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Sylogist Q2 Fiscal 2019 Results: 42nd consecutive profitable quarter: Revenue grows, strong margins maintained, dividend declared.

CALGARY, May 14, 2019 /Marketwired/ - Sylogist Ltd. (TSXV:SYZ) ("Sylogist" or the "Company"), a provider of enterprise information management solutions, is pleased to announce its unaudited financial results for the second quarter of the 2019 fiscal year, ended March 31, 2019.

Q2 2019 Summary *(Comparisons are to Q2 2018, unless otherwise noted)*

- Revenues were \$9.5 million, compared to \$9.3 million, an increase of 2%.
- Recurring revenues from subscriptions and maintenance grew organically by 9% to \$6.6 million, compared to \$6 million for the second quarter of 2018.
- Gross profit margins of 73%.
- Profit before income taxes of \$3.2 million.
- Reported earnings were \$2.4 million compared to \$2.5 million in Q2 2018.
- Earnings per fully diluted common share of \$0.11 per share, consistent with Q2 2018.
- Adjusted EBITDA⁽¹⁾ was \$4.2 million, or \$0.19 per fully diluted common share.
- Adjusted EBITDA Margin⁽¹⁾ was 44%, compared to 48%.
- The Company paid regular dividends to shareholders totalling \$2.1 million during the quarter, compared to \$1.8 million in the same period last year, an increase of 17%.
- Adjusted Working Capital⁽¹⁾ was \$35.1 million, an increase of 9%, or \$1.59 per share.
- Combined tax pools at the end of the second quarter 2019 were approximately \$14.7 million (CAD).
- The Company's Board of Directors has approved a quarterly dividend of \$0.095 per common share for shareholders of record as at May 31, 2019 to be paid on June 12, 2019, which is treated as an eligible dividend under the *Income Tax Act (Canada)*.

First half of fiscal 2019 *(Comparisons are to the first half of fiscal 2018, unless otherwise noted)*

- Revenues were \$18.9 million, compared to \$18.1 million, up 4%.
- Recurring revenues from subscriptions and maintenance were \$13.1 million, an increase of 9% compared to \$12 million for the first half of 2018.
- Gross profit margins were 75% of revenue, consistent with the first half of fiscal 2018.
- Reported earnings were \$5.0 million (\$0.23 per share) compared to \$5.5 million (\$0.25 per share).
- Adjusted EBITDA⁽¹⁾ was \$8.7 million (\$0.40 per share), compared to \$8.7 million (\$0.39 per share).
- Adjusted EBITDA Margin⁽¹⁾ was 46%, compared to 48%.

- The Company paid regular dividends to shareholders totalling \$4.2 million during the first half of fiscal 2019.
- For the first six months ended March 31, 2019, the Company repurchased 191,900 common shares at an average price of \$12.81 for a total cost of \$2.5 million.

Jim Wilson, President & Chief Executive Officer of Sylogist, commented, "We continued to see good growth in recurring revenue, up 9%, while our margins remained strong. Our revenues grew to \$9.5 million while our Adjusted EBITDA was \$4.2 million, our Adjusted EBITDA margin was 44%. Fully diluted earnings of \$0.11 per common share were consistent with Q2 2018. Adjusted EBITDA and earnings were negatively impacted by seasonal expense factors including front ended payments related to employee benefits, carrying of US based K12 professional services capacity and timing of cash tax payments that impacted before tax cash flow resulting in higher executive bonus costs in Q2. These seasonal factors accounted for \$524 thousand of expenses in the quarter. Our trailing twelve months revenue totaled \$39 million while EDITDA stood at \$17 million for the same 12-month period. Adjusted working capital increased 9% to \$35.1 million or \$1.59 per share. Recurring revenues from subscription and maintenance increased by 9% to \$6.6 million driven primarily by the educational sector business. A \$3M contract services related to a customer in the not-for-profit segment was signed in the latter part of Q2. The new contract may be expanded later in the fiscal year. Increased general and administrative expenses were reflective of an expanded corporate development team as part of our growth strategy.

