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

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This Management Discussion and Analysis (MD&A) dated July 3, 2019 comments on our operations, financial performance and financial condition as at and for the years ended April 30, 2019 and April 30, 2018 and should be read in conjunction with the Consolidated Financial Statements of Tecsys Inc. ("Tecsys" the "Company") and Notes thereto, which are included in this document. The Company's fiscal year ended on April 30, 2019. Fiscal 2019 refers to the twelve-month period ended April 30, 2019.

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

This document and the 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.

The consolidated financial statements were authorized for issue by the Board of Directors on July 3, 2019.

Additional information about the Company can be obtained from SEDAR at www.sedar.com.

Overview

Tecsys is a global provider of supply chain solutions that equip organizations with industry-leading services and tools to achieve operational success. Tecsys' solutions are designed to create clarity out of the complex supply chain challenges facing organizations today. Tecsys solutions include warehouse management, distribution and transportation management, supply management at point-of-use, distributed order management, as well as financial management and analytics solutions.

Customers running on Tecsys' Itopia® supply chain platform are confident knowing they can execute, day in and day out, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating a Tecsys platform can adapt and scale to business needs or size, expand and collaborate with customers, suppliers and partners as one borderless enterprise, and transform their supply chains at the speed that their growth demands. From demand planning to demand fulfillment, Tecsys puts power into the hands of both front-line workers and back office planners, helping business leaders focus on the future of their products, services and people, not on their operational challenges.

Tecsys is the market leader in North America for supply chain solutions for health systems and hospitals. Over 1,000 small, mid-size and large customers trust their supply chains to Tecsys in the healthcare, service parts, third-party logistics, retail and general wholesale high-volume distribution industries.

With the acquisition of OrderDynamics Corporation, Tecsys has added a number of major customers in the retail industry located in Canada, the U.S., Europe and Australia. With the acquisition of PCSYS A/S, Tecsys has added hundreds of customers in the manufacturing, retail and logistics industries, most of which are based in Europe.

As ecommerce grows exponentially, distribution organizations are facing mounting pressures to fulfil higher order volumes with changing customer demands. Consumers are expanding their use of shopping options, thereby increasing order fulfillment complexity for retail and direct-to-consumer companies, and driving investments in Distributed Order Management (DOM) systems. Through acquisition, Tecsys became a supplier to this market.

Tecsys' DOM offering orchestrates and optimizes the process of customer order fulfillment across a wide variety of inventory-holding locations by meeting customer expectations at the lowest possible cost of order fulfillment.

Tecsys' partnership strategy continued to develop and mature in Fiscal 2019. Foundational relationships with key technology partners including International Business Machines Corporation, Oracle Corporation, Microsoft Corporation, Amazon Web Services (AWS), Workday Inc., and Honeywell International Inc. continued to support its product offering while strategic industry players like Zebra Technologies Corporation, Terso Solutions Inc., and BluePay Processing LLC extend its offering. Value added reseller and service partners such as Sequoia Group Inc., Avalon Corporate Solution, OSF Commerce and RiseNow, LLC have become active in the Corporation's customer base, extending its reach as intended.

Industry Verticals

Tecsys' management believes that the Itopia® platform is well-suited to respond to the changing distribution market. Currently, Tecsys' business development and sales efforts are focused on vertical markets where the Corporation has the highest winning opportunity and best financial returns. From research and development and customer services perspectives, this allows Tecsys to replicate its solutions, enabling the Corporation to reduce costs inherent in new development and adoption of technology. It also helps increase the depth of expertise in these market segments where the Corporation has developed a reputation as an expert among its customers.

One such industry vertical is built on Tecsys' decades of expertise and investment into the healthcare industry through point-of-use, distribution and warehouse management solutions. Longstanding customers include major distributors, a number of health systems or Integrated Delivery Networks (IDNs), as well as third-party logistics providers (3PLs) in Canada and the United States. According to the American Hospital Association (AHA)[1], there are over 6,200 hospitals in the United States.

Today's healthcare supply chain is complex and costly; it represents the second largest area of expense for hospitals, behind only labor, consuming approximately 40% to 55%[2] of the average operating budget. Unlike retail and other industries where the supply chain is viewed as a strategic asset, the healthcare supply chain has often been underleveraged, even neglected. Most healthcare organizations are managing supplies using outdated information technology systems that cannot communicate with one another. As a result, supply chain processes are largely manual, with staff entering data into various hospital systems as they procure products, manage inventory, capture its use and trigger replenishment needs.

