



SYLOGIST LTD.

Condensed Interim Consolidated Financial Statements

For the three and nine-months ended September 30, 2024, and 2023

(Unaudited)

Empowering the Good you Do



Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

Notice of no Auditor Review of Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Sylogist Ltd. for the three and nine-months ended September 30, 2024, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed or audited by the Company's external auditors.

Signed: "William C. Wood"

William C. Wood, President and CEO

Sylogist Ltd.
Condensed Interim Consolidated Statements of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Note	September 30, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	\$	13,326	\$ 11,608
Trade and other receivables	10(b)	12,421	10,443
Prepaid expenses and other current assets		4,044	4,345
Total current assets		29,791	26,396
Non-current assets			
Property, equipment, and right-of-use assets		573	1,395
Intangible assets		42,224	42,701
Goodwill		26,418	26,161
Total non-current assets		69,215	70,257
Total assets	\$	99,006	\$ 96,653
Liabilities			
Current liabilities			
Trade and other payables	10(c) \$	6,551	\$ 4,905
Credit facility	4	19,030	17,210
Deferred revenue	5	26,761	24,259
Acquisition liabilities		2,473	2,428
Total current liabilities		54,815	48,802
Non-current liabilities			
Deferred tax		4,680	7,598
Share based units	7(b)	3,882	2,237
Other payables		461	419
Total non-current liabilities		9,023	10,254
Total liabilities	\$	63,838	\$ 59,056
Equity			
Share capital	\$	80,942	\$ 81,041
Contributed surplus	6(b)	5,738	5,764
Foreign currency translation reserve		2,161	1,537
Deficit		(53,673)	(50,745)
Total equity attributable to the owners of the Company		35,168	37,597
Total liabilities and equity	\$	99,006	\$ 96,653

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements. Approved on behalf of the Board of Directors by:

"Errol Olsen" Director
"Barry Foster" Director

Sylogist Ltd.
Condensed Interim Consolidated Statements of Comprehensive Income

(In thousands of Canadian dollars, except share and per share amounts)

(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Revenue:					
SaaS subscriptions	\$	7,413	\$ 6,718	\$ 21,764	\$ 19,138
Maintenance and support		3,481	3,518	10,611	10,568
Project services		5,175	5,268	16,459	17,301
Hardware and other		495	1,265	1,434	2,337
Total revenue		16,564	16,769	50,268	49,344
Cost of revenue		6,669	6,596	20,751	19,453
Gross profit		9,895	10,173	29,517	29,891
Expenses:					
General and administrative		2,661	3,222	8,470	9,649
Sales and marketing		1,979	1,799	5,098	4,415
Research and development		1,069	781	3,025	3,326
Amortization and depreciation		2,634	2,498	8,032	7,594
Equity based compensation		859	276	2,645	1,116
Interest expense, net		347	503	1,205	1,486
Foreign exchange loss		26	48	59	80
Acquisition and restructuring costs	3	1,195	256	2,815	1,164
Total expenses		10,770	9,383	31,349	28,830
Gain on sale of building		—	—	130	—
(Loss) profit before income taxes		(875)	790	(1,702)	1,061
Current income tax		(798)	(693)	(2,803)	(2,075)
Deferred income tax		1,054	748	3,042	1,890
		256	55	239	(185)
Net (loss) profit	\$	(619)	\$ 845	\$ (1,463)	\$ 876
Other comprehensive income:					
Exchange differences on translation of foreign operations		(389)	638	624	(141)
Comprehensive (loss) income	\$	(1,008)	\$ 1,483	\$ (839)	\$ 735
Basic and diluted (loss) earnings per common share	\$	(0.03)	\$ 0.04	\$ (0.06)	\$ 0.04

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Sylogist Ltd.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

(Unaudited)

