News Release

FOR IMMEDIATE RELEASE

Tecsys Reports Record Revenue for the Fourth Quarter and Full Year Fiscal 2023

SaaS Revenue Rises 44% and Total Revenue Rises 20% in the Fourth Quarter

Montreal, June 29, 2023 — Tecsys Inc. (TSX: TCS), an industry-leading supply chain management SaaS company, today announced its results for the fourth quarter and full year of fiscal year 2023, ended April 30, 2023. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

"Our solid performance in the fourth quarter closes out a remarkable year underpinned by strong growth. It's fitting that the year we celebrate our 40th anniversary in business, we are reporting just under 40% year over year growth in SaaS revenue and SaaS bookings, and over 40% year over year growth in RPO," says Peter Brereton, president and CEO at Tecsys Inc. "With a supply chain industry in flux and companies actively sourcing and selecting their next supply chain technology partner, we enter fiscal 2024 with confidence that our business is well positioned to seize that opportunity and expand our presence in a rapidly growing market."

Mark Bentler, chief financial officer of Tecsys Inc., adds, "This is our first fiscal year where SaaS revenue represents over half of our recurring revenue. With a record revenue quarter led by 44% SaaS revenue growth, we are proud of the transformative effect our SaaS offerings are having on our business and the value we believe they will create for our stakeholders. By its recurring nature, growing SaaS revenue provides greater visibility into future revenue. With that in mind, we have decided to start providing financial guidance on several key metrics, which you will see below."

Fourth Quarter Highlights:

- SaaS revenue increased by 44% to $11.1 million, up from $7.7 million in Q4 2022.
- SaaS subscription bookings[i] (measured on an ARR[i] basis) decreased by 13% to $3.9 million, compared to $4.5 million in the fourth quarter of fiscal 2022.
- SaaS Remaining Performance Obligation (RPO[i]) increased by 47% to $137.7 million at April 30, 2023, up from $94.0 million at the same time last year.

- Annual Recurring Revenue (ARR[i]) at April 30, 2023 was up 25% to $78.3 million compared to $62.7 million at April 30, 2022.
- Professional services revenue was up 13% to $14.6 million compared to $12.9 million in Q4 2022.
- Total revenue excluding hardware revenue was $34.3 million, 17% higher than $29.2 million reported for Q4 last year, while total revenue rose 20% to reach a record $41.2 million.
- Gross margin was 45% for the fourth quarter of fiscal 2023 compared to 44% for the same period in fiscal 2022.
- Total gross profit increased to $18.4 million, up 21% from $15.1 million in Q4 2022.
- Operating expenses increased to $17.0 million, higher by $3.2 million or 23% compared to $13.8 million in Q4 last year.
- Profit from operations was $1.4 million, up from $1.3 million in Q4 2022.
- Net profit was $0.4 million or $0.03 per share on a fully diluted basis in Q4 2023, compared to $2.6 million or $0.17 per share for the same period in fiscal 2022.
- Adjusted EBITDA[ii] was $2.4 million, up 42% compared to $1.7 million reported in Q4 last year.

Fiscal 2023 Highlights:

- SaaS revenue increased by 39% to $37.5 million, up from $26.9 million the same period of fiscal 2022.
- SaaS subscription bookings[i] (measured on an ARR[i] basis) increased to $16.4 million, 38% higher from $11.9 million in the same period of fiscal 2022.
- Professional services revenue was up 6% to $55.4 million compared to $52.0 million in the same period of fiscal 2022.
- Total revenue excluding hardware revenue was $128.7 million, 12% higher than $114.5 million reported for the same period of fiscal 2022, while total revenue reached a record $152.4 million.
- Gross margin was 44% for both fiscal 2023 and fiscal 2022.
- Total gross profit increased to $66.8 million, up 11% from $60.3 million in the same period of fiscal 2022.
- Operating expenses increased to $63.2 million, higher by $8.3 million or 15% compared to $54.9 million in fiscal 2022.
- Profit from operations was $3.6 million, down from $5.4 million in the same period of fiscal 2022.
- Net profit was $2.1 million, or $0.14 per diluted share in fiscal 2023, compared to a net profit of $4.5 million, or $0.30 per diluted share, for fiscal 2022.
- Adjusted EBITDA[ii] was $9.5 million, down 6% compared to $10.1 million reported in the same period in fiscal 2022.

