EXTENDING OUR REACH

2nd QUARTER FISCAL 2018 REPORT

TECSYS®

TECSYS Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations dated November 30, 2017

The following discussion and analysis should be read in conjunction with the Condensed Interim Consolidated Financial Statements of TECSYS Inc. (the "Company") and Notes thereto, which are included in this document, and the annual report for the year ended April 30, 2017. The Company's second quarter of fiscal year 2018 ended on October 31, 2017. Additional information about the Company, including copies of the continuous disclosure materials such as the annual information form and the management proxy circular are available through the SEDAR Website at http://www.sedar.com.

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

This document and the condensed interim consolidated financial statements are expressed in Canadian dollars unless it is otherwise indicated. The Company's functional currency is the Canadian dollar as it is the currency that represents the primary economic environment in which the Company operates.

Overview

TECSYS provides transformative supply chain solutions that equip its customers to succeed in a rapidly-changing omni-channel world. TECSYS' solutions are built on a true enterprise supply chain platform, and include warehouse management, distribution management, transportation management, supply management at point-of-use as well as complete financial management and analytics solutions. Customers running on TECSYS' Supply Chain Platform are confident knowing they can execute, day in and day out, regardless of business fluctuations or changes in technology, they can adapt and scale to any business needs or size, and they can expand and collaborate with customers, suppliers and partners as one borderless enterprise. From demand planning to demand fulfillment, TECSYS puts power into the hands of both front-line workers and back office planners, and unshackles business leaders so they can see and manage their supply chains like never before.

TECSYS is the market leader in supply chain solutions for health systems and hospitals. Over 600 mid-size and Fortune 1000 customers trust their supply chains to TECSYS in the healthcare, service parts, third-party logistics, and general wholesale high-volume distribution industries.

Quarterly Selected Financial Data

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

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total Revenue	18,072	16,511	18,447	17,385	16,518	16,097	21,144	15,629
Profit	1,356	69	4,776	888	206	128	3,825	543
Comprehensive Income (Loss)	701	864	4,378	1,261	70	(597)	4,811	296
EBITDA[1]	2,184	687	6,674	1,941	935	814	3,837	1,343
Basic and Diluted Earnings per Common Share	0.10	0.01	0.39	0.07	0.02	0.01	0.31	0.04

In the fourth quarter of fiscal 2017, the Company recorded $4.7 million of Canadian federal non-refundable research and development tax credits due to the Company's expectation of the increased probability that the tax credits will be realized in the future and the Company's intent to maximize on the availability of the tax credits prior to their expiry as a significant portion of the tax credits will expire over the next six years.

In the fourth quarter of fiscal 2016, the Company had significant deliveries of proprietary products which amounted to $5.9 million compared to an average of $2.6 million in the first three quarters of fiscal 2016. In addition, the Company recognized deferred tax assets of $1.4 million arising from the expected increase in operating profits in future years. Comprehensive income was significantly higher compared to profit whereas for the previous three quarters in fiscal 2016, the opposite was true. This is attributable to the decline in the closing rate of the U.S. dollar from the end of the third quarter, which gave rise to fair value gains on designated revenue hedges attributable to fiscal 2017 due to the foreign exchange rates in revenue hedging contracts being higher than the year end closing rate.

Results of Operations

Three months ended October 31, 2017 compared to three months ended October 31, 2016

Revenue

Total revenue for the second quarter ended October 31, 2017 increased to $18.1 million, $1.6 million or 9% higher, compared to $16.5 million for the same period of fiscal 2017. The U.S. dollar averaged CA$1.2496 in the second quarter of fiscal 2018 in comparison to CA$1.3116 in the second quarter of fiscal 2017. Approximately 66% of the Company's revenues were generated in

[1] Refer to section at end of MD&A titled "Non-IFRS Performance Measure"

the United States during the second quarter of fiscal 2018. The weaker U.S. dollar partially offset by the favorable variance of the Company's partial hedging of U.S. revenue gave rise to an unfavorable variance in comparison to the same period last year by an estimated $100,000. The weaker U.S. dollar impacted cost of sales and operating expenses favorably by approximately $100,000.

Overall total contract value bookings[2] amounted to $11.5 million in the second quarter of fiscal 2018 in comparison to $10.9 million for the same period of the previous fiscal year. During the second quarter of fiscal 2018, the Company signed three new accounts with a total contract value of $2.5 million compared to four new accounts with a total contract value of $3.9 million in the second quarter of fiscal 2017.

Proprietary products revenue, defined as internally developed products including proprietary software and hardware technology products, decreased to $1.6 million, $134,000 or 8% lower, in the second quarter of fiscal 2018 in comparison to the same period last year. There was a decrease in proprietary hardware technology products revenue and a decrease in proprietary software revenue.

Third party products revenue decreased to $1.4 million, $58,000 or 4% lower, in the second quarter of fiscal 2018 in comparison to $1.5 million for the same period last year. There was a decrease in radio-frequency equipment revenue and third-party software license revenue almost completely offset by an increase in storage equipment revenue.

Cloud, maintenance and subscription revenue increased to $6.4 million, higher by $253,000 or 4%, in the second quarter of fiscal 2018 compared to $6.2 million for the same period in the previous fiscal year. The increase of this revenue stream that is mostly recurring in nature is primarily attributable to higher maintenance revenue derived from maintenance on new license sales and price increases.

Professional services revenue increased to $7.9 million, higher by $1.4 million or 22%, in the second quarter of fiscal 2018 compared to $6.5 million for the same period in the previous fiscal year. There was an increase in customization services revenue and implementation services revenue in comparison to the same period of the prior fiscal year. In addition, the Company recognized in the second quarter of fiscal 2018 an amount of $1.0 million of deferred professional services revenue due to the termination of a contract and its associated future obligations.

As a percentage of total revenue, products accounted for 17% and services, which comprises cloud, maintenance and subscription revenue as well as professional services revenue, accounted for 79% in the second quarter of fiscal 2018 and 20% and 77% respectively for the comparable period of fiscal 2017.

Cost of Revenue

Total cost of revenue increased to $8.6 million, higher by $407,000 or 5%, in the second quarter of fiscal 2018 in comparison to $8.2 million for the same period in fiscal 2017. The increase is attributable to higher services costs of $319,000, higher products costs of $22,000 and higher reimbursable expenses of $66,000.

The cost of products stayed relatively flat at $1.4 million in comparison to the same period last year. This is due to the increase in storage equipment revenue almost completely offset by the decrease in third-party software license revenue and radio frequency equipment revenue discussed earlier.

The cost of services increased to $6.6 million, higher by $319,000 or 5% in the second quarter of fiscal 2018 in comparison to $6.3 million for the same period last year. The increase is primarily attributable to higher employee salaries and benefits and hosting expenses and a decrease in tax credits partially offset by a decrease in consulting expenses and third-party maintenance costs. In the second quarter of fiscal 2018, the average services headcount increased by eleven in comparison to the same period last year. The cost of services includes tax credits of $481,000 for the second quarter of fiscal 2018 compared to $580,000 for the same period in the previous fiscal year. The decrease in tax credits is mainly due to favorable adjustments related to prior periods that was recorded in the second quarter of fiscal 2017.

