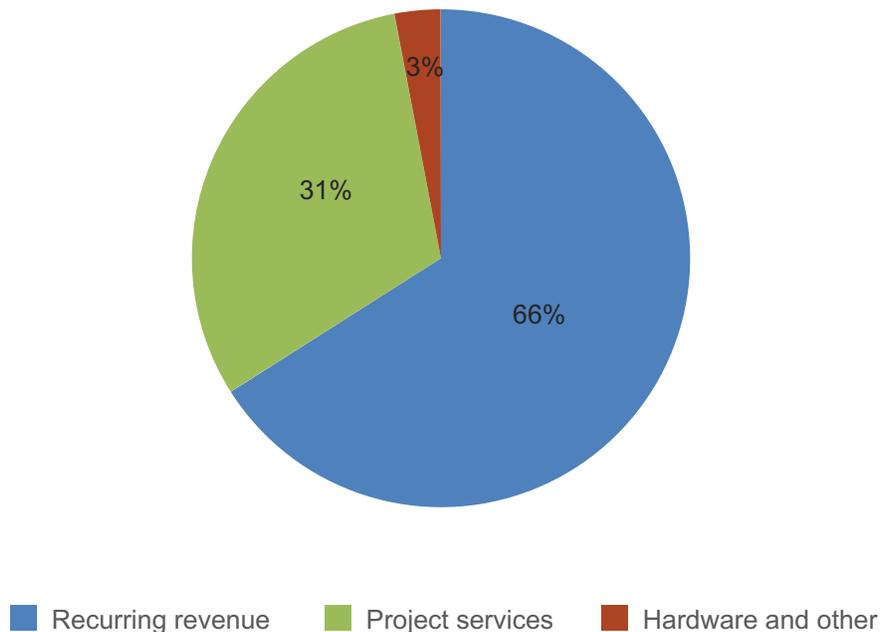
Revenue for each of these periods is broken down as follows:

Revenue by product type	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
<i>(in thousands of CAD)</i>								
SaaS subscriptions	\$ 7,413	\$ 6,718	\$ 695	10%	\$ 21,764	\$ 19,138	\$ 2,626	14%
Maintenance and support	3,481	3,518	(37)	(1)%	10,611	10,568	43	—%
Recurring revenue	\$ 10,894	\$ 10,236	\$ 658	6%	\$ 32,375	\$ 29,706	\$ 2,669	9%
Project services	5,175	5,268	(93)	(2)%	16,459	17,301	(842)	(5)%
Hardware and other	495	1,265	(770)	(61)%	1,434	2,337	(903)	(39)%
Total revenue	\$ 16,564	\$ 16,769	\$ (205)	(1)%	\$ 50,268	\$ 49,344	\$ 924	2%
SaaS as a percentage of recurring revenue	68 %	66 %			67 %	64 %		
Recurring revenue as a percentage of total revenue	66 %	61 %			64 %	60 %		

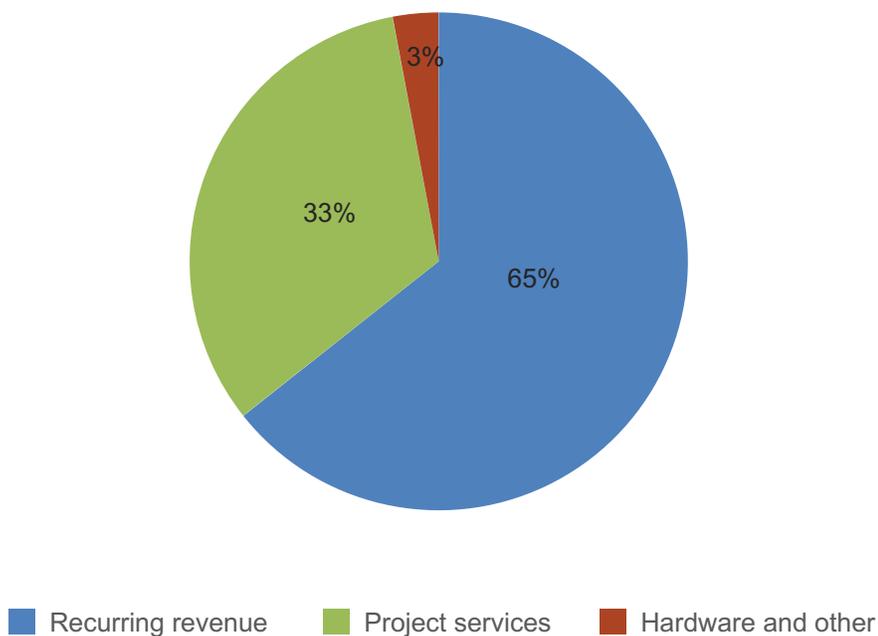
Revenue for each of these periods, excluding the Managed IT Services division, is broken down as follows:

Revenue by product type	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
<i>(in thousands of CAD)</i>								
SaaS subscriptions	\$ 7,413	\$ 6,443	\$ 970	15%	\$ 21,128	\$ 18,250	\$ 2,878	16%
Maintenance and support	3,481	3,514	(33)	(1)%	10,609	10,556	53	1%
Recurring revenue	\$ 10,894	\$ 9,957	\$ 937	9%	\$ 31,737	\$ 28,806	\$ 2,931	10%
Project services	5,175	5,130	45	1%	16,117	16,844	(727)	(4)%
Hardware and other	495	1,131	(636)	(56)%	1,310	2,059	(749)	(36)%
Total revenue	\$ 16,564	\$ 16,218	\$ 346	2%	\$ 49,164	\$ 47,709	\$ 1,455	3%
SaaS as a percentage of recurring revenue	68 %	65 %			67 %	63 %		
Recurring revenue as a percentage of total revenue	66 %	61 %			65 %	60 %		