Financial Guidance:

Tecsys is presenting financial guidance as follows:

	FY24 Guidance	FY25 Guidance
Total Revenue Growth	10-15%	n.a.
SaaS Revenue Growth	35-37%	n.a.
Adjusted EBITDA[ii] Margin	6%	8-9%

On June 29, 2023, the Company declared a quarterly dividend of $0.075 per share to be paid on August 4, 2023 to shareholders of record on July 14, 2023.

Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be "eligible" dividends.

[i] See Key Performance Indicators in Management's Discussion and Analysis of the 2023 Financial Statements.

[ii] See Non-IFRS Performance Measures in Management's Discussion and Analysis of the 2023 Financial Statements.

Fourth Quarter and Full Year Fiscal 2023 Results Conference Call
Date: June 30, 2023
Time: 8:30am EDT
Phone number: (877) 224-6304 or (416) 620-9188
The call can be replayed until July 7, 2023 by calling:
(800) 558-5253 or (416) 626-4100 (access code: 22027339)

About Tecsys

Since our founding 40 years ago, much has changed in the realm of supply chain technology. But one thing has remained constant; by developing dynamic and innovative supply chain solutions, Tecsys has been equipping organizations for growth and competitive advantage. Serving healthcare, distribution and converging commerce industries, and spanning multiple complex, regulated and high-volume markets, Tecsys delivers warehouse management, distribution and transportation management, supply management at point of use, retail order management, as well as complete financial management and analytics solutions.

Tecsys' shares are listed on the Toronto Stock Exchange under the ticker symbol TCS. For more information on Tecsys, visit www.tecsys.com.

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Forward Looking Statements

The statements in this news release relating to matters that are not historical fact are forward looking statements that are based on management's beliefs and assumptions. Such statements are not guarantees of future performance and are subject to a number of uncertainties, including but not limited to future economic conditions, the markets that Tecsys Inc. serves, the actions of competitors, major new technological trends, and other factors beyond the control of Tecsys Inc., which could cause actual results to differ materially from such statements. More information about the risks and uncertainties associated with Tecsys Inc.'s business can be found in the MD&A section of the Company's annual report and the most recently filed annual information form. These documents have been filed with the Canadian securities commissions and are available on our website (www.tecsys.com) and on SEDAR (www.sedar.com).

Non-IFRS Measures

Reconciliation of 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.

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

	Year ended April 30,		
(in thousands of CAD)	**2023**	**2022**	**2021**
Net profit for the period	$ 2,089	$ 4,478	$ 7,188
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	1,775	2,162	2,180
Amortization of deferred development costs	496	290	269
Amortization of other intangible assets	1,603	1,612	1,663
Interest expense	406	622	787
Interest income	(686)	(474)	(174)
Income taxes	1,624	946	3,169
EBITDA	$ 7,307	$ 9,636	$ 15,082
Adjustments for:			
Stock based compensation	2,177	1,684	1,138
Gain on remeasurement of lease liability	-	(573)	-
Recognition of tax credits generated in prior periods	-	(617)	-
Adjusted EBITDA[ii]	$ 9,484	$ 10,130	$ 16,220

Consolidated Statements of Financial Position
As at April 30, 2023 and April 30, 2022
(In thousands of Canadian dollars)