	Share capital		Contributed surplus	Foreign currency translation reserve	Deficit	Total	
	Note	Number					Amount
Balance as at December 31, 2023		23,486,177	\$ 81,041	\$ 5,764	\$ 1,537	\$ (50,745)	37,597
Net loss			—	—	—	(1,463)	(1,463)
Other comprehensive income:							
Exchange differences on translation of foreign operations			—	—	624	—	624
Total comprehensive loss			—	—	624	(1,463)	(839)
Payment of dividends	6(c)		—	—	—	(703)	(703)
Repurchase of common shares	6(d)	(137,500)	(474)	—	—	(762)	(1,236)
Exercise of options	6 (b)	31,000	375	(53)	—	—	322
Share based compensation-RSUs	6 (b)		—	14	—	—	14
Stock based compensation	6 (e)		—	13	—	—	13
Balance as at September 30, 2024		23,379,677	\$ 80,942	\$ 5,738	\$ 2,161	\$ (53,673)	35,168
Balance as at December 31, 2022		23,829,777	\$ 82,227	\$ 5,467	\$ 2,181	\$ (49,970)	39,905
Net Profit			—	—	—	876	876
Other comprehensive income:							
Exchange differences on translation of foreign operations			—	—	(141)	—	(141)
Total comprehensive income			—	—	(141)	876	735
Payment of dividends	6(c)		—	—	—	(708)	(708)
Repurchase of common shares	6(d)	(242,100)	(835)	—	—	(574)	(1,409)
Share based compensation-RSUs			—	3	—	—	3
Stock based compensation	6 (e)		—	223	—	—	223
Balance as at September 30, 2023		23,587,677	\$ 81,392	\$ 5,693	\$ 2,040	\$ (50,376)	38,749

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Sylogist Ltd.
Condensed Interim Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Operating Activities					
Net (loss) profit		\$ (619)	\$ 845	\$ (1,463)	\$ 876
Adjustments for:					
Amortization and depreciation		2,634	2,498	8,032	7,594
Stock based compensation	6(e)	9	76	13	223
Share based payments	7(b)	850	200	2,632	893
Interest on lease obligations		7	11	22	34
Retirement compensation		—	—	(379)	—
Gain on sale of building		—	—	(130)	—
Cash taxes paid		25	(316)	(2,042)	(2,776)
Cash from operating activities before change in non-cash working capital		2,906	3,314	6,685	6,844
Changes in non-cash operating assets and liabilities					
Trade and other receivables	10(b)	(2,940)	(3,551)	(2,216)	(2,480)
Prepaid expenses and other current assets		543	100	(90)	(1,205)
Trade and other payables		480	1,271	5,714	6,318
Deferred revenue	10(c)	9,225	9,878	3,039	3,354
Acquisition liabilities	5	655	256	584	760
Deferred tax		(1,110)	(730)	(2,918)	(2,176)
Net cash provided by operating activities		9,759	10,538	10,798	11,415
Cash flows from investing activities:					
Additions to property and equipment		(9)	(20)	(42)	(107)
Additions to intangible assets from purchases		(48)	(278)	(280)	(573)
Additions to intangible assets from capitalized development		(1,314)	(1,363)	(4,311)	(3,079)
Interest received		—	1	1	2
Earnout paid	3	—	—	(1,862)	(404)
Cash paid for the acquisition of Time Clock Now	3	(539)	—	(2,235)	—
Cash received for the disposition of Managed IT Services division	3	—	—	90	—
Cash received from sale of building	3	783	—	783	—
Net cash used in investing activities		\$ (1,127)	\$ (1,660)	\$ (7,856)	\$ (4,161)
Cash flows from financing activities:					
Credit facility	4	—	(4,000)	1,820	(4,000)
Interest paid on financing		(334)	(494)	(1,173)	(1,419)
Repayments of lease obligations		(77)	(102)	(266)	(304)
Payment of dividends	6(c)	(234)	(236)	(703)	(708)
Exercise of options		322	—	322	—
Repurchase of common shares	6(d)	—	(102)	(1,236)	(1,409)
Net cash provided by (used in) financing activities		\$ (323)	\$ (4,934)	\$ (1,236)	\$ (7,840)
Increase (decrease) in cash and cash equivalents		8,309	3,944	1,706	(586)
Effect of currency translation adjustment on cash and cash equivalents		(32)	7	12	(180)
Cash and cash equivalents, beginning of the period		5,049	9,827	11,608	14,544
Cash and cash equivalents, end of the period		\$ 13,326	\$ 13,778	\$ 13,326	\$ 13,778

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

1. Nature of operations

Sylogist Ltd. (the "Company" or "Sylogist") (TSX: SYZ.TO) is a software company that provides mission-critical software-as-a-service ("SaaS") solutions to over two thousand public sector customers globally across the government, nonprofit, and education segments.

