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

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This Management Discussion and Analysis (MD&A) dated June 29, 2022, comments on our operations, financial performance and financial condition as at and for the years ended April 30, 2022 and April 30, 2021 and should be read in conjunction with the consolidated financial statements of Tecsys Inc. ("Tecsys", the "Company") and Notes thereto, which are included in this document. Fiscal 2022 refers to the twelve-month period ended April 30, 2022, and Fiscal 2021 refers to the twelve-month period ended April 30, 2021.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements are prepared by and are the responsibility of the Company's Management.

This document and the consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. The functional currency of the Company and its subsidiaries is the Canadian dollar with the exception of its Danish subsidiaries whose functional currency is the Danish kroner.

The consolidated financial statements were authorized for issue by the Board of Directors on June 29, 2022. Additional information about Tecsys Inc., including the Company's most recently completed Annual Information Form, can be obtained from SEDAR at www.sedar.com.

## Forward-Looking Information

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

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

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this management discussion and analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) competitive environment; (ii) operating risks; (iii) the Company's management and employees; (iv) capital investment by the Company's customers; (v) customer project implementations; (vi) liquidity; (vii) current global financial and geopolitical conditions; (viii) implementation of the Company's commercial strategic plan; (ix) credit; (x) potential product liabilities and other lawsuits to which the Company may be subject; (xi) additional financing and dilution; (xii) market liquidity of the Company's common shares; (xiii) development of new products; (xiv) intellectual property and other proprietary rights; (xv) acquisition and expansion; (xvi) foreign currency; (xvii) interest rates; (xviii) technology and regulatory changes; (xix) internal information technology infrastructure and applications(xx) cyber security and (xxi) expected impact of COVID-19 on the Company's future operations and performance.

## Use of non-IFRS Performance Measures

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

## Overview

Tecsys is a global provider of cloud-based supply chain solutions that equip the borderless enterprise for growth and competitive advantage. Spanning multiple complex, regulated and high-volume distribution industries, Tecsys delivers dynamic and powerful solutions for warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, as well as financial management and analytics solutions.

Customers running on Tecsys' supply chain platform are confident knowing they can execute, day in and day out, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating a Tecsys platform can adapt and scale to business needs or size, expand and collaborate with customers, suppliers and partners as one borderless enterprise, and transform their supply chains at the speed that their growth demands. From demand planning to demand fulfillment, Tecsys puts power into the hands of both front-line workers and back-office planners, helping business leaders operate sustainable and scalable logistics so they may focus on the future of their products, services and people, not on their operational challenges.

Customers around the world trust their supply chains to Tecsys in the healthcare, automotive and service parts, third-party logistics, converging commerce, as well as industrial and general wholesale high-volume distribution markets. Tecsys is the market leader in North America for supply chain solutions for health systems and hospitals. Tecsys serves a number of marquee brands located in the U.S., Canada, Europe and Australia, and continues to expand its global footprint across its principal markets.

The Company continues to develop its international presence. Acquired in 2019, Tecsys A/S (formerly PCSYS A/S), now serves as a key European extension. The Tecsys A/S product line is now being marketed under the Tecsys brand and Tecsys A/S continues to add customers in the manufacturing, retail and logistics industries, primarily in Europe. This alignment extends brand awareness to the European market and provides a common corporate identity to leverage existing software solutions across global geographies. In parallel, Tecsys A/S products are being positioned for North American markets, and opportunities for solution cross-pollination continue to emerge.

Tecsys is also well positioned to enable organizations pursuing sustainability initiatives. With greater adoption of digital purchasing comes a higher number of smaller shipments, which carry a substantial environmental impact. As supply chain organizations structure themselves for a shifting balance between in-store showrooming and digital shopping and shipping, the need to control the increasing costs of moving one line item from point A to point B becomes economically and environmentally significant. For the past two years, Tecsys has been recognized by Supply & Demand Chain Executive with a 2020[1] and 2021[2] Green Supply Chain Award for its enablement of operational efficiency and capacity to address sustainability targets.

Tecsys has noted exponential growth in the e-commerce fulfillment sector with mounting pressure for distribution organizations to fulfil higher order volumes under changing customer demands. Accelerated consumer adoption of digital commerce has escalated order fulfillment complexity for converging retail and direct-to-consumer companies, which has been driving investment in order management systems (OMS). Tecsys' OMS offering orchestrates and optimizes the process of customer order fulfillment across a wide variety of inventory-holding locations by meeting customer expectations at the lowest possible cost of order fulfillment.

Tecsys' management believes that demand for OMS systems that are connected to an end-to-end supply chain

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1 https://digital.acbusinessmedia.com/SDC/MISC/sdc1220_green-awards.pdf

2 https://s3.amazonaws.com/digital.acbusinessmedia.com/SDC/MISC/SDC1221_Green%20Awards.pdf

execution platform will continue to increase as a result of shifts in consumer shopping behavior . Consumer demand for alternative fulfillment options such as curbside pickup, click-and-collect and ship-from-store show no signs of waning, and Tecsys' OMS is well-positioned to equip brand owners to fulfill against this compounded logistics complexity.

Tecsys' partnership strategy continued to develop and mature during Fiscal 2022. Foundational relationships with key technology partners including Amazon Web Services (AWS), International Business Machines Corporation, Oracle Corporation, Microsoft Corporation and Workday Inc. continue to support its product offering. Other technology solution partners like Honeywell International Inc., Zebra Technologies Corporation, and Terso Solutions Inc., round out Tecsys ability to deliver complete supply chain solutions. Tecsys continues to expand service partners such as Avalon Corporate Solutions Corp, OSF Global Services Inc, RiseNow LLC and others where Tecsys and the partners work together jointly on opportunities within the customer base as well as on new client pursuits.

## Industry Verticals

Tecsys' management believes that its enterprise supply chain platform is well-suited to respond to the changing distribution market. Currently, Tecsys' business development and sales efforts are focused on vertical markets where the Company has the highest winning opportunity and best financial returns. From research and development and customer services perspectives, this allows Tecsys to replicate its solutions, enabling the Company to reduce costs inherent in new development and adoption of technology. It also helps increase the depth of expertise in these market segments where the Company has developed a reputation as an expert among its customers.

One such industry vertical is healthcare. At this point, Tecsys is able to bring its decades of supply chain expertise and investment into the healthcare industry through point- of-use, distribution and warehouse management solutions. Longstanding customers include major distributors, a number of health systems or Integrated Delivery Networks (IDNs), as well as third-party logistics providers (3PLs) in Canada and the United States. According to the American Hospital Association (AHA)[3], there are over 6,090 hospitals in the United States.

Today's healthcare supply chain is complex and costly; prior to recent volatilities, it was reported that it represents the second largest area of expense for hospitals, behind only labor, consuming approximately 40% to 55%[4] of the average operating budget. With pandemic-related impacts to both labor and supply chain, there is an increasing urgency to manage these escalating costs strategically. Unlike retail and other industries where the supply chain is viewed as a strategic asset, the healthcare supply chain has often been underleveraged. Most healthcare organizations are managing supplies using outdated information technology systems that cannot communicate with one another. As a result, supply chain processes are largely manual, with staff entering data into various hospital systems as they procure products, manage inventory, capture its use and trigger replenishment needs.

Healthcare has traditionally lagged behind other industries when it comes to supply chain technology investments. The manual labor required among supply chain, operations and clinical staff is inefficient, error prone and expensive. With disjointed systems and data, healthcare organizations have little or no visibility into and control over their supplies. This leads to expired product and significant waste. Further, supply chain disruptions and gaps in supply visibility highlighted by mounting volatility due to recent global events, together with sustained challenges in the labor market, has created greater market awareness of supply chain technology that enables a higher degree of operational responsiveness and agility.