	April 30, 2023	April 30, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 21,235	$ 23,004
Short-term investments	15,835	20,239
Accounts receivable	22,900	16,962
Work in progress	1,734	1,579
Other receivables	523	234
Tax credits	5,338	5,224
Inventory	1,034	806
Prepaid expenses	8,193	6,392
Total current assets	76,792	74,440
Non-current assets		
Other long-term receivables	363	192
Tax credits	5,368	3,782
Property and equipment	1,802	2,064
Right-of-use assets	1,708	4,547
Contract acquisition costs	3,738	3,177
Deferred development costs	2,254	1,870
Other intangible assets	9,287	10,301
Goodwill	17,467	16,863
Deferred tax assets	8,137	8,608
Total non-current assets	50,124	51,404
Total assets	**$ 126,916**	**$ 125,844**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 21,669	$ 16,971
Deferred revenue	30,388	24,689
Current portion of long-term debt	-	1,200
Lease obligations	793	662
Total current liabilities	52,850	43,522
Non-current liabilities		
Other long-term accrued liabilities	253	-
Long-term debt	-	7,200
Deferred tax liabilities	1,255	1,258
Lease obligations	2,120	5,181
Total non-current liabilities	3,628	13,639
Total liabilities	$ 56,478	$ 57,161
Equity		
Share capital	$ 44,338	$ 43,973
Contributed surplus	15,285	13,176
Retained earnings	10,832	12,968
Accumulated other comprehensive loss	(17)	(1,434)
Total equity attributable to the owners of the Company	70,438	68,683
Total liabilities and equity	**$ 126,916**	**$ 125,844**

Consolidated Statements of Income and Comprehensive Income
For the three and twelve-month periods ended April 30, 2023 and 2022
(In thousands of Canadian dollars, except per share data)

	Three Months Ended April 30,		Twelve Months Ended April 30,	
	2023	**2022**	**2023**	**2022**
Revenue:				
SaaS	$ 11,133	$ 7,708	$ 37,476	$ 26,929
Maintenance and Support	7,992	8,008	32,714	32,698
Professional Services	14,614	12,896	55 353	52,040
License	529	558	3,116	2,806
Hardware	6,924	5,118	23,765	22,727
Total revenue	**41,192**	**34,288**	**152,424**	**137,200**
Cost of revenue	**22,828**	**19,158**	**85,615**	**76,890**
Gross profit	**18,364**	**15,130**	**66,809**	**60,310**
Operating expenses:				
Sales and marketing	7,778	6,388	28,080	24,294
General and administration	2,599	2,652	11,218	10,865
Research and development, net of tax credits	6,597	4,779	23,943	19,775
Total operating expenses	**16,974**	**13,819**	**63,241**	**54,934**
Profit from operations	**1,390**	**1,311**	**3,568**	**5,376**
Other costs (income)	189	(164)	(145)	(48)
Profit before income taxes	**1,201**	**1,475**	**3,713**	**5,424**
Income tax expense	755	(1,111)	1,624	946
Net profit	**$ 446**	**$ 2,586**	**$ 2,089**	**$ 4,478**
Other comprehensive income (loss):				
Effective portion of changes in fair value on designated revenue hedges	(521)	(52)	(6)	(693)
Exchange differences on translation of foreign operations	489	(375)	1,423	(967)
Comprehensive income	**$ 414**	**$ 2,159**	**$ 3,506**	**$ 2,818**
Basic earnings per common share	**0.03**	**0.18**	**0.14**	**0.31**
Diluted earnings per common share	**$ 0.03**	**$ 0.17**	**$ 0.14**	**$ 0.30**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows
For the three and twelve-month periods ended April 30, 2023 and 2022
(In thousands of Canadian dollars)