Gross Profit

Gross profit increased to $9.4 million, higher by $1.1 million or 14%, in the second quarter of fiscal 2018 in comparison to $8.3 million for the same period last year. This is mainly attributable to higher services margin of $1.4 million partially offset by lower products margin of $214,000. Total gross profit percentage in the second quarter of fiscal 2018 was 52% compared to 50% in the same period of fiscal 2017.

The products margin decreased to $1.7 million, $214,000 lower than the same period last year and is largely attributable to the revenue mix and margin on storage equipment, radio frequency equipment, and third-party software licenses discussed earlier.

Services gross profit during the second quarter of fiscal 2018 increased to $7.7 million, higher by $1.4 million in comparison to the same period of fiscal 2017. The services gross profit increased primarily due to the increased revenues arising from professional services and from cloud, maintenance and subscription services partially offset by the increased services costs arising primarily from the higher headcount as compared to the same period in the prior year. Services gross profit was 54% of services revenue in the second quarter of fiscal 2018 in comparison to 50% for the comparable period last year.

Operating Expenses

Total operating expenses for the second quarter of fiscal 2018 decreased to $7.8 million, lower by $128,000 or 2%, compared to $8.0 million for the same three-month period last year. The Company expects to leverage its current sales, marketing and general and administrative organization to support revenue growth. The most notable differences between the second quarter of fiscal 2018 in comparison with the same period in fiscal 2017 are as follows.

- Sales and marketing expenses increased to $3.9 million, $82,000 higher than the comparable quarter last year. There was an increase in commissions as well as a one-time severance cost of $391,000 partially offset by a decrease in salaries and benefits, travel expenses and a decrease in marketing program costs due to the Company's user conference

[2] Refer to section at end of MD&A titled "Key Performance Indicators"

taking place during the second quarter of fiscal 2017. In the second quarter of fiscal 2018, the average sales and marketing headcount decreased by three in comparison to the same period last year.

- General and administrative expenses decreased to $1.6 million, $108,000 lower than the comparable quarter last year. The decrease is mainly due to lower legal expenses partially offset by higher salaries and benefits, incentives and donations in comparison to the same period last year.

- Net R&D expenses decreased to $2.4 million, $102,000 lower than the comparable quarter last year. Gross R&D expenses decreased by $136,000 comprising primarily of lower consulting and travel expenses. The Company also recorded $310,000 of refundable and non-refundable R&D and e-business tax credits in the second quarter of fiscal 2018 in comparison to $355,000 for the same period in fiscal 2017. Also, the Company amortized deferred development costs and other intangible assets of $339,000 in the second quarter of fiscal 2018 in comparison to $377,000 for the same quarter a year earlier. In addition, the Company capitalized $27,000 of deferred development costs in the second quarter of fiscal 2017.

Profit from Operations

The Company recorded profit from operations of $1.6 million in the second quarter of fiscal 2018 in comparison to $320,000 for the comparable quarter of the previous year primarily as a result of an increase in services gross profit and lower operating expenses partially offset by a decrease in products gross profit.

Net Finance Costs

In the second quarter of fiscal 2018, the Company recorded net finance income of $33,000 in comparison to net finance costs of $55,000 for the comparable quarter last year. The increase in net finance income is primarily attributable to a lower exchange loss and lower interest expense on the Company's long-term debt and higher interest income on the Company's investments in comparison to the same period of the previous fiscal year.

Income Taxes

In the second quarter of fiscal 2018, the Company recorded income tax expense of $272,000 in comparison to $59,000 for the comparable period last year. The increase in tax expense is mainly due to the increased profitability in the second quarter of fiscal 2018 compared to the same quarter in fiscal 2017.

As at April 30, 2017, the Company had recognized net deferred tax assets of $2.2 million and has an unrecognized net deferred tax asset of $5.4 million covering various jurisdictions and approximately $6.1 million of Canadian federal nonrefundable SRED tax credits which may be used only to reduce future Canadian federal income taxes otherwise payable. As such, the Company does not anticipate any significant cash disbursements related to Canadian income taxes given its availability of Canadian federal non-refundable tax credits and deferred tax assets. Refer to note 14 of the annual consolidated financial statements for further detail.

Profit

The Company recorded a profit of $1.4 million or $0.10 per share in the second quarter of fiscal 2018 in comparison to a profit of $206,000 or $0.02 per share in the second quarter of fiscal 2017.

Results of Operations

Six months ended October 31, 2017 compared to six months ended October 31, 2016

Revenue

Total revenue for the first half ended October 31, 2017 increased to $34.6 million, $2.0 million or 6% higher, compared to $32.6 million for the same period of fiscal 2017. The U.S. dollar averaged CA$1.2849 in the first half of fiscal 2018 in comparison to CA$1.3037 in the first half of fiscal 2017. Approximately 69% of the Company's revenues were generated in the United States during the first half of fiscal 2018. The weaker U.S. dollar partially offset by the favorable variance of the Company's partial hedging of U.S. revenue gave rise to an unfavorable variance in comparison to the same period last year by an estimated $100,000. The weaker U.S. dollar impacted cost of sales and operating expenses favorably by approximately $100,000.

Overall total contract value bookings amounted to $21.3 million in the first half of fiscal 2018 in comparison to $16.9 million for the same period of the previous fiscal year. During the first half of fiscal 2018, the Company signed five new accounts with a total contract value of $5.1 million compared to six new accounts with a total contract value of $5.6 million in the first half of fiscal 2017.

Proprietary products revenue, defined as internally developed products including proprietary software and hardware technology, decreased to $2.9 million, $110,000 or 4% lower, in the first half of fiscal 2018 in comparison to $3.0 million for the same period last year. The decrease is mainly due to lower proprietary software revenue.

Third party products revenue was relatively flat at $3.0 million in the first half of fiscal 2018 in comparison to the first half of fiscal 2017. There was a decrease in storage equipment revenue almost completely offset by an increase in radio-frequency equipment revenue and third-party software license revenue.

Cloud, maintenance and subscription revenue increased to $13.5 million, higher by $699,000 or 5%, in the first half of fiscal 2018 compared to $12.8 million for the same period in the previous fiscal year. The increase of this revenue stream that is mostly recurring in nature is primarily attributable to higher maintenance revenue derived from maintenance on new license sales and price increases and higher cloud revenue.

Professional services revenue increased to $14.0 million, higher by $1.4 million or 11%, in the first half of fiscal 2018 compared to $12.6 million for the same period in the previous fiscal year. The increase is mainly attributable to an increase in implementation services revenue and the recognition of $1.0 million of deferred professional services revenue due to the termination of a contract and its associated future obligations.

As a percentage of total revenue, products accounted for 17% and services for 80% in the first half of fiscal 2018 and 18% and 78% respectively in the first half of fiscal 2017.