In order for a hospital to transform its supply chain from a major liability into a strategic asset, it must transition from manual to electronic processes. This requires the use of enabling technologies for supply chain automation such as those offered by Tecsys. Technologies enabling standardization, consolidation and integration within a unified platform are a prerequisite to overcome the complexity and challenges.

Another vertical that carries opportunity is the converging commerce market, inclusive of direct-to-consumer brands, complex retail and e-commerce fulfillment organizations. Accelerated by the shift in consumer behavior following COVID-19 restrictions, there is greater demand for e-commerce and order pickup buying options with the

3 https://www.aha.org/statistics/fast-facts-us-hospitals

4 https://rctom.hbs.org/submission/healthcare-where-supply-chain-digitalization-is-life-or-death/

Adobe Digital Economy Index reporting that global e-commerce is showing a 38% year over year growth, with 9% of online shoppers in the US reported never having purchased anything online prior to March 2020[5]. Currently, many consumer brands operate siloed online and in-store order management processes, while others are not equipped for e-commerce options entirely. The convergence of physical and digital commerce has exposed disconnected customer experiences. In order to cope with the growing complexity of order management requirements in a converging commerce environment offering multiple fulfillment options, retailers and brands rely on OMS systems such as that offered by Tecsys. Technologies enabling optimization of complex order fulfillment routes, shipping costs, returns and inventory management equip those in this market with a flexible platform for dynamic and scalable omnichannel fulfillment.

## The Supply Chain Management Industry

Supply Chain Management (SCM) is a business strategy to improve shareholder and customer value. SCM encompasses the processes of creating and fulfilling the market's demand for goods and services; it enhances distributor and customer value by optimizing the flow of products, services and related information from suppliers to customers, with a goal of enabling customer satisfaction and improving return on assets. Within SCM is Supply Chain Execution (SCE), on which Tecsys has most of its focus, an execution-oriented set of solutions that enable the efficient procurement and supply of goods, services and information to meet customer-specific demand. Businesses deploying SCE solutions are looking to achieve greater visibility into product movements, cost containment and compliance.

In 2021, the Council of Supply Chain Management Professionals (CSCMP)'s Annual State of Logistics Report®, highlighted the lack of effective tools to meet escalating complexity: "In general, logistics cost increases resulted from trying to meet these difficult challenges with assets that could not be deployed as efficiently, along with an expanding scope of logistics activities"[6].

Indeed, today's distribution landscape is more sophisticated and volatile than ever; nonetheless, it demands 100% fulfillment with faster service and resiliency. It demands collaboration with customers, suppliers and partners as a borderless enterprise. From unified commerce to the internet of things (IoT), change is reshaping supply chain platforms and they must extend, scale and adapt to the size and needs of business. Competition is fierce, and disintermediation continues to pose a significant threat, giving rise to omnichannel distribution networks and shrinking the margin of error in operations.

Thriving in the current distribution era means adapting internal infrastructure, technology and processes to external challenges. Considering the impact of major disruptions to brick and mortar, the resiliency of multichannel and online retailers, and the strong competition from those who stick to their core competencies means investing in new and innovative technologies. Such disruptions and the accelerated digital environment are pressuring distribution industry leaders to rethink their strategy and take the first step to transform their supply chain or risk being left behind.

Agile companies are quickly outperforming and overtaking their less nimble competitors. McKinsey & Company's research[7] suggests that, on average, companies that digitize their supply chains can expect to boost annual growth of earnings before interest and taxes by 3.2% and annual revenue growth by 2.3%.

In a 2020 publication[7], PricewaterhouseCoopers LLP surveyed over 1600 executives from companies across seven industries to investigate the role of digital supply chains in turbulent times. The survey reveals that investments into digital supply chain excellence result in:

- 2x increased revenues and 2x decreased costs as compared to digital novices.
- 84% report >90% on-time in-full delivery performance (compared to 12% of digital novices).

5 https://business.adobe.com/resources/reports/adobe-digital-economic-index-april-2021/thank-you.html?faas_unique_submission_id=DB2D0CA9-BA33-753C-BD9C-4C7F83153321

6 https://epages.gopenske.com/rs/004-RHK-737/images/State-of-Logistics-2021-Executive-Summary.pdf?_ga=2.174525730.1422720746.1653578180-1123149756.1653578180

7 McKinsey & Company; Digital transformation: raising supply chain performance to new levels

- 53% more inventory turns than digital novices.
- Benefits beyond numbers like risk management, increased asset utilization and improved sustainability.

The publication explains: "For many companies market environments are becoming ever-more challenging. To cope with constant change, companies will need to make sure that their organization is able to continuously evolve and improve. They'll need a culture of continuous innovation and cross-functional collaboration to get there - always keeping the end-to-end value chain in mind. Generally, that means beginning with the needs of the end customer, but also taking into account everything from factories, to warehouses, to backend technologies."

Material Handling Industry ("MHI") is the largest material handling, logistics and supply chain association in the U.S. and publisher of the MHI Annual Industry Report[8], produced in conjunction with Deloitte Consulting LLP. The 2021 report explored the supply chain vulnerabilities exposed by COVID-19, and the role of digital technologies as a mechanism to be better positioned for supply chain resiliency in an uncertain future. In 2022, the report "challenge[d] business and supply chain leaders to benefit from those insights by embracing groundbreaking innovations that can revolutionize how supply chains operate – enabling future supply chains to thrive in the face of inevitable disruptions." Notably, the report emphasizes an appetite and timeliness for supply chain transformation: "It's time to take advantage of the new awareness and create a bold path for the future."

The report also highlights the sharp rise in supply chain innovation investment expected over the next two years. In the report's survey of over 1000 supply chain and manufacturing leaders, "of the 64% of respondents increasing investments, 66% say they will spend more than $1 million over the next two years. Investments are particularly growing in the middle ranges from $5 million up to $100 million - 18% say they will spend more than $10 million, where 41% say they spend more than $5 million."

Using digital innovation to improve supply chain efficiency, transparency and sustainability has become a necessity for continuing to grow the customer base and maintain a competitive standing.

## Selected Key Events

During Fiscal 2021, Tecsys accelerated its shift from perpetual license to SaaS bookings[9]. It also announced important functional advancements to its end-to-end supply chain platform and omnichannel order fulfillment solution with store-as-warehouse functionality and e-commerce fulfillment-focused warehouse capabilities.

On May 3, 2021, Tecsys was recognized as a Representative Vendor in 2021 Gartner Market Guide for Retail Store Inventory Management Applications. Tecsys is one of 13 store inventory management (SIM) vendors named in the report.

On June 30, 2021, Gartner, Inc. released the 2021 Magic Quadrant[10] for Warehouse Management Systems, in which Tecsys was positioned in the "Visionaries" quadrant, a position that it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 18 WMS suppliers that were included in the 2021 Magic Quadrant for Warehouse Management Systems, one of which is Tecsys.

On September 14, 2021, the Toronto Stock Exchange (TSX) announced that Tecsys was included in the Toronto Stock Exchange's 2021 TSX30™, a flagship program recognizing the 30 top-performing TSX stocks over a three-year period based on dividend-adjusted share price appreciation.

On March 28, 2022, Tecsys introduced Omni™ WMS, an agile SaaS-native warehouse management system designed to serve the evolving omnichannel market that straddles the complexities between hybrid e-commerce and traditional fulfillment, to its North American market. Omni™ WMS has been marketed as a Tecsys A/S product in Europe, and is an example of the cross-pollination of product lines.