Healthcare has traditionally lagged behind other industries when it comes to supply chain technology investments. The manual labor required among supply chain, operations and clinical staff is inefficient, error prone and expensive. With disjointed systems and data, healthcare organizations have little or no visibility into and control over their supplies. This leads to expired product and significant waste.

In order for a hospital to transform its supply chain from a major liability into a strategic asset, it must transition from manual to electronic processes. This requires the use of enabling technologies for supply chain automation such as those offered by Tecsys. Technologies enabling standardization, consolidation and integration within a unified platform are a prerequisite to overcome the complexity and challenges.

As part of its vertical market strategy, the Corporation has been on the lookout for vertical market opportunities in the high-volume complex distribution area where it can profitably provide unique value and be able, over time, to capture market share and eventually dominate that industry. For the year ended April 30, 2019, Tecsys continued this initiative to explore additional opportunities using this strategy.

The SCM Industry

Supply Chain Management (SCM) is a business strategy to improve shareholder and customer value. SCM encompasses the processes of creating and fulfilling the market's demand for goods and services; it enhances distributor and customer value by optimizing the flow of products, services and related information from suppliers to customers, with a goal of enabling customer satisfaction. Within SCM is Supply Chain Execution (SCE), on which Tecsys has most of its focus, an execution-oriented set of solutions that enable the efficient procurement and supply of goods, services and information to meet customer-specific demand. Businesses deploying SCE solutions are looking to achieve greater visibility into product movements, cost containment and compliance.

Today's distribution landscape is more sophisticated and volatile than ever; nonetheless, it demands 100% fulfillment with faster service and at a lower cost. It demands collaboration with customers, suppliers and partners as a borderless enterprise. From omnichannel to the internet of things (IoT), change is reshaping supply chain platforms and they must extend, scale and adapt to the size and needs of business. Competition is fierce, and disintermediation continues to pose a significant threat, giving rise to omnichannel distribution networks and shrinking the margin for error in operations.

Thriving in the current distribution era means adapting internal infrastructure, technology and processes to external challenges. Consider the impact of major brick and mortar and online retailers, strong competition from those who stick to their core competencies and disruptions by new and innovative technologies. Such disruptions and the increasingly digital environment is pressuring distribution industry leaders to rethink their strategy and take the first step to transform their supply chain or risk being left behind.

[1] https://www.aha.org/statistics/fast-facts-us-hospitals

[2] https://rctom.hbs.org/submission/healthcare-where-supply-chain-digitalization-is-life-or-death/

Agile companies are quickly outperforming and overtaking their less nimble competitors. A study by The Boston Consulting Group[3] shows that the leaders in digital supply chain management are seeing tremendous benefits:

- Increases in product availability of up to 10%
- Response times to changes in market demand reduced by at least 25%
- Realization of working-capital reductions improved by 30%
- Operating margins 40-110% higher than others, and 17-64% fewer cash conversion days.

McKinsey & Company's research[4] suggests that, on average, companies that digitize their supply chains can expect to boost annual growth of earnings before interest and taxes by 3.2% and annual revenue growth by 2.3%.

Furthermore, according to the 2019 Material Handling Industry ("MHI")[5], the largest U.S. material handling, logistics and supply chain association, Annual Industry Report produced in conjunction with Deloitte Consulting LLP: "Many of today's consumers are demanding more from businesses in terms of shorter service cycles, lower costs, greater transparency and increased corporate responsibility. Over time, consumers have come to expect unprecedented levels of service, ranging from same-day delivery and free shipping to real-time alerts on the status and location of items they have purchased. These expectations are rippling across the entire supply chain ecosystem. Consumer-facing organizations themselves are increasingly demanding speed, visibility and transparency from their own upstream supply chain partners to meet the end-customer's rising expectations."

In response, leading companies are adopting a more digital approach to business. Using digital innovation to improve supply chain efficiency, transparency and sustainability has become a necessity for continuing to grow the customer base and maintain a competitive standing.

Selected Key Events

On May 2, 2018, Gartner, Inc. released the 2018 Magic Quadrant[6] for Warehouse Management Systems, in which Tecsys was positioned in the "Visionaries" quadrant, a position that it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 13 WMS suppliers that were included in the 2018 Magic Quadrant for Warehouse Management Systems, one of which is Tecsys.

