



1st Quarter Fiscal 2025 Report

A Higher Standard



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

This Management Discussion and Analysis (MD&A) dated September 5, 2024, comments on our operations, financial performance and financial condition as at and for the three-month periods ended July 31, 2024 and July 31, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Tecsys Inc. ("Tecsys", the "Company") and Notes thereto and the annual report for the year ended April 30, 2024. The Company's first quarter of fiscal year 2025 ended on July 31, 2024.

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 5, 2024. 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.sedarplus.ca.

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, 2024.

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 and (xx) cyber security.

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. Tecsys caters to multiple complex, regulated and high-volume distribution industries. The Company’s dynamic and powerful solutions include enterprise resource planning, warehouse management, distribution and transportation management, supply management at point of use, order management and fulfillment, financial management and analytics.

Customers running on Tecsys’ supply chain platform have confidence they can execute with consistency, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating on a Tecsys platform can adapt and scale to business needs or size, enabling them to expand and collaborate with customers, suppliers and partners as one borderless enterprise. The platform allows organizations to transform their supply chains for agility and performance at the speed that their growth requires. From demand planning to demand fulfillment, Tecsys puts power into the hands of both front-line workers and back-office planners, enabling business leaders to establish sustainable and scalable logistics so they can 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, and 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. It 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 represents 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; and
- 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. Revenue from maintenance and support services also results from selling hardware with attached maintenance which is part of our continuing business model. 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, 2024, the Company generated \$42.3 million in total revenue. The revenue mix for the three months ended July 31, 2024, was: SaaS 36%; maintenance and support 21%; professional services 32%; license 2%; and hardware 9%. The revenue mix for the three months ended July 31, 2023 was: SaaS 27%; maintenance and support 20%; professional services 36%; license 1%; 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) and professional services 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, (b) Professional Services Backlog and (c) SaaS Remaining Performance Obligation (SaaS RPO). 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:

<i>(in thousands of CAD, except earnings per share)</i>	Three months ended July 31,	
	2024	2023
Statement of Operations		
Revenue	\$ 42,276	\$ 41,975
Cost of revenue	22,548	22,475
Gross profit	19,728	19,500
Operating expenses	18,661	17,742
Profit from operations	1,067	1,758
Other income	167	272
Profit before income taxes	\$ 1,234	\$ 2,030
Income tax expense	436	859
Net Profit	\$ 798	\$ 1,171
Adjusted EBITDA ¹	\$ 2,591	\$ 3,173
Basic and diluted earnings per share	\$ 0.05	\$ 0.08
SaaS Remaining Performance Obligation (RPO) ²	\$ 194,874	\$ 139,402
Total Annual Recurring Revenue (ARR) ²	\$ 96,867	\$ 78,332

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 and restructuring costs. The exclusion of interest expense, interest income, income taxes and restructuring costs eliminates the impact on earnings derived from non-operational activities and non-recurring items, and the exclusion of depreciation, amortization and stock-based compensation 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-IFRS 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.

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.

<i>(in thousands of CAD)</i>	Three months ended July 31,	
	2024	2023
Net Profit for the period	\$ 798	\$ 1,171
Adjustments for:		
Depreciation of property and equipment and right-of-use assets	371	384
Amortization of deferred development costs	197	142
Amortization of other intangible assets	334	396
Interest expense	25	38
Interest income	(217)	(269)
Income taxes	436	859
EBITDA	\$ 1,944	\$ 2,721
Adjustments for:		
Stock based compensation	647	452
Adjusted EBITDA	\$ 2,591	\$ 3,173

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, 2024, was \$42.3 million, an increase of \$0.3 million or 1%, compared to the same period last year. On a constant currency basis (using current quarter currency rates), first quarter revenue was flat compared to the same period of Fiscal 2024. Revenue is broken down as follows:

