1st Quarter Fiscal 2023 Report

Committed to a Connected World

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

This Management Discussion and Analysis (MD&A) dated September 8, 2022, comments on our operations, financial performance and financial condition as at and for the three-month periods ended July 31, 2022 and July 31, 2021 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Tecsys Inc. ("Tecsys", the "Company") and Notes thereto, which are included in this document, and the annual report for the year ended April 30, 2022. The Company's first quarter of fiscal year 2023 ended on July 31, 2022.

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

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

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 8, 2022. Additional information about Tecsys Inc., including copies of the continuous disclosure materials such as the annual information form and the management proxy circular, 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" in the Company's annual report for the year ended April 30, 2022.

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 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 ended July 31, 2022, the Company generated $34.2 million in total revenue. The revenue mix for the three months ended July 31, 2022, was: SaaS 24%; maintenance and support 24%; professional services 40%; license 1%; and hardware 11%. The revenue mix for the three months ended July 31, 2021 was: SaaS 17%; maintenance and support 25%; professional services 40%; license 1%; and hardware 17%.

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:

(in thousands of CAD, except earnings per share)	Three months ended July 31, 2022	2021
Revenue	$ 34,204	$ 33,232
Cost of revenue	19,446	18,803
Gross profit	14,758	14,429
Operating expenses	14,668	13,341
Profit from operations	90	1,088
Financing costs	25	115
Profit before income taxes	$ 65	$ 973
Income taxes	25	729
Profit	$ 40	$ 244
Adjusted EBITDA[1]	$ 1,484	$ 2,456
Basic and Diluted earnings per share	$ 0.00	$ 0.02
SaaS Remaining Performance Obligation (RPO)[2]	$ 102,540	$ 64,997
Total Annual Recurring Revenue (ARR)[2]	$ 65,074	$ 53,656

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, gain on remeasurement of lease liability and recognition of tax credits generated in prior periods. The exclusion of interest expense, interest income and income taxes eliminates the impact on earnings derived from non-operational activities, and the exclusion of depreciation, amortization, share-based compensation, gain on remeasurement of lease liability and recognition of tax credits generated in prior periods eliminates the non-cash impact of these items.

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 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.

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[1] Refer to section "Non-IFRS Performance Measures" for definition.

[2] Refer to section "Key Performance Indicators" for definition.

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

	Three months ended July 31,	
(in thousands of CAD)	**2022**	**2021**
Profit	$ 40	$ 244
Adjustments for:		
Depreciation of property and equipment and right-of-use assets	430	543
Amortization of deferred development costs	102	54
Amortization of other intangible assets	396	411
Interest expense	119	161
Interest income	(104)	(40)
Income taxes	25	729
EBITDA	$ 1,008	$ 2,102
Adjustment for:		
Stock based compensation	476	354
Adjusted EBITDA	$ 1,484	$ 2,456

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 and Danish kroner 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

Total revenue for the three months ended July 31, 2022, was $34.2 million, an increase of $1.0 million or 3% compared to the same period last year. Total revenue excluding hardware revenue for the three months ended July 31, 2022 increased by 11% compared to the same period last year (9% on a constant currency basis). Revenue is broken down as follows:

	Three months ended July 31		Change
(in thousands of CAD)	**2022**	**2021**	**%**
SaaS	$ 8,001	$ 5,653	42%
Maintenance and support	8,268	8,326	(1%)
Professional services	13,631	13,126	4%
License	459	351	31%
Hardware	3,845	5,776	(33%)
Total Revenue	$ 34,204	$ 33,232	3%
Total Revenue Excluding Hardware	$ 30,359	$ 27,456	11%

Approximately 65% of the Company's revenues were generated in U.S. dollars during the first quarter of Fiscal 2023 (2022-67%). The U.S. dollar averaged CA$1.2869 in the first quarter of Fiscal 2023 in comparison to CA$1.2291 in the same period of Fiscal 2022. The increase in the value of the U.S dollar combined with the net impact of the Company's partial hedging of U.S. revenue gave rise to a net favorable foreign currency related revenue variance of $0.6 million in comparison to the first quarter of Fiscal 2022.