The Company was incorporated under the *Business Corporations Act* (Alberta) on March 1, 1993, and wholly owns, directly or indirectly, the following subsidiary corporations: Sylogist USA, Inc., SylogistServices, Inc., Sylogist (UK) Limited, SylogistMission, Inc., SylogistGov, Inc., and SylogistEd, Inc.

Sylogist is headquartered in Calgary, Alberta, Canada, with regional offices in Barrie, Ontario, Canada; Littleton, Colorado; and Shawnee, Oklahoma in the United States of America. The Company's registered office is located at Brookfield Place, Suite 2700, 225 6 Avenue S.W., Calgary, Alberta, Canada, T2P 1N2.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 7, 2024.

2. Condensed interim consolidated financial statements**(a) Statement of presentation**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board. In addition, the unaudited condensed interim consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 3, "Summary of significant accounting policies" of the Company's audited consolidated financial statements for the twelve-month period ended December 31, 2023. These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the twelve-month period ended December 31, 2023.

If necessary, certain prior period amounts have been adjusted to conform to current period presentation.

(b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis, which is based on the fair value of the consideration paid or received at the time of the transaction.

(c) Functional currency

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of Sylogist. The functional currency of its subsidiaries, SylogistServices, Inc., SylogistMission, Inc., SylogistGov, Inc. and SylogistEd, Inc., has been determined to be the United States dollar, and the functional currency of Sylogist (UK) Limited has been determined to be the British Pound.

(d) Use of estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these condensed interim consolidated financial statements are as follows:

Acquired intangible assets - The Company uses the income approach to value acquired technology and customer relationship intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life. The Company utilizes the discounted cash flow method which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. These cash flows are based on forecasted revenue growth rates, forecasted earnings before interest, tax, depreciation, and amortization (“EBITDA”) margins, estimated annual customer attrition rate, and assumed royalty rate. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows is then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets. These estimates required for the discounted cash flow method are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, these estimates are subject to a significant degree of judgement as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Intangible assets are subject to impairment testing if events or changes in circumstances indicate that the assets might be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgement as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Goodwill – is not amortized but is subject to impairment testing at least once a year, or more frequently if events or changes in circumstances indicate the carrying amount may be impaired. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgement as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Deferred income taxes – contain assumptions and estimates about the amount, utilization and timing of realization and/or settlement of temporary differences as well as the future tax rates that will apply to those differences. Changes in those assumptions and estimates may have a significant impact on the amounts recorded for deferred tax assets and liabilities and could result in amounts different from those initially recorded. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

Contracts with multiple products or services – contracts with customers often include promises to deliver multiple products, such as SaaS subscription, maintenance and support, project services and stand-alone software licenses. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the standalone selling prices (“SSP”) for distinct performance obligations can also require judgment and estimates, as the SSP is an estimate of the price that would be charged if the distinct good or service was sold separately in similar circumstances and to similar customers. The Company also applies estimates when calculating project services revenue from certain consulting contracts as it relates to remaining labour hours required to complete the contract. Estimates are continually and routinely revised as new information becomes available. In assessing revenue recognition, judgment is also used in assessing the ability to collect the corresponding account receivable.

3. Business acquisitions and divestitures

i. On October 6, 2021, Sylogist completed the acquisition of all the common shares of Mission CRM Ltd. ("Mission CRM"), for \$2,974 including working capital adjustments, plus an earn out tied to agreed-upon revenue targets over the next three years ending September 30, 2024. Payments pursuant to the earn out will be settled in cash annually no later than 90 days following September 30th of each year. The earn out is treated as employment remuneration and as such is expensed in the consolidated statements of comprehensive income. During the three and nine-months ended September 30, 2024, the Company recorded \$663 and \$1,906, respectively, (three and nine-months ended September 30, 2023 - \$256 and \$1,164, respectively), in earn out consideration in its condensed interim consolidated financial statements. On January 3, 2024, \$1,862 of previously accrued earn out consideration was settled. For the nine months ended September 30, the Company has recorded in the condensed interim consolidated statement of financial position a cumulative amount of \$2,473 for the third and final year of the earn out, bringing the total cumulative purchase price consideration paid for Mission CRM to \$7,834.