Cost of Revenue

Total cost of revenue increased to $17.4 million, higher by $675,000 or 4%, in the first half of fiscal 2018 in comparison to $16.7 million for the same period in fiscal 2017. The increase is attributable to higher services costs of $535,000, higher products costs of $119,000 and higher reimbursable expenses of $21,000.

The cost of products increased by $119,000 or 5% to $2.7 million in comparison to the same period last year and is largely related to the increase in radio-frequency equipment revenue and third-party software license revenue partially offset by the decrease in storage equipment revenue already discussed earlier.

The cost of services increased to $13.5 million, higher by $535,000 or 4% in the first half of fiscal 2018 in comparison to $13.0 million for the same period last year. The increase is primarily attributable to higher employee remuneration and hosting expenses and lower tax credits partially offset by lower recruiting costs, consulting fees, and costs related to third party maintenance revenue. In the first half of fiscal 2018, the average services headcount increased by ten in comparison to the same period last year. The cost of services includes tax credits of $989,000 for the first half of fiscal 2018 compared to $1.0 million for the same period in the previous fiscal year.

Gross Profit

Gross profit increased to $17.2 million, higher by $1.3 million or 8%, in the first half of fiscal 2018 in comparison to $15.9 million for the same period last year. This is mainly attributable to higher services margin of $1.6 million partially offset by a lower products margin of $258,000. Total gross profit percentage in the first half of fiscal 2018 was 50% compared to 49% in the same period of fiscal 2017.

The products margin decreased to $3.1 million, $258,000 lower than the same period last year and is attributable to the revenue mix and margin on storage equipment, radio frequency equipment and third-party software licenses discussed earlier.

Services gross profit during the first half of fiscal 2018 increased by $1.6 million to $14.1 million in comparison to $12.5 million in the same period of fiscal 2017 primarily due to the increased professional services, support and hosting revenue discussed earlier partially offset by increased services costs mentioned earlier. Services gross profit was 51% of services revenue in the first half of fiscal 2018 in comparison to 49% for the comparable period last year.

Operating Expenses

Total operating expenses for the first half of fiscal 2018 increased to $15.5 million, higher by $196,000 or 1%, compared to $15.3 million for the same six-month period last year. The most notable differences between the first half of fiscal 2018 in comparison with the same period in fiscal 2017 are as follows.

- Sales and marketing expenses amounted to $7.5 million, $129,000 higher than the comparable period last year. Expenses were higher primarily due to higher commissions and severance costs partially offset by lower salaries and benefits, travel expenses and a decrease in marketing program costs compared to the same period last year.

- General and administrative expenses increased to $3.2 million, $128,000 higher than the comparable period last year primarily as a result of higher salaries and benefits, incentives, recruiting costs and donations partially offset by lower legal expenses in comparison to the same period last year.

- Net R&D expenses stayed relatively flat at $4.9 million in the first half of fiscal 2018 in comparison to the same period in fiscal 2017. Gross R&D expenses decreased by $58,000 comprising primarily of lower salaries and benefits partially offset by higher recruiting costs. The Company also recorded $659,000 of R&D refundable and non-refundable tax credits and e-business tax credits in the first half of fiscal 2018 in comparison to $713,000 for the same period in fiscal 2017. In addition, the Company amortized deferred development costs and other intangible assets of $682,000 in the first half of fiscal 2018 in comparison to $766,000 for the same period a year earlier. Also, the Company capitalized deferred development costs of $27,000 in the first half of fiscal 2017.

Profit from Operations

The Company recorded profit from operations of $1.7 million in the first half of fiscal 2018 in comparison to $563,000 for the comparable period of the previous year primarily as a result of a higher services margin partially offset by a lower products margin and higher operating costs.

Net Finance Costs

In the first half of fiscal 2018, the Company recorded net finance income of $67,000 in comparison to net finance costs of $151,000 for the comparable period last year. The increase in net finance income is primarily attributable to a lower exchange loss and lower interest expense on the Company's long-term debt and higher interest income on the Company's investments in comparison to the same period of the previous fiscal year.

Income Taxes

In the first half of fiscal 2018, the Company recorded income tax expense of $302,000 in comparison to $78,000 for the comparable period last year. The increase in tax expense is mainly due to the increased profitability in the first half of fiscal 2018 compared to the same period in fiscal 2017.

Profit

The Company recorded a profit of $1.4 million or $0.11 per share in the first half of fiscal 2018 in comparison to a profit of $334,000 or $0.03 per share in the first half of fiscal 2017.

Liquidity and Capital Resources

On October 31, 2017, current assets totaled $32.1 million compared to $34.6 million at the end of fiscal 2017. Cash and cash equivalents decreased to $12.5 million compared to $13.5 million as at April 30, 2017. The decrease is mainly due to the payment of dividends, changes in non-cash working capital and the acquisition of tangible and intangible assets partially offset by the cash generated from operations. Cash and cash equivalents does not include $10.0 million held in a 3-year redeemable guaranteed investment certificate ("GIC"). Accounts receivable and work in progress totaled $11.9 million on October 31, 2017 compared to $14.8 million as at April 30, 2017. The decrease in accounts receivable and work in progress is due to significant cash collections during the first half of fiscal 2018 and the unfavorable foreign exchange impact on the translation of U.S. dollar receivables due to the closing rate for the U.S. dollar decreasing from CA$1.365 as at April 30, 2017 to CA$1.2888 as at October 31, 2017.

The Company's DSO (days sales outstanding)[3] stood at 59 days at the end the second quarter of fiscal 2018 compared to 72 days at the end of fiscal 2017 and 84 days at the end of the second quarter of fiscal 2017.

Current liabilities on October 31, 2017 totaled $17.7 million compared to $21.4 million at the end of fiscal 2017. The movement in the current liabilities is largely characterized by the decrease of accounts payable and accrued liabilities of $917,000 primarily due to the payment of incentives for fiscal year 2017 performance and the decrease in deferred revenue of $2.8 million primarily due to the recognition of $1.0 million due to the termination of a contract discussed earlier and timing of revenue recognition on support contracts that are paid in advance. Working capital increased to $14.5 million at the end of October 31, 2017 in comparison to $13.2 million at the end of fiscal year 2017.

The Company's banking and credit facilities require adherence to financial covenants. The Company was in compliance with these covenants as at October 31, 2017 and April 30, 2017.

Operating activities generated funds of $107,000 in the first half of fiscal 2018 in comparison to $3.6 million in the corresponding period of fiscal 2017. Operating activities excluding changes in non-cash working capital items generated $1.9 million in the first half of fiscal 2018 in comparison to $2.0 million in the same period in fiscal 2017 mainly due to lower unrealized foreign exchange, higher net finance income and lower depreciation partially offset by higher profitability and higher non-cash tax expense.

Non-cash working capital items used funds of $1.8 million in the first half of fiscal 2018 primarily due to decreases in deferred revenue of $2.8 million and accounts payable and accrued liabilities of $522,000 and increases in tax credits of $1.3 million partially offset by decreases in accounts receivable of $2.9 million.