On a constant currency basis, revenue for the three months ended July 31, 2022 grew by approximately 2% compared to the same period last year.

Total ARR on July 31, 2022, was $65.1 million, up 21% compared to $53.7 million on July 31, 2021. A significant amount of ARR is denominated in currencies other than Canadian Dollars. For the twelve months ended July 31, 2022, the movements in exchange rates did not have a significant impact on ARR. ARR was up 4% sequentially on both a reported and constant currency basis compared to the fourth 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 first quarter of Fiscal 2023 was $8.0 million, up 42% or $2.3 million compared to the first quarter of Fiscal 2022 and up $0.3 million sequentially compared to the fourth quarter of Fiscal 2022. The increases are due to new SaaS revenue from bookings in recent quarters and foreign exchange, net of cancellations impacting the quarter. Foreign exchange positively impacted reported SaaS revenue growth as a significant portion of the Company's SaaS revenue is denominated in U.S. dollars. On a constant currency basis, SaaS revenue in the first quarter of Fiscal 2023 grew by approximately 39% compared to the same period of Fiscal 2022.

In the first quarter of Fiscal 2023, SaaS subscription bookings (measured on an ARR basis) were $3.9 million, up 256% compared to $1.1 million in the first quarter of Fiscal 2022. The Company has historically seen some lumpiness in quarterly deal closings, and the Company expects this to continue.

On July 31, 2022, SaaS RPO was $102.5 million, up 58% from $65.0 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 56% during the twelve months ended July 31, 2022. SaaS RPO was up 9% sequentially compared to the fourth quarter of Fiscal 2022 and up 10% 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 ended July 31, 2022, was $8.3 million, down 1% compared to the same period last year. On a constant currency basis, maintenance and support revenue was down by approximately 2% in the first quarter of Fiscal 2023 compared to the same period 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 July 31, 2022, was $13.6 million, up 4% compared to $13.1 million during the same period last year. Foreign exchange positively impacted 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, first quarter of Fiscal 2023 professional services revenue grew by approximately 2% compared to the same period of Fiscal 2022. In the first quarter of Fiscal 2023, Professional Services bookings were $9.7 million, down 33% compared to $14.5 million in the first quarter of Fiscal 2022. Professional services bookings are in part linked to SaaS subscription bookings and license bookings and are subject to timing. The decline in Professional Services bookings is primarily due to timing and is also impacted by lower customization services as a result of growth in SaaS and healthcare vertical sales as well as increased collaboration with implementation partners. We are starting to see an uptick on work performed by implementation partners and expect this trend to continue and have a long-term effect of moderating Professional Services revenue growth.

License revenue

License revenue includes revenue from proprietary software as well as third-party software. In the three months ended July 31, 2022, license revenue amounted to $0.5 million, up 31% from $0.4 million in the same period last year. Perpetual license bookings in the three months ended July 31, 2022 and 2021 were $0.3 million. 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 that can be sold as an enabler to our proprietary software. Hardware revenue for the three months ended July 31, 2022, was $3.8 million, down 33% from $5.8 million in the same period last year. The decrease in hardware revenue is due to timing of backlog delivery.

Cost of Revenue and Gross Profit

(in thousands of CAD)	Three months ended July 31, 2022		Three months ended July 31, 2021		Change %
Cost of revenue:					
SaaS, maintenance, support and professional services	$	16,255	$	14,358	13%
License and hardware		3,191		4,445	(28%)
Total cost of revenue		**19,446**		**18,803**	**3%**
Gross profit & gross profit margin:					
SaaS, maintenance, support and professional services gross profit	$	13,645	$	12,747	7%
Gross profit margin		46%		47%	
License and hardware gross profit	$	1,113	$	1,682	(34%)
Gross profit margin		26%		27%	
Total gross profit	**$**	**14,758**	**$**	**14,429**	**2%**
Total gross profit margin		**43%**		**43%**	

Total cost of revenue for the three months ended July 31, 2022, increased to $19.4 million, up 3% compared to the same period last year. The increase is driven by higher SaaS, Maintenance, Support and Professional Services costs for the first quarter of Fiscal 2023, partially offset by lower License and Hardware costs.