On July 5, 2018, the Board authorized the establishment of a stock option plan, which was approved by the shareholders of the Corporation on September 6, 2018, ("2018 Stock Option Plan") pursuant to which directors, officers, key employees and consultants will be granted options to purchase common shares. Each option will be subject to the terms and conditions set forth in the 2018 Stock Option Plan and to those other terms and conditions specified by the Compensation Committee.

On September 10, 2018, Tecsys launched an IDN Readiness Assessment for Supply Chain Transformation. The interactive tool guides integrated delivery networks (IDN) leadership through a cross-functional view of their business and generates a quantifiable measure of the organization's readiness for a consolidated supply chain strategy.

On September 17, 2018, Mark J. Bentler joined the Corporation as Chief Financial Officer to succeed interim CFO, Berty Ho-Wo-Cheong.

On November 14, 2018, Tecsys acquired OrderDynamics, a Distributed Order Management software provider based in Richmond Hill, Ontario, to expand omnichannel distribution capabilities for E-commerce companies. See "Business Acquisition".

On November 14, 2018, Gartner, Inc. released its tenth annual Healthcare Supply Chain Top 25 ranking[7]. Each year, the Healthcare Supply Chain Top 25 identifies the supply chains that successfully advance healthcare by improving patient outcomes and controlling costs. To celebrate the 10th anniversary of the ranking, Gartner created a Masters category, recognizing supply chains that have sustained leadership over the past decade. The top three healthcare supply chains in the inaugural group of inductees are Tecsys customers.

In January 2019, Tecsys appointed Bill King as Chief Revenue Officer.

On January 14, 2019, Tecsys announced a new brand identity and logo that more readily communicates the Corporation's long-standing intention of equipping supply chain greatness. This move comes at a time when more organizations are

[3] https://on.bcg.com/2wkJDHC

[4] McKinsey & Company; Digital transformation: raising supply chain performance to new levels

[5] https://www.mhi.org/publications/report

[6] Gartner, "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich & Simon Tunstall, May 8, 2019

[7] Gartner, "The Healthcare Supply Chain Top 25 for 2018", Eric O'Daffer et al., November 2018

experiencing increases in performance pressure and complexities in their supply chains. The new identity communicates the brand's purpose of empowering good companies to achieve greatness by clarifying uncertainty in the supply chain.

On January 30, 2019, Tecsys entered into a credit agreement with National Bank of Canada ("NBC") providing for (i) a $5,000,000 revolving facility to be used for general corporate purposes including to finance working capital requirements, capital expenditures, permitted acquisitions and permitted distributions and (ii) a $12,000,000 term facility used, inter alia, for the purposes of financing the acquisition of PCSYS. The credit facility must be repaid in full on February 1, 2024. Tecsys' credit facility is secured by a first ranking movable hypothec or security interest on all of the assets of Tecsys, Logi D, Logi D Inc. and OrderDynamics (the "Guarantors") and a guarantee agreement between each Guarantor and NBC.

On February 1, 2019, Tecsys acquired PCSYS, a Danish technology company to continue its European expansion. PCSYS is a leading European supplier of software and hardware solutions for warehouse management, transportation management, and labelling systems. See "Significant Acquisitions".

On April 8, 2019, Tecsys extended its warehouse management system with distributed order management capabilities following its acquisition of OrderDynamics enabling omnichannel efficiency benefits for customers. This end-to-end technology approach enables third-party logistics (3PL) companies, distributors, and retailers, including brand managers, to handle the complexities of multifaceted fulfillment demands.

On May 8, 2019, Gartner, Inc. released the latest Magic Quadrant[8] for Warehouse Management Systems, in which Tecsys was positioned in the "Visionaries" quadrant, a position it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 14 WMS suppliers that were included in the 2019 Magic Quadrant for Warehouse Management Systems, one of which is Tecsys.

Description of Business Model

Tecsys generates revenue from proprietary software sold as a perpetual license as well as under a Software as a Service (SaaS) model, proprietary hardware technology, third-party products (which includes hardware and software products), and the provision of related services.

