3rd 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 March 5, 2025, comments on our operations, financial performance and financial condition as at and for the three and nine-month periods ended January 31, 2025 and January 31, 2024 and should be read in conjunction with the unaudited condensed interim consolidated financial statements ("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 third quarter of fiscal year 2025 ended on January 31, 2025.

The Company prepares its Financial Statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Financial Statements are prepared by and are the responsibility of the Company's Management.

This document and the 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 Financial Statements were authorized for issue by the Board of Directors on March 5, 2025. 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; (xx) cyber security and (xxi) the impact of ongoing international trade tensions.

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 healthcare and multiple other 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 and nine months ended January 31, 2025, the Company generated $45.2 million and $129.9 million in total revenue, respectively. The revenue mix for the three months ended January 31, 2025, was: SaaS 38%; maintenance and support 18%; professional services 31%; license 0%; and hardware 13%. The revenue mix for the three months ended January 31, 2024, was: SaaS 32%; maintenance and support 20%; professional services 30%; license 1%; and hardware 17%.

The revenue mix for the nine months ended January 31, 2025, was: SaaS 37%; maintenance and support 19%, professional services 32%, license 1%; and hardware 11%. The revenue mix for the nine months ended January 31, 2024, was: SaaS 30%; maintenance and support 20%; professional services 32%; 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) 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:

(in thousands of CAD, except earnings per share)	Three months ended January 31, 2025	Three months ended January 31, 2024	Nine months ended January 31, 2025	Nine months ended January 31, 2024
Statement of Operations				
Revenue	$ 45,181	$ 43,823	$ 129,899	$ 127,287
Cost of revenue	23,907	23,893	68,449	69,512
Gross profit	21,274	19,930	61,450	57,775
Operating expenses	19,263	18,707	57,380	55,198
Profit from operations	2,011	1,223	4,070	2,577
Other (costs) income	(7)	180	353	435
Profit before income taxes	$ 2,004	$ 1,403	$ 4,423	$ 3,012
Income tax expense	811	644	1,674	1,422
Net Profit	$ 1,193	$ 759	$ 2,749	$ 1,590
Adjusted EBITDA[1]	$ 3,535	$ 2,640	$ 9,068	$ 6,834
Basic earnings per share	$ 0.08	$ 0.05	$ 0.19	$ 0.11
Diluted earnings per share	$ 0.08	$ 0.05	$ 0.18	$ 0.11
SaaS Remaining Performance Obligation (RPO)[2]			$ 210,181	$ 157,215
Total Annual Recurring Revenue (ARR)[2]			$ 105,760	$ 87,248

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.

	Three months ended January 31,		Nine months ended January 31,	
(in thousands of CAD)	**2025**	**2024**	**2025**	**2024**
Net Profit for the period	$ 1,193	$ 759	$ 2,749	$ 1,590
Adjustments for:				
Depreciation of property and equipment and right-of-use assets	376	355	1,124	1,116
Amortization of deferred development costs	190	147	585	436
Amortization of other intangible assets	322	356	984	1,146
Interest expense	18	45	67	136
Interest income	(150)	(260)	(530)	(782)
Income taxes	811	644	1,674	1,422
EBITDA	$ 2,760	$ 2,046	$ 6,653	$ 5,064
Adjustments for:				
Stock based compensation	775	594	2,415	1,770
Adjusted EBITDA	$ 3,535	$ 2,640	$ 9,068	$ 6,834

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 and nine months ended January 31, 2025, was $45.2 million and $129.9 million, respectively, an increase of $1.4 million or 3% and $2.6 million or 2%, respectively, compared to the same periods last year. Total revenue excluding hardware increased 9% and 10%, respectively, for the quarter and nine-month periods ended January 31, 2025. On a constant currency basis, revenue for the third quarter and nine months ended January 31, 2025 increased 1%, compared to the same periods in Fiscal 2024. Revenue is broken down as follows:

	Three months ended January 31,		Change	Nine months ended January 31,		Change
(in thousands of CAD)	**2025**	**2024**	**%**	**2025**	**2024**	**%**
SaaS	$ 17,252	$ 14,160	22%	$ 48,696	$ 37,727	29%
Maintenance and support	8,142	8,620	-6%	24,560	25,817	-5%
Professional services	13,920	13,021	7%	41,452	40,798	2%
License	212	396	-46%	1,517	1,104	37%
Hardware	5,655	7,626	-26%	13,674	21,841	-37%
Total Revenue	$ 45,181	$ 43,823	3%	$ 129,899	$ 127,287	2%

Approximately 71% of the Company's revenues were generated in U.S. dollars during the third quarter of Fiscal 2025 (2024-69%). The U.S. dollar averaged CA$1.4202 in the third quarter of Fiscal 2025 in comparison to CA$1.3522 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 $0.9 million in comparison to the third quarter of Fiscal 2024.

Approximately 72% of the Company's revenues were generated in U.S. dollars during the first nine months of Fiscal 2025 (2024-72%). The U.S. dollar averaged CA$1.3849 in the first nine months of Fiscal 2025 in comparison to CA$1.3480 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 $1.3 million in comparison to the first nine months of Fiscal 2024.

Total ARR on January 31, 2025, was $105.8 million, up 21% compared to $87.2 million on January 31, 2024. 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 14% during the twelve months ended January 31, 2025.

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 third quarter of Fiscal 2025 was $17.3 million, up 22% or $3.1 million compared to the third quarter of Fiscal 2024. This growth was driven by new SaaS revenue from recent bookings. SaaS revenue in the third quarter of Fiscal 2024 included one-time revenue recognition of approximately $0.7 million related to the completion of a product performance obligation. 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 third quarter of Fiscal 2025 grew approximately 19% compared to the same period in Fiscal 2024. For the first nine months of Fiscal 2025, SaaS revenue totaled $48.7 million, an increase of 29% (28% on a constant currency basis), or $11.0 million, compared to the same period in Fiscal 2024.

In the third quarter of Fiscal 2025, SaaS subscription bookings (measured on an ARR basis) were $4.0 million, down 17% compared to $4.9 million in the third quarter of Fiscal 2024. In the first nine months of Fiscal 2025, SaaS subscription bookings were $10.8 million, up 3% compared to $10.5 million in the same period of Fiscal 2024. The Company has historically seen some lumpiness in quarterly deal closings, and the Company expects this to continue.