<i>(in thousands of CAD)</i>	Three months ended July 31,		
	2024	2023	Change %
SaaS	\$ 15,314	\$ 11,495	33%
Maintenance and support	8,715	8,298	5%
Professional services	13,387	14,908	-10%
License	861	456	89%
Hardware	3,999	6,818	-41%
Total Revenue	\$ 42,276	\$ 41,975	1%

Approximately 71% of the Company's revenues were generated in U.S. dollars during the first quarter of Fiscal 2025 (2024-73%). The U.S. dollar averaged CA\$1.3695 in the first quarter of Fiscal 2025 in comparison to CA\$1.3341 in the same period of Fiscal 2024. 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 \$0.3 million in comparison to the first quarter of Fiscal 2024.

Total ARR on July 31, 2024, was \$96.9 million, up 24% compared to \$78.3 million on July 31, 2023. 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 19% during the twelve months ended July 31, 2024.

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 2025 was \$15.3 million, up 33% or \$3.8 million compared to the first quarter of Fiscal 2024. The increase is driven by new SaaS revenue from bookings in recent quarters. 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 2025 grew by approximately 32% compared to the same period of Fiscal 2024.

In the first quarter of Fiscal 2025, SaaS subscription bookings (measured on an ARR basis) were \$3.0 million, up 57% compared to \$1.9 million in the first quarter of Fiscal 2024. The Company has historically seen some lumpiness in quarterly deal closings, and the Company expects this to continue.

On July 31, 2024, SaaS RPO³ was \$194.9 million, up 40% from \$139.4 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 35% during the twelve months ended July 31, 2024.

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, 2024 was \$8.7 million, up 5% or \$0.4 million compared to the same period of Fiscal 2024. On a constant currency basis, first quarter ended July 31, 2024 maintenance and support revenue was up 4%, compared to same period of Fiscal 2024. We expect a decline in maintenance and support revenue over time as the business continues to shift to SaaS, but this decline has been moderated by recurring maintenance revenue growth from our hardware business.

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, 2024, was \$13.4 million, a 10% decrease from \$14.9 million during the same period in Fiscal 2024. Revenue also declined compared to the previous quarter, where it was \$14.4 million. The timing of professional services revenue is affected by project delivery schedules, which can be outside the Company's control. In the first quarter of Fiscal 2025, Professional services bookings were \$17.2 million, up 25% compared to \$13.8 million in the same period of Fiscal 2024. Professional services bookings are in part linked to SaaS subscription bookings and are subject to timing. In addition, we continue 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.

³ Refer to section "Key Performance Indicators" for definition.

License revenue

License revenue includes revenue from proprietary software as well as third-party software. In the three months ended July 31, 2024, license revenue amounted to \$0.9 million, an increase of \$0.4 million or 89% compared to the same period of Fiscal 2024. 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. While hardware revenue can tend to be uneven, it is a key component of our market offering and thereby supports our recurring revenue business. Hardware revenue for the three months ended July 31, 2024, was \$4.0 million, a 41% decrease compared to \$6.8 million in the same period of Fiscal 2024, which benefited from a significantly higher backlog at the start of that quarter, which was caused in part by chip shortages in prior periods.

Cost of Revenue and Gross Profit

(in thousands of CAD)		Three months ended July 31,		
		2024	2023	Change %
Cost of revenue:				
SaaS, maintenance, support and professional services	\$	18,991	\$ 17,489	9%
License and hardware		3,557	4,986	-29%
Total cost of revenue		22,548	22,475	0%
Gross profit & gross profit margin:				
SaaS, maintenance, support and professional services gross profit	\$	18,425	\$ 17,212	7%
Gross profit margin		49%	50%	
License and hardware gross profit	\$	1,303	\$ 2,288	-43%
Gross profit margin		27%	31%	
Total gross profit	\$	19,728	\$ 19,500	1%
Total gross profit margin		47%	46%	

Total cost of revenue for the first quarter of Fiscal 2025 remained relatively flat compared to the same period of Fiscal 2024 at \$22.5 million. The increase in SaaS, maintenance, support and professional services costs was substantially offset by a decrease in license and hardware costs.