8 https://www.mhi.org/publications/report

9 Refer to section "Key Performance Indicators" for definition

10 Gartner, Magic Quadrant for Warehouse Management Systems, Simon Tunstall & Dwight Klappich, June 30, 2021

## Description of Business Model

The Company has five principal sources of revenue:

- Software as a service (SaaS) subscription which represent the right to access our software platform in a hosted and managed environment for a period of time; these subscriptions are typically sold in three to five year term agreements with auto-renewal provisions;
- Maintenance and support services sold with perpetual licenses and hardware maintenance services; these services are typically sold in annual agreements with auto-renewal provisions;
- Professional services, including implementation, consulting and training services provided to customers;
- Licenses;
- Hardware.

Tecsys expects SaaS revenue to continue to grow over time. Revenue from maintenance and support services relate in a large part to our prior business model of selling perpetual licenses with attached maintenance and support fees. The Company expects maintenance and support services revenue to generally decline over time as new customers acquire SaaS subscriptions and existing customers eventually migrate to SaaS.

In the three months and year ended April 30, 2022, the Company generated $34.3 million and $137.2 million in total revenue, respectively. The revenue mix for the three months ended April 30, 2022, was: SaaS 22%; maintenance and support 23%; professional services 38%; license 2%; and hardware 15%. The revenue mix for Fiscal 2022 was: SaaS 20%; maintenance and support 24%; professional services 38%; license 2%; and hardware 16%.

## Key Performance Indicators

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

### Recurring Revenue

Recurring revenue (also referred to as Annual Recurring Revenue (ARR)) is defined as the contractually committed purchase of SaaS, maintenance, and customer support services over the next twelve months. The quantification assumes that the customer will renew the contractual commitment on a periodic basis as they come up for renewal unless the customer has cancelled. This portion of the Company's revenue is predictable and stable.

### Bookings

Broadly speaking, bookings refer to the total value of accepted contracts. This includes SaaS ARR bookings (the average annual value of committed SaaS recurring revenue at the time of contract signing), professional services bookings and perpetual license bookings. The Company believes that these metrics are primary indicators of business performance.

### Backlog

Backlog in general refers to the value of contracted revenue that is not yet recognized. Our backlog reporting focuses on (a) Annual Recurring Revenue and (b) Professional Services Backlog.

The Company also focuses on Remaining Performance Obligation (RPO) as a key performance indicator. The Company enters into SaaS subscription agreements that are typically multi-year performance obligations with original contract terms of three to five years. SaaS RPO represents revenue that we expect to recognize in the future related to firm performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. Unlike ARR which has a one-year time horizon, SaaS RPO can include multiple years of contracted SaaS subscriptions.

## Results of Operations

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

| | Three months ended April 30, | | Year ended April 30, | | |
|---|---|---|---|---|---|
| *(in thousands of CAD, except earnings per share)* | **2022** | **2021** | **2022** | **2021** | **2020** |
| **Statement of Operations** | | | | | |
| Revenue | $ 34,288 | $ 32,374 | $ 137,200 | $ 123,101 | $ 104,855 |
| Cost of revenue | 19,158 | 16,651 | 76,890 | 62,471 | 54,537 |
| Gross profit | 15,130 | 15,723 | 60,310 | 60,630 | 50,318 |
| Operating expenses | 13,819 | 13,092 | 54,934 | 49,949 | 45,610 |
| Profit from operations | 1,311 | 2,631 | 5,376 | 10,681 | 4,708 |
| Other (income) costs | (164) | 95 | (48) | 324 | 1,128 |
| Profit before income taxes | $ 1,475 | $ 2,536 | $ 5,424 | $ 10,357 | $ 3,580 |
| Income taxes | (1,111) | 516 | 946 | 3,169 | 1,234 |
| Profit | $ 2,586 | $ 2,020 | $ 4,478 | $ 7,188 | $ 2,346 |
| Adjusted EBITDA[11] | $ 1,730 | $ 3,917 | $ 10,130 | $ 16,220 | $ 10,271 |
| Basic earnings per share | $ 0.18 | $ 0.14 | $ 0.31 | $ 0.50 | $ 0.18 |
| Diluted earnings per share | $ 0.17 | $ 0.14 | $ 0.30 | $ 0.49 | $ 0.18 |
| Total Annual Recurring Revenue (ARR)[12] | | | $ 62,737 | $ 52,485 | $ 48,140 |

## Non-IFRS Performance Measures

The terms and definitions of the non-IFRS measures used in this MD&A are provided below. These non-IFRS measures do not have any standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

### EBITDA and Adjusted EBITDA

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before stock-based compensation, fair value adjustment on contingent consideration earnout, restructuring costs, gain on remeasurement of lease liability and recognition of tax credits generated in prior periods. The exclusion of interest expense, interest income, income taxes and restructuring costs eliminates the impact on earnings derived from non-operational activities, and the exclusion of depreciation, amortization, and share-based compensation, fair value adjustments, gains and losses on remeasurement of lease liabilities and recognition of tax credits generated in prior years eliminates the non-cash impact of these items. For the year ended April 30, 2022, we amended the definition of Adjusted EBITDA to include adjustments for the gain on remeasurement of lease liability and the recognition of tax credits generated in prior periods as a result of new significant non-cash transactions.

The Company believes that these measures are useful measures of financial performance without the variation caused by the impacts of the items described above and that could potentially distort the analysis of trends in our operating performance. In addition, they are commonly used by investors and analysts to measure a company's performance, its ability to service debt and to meet other payment obligations, or as a common valuation measurement. Excluding these items does not imply that they are necessarily non-recurring. Management believes

11 Refer to section below "Non-IFRS Performance Measures" for definition.

12 Refer to section "Key Performance Indicators" for definition.

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.

| | **Three months ended April 30,** | | **Year ended April 30,** | | |
|---|---|---|---|---|---|
| *(in thousands of CAD)* | **2022** | **2021** | **2022** | **2021** | **2020** |
| Profit for the period | $ 2,586 | $ 2,020 | $ 4,478 | $ 7,188 | $ 2,346 |
| Adjustments for: | | | | | |
| Depreciation of property and equipment and right-of-use assets | 515 | 567 | 2,162 | 2,180 | 2,004 |
| Amortization of deferred development costs | 87 | 60 | 290 | 269 | 536 |
| Amortization of other intangible assets | 382 | 404 | 1,612 | 1,663 | 1,530 |
| Interest expense | 178 | 158 | 622 | 787 | 1,080 |
| Interest income | (57) | (18) | (474) | (174) | (74) |
| Income taxes | (1,111) | 516 | 946 | 3,169 | 1,234 |
| EBITDA | $ 2,580 | $ 3,707 | $ 9,636 | $ 15,082 | 8,656 |
| Adjustments for: | | | | | |
| Stock based compensation | 340 | 210 | 1,684 | 1,138 | 1,024 |
| Fair value adjustment on contingent consideration earnout – Tecsys A/S | - | - | - | - | 171 |
| Restructuring costs | - | - | - | - | 420 |
| Gain on remeasurement of lease liability | (573) | - | (573) | - | - |
| Recognition of tax credits generated in prior periods | (617) | - | (617) | - | - |
| Adjusted EBITDA | $ 1,730 | $ 3,917 | $ 10,130 | $ 16,220 | $ 10,271 |

**Constant currency**

Financial results at constant currency allow results to be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons in the analysis of trends in business performance. Financial results at constant currency are obtained by translating prior period results denominated in U.S. dollars at the foreign exchange rates of the current period. Current period foreign exchange rates used in the constant currency translation include the impact of designated U.S. dollar revenue hedges.