Cloud, maintenance and subscription revenue includes SaaS, proprietary software maintenance, customer support, application hosting, database administration services and third-party products maintenance. At the end of fiscal 2019, this Annual Recurring Revenue[9] amounted to $38.3 million, up 46% from the prior year. Of the total Annual Recurring Revenue at the end of fiscal 2019, $8.7 million relates to the acquisitions of OrderDynamics and PCSYS. Annual Recurring Revenue is defined as the contractually committed purchase of cloud, maintenance and subscription services over the next twelve months. The quantification assumes that the customer will renew the contractual commitments on a periodic basis as they come up for renewal. This portion of the Company's revenue is predictable and stable, and the Company has reasonable assurance that it will occur at regular intervals with a high degree of certainty.

Professional services revenue includes both the fees associated with implementation assistance and ongoing services. These ongoing services include consulting, training, product adaptations and upgrade implementation assistance. Such revenue is typically derived from contracts based on a fixed-price or time-and-material basis and is recognized as the services are performed.

Cost of revenue comprises the cost of products purchased for re-sale and the cost of services.

Cost of products includes the cost of proprietary hardware technology and all third-party products purchased for re-sale and required to complete customer solutions and internal production and coordination costs related to the delivery of proprietary hardware technology and third-party equipment. The third party products purchased for re-sale are typically other software products such as database and business intelligence software and hardware such as radio frequency equipment, storage equipment, and computer servers.

Cost of services includes mainly salaries, incentives, benefits and travel expenses of all personnel providing services as well as third party cloud infrastructure costs associated with delivering SaaS and hosting services. Also included in the cost of services is a portion of overhead and e-business tax credits available under a Quebec government incentive program designed to support the development of the information technology industry.

Sales and marketing, as well as general and administration expenses include all personnel costs involved in these functions. They also include all other costs related to sales and marketing and general and administration, such as travel, rent, advertising, trade shows, professional fees, office expenses, training, telecommunications, bad debts, stock-based compensation, acquisition costs, equipment rentals and maintenance costs and overhead.

[8] Gartner, "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich & Simon Tunstall, May 8, 2019

[9] See Non-IFRS Performance Measure

Research and development (R&D) includes salaries, benefits, incentives and expenses of all staff assigned to R&D. Fees paid to external consultants and sub-contractors are also included, along with a portion of overhead partially offset by research and development tax credits as well as e-business tax credits.

At the end of fiscal 2019, the Company employed 480 employees in comparison to 364 at the end of fiscal 2018. The average number of employees was 398 in fiscal 2019 in comparison to 372 for fiscal 2018.

Key Foreign Exchange Exposure and Hedging

The U.S. dollar strengthened by 3% against the Canadian dollar during fiscal 2019 in comparison to fiscal 2018. The U.S. dollar to Canadian dollar exchange rates for fiscal 2019 averaged CA $1.3176 in comparison to CA $1.2774 for fiscal 2018. Approximately 61% of the Company's revenue were generated in the United States in fiscal 2019. In comparison to fiscal 2018, the stronger U.S. dollar partially offset by the unfavorable variance of the Company's partial hedging of U.S. revenue in fiscal 2019 gave rise to a favorable variance of $0.5 million. The stronger U.S. dollar impacted costs of sales and operating expenses unfavorably by approximately $0.4 million in fiscal 2019 as compared to fiscal 2018.

The U.S. dollar weakened by 3% against the Canadian dollar during fiscal 2018 in comparison to fiscal 2017. The U.S. dollar to Canadian dollar exchange rates for fiscal 2018 averaged CA $1.2774 in comparison to CA$1.3176 for fiscal 2017. Approximately 68% of the Company's revenue were generated in the United States in fiscal 2018. In comparison to fiscal 2017, revenue had an estimated unfavorable impact of $1.3 million due to the unfavorable U.S dollar exchange rate being lower in comparison to fiscal 2017 and partially offset by the favorable variance generated by the Company's designated hedging of highly probable U.S. revenue. The weaker U.S. dollar impacted cost of sales and operating expenses favorably by approximately $0.4 million.

Selected Annual Information

In thousands of Canadian dollars, except per share data

	2019	2018	2017
Total Revenue	76,449	70,718	68,447
(Loss)/Profit	(741)	3,949	5,998
Comprehensive Income	(835)	4,115	5,112
Adjusted EBITDA[10]	2,776	6,490	5,676
Basic and Diluted Earnings (Loss) per Common Share	(0.06)	0.30	0.49
Common Share Dividends	0.21	0.19	0.15
Total Assets	85,445	63,417	52,537
Long-term Debt (including the current portion)	11,849	121	190

Fiscal 2019 was a very active year, including two acquisitions, a rebranding campaign and a significant shift in our business to SaaS along with development and sales and marketing investment to drive growth.