Revenue by product type as a percentage of total revenue, excluding the Managed IT Services division, for the three months ended September 30, 2024 is as follows:



Revenue by product type as a percentage of total revenue, excluding the Managed IT Services division, for the nine months ended September 30, 2024 is as follows:



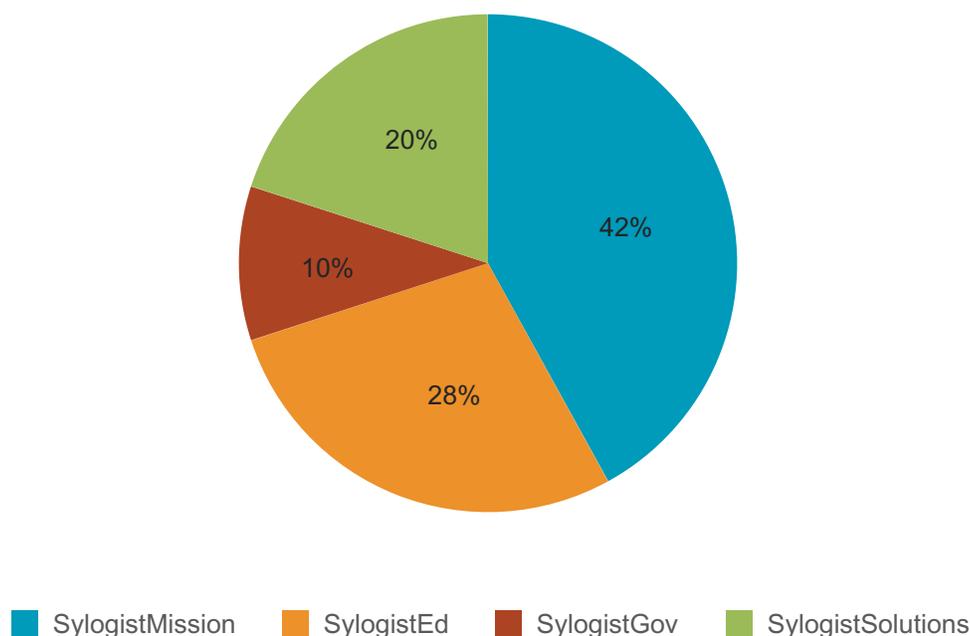
Revenue by operating segment is as follows:

Revenue by operating segment (in thousands of CAD)	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
SylogistMission	\$ 7,038	\$ 6,108	\$ 930	15%	\$ 21,278	\$ 17,904	\$ 3,374	19%
SylogistEd	4,642	4,227	415	10%	12,792	12,015	777	6%
SylogistGov	1,584	1,980	(396)	(20)%	5,219	5,546	(327)	(6)%
SylogistSolutions	3,300	4,454	(1,154)	(26)%	10,979	13,879	(2,900)	(21)%
Total revenue	\$ 16,564	\$ 16,769	\$ (205)	(1)%	\$ 50,268	\$ 49,344	\$ 924	2%

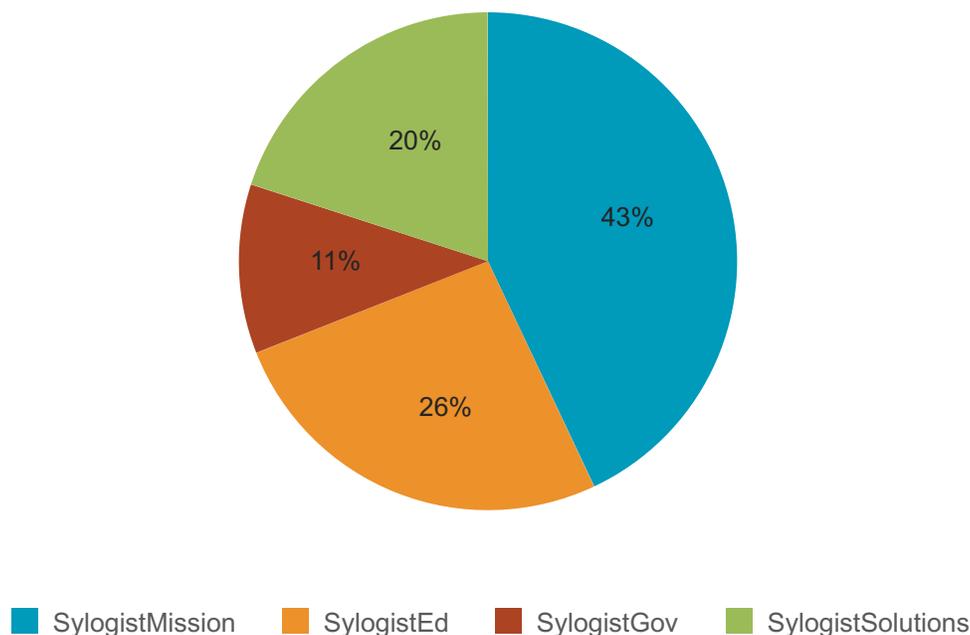
Revenue by operating segment, excluding the Managed IT Services division, is as follows:

Revenue by operating segment (in thousands of CAD)	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
SylogistMission	\$ 7,038	\$ 6,108	\$ 930	15%	\$ 21,278	\$ 17,904	\$ 3,374	19%
SylogistEd	4,642	4,227	415	10%	12,792	12,015	777	6%
SylogistGov	1,584	1,980	(396)	(20)%	5,219	5,546	(327)	(6)%
SylogistSolutions	3,301	3,903	(602)	(15)%	9,875	12,244	(2,369)	(19)%
Total revenue	\$ 16,565	\$ 16,218	\$ 347	2%	\$ 49,164	\$ 47,709	\$ 1,455	3%

Revenue by operating segment as a percentage of total revenue, excluding the Managed IT Services division, for the three months ended September 30, 2024 is as follows:



Revenue by operating segment as a percentage of total revenue, excluding the Managed IT Services division, for the nine months ended September 30, 2024 is as follows:



SaaS subscription revenue

SaaS subscription revenue is derived from multi-year subscription agreements for access to the Company's SaaS solutions. These agreements range from three to five years and typically include an "up to" 5% annual price increase.

SaaS revenue, excluding the Managed IT Services division, for the three and nine-months ended September 30, 2024, was \$7.4 million and \$21.1 million, respectively, up \$1.0 million or 15% and \$2.9 million or 16%, respectively, compared to the same periods of fiscal year 2023. This increase is primarily due to revenue growth in the SylogistMission operating segment.

SaaS revenue as a percentage of total recurring revenue increased to 68% for the third quarter of fiscal year 2024 compared to 65% in the same period of fiscal year 2023. For the first nine months of fiscal year 2024, SaaS revenue as a percentage of total recurring revenue increased to 67% from 63% in the same period of fiscal year 2023.

Maintenance and support revenue

Maintenance and support revenue is derived from annual maintenance and support contracts related to legacy on-premise customers.

Maintenance and support revenue, excluding the Managed IT Services division, decreased for the third quarter of fiscal year 2024, revenue was \$3.5 million, down less than \$0.1 million or 1%, compared to the same periods of fiscal year 2023. For the first nine months of fiscal year 2024, maintenance and support revenue increased to \$10.6 million, up \$0.1 million or 1%, compared to the same periods of fiscal year 2023.

Project services revenue

Project services revenue consists of non-recurring services related to implementation, configuration, and upgrades. These services are typically charged on a time and materials basis.

Project services revenue for the three and nine-months ended September 30, 2024, was \$5.2 million and \$16.1 million, respectively, up less than \$0.1 million or 1% and down \$0.7 million or 4% compared to the same periods of fiscal year 2023. This year to date expected decrease is primarily related to the Company's purposeful strategy to channel project services delivery through its certified partner community.

Hardware and other revenue

Hardware and other revenue include revenue generated from hardware, ad hoc on-premise license sales and other ancillary revenue. Hardware and other revenue, excluding the Managed IT Services division, decreased by \$0.6 million and \$0.7 million, respectively, for the three and nine-months ended September 30, 2024, compared to the same periods of fiscal year 2023. The decrease is mainly due to a large one time sale in SylogistSolutions in the prior year.

Cost of Revenue and Gross Profit

The following table presents a breakdown of cost of revenue and gross profits:

<i>(in thousands of CAD)</i>	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
Cost of revenue								
Recurring revenue	\$ 3,278	\$ 2,867	\$ 411	14%	\$ 10,006	\$ 8,028	\$ 1,978	25%
Project services	3,268	3,196	72	2%	10,253	10,166	87	1%
Hardware and other	123	533	(410)	(77)%	492	1,259	(767)	(61)%
Total cost of revenue	\$ 6,669	\$ 6,596	\$ 73	1%	\$ 20,751	\$ 19,453	\$ 1,298	7%
Gross profit & gross profit margin:								
Recurring revenue gross profit	\$ 7,616	\$ 7,369	\$ 247	3%	\$ 22,369	\$ 21,678	\$ 691	3%
Recurring revenue gross profit margin	70 %	72 %			69 %	73 %		
Project services gross profit	\$ 1,907	\$ 2,072	\$ (165)	(8)%	\$ 6,206	\$ 7,135	\$ (929)	(13)%
Project services gross profit margin	37 %	39 %			38 %	41 %		
Hardware and other gross profit	\$ 372	\$ 732	\$ (360)	(49)%	\$ 942	\$ 1,078	\$ (136)	(13)%
Hardware and other gross profit margin	75 %	58 %			66 %	46 %		
Total gross profit	\$ 9,895	\$ 10,173	\$ (278)	(3)%	\$ 29,517	\$ 29,891	\$ (374)	(1)%
Total gross profit margin	60 %	61 %			59 %	61 %		

The following table presents a breakdown of cost of revenue and gross profits, excluding the Managed IT Services division:

<i>(in thousands of CAD)</i>	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
Cost of revenue								
Recurring revenue	\$ 3,278	\$ 2,609	\$ 669	26%	\$ 9,224	\$ 7,124	\$ 2,100	29%
Project services	3,268	3,064	204	7%	9,983	9,783	200	2%
Hardware and other	123	421	(298)	(71)%	380	1,060	(680)	(64)%
Total cost of revenue	\$ 6,669	\$ 6,094	\$ 575	9%	\$ 19,587	\$ 17,967	\$ 1,620	9%
Gross profit & gross profit margin:								
Recurring revenue gross profit	\$ 7,616	\$ 7,348	\$ 268	4%	\$ 22,512	\$ 21,682	\$ 830	4%
Recurring revenue gross profit margin	70%	74%			71%	75%		
Project services gross profit	\$ 1,907	\$ 2,065	\$ (158)	(8)%	\$ 6,134	\$ 7,061	\$ (927)	(13)%
Project services gross profit margin	37%	40%			38%	42%		
Hardware and other gross profit	\$ 372	\$ 711	\$ (339)	(48)%	\$ 931	\$ 999	\$ (68)	(7)%
Hardware and other gross profit margin	75%	63%			71%	49%		
Total gross profit	\$ 9,895	\$ 10,124	\$ (229)	(2)%	\$ 29,577	\$ 29,742	\$ (165)	(1)%
Total gross profit margin	60%	62%			60%	62%		

Total cost of revenue for the three and nine-months ended September 30, 2024, increased to \$6.7 million and \$19.6 million, respectively, an increase of \$0.6 million or 9% and \$1.6 million or 9%, respectively, compared to the same periods of fiscal year 2023. This increase is driven primarily by higher SaaS and maintenance and support costs.

Gross profit was \$9.9 million or 60% and \$29.6 million or 60% of revenue, respectively, down from \$10.1 million or 62% and \$29.7 million or 62% of revenue, respectively. The decrease of \$0.2 million in both the third quarter and for the first nine months of fiscal year 2024, is primarily on account of increased SaaS, maintenance and support costs, and customer support salary and wages.

Recurring revenue margins for the third quarter of fiscal year 2024 has been impacted by increased levels of third-party costs thus causing a compression in gross margins. For the first nine months of fiscal year 2024, both recurring revenue and project services gross profit margins were compressed largely due to an atypical multiyear project service “wrap up” related to a single customer implementation that was recognized to revenue along with the recognition of accumulated costs relating to the implementation as well as costs relating to customer designated contractor support.

Operating Expenses

The following table presents a breakdown of operating expenses:

<i>(in thousands of CAD)</i>	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
General and administrative	\$ 2,661	\$ 3,222	\$ (561)	(17)%	\$ 8,470	\$ 9,649	\$ (1,179)	(12)%
Percentage of revenue	16%	19%			17%	20%		
Sales and marketing	1,979	1,799	180	10%	5,098	4,415	683	15%
Percentage of revenue	12%	11%			10%	9%		
Research and development, gross	2,383	2,246	137	6%	7,336	6,668	668	10%
Percentage of revenue	14%	13%			15%	14%		
Capitalized development	1,314	1,465	(151)	(10)%	4,311	3,342	969	29%
Research and development	1,069	781	288	37%	3,025	3,326	(301)	(9)%
Percentage of revenue	6%	5%			6%	7%		
Total operating expenses	\$ 5,709	\$ 5,802	\$ (93)	(2)%	\$ 16,593	\$ 17,390	\$ (797)	(5)%
Percentage of revenue	34%	35%			33%	35%		

The following table presents a breakdown of operating expenses, excluding the Managed IT Services division:

<i>(in thousands of CAD)</i>	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
General and administrative	\$ 2,661	\$ 3,180	\$ (519)	(16)%	\$ 8,375	\$ 9,448	\$ (1,073)	(11)%
Percentage of revenue	16%	20%			17%	20%		
Sales and marketing	1,979	1,746	233	13%	5,035	4,253	782	18%
Percentage of revenue	12%	11%			10%	9%		
Research and development, gross	2,383	2,246	137	6%	7,336	6,668	668	10%
Percentage of revenue	14%	14%			15%	14%		
Capitalized development	1,314	1,465	(151)	(10)%	4,311	3,342	969	29%
Research and development	1,069	781	288	37%	3,025	3,326	(301)	(9)%
Percentage of revenue	6%	5%			6%	7%		
Total operating expenses	\$ 5,709	\$ 5,707	\$ 2	—%	\$ 16,435	\$ 17,027	\$ (592)	(3)%
Percentage of revenue	34%	35%			33%	36%		

Total operating expenses for the three and nine-months ended September 30, 2024, were \$5.7 million and \$16.4 million, respectively, up less than \$0.1 million or less than 1% and down \$0.6 million or 3%, respectively, compared to the same periods of fiscal year 2023. This increase for the third quarter of fiscal year 2024 was primarily due to increased sales and marketing, and research and development costs, largely offset by lower levels of general and administrative expenses, compared to the same periods of fiscal year 2023. For the first nine months of fiscal year 2024, the decrease was primarily due to lower levels of general and administrative expenses compared to the same periods of fiscal year 2023.

General and administrative expenses

General and administrative expenses for the three and nine-months ended September 30, 2024, were \$2.7 million and \$8.4 million, respectively, a decrease of \$0.5 million and \$1.1 million, respectively, compared to the same periods in fiscal year 2023. Both decreases were a result of a reduction in compensation cost due to restructuring related savings, lower levels of professional fees, lower recruitment expenses on account of the hiring of an internal recruiter, and other miscellaneous savings.