Non-cash working capital items generated funds of $1.5 million in the first half of fiscal 2017 primarily due to decreases in accounts receivable of $4.7 million and tax credits receivable of $934,000 offset partially by a decrease in accounts payable and accrued liabilities of $1.8 million, a decrease in deferred revenues of $395,000, an increase in work in progress of $1.3 million and an increase in other accounts receivable of $598,000. The accounts receivable as at October 31, 2016 are lower as compared to April 30, 2016 due to significant cash collections on accounts receivable generated during the record quarter for revenues that occurred in the fourth quarter of fiscal 2016. During the first quarter of fiscal 2017, the Company received $2.3 million of refundable tax credits pertaining to fiscal year 2015.

The Company believes that funds on hand at October 31, 2017 combined with cash flow from operations will be sufficient to meet its needs for working capital, R&D, capital expenditures, debt repayment, and dividends for at least the next twelve months.

Financing activities generated funds of $9.2 million in the first half of fiscal 2018 in comparison to using funds of $1.5 million in the same period in fiscal 2017. On June 27, 2017, the Company completed an offering of 1,100,050 common shares of the Company at the offering price of $15.00 per common share for aggregate gross proceeds of $16,500,750 (the "Offering"). The Offering includes a treasury offering of 767,050 shares by the Company, including 100,050 common shares purchased by the underwriters pursuant to the exercise of their over-allotment option on June 27, 2017, for gross proceeds of $11,505,750 and a secondary offering of 333,000 shares by (i) David Brereton, Executive Chairman of the Company; (ii) Dabre Inc., David Brereton's holding company; and (iii) Kathryn Ensign-Brereton, David Brereton's spouse for aggregate gross proceeds of $4,995,000. The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by Cormark Securities Inc. on its own behalf and on behalf of two other underwriters.

The common shares were offered by way of a short form prospectus filed in all provinces in Canada.

Transaction costs directly associated with this issuance of treasury shares of approximately $1,052,005 have been recognized as a reduction of the proceeds, resulting in net total proceeds of approximately $10,453,745 for the treasury offering

During the first half of fiscal 2018, the Company repaid $37,000 of long-term debt in comparison to $717,000 repaid in the first half of fiscal 2017. The decrease in long-term debt repayments is due to the Company prepaying its remaining principal balance on its term loans of $1,817,000 on April 3, 2017. The Company paid dividends of $1.2 million and $739,000 during the first half of fiscal 2018 and fiscal 2017, respectively, as it increased its quarterly dividend to $0.045 per share in fiscal 2018 compared to $0.03 per share in fiscal 2017. The Company also paid interest of $1,000 and $49,000 during the first half of fiscal 2018 and fiscal 2017, respectively.

During the first half of fiscal 2018, investing activities used funds of $10.4 million in comparison to $295,000 in the comparable period last year. $10.0 million of the cash generated by the bought deal discussed above was invested in a long-term redeemable GIC for a period of three years. The Company used funds of $380,000 and $323,000 for the acquisition of property and equipment, and intangible assets in the first half of fiscal 2018 and fiscal 2017 respectively. In the first half of fiscal 2018, the Company invested in its proprietary software products with the capitalization of $72,000 reflected as deferred development costs whereas $27,000 of costs were capitalized in the first half of fiscal 2017. The Company received interest of $96,000 and $55,000 in the first half of fiscal 2018 and fiscal 2017, respectively.

[3] Refer to section at end of MD&A titled "Key Performance Indicators"

Related Party Transactions

Under the provisions of the current share purchase plan for key management and other management employees, the Company extended interest-free loans of $538,000 to key management and other management employees to facilitate their purchase of Company shares during the first half ended October 31, 2017. The outstanding loans as at October 31, 2017 amounted to $429,000.

Subsequent Event

On November 30, 2017, the Company's Board of Directors approved an 11% increase of the quarterly dividend from $0.045 per share to $0.05 per share. To this effect, the Company declared a dividend of $0.05 per share, to be paid on January 11, 2018 to shareholders of record at the close of business on December 21, 2017.

Current and Anticipated Impacts of Current Economic Conditions

The current overall economic condition, together with the market uncertainty and volatility that exists today, may have an adverse impact on the demand for the Company's products and services as industry may adjust quickly to exercise caution on capital spending. Furthermore, the regulatory changes in the United States health care system from which the Company derives a significant amount of its revenue is going through a period of uncertainty. This uncertainty may impact the Company's revenue.

Fiscal 2017 was a very robust period with bookings amounting to $42.6 million, and this continued the trend from fiscal year 2016 where bookings totaled $42.2 million, with a substantial amount of the bookings being in the healthcare sector. The magnitude of the growth trend will depend on the strength and sustainability of the economic growth and the demand for supply chain management software.

Given the current backlog[4] of $42.4 million, comprised primarily of services, the Company's management believes that the services revenue ranging between $13.0 million and $13.5 million per quarter can be sustained in the short term if no significant new agreements are completed.

Strategically, the Company continues to focus its efforts on the most likely opportunities within its existing vertical markets and customer base. The Company also currently offers subscription-based licensing, hosting services, modular sales and implementations, and enhanced payment terms to promote revenue growth.

The exchange rate of the U.S. dollar in comparison to the Canadian dollar continues to be an important factor affecting revenues and profitability as the Company generally derives 65% to 75% 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 the economic reality. The Company has increased its headcount over the past several years to meet the higher demand for its services and to capture pipeline opportunities. The Company will focus its attention on rendering this investment profitable while addressing the services backlog contributing to revenue generation. Other cost areas under continuous scrutiny are traveling, consulting and communications.

The Company believes that funds on hand together with anticipated cash flows from operations, and its accessibility to the operating line of credit will be sufficient to meet all its needs for a least the next twelve months. The Company can further manage its capital structure by adjusting its dividend policy.

Outstanding Share Data

On November 30, 2017, the Company has 13,082,376 common shares as there has been no activity since the end of the Company's second quarter.

Change in Accounting Policies

No new accounting standards adopted in fiscal 2018

The Company has not adopted any new standards, amendments and interpretations to existing standards in the first half of fiscal 2018 commencing May 1, 2017. The preparation of financial data is based on the accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at April 30, 2017.

New accounting standards and interpretations issued but not yet adopted

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Standards Interpretations Committee ('IFRS IC") that are mandatory but not yet effective for the period ended October 31, 2017, and have not been applied in preparing these condensed interim consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company except for the following:

IFRS 9, *Financial Instruments* ("IFRS 9"):

In July 2014, the IASB issued the complete version of IFRS 9 (2014), *Financial Instruments*. IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Company early adopted effective May 1, 2014. IFRS 9 (2014) includes updated guidance on the

[4] Refer to section at end of MD&A titled "Key Performance Indicators"

classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted, however an entity may elect to apply earlier versions of IFRS 9 if the entity's relevant date of initial application is before February 1, 2015. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"):

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers.

IFRS 15 supersedes the following standards: IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Service*.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16"):

In January 2016, the IASB issued IFRS 16, which specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17, *Leases*. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15 has also been applied. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22"):

In December 2016, the IASB issued IFRIC 22. The interpretation clarifies which date should be used for translation when accounting for transactions in a foreign currency that include the receipt or payment of advance consideration. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRIC 22 on its consolidated financial statements.