As previously announced, the compensation committee is reviewing the executive compensation with a goal to reduce cash bonus payments through a one-time adjustment that will result in accretive earnings per share going forward into the next fiscal year.

As noted in our press release on May 1, 2019, we have initiated our comprehensive plan to improve shareholder value by taking proactive steps to improve our overall business performance through workforce efficiency gains. The contemplated workforce changes have been made prior to this earnings news release, resulting in a \$1.8 million annual reduction in operating expenses. In addition, we have started the rollout of our pay-per-use payroll platform through our partner channel. The results of this pay-per-use initiative will be fully realized by this time next year. We also anticipate meaningful revenue and margin growth in the educational market commencing Q4 of this fiscal year." concluded Mr. Wilson.

About Sylogist

Sylogist is a software company that, through strategic acquisitions, investments and operations management, provides comprehensive, mission-critical ERP solutions, including fund accounting, grant management and payroll to public service organizations. Sylogist's public service customers include local governments, nonprofit organizations, non-governmental organizations, educational institutions and government agencies, as well as public compliance driven and funded. Our Company delivers highly scalable, multi-language, multi-currency software solutions, which serve the needs of an international clientele.

Full financial statements together with Management's Discussion and Analysis are available on SEDAR at www.sedar.com.

The Company's stock is traded on the TSX Venture Exchange under the symbol SYZ. Information about Sylogist can be found at <http://www.sylogist.com>.

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Forward-looking Statements

Certain statements in this news release may be forward-looking statements within the meaning of applicable securities laws and regulations. These statements typically use words such as expect, believe, estimate, project, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or

similar terminology. Forward-looking information in this news release includes statements with respect to the Company's quarterly dividend for shareholders of record as of May 31, 2019 to be paid on June 12, 2019, the Company's improvement in its overall business performance through workforce efficiency gains, the Company's plans to reduce cash bonus payments through a one-time adjustment that will result in accretive earning per share going forward, the Company's new customer contract that may be expanded later in the fiscal year, the realization of the pay-per-use initiative by this time next year and the Company's anticipate meaningful revenue and margin growth in the educational market commencing Q4 of this fiscal year. By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the beliefs and plans and other forward-looking expectations expressed herein will not be achieved or will prove inaccurate. Although Sylogist believes that the expectations reflected in these forward-looking statements are reasonable, it provides no assurance that these expectations will prove to have been correct. Forward-looking information involves risks, uncertainties and other factors that could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Additional information regarding some of these risks, uncertainties and other factors may be found under in the management's discussion and analysis for the period ended March 31, 2019, and other documents available on the Company's profile at www.sedar.com. Material assumptions and factors that could cause actual results to differ materially from such forward-looking information include Sylogist's ability to attract and retain customers and to realize on its investments. Although Sylogist believes that the material assumptions and factors used in preparing the forward-looking information in this news release are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this news release, and no assurance can be given that such events will occur. Sylogist disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.

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.

Non-GAAP Financial Measures

(1) Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Working Capital are non-GAAP financial measures: Adjusted EBITDA is defined as: profit for the period before stock based compensation, foreign exchange gains or losses, interest expense, bargain purchase price on acquisition, income taxes, acquisition-related costs, depreciation and amortization. Adjusted EBITDA Margin refers to Adjusted EBITDA as a percentage of revenue. Adjusted Working Capital is defined as current assets less current liabilities adjusted for deferred revenue.

This news release makes reference to certain non-GAAP measures. These measures are not recognized measures under Canadian GAAP, do not have a standardized meaning prescribed by Canadian GAAP and are therefore may not be comparable to similar measures presented by other issuers. These measures are provided as additional information to complement measures under GAAP by providing further understanding of the Company's expected results of operations from management's perspective. Accordingly, such measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under Canadian GAAP.

Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Working Capital are provided to investors as alternative methods for assessing the Company's operating results in a manner that is focused on the Company's ongoing operations and to provide a more consistent basis for comparison between periods. These measures should not be construed as alternatives to net profit (loss) or cash flow from operating activities determined in accordance with GAAP as an indicator of the Company's performance.

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