On January 31, 2025, SaaS RPO[3] was $210.2 million, up 34% from $157.2 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 26% during the twelve months ended January 31, 2025.

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 and nine months ended January 31, 2025 were $8.1 million and $24.6 million, respectively, down 6% and 5%, respectively, compared to the same periods of Fiscal 2024. We expect a decline in maintenance and support revenue over time as the business continues to shift to SaaS.

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

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 and nine months ended January 31, 2025, was $13.9 million and $41.5 million, respectively, up 7% and 2%, respectively, compared to the same periods of Fiscal 2024. The timing of professional services revenue is affected by project delivery schedules, which can be outside the Company's control. In the third quarter of Fiscal 2025, professional services bookings were $24.4 million, up 170% compared to $9.0 million in the same period of Fiscal 2024. In the first nine months of Fiscal 2025, professional services bookings were $53.0 million, up 36% compared to $39.0 million in the same period of Fiscal 2024. Professional services bookings are in part linked to SaaS subscription bookings and are subject to timing.

License revenue

License revenue includes revenue from proprietary software as well as third-party software. In the three months ended January 31, 2025, license revenue amounted to $0.2 million, a decrease of $0.2 million or 46% compared to the same period of Fiscal 2024. For the nine months ended January 31, 2025, license revenue was $1.5 million, up 37% from $1.1 million in the same period last year. Despite the increase in the current year to date period, 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 January 31, 2025, totaled $5.7 million, a 26% decrease from $7.6 million in the same period of Fiscal 2024. For the nine months ended January 31, 2025, hardware revenue was $13.7 million, down 37% from $21.8 million during the same period last year. The higher revenue in the prior year was driven by a significantly larger backlog at the start of Fiscal 2024, partly resulting from earlier chip shortages.

Cost of Revenue and Gross Profit

(in thousands of CAD)	Three months ended January 31, 2025	2024	Change %	Nine months ended January 31, 2025	2024	Change %
Cost of revenue:						
SaaS, maintenance, support and professional services	$ 19,603	$ 18,717	5%	$ 57,180	$ 53,984	6%
License and hardware	4,304	5,176	-17%	11,269	15,528	-27%
Total cost of revenue	**$ 23,907**	**$ 23,893**	**0%**	**$ 68,449**	**$ 69,512**	**-2%**
Gross profit & gross profit margin:						
SaaS, maintenance, support and professional services gross profit	$ 19,711	$ 17,084	15%	$ 57,528	$ 50,358	14%
Gross profit margin	50%	48%		50%	48%	
License and hardware gross profit	$ 1,563	$ 2,846	-45%	$ 3,922	$ 7,417	-47%
Gross profit margin	27%	35%		26%	32%	
Total gross profit	**$ 21,274**	**$ 19,930**	**7%**	**$ 61,450**	**$ 57,775**	**6%**
Total gross profit margin	**47%**	**45%**		**47%**	**45%**	

Total cost of revenue for the third quarter of Fiscal 2025 was $23.9 million, flat compared to the same period in Fiscal 2024. The decrease in license and hardware costs was offset by higher SaaS, maintenance, support and professional services costs. Total cost of revenue for the first nine months of Fiscal 2025 decreased to $68.4 million compared to $69.5 million for the same period in Fiscal 2024. The decrease is attributed to lower license and hardware costs, partially offset by higher SaaS, maintenance, support and professional services costs.

For the third quarter and first nine months of Fiscal 2025, the cost of SaaS, maintenance, support and professional services increased to $19.6 million and $57.2 million, respectively, up $0.9 million and $3.2 million, respectively, compared to the same periods of Fiscal 2024. 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.

For the third quarter and first nine months of Fiscal 2024 and 2025, the cost of SaaS, maintenance, support and professional services included tax credits of $0.6 million and $2.0 million, respectively.

The cost of license and hardware was $4.3 million in the third quarter of Fiscal 2025, a decrease of 17% compared to the same period in Fiscal 2024, driven by lower hardware revenue. The cost of license and hardware was $11.3 million in the first nine months of Fiscal 2025, down $4.3 million or 27% compared to the same period of Fiscal 2024, driven by lower hardware revenue.

Gross profit was $21.3 million, up $1.3 million in the third 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 partly offset by a decline in gross profit contribution from license and hardware. In the first nine months of Fiscal 2025, gross profit increased to $61.5 million, up $3.7 million compared to the same period in Fiscal 2024. This is driven by higher SaaS, maintenance, support and professional services gross profit contribution, which was partly offset by lower gross profit contribution from license and hardware.

As a percentage of revenue, total gross profit margin for the three and nine months ended January 31, 2025, was 47%, up from 45% in the same periods of Fiscal 2024. In the third quarter of Fiscal 2025, the gross profit margin improvement was driven by SaaS margin expansion and higher professional services revenue. In the first nine months of Fiscal 2025, SaaS margin expansion was the key driver of increased total gross profit margin.

For the three and nine months ended January 31, 2025, combined SaaS, maintenance, support and professional services gross profit margin was 50%, compared to 48% for the same periods in Fiscal 2024. The increase in combined SaaS, maintenance, support and professional services gross profit margin in the third quarter of Fiscal 2025 was driven by SaaS margin expansion and professional services. For the first nine months of Fiscal 2025, SaaS margin expansion was the primary driver for the increase in combined SaaS, maintenance, support and professional services gross profit margin.

License and hardware gross profit margin for the three months ended January 31, 2025 was 27% compared to 35% for the same period in Fiscal 2024. For the first nine months of Fiscal 2025, license and hardware gross profit margin was 26%, compared to 32% for the same period of Fiscal 2024. The decrease in gross profit margin was due to a higher mix of lower margin third-party licenses and third-party hardware in the current fiscal year.