## Revenue

The Company has changed the presentation of revenue in the Consolidated Statements of Income and Comprehensive income as of the beginning of Fiscal 2022. As a result of the change, comparative figures have been reclassified to conform with the basis of presentation used in Fiscal 2022. Refer to Note 25 - Comparative information of the Consolidated Financial Statements.

Total Revenue for the three months and year ended April 30, 2022, increased to $34.3 million and $137.2 million, respectively, an increase of $1.9 million or 6% and $14.1 million or 11% compared to the same periods of Fiscal 2021. Revenue is broken down as follows:

| | **Three months ended April 30,** | | **Change** | **Year ended April 30,** | | **Change** |
|---|---|---|---|---|---|---|
| *(in thousands of CAD)* | **2022** | **2021** | **%** | **2022** | **2021** | **%** |
| SaaS | $ 7,708 | $ 5,492 | 40% | $ 26,929 | $ 19,164 | 41% |
| Maintenance and Support | 8,008 | 8,344 | -4% | 32,698 | 33,715 | -3% |
| Professional Services | 12,896 | 12,175 | 6% | 52,040 | 47,530 | 9% |
| License | 558 | 1,026 | -46% | 2,806 | 4,921 | -43% |
| Hardware | 5,118 | 5,337 | -4% | 22,727 | 17,771 | 28% |
| | 34,288 | 32,374 | 6% | 137,200 | 123,101 | 11% |

Approximately 65% of the Company's revenues were generated in U.S. dollars during the fourth quarter of Fiscal 2022 (2021-65%). The U.S. dollar averaged CA$1.2667 in the fourth quarter of Fiscal 2022 in comparison to CA$1.2588 in the same period of Fiscal 2021. The increase in the value of the U.S dollar was more than offset by the net impact of the Company's partial hedging of U.S. revenue giving rise to a net unfavorable foreign currency related revenue variance of $0.7 million in comparison to the fourth quarter of Fiscal 2021.

For the year ended April 30, 2022, approximately 65% (2021-63%) of the Company's revenues were generated in U.S. dollars. The U.S. dollar averaged CA$1.2547 in Fiscal 2022 and CA$1.3086 in Fiscal 2021. The decline in the value of the U.S. dollar more than offset the Company's partial hedging of U.S. revenue giving rise to a net unfavorable foreign currency related revenue variance of $6.6 million in comparison to Fiscal 2021. The unfavorable foreign currency movement impacted all revenue lines.

On a constant currency basis (using Fiscal 2022 currency rates), fourth quarter and Fiscal 2022 revenue grew by approximately 8% and 16%, respectively, compared to the same periods of Fiscal 2021.

Total ARR on April 30, 2022, was $62.7 million, up 20% compared to $52.5 million on April 30, 2021. A significant amount of ARR is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will have an impact on ARR. On a constant currency basis, ARR increased 17% in Fiscal 2022. ARR was up 5% sequentially on both a reported and constant currency basis compared to the third quarter of Fiscal 2022.

### SaaS revenue

The Company generates revenue from proprietary software under a SaaS model. SaaS subscriptions represent the right to access our software platform in a hosted and managed environment for a period of time. The Company enters into SaaS subscription agreements that are typically multi-year performance obligations with original contract terms of three to five years.

SaaS revenue in the fourth quarter of Fiscal 2022 was $7.7 million, up 40% or $2.2 million compared to the fourth of Fiscal 2021 and up $0.7 million sequentially compared to the third quarter of Fiscal 2022. The increases are due to new SaaS revenue from bookings in recent quarters, net of cancellations impacting the quarter and foreign exchange, as a significant portion of the Company's SaaS fees are denominated in U.S. dollars. SaaS revenue for Fiscal 2022, was $26.9 million, up 41% or $7.8 million compared to Fiscal 2021. On a constant currency basis, fourth quarter and Fiscal 2022 SaaS revenue grew by approximately 43% and 47%, respectively, compared to the same periods of Fiscal 2021.

In the fourth quarter of Fiscal 2022, SaaS subscription bookings (measured on an ARR basis) were $4.5 million, up 29% compared to $3.5 million in the fourth quarter of Fiscal 2021. In Fiscal 2022 SaaS subscription bookings were $11.9 million, up 25% compared to $9.5 million in Fiscal 2021.The Company has historically seen some lumpiness in quarterly deal closings, and the Company expects this to continue.

On April 30, 2022, SaaS RPO[13] was $94.0 million, up 43% from $65.7 million at the same time last year. A significant amount of SaaS RPO is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will impact reported SaaS RPO. On a constant currency basis, SaaS RPO increased 39% during Fiscal 2022. SaaS RPO was up 20% sequentially compared to the third quarter of Fiscal 2022 and up 19% on a constant currency basis.

**Maintenance and support revenue**

Maintenance and support revenue derives largely from the Company's legacy perpetual license installed base. The Company enters into maintenance and support contracts that typically have an original term of one year and are subject to annual renewal. Maintenance and support revenue for the three months and year ended April 30, 2022, was $8.0 million and $32.7 million, down 4% and 3%, respectively, compared to the same periods in Fiscal 2021. On a constant currency basis, maintenance and support revenue was down by approximately 3% in the fourth quarter and grew by approximately 1% in Fiscal 2022. Maintenance and support revenue generally follows the trend of License revenue, and we expect a decline in maintenance and support revenue over time as the business continues to shift to SaaS.

**Professional services revenue**

Professional services revenue includes fees for implementation, consulting and training services provided to customers, as well as reimbursable expenses. Professional services revenue for the three months ended April 30, 2022, was $12.9 million, up 6% compared to $12.2 million during the same period in Fiscal 2021. For Fiscal 2022, professional services revenue was $52.0 million, up 9% compared to $47.5 million in Fiscal 2021. Negative foreign exchange impact reduced reported professional services revenue growth as a significant portion of the Company's professional services revenue is denominated in U.S. dollars. On a constant currency basis, fourth quarter and Fiscal 2022 professional services revenue grew by approximately 8% and 15%, respectively, compared to the same periods of Fiscal 2021. In the fourth quarter of Fiscal 2022, Professional Services bookings were $14.8 million, up 70% compared to $8.7 million in the fourth quarter of Fiscal 2021. In Fiscal 2022 Professional services bookings were $56.5 million, up 26% compared to $44.8 million in Fiscal 2021. Professional services bookings are in part linked to SaaS subscription bookings and license bookings and are subject to timing.

**License revenue**

License revenue includes revenue from proprietary software as well as third-party software. In the three months ended April 30, 2022, license revenue amounted to $0.6 million, down 46% from $1.0 million in the same period last year. For Fiscal 2022, license revenue was $2.8 million, down 43% compared to $4.9 million during the same period in Fiscal 2021. Perpetual license bookings in the three months and year ended April 30, 2022, were $0.5 million and $2.4 million, respectively, compared to $0.8 million and $4.3 million during the same periods in Fiscal 2021. We expect license revenue to generally decline over time because of the shift to SaaS.

**Hardware revenue**

Hardware revenue includes third-party hardware products and proprietary technology products. Hardware revenue for the three months ended April 30, 2022, was $5.1 million, down 4% from $5.3 million in the same period last year. For Fiscal 2022, hardware revenue was $22.7 million, up 28% from $17.8 million in Fiscal 2021. The increase in hardware revenue has been the result of a strong hardware order backlog coming into the current Fiscal year.