ii. On February 23, 2024, Sylogist completed the asset acquisition of Time Clock Now ("Time Clock Now" or the "Asset"), for cash consideration of USD \$1,650 inclusive of a holdback of USD \$400, from Action Micro Technologies ("AMGroup"). The purchase price includes technical and transitional services from AMGroup through the end of 2024. The Asset is a comprehensive SaaS solution for streamlining time tracking and scheduling. During the three months ended September 30, 2024, the USD \$400 holdback was paid.

iii. On June 27, 2024, Sylogist completed the sale of a building for cash consideration of \$783. This building was originally acquired in 2021, as part of the Municipal Accounting Systems Inc. acquisition. The cash consideration was received on July 1, 2024.

iv. On June 28, 2024, Sylogist completed the sale of its Managed IT Services division for considerations of \$300 to Mountain View IT Solutions ("MVITS"). The purchase price includes an earn out over a period of three years subject to the business' ongoing performance. The purchase price includes technical and transitional services to MVITS for 90 days. Total revenues included in the condensed interim consolidated statement of comprehensive income for the nine months ended September 30, 2024, related to the Managed IT Services division were \$1,104 (nine months ended September 30, 2023 - \$1,634).

v. Acquisition and restructuring costs are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Earnout Accrual - Mission CRM	\$ 663	\$ 256	\$ 1,906	\$ 1,164
Legal fees	23	—	288	—
Loss on Divestiture of Managed IT Services	57	—	57	—
Severance	452	—	564	—
Acquisition and restructuring costs	\$ 1,195	\$ 256	\$ 2,815	\$ 1,164

4. Credit facility

On October 9, 2020, the Company entered into a \$75,000 Credit Agreement for a Revolving Facility that can be used for general corporate purposes. The credit facility is renewable annually subject to the agreement between the lender and Sylogist. The Company may repay outstanding amounts under the Credit Agreement at any time. Security under the Credit Agreement consists of a general security agreement over all assets of Sylogist and its material subsidiaries. On February 3, 2022, the Company amended the Credit Facility agreement to expand available credit from \$75,000 to \$125,000. The Credit Facility remains a revolving facility for general corporate purposes.

During the three months ended March 31, 2024, the Company drew \$1,820 in connection with the acquisition of Time Clock Now.

At September 30, 2024, the Company has a total of \$19,030 (December 31, 2023 - \$17,210) outstanding under the Credit Facility.

At September 30, 2024, the Company was in compliance with all its financial covenants.

Subsequent to September 30, 2024, the Company renewed the Credit Agreement, refer to *Note 11 - Subsequent Events* for further detail.

5. Deferred revenue

Deferred revenue, deposits and retainers are summarized as follows:

	Deferred revenue	Deposits and retainers	Total
Balance at December 31, 2022	\$ 22,215	\$ 1,475	\$ 23,690
Additions	36,959	3,740	40,699
Amortized	(36,268)	(3,862)	(40,130)
Balance at December 31, 2023	\$ 22,906	\$ 1,353	\$ 24,259
Additions	34,110	2,105	36,215
Divested contracts ⁽¹⁾	(536)	—	(536)
Amortized	(31,062)	(2,115)	(33,177)
Balance at September 30, 2024	\$ 25,418	\$ 1,343	\$ 26,761

(1) See *Note 3 - Business acquisitions and divestitures* for more information on the sale of the Managed IT Services division.

6. Share capital

(a) Authorized: Unlimited number of common shares

(b) Contributed surplus

	September 30, 2024	December 31, 2023
Balance, beginning of the period	\$ 5,764	\$ 5,467
Stock based compensation	13	293
Exercise of options	(53)	—
Share based compensation-RSUs	14	4
Balance, end of the period	\$ 5,738	\$ 5,764

(c) Dividends

During the three and nine-months ended September 30, 2024, the Company paid regular dividends to shareholders totaling \$234 and \$703, respectively, (three and nine-months ended September 30, 2023 - \$236 and \$708, respectively) at a dividend amount of \$0.01 per share per quarter.