Critical Accounting Policies

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results. A summary of the Company's significant accounting policies, including the critical accounting policies discussed below, is set out in the notes to the accompanying financial statements and the financial statements for the year ended April 30, 2017.

Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

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 could 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 estimates are revised and in any future periods affected.

Information about areas requiring the use of judgment, management assumptions and estimates, and key sources of estimation uncertainty that the Company believes could have the most significant impact on reported amounts is noted below:

(i) Revenue recognition:

Revenue recognition is subject to critical judgment, particularly in multiple-element arrangements where judgment is required in allocating revenue to each component, including licenses, professional services and maintenance services, based on the relative fair value of each component. As certain of these components have a term of more than one year, the identification of each deliverable and the allocation of the consideration received to the components impacts the timing of revenue recognition.

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various tax credits and in assessing the eligibility of research and development and other expenses which give rise to these credits.

(iii) Income taxes:

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and available tax planning strategies in making this assessment.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

(iv) Impairment of assets:

Impairment assessments may require the Company to determine the recoverable amount of a cash generating unit (“CGU”), defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. This determination requires significant estimates in a variety of areas including: expected sales, gross margins, selling costs, timing and size of cash flows, and discount and interest rates. The Company documents and supports all assumptions made in the above estimates and updates such assumptions to reflect the best information available to the Company if and when an impairment assessment requires the recoverable amount of a CGU to be determined.

(v) Allowance for doubtful accounts:

The Company makes an assessment of whether accounts receivable are collectable, which considers credit loss insurance and the credit-worthiness of each customer, taking into account each customer’s financial condition and payment history in order to estimate an appropriate allowance for doubtful accounts. Furthermore, these estimates must be continuously evaluated and updated. The Company is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers’ financial conditions deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Company may be required to record additional allowances. Alternatively, if the Company provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

(vi) Business combinations:

Business combinations are accounted for in accordance with the acquisition method. On the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

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 October 31, 2017.

Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company’s financial reporting and its compliance with IFRS in its 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 six-month period ending on October 31, 2017 that have materially affected, or are reasonably likely to materially affect internal controls over financial reporting.

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.

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 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 rate; (xviii) technology and regulatory changes; (xix) internal information technology infrastructure and applications, (xx) and cyber security.

Non-IFRS Performance Measure

The Company uses a certain non-IFRS financial performance measure in its MD&A and other communications which is described in the following section. This non-IFRS measure does not have any standardized meaning prescribed by IFRS and is unlikely to be comparable to a similarly titled measure reported by other companies. Readers are cautioned that the disclosure of this metric 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.

EBITDA

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization. The Company believes that this measure is 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.

The EBITDA calculation for the first half of fiscal 2018 and 2017, derived from IFRS measures in the Company's condensed interim consolidated financial statements, is as follows:

	Six-months ended October 31, 2017	Six-months ended October 31, 2016
Profit for the period	$ 1,425	$ 334
Adjustments for:		
Depreciation of property and equipment	405	413
Depreciation of deferred development costs	599	683
Depreciation of other intangible assets	235	247
Interest expense	1	49
Interest income	(96)	(55)
Income taxes	302	78
EBITDA	$ 2,871	$ 1,749

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 are unlikely to be comparable to similarly titled indicators reported by other companies. 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 both IFRS measures and key performance indicators when planning, monitoring and evaluating the Company's performance.

Bookings

Broadly speaking, bookings refers to the total value of accepted contracts, including software licenses and other proprietary products and related support services, third-party hardware and software and related support services, contracted work or services, and changes to such contracts recorded during a specified period. The Total Contract Value (TCV) is not typically limited to the first year, nor would it typically exclude certain transaction types. The Company believes that this metric is a primary indicator of the general state of the business performance. Bookings typically include all items with a revenue implication, such as new contracts, renewals, upgrades, downgrades, add-ons, early terminations and refunds. Bookings are typically segmented into classifications, such as new account bookings or base account bookings, and performance in these bookings classes is frequently used in various sales and other compensation plans.

Backlog

Generally, backlog refers to something unfulfilled. In a traditional software company, this term is used largely within finance. Backlog refers to the value of contracted orders that have not shipped and services not yet delivered. Backlog could refer to the value of contracted or committed revenue that is not yet recognizable due to acceptance criteria, delivery of professional services, or some accounting rule. The quantification of backlog is not limited to the first year, nor would it typically exclude certain transaction types. In this context, backlog is really "revenue backlog" and is the total unrecognized future revenue from existing signed contracts.

Days Sales Outstanding (DSO)

Days sales outstanding (DSO) is a measure of the average number of days that a company takes to collect revenue after a sale has been made. The Company's DSO is determined on a quarterly basis and can be calculated by dividing the amount 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.

Condensed Interim Consolidated Financial Statements of
(Unaudited)

TECSYS INC.

For the three and six-month periods ended October 31, 2017 and 2016

MANAGEMENT'S COMMENTS ON THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX-MONTH PERIODS ENDED OCTOBER 31, 2017 and 2016

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 30th day of November, 2017.

TECSYS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six-month periods ended October 31, 2017 and 2016

Financial Statements

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Condensed Interim Consolidated Statements of Changes in Equity 4

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TECSYS Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
As at October 31, 2017 and April 30, 2017
(in thousands of Canadian dollars)

	Note	October 31, 2017	April 30, 2017
Assets			
Current assets			
Cash and cash equivalents		$ 12,458	$ 13,476
Accounts receivable		11,347	14,218
Work in progress		525	612
Other receivables		705	370
Tax credits		4,562	3,126
Inventory		875	914
Prepaid expenses		1,659	1,899
Total current assets		32,131	34,615
Non-current assets			
Long-term investments	4	10,007	-
Other long-term receivables		249	-
Tax credits		5,252	5,407
Property and equipment		2,292	2,444
Deferred development costs		2,224	2,751
Other intangible assets		1,415	1,523
Goodwill		3,596	3,596
Deferred tax assets		2,402	2,201
Total non-current assets		27,437	17,922
Total assets		$ 59,568	$ 52,537
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 8,348	$ 9,265
Current portion of long-term debt		55	69
Deferred revenue		9,259	12,094
Total current liabilities		17,662	21,428
Non-current liabilities			
Long-term debt		98	121
Other non-current liabilities		256	277
Total non-current liabilities		354	398
Total liabilities		18,016	21,826
Equity			
Share capital	5	18,803	8,349
Contributed surplus		9,577	9,577
Retained earnings		13,311	13,064
Accumulated other comprehensive loss	8	(139)	(279)
Total equity attributable to the owners of the Company		41,552	30,711
Total liabilities and equity		$ 59,568	$ 52,537
Subsequent event	12		

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

TECSYS Inc.