13 Refer to section "Key Performance Indicators" for definition

## Cost of Revenue and Gross Profit

| (in thousands of CAD) | Three months ended April 30, 2022 | Three months ended April 30, 2021 | Change % | Year ended April 30, 2022 | Year ended April 30, 2021 | Change % |
|---|---|---|---|---|---|---|
| **Cost of revenue:** | | | | | | |
| SaaS, Maintenance, Support and Professional Services | $ 15,311 | $ 12,592 | 22% | $ 58,916 | $ 48,116 | 22% |
| License and Hardware | 3,847 | 4,059 | -5% | 17,974 | 14,355 | 25% |
| Total cost of revenue | 19,158 | 16,651 | 15% | 76,890 | 62,471 | 23% |
| **Gross profit & gross profit margin:** | | | | | | |
| SaaS, Maintenance, Support and Professional Services gross profit | $ 13,301 | $ 13,419 | -1% | $ 52,751 | $ 52,293 | 1% |
| Gross profit margin | 46% | 52% | | 47% | 52% | |
| License and Hardware gross profit | $ 1,829 | $ 2,304 | -21% | $ 7,559 | $ 8,337 | -9% |
| Gross profit margin | 32% | 36% | | 30% | 37% | |
| Total gross profit | $ 15,130 | $ 15,723 | -4% | $ 60,310 | $ 60,630 | -1% |
| Total gross profit margin | 44% | 49% | | 44% | 49% | |

Total cost of revenue for the three months and year ended April 30, 2022, increased to $19.2 million and $76.9 million, up 15% and 23% respectively compared to the same periods last year. The increase is driven by higher SaaS, Maintenance, Support and Professional Services costs for the quarter and both higher SaaS, Maintenance, Support and Professional Services costs and License and Hardware costs for Fiscal 2022.

In the three month and year ended April 30, 2022, the cost of SaaS, Maintenance, Support and Professional Services increased to $15.3 million and $58.9 million, up $2.7 million and $10.8 million, respectively, compared to the same periods last year. Cost of SaaS, Maintenance, Support and Professional Services increased as a result of direct costs associated with higher revenue, including higher employee costs and higher public cloud infrastructure costs. We did see the impact on costs from an increasingly competitive labor market and we also continued to invest during the fourth quarter and Fiscal 2022 in preparing the organization for growth. We expect these investments, including investments in security and our cloud operations systems and team, will ultimately result in the ability to scale with continued growth. The cost of SaaS, Maintenance, Support and Professional Services includes tax credits of $0.6 million for the fourth quarter of Fiscal 2022 and Fiscal 2021, and $2.6 million in Fiscal 2022 compared to $2.5 million in Fiscal 2021.

The cost of License and Hardware decreased to $3.8 million in the fourth quarter of Fiscal 2022, down $0.2 million or 5% in comparison to the same period in Fiscal 2021. The decrease was mainly attributed to lower third-party hardware product costs associated with lower revenue for the quarter. The cost of License and Hardware increased to $18.0 million in Fiscal 2022, up $3.6 million or 25% compared to the same period last year and driven by higher third-party product costs associated with higher revenue.

Gross profit was $15.1 million, down $0.6 million in the fourth quarter of Fiscal 2022 compared to the same period last year. This is mainly attributable to lower gross profit contribution from License and Hardware. The decline in lower license and hardware margin was driven in particular by lower license revenue and this is consistent with the shift to SaaS.

Gross profit was $60.3 million, down $0.3 million in Fiscal 2022 compared to Fiscal 2021. Gross profit contribution was negatively impacted by foreign exchange, includes the impact of added investment to scale the business and lower license and hardware margin, and the latter is consistent with the shift to SaaS.

As a percentage of revenue, total gross profit margin for the three months ended April 30, 2022, was 44%

compared to 49% for the same period last year. Foreign exchange accounted for about one percentage point of the margin decline in the quarter compared to the same period last year. Combined SaaS, maintenance, support and professional services gross profit margin for the three months ended April 30, 2022 was 46% compared to 52% in the same period in Fiscal 2021. The non-foreign exchange-related portion of this decline was primarily from lower professional services margins as existing delivery capacity was underutilized during the quarter. This resulted mainly from the timing of project rollouts. Professional services backlog remained solid at $33.4 million at April 30, 2022. Excluding the impact of foreign exchange, SaaS, maintenance and support gross profit margin was down slightly from the prior year quarter as the Company continued to add investment to scale the business. License and Hardware gross profit margin decreased to 32% from 36% in the prior year quarter. This decline was primarily the result of revenue mix driven by lower license revenue, which is in line with the shift to SaaS.

For Fiscal 2022, total gross profit margin was 44% compared to 49% in Fiscal 2021. Foreign exchange accounted for about two percentage points of the margin decline in Fiscal 2022 compared to Fiscal 2021. Combined SaaS, maintenance, support and professional services gross profit margin for the year ended April 30, 2022 was 47% compared to 52% in Fiscal 2021. The non-foreign exchange-related portion of this decline was primarily from lower professional services margins as we expanded investment in delivery capacity in Fiscal 2022. Excluding the impact of foreign exchange, SaaS, maintenance and support gross profit margin was down slightly from Fiscal 2022 as the Company continued to add investment to scale this business as noted above. License and Hardware gross profit margin decreased to 30% from 37% in Fiscal 2021. This decline was primarily the result of revenue mix driven by higher hardware revenue and lower license revenue in Fiscal 2022, the latter of which is consistent with the shift to SaaS.

## Operating Expenses

| | **Three months ended April 30,** | | **Change** | **Year ended April 30,** | | **Change** |
|---|---|---|---|---|---|---|
| *(in thousands of CAD)* | **2022** | **2021** | **%** | **2022** | **2021** | **%** |
| Sales and marketing expenses | $ 6,388 | $ 5,649 | 13% | $ 24,294 | $ 20,985 | 16% |
| *As a percentage of Revenue* | 19% | 17% | | 18% | 17% | |
| General and administration expenses | 2,652 | 2,427 | 9% | 10,865 | 10,396 | 5% |
| *As a percentage of Revenue* | 8% | 7% | | 8% | 8% | |
| Research and development expenses, net of tax credits | 4,779 | 5,016 | -5% | 19,775 | 18,568 | 7% |
| *As a percentage of Revenue* | 14% | 15% | | 14% | 15% | |
| **Total operating expenses** | **13,819** | **13,092** | **6%** | **54,934** | **49,949** | **10%** |
| ***As a percentage of revenue*** | **40%** | **40%** | | **40%** | **41%** | |

Total operating expenses for the three months and year ended April 30, 2022, increased to $13.8 million and $54.9 million, respectively, increases of $0.7 million and $5.0 million, respectively, compared to the same periods in Fiscal 2021. The impact of foreign exchange during the fourth quarter of Fiscal 2022 on operating expenses was not significant when compared to the same period last year. For Fiscal 2022, the weaker U.S dollar had a favorable impact on expenses of $1.4 million when compared to Fiscal 2021.

### Sales and marketing expenses

During the fourth quarter of Fiscal 2022, sales and marketing expenses amounted to $6.4 million, $0.7 million higher than the comparable quarter in Fiscal 2021. The increase is mainly attributed to higher personnel, travel and marketing program costs. During Fiscal 2022, sales and marketing expenses amounted to $24.3 million, $3.3 million higher than last year. The increase is primarily attributed to higher personnel costs and is the result of our continued investment to expand sales capacity and coverage. Fiscal 2022 expenses also increased due to higher travel and marketing program costs.

**General and administrative expenses**

General and administrative expenses for the three months ended April 30, 2022, were $2.7 million, an increase of $0.2 million compared to the same period in Fiscal 2021. The increase is attributed to increased personnel and other costs, partially offset by reduction in bad debt expense.