Operating Expenses

(in thousands of CAD)	Three months ended January 31, 2025	2024	Change %	Nine months ended January 31, 2025	2024	Change %
Sales and marketing expenses	$ 9,053	$ 8,223	10%	$ 26,457	$ 24,539	8%
As a percentage of Total Revenue	20%	19%		20%	19%	
General and administration expenses	3,096	2,650	17%	9,273	8,580	8%
As a percentage of Total Revenue	7%	6%		7%	7%	
Research and development expenses, net of tax credits	7,114	7,834	-9%	21,650	22,079	-2%
As a percentage of Total Revenue	16%	18%		17%	17%	
Total operating expenses	**$ 19,263**	**$ 18,707**	**3%**	**$ 57,380**	**$ 55,198**	**4%**
As a percentage of Total Revenue	**43%**	**43%**		**44%**	**43%**	

Total operating expenses for the three and nine months ended January 31, 2025 were $19.3 million and $57.4 million, respectively, an increase of $0.6 million and $2.2 million, respectively, compared to the same periods in Fiscal 2024. During the three and nine months ended January 31, 2025, foreign exchange had an unfavorable impact on expenses of $0.8 million and $1.2 million, respectively, when compared to the same periods in Fiscal 2024.

Sales and marketing expenses

Sales and marketing expenses for the three and nine months ended January 31, 2025, were $9.1 million and $26.5 million, respectively, an increase of $0.8 million and $1.9 million, respectively, compared to the same periods in Fiscal 2024. These increases were primarily driven by higher personnel costs.

General and administrative expenses

General and administrative expenses for the three months ended January 31, 2025, were $3.1 million, an increase of $0.4 million compared to the same period in Fiscal 2024. The increase is mainly attributed to higher professional fees, personnel costs and stock-based compensation. General and administrative expenses for the nine months ended January 31, 2025 were $9.3 million, an increase of $0.7 million compared to the same period in Fiscal 2024. The increase is attributed to higher personnel costs and stock-based compensation.

Net R&D expenses

Net R&D expenses for the three and nine months ended January 31, 2025, were $7.1 million and $21.7 million, respectively, a decrease of $0.7 million and $0.4 million, respectively, compared to the same periods in Fiscal 2024. The decrease in the quarter resulted primarily from recognition of higher tax credits in the current quarter. The decrease in the nine-month period resulted primarily from higher net capitalized development costs and higher tax credit recognition in the current period partially offset by increases in other costs.

For the three months ended January 31, 2025, the Company deferred development costs of $0.4 million compared to $0.3 million in the same period last year. For the first nine months of Fiscal 2025, the company deferred development costs of $1.3 million compared to $0.8 million for the same period in Fiscal 2024. The Company amortized deferred development costs of $0.2 million in the third quarter of Fiscal 2025, compared to $0.1 million for the same period in Fiscal 2024. The Company amortized deferred development costs of $0.6 million in the first nine months of Fiscal 2025 in comparison to $0.4 million for the same period in Fiscal 2024.

The Company recorded R&D tax credits and e-business tax credits of $1.4 million in the third quarter of Fiscal 2025 compared to $0.8 million for the same period in Fiscal 2024. For the first nine months of Fiscal 2025, the Company recorded R&D tax credits and e-business tax credits of $3.3 million compared to $2.9 million for the same period in Fiscal 2024.

Other (Costs) Income and Income Tax Expense

(in thousands of CAD)	Three months ended January 31, 2025	Three months ended January 31, 2024	Change %	Nine months ended January 31, 2025	Nine months ended January 31, 2024	Change %
Other (costs) income	$ (7)	$ 180	-104%	$ 353	$ 435	-19%
Income Tax Expense	811	644	26%	1,674	1,422	18%
Income Tax Expense as a percentage of profit before income taxes	40%	46%		38%	47%	

Other costs and income for the three and nine months ended January 31, 2025 consisted primarily of interest income on short-term investments, foreign exchange loss and interest on lease obligations.

Income tax expense for the three and nine months ended January 31, 2025 were $0.8 million and $1.7 million, respectively, compared to an income tax expense of $0.6 million and $1.4 million, respectively, for the same periods in Fiscal 2024. The increase in income tax expense is due primarily to higher pre-tax profit in the current periods.

Net Profit

(in thousands of CAD, except earnings per share)	Three months ended January 31, 2025	2024	Change %	Nine months ended January 31, 2025	2024	Change %
Net Profit	$ 1,193	$ 759	57%	$ 2,749	$ 1,590	73%
Adjusted EBITDA	$ 3,535	$ 2,640	34%	$ 9,068	$ 6,834	33%
Basic earnings per share	$ 0.08	$ 0.05	60%	$ 0.19	$ 0.11	73%
Diluted earnings per share	$ 0.08	$ 0.05	60%	$ 0.18	$ 0.11	64%

The increase in net profit, Adjusted EBITDA and earnings per share in the third quarter and first nine months of Fiscal 2025 compared to the same periods last year was led by SaaS margin expansion. Net profit, Adjusted EBITDA and earnings per share in the third quarter and first nine months of Fiscal 2025 were positively impacted by $0.1 million due to favorable foreign exchange movements compared to the same periods in Fiscal 2024.

Quarterly Selected Financial Data

The following table summarizes selected results for the eight most recently completed quarters to January 31, 2025:

(in thousands of CAD except earnings per share)	FY 2025 Q3	FY 2025 Q2	FY 2025 Q1	FY 2024 Q4	FY 2024 Q3	FY 2024 Q2	FY 2024 Q1	FY 2023 Q4
SaaS revenue	$ 17,252	$ 16,130	$ 15,314	$ 14,191	$ 14,160	$ 12,072	$ 11,495	$ 11,133
Total revenue	45,181	42,442	42,276	43,955	43,823	41,489	41,975	41,192
Net profit (loss)	1,193	758	798	259	759	(340)	1,171	446
Comprehensive (loss) income	(4,085)	410	935	(1,826)	4,770	(5,821)	3,318	414
Adjusted EBITDA[4]	3,535	2,942	2,591	2,780	2,640	1,021	3,173	2,449
Basic and diluted earnings (loss) per common share	$ 0.08	$ 0.05	$ 0.05	$ 0.02	$ 0.05	$ (0.02)	$ 0.08	$ 0.03

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

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

Liquidity and Capital Resources

On January 31, 2025, current assets totaled $78.5 million compared to $79.0 million at the end of Fiscal 2024. Cash and cash equivalents combined with short-term investments decreased $3.0 million to $32.6 million compared to $35.6 million at the end of Fiscal 2024. The decrease is mainly due to cash outflows from share repurchases under our Normal Course Issuer Bid ("NCIB") and payment of dividends partially offset by cash from operating activities.