In the three months ended July 31, 2022, the cost of SaaS, Maintenance, Support and Professional Services increased to $16.3 million, up $1.9 million compared to the same period 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. The increase in employee costs is driven by an increasingly competitive labor market and the result of our investment in prior quarters 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 $0.7 million for the first quarter of Fiscal 2023 and $0.6 million for the same period in Fiscal 2022.

The cost of License and Hardware decreased to $3.2 million in the first quarter of Fiscal 2023, down $1.3 million or 28% in comparison to the same period in Fiscal 2022. The decrease was mainly attributed to lower third-party hardware product costs associated with lower revenue for the quarter.

Gross profit was $14.8 million, up $0.3 million in the first quarter of Fiscal 2023 compared to the same period last year led by higher gross profit contribution from SaaS, Maintenance, Support and Professional Services which was partially offset by the impact of lower gross profit contribution from license and hardware.

As a percentage of revenue, total gross profit margin for the three months ended July 31, 2022 and 2021 was 43%. Combined SaaS, maintenance, support and professional services gross profit margin for the three months ended July 31, 2022 was 46% compared to 47% in the same period last year. This slight decline was primarily from lower professional services margins driven by the impact of our investment to expand delivery capacity. SaaS, maintenance and support gross profit margin was up slightly from the prior year quarter.

Operating Expenses

(in thousands of CAD)		Three months ended July 31, 2022		2021	Change %
Sales and marketing expenses	$	6,250	$	5,682	10%
As a percentage of Revenue		18%		17%	
General and administration expenses		2,734		2,859	(4%)
As a percentage of Revenue		8%		9%	
Research and development expenses, net of tax credits		5,684		4,800	18%
As a percentage of Revenue		17%		14%	
Total operating expenses	**$**	**14,668**	**$**	**13,341**	**10%**
As a percentage of revenue		**43%**		**40%**	

Total operating expenses for the three months ended July 31, 2022 were $14.7 million, an increase of $1.3 million compared to the same period last year. The impact of foreign exchange during the first quarter of Fiscal 2023 had an unfavorable impact on expenses of $0.4 million when compared to the same period last year.

Sales and marketing expenses

During the first quarter of Fiscal 2023, sales and marketing expenses amounted to $6.3 million, $0.6 million higher than the comparable quarter in Fiscal 2022. The increase is mainly attributed to higher personnel costs as a result of our investment to expand sales capacity and coverage, travel and marketing program costs.

General and administrative expenses

General and administrative expenses for the three months ended July 31, 2022, were $2.7 million, a decrease of $0.1 million compared to the same period last year. The decrease is attributed to lower professional fees partially offset by higher stock-based compensation, travel and bad debt expense in the first quarter of Fiscal 2023.

Net R&D expenses

Net R&D expenses for three months ended July 31, 2022, were $5.7 million, up $0.9 million from the same period last year. The increase was mainly attributable to higher personnel costs resulting from investment in the second half of last fiscal year. Additionally, the increase in net R&D expenses were impacted by lower capitalization of deferred development costs in the first quarter of Fiscal 2023 compared to the same period last year. For the three months ended July 31, 2022, the Company deferred development costs of $0.2 million compared to $0.5 million in the same period last year.

The Company recorded R&D tax credits and e-business tax credits of $0.7 million, and amortized deferred development costs and other intangible assets of $0.1 million in the first quarter of Fiscal 2023 compared to $0.6 million and $0.1 million, respectively, in the same period of Fiscal 2022.

Financing Cost and Income Taxes

(in thousands of CAD)		Three months ended July 31, 2022		2021	Change %
Financing Costs	$	25	$	115	(78%)
Income Tax Expense	$	25	$	729	(97%)
Income Tax Expense as a percentage of profit before income taxes		38%		75%	

Financing costs in the first quarter of Fiscal 2023 consist primarily of interest expense on long term debt and lease obligations and foreign exchange losses, partially offset by interest income.