General and administrative expenses for Fiscal 2022, were $10.9 million, an increase of $0.5 million compared to Fiscal 2021. The increase is attributed to higher professional fees, partially offset by lower personnel costs and bad debt expense.

**Net R&D expenses**

Net R&D expenses for three months and year ended April 30, 2022, were $4.8 million and $19.8 million, respectively, down $0.2 million and up $1.2 million, respectively, from the same periods in Fiscal 2021. The general increase during the year was mainly attributable to higher personnel costs. The decrease in the fourth quarter of Fiscal 2022 was mainly attributable to higher personnel costs more than offset by higher R&D tax credits. During the fourth quarter of Fiscal 2022, the Company recognized $0.6 million of Federal non-refundable SRED tax credits generated in prior periods since the recognition was met during the reporting period.

The Company recorded R&D tax credits and e-business tax credits of $1.4 million, and amortized deferred development costs and other intangible assets of $0.1 million in the fourth quarter of Fiscal 2022 compared to $0.6 million and $0.1 million in Fiscal 2021. Additionally, during the three months ended April 30, 2022, the company deferred $0.2 million of development costs compared to $0.1 million in the same period of last year.

For Fiscal, 2022, the Company recorded R&D tax credits and e-business tax credits of $3.3 million compared to $2.3 million for the same period in Fiscal 2021. Amortized development costs and other intangible assets in Fiscal 2022 and 2021 were $0.3 million. Additionally, in Fiscal 2022, the Company deferred development costs of $1.1 million compared to $0.3 million in the same period of Fiscal 2021.

## Other (income) costs and Income Taxes

| | Three months ended April 30, | | Change | Year ended April 30, | | Change |
|---|---|---|---|---|---|---|
| *(in thousands of CAD)* | 2022 | 2021 | % | 2022 | 2021 | % |
| Other (Income) Costs | $ (164) | $ 95 | -273% | $ (48) | $ 324 | -115% |
| Income Tax (Benefit) Expense | $ (1,111) | $ 516 | -315% | $ 946 | $ 3,169 | -70% |
| Income Taxes as a percentage of profit before income taxes | (75) % | 20% | | 17% | 31% | |

Other income for the three months ended April 30, 2022 was $0.2 million compared to other costs of 0.1 million for the same period in Fiscal 2021. For Fiscal 2022, other income was $0.05 million, compared to other costs of $0.3 million in Fiscal 2021. Other income in the fourth quarter and year ended April 30, 2022 consists primarily of interest expense on long term debt and lease obligations and foreign exchange losses, offset by interest income and gain on remeasurement of lease liability of $0.6 million. Interest income for the year ended April 30, 2022 also includes a $0.3 million refund of interest related to the payment of the acquired tax liability. Refer to Note 19 - Other income (costs) of the Consolidated Financial Statements.

Income tax benefit for the three months ended April 30, 2022, was $1.1 million compared to income tax expense of $0.5 million for the same period of Fiscal 2021. Income tax expense for the year ended April 30, 2022 was $0.9 million compared to $3.2 million for Fiscal 2021. The decrease in income tax expense was due primarily to the recognition of approximately $1.9 million net deferred tax assets in the fourth quarter of Fiscal 2022. The recognition resulted from the completion of a definitive plan to amalgamate certain entities in the group, thereby increasing the probability that future taxable profit will be available against which the Company can utilize these previously unrecognized tax assets. This planned amalgamation was completed effective May 1, 2022.

## Profit

| (in thousands of CAD) | Three months ended April 30, 2022 | 2021 | Change % | Year ended April 30, 2022 | 2021 | Change % |
|---|---|---|---|---|---|---|
| Profit | $ 2,586 | $ 2,020 | 28% | $ 4,478 | $ 7,188 | -38% |
| Adjusted EBITDA[14] | $ 1,730 | $ 3,917 | -56% | $ 10,130 | $ 16,220 | -38% |
| Basic earnings per share | $ 0.18 | $ 0.14 | | $ 0.31 | $ 0.50 | |
| Diluted earnings per share | $ 0.17 | $ 0.14 | | $ 0.30 | $ 0.49 | |

Profit, Adjusted EBITDA and earnings per share were all negatively impacted by unfavorable foreign exchange movements, lower license revenue as well as additional investment in delivery capacity, sales and marketing and research and development compared to the same periods in Fiscal 2021. Approximately 65% of the Company's revenue is denominated in US dollars while a significant majority of the Company's costs are denominated in Canadian dollars. As such, foreign exchange movements can have a material impact on reported Profit, Adjusted EBITDA and earnings per share. During the three months and year ended April 30, 2022, unfavorable foreign exchange movements had a negative impact on Profit and Adjusted EBITDA of approximately $0.7 million and $5.2 million, respectively, compared to the same periods in Fiscal 2021. Profit was positively impacted in the three and twelve months ended April 30, 2022 as a result of the recognition of approximately $1.9 million net deferred tax assets and the recognition of approximately $0.6 million gain on remeasurement of lease liability as described above under Other (income) costs and Income Taxes as well as by the recognition of approximately $0.6 million tax credits generated in prior periods.

## Quarterly Selected Financial Data

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

| | FY 2022 | | | | FY 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of CAD, except earnings per share)* | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Total revenue | 34,288 | 35,411 | 34,269 | 33,232 | 32,374 | 31,942 | 30,694 | 28,091 |
| Profit | 2,586 | 940 | 708 | 244 | 2,020 | 1,847 | 2,086 | 1,235 |
| Comprehensive income (loss) | 2,159 | 317 | 489 | (147) | 1,088 | 1,527 | 1,486 | 2,897 |
| Adjusted EBITDA[14] | 1,730 | 2,738 | 3,206 | 2,456 | 3,917 | 3,964 | 4,830 | 3,509 |
| Basic earnings per common share | 0.18 | 0.06 | 0.05 | 0.02 | 0.14 | 0.13 | 0.14 | 0.09 |
| Diluted earnings per common share | 0.17 | 0.06 | 0.05 | 0.02 | 0.14 | 0.12 | 0.14 | 0.08 |

Total quarterly revenue has generally trended upward over the past eight quarters, primarily due to an increase in revenue from SaaS and professional services driven by increased bookings and following the Company's transition to SaaS during the end of Fiscal 2019. During Fiscal 2022, the impact of foreign exchange, lower license revenue as well as additional investment in delivery capacity, sales and marketing and research and development have moderated Profit and Adjusted EBITDA. See also Profit section above regarding Fiscal 2022 fourth quarter Profit.

[14] Refer to section "Non-IFRS Performance Measures" for definition, as well as for the reconciliation of Adjusted EBITDA for the three months ended April 30, 2022 and 2021. The reconciliation of Adjusted EBITDA for the other periods can be found in the Supplemental Information section.

## Liquidity and Capital Resources

On April 30, 2022, current assets totaled $74.4 million compared to $75.8 million at the end of Fiscal 2021. Cash and cash equivalents combined with short-term investments decreased $2.7 million to $43.2 million compared to $45.9 million at the end of Fiscal 2021. The decrease is due to several factors including changes in non-cash working capital items, the most significant of which was timing of payments of accounts payable and accrued liabilities during Fiscal 2022. The decrease is also due to net financing activity outflows including the payment of dividends and repayment of long-term loans and net investing activity outflows including capital expenditures, increase in deferred development costs and final payment related to a prior period business acquisition.