(d) Normal course issuer bid

On November 21, 2023, the Company commenced a Normal Course Issuer Bid (“NCIB”) to acquire up to 2,273,409 of its common shares over the ensuing 12-month period. The daily purchase limit under the NCIB is 7,377 common shares. During the nine months ended September 30, 2024, the Company repurchased 137,500 common shares at an average price of \$8.99 for a total cost of \$1,236 of which \$762 was applied against deficit for the period ended September 30, 2024, and \$474 was applied against share capital. The current NCIB terminates on the earlier of November 20, 2024, or when permitted purchases are completed. During the nine months ended September 30, 2023, the Company repurchased 242,100 common shares at an average price of \$5.80 for a total cost of \$1,409 of which \$574 was applied against deficit for the period ended September 30, 2023, and 835 was applied against share capital. All purchases of its common shares were cancelled.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-months ended September 30, 2024, and 2023

(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)

(e) Stock options

The Company has a stock option plan under which directors, officers, and employees of the Company and its subsidiaries are eligible to receive stock options. The aggregate number of common shares to be issued, upon exercise of all options granted under the plan, when combined with all other security-based compensation arrangements, shall not exceed 10% of the issued common shares of the Company, at the time the options were granted. Options granted under the plan generally have a term of five years, and vest at such times as determined by the directors at the date of grant, which has generally been over three years. The exercise price of each option is determined by the directors at the market price at the date of grant. A summary of the status of the Company's stock option plan as at September 30, 2024, and changes during the period, is as follows:

	September 30, 2024		December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the period	1,195,000	\$ 10.36	1,641,000	\$ 10.94
Granted	—	—	150,000	5.87
Forfeited	(12,000)	15.33	(3,334)	10.30
Exercised	(31,000)	10.37	—	—
Expired	(63,000)	12.80	(592,666)	10.83
Outstanding, end of the period	1,089,000	\$ 10.16	1,195,000	\$ 10.36
Options vested, end of the period ⁽¹⁾	989,000	\$ 10.60	936,000	\$ 10.78

(1) Certain vested options are exercisable once specified share price conditions are met.

The stock-based compensation included in the condensed interim consolidated statement of comprehensive income for the three and nine-months ended September 30, 2024, was \$9 and \$13, respectively (three and nine-months ended September 30, 2023 - \$76 and \$223, respectively).

(f) The following table summarizes information about stock options outstanding and exercisable as at September 30, 2024:

Exercise price	Number of options outstanding	Weighted-average remaining period until vesting	Number of options vested ⁽¹⁾	Weighted-average remaining contractual life post vesting
\$ 10.65	69,000	—	69,000	— years
10.30	615,000	—	615,000	1.1 years
11.78	225,000	—	225,000	1.3 years
15.64	30,000	—	30,000	1.5 years
5.87	150,000	1.6 years	50,000	3.6 years
	1,089,000	1.6 years	989,000	1.2 years

(1) Certain vested options are exercisable once specified share price conditions are met.

(g) The earnings per share have been calculated based on the weighted-average number of common shares outstanding during the three and nine-months ended September 30, 2024, of 23,362,373 and 23,406,615 (three and nine-months ended September 30, 2023 – 23,594,597 and 23,677,898). During the three and nine-months ended September 30, 2024, the diluted weighted average number of shares outstanding was calculated using the treasury method to be 23,475,343 and 23,463,144 (three and nine-months ended September 30, 2023 – 23,627,353 and 23,692,852). For the three and nine-months ended September 30, 2024, 112,970 and 56,529 options were included in the computation of diluted earnings per share (three and nine-months ended September 30, 2023 – 32,756 and 14,954).