Condensed Interim Consolidated Statements of Income and Comprehensive Income
(Unaudited)
Three and six-month periods ended October 31, 2017 and 2016
(in thousands of Canadian dollars, except per share data)

	Note	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
Revenue:					
Proprietary products		$ 1,645	$ 1,779	$ 2,893	$ 3,003
Third-party products		1,447	1,505	2,969	2,998
Cloud, maintenance and subscription		6,446	6,193	13,536	12,837
Professional services		7,884	6,457	14,028	12,641
Reimbursable expenses		650	584	1,157	1,136
Total revenue		18,072	16,518	34,583	32,615
Cost of revenue:					
Products		1,372	1,350	2,732	2,613
Services	6	6,612	6,293	13,504	12,969
Reimbursable expenses		650	584	1,157	1,136
Total cost of revenue		8,634	8,227	17,393	16,718
Gross profit		9,438	8,291	17,190	15,897
Operating expenses:					
Sales and marketing		3,851	3,769	7,484	7,355
General and administration		1,611	1,719	3,187	3,059
Research and development, net of tax credits		2,381	2,483	4,859	4,920
Total operating expenses		7,843	7,971	15,530	15,334
Profit from operations		1,595	320	1,660	563
Net finance (income) costs	7	(33)	55	(67)	151
Profit before income taxes		1,628	265	1,727	412
Income taxes		272	59	302	78
Profit attributable to the owners of the Company		$ 1,356	$ 206	$ 1,425	$ 334
Other comprehensive (loss) income:					
Effective portion of changes in fair value on designated revenue hedges	8	(655)	(136)	140	(861)
Comprehensive income (loss) attributable to the owners of the Company		$ 701	$ 70	$ 1,565	$ (527)
Basic and diluted earnings per common share	5	$ 0.10	$ 0.02	$ 0.11	$ 0.03

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

TECSYS Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

Six-month periods ended October 31, 2017 and 2016

(in thousands of Canadian dollars)

	Note	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
Cash flows from (used in) operating activities:			
Profit for the period		$ 1,425	$ 334
Adjustments for:			
Depreciation of property and equipment		405	413
Depreciation of deferred development costs		599	683
Depreciation of other intangible assets		235	247
Net finance (income) costs	7	(67)	151
Unrealized foreign exchange and other		(556)	575
Non-refundable tax credits		(368)	(457)
Income taxes		210	78
Operating activities excluding changes in non-cash working capital items related to operations		1,883	2,024
Accounts receivable		2,871	4,735
Work in progress		87	(1,331)
Other receivables		(327)	(598)
Tax credits		(1,329)	934
Inventory		39	(164)
Prepaid expenses		240	204
Accounts payable and accrued liabilities		(522)	(1,839)
Deferred revenue		(2,835)	(395)
Changes in non-cash working capital items related to operations		(1,776)	1,546
Net cash from operating activities		107	3,570
Cash flows (used in) from financing activities:			
Repayment of long-term debt		(37)	(717)
Issuance of common shares	5	10,454	-
Payment of dividends		(1,178)	(739)
Interest paid	7	(1)	(49)
Net cash from (used in) financing activities		9,238	(1,505)
Cash flows (used in) from investing activities:			
Long-term investments	4	(10,007)	-
Interest received	7	96	55
Acquisitions of property and equipment		(253)	(233)
Acquisitions of other intangible assets		(127)	(90)
Deferred development costs		(72)	(27)
Net cash used in investing activities		(10,363)	(295)
Net (decrease) increase in cash and cash equivalents during the period		(1,018)	1,770
Cash and cash equivalents - beginning of period		13,476	9,704
Cash and cash equivalents - end of period		$ 12,458	$ 11,474

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

TECSYS Inc.

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)
Six-month periods ended October 31, 2017 and 2016
(in thousands of Canadian dollars, except number of shares)

	Note	Share capital Number	Share capital Amount	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings	Total
Balance, April 30, 2017		12,315,326	$ 8,349	$ 9,577	$ (279)	$ 13,064	$ 30,711
Profit for the period		-	-	-	-	1,425	1,425
Other comprehensive income for the period:							
Effective portion of changes in fair value on designated revenue hedges	8	-	-	-	140	-	140
Total comprehensive income for the period		-	-	-	140	1,425	1,565
Common shares issued under bought deal financing	5	767,050	10,454	-	-	-	10,454
Dividends to equity owners	5	-	-	-	-	(1,178)	(1,178)
Total transactions with owners of the Company		767,050	10,454	-	-	(1,178)	9,276
Balance, October 31, 2017		13,082,376	$ 18,803	$ 9,577	$ (139)	$ 13,311	$ 41,552
Balance, April 30, 2016		12,315,326	$ 8,349	$ 9,577	$ 607	$ 8,913	$ 27,446
Profit for the period		-	-	-	-	334	334
Other comprehensive loss for the period:							
Effective portion of changes in fair value on designated revenue hedges	8	-	-	-	(861)	-	(861)
Total comprehensive (loss) income for the period		-	-	-	(861)	334	(527)
Dividends to equity owners	5	-	-	-	-	(739)	(739)
Total transactions with owners of the Company		-	-	-	-	(739)	(739)
Balance, October 31, 2016		12,315,326	$ 8,349	$ 9,577	$ (254)	$ 8,508	$ 26,180

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 and point-of-use. The Company also provides related consulting, education 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 and Canada. The Company's customers consist primarily of healthcare systems and high-volume distributors of discrete goods. 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. Statement of compliance:

These 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 of 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, 2017.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 30, 2017.

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, 2017.

3. New accounting standards and interpretations issued but not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or the International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are mandatory but not yet effective for the period ended October 31, 2017, and have not been applied in preparing these condensed interim consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company except for the following:

IFRS 9, *Financial Instruments* ("IFRS 9"):

In July 2014, the IASB issued the complete version of IFRS 9 (2014), *Financial Instruments.* IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Company early adopted effective May 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted, however an entity may elect to apply earlier versions of IFRS 9 if the entity's relevant date of initial application is before February 1, 2015. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"):

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers.

IFRS 15 supersedes the following standards: IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Service.*

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRS 16, *Leases* (“IFRS 16”):

In January 2016, the IASB issued IFRS 16, which specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17, *Leases*. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15 has also been applied. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”):

In December 2016, the IASB issued IFRIC 22. The interpretation clarifies which date should be used for translation when accounting for transactions in a foreign currency that include the receipt or payment of advance consideration. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRIC 22 on its consolidated financial statements.

4. Long-term investments:

On October 17, 2017, the Company invested $10,007,000 in a 3-year redeemable guaranteed investment certificate (“GIC”) that matures on October 17, 2020. The GIC bears interest at a rate of 1.9% and interest payments are made to the Company on an annual basis. If the GIC is redeemed prior to maturity but at least 31 days after the initial investment date, the Company will receive interest based on interest rates ranging from 1.35% to 1.70%.