Accounts receivable and work in progress totaled $18.5 million on April 30, 2022, an increase of $1.5 million compared to $17.0 million as of April 30, 2021. The increase is mainly attributed to higher revenue and a higher level of work in progress. The Company's Days Sales Outstanding (DSO) stood at 49 days at the end of April 30, 2022 compared to 47 at the end of Fiscal 2021. DSO is a measure of the average number of days that a company takes to collect revenue after a sale. The Company's DSO is determined on a quarterly basis and can be calculated by dividing the total of accounts receivable and work in progress at the end of a quarter by the total value of sales during the same quarter and multiplying the result by 90 days.

Current liabilities on April 30, 2022, totaled $43.5 million compared to $44.0 million at the end of Fiscal 2021. The decrease is mainly due to decrease in accounts payables, lease obligations and short-term loans.

### Cash from Operating Activities

Operating activities generated $4.9 million of cash in Fiscal 2022 in comparison to $19.1 million in Fiscal 2021, a decrease of $14.2 million.

Cash from operating activities excluding changes in non-cash working capital items accounted for approximately $3.4 million of the decrease and this was primarily the result of lower profit as previously noted. Changes in non-cash working capital items accounted for $10.8 million of the decrease. The main cause for this decrease was increased accounts receivable and work in progress as the business continues to grow, primarily timing related increased payments for accounts payable and changes in deferred revenue.

### Financing Activities

Cash flows used in financing activities decreased to $5.3 million for Fiscal 2022 in comparison to $7.1 million for Fiscal 2021. During Fiscal 2022, financing activities related primarily to payments of dividends, interest, lease obligations and long-term debt partially offset by proceeds from the issuance of common shares from the exercise of stock options. Financing activities in Fiscal 2021 included a one-time payment of an acquired tax liability.

### Investing Activities

During Fiscal 2022, investing activities used funds of $2.4 million in comparison to $13.8 million for Fiscal 2021.

In Fiscal 2022, the Company made a final payment of $0.5 million related to a prior business acquisition. During Fiscal 2021, the Company paid $2.1 million in payments related to prior business acquisitions. During Fiscal 2021, the Company invested $10.0 million in a guaranteed investment certificate (GIC). The GIC has a 31-day withdrawal notice requirement, and the interest is automatically reinvested monthly. The Company has maintained that GIC since the initial investment. The Company used funds of $0.9 million and $1.5 million for the acquisition of property and equipment and intangible assets in Fiscal 2022 and Fiscal 2021, respectively. Additionally, the Company invested in its proprietary products with the capitalization of $1.1 million and $0.3 million reflected as deferred development costs in Fiscal 2022 and Fiscal 2021, respectively.

The Company believes that funds on hand at April 30, 2022 together with cash flows from operations, and its accessibility to the operating line of credit will be sufficient to meet its covenants and needs for working capital, R&D, capital expenditures and dividend policy, as well as to invest in long-term growth.

## Commitments and Contractual Obligations

The Company has a lease agreement for its head office in Montreal, Quebec which expires on November 30, 2025 and has an option to extend for five additional years until November 30, 2030. The Company has a lease agreement for its office in Markham, Ontario. The lease term of ten years and eight months terminates on July 31, 2022. The

Company has a lease agreement for its office in Laval, Quebec. The lease term of ten years ends on February 28, 2026 and has an option to extend the lease for 5 years until February 28, 2031. The Company also has a lease agreement for its office in Denmark that terminates on December 31, 2026. These are the principal leases of the Company.

As at April 30, 2022, the principal commitments consist of operating leases, long-term debt and other obligations. The following table summarizes significant contractual obligations as at April 30, 2022.

The lease obligations represent the minimum lease payments for leases of office space and equipment recognized on the consolidated balance sheet as lease liabilities under IFRS 16.

In thousands of Canadian dollars

| Contractual Obligations | Total | Less than 1 year | Payments Due by Period<br>1 – 3 years | 3 – 5 years | After 5 years |
|---|---|---|---|---|---|
| Long-term debt | 8,400 | 1,200 | 7,200 | - | - |
| Lease obligations | 6,800 | 819 | 2,459 | 2,271 | 1,251 |
| Other obligations | 4,585 | 2,769 | 1,816 | - | - |
| Accounts payable and accruedliabilities and other liabilities | 16,971 | 16,971 | - | - | - |
| Total Contractual Obligations | 36,756 | 21,759 | 11,475 | 2,271 | 1,251 |

Other obligations include operating leases with terms of less than 12 months and other service contracts.

## 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 condition and other such factors as the Board of Directors, in its sole discretion, deems relevant.

During Fiscal 2022, the Company declared a dividend of $0.065 per share on two occasions that were paid on August 6, 2021 and October 8, 2021 to shareholders of a record date at the close of business on July 16, 2021 and September 24, 2021, respectively and declared a dividend of $0.07 per share on two other separate occasions that were paid on January 7, 2022 and April 14, 2022 to shareholders of record at the close of business on December 16, 2021 and March 24, 2022, respectively, for an aggregate of $3.9 million.

During Fiscal 2021, the Company declared a dividend of $0.06 per share on two occasions that were paid on August 7, 2020 and October 9, 2020 to shareholders of a record at the close of business on July 24, 2020 and September 25, 2020, respectively and declared a dividend of $0.065 per share on two other separate occasions that were paid on January 7, 2021 and April 8, 2021 to shareholders of record at the close of business on December 17, 2020 and March 18, 2021, respectively, for an aggregate of $3.6 million.

## Related Party Transactions

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of $0.3 million during Fiscal 2022 ($0.5 million for Fiscal 2021) to facilitate their purchase of the Company's common shares. As of April 30, 2022, loans outstanding amounted to $0.2 million (April 30, 2021 - $0.4 million). Refer to note 21 – Related party transactions of the consolidated financial statements.

## 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.

## Subsequent Events

On June 29, 2022, the Company's Board of Directors declared a quarterly dividend of $0.07 per share to be paid on August 5, 2022 to shareholders of record on July 15, 2022.

## Off-Balance Sheet Agreements

The Company was not involved in any off-balance sheet arrangements as at April 30, 2022 with the exception of variable payments related to operating leases and operating leases with terms of twelve 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 industry may adjust quickly to exercise caution on capital spending. This uncertainty may impact the Company's revenue.

Based on ARR of $62.7 million and Professional services backlog of $33.4 million, the Company's management believes that quarterly services revenue (including SaaS, maintenance and support and professional services revenue) ranging between $28.0 million and $29.0 million per quarter can be sustained in the short term.

Strategically, the Company continues to focus its efforts on the most likely opportunities within its existing vertical markets and customer base. The Company also currently offers subscription-based licensing, hosting services, modular sales and implementations and enhanced payment terms to promote revenue growth. We see continued market appetite for subscription-based SaaS licensing. To the extent our bookings continue to shift from perpetual license to SaaS, and considering that license revenue is typically recognized up front while SaaS revenue is recognized over the contract period, revenue and operating profit will be impacted in the medium term.

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 generally derives approximately 60% to 70% of its business from U.S. customers while the majority of its cost base is in Canadian dollars.

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

## 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.

Derivative instruments are also recorded as assets and liabilities measured at their fair value. As such, the fair value of all outstanding foreign exchange contracts representing a $0.6 million loss was recorded in accounts payable and accrued liabilities at April 30, 2022 (April 30, 2021 - $1.7 million gain was recorded in other accounts receivable).

Derivatives in the form of forward exchange contracts are used to manage currency risk related to the fluctuation of the U.S. dollar. The Company is exposed to currency risk as a certain portion of the Company's revenue and expenses are realized in U.S. dollars resulting in U.S. dollar-denominated accounts receivable and accounts payable and accrued liabilities. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars.