7. Share based payments

(a) Phantom interest award units

On November 9, 2020, the Company granted 100,000 Phantom Interest Award Units ("PIAUs") to an executive, which will entitle the awardee to a cash payment after 5 years of service or when a payment event occurs, whichever is first. 50,000 PIAUs vested on the grant date and the remaining 50,000 PIAUs will vest in equal installments of 10,000 PIAUs on each of the first five anniversaries of the grant date if the executive has remained employed with Company through the anniversary date.

On January 18, 2021, the Company granted 50,000 PIAUs to another executive that will entitle the awardee to cash payment after 5 years of service or when a payment event occurs, whichever is first. 10,000 PIAUs vested on the grant date and the remaining 40,000 PIAUs will vest in equal installments of 10,000 PIAUs on each of the first four anniversaries of the grant date if the executive has remained employed with the Company through the anniversary date. 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 \$1,778 at September 30, 2024 (\$1,144 at December 31, 2023). During the three and nine-months ended September 30, 2024, an expense of \$191 and \$615, respectively, was included in the condensed interim consolidated statements of comprehensive income (three and nine-months ended September 30, 2023 – \$23 and \$252).

(b) Deferred share unit

On March 30, 2022, the Company instituted a share unit plan. Under the share unit plan, the Company is authorized to grant restricted share units ("RSUs"), performance share units ("PSUs") 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 31st of the calendar year following the calendar year in which the non-officer director ceases to be a director of the 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, 2024, 43,368 (nine months ended September 30, 2023 – 60,000) DSUs were granted for a total of 83,424 (nine months ended September 30, 2023 – 96,829) DSUs outstanding. During the nine months ended September 30, 2024, \$738 was paid to retiring directors. During the three and nine-months ended September 30, 2024, \$218 and \$815 (three and nine-months ended September 30, 2023 - \$107 and \$496) was included in the condensed interim consolidated statement of comprehensive income, and the liability at September 30, 2024, amounted to \$942 (December 31, 2023 - \$864).

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 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 three months ended September 30, 2024, \$42 was paid to an employee for vested RSUs. During the three and nine-months ended September 30, 2024, \$410 and \$1,115 (three and nine-months ended September 30, 2023 - \$70 and \$145) was included in the condensed interim consolidated statement of comprehensive income, and the liability at September 30, 2024, amounted to \$1,162 (December 31, 2023 - \$229).

Share based costs included in the condensed interim consolidated statements of comprehensive income were:

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-months ended September 30, 2024, and 2023

(In thousands of Canadian dollars, except per share amounts and as otherwise indicated)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
PIAUs	\$ 191	\$ 23	\$ 615	\$ 252
DSUs	218	107	815	496
RSUs	410	70	1,115	145
Deferred bonus	31	—	87	—
	\$ 850	\$ 200	\$ 2,632	\$ 893

Share based units included in the condensed interim consolidated statements of the financial position were:

	September 30, 2024	December 31, 2023
PIAUs	\$ 1,778	\$ 1,144
DSUs	942	864
RSUs	1,162	229
	\$ 3,882	\$ 2,237

8. Segmented information

Reporting segments are defined as components of the Company for which separate financial information is available, that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Company is the President and Chief Executive Officer. Based on management's assessment the Company has determined that it has one reportable segment. This is based on its determination that the similarity in economic characteristics of the Company's operating segments, including the nature of products and services sold and the similarity of geographic markets operated in, the various operating segments constitute a single reportable segment. The operating segments identified by management include the nonprofit ("SylogistMission"), education ("SylogistEd") and government ("SylogistGov") industry segments. In addition, any software solutions, and related services for customers outside these three segments is categorized as "SylogistSolutions". The Company generates revenues from three geographical areas USA, Canada, and UK and other.