Income tax expense for the three months ended July 31, 2022 was not significant compared to an income tax expense of $0.7 million for the same period of Fiscal 2022. The decrease in income tax expense was due primarily to lower profit before income taxes and a lower consolidated effective tax rate as a result of the amalgamation of certain entities in the group. The amalgamation was completed effective May 1, 2022.

Profit

(in thousands of CAD)		Three months ended July 31, 2022		2021	Change %
Profit	$	40	$	244	(84%)
Adjusted EBITDA	$	1,484	$	2,456	(40%)
Basic and Diluted earnings per share	$	0.00	$	0.02	

Profit, Adjusted EBITDA and earnings per share were all negatively impacted by investment in delivery capacity, sales and marketing and research and development in the second half of last fiscal year as well as from lower hardware contribution compared to the same period last year. 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 ended July 31, 2022, favorable foreign exchange movements had a positive impact on Profit and Adjusted EBITDA of approximately $0.2 million compared to the same period in Fiscal 2022.

Quarterly Selected Financial Data

The following table summarizes selected results for the eight most recently completed quarters to July 31, 2022:

	FY 2023	FY 2022				FY 2021		
(in thousands of CAD, except earnings per share)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total revenue	$34,204	$34,288	$35,411	$34,269	$33,232	$32,374	$31,942	$30,694
Profit	40	2,586	940	708	244	2,020	1,847	2,086
Comprehensive (loss) income	(110)	2,159	317	489	(147)	1,088	1,527	1,486
Adjusted EBITDA[3]	1,484	1,730	2,738	3,206	2,456	3,917	3,964	4,830
Basic earnings per common share	0.00	0.18	0.06	0.05	0.02	0.14	0.13	0.14
Diluted earnings per common share	0.00	0.17	0.06	0.05	0.02	0.14	0.12	0.14

Total quarterly revenue excluding hardware 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. 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. Profit in the fourth quarter of Fiscal 2022 included the recognition of approximately $1.9 million net deferred tax assets, $0.6 million gain on remeasurement of lease liability and $0.6 million recognition of tax credits generated in prior periods.

Liquidity and Capital Resources

On July 31, 2022, current assets totaled $72.7 million compared to $74.4 million at the end of Fiscal 2022. Cash and cash equivalents combined with short-term investments decreased $5.7 million to $37.5 million compared to $43.2 million at the end of Fiscal 2022. The decrease is due primarily to changes in non-cash working capital items, the most significant of which was the seasonal timing of payments of accounts payable and accrued liabilities during the first quarter of Fiscal 2023. The decrease is also due to net financing activity outflows including the repayment of long-term loans and payment of lease obligations.

Accounts receivable and work in progress totaled $20.0 million on July 31, 2022, an increase of $1.5 million compared to $18.5 million as of April 30, 2022. The increase is mainly attributed to a higher level of work in progress and timing of cash collections. The Company's Days Sales Outstanding (DSO) stood at 53 days at the end of July 31, 2022 compared to 49 at the end of Fiscal 2022. 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 July 31, 2022, totaled $42.3 million compared to $43.5 million at the end of Fiscal 2022. The decrease is mainly due to the decrease in accounts payables and accrued liabilities noted above.

Cash from Operating Activities

Operating activities used $5.0 million of cash in the first quarter of Fiscal 2023 and Fiscal 2022.

Cash from operating activities excluding changes in non-cash working capital items decreased by $2.6 million and was offset by improvement in changes in non-cash working capital items. The main cause for the improvement in changes in non-cash working capital items was decreased accounts receivable due to timing of cash collections, decreased payments for accounts payable and accrued liabilities and changes in deferred revenue.

[3] Refer to section "Non-IFRS Performance Measures" for definition, as well as for the reconciliation of Adjusted EBITDA for the three months ended July 31, 2022 and 2021. The reconciliation of Adjusted EBITDA for the other periods can be found in the Supplemental Information section.