The Company's hedging strategy is practiced on two fronts. Firstly, the Company enters into forward exchange contracts to hedge some portion of its highly probable future revenue denominated in U.S. dollars over the coming year with the intention of stabilizing revenue and margin expectations due to possible short term exchange fluctuations, and secondly in order to offset the impact of the fluctuation of the U.S. dollar regarding the revaluation of its U.S net monetary asset and liability position. In this regard, the Company practices economic hedging regularly by analyzing its net U.S. monetary asset and liability position and uses forward exchange contracts to equilibrate its position. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the net monetary position in the foreign currency and the recognition of highly probable future U.S. denominated revenue and related accounts receivable. The Company uses derivative financial instruments only for risk management purposes, not for generating speculative trading profits.

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 by dealing only with major Canadian banks and investing only in instruments that management believes have high credit ratings. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

As at April 30, 2022 no customers individually accounted for greater than 10% of total accounts receivable and work in progress (April 30, 2021 – two customers were individually greater than 10%). Generally, there is no particular 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. The Company is not currently experiencing or anticipating any material credit losses as a result of the COVID-19 pandemic.

Refer to note 22 – Financial instruments and risk management of the consolidated financial statements 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 at April 30, 2022, the Company had 14,562,895 common shares outstanding. The Company issued 57,800 shares on the exercise of stock options in Fiscal 2022.

## 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 annual 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, disclosures of contingent assets and liabilities and recognized amounts of revenue and expenses. Actual results may differ from these estimates.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and the anticipated measures that management intends to take. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Refer to the Company's annual consolidated financial statements for Fiscal 2022 and the related notes 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.

## New standards and interpretations not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for periods ended April 30, 2022 and have not been applied in preparing the Company's annual consolidated financial statements.

The following standards or amendments are currently being assessed by the Company:

| Standard | Issue date | Effective date for the Company | Impact |
|---|---|---|---|
| IAS 37, Provisions, Contingent Liabilities and Contingent Assets | May 2020 | May 1, 2022 | Not expected to be material |
| IAS 1, Presentation of Financial Statements | January 2020, July 2020 and February 2021 | May 1, 2023 | In assessment |
| IAS 8, Definition of Accounting Estimates | February 2021 | May 1, 2023 | In assessment |
| IAS 12, Income Taxes | May 2021 | May 1, 2023 | In assessment |

Refer to the Company's annual consolidated financial statements for Fiscal 2022 and the related notes for a discussion of new standards and interpretations not yet adopted.

## Risks and Uncertainties

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

- The Company has incurred net losses in the past and may incur losses in the future.
- The Company's operations could be adversely affected by events outside of its control, such as natural disasters, wars or health epidemics.
- Economic conditions can adversely affect our business, results of operations, cash flow and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price.
- If the Company is unable to attract new customers or sell additional products to and/or retain its existing customers, its revenue growth and profitability will be adversely affected.
- Impact of transitioning from primarily on-premise perpetual license sales to a higher mix of Software as a Service ("SaaS").
- Fluctuations in quarterly results may fail to meet the expectations of investors or security analysts which could cause the Company's share price to decline.
- Lengthy sales and implementation cycle could have an adverse effect on the amount, timing and predictability of the Company's revenue.
- Defects, delays or interruptions in providing SaaS will have an impact on the operating results of the Company.
- Security breaches could delay or interrupt service to its customers, harm its reputation or subject the Company to significant liability and adversely affect its business and financial results. Its ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.
- Despite the Company's security measures, its information technology and infrastructure may be vulnerable to cyber-threats, security and privacy breaches by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise Tecsys' networks and the information stored there could be accessed, publicly disclosed, lost or stolen.
- The Company's ability to develop new products and services in order to sell its solutions into new markets or further penetrate its existing markets will impact its revenue growth.
- The markets in which the Company participates is highly competitive, its failure to compete successfully

would make it difficult to add and retain customers and would reduce and impede its growth.

- If the Company fails to retain its key employees, its business would be negatively impacted.
- The Company's strategy includes pursuing acquisitions and its potential inability to successfully integrate newly acquired companies or business may adversely affect its financial results.
- Risk of software defects could adversely affect the Company's business.
- The Company's intellectual property rights could be challenged, invalidated, circumvented or copied, causing a competitive disadvantage, lost opportunities or market share, and potential costly litigation to enforce or re-establish the Company's rights.
- Third parties could claim that the Company's products infringe their proprietary rights. This could subject the Company to costly and time-consuming litigation.
- There is no assurance that third-party software companies will continue to permit the Company to sub-license on commercially reasonable terms. This could delay or interrupt the delivery of the Company's solutions.
- Fluctuations in the exchange rate between the Canadian dollar and other currencies may have a material adverse effect on the margin the Company may realize from its products and services and may directly impact results of operations.
- The Company may need to raise additional funds to pursue its growth strategy or continue its operations, and it may be unable to raise capital when needed or on acceptable terms.
- Impacts related to COVID-19 pandemic are expected to continue to pose risk on the economy. The ultimate duration and magnitude of the impact of the pandemic on the economy and the financial effect on Tecsys' operations and business is uncertain.

These risks are described in further detail in the section entitled "Risk Factors" in our most recently filed Annual Information Form.

## Controls & Procedures

### Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's Chief Executive Officer (CEO) and its Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures regarding the communication of information. They are assisted in this responsibility by the Company's Executive Committee, which is composed of members of senior management. Based on the evaluation of the Company's disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of April 30, 2022.

### 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 and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer to evaluate the design and operating effectiveness of the Company's internal controls over financial reporting as at April 30, 2022. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the internal control over financial reporting, as defined by National Instrument 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) (COSO), a recognized control model, and the requirements of National Instrument 52-109, Certification of Disclosures in Issuers' Annual and Interim Filings.

No changes to internal controls over financial reporting have come to management's attention during the three-month period ending on April 30, 2022, that have materially affected or are reasonably likely to materially affect internal controls over financial reporting.

## Supplemental Information

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

| | FY 2022 | | | | FY 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of CAD)* | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| | | | | | | | | |
| Profit for the period | $ 2,586 | $ 940 | $ 708 | $ 244 | $ 2,020 | $ 1,847 | $ 2,086 | $ 1,235 |
| Adjustments for: | | | | | | | | |
| Depreciation of property and equipment and right-of-use assets | 515 | 551 | 553 | 543 | 567 | 554 | 526 | 533 |
| Amortization of deferred development costs | 87 | 80 | 69 | 54 | 60 | 48 | 58 | 103 |
| Amortization of other intangible assets | 382 | 408 | 411 | 411 | 404 | 425 | 426 | 408 |
| Interest expense | 178 | 138 | 145 | 161 | 158 | 158 | 195 | 276 |
| Interest income | (57) | (337) | (40) | (40) | (18) | (43) | (63) | (50) |
| Income taxes | (1,111) | 537 | 791 | 729 | 516 | 683 | 1,235 | 735 |
| EBITDA | $ 2,580 | $ 2,317 | $ 2,637 | $ 2,102 | $ 3,707 | $ 3,672 | $ 4,463 | $ 3,240 |
| Adjustments for: | | | | | | | | |
| Stock based compensation | 340 | 421 | 569 | 354 | 210 | 292 | 367 | 269 |
| Gain on remeasurement of lease liability | (573) | - | - | - | - | - | - | - |
| Recognition of tax credits generated in prior periods | (617) | - | | - | - | - | - | - |
| Adjusted EBITDA | $ 1,730 | $ 2,738 | $ 3,206 | $ 2,456 | $ 3,917 | $ 3,964 | $ 4,830 | $ 3,509 |