	Three Months Ended April 30,		Twelve Months Ended April 30,	
	2023	**2022**	**2023**	**2022**
Cash flows from operating activities:				
Net profit	$ 446	$ 2,586	$ 2,089	$ 4,478
Adjustments for:				
Depreciation of property and equipment and right-of-use-assets	440	515	1,775	2,162
Amortization of deferred development costs	145	87	496	290
Amortization of other intangible assets	402	382	1,603	1,612
Interest expense (income) and foreign exchange loss	189	409	(145)	525
Gain on lease remeasurement	-	(573)	-	(573)
Unrealized foreign exchange and other	1,336	(103)	1,754	1,117
Non-refundable tax credits	(429)	(992)	(2,095)	(2,332)
Stock-based compensation	455	340	2,177	1,684
Income taxes	124	(1,455)	554	402
Net cash from operating activities excluding changes in non-cash working capital items related to operations	3,108	1,196	8,208	9,365
Accounts receivable	955	4,365	(5,915)	(270)
Work in progress	208	(194)	(151)	(1,410)
Other receivables	163	80	(58)	219
Tax credits	3,239	2,233	(114)	(397)
Inventory	268	142	(226)	(186)
Prepaid expenses	21	330	(1,452)	(1,502)
Contract acquisition costs	(190)	(389)	(908)	(499)
Accounts payable and accrued liabilities	1,461	(757)	2,663	(3,076)
Deferred revenue	1,258	1,352	5,713	2,700
Changes in non-cash working capital items related to operations	7,383	7,162	(448)	(4,421)
Net cash provided (used in) by operating activities	**10,491**	**8,358**	**7,760**	**4,944**
Cash flows from financing activities:				
Repayment of long-term debt	-	(300)	(8,400)	(1,216)
Proceeds from short-term investments	-	-	5,000	-
Payment of lease obligations	(119)	(225)	(689)	(859)
Payment of dividends	(1,094)	(1,022)	(4,225)	(3,929)
Refund of acquired tax liability	-	-	-	299
Interest paid	(17)	(178)	(406)	(622)
Issuance of common shares on exercise of stock options	185	-	297	1,020
Net cash used in financing activities	**(1,045)**	**(1,725)**	**(8,423)**	**(5,307)**
Cash flows from investing activities:				
Interest received	211	57	686	175
Payments related to prior business acquisitions	-	-	-	(500)
Acquisitions of property and equipment	(340)	(19)	(850)	(733)
Acquisitions of other intangible assets	-	(226)	(62)	(255)
Deferred development costs	(283)	(162)	(880)	(1,072)
Net cash used in investing activities	**(412)**	**(350)**	**(1,106)**	**(2,385)**
Net increase (decrease) in cash and cash equivalents during the period	9,034	6,283	(1,769)	(2,748)
Cash and cash equivalents - beginning of period	12,201	16,721	23,004	25,752
Cash and cash equivalents - end of period	**$ 21,235**	**$ 23,004**	**$ 21,235**	**$ 23,004**

Consolidated Statements of Changes in Equity
For the year-ended April 30, 2023 and 2022
(In thousands of Canadian dollars, except number of shares)

	Share capital					
	Number	Amount	Contributed Surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, May 1, 2022	**14,562,895**	**$ 43,973**	**$ 13,176**	**$ (1,434)**	**$ 12,968**	**$ 68,683**
Net profit	-	-	-	-	2,089	2,089
Other comprehensive income:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(6)	-	(6)
Exchange difference on translation of foreign operations	-	-	-	1,423	-	1,423
Total comprehensive income	**-**	**-**	**-**	**1,417**	**2,089**	**3,506**
Stock-based Compensation	-	-	2,177	-	-	2,177
Dividends to equity owners	-	-	-	-	(4,225)	(4,225)
Share options exercised	19,942	365	(68)	-	-	297
Total transactions with owners of the Company	**19,942**	**$ 365**	**$ 2,109**	**$ -**	**$ (4,225)**	**$ (1,751)**
Balance, April 30, 2023	**14,582,837**	**$ 44,338**	**$ 15,285**	**$ (17)**	**$ 10,832**	**$ 70,438**
Balance, May 1, 2021	**14,505,095**	**$ 42,700**	**$ 11,745**	**$ 226**	**$ 12,419**	**$ 67,090**
Net profit	-	-	-	-	4,478	4,478
Other comprehensive income:						
Effective portion of changes in fair value on designated revenue hedges	-	-	-	(693)	-	(693)
Exchange difference on translation of foreign operations	-	-	-	(967)	-	(967)
Total comprehensive (loss) income	**-**	**-**	**-**	**(1,660)**	**4,478**	**2,818**
Stock-based Compensation	-	-	1,684	-	-	1,684
Dividends to equity owners	-	-	-	-	(3,929)	(3,929)
Share options exercised	57,800	1,273	(253)	-	-	1,020
Total transactions with owners of the Company	**57,800**	**$ 1,273**	**$ 1,431**	**$ -**	**$ (3,929)**	**$ (1,225)**
Balance, April 30, 2022	**14,562,895**	**$ 43,973**	**$ 13,176**	**$ (1,434)**	**$ 12,968**	**$ 68,683**