For the first quarter of Fiscal 2025, the cost of SaaS, maintenance, support and professional services increased to \$19.0 million, up \$1.5 million, compared to the same period of Fiscal 2024. Cost of SaaS, maintenance, support and professional services increased compared to the prior year period as a result of direct costs associated with higher revenue, including higher employee costs and higher public cloud infrastructure costs. For the first quarter of Fiscal 2025, the cost of SaaS, maintenance, support and professional services included tax credits of \$0.6 million, compared to \$0.7 million in same period of Fiscal 2024.

The cost of license and hardware was \$3.6 million in the first quarter of Fiscal 2025, a decrease of 29% compared to the same period in Fiscal 2024, driven by lower hardware revenue.

Gross profit was \$19.7 million, up \$0.2 million in the first quarter of Fiscal 2025 compared to the same period in Fiscal 2024, driven by higher gross profit contribution from SaaS, maintenance, support and professional services which was substantially offset by reduced gross profit contribution from license and hardware.

As a percentage of revenue, total gross profit margin for the three months ended July 31, 2024 was 47% compared to 46% for the same period in Fiscal 2024.

Combined SaaS, maintenance, support and professional services gross profit margin for the three months ended

July 31, 2024 was 49% compared to 50% for the same period in Fiscal 2024. The impact of increasing SaaS margins in the first quarter of Fiscal 2025 compared to the prior year quarter was offset by the impact of reduced professional services margins in the current quarter.

License and hardware gross profit margin for the three months ended July 31, 2024 was 27% compared to 31% for the same period in Fiscal 2024. The decrease in gross profit margin was due to a higher mix of third-party licenses and generally lower hardware margins in the current quarter.

Operating Expenses

<i>(in thousands of CAD)</i>	Three months ended July 31,			Change %
	2024	2023		
Sales and marketing expenses	\$ 8,352	\$ 7,671		9%
<i>As a percentage of Total Revenue</i>	20%	18%		
General and administration expenses	2,978	2,959		1%
<i>As a percentage of Total Revenue</i>	7%	7%		
Research and development expenses, net of tax credits	7,331	7,112		3%
<i>As a percentage of Total Revenue</i>	17%	17%		
Total operating expenses	\$ 18,661	\$ 17,742		5%
<i>As a percentage of Total Revenue</i>	44%	42%		

Total operating expenses for the three months ended July 31, 2024 were \$18.7 million, an increase of \$0.9 million, compared to the same period last year. During the three months ended July 31, 2024, foreign exchange had an unfavorable impact on expenses of \$0.3 million when compared to the same period in Fiscal 2024.

Sales and marketing expenses

Sales and marketing expenses for the three months ended July 31, 2024 amounted to \$8.4 million, an increase of \$0.7 million when compared to the same period in Fiscal 2024. The increase is mainly attributed to higher personnel costs and marketing program costs, representing investments to take advantage of expected market opportunity.

General and administrative expenses

General and administrative expenses for the three months ended July 31, 2024, were \$3.0 million, flat compared to the same period in Fiscal 2024. In the first quarter of Fiscal 2025, the increase in personnel costs was substantially offset by lower professional fees and bad debt expense when compared to the same period of Fiscal 2024.

Net R&D expenses

Net R&D expenses for the three months ended July 31, 2024, were \$7.3 million, an increase of \$0.2 million compared to the same period in Fiscal 2024. The increase was mainly attributable to higher public cloud infrastructure costs, employee costs and amortized deferred development costs, partially offset by higher capitalization of development costs.

For the three months ended July 31, 2024, the Company deferred development costs of \$0.5 million compared to \$0.2 million for the same period in Fiscal 2024. The Company amortized deferred development costs of \$0.2 million in the first quarter of Fiscal 2025, compared to \$0.1 million for the same period in Fiscal 2024.