Accounts receivable and work in progress totaled $28.6 million on January 31, 2025, up $2.3 million compared to $26.3 million at April 30, 2024. The Company's Days Sales Outstanding (DSO) stood at 57 days at the end of January 31, 2025 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 January 31, 2025, increased to $64.1 million compared to $57.1 million at the end of Fiscal 2024.

Cash from Operating Activities

Operating activities provided $6.8 million of cash in the third quarter of Fiscal 2025 in comparison to $2.3 million of cash provided in the third quarter of Fiscal 2024. Operating activities provided $7.0 million in the first nine months of Fiscal 2025 in comparison to $0.1 million of cash used in the same period of Fiscal 2024. The third quarter of both fiscal years included the annual cash refund of tax credits.

In the third quarter of Fiscal 2025, cash from operating activities excluding changes in non-cash working capital items increased by $0.9 million (to $2.4 million) compared to the same period in Fiscal 2024. Changes in non-cash working capital items provided $4.4 million in the third quarter of Fiscal 2025 in comparison to $0.8 million in the same period in Fiscal 2024.

For the first nine months of Fiscal 2025, cash from operating activities excluding changes in non-cash working capital items increased to $6.4 million from $3.7 million in the first nine months of Fiscal 2024. Changes in non-cash working capital items provided $0.6 million in the first nine months of Fiscal 2025 compared to $3.8 million used in the first nine months of Fiscal 2024.

Financing Activities

Cash used in financing activities was $2.2 million for the third quarter of Fiscal 2025 compared to $2.5 million for the same period in Fiscal 2024. Cash used in financing activities was $8.7 million for the first nine months of Fiscal 2025 compared to $3.3 million for the same period of Fiscal 2024. The increase in cash used from financing activities in the current nine-month period is primarily due to higher cash outflows from share repurchases under our NCIB and lower proceeds from the issuance of common shares on the exercise of stock options.

Investing Activities

In the third quarter of Fiscal 2024 and 2025, investing activities used cash of $0.5 million. In the first nine months of Fiscal 2025, investing activities provided cash of $3.8 million compared to cash used of $1.1 million for the same period in Fiscal 2024. The increase in funds generated from investing activities in the nine-month period is primarily due to higher transfers from short-term investments, partially offset by higher investment in deferred development costs.

The Company believes that funds on hand at January 31, 2025 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

During the nine months ended January 31, 2025, the Company provided interest-free loans to key management and other management employees of $0.5 million ($0.4 million for the same period last year) to facilitate their purchase of the Company's common shares. As of January 31, 2025, loans outstanding amounted to $0.2 million (April 30, 2024 - $0.1 million).

Subsequent Events

On March 5, 2025 the Company's Board of Directors declared a quarterly dividend of $0.085 per share to be paid on April 16, 2025 to shareholders of record on March 26, 2025.

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 $105.8 million and Professional services backlog of $44.4 million, the Company's management believes that total services revenue (including SaaS, maintenance and support and professional services revenue) ranging between $39.5 million and $40.5 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 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 January 31, 2025, the Company had 14,744,087 common shares outstanding. During the third quarter of Fiscal 2025, the Company issued 29,438 common shares on the exercise of stock options and repurchased and cancelled 38,200 of its common shares as part of its ongoing Normal Course Issuer Bid.

During the first nine months of Fiscal 2025, the Company issued 53,337 common shares on the exercise of stock options and repurchased and cancelled 149,400 of its common shares as part of its ongoing Normal Course Issuer Bid.

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 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 January 31, 2025.

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 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 January 31, 2025, 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)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Net Profit (loss) for the period	$ 1,193	$ 758	$ 798	$ 259	$ 759	$ (340)	$ 1,171	$ 446
Adjustments for:								
Depreciation of property and equipment and right-of-use assets	376	377	371	361	355	377	384	440
Amortization of deferred development costs	190	198	197	147	147	147	142	145
Amortization of other intangible assets	322	328	334	347	356	394	396	402
Interest expense	18	24	25	27	45	53	38	17
Interest income	(150)	(163)	(217)	(233)	(260)	(253)	(269)	(211)
Income taxes	811	427	436	(781)	644	(81)	859	755
EBITDA	2,760	1,949	1,944	127	2,046	297	2,721	1,994
Adjustments for:								
Stock based compensation	775	993	647	531	594	724	452	455
Restructuring costs	-	-	-	2,122	-	-	-	-
Adjusted EBITDA	$ 3,535	$ 2,942	$ 2,591	$ 2,780	$ 2,640	$ 1,021	$ 3,173	$ 2,449

Condensed Interim Consolidated Financial Statements

(Unaudited)

TECSYS INC.

For the three and nine-month periods ended January 31, 2025 and 2024

MANAGEMENT'S COMMENTS ON THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE-MONTH PERIODS ENDED JANUARY 31, 2025 and 2024

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors, KPMG LLP, have not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

Dated this 5th day of March 2025.

Tecsys Inc.

Condensed Interim Consolidated Statements of Financial Position

As at January 31, 2025 and April 30, 2024
(Unaudited)
(In thousands of Canadian dollars)

	Note	January 31, 2025	April 30, 2024
Assets			
Current assets			
Cash and cash equivalents		$ 20,970	$ 18,856
Short-term investments	3	11,614	16,713
Accounts receivable		21,563	22,090
Work in progress		7,060	4,248
Other receivables		189	134
Tax credits		5,365	6,422
Inventory		1,937	1,359
Prepaid expenses and other	4	9,756	9,143
Total current assets		78,454	78,965
Non-current assets			
Other long-term receivables and assets		640	421
Tax credits		6,757	4,737
Property and equipment		1,068	1,372
Right-of-use assets		934	1,251
Contract acquisition costs	4	4,610	4,478
Deferred development costs		3,430	2,683
Other intangible assets		6,833	7,703
Goodwill		17,517	17,363
Deferred tax assets		9,073	9,073
Total non-current assets		50,862	49,081
Total assets		**$ 129,316**	**$ 128,046**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 24,677	$ 20,030
Deferred revenue		38,684	36,211
Lease obligations		732	812
Total current liabilities		64,093	57,053
Non-current liabilities			
Other long-term accrued liabilities	9	3,886	496
Deferred tax liabilities		552	826
Lease obligations		783	1,302
Total non-current liabilities		5,221	2,624
Total liabilities		$ 69,314	$ 59,677
Equity			
Share capital	5	$ 53,788	$ 52,256
Contributed surplus		5,877	9,417
Retained earnings		7,251	8,121
Accumulated other comprehensive loss	9	(6,914)	(1,425)
Total equity attributable to the owners of the Company		60,002	68,369
Total liabilities and equity		**$ 129,316**	**$ 128,046**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Tecsys Inc.