5. Share capital:

(a) Bought deal shares issuance:

On June 27, 2017, the Company completed an offering of 1,100,050 common shares of the Company at the offering price of $15.00 per common share for aggregate gross proceeds of $16,500,750 (the “Offering”). The Offering includes a treasury offering of 767,050 shares by the Company, including 100,050 common shares purchased by the underwriters pursuant to the exercise of their over-allotment option on June 27, 2017, for gross proceeds of $11,505,750 and a secondary offering of 333,000 shares by (i) David Brereton, Executive Chairman of the Company; (ii) Dabre Inc., David Brereton’s holding company; and (iii) Kathryn Ensign-Brereton, David Brereton’s spouse for aggregate gross proceeds of $4,995,000. The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by Cormark Securities Inc. on its own behalf and on behalf of two other underwriters.

The common shares were offered by way of a short form prospectus filed in all provinces in Canada.

Transaction costs directly associated with this issuance of treasury shares of approximately $1,052,005 have been recognized as a reduction of the proceeds, resulting in net total proceeds of approximately $10,453,745 for the treasury offering.

(b) Dividends:

On July 6, 2017, the Company declared a dividend of $0.045 per share, paid on August 4, 2017 to shareholders of record on July 21, 2017. On September 7, 2017, the Company declared another dividend of $0.045 per share, paid on October 6, 2017 to shareholders of record at the close of business on September 22, 2017.

On July 6, 2016, the Company declared a dividend of $0.03 per share, paid on August 4, 2016 to shareholders of record on July 21, 2016. On September 8, 2016, the Company declared another dividend of $0.03 per share, paid on October 7, 2016 to shareholders of record at the close of business on September 23, 2016.

(c) Earnings per share:

Basic and diluted earnings per share:

The calculation of basic and diluted earnings per share is based on the profit attributable to common shareholders and in the case of basic earnings per share, the weighted average number of common shares outstanding, or in the case of diluted earnings per share, the weighted average number of common shares outstanding after adjustment for the effects of all dilutive share options. Diluted earnings per share is the same as basic earnings per share since the Company no longer has any dilutive share options outstanding and therefore, the basic and diluted earnings per share is calculated as follows:

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
Profit attributable to common shareholders	$ 1,356	$ 206	$ 1,425	$ 334
Weighted average number of common shares outstanding (basic and diluted)	13,082,376	12,315,326	12,844,757	12,315,326
Basic and diluted earnings per common share	$ 0.10	$ 0.02	$ 0.11	$ 0.03

6. Cost of revenue:

Services cost is broken down as follows:

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
Gross expenses	$ 7,093	$ 6,873	$ 14,493	$ 13,993
E-business tax credits	(481)	(580)	(989)	(1,024)
	$ 6,612	$ 6,293	$ 13,504	$ 12,969

7. Net finance (income) costs:

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
Interest expense on financial liabilities measured at amortized cost	$ -	$ 23	$ 1	$ 49
Foreign exchange loss	27	54	28	157
Interest income on bank deposits	(60)	(22)	(96)	(55)
Net finance (income) costs recognized in profit or loss	$ (33)	$ 55	$ (67)	$ 151

8. Derivative instruments and risk management:

The Company is exposed to currency risk as a certain 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 offset the impact of the fluctuation of the U.S. dollar regarding the revaluation of its U.S. net monetary assets and to 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

On October 31, 2017, the Company held outstanding foreign exchange contracts with various maturities to December 29, 2017 to sell US$2,550,000 into Canadian dollars at a rate of CA$1.2464 to yield CA$3,178,000. On October 31, 2017, the Company had recorded an unrealized exchange loss of $110,000 included in accounts payable and accrued liabilities representing the change in fair value of these contracts since inception and their initial measurement.

On October 31, 2016, the Company held outstanding foreign exchange contracts with various maturities to March 2017 to sell US$3,750,000 into Canadian dollars at a rate of CA$1.3178 to yield CA$4,942,000. On October 31, 2016, the Company had recorded an unrealized exchange loss of $84,000 included in accounts payable and accrued liabilities representing the change in fair value of these contracts since inception and their initial measurement.

Revenue hedge designated derivative instruments

On October 31, 2017, the Company held outstanding foreign exchange contracts with various maturities to June 29, 2018 to sell US$10,000,000 into Canadian dollars at rates averaging CA$1.2949 to yield CA$12,950,000. Of the outstanding US$10,000,000 hedge designated foreign exchange contracts, US$6,000,000 pertains to highly probable future revenue denominated in U.S. dollars expected over the next five months while US$4,000,000 relates to realized U.S. dollar denominated revenue. On October 31, 2017, the Company had recorded an overall unrealized gain of $66,000 representing the change in fair value of these outstanding contracts since inception and their initial measurement. A fair value gain of $257,000 of certain derivatives was recorded in other receivables and a fair value loss of $191,000 on other derivatives was recorded in accounts payable and accrued liabilities in the consolidated statement of financial position.

On October 31, 2016, the Company held outstanding foreign exchange contracts with various maturities to June 2017 to sell US$10,000,000 into Canadian dollars at rates averaging CA$1.2918 to yield CA$12,918,000. Of the outstanding US$10,000,000 hedge designated foreign exchange contracts, US$6,000,000 pertains to highly probable future revenue denominated in U.S. dollars expected over the next five months while US$4,000,000 relates to realized U.S. dollar denominated revenue. On October 31, 2016, the Company had recorded an unrealized exchange loss of $478,000 included in accounts payable and accrued liabilities representing the change in fair value of these contracts since inception and their initial measurement.

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

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
Accumulated other comprehensive income (loss) at the beginning of the fiscal period	$ 516	$ (118)	$ (279)	$ 607
Net (loss) gain on derivatives designated as cash flow hedges	(444)	(382)	743	(956)
Amounts reclassified from accumulated other comprehensive income (loss) to net earnings, and included in:				
Revenue increase (decrease)	290	(168)	382	121
Exchange (loss) gain in net finance costs	(79)	(78)	221	(216)
Accumulated other comprehensive loss	$ (139)	$ (254)	$ (139)	$ (254)

As at October 31, 2017, all of the net loss presented in accumulated other comprehensive loss is expected to be classified to net profit within the next five months.

The fair value of derivative financial instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument. The fair value hierarchy related to the outstanding foreign exchange contracts is categorized as level 2.

9. Related party transactions:

Key management includes the 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 October 31, 2017, key management and their spouses control 31.9% (October 31, 2016 – 41.0%) of the issued common shares of the Company.

The compensation paid or payable to key management for employee services is as follows:

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
Salaries	$ 976	$ 777	$ 1,612	$ 1,414
Other short-term benefits	42	39	92	102
Payments to defined contribution plans	13	14	29	28
	$ 1,031	$ 830	$ 1,733	$ 1,544

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans of $538,000 (fiscal 2017 - $187,000) to key management and other management employees to facilitate their purchase of Company shares during the six months ended October 31, 2017. The outstanding loans as at October 31, 2017 amounted to $429,000 (October 31, 2016 - $93,000).

10. Operating segments:

Management has organized the Company under one reportable segment: the development and marketing of enterprise-wide distribution software and related services. Substantially all of the Company’s property and equipment, goodwill and other intangible assets are located in Canada. The Company’s subsidiaries in the U.S. and the U.K. comprise sales and service operations offering implementation and maintenance services only.