The Company recorded R&D tax credits and e-business tax credits of \$0.8 million for the first quarter of Fiscal 2025 and Fiscal 2024.

Other Income and Income Tax Expense

<i>(in thousands of CAD)</i>	Three months ended July 31,			Change %
	2024	2023		
Other Income	\$ 167	\$ 272		-39%
Income Tax Expense	436	859		-49%
Income Tax Expense as a percentage of profit before income taxes	35%	42%		

Other income for the three months ended July 31, 2024 was \$0.2 million, compared to \$0.3 million for the same period of Fiscal 2024. Other income in the first quarter of Fiscal 2025 consisted primarily of interest income, partially offset by foreign exchange loss and interest expense on lease obligations. Other income in the first quarter of Fiscal 2024 consisted primarily of interest income and foreign exchange gain, partially offset by interest expense on lease obligations.

Income tax expense for the three months ended July 31, 2024 were \$0.4 million, compared to \$0.9 million for the same period in Fiscal 2024. The decrease in income tax expense is due primarily to lower pre-tax profits in the current period.

Net Profit

<i>(in thousands of CAD, except earnings per share)</i>	Three months ended July 31,			Change %
	2024	2023		
Net Profit	\$ 798	\$ 1,171		-32%
Adjusted EBITDA	\$ 2,591	\$ 3,173		-18%
Basic and diluted earnings per share	\$ 0.05	\$ 0.08		

The decline in net profit, Adjusted EBITDA and earnings per share in the first quarter of Fiscal 2025 compared to the same period last year is mainly due to higher operating expenses, partially offset by slightly higher gross margin contribution. In the first quarter of Fiscal 2025, foreign exchange did not have a significant impact on net profit, Adjusted EBITDA and earnings per share when compared to the same period of Fiscal 2024.

Quarterly Selected Financial Data

The following table summarizes selected results for the eight most recently completed quarters to July 31, 2024:

(in thousands of CAD, except earnings per share)	FY 2025	FY 2024					FY 2023		
	Q1	Q4	Q3	Q2	Q1		Q4	Q3	Q2
SaaS Revenue	\$ 15,314	\$ 14,191	\$ 14,160	\$ 12,072	\$ 11,495		\$ 11,133	\$ 9,544	\$ 8,798
Total revenue	42,276	43,955	43,823	41,489	41,975		41,192	38,917	38,111
Net profit (loss)	798	259	759	(340)	1,171		446	888	715
Comprehensive income (loss)	935	(1,826)	4,770	(5,821)	3,318		414	3,998	(796)
Adjusted EBITDA ⁴	2,591	2,780	2,640	1,021	3,173		2,449	2,774	2,777
Basic and diluted earnings per common share	\$ 0.05	\$ 0.02	\$ 0.05	\$ (0.02)	\$ 0.08		\$ 0.03	\$ 0.06	\$ 0.05

SaaS revenue has shown sustained growth over the last eight quarters. Total revenue growth during this period has been moderated by fluctuations in professional services revenue, hardware revenue as well as legacy maintenance & support revenue.

Comprehensive income (loss) is impacted by foreign exchange movements resulting from revenue hedging.

Liquidity and Capital Resources

On July 31, 2024, current assets totaled \$72.0 million compared to \$79.0 million at the end of Fiscal 2024. Cash and cash equivalents combined with short-term investments decreased \$8.5 million to \$27.1 million compared to \$35.6 million at the end of Fiscal 2024. The decrease is mainly due to (1) changes in non-cash working capital items, which typically use up cash in the first quarter of the fiscal year, and (2) cash outflows from share repurchases under our Normal Course Issuer Bid.

Accounts receivable and work in progress totaled \$26.4 million on July 31, 2024, a slight increase compared to \$26.3 million as of April 30, 2024. The Company's Days Sales Outstanding (DSO) stood at 56 days at the end of July 31, 2024 compared to 54 days at April 30, 2024. 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, 2024, totaled \$52.2 million compared to \$57.1 million at the end of Fiscal 2024. The decrease is mainly due to a decrease in deferred revenue and accounts payable and accrued liabilities.