Compared to fiscal 2018, fiscal 2019 (Loss)/Profit was negatively impacted by $1.5 million of OrderDynamics losses (our first acquisition of the year which closed in November 2018), $0.7 million of amortization related to intangible assets acquired in acquisitions closed during the year, $0.7 million of marketing rebranding costs, $1.9 million increased investment in sales and marketing and research and development, $0.3 million increase in bonus cost driven primarily by increased bookings especially with respect to our SaaS business, $1.3 million of acquisition costs related to the two acquisitions closed during the year, and $0.4 million of stock-based compensation expense related to the stock option plan introduced during the year, and $0.3 million legal expenses resulting primarily from a legal fee recovery in 2018. Fiscal 2019 (Loss)/Profit was positively impacted by $0.6 million of PCSYS contribution (our second acquisition during the year which closed February 2019), $0.5 million increase in gross margin from the organic business and $1.5 million of tax benefit resulting primarily from the recognition of deferred tax assets.

Our business is shifting to SaaS even more quickly than we had previously expected, with a significant portion of our Q3 and Q4 software product bookings coming in the form of recurring SaaS subscriptions. While this will build annual recurring revenue moving forward, current profit is negatively impacted as revenue on SaaS subscriptions is recognized prospectively,

[10] See Non-IFRS Performance Measure

typically over a five-year contract term. While the $2.6 million investment in sales, marketing, branding and development definitely paid off with a 32% increase in organic software product bookings, most of the resulting revenue benefit will hit fiscal 2020 and beyond.

Results of Operations

Year ended April 30, 2019 compared to year ended April 30, 2018

Revenue

Total revenue increased to $76.4 million, up $5.7 million or 8%, compared to $70.7 million for fiscal 2018. The OrderDynamics and PCSYS acquisitions contributed $6.2 million in revenue while the organic business was down slightly.

Proprietary products revenue, defined as internally developed products including proprietary software sold as perpetual license and hardware technology products, was flat at $6.9 million in comparison to fiscal 2018. Perpetual license revenue declined in our organic business, but this decline was offset by perpetual license revenue resulting from the PCSYS acquisition as well as a slight increase in hardware technology revenue in our organic business. The decline in our organic perpetual license revenue was influenced by a shift to SaaS subscription bookings. In fiscal 2019, SaaS subscriptions bookings comprised approximately 33% of our software product bookings compared to 2% in fiscal 2018.

Overall total contract bookings[11] amounted to $63.2 million during fiscal 2019 compared to $48.1 million in 2018. The Company signed twenty-three new accounts during fiscal 2019 with a total contract value of $15.4 million in comparison to twelve new accounts with a total contract value of $15.2 million during fiscal 2018.

Third-party products revenue was flat at $6.8 million in comparison to fiscal 2018 with a decline in our organic business offset by third party products revenue resulting from the PCSYS acquisition.

Cloud, maintenance and subscription revenue was $31.3 million during fiscal 2019, up $4.3 million or 16%, compared to $27.0 million for the previous fiscal year. This increase is attributable to higher maintenance revenue derived from new licences and SaaS sales in our organic business as well as $2.9 million relating to maintenance and subscription revenue from the OrderDynamics and PCSYS acquisitions.

Professional services revenue increased to $29.3 million during fiscal 2019, up $1.5 million or 5%, compared to $27.8 million for the previous fiscal year. The increase is attributable to professional services revenue from the OrderDynamics and PCSYS acquisitions, with a slight year on year decline in the organic business.

Cost of Revenue

Total cost of revenue increased to $39.0 million in fiscal 2019, $3.2 million or 9% higher, in comparison to $35.8 million for fiscal 2018. The increase is mainly attributable to higher services costs of $3.4 million.

The cost of products decreased to $6.0 million in fiscal 2019, $0.2 million or 2% lower, in comparison to $6.2 million in fiscal 2018.

The cost of services increased to $30.9 million in fiscal 2019, $3.4 million or 12% higher, in comparison to $27.5 million for fiscal 2018. The increase is primarily attributable to $3.0 million in cost of services associated with the OrderDynamics and PCSYS acquisitions. The cost of services includes tax credits of $1.9 million for fiscal 2019 compared to $2.1 million for fiscal 2018.