Condensed Interim Consolidated Statements of Income and Comprehensive (loss) Income

For the three and nine-month periods ended January 31, 2025 and 2024

(Unaudited)

(In thousands of Canadian dollars, except per share data)

		Three Months Ended January 31,		Nine Months Ended January 31,	
	Note	2025	2024	2025	2024
Revenue:					
SaaS		$ 17,252	$ 14,160	$ 48,696	$ 37,727
Maintenance and Support		8,142	8,620	24,560	25,817
Professional Services		13,920	13,021	41,452	40,798
License		212	396	1,517	1,104
Hardware		5,655	7,626	13,674	21,841
Total revenue		**45,181**	**43,823**	**129,899**	**127,287**
Cost of revenue	7	**23,907**	**23,893**	**68,449**	**69,512**
Gross profit		**21,274**	**19,930**	**61,450**	**57,775**
Operating expenses:					
Sales and marketing		9,053	8,223	26,457	24,539
General and administration		3,096	2,650	9,273	8,580
Research and development, net of tax credits		7,114	7,834	21,650	22,079
Total operating expenses		19,263	18,707	57,380	55,198
Profit from operations		**2,011**	**1,223**	**4,070**	**2,577**
Other (costs) income	8	(7)	180	353	435
Profit before income taxes		2,004	1,403	4,423	3,012
Income tax expense		811	644	1,674	1,422
Net profit		**$ 1,193**	**$ 759**	**$ 2,749**	**$ 1,590**
Other comprehensive (loss) income:					
Effective portion of changes in fair value on designated revenue hedges	9	(5,188)	4,101	(5,721)	1,101
Exchange differences on translation of foreign operations	9	(90)	(90)	232	(424)
Comprehensive (loss) income		**$ (4,085)**	**$ 4,770**	**$ (2,740)**	**$ 2,267**
Basic earnings per common share	5	**$ 0.08**	**$ 0.05**	**$ 0.19**	**$ 0.11**
Diluted earnings per common share	5	**$ 0.08**	**$ 0.05**	**$ 0.18**	**$ 0.11**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Tecsys Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three and nine-month periods ended January 31, 2025 and 2024
(Unaudited)
(In thousands of Canadian dollars)

	Note	Three Months Ended January 31, 2025	Three Months Ended January 31, 2024	Nine Months Ended January 31, 2025	Nine Months Ended January 31, 2024
Cash flows from operating activities:					
Net profit		$ 1,193	$ 759	$ 2,749	$ 1,590
Adjustments for:					
Depreciation of property and equipment and right-of-use-assets		376	355	1,124	1,116
Amortization of deferred development costs		190	147	585	436
Amortization of other intangible assets		322	356	984	1,146
Interest (income) expense and foreign exchange loss	8	7	(180)	(353)	(435)
Unrealized foreign exchange and other		516	(452)	599	(1,050)
Non-refundable tax credits		(1,008)	(151)	(1,942)	(1,365)
Stock-based compensation	5	775	594	2,415	1,770
Income taxes		34	78	221	454
Net cash from operating activities excluding changes in non-cash working capital items related to operations		2,405	1,506	6,382	3,662
Accounts receivable		269	(4,175)	571	(1,950)
Work in progress		(2,563)	557	(2,804)	(1,662)
Other receivables and assets		90	184	(346)	136
Tax credits		3,338	3,160	979	841
Inventory		178	213	(576)	(871)
Prepaid expenses		(1,534)	(304)	(571)	(945)
Contract acquisition costs	4	(251)	(401)	(171)	(261)
Accounts payable and accrued liabilities		3,111	3,890	1,111	597
Deferred revenue		1,764	(2,295)	2,455	327
Changes in non-cash working capital items related to operations		4,402	829	648	(3,788)
Net cash provided by (used in) operating activities		**6,807**	**2,335**	**7,030**	**(126)**
Cash flows from financing activities:					
Payment of lease obligations		(205)	(195)	(607)	(593)
Payment of dividends		(1,251)	(1,177)	(3,619)	(3,385)
Interest paid	8	(18)	(45)	(67)	(136)
Issuance of common shares on exercise of stock options		971	423	1,568	3,067
Shares repurchased and cancelled	5	(1,679)	(1,532)	(5,991)	(2,205)
Net cash used in financing activities		**(2,182)**	**(2,526)**	**(8,716)**	**(3,252)**
Cash flows from investing activities:					
Interest received	8	32	22	59	91
Transfers from short-term investments	3	-	18	5,570	40
Acquisitions of property and equipment		(88)	(190)	(497)	(455)
Deferred development costs		(447)	(309)	(1,332)	(809)
Net cash (used in) provided by investing activities		**(503)**	**(459)**	**3,800**	**(1,133)**
Net increase (decrease) in cash and cash equivalents during the period		4,122	(650)	2,114	(4,511)
Cash and cash equivalents - beginning of period		16,848	17,374	18,856	21,235
Cash and cash equivalents - end of period		**$ 20,970**	**$ 16,724**	**$ 20,970**	**$ 16,724**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Tecsys Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine-month periods ended January 31, 2025 and 2024
(Unaudited)
(In thousands of Canadian dollars, except number of shares)