Cash from Operating Activities

Operating activities used \$5.9 million of cash in the first quarter of Fiscal 2025 in comparison to \$6.6 million of cash used in the first quarter of Fiscal 2024.

In the first quarter of Fiscal 2025, cash from operating activities excluding changes in non-cash working capital items increased by \$1.0 million (to \$1.6 million) compared to the same period in Fiscal 2024. Changes in non-cash working capital items used \$7.5 million in the first quarter of Fiscal 2025 compared to \$7.3 million in the same period last year.

⁴ See reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS measure

Financing Activities

Cash used by financing activities was \$2.2 million for the first quarter of Fiscal 2025 in comparison to cash provided of \$1.5 million for the same period in Fiscal 2024. In the first quarter of Fiscal 2025, cash flow used by financing activities was primarily the result of shares repurchased and cancelled under our Normal Course Issuer Bid. In the first quarter of Fiscal 2024, cash flow provided by financing activities was primarily the result of proceeds from the issuance of common shares on exercise of stock options.

Investing Activities

During the first quarter of Fiscal 2025, investing activities used funds of \$0.1 million compared to \$0.3 million used in the same period of Fiscal 2024. The decrease in funds used compared to last year is due to higher transfers from short-term investments, partially offset by higher deferred development costs and acquisition of property and equipment.

The Company believes that funds on hand at July 31, 2024 together with cash flows from operations will be sufficient to meet its 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 \$0.5 million during the three months ended July 31, 2024 (\$0.4 million for the same period last year) to facilitate their purchase of the Company's common shares. As of July 31, 2024, loans outstanding amounted to \$0.4 million (April 30, 2024 - \$0.1 million).

Subsequent Events

On August 2, 2024, the Company paid a dividend of \$0.08 per share totaling \$1.2 million. On September 5, 2024 the Company's Board of Directors declared a quarterly dividend of \$0.08 per share to be paid on October 4, 2024 to shareholders of record on September 20, 2024.

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 \$96.9 million and Professional services backlog of \$35.5 million, the Company's management believes that total services revenue (including SaaS, maintenance and support and professional services revenue) ranging between \$38.0 million and \$39.0 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 SaaS subscriptions, modular sales and implementations and enhanced payment terms to promote revenue growth. We see continued market appetite for subscription-based SaaS licensing.

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 currently derives more than 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, 2024, the Company had 14,793,087 common shares outstanding. The Company issued 12,537 shares on the exercise of stock options in the first quarter of Fiscal 2025. The Company repurchased and cancelled 59,600 of its common shares as part of its ongoing Normal Course Issuer Bid in the first quarter of Fiscal 2025.

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 judgements 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, 2024.

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, 2024.

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, 2024, 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 2025	FY 2024				FY 2023		
(in thousands of CAD)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Profit for the period	\$ 798	\$ 259	\$ 759	\$ (340)	\$ 1,171	\$ 446	\$ 888	\$ 715
Adjustments for:								
Depreciation of property and equipment and right-of-use assets	371	361	355	377	384	440	476	429
Amortization of deferred development costs	197	147	147	147	142	145	135	114
Amortization of other intangible assets	334	347	356	394	396	402	411	394
Interest expense	25	27	45	53	38	17	92	178
Interest income	(217)	(233)	(260)	(253)	(269)	(211)	(221)	(150)
Income taxes	436	(781)	644	(81)	859	755	455	389
EBITDA	1,944	127	2,046	297	2,721	1,994	2,236	2,069
Adjustments for:								
Stock based compensation	647	531	594	724	452	455	538	708
Restructuring costs	-	2,122	-	-	-	-	-	-
Adjusted EBITDA	\$ 2,591	\$ 2,780	\$ 2,640	\$ 1,021	\$ 3,173	\$ 2,449	\$ 2,774	\$ 2,777