Gross Profit

The gross profit increased to $37.4 million in fiscal 2019, $2.5 million or 7% higher, in comparison to $34.9 million for the previous fiscal year. This is mainly attributable to a higher services margin of $2.4 million and higher products margin of $0.1 million. Total gross profit percentage in fiscal 2019 and 2018 was 49%.

Services gross profit during fiscal 2019 increased to $29.7 million, $2.4 million higher, in comparison to $27.3 million in fiscal 2018. Services gross profit was 49% of services revenue in fiscal 2019 and 50% in fiscal 2018. The decrease in gross margin percentage is attributable to lower margin in the OrderDynamics and PCSYS business and was also impacted by the recognition, in the second quarter of fiscal 2018, of $1.0 million of deferred professional services revenue due to the termination of a contract and its associated future obligations. The increase in gross profit is primarily attributable to gross profit from OrderDynamics and PCSYS of $2.0 million.

[11] See Key Performance Indicators

The products margin increased to $7.7 million, $0.1 million higher during fiscal 2019 in comparison to $7.6 million in fiscal 2018. The increase in margin is mainly attributable to PCSYS margin of $0.7 million offset by lower organic software license and third party product margin.

Operating Expenses

Total operating expenses increased to $39.2 million for fiscal 2019, $8.6 million or 28% higher, compared to $30.6 million for fiscal 2018. OrderDynamics and PCSYS operating expenses contributed $3.6 million of the overall increase. The most notable differences between fiscal 2019 in comparison with fiscal 2018 are as follows.

- Sales and marketing expenses amounted to $17.2 million, $2.7 million higher than the comparable prior period. OrderDynamics and PCSYS contributed $1.4 million of the increase while organic spend increased mainly in marketing program costs (including non-recurring rebranding program of $0.7 million), recruitment fees and commissions in comparison to last fiscal year.
- General and administrative expenses increased to $9.4 million, $3.0 million higher than the comparable previous fiscal year. OrderDynamics and PCSYS contributed approximately $0.6 million of the increase and the balance of the increase is mainly due to acquisition costs of $1.3 million, stock-based compensation cost of $0.4 million, increased legal expenses of $0.3 million resulting primarily from a legal fee recovery in 2018 and increased bonus expenses of $0.3 million.
- Net R&D expenses increased to $12.7 million in fiscal 2019, $2.9 million higher than the previous fiscal year. OrderDynamics and PCSYS contributed $1.6 million of the increase with the balance mainly attributable to higher salaries and benefits and consulting fees in our organic business. The Company recorded $1.7 million of refundable and non-refundable tax credits in fiscal 2019 compared to $1.6 million for fiscal 2018. The Company amortized deferred development costs and other intangible assets of $1.1 million in fiscal 2019 in comparison to $1.3 million for fiscal 2018.

(Loss) Profit from Operations

The Company recorded a loss from operations of $1.8 million representing 2% of revenue in fiscal 2019 in comparison to a profit from operations of $4.3 million in fiscal 2018 representing 6% of revenue. Compared to fiscal 2018, fiscal 2019 (Loss) from Operations was negatively impacted by $1.5 million of OrderDynamics losses, $0.7 million of amortization related to intangible assets acquired in acquisitions closed during the year, $0.7 million of marketing rebranding costs, $1.9 million increased investment in sales and marketing and research and development, $0.3 million increase in bonus cost driven primarily by increased bookings especially with respect to our SaaS business, $1.3 million of acquisition costs related to the two acquisitions closed during the year, $0.4 million of stock-based compensation expense related to the stock option plan introduced during the year and increased legal fees. Fiscal 2019 (Loss) from Operations was positively impacted by $0.6 million of PCSYS contribution and $0.5 million increase in gross margin from the organic business.

The Company is seeing increased SaaS bookings. Such bookings are recognized as revenue over the contract period as opposed to up-front recognition for sales of perpetual licences. This has had an impact on operating profit in the current year and will continue to affect operating profit in the medium term.

Net Finance Costs

In fiscal 2019, the Company recorded net finance income of $39,000 in comparison to net finance income of $0.2 million for fiscal 2018. The lower net finance income is primarily attributable to higher interest expense on long-term debt and lower interest income on the long-term investment offset by an exchange gain in fiscal 2019 compare to an exchange loss in fiscal 2018.