		Share capital										
	Note	Number		Amount		Contributed Surplus		Accumulated other comprehensive (loss) income		Retained earnings		Total
Balance, May 1, 2024		**14,840,150**	**$**	**52,256**	**$**	**9,417**	**$**	**(1,425)**	**$**	**8,121**	**$**	**68,369**
Net profit		-		-		-		-		2,749		2,749
Other comprehensive (loss) income:												
Effective portion of changes in fair value on designated revenue hedges	9	-		-		-		(5,721)		-		(5,721)
Exchange difference on translation of foreign operations	9	-		-		-		232		-		232
Total comprehensive (loss) income		**-**		**-**		**-**		**(5,489)**		**2,749**		**(2,740)**
Shares repurchased and cancelled	5	(149,400)		(531)		(5,460)		-		-		(5,991)
Stock-based Compensation	5	-		-		2,415		-		-		2,415
Dividends to equity owners	5	-		-		-		-		(3,619)		(3,619)
Share options exercised	5	53,337		2,063		(495)		-		-		1,568
Total transactions with owners of the Company		**(96,063)**	**$**	**1,532**	**$**	**(3,540)**	**$**	**-**	**$**	**(3,619)**	**$**	**(5,627)**
Balance, January 31, 2025		**14,744,087**	**$**	**53,788**	**$**	**5,877**	**$**	**(6,914)**	**$**	**7,251**	**$**	**60,002**
Balance, May 1, 2023		**14,582,837**	**$**	**44,338**	**$**	**15,285**	**$**	**(17)**	**$**	**10,832**	**$**	**70,438**
Net profit		-		-		-		-		1,590		1,590
Other comprehensive income:												
Effective portion of changes in fair value on designated revenue hedges		-		-		-		1,101		-		1,101
Exchange difference on translation of foreign operations		-		-		-		(424)		-		(424)
Total comprehensive income		**-**		**-**		**-**		**677**		**1,590**		**2,267**
Shares repurchased and cancelled		(76,200)		(248)		(1,957)		-		-		(2,205)
Stock-based Compensation		-		-		1,770		-		-		1,770
Dividends to equity owners		-		-		-		-		(3,385)		(3,385)
Share options exercised		192,302		3,936		(869)		-		-		3,067
Total transactions with owners of the Company		**116,102**	**$**	**3,688**	**$**	**(1,056)**	**$**	**-**	**$**	**(3,385)**	**$**	**(753)**
Balance, January 31, 2024		**14,698,939**	**$**	**48,026**	**$**	**14,229**	**$**	**660**	**$**	**9,037**	**$**	**71,952**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. Description of business:

Tecsys Inc. (the "Company") was incorporated under the Canada Business Corporations Act in 1983. The Company's principal business activity is the development, marketing and sale of enterprise-wide supply chain management software for distribution, warehousing, transportation logistics, point-of-use and order management. The Company sells its software primarily on a subscription basis as Software as a Service. The Company also provides related consulting, training and support services. The Company is headquartered at 1, Place Alexis Nihon, Montréal, Canada, and derives substantially all of its revenue from customers located in the United States, Canada and Europe. The Company's customers consist primarily of healthcare systems, services parts, third-party logistics, retail and general wholesale high volume distribution industries. The consolidated financial statements comprise the Company and its wholly-owned subsidiaries. The Company is a publicly listed entity and its shares are traded on the Toronto Stock Exchange under the symbol TCS.

2. Basis of preparation:

(a) Statement of compliance:

The Company's unaudited condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended April 30, 2024.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2025.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at April 30, 2024.

(b) Functional and presentation currency:

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest thousand ($000) except when otherwise indicated.

New standards and interpretations not yet adopted by the Company

Refer to the Company's audited annual consolidated financial statements for Fiscal 2024 for a discussion of new amendments not yet adopted.

(In thousands of Canadian dollars, except per share data)

3. Short-term investments:

	Nine Months Ended January 31, 2025	Twelve Months Ended April 30, 2024
Balance, beginning of period	$ 16,713	$ 15,835
Net withdrawals	(5,570)	(40)
Interest on short-term investments (note 8)	471	918
Balance, end of period	**$ 11,614**	**$ 16,713**

Short-term investments consist of Guaranteed Investment Certificates (GIC) with maturities of less than 3 months.

4. Contract acquisition costs:

The following table presents the contract acquisition costs for the Company:

	Nine Months Ended January 31, 2025	Twelve Months Ended April 30, 2024
Balance, beginning of the period	$ 6,844	$ 5,799
Additions	2,124	3,415
Amortization	(1,953)	(2,370)
Balance, end of period	**$ 7,015**	**$ 6,844**

Presented as:

	January 31, 2025	April 30, 2024
Current	$ 2,405	$ 2,366
Non-current	$ 4,610	$ 4,478

The current portion of contract acquisition costs is included in Prepaid expenses and other in the condensed interim consolidated statements of financial position. Amortization of contract acquisition costs is recorded in sales and marketing expense.

5. Share capital and Stock option plan:

(a) Dividend policy:

The Company maintains a quarterly dividend policy. The declaration and payment of dividends is at the discretion of the Board of Directors, which will consider earnings, capital requirements, financial conditions and other such factors as the Board of Directors, in its sole discretion, deems relevant.

On June 27, 2024, the Company's Board of Directors declared a quarterly dividend of $0.08 per share, paid on August 2, 2024 to shareholders of record on July 12, 2024.

(In thousands of Canadian dollars, except per share data)

5. Share capital and Stock option plan (continued):

(a) Dividend policy (continued):

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

On December 4, 2024 the Company's Board of Directors declared a quarterly dividend of $0.085 per share, paid on January 3, 2025 to shareholders of record on December 18, 2024.

(b) Earnings per share:

The calculation of basic earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares.

Basic and diluted earnings per share are calculated as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2025	**2024**	**2025**	**2024**
Net profit, attributable to common shareholders	$ 1,193	$ 759	$ 2,749	$ 1,590
Weighted average number of common shares outstanding (basic)	14,735,099	14,703,005	14,775,419	14,677,792
Dilutive impact of stock options	205,297	171,853	133,666	139,859
Weighted average number of common shares outstanding (diluted)	14,940,396	14,874,858	14,909,085	14,817,651
Basic earnings per common share	$ 0.08	$ 0.05	$ 0.19	$ 0.11
Diluted earnings per common share	$ 0.08	$ 0.05	$ 0.18	$ 0.11

As at January 31, 2025, 29,086 and 290,838 options were excluded from the three and nine months weighted average number of diluted common shares, respectively, as their effect would have been anti-dilutive (566,525 and 628,342 for the comparative periods of Fiscal 2024).

(c) Stock option plan:

The Company has a stock option plan under which stock options may be granted to certain employees and directors. Under the terms of the plan, the Company may grant options up to 10% of its issued and outstanding shares. The stock option plan is administered by the Board of Directors who may determine, in accordance with the terms of the plan, the terms relating to each option, including the extent to which each option is exercisable during the term of the options.