Financing Activities

Cash flows used in financing activities decreased to $0.6 million for the first quarter of Fiscal 2023 in comparison to $0.7 million for the same period in Fiscal 2022. During the first quarter of Fiscal 2023, financing activities related primarily to interest, lease obligations and long-term debt partially offset by proceeds from the issuance of common shares from the exercise of stock options.

Investing Activities

During the first quarter of Fiscal 2023, investing activities used funds of $0.2 million in comparison to $0.7 million for the same period in Fiscal 2022.

The Company used funds of $0.1 million and $0.2 million for the acquisition of property and equipment and intangible assets in the first quarter of Fiscal 2023 and Fiscal 2022, respectively. Additionally, the Company invested in its proprietary products with the capitalization of $0.2 million and $0.5 million reflected as deferred development costs in the first quarter of Fiscal 2023 and Fiscal 2022, respectively.

The Company believes that funds on hand at July 31, 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.

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 $0.4 million during the three months ended July 31, 2022 ($0.3 million for the same period last year) to facilitate their purchase of the Company's common shares. As of July 31, 2022, loans outstanding amounted to $0.5 million (April 30, 2022 - $0.2 million).

Subsequent Events

On August 5, 2022 the Company paid a dividend of $0.07 per share totaling $1.0 million. On September 8, 2022, the Company's Board of Directors declared a quarterly dividend of $0.07 per share to be paid on October 7, 2022 to shareholders of record on September 23, 2022.

Current and Anticipated Impacts of Current Economic Conditions

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

Based on ARR of $65.1 million and Professional services backlog of $30.7 million, the Company's management believes that total services revenue (including SaaS, maintenance and support and professional services revenue) ranging between $29.5 million and $30.5 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.

Outstanding Share Data

As at July 31, 2022, the Company had 14,566,889 common shares outstanding. The Company issued 3,994 shares on the exercise of stock options in the first quarter of Fiscal 2023.

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 unaudited condensed interim 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.

There have been no significant changes in the key sources of estimation uncertainty and judgements made in relation to the accounting policies applied to those disclosed in the Company's annual consolidated financial statements for the year ended April 30, 2022.

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 the period ended July 31, 2022 and have not been applied in preparing these condensed interim consolidated financial statements. The following amendments are currently being assessed by the Company:

Standard	Issue date	Effective date for the Company	Impact
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 unaudited condensed interim consolidated financial statements for first quarter of fiscal year 2023 ended on July 31, 2022 and the related notes for a discussion of new standards and interpretations not yet adopted.

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 July 31, 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 unaudited condensed interim consolidated financial statements. The control framework that was designed by the Company's ICFR is 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).

No changes to internal controls over financial reporting have come to management's attention during the three-month period ending on July 31, 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 2023	FY 2022				FY 2021		
(in thousands of CAD)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Profit for the period	$ 40	$ 2,586	$ 940	$ 708	$ 244	$ 2,020	$ 1,847	$ 2,086
Adjustments for:								
Depreciation of property and equipment and right-of-use assets	430	515	551	553	543	567	554	526
Amortization of deferred development costs	102	87	80	69	54	60	48	58
Amortization of other intangible assets	396	382	408	411	411	404	425	426
Interest expense	119	178	138	145	161	158	158	195
Interest income	(104)	(57)	(337)	(40)	(40)	(18)	(43)	(63)
Income taxes	25	(1,111)	537	791	729	516	683	1,235
EBITDA	$ 1,008	$ 2,580	$ 2,317	$ 2,637	$ 2,102	$ 3,707	$ 3,672	$ 4,463
Adjustments for:								
Stock based compensation	476	340	421	569	354	210	292	367
Gain on remeasurement of lease liability	-	(573)	-	-	-	-	-	-
Recognition of tax credits generated in prior periods	-	(617)	-	-	-	-	-	-
Adjusted EBITDA	$ 1,484	$ 1,730	$ 2,738	$ 3,206	$ 2,456	$ 3,917	$ 3,964	$ 4,830