General and administrative head count remained relatively stable at 26 at September 30, 2024, compared to 24 at September 30, 2023.

Sales and marketing expenses

Sylogist's sales and marketing expenditures as a percentage of revenues had historically been low; generally, not exceeding 2% of revenue prior to 2022. Since then, the Company has purposefully increased its sales and marketing spend to support its go-to-market activities and drive value creation. This increase in spending to the range of 9% to 12% of revenue is related to investments in the hiring of quota bearing sales persons, as well as targeted marketing spend to drive brand awareness and qualified lead generation.

Sales and marketing expense for the three and nine-months ended September 30, 2024, were \$2.0 million and \$5.0 million, respectively, an increase of \$0.2 million or 13% and \$0.8 million or 18%, respectively, compared to the same periods in fiscal year 2023. Both increases were driven by an increase in head count, additional programmatic marketing spend related to trade events and consultants, and the Company's annual user conference.

Sales and marketing related total headcount increased from 22 employees at September 30, 2023, to 26 employees at September 30, 2024.

The Company expects to continue to strategically increase its sales and marketing spend in the 2024 fiscal year. This increase is primarily driven by the hiring of additional quota-bearing sales staff, investments in partner-related training activities, additional strategic spending to drive sales pipeline growth, and increased expenditure on marketing events to increase Sylogist brand awareness and generate leads across its SylogistMission, SylogistGov, and SylogistEd sectors.

R&D expenses

Gross R&D expenses for the three and nine-months ended September 30, 2024, were \$2.4 million and \$7.3 million, respectively, an increase of \$0.1 million or 6% and \$0.7 million or 10%, respectively, higher compared to the same period in fiscal year 2023. This increase was driven by higher levels of capitalized development in relation to R&D activities connected to continued innovation and primarily associated with readying the Company's SylogistEd and SylogistGov platforms for market. As a percentage of revenue, gross R&D expenses were 14% and 15%, respectively, of revenue for the three and nine-months ended September 30, 2024, compared 13% and 14%, respectively, for the same periods in fiscal year 2023. The increase is primarily on account of strategic head count changes and third-party R&D expenses.

Total R&D related headcount stayed consistent at 44 employees at September 30, 2023, and September 30, 2024.

Net R&D expenses for the three and nine-months ended September 30, 2024, were \$1.1 million and \$3.0 million, respectively, an increase of \$0.3 million or 37% and less than \$0.1 million or 9%, respectively, compared to the same period in fiscal year 2023. As a percentage, of revenue net R&D expenses were 6% of revenue for the three and nine-months ended September 30, 2024, compared to 5% and 7%, respectively, for the same periods in fiscal year 2023. The slight increase is primarily on account of a decrease in eligible capitalizable expenses relating to R&D activities across the Company's target operating segments.

Other Costs (Income) and Income Tax Expense

(in thousands of CAD)	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
Amortization and depreciation	\$ 2,634	\$ 2,498	\$ 136	5%	\$ 8,032	\$ 7,594	\$ 438	6%
Equity based compensation	859	276	583	211%	2,645	1,116	1,529	137%
Interest expense, net	347	503	(156)	(31)%	1,205	1,486	(281)	(19)%
Foreign exchange loss	26	48	(22)	(46)%	59	80	(21)	(26)%
Acquisition and restructuring costs	1,195	256	939	n/m	2,815	1,164	1,651	142%
Total other expenses	\$ 5,061	\$ 3,581	\$ 1,480	41%	\$ 14,756	\$ 11,440	\$ 3,316	29%
Income taxes	\$ (256)	\$ (55)	\$ (201)	n/m	\$ (239)	\$ 185	\$ (424)	(229)%
Income tax as a percentage of profit before income taxes	41 %	(7)%			16 %	21 %		

Other costs for the three and nine-months ended September 30, 2024, were \$5.1 million and \$14.8 million, respectively, compared to \$3.6 million and \$11.4 million, respectively, for the same periods in fiscal year 2023. The increase of \$1.5 million, or 41% for the three months ended September 30, 2024, consists primarily of increased equity based compensation of \$0.6 million primarily due to the issuance and revaluation of share-based payments, an increase in acquisition and restructuring costs of \$0.9 million related to a \$0.4 million increase in the earn out accrual for the acquisition of Mission CRM Ltd. ("Mission CRM"), \$0.1 million in legal and broker costs related to the divestiture of the Managed IT Services division, and \$0.5 million in severance costs. The increase of \$3.3 million or 29% for the nine months ended September 30, 2024, consists primarily of increased stock-based compensation of \$1.5 million primarily due to the issuance and revaluation of share-based payments, an increase in acquisition and restructuring costs of \$1.7 million related to an increase in the earn out accrual for the Mission CRM acquisition, and restructuring and integration costs related to the acquisition of Time Clock Now and the divestiture of the Managed IT Services division.

For the nine months ended September 30, the Company has recorded a cumulative amount of \$2.5 million for the third and final year of the earn out, bringing the total cumulative purchase price consideration paid for Mission CRM to \$7.8 million.

Income tax expense for the three and nine-months ended September 30, 2024, declined by \$0.2 million and \$0.4 million, respectively, compared to the same periods in fiscal year 2023. This decrease in the third quarter of fiscal year 2024 was primarily due to increased losses in Canada of \$0.3 million, partially offset by an increase in U.S. taxable income of \$0.1 million. For the first nine months of fiscal year 2024, the decrease was primarily due to increased losses in Canada of \$0.8 million, partially offset by an increase in U.S. taxable income of \$0.4 million.