Revenue by operating segment

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
SylogistMission	\$ 7,038	\$ 6,108	\$ 21,278	\$ 17,904
SylogistEd	4,642	4,227	12,792	12,015
SylogistGov	1,584	1,980	5,219	5,546
SylogistSolutions	3,300	4,454	10,979	13,879
	\$ 16,564	\$ 16,769	\$ 50,268	\$ 49,344

Revenue by geography

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
USA	\$ 11,344	\$ 10,917	\$ 33,676	\$ 30,635
Canada	5,064	5,384	16,197	17,263
UK and other	156	468	395	1,446
	\$ 16,564	\$ 16,769	\$ 50,268	\$ 49,344

	September 30, 2024	December 31, 2023
Non-current assets		
USA	\$ 38,519	\$ 40,313
Canada	30,694	29,944
UK and other	2	—
	\$ 69,215	\$ 70,257

9. Commitments and contingencies

(a) Commitments

Operating lease and service commitments

The Company has entered into various leases for its operating premises and service commitments. Future minimum annual payments under these commitments are as follows:

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

(b) Contingencies

Management is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

(c) Indemnifications

Under the terms of certain agreements and the Company's by-laws, the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

10. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and the credit facility. The carrying values of the Company's financial instruments approximate their fair values due to the short-term nature of these instruments. The nature of these instruments and the Company's operations exposes the Company to interest rate, foreign currency, liquidity, and fair value risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. These risks are outlined more fully below.

(a) Foreign currency rate risk management

A portion of the Company's 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. The Company does not have any exposure to highly inflationary foreign currencies. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and trade accounts receivable to offset foreign currency payables.

As at September 30, 2024, the increase or decrease in profit before income tax for each 1% change in the value of the Canadian dollar against the US dollar amounts to approximately \$43 (December 31, 2023 - \$63).

(b) Credit risk

The Company is exposed to normal credit risk. The objective of managing counterparty credit risk is to prevent losses relating to financial assets. As at September 30, 2024, the majority of the Company's cash and cash equivalents are held at one Canadian Chartered Bank. Any concentration of credit risk is mitigated by having concentrations with creditworthy clients and broadening the Company's customer base. The allowance for doubtful accounts of \$327 represents approximately 2.7% of the trade accounts receivable as of September 30, 2024 (December 31, 2023 – 2.6%).

Aging of trade accounts receivable

	September 30, 2024	December 31, 2023
1-30 days	\$ 4,956	\$ 5,561
31-90 days	1,562	1,650
91 + days	5,465	2,558
Total trade receivables	11,983	9,769
Allowance for doubtful accounts	(327)	(252)
Other receivables ⁽¹⁾	765	926
Trade and other receivables	\$ 12,421	\$ 10,443

(1) Other receivables consist primarily of unbilled receivables mainly from fixed fee government contracts.

Allowance for doubtful accounts continuity schedule

	September 30, 2024	December 31, 2023
Balance, beginning of the period	\$ (252)	\$ (14)
Allowance accreted-net	(75)	(238)
Balance, end of the period	\$ (327)	\$ (252)

(c) 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.

Trade and other payables

	September 30, 2024	December 31, 2023
Trade payables	\$ 1,752	\$ 1,931
Accrued and other payables	4,102	2,306
Current lease obligations	215	289
Income taxes payable	482	—
Executive retirement compensation	—	379
Total trade and other payables	\$ 6,551	\$ 4,905

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, research and development, capital expenditures and dividend policy, as well as to invest in long-term growth.

(d) Interest rate risk

As at September 30, 2024, the increase or decrease in profit before income tax for each 1% change in interest rates on the Company cash, amounts to approximately \$190 (December 31, 2023 - \$172) per annum.

(e) Fair value of financial instruments

The Company has determined that the fair value of the financial instruments consisting of cash and cash equivalents, trade and other receivables, trade and other payables and credit facility are not materially different from the carrying values of such instruments reported on the condensed interim consolidated statements of financial position due to their short-term nature.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the number of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

(f) Capital risk management

The Company's objective, when managing capital, is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. Managed capital consists of the Company's current working capital (current assets less current liabilities), credit facility and shareholders' equity. The Company sets the amount of managed capital in proportion to risk. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining adequate debt and equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year sustainable, profitable growth. The Company is not subject to any externally imposed capital requirements.

11. 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.

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Errol Olsen,⁽¹⁾⁽²⁾

Andrea Ward,⁽¹⁾⁽³⁾

Tracy Edkins,⁽²⁾⁽³⁾

William C. Wood

⁽¹⁾ member of Audit Committee

⁽²⁾ member of Compensation Committee

⁽³⁾ member of Nominating & Governance Committee

⁽⁴⁾ member of the Board effective June 12, 2024

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