The exercise price is generally determined based on the weighted average trading price of the Company's common shares for the 5 days prior to the date the Board of Directors grants the option.

(In thousands of Canadian dollars, except per share data)

5. Share capital and Stock option plan (continued):

c) Stock option plan (continued):

The movement in outstanding stock options for the nine months ended January 31, 2025 is as follows:

	Number of options		Weighted average exercise price
Outstanding at April 30, 2024	767,487	$	31.02
Granted	267,239		33.59
Exercised	(53,337)		29.39
Outstanding at January 31, 2025	**981,389**	**$**	**31.81**

The following table outlines the outstanding stock options of the Company as at January 31, 2025:

Grant Date		Fair value per option	Remaining contractual life in years	Number of options currently exercisable		Exercise price	Outstanding options
July 8, 2020	$	6.95	0.43	123,869	$	26.75	123,869
December 2, 2020		10.74	0.84	3,257		36.77	3,257
February 24, 2021		18.79	1.07	1,875		60.62	2,000
June 29, 2021		12.66	1.41	119,907		40.34	138,240
June 29, 2022		12.90	2.41	105,105		34.91	174,526
September 26, 2022		10.80	2.65	1,969		28.55	3,500
March 1, 2023		10.42	3.08	1,313		26.88	3,000
June 29, 2023		9.98	3.41	92,468		25.48	261,224
November 30, 2023		13.68	3.83	1,462		33.52	5,848
June 27, 2024		12.74	4.41	30,706		33.23	254,849
September 5, 2024		15.80	4.60	692		42.02	11,076

The issued options vest on quarterly straight-line basis (6.25% per quarter) over the vesting period of 4 years and must be exercised within 5 years from the date of grant.

The fair value of options granted on June 27, 2024 and September 5, 2024 were determined using the Black-Scholes option pricing model with the following assumptions:

				Fiscal 2025				Fiscal 2024
		September 5, 2024		June 27, 2024		November 30, 2023		June 29, 2023
Exercise share price	$	42.02	$	33.23	$	33.52	$	25.48
Expected option life (years)		5		5		5		5
Weighted average expected stock price volatility		41.11%		42.10%		44.76%		43.56%
Weighted average dividend yield		0.75%		0.93%		0.90%		1.14%
Weighted average risk-free interest rate		2.96%		3.40%		3.70%		3.72%

5. Share capital and Stock option plan (continued):

c) Stock option plan (continued):

For the three and nine months ended January 31, 2025, the Company recognized stock-based compensation expense of $775 and $2,415 ($594 and $1,770 for the same periods of Fiscal 2024). The contributed surplus accounts are used to record the accumulated compensation expense related to equity-settled share-based compensation transactions. Upon exercise of stock options, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

(d) Share capital:

On September 12, 2023, the Company announced its Notice of Intention to make a normal course issuer bid ("NCIB") with the Toronto Stock Exchange ("TSX"). The NCIB covered the twelve-month period commencing September 14, 2023 and ending September 13, 2024. Purchases under the NCIB were made at the prevailing market price at the time of acquisition, plus brokerage fees, through the facilities of the TSX and/or alternative Canadian trading systems, in accordance with the TSX's applicable policies. All common shares purchased under the NCIB were cancelled.

On September 18, 2024, the Company announced that the TSX approved the renewal of the Company's NCIB. Pursuant to the NCIB, during the twelve-month period commencing September 20, 2024 and ending September 19, 2025, the Company intends to purchase up to 500,000 common shares, which represents 3.4% of its 14,788,706 issued and outstanding common shares as of September 16, 2024. Under the NCIB, other than purchases made under block purchase exemptions, the Company may purchase up to 2,117 common shares during any trading day, which represents 25% of 8,469, being the average daily trading volume for the six months ended August 31, 2024. These purchases will be made at the prevailing market price at the time of acquisition, plus brokerage fees, through the facilities of the TSX and/or alternative Canadian trading systems, in accordance with the TSX's applicable policies. All common shares purchased under the NCIB will be cancelled.

During the nine-month period ended January 31, 2025 the Company purchased 149,400 (76,200 for the same period in Fiscal 2024) of its outstanding common shares for cancellation at an average price of $40.10 per share ($28.94 for the same period in Fiscal 2024). The total cost related to purchasing these shares, including other related costs, was $5,991 ($2,205 for the same period in Fiscal 2024). The excess of the purchase price over the net book value of these shares of $5,460 has been charged to contributed surplus ($1,957 for the same period in Fiscal 2024).

(In thousands of Canadian dollars, except per share data)

6. Remaining performance obligation

The Company enters into SaaS subscription agreements and has historically entered into hosting agreements (classified under Maintenance and Support) that are typically multi-year performance obligations with original contract terms of three to five years. The Company enters into maintenance and support contracts other than hosting agreements that typically have an original term of one year and are subject to annual renewal. These contracts with an original term of one year (or less) are excluded from the table below.

The following table presents revenue expected to be recognized in the future related to SaaS and maintenance and support performance obligations that are part of a contract with an original duration of greater than one year and that are unsatisfied (or partially satisfied) at January 31, 2025:

	January 31, 2025				January 31, 2024
	Remainder of Fiscal 2025	**Fiscal 2026**	**Fiscal 2027 and thereafter**	**Total**	**Total**
SaaS	$ 17,929	$ 66,367	$ 125,885	$ 210,181	$ 157,215
Maintenance and support	382	563	-	945	1,489
	$ 18,311	**$ 66,930**	**$ 125,885**	**$ 211,126**	**$ 158,704**

7. Cost of revenue:

	Three Months Ended January 31,		**Nine Months Ended January 31,**	
	2025	**2024**	**2025**	**2024**
SaaS, maintenance, support and professional services:				
Gross expenses	$ 19,769	$ 18,840	$ 57,850	$ 54,298
Depreciation and Amortization	187	191	571	576
Reimbursable expenses	256	287	731	1,107
E-business tax credits	(609)	(601)	(1,972)	(1,997)
	$ 19,603	$ 18,717	$ 57,180	$ 53,984
License and hardware	4,304	5,176	11,269	15,528
Cost of revenue	**$ 23,907**	**$ 23,893**	**$ 68,449**	**$ 69,512**

(In thousands of Canadian dollars, except per share data)

8. Other (costs) income:

	Three Months Ended January 31, 2025	Three Months Ended January 31, 2024	Nine Months Ended January 31, 2025	Nine Months Ended January 31, 2024
Interest expense on bank loans and other	$ -	$ (16)	$ (3)	$ (41)
Interest accretion expense – lease obligations	(18)	(29)	(64)	(95)
Foreign exchange loss	(139)	(35)	(110)	(211)
Interest income on short-term investments	118	238	471	691
Interest income – other	32	22	59	91
	$ (7)	**$ 180**	**$ 353**	**$ 435**

9. Derivative instruments and risk management:

The Company is exposed to currency risk as a significant portion of the Company's revenues and expenses are incurred in U.S. dollars resulting in U.S. dollar-denominated accounts receivable and accounts payable and accrued liabilities. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars. These balances are therefore subject to gains or losses due to fluctuations in that currency.