Net Profit

(in thousands of CAD, except earnings per share)	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
Net (loss) profit	\$ (619)	\$ 845	\$ (1,464)	(173)%	\$ (1,463)	\$ 876	\$ (2,339)	(267)%
Adjusted EBITDA	\$ 4,186	\$ 4,371	\$ (185)	(4)%	\$ 12,924	\$ 12,501	\$ 423	3%
Adjusted EBITDA as a percentage of total revenue	25 %	26 %			26 %	25 %		
Basic and diluted (loss) earnings per common share	\$ (0.030)	\$ 0.040			\$ (0.060)	\$ 0.040		

The following table excludes the Managed IT Services division:

(in thousands of CAD, except earnings per share)	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change (\$)	Change (%)	2024	2023	Change (\$)	Change (%)
Net (loss) profit	\$ (619)	\$ 891	\$ (1,510)	(169)%	\$ (1,245)	\$ 1,091	\$ (2,337)	(214)%
Adjusted EBITDA	\$ 4,186	\$ 4,417	\$ (231)	(5)%	\$ 13,142	\$ 12,716	\$ 425	3%
Adjusted EBITDA as a percentage of total revenue	25 %	27 %			27 %	27 %		
Basic and diluted (loss) earnings per common share	\$ (0.030)	\$ 0.040			\$ (0.050)	\$ 0.050		

Adjusted EBITDA for the third quarter of fiscal year 2024, was impacted by lower revenue and lower gross margins. For the first nine months of fiscal year 2024, Adjusted EBITDA was positively impacted by higher revenue and lower general and administrative expenses, which was offset by lower gross margins. Net loss and loss per share, both quarter and year to date, were negatively impacted by higher levels of stock-based compensation, amortization and depreciation, and acquisition and restructuring costs offset by lower levels of income tax expense and interest expense.

Quarterly Selected Financial Data

The figures presented in the remaining sections reflect performance of the company inclusive of the Managed IT Services division. As such, prior period comparisons and year-to-date figures align to the corresponding reported period.

The following table summarizes selected results for the eight most recently completed quarters to September 30, 2022:

(in thousands of CAD, except earnings per share)	FY 2024				FY 2023				FY 2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Revenue	\$ 16,564	\$ 17,398	\$ 16,306	\$ 16,171	\$ 16,769	\$ 16,650	\$ 15,925	\$ 15,344	
Net (loss) profit	(619)	(332)	(512)	227	845	(72)	103	(328)	
Comprehensive income (loss)	(1,008)	33	136	(276)	1,483	(858)	109	839	
Adjusted EBITDA	4,186	4,521	4,217	4,760	4,371	4,289	3,841	4,835	
Basic and diluted (loss) earnings per common share	(0.026)	(0.014)	(0.022)	0.010	0.040	(0.003)	0.004	(0.010)	

Liquidity and Capital Resources

On September 30, 2024, current assets totaled \$29.8 million compared to \$26.4 million at the end of fiscal year 2023. Current liabilities on September 30, 2024, totaled \$54.8 million compared to \$48.8 million at the end of fiscal year 2023. Cash and cash equivalents increased \$1.7 million to \$13.3 million compared to \$11.6 million at the end of fiscal year 2023. The increase results primarily from operating activities as described below. Trade and other receivables totaled \$12.4 million on September 30, 2024, up \$2.0 million compared to fiscal year 2023.

Cash from Operating Activities

Operating activities provided \$9.8 million of cash in the third quarter of fiscal year 2024 in comparison to \$10.5 million in the same period in fiscal year 2023. Operating activities provided \$10.8 million of cash in the first nine months of fiscal year 2024 in comparison to \$11.4 million in the same period in fiscal year 2023. This increase in operating cash flows in the first nine months of the year is in line with the seasonality of the business and the Company's customer invoicing and collections cadence.

Cash from operating activities before changes in non-cash working capital items decreased to \$2.9 million in the third quarter of fiscal year 2024 compared to \$3.3 million in the same period of fiscal year 2023. The key driver for this comparative improvement is an increase in the non-cash impact of the issuance of additional RSUs⁹ and DSUs¹⁰ in the third quarter of fiscal year 2024 compared to the same period in fiscal year 2023.

For the first nine months of fiscal year 2024, cash from operating activities before changes in non-cash working capital items stayed fairly consistent at \$6.7 million compared to \$6.8 million for the same period of fiscal year 2023.

Cash from Investing Activities

During the third quarter of fiscal year 2024, cash used in investing activities decreased to \$1.1 million compared to \$1.7 million in the same period in fiscal year 2023. This was driven by a decrease in additions to intangible assets, and the payment of the holdback for the acquisition of Time Clock Now, offset by cash received for the sale of a building.

For the first nine months of fiscal year 2024, cash used in investing activities increased to \$7.9 million compared to \$4.2 million in the same period in fiscal year 2023. This was driven by primarily by the acquisition of Time Clock Now, the payment of the earn out for the Mission CRM acquisition, and the decrease in additions to intangible assets, offset by cash received for the sale of a building.