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

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016	Six Months Ended October 31, 2017	Six Months Ended October 31, 2016
Canada	$ 5,580	$ 4,178	$ 9,880	$ 9,261
United States	11,931	11,835	23,742	22,442
Other	561	505	961	912
	$ 18,072	$ 16,518	$ 34,583	$ 32,615

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the basis of presentation used in the current year.

Following is a reconciliation of the reclassified items and amounts in the condensed interim consolidated statements of income and comprehensive loss for the six months ended October 31, 2016:

	Note	Previous presentation	Reclassification	Current presentation
Revenue:				
Proprietary products	(a)	$ 5,278	$ (2,275)	$ 3,003
Third-party hardware and software products	(b)	4,001	(4,001)	-
Third-party products	(b)	-	2,998	2,998
Services	(c)	22,200	(22,200)	-
Cloud, maintenance and subscription	(a), (b), (c)	-	12,837	12,837
Professional services	(c)	-	12,641	12,641
Reimbursable expenses		1,136	-	1,136
Total revenue		32,615	-	32,615
Cost of revenue:				
Products	(d)	3,276	(663)	2,613
Services	(d)	12,306	663	12,969
Reimbursable expenses		1,136	-	1,136
Total cost of revenue		16,718	-	16,718
Gross profit		15,897	-	15,897
Operating expenses:				
Sales and marketing		7,355	-	7,355
General and administration		3,059	-	3,059
Research and development, net of tax credits		4,920	-	4,920
Total operating expenses		15,334	-	15,334
Profit from operations		563	-	563
Net finance costs		151	-	151
Profit before income taxes		412	-	412
Income taxes		78	-	78
Profit attributable to the owners of the Company		$ 334	$ -	$ 334
Other comprehensive loss:				
Effective portion of changes in fair value on designated revenue hedges		(861)	-	(861)
Comprehensive loss attributable to the owners of the Company		$ (527)	$ -	$ (527)
Basic and diluted earnings per common share		$ 0.03	$ -	$ 0.03

(a) The Company's support agreements for proprietary software licenses generally call for the Company to provide technical support and unspecified software updates to customers and are recognized ratably over the term of the support agreement. The Company previously had been presenting the portion related to the unspecified software updates as part of proprietary products revenue and now has reclassified these amounts to be included within cloud, maintenance and subscription revenue. The reclassification was for a total of $2,275,000 for the six months ended October 31, 2016.

(b) The Company's previous presentation of third-party hardware and software products revenue included both third-party hardware products as well as third-party software licenses and their related support revenue. The Company has now reclassified the support revenue portion for third-party software licenses within cloud, maintenance and subscription revenue for a total of $1,003,000 and the third-party hardware products and third-party software licenses portion within third-party products revenue for a total of $2,998,000 for the six months ended October 31, 2016.

(c) The Company's previous presentation of services revenue included professional services, proprietary products maintenance and cloud revenues. The Company has reclassified professional services revenue onto a separate line within the condensed interim consolidated statements of income and comprehensive income for a total of $12,641,000 for the six months ended October 31, 2016. Cloud revenue and proprietary products maintenance revenue have been reclassified within cloud, maintenance and subscription revenue for a total of $9,559,000 for the six months ended October 31, 2016.

(d) The Company's previous presentation of products cost included costs on third-party software licenses support. The Company has now reclassified the costs related to this support within services cost for a total of $663,000 for the six months ended October 31, 2016. Services cost includes the costs for both cloud, maintenance and subscription as well as professional services.

Following is a reconciliation of the reclassified items and amounts in the condensed interim consolidated statements of income and comprehensive loss for the three months ended October 31, 2016:

	Note	Previous presentation	Reclassification	Current presentation
Revenue:				
Proprietary products	(e)	$ 2,922	$ (1,143)	$ 1,779
Third-party hardware and software products	(f)	1,831	(1,831)	-
Third-party products	(f)	-	1,505	1,505
Services	(g)	11,181	(11,181)	-
Cloud, maintenance and subscription	(e), (f), (g)	-	6,193	6,193
Professional services	(g)	-	6,457	6,457
Reimbursable expenses		584	-	584
Total revenue		16,518	-	16,518
Cost of revenue:				
Products	(h)	1,578	(228)	1,350
Services	(h)	6,065	228	6,293
Reimbursable expenses		584	-	584
Total cost of revenue		8,227	-	8,227
Gross profit		8,291	-	8,291
Operating expenses:				
Sales and marketing		3,769	-	3,769
General and administration		1,719	-	1,719
Research and development, net of tax credits		2,483	-	2,483
Total operating expenses		7,971	-	7,971
Profit from operations		320	-	320
Net finance costs		55	-	55
Profit before income taxes		265	-	265
Income taxes		59	-	59
Profit attributable to the owners of the Company		$ 206	$ -	$ 206
Other comprehensive loss:				
Effective portion of changes in fair value on designated revenue hedges		(136)	-	(136)
Comprehensive loss attributable to the owners of the Company		$ 70	$ -	$ 70
Basic and diluted earnings per common share		$ 0.02	$ -	$ 0.02

(e) The Company's support agreements for proprietary software licenses generally call for the Company to provide technical support and unspecified software updates to customers and are recognized ratably over the term of the support agreement. The Company previously had been presenting the portion related to the unspecified software updates as part of proprietary products revenue and now has reclassified these amounts to be included within cloud, maintenance and subscription revenue. The reclassification was for a total of $1,143,000 for the three months ended October 31, 2016.

(f) The Company's previous presentation of third-party hardware and software products revenue included both third-party hardware products as well as third-party software licenses and their related support revenue. The Company has now reclassified the support revenue portion for third-party software licenses within cloud, maintenance and subscription revenue for a total of $326,000 and the third-party hardware products and third-party software licenses portion within third-party products revenue for a total of $1,505,000 for the three months ended October 31, 2016.

(g) The Company's previous presentation of services revenue included professional services, proprietary products maintenance and cloud revenues. The Company has reclassified professional services revenue onto a separate line within the condensed interim consolidated statements of income and comprehensive income for a total of $6,457,000 for the three months ended October 31, 2016. Cloud revenue and proprietary products maintenance revenue have been reclassified within cloud, maintenance and subscription revenue for a total of $4,724,000 for the three months ended October 31, 2016.

(h) The Company's previous presentation of products cost included costs on third-party software licenses support. The Company has now reclassified the costs related to this support within services cost for a total of $228,000 for the three months ended October 31, 2016. Services cost includes the costs for both cloud, maintenance and subscription as well as professional services.

12. Subsequent event:

On November 30, 2017, the Company's Board of Directors approved an 11% increase of the quarterly dividend from $0.045 per share to $0.05 per share. To this effect, the Company declared a dividend of $0.05 per share, to be paid on January 11, 2018 to shareholders of record at the close of business on December 21, 2017.

TECSYS Inc.
1 Place Alexis Nihon
Suite 800
Montreal, Quebec H3Z 3B8
Canada
Tel: (800) 922-8649
(514) 866-0001
Fax: (514) 866-1805

www.tecsys.com

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