The Company may enter into foreign exchange contracts in order to (a) offset the impact of the fluctuation of the U.S. dollar on its U.S. net monetary assets and (b) hedge highly probable future revenue denominated in U.S. dollars. The Company uses derivative financial instruments only for risk management purposes, not for generating trading profits. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the net monetary position in the foreign currency and the recognition of highly probable future U.S. denominated revenue and related accounts receivable.

Non-hedge designated derivative instruments

The following table presents the Company's outstanding non-hedge designated derivative instruments as of January 31, 2025:

	Number of contracts	To sell	Contracts average exchange rate	Unrealized gain presented in other receivables	Unrealized loss presented in accounts payable and accrued liabilities
January 31, 2025	-	US$ -	CA$ -	CA$ -	CA$ -
January 31, 2024	6	US$ 5,200	CA$ 1.3312	CA$ 14	CA$ 78

On January 31, 2024, the foreign exchange contracts had maturities up to June 2024.

(In thousands of Canadian dollars, except per share data)

9. Derivative instruments and risk management (continued):

Revenue hedge designated derivative instruments

The following tables present the revenue hedge designated derivative instruments as of January 31, 2025:

	Number of contracts	To sell	Contracts average exchange rate	Unrealized gain presented in assets	Unrealized loss presented in liabilities
January 31, 2025	77	US$ 132,000	CA$ 1.3579	CA$ -	CA$ 8,397
January 31, 2024	76	US$ 119,500	CA$ 1.3491	CA$ 1,114	CA$ 203

On January 31, 2025, $3,886 of the unrealized loss was included in non-current liabilities ($8 on January 31, 2024). On January 31, 2024, $789 unrealized gain was included in non-current receivables. Of the US$132,000 open contracts to sell US Dollars on January 31, 2025, US$119,000 relate to future revenue hedges and US$13,000 relate to past revenue hedges (on January 31, 2024: US$107,500 and US$12,000, respectively).

Outstanding Contracts related to highly probable future revenue	**Notional amount**
As of January 31, 2025 – Related to highly probable future revenue	US$ 119,000
In the 12-month period through January 2026	US$ 51,000
In the 15-month period through April 2027	US$ 68,000
As of January 31, 2024 – Related to highly probable future revenue	US$ 107,500
In the 12-month period through January 2025	US$ 51,500
In the 15-month period through April 2026	US$ 56,000

The following table represents the movement in accumulated other comprehensive (loss) income since the designation of hedging derivative instruments:

	Three Months Ended January 31, 2025	Three Months Ended January 31, 2024	Nine Months Ended January 31, 2025	Nine Months Ended January 31, 2024
Accumulated other comprehensive loss on cash flow hedges as at the beginning of period	$ (1,826)	$ (3,207)	$ (1,293)	$ (207)
Changes in fair value on derivatives designated as cash flow hedges	(6,809)	4,455	(7,978)	1,119
Amounts reclassified from accumulated other comprehensive income to net earnings, and included in:				
Revenue	1,115	(41)	1,639	70
Other costs	506	(313)	618	(88)
Accumulated other comprehensive (loss) income from cash flow hedges	$ (7,014)	$ 894	$ (7,014)	$ 894
Accumulated other comprehensive income (loss) - translation adjustment from foreign operations at the end of period	100	(234)	100	(234)
Total accumulated other comprehensive (loss) income as at the end of period	**$ (6,914)**	**$ 660**	**$ (6,914)**	**$ 660**

(In thousands of Canadian dollars, except per share data)

10. Related party transactions:

Key management includes Board of Directors (executive and non-executive) and members of the Executive Committee that report directly to the President and Chief Executive Officer of the Company.

As at January 31, 2025, key management and their spouses control 17.0% (April 30, 2024 – 17.7%) of the issued common shares of the Company.

The compensation paid or payable to key management for employee services during the three and nine-month periods ended January 31, 2025, is as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2025	**2024**	**2025**	**2024**
Salaries, including bonus	$ 1,490	$ 1,557	$ 4,454	$ 4,130
Other short-term benefits	62	55	169	206
Payments to defined contribution plans	44	33	100	98
	$ 1,596	**$ 1,645**	**$ 4,723**	**$ 4,434**

During the nine months ended January 31, 2025, the Company provided interest-free loans to key management and other management employees of $454 ($424 for the same period of Fiscal 2024) to facilitate their purchase of the Company's common shares. As of January 31, 2025, loans outstanding amounted to $165 (April 30, 2024 - $62) and are included in other receivables in the unaudited condensed interim consolidated statements of financial position. The Company did not provide loans to key management or other management employees during the three months ended January 31, 2025 or 2024.

(In thousands of Canadian dollars, except per share data)

11. Operating segment:

Management has organized the Company under one reportable segment: the development and marketing of enterprise-wide distribution software and related services. The Company's subsidiaries in the U.S. and the U.K. comprise sales and service operations offering implementation and maintenance services only.

The following is a summary of revenue by geographic location in which the Company's customers are located:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2025	**2024**	**2025**	**2024**
Canada	$ 8,891	$ 8,085	$ 23,822	$ 21,144
United States	31,961	30,403	93,072	91,399
Europe	3,934	5,064	11,637	13,543
Other	395	271	1,368	1,201
	$ 45,181	**$ 43,823**	**$ 129,899**	**$ 127,287**

12. Subsequent event:

On March 5, 2025, the Company's Board of Directors declared a quarterly dividend of $0.085 per share to be paid on April 16, 2025 to shareholders of record on March 26, 2025.

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