Cash from Financing Activities

Cash used in financing activities was \$0.3 million for the third quarter of fiscal year 2024 compared to \$4.9 million in the same period in fiscal year 2023. This reduction was primarily related to the repayment of the Company's credit facility in the amount of \$4 million in Q3 2023, with no corresponding repayment in the current quarter.

For the first nine months of fiscal year 2024, cash used in financing activities was \$1.2 million in comparison to \$7.8 million for the same period in fiscal year 2023. This reduction was primarily related to the repayment of the Company's credit facility in the amount of \$4 million in Q3 2023, compared to the draw of funds of the Company's credit facility in the amount of \$1.8 million in the current quarter.

The Company believes that funds on hand at September 30, 2024, together with cash flows from operations will be sufficient to meet its needs for working capital, R&D, capital expenditures and dividend policy, as well as to invest in long-term growth.

Commitments and Contractual Obligations

Contractual obligations	Total	Fiscal 2024	Fiscal 2025-2027
Lease obligations	\$ 548	\$ 204	\$ 344
Other obligations	657	378	279
Total contractual obligations	\$ 1,205	\$ 582	\$ 623

Dividend Policy

The Company maintains a quarterly dividend policy. The declaration and payment of dividends is at the discretion of the Board of Directors, which will consider earnings, capital requirements, financial conditions, and other such factors as the Board of Directors, in its sole discretion, deems relevant.

Refer to discussion under the "Subsequent Events" section later in this MD&A for further discussion on dividends.

Contingencies

In the normal course of operations, the Company may be exposed to lawsuits, claims and contingencies. Provisions are recognized as liabilities in instances when there are present obligations, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and where such liabilities can be reliably estimated. Although it is possible that liabilities may be incurred in instances where no provision has been made, the Company has no reason to believe that the ultimate resolution of such matters will have a material impact on its financial position.

⁹ Restricted share units.

¹⁰ Deferred share units.

Subsequent Events

On October 31, 2024, the Company entered into an agreement with its current lender, the Royal Bank of Canada, to renew and extend its corporate credit facility. The agreement includes a revolving credit facility of \$50 million, with an additional \$75 million optional accordion feature. The credit facility is committed for a three-year term and is renewable annually thereafter.

On November 5, 2024, the Company's Board of Directors declared a quarterly dividend of \$0.01 per share to be paid on December 11, 2024, to shareholders of record on November 29, 2024.

Off-Balance Sheet Agreements

The Company was not involved in any off-balance sheet arrangements as at September 30, 2024, with the exception of variable payments related to operating leases and operating leases with terms of 12 months or less.

Current and Anticipated Impacts of Current Economic Conditions

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

The exchange rate of the U.S. dollar in comparison to the Canadian dollar continues to be an important factor affecting revenues and profitability as the Company currently derives approximately two thirds¹¹ of its business from U.S. customers.

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

Financial Instruments and Financial Risk Management

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, other accounts receivable, short-term investments, and accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments. The fair value of the long-term debt was determined to be not significantly different from its carrying value.

Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, accounts receivable, other receivables, and accounts payable and accrued liabilities. The Company's cash and cash equivalents are maintained at major financial institutions. The Company manages its credit risk on investments, when applicable, by dealing only with major Canadian banks and investing only in instruments that management believes have high credit ratings.

As at September 30, 2024, no customers individually accounted for greater than 10% of total accounts receivable (September 30, 2023 – no customers individually accounted for greater than 10% of total accounts receivable). There is no specific concentration of credit risk related to accounts receivable due to the distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of all its customers and establishes an allowance for expected credit loss when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit.

Refer to "Note 10 – Financial instruments and risk management" of the condensed interim consolidated financial statements for the period ended September 30, 2024 for additional discussion of the Company's risk management policies, including currency risk, credit risk, liquidity risk, interest rate risk and market price risk.

Outstanding Share Data

As of September 30, 2024, the Company had 23,379,677 common shares outstanding.

¹¹ On a trailing twelve month basis ended September 30, 2024.

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

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

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, and revenue and expenses. Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and the anticipated measures that management intends to take. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Refer to the Company's annual consolidated financial statements for fiscal year 2023 and the related notes thereto for a discussion of the accounting policies and critical accounting judgements and key sources of estimation uncertainty that are essential to the understanding of the business and results of operations.

Risks and Uncertainties

The Company is exposed to risk and uncertainties, including the financial risk factors set forth below:

Profitability

As the Company grows, it expects operating expenses and capital expenditures to increase correspondingly, and as a result, will need to generate increased revenue to maintain profitability. The Company 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 decline, operating results could be seriously impaired because a portion of the Company's expenses are fixed and cannot be easily or quickly reduced.

Volatility in 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, variance in the size of license transactions, changes in customer purchasing or procurement processes, having to defer revenues under the Company's revenue recognition policies and IFRS, and seasonality variations in the markets. The Company considers fluctuations in its quarterly operations to have an impact on its future financial position. The Company's expense levels, operating costs and staffing levels are based in part on its expectations of future sales and projects, and the Company may not be able to adjust spending in a timely manner to compensate for any sales shortfall.

Additionally, revenues relating to subscription and maintenance services are generally recognized ratably over the contract term. As a result, a portion of the revenue the Company reports each quarter is generally attributable to arrangements entered into during previous quarters. Therefore, a decline in bookings as it relates to new customers, renewals by existing customers or general market acceptance of the Company's products in any given quarter may not necessarily be fully reflected in the revenues in that quarter and could have a negative impact on the Company's revenues and profitability in future quarters.

Pricing and Margins

The 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 some larger competitors offering mission critical systems and support services. These competitive offerings can put pressure on prices and, consequently, operating margins.

Another key element of Sylogist's corporate strategy is to dedicate resources to research, development, and related product and service opportunities, both through internal investments and the acquisition of intellectual property from external companies through acquisition initiatives. As the Company dedicates resources to research and development efforts in an effort to maintain its competitive advantage, these related expenditures could adversely affect the Company's operating margins.

Volatility in Stock Price

The market price of the Company's 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, developments with respect to patents, copyrights or other proprietary rights, changes in interest rates, general economic and market conditions, 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 few 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

Sylogist operates internationally and, accordingly, a portion of the Company's financial resources are held in currencies other than the Canadian dollar, the functional currency of the Company. Further, the Company generates revenues and incurs expenses in U.S. dollars, Euros and Great British Pounds. The Company's exposure to the U.S. dollar, Euros, and the Great British Pound may change over time as the geographic mix of the business changes. Consequently, the Company's results have been affected, and it expects its future results could be adversely affected, by significant foreign exchange fluctuations.

Dividends

The Board of Directors approved the decision to pay a dividend to shareholders commencing in 2010, with such decision being reviewed quarterly. The Board of Directors will, at their discretion, determine the amount of any future dividends payable. Although the Company has 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. The Company may adjust future dividends payable upward or downward or stop paying dividends entirely based on shareholder valuation creation and capital allocation opportunities available.

Financial Condition, Liquidity, and Requirements Outlook

The Company's cash balance and working capital position are expected to be adequate to sustain its existing operations. If the Company is unable to continue to grow revenue and cash flow from operations, its cash and working capital position could be adversely affected.

Potential Need for Future Financing

There can be no assurance that the Company will be able to obtain the financial resources that may be required to successfully compete in the markets on favorable commercial terms, or at all. Failure to obtain such financing could impact the Company's ability to successfully execute on M&A opportunities that may arise from time to time.

Acquisition Related Liabilities

Although the Company conducts due diligence reviews of potential acquisition candidates, it may incur contingent liabilities through acquisitions which may be material, despite its best efforts to estimate risks associated with the contingencies and the likelihood of them materializing. The Company's estimates could differ materially from such liabilities actually incurred.

Additional Risks

The risks below are described in further detail in the section entitled "Risk Factors" in the most recently filed annual information form.

- Dependence on key personnel.
- Third party technology.
- Key partner relationships.
- Cyber security.
- AI.
- Fixed price contracts and delivery management.
- Market and competition.
- Potential acquisitions and investments.

- Management of growth and integration of acquisitions.
- Major contracts.
- Government contracts.
- Risk to reputation.
- Environment and market risk.
- IP Rights.
- Intrusion of the Company's computer systems.
- Legislative, Insurance, Compliance Costs, Regulatory Action, and Environment.
- Key supplier relationships.
- Management of future growth and expansion.
- Financial position of customers.
- Customer retention/attrition.
- Industry growth.
- Length and variable sales cycle.
- Economic slowdown.
- International markets.
- Litigation.
- Taxation.
- Product Liability.

Controls & Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's CEO and its Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures regarding the communication of information. They are assisted in this responsibility by the Company's Executive Committee, which is composed of members of senior management. Based on the evaluation of the Company's disclosure controls and procedures, the CEO and CFO have concluded that these disclosure controls and procedures were effective as of September 30, 2024.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its consolidated financial statements.

An evaluation was carried out under the supervision of and with the participation of the Company's CEO and CFO to evaluate the design and operating effectiveness of the Company's ICFR as of March 31, 2024. Based on that evaluation, the Company's CEO and CFO concluded that the ICFR, as defined by *National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") was appropriately designed and operating effectively. The evaluations were conducted in accordance with the framework criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013), a recognized control model, and the requirements of NI 52-109.

No changes to ICFR have come to management's attention during the nine months ended September 30, 2024, that have materially affected or are reasonably likely to materially affect ICFR.

Supplemental Information

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

	FY 2024				FY 2023			FY 2022
(in thousands of CAD)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net (loss) profit	\$ (619)	\$ (332)	\$ (512)	\$ 227	\$ 845	\$ (72)	\$ 103	\$ (328)
Adjusted for:								
Amortization and depreciation	2,634	2,764	2,634	2,549	2,498	2,557	2,539	2,395
Interest expense, net	347	436	422	439	503	513	470	283
Income taxes	(256)	13	4	259	(55)	86	154	411
EBITDA	\$ 2,106	\$ 2,881	\$ 2,548	\$ 3,474	\$ 3,791	\$ 3,084	\$ 3,266	\$ 2,761
Adjusted for:								
Equity based compensation	859	919	867	318	276	715	125	418
Foreign exchange loss (gain)	26	17	16	18	48	25	8	11
Acquisition and restructuring costs	1,195	834	786	950	256	465	442	1,645
Gain on sale of assets	—	(130)	—	—	—	—	—	—
Adjusted EBITDA	\$ 4,186	\$ 4,521	\$ 4,217	\$ 4,760	\$ 4,371	\$ 4,289	\$ 3,841	\$ 4,835