Income Taxes

In fiscal 2019, the Company recorded an income tax benefit of $1.0 million comprised of current income tax expense of $1.1 million and deferred income tax benefit of $2.1 million. In fiscal 2018, the Company recorded an income tax expense of $0.5 million comprised of current income tax expense of $1.5 million and deferred income tax benefit of $1.1 million. The decrease in current income tax expense as compared to fiscal 2018 is due to the decrease in profitability as compared to the prior fiscal year. The increase in the deferred income tax expense in fiscal 2019 is mainly due to an increase in the net change in unrecognized deductible temporary difference in fiscal 2019 as well as an increase in net origination and reversal of temporary differences giving rise to deferred tax benefit.

As at April 30, 2019, the Company had recognized net deferred tax assets of $5.5 million and has an unrecognized net deferred tax asset of $4.2 million covering various jurisdictions and approximately $6.0 million of Canadian federal non-refundable 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 federal income taxes in the medium term given its availability of Canadian federal non-refundable tax credits and deferred tax assets. Refer to note 15 of the consolidated financial statements for further detail.

(Loss) Profit

The Company incurred a loss of $0.7 million or $(0.06) per common share in fiscal 2019 compared to Profit of $3.9 million or $0.30 per common share for fiscal 2018. See prior discussion above regarding profitability.

Results of Operations for the Fourth Quarter

Quarter ended April 30, 2019 compared to quarter ended April 30, 2018

Revenue

Total revenue for the fourth quarter ended April 30, 2019 increased to $23.2 million, up $4.3 million or 23%, compared to $18.9 million for the same period of fiscal 2018. OrderDynamics and PCSYS contributed $4.9 million of incremental revenue while the decline in fourth quarter organic revenue of $0.6 million resulted from a decline in license revenue partially offset by increases in cloud, maintenance and subscription revenue as well as professional services revenue. Approximately 58% (2018 - 67%) of the Company's revenues were generated in the United States during the fourth quarter of fiscal 2019. In comparison to the fourth quarter of 2018, the stronger U.S. dollar partially offset by the unfavorable variance of the Company's partial hedging of U.S. revenue in the fourth quarter of 2019 gave rise to a favorable variance of $0.4 million. The stronger U.S. dollar impacted costs of sales and operating expenses unfavorably by approximately $0.1 million in the fourth quarter fiscal 2019 as compared to the fourth quarter of fiscal 2018.

Proprietary products revenue decreased to $1.6 million, $1.5 million or 48% lower, in the fourth quarter of fiscal 2019 in comparison to $3.1 million for the same period last year. The decrease is primarily due to a decrease in proprietary software license revenue compared to the same period last year. Q4 of fiscal 2018 had a significant perpetual license deal and, as noted above, the decline in our organic perpetual license revenue was influenced by a shift to SaaS subscription bookings. During the fourth quarter of fiscal 2019, approximately 60% of our software product bookings were SaaS compared to 4% in the fourth quarter of fiscal 2018. Overall total contract value bookings amounted to $19.2 million in the fourth quarter of fiscal 2019 in comparison to $14.7 million for the same period of the previous fiscal year. During the fourth quarter of fiscal 2019, the Company signed nine new accounts with a total contract value of $6.7 million compared to six new accounts with a total contract value of $8.3 million in the fourth quarter of fiscal 2018.

Third party products revenue increased to $2.7 million, up $0.8 million or 39%, in the fourth quarter of fiscal 2019 in comparison to $1.9 million for the same period last year. The increase was the result of the acquisition of PCSYS, which contributed $1.5 million of the increase offset by lower equipment revenue in the organic business.

Cloud, maintenance and subscription revenue increased to $9.4 million, up $2.5 million or 36%, in the fourth quarter of fiscal 2019 in comparison to $6.9 million in the fourth quarter of fiscal 2018. The increase is the result of $2.0 million of contribution from the acquisitions of OrderDynamics and PCSYS as well as $0.5 million of growth in our organic business with more than half of that growth coming from SaaS.

Professional services revenue increased to $9.0 million during fiscal 2019, up $2.5 million or 39%, compared to $6.5 million for the previous fiscal year. The acquisitions of OrderDynamics and PCSYS contributed $1.3 million of the increase while our organic business contributed $1.2 million of the increase (up 19% from the same period last year).

Cost of Revenue

Total cost of revenue increased to $12.3 million, up $2.9 million or 31%, in the fourth quarter of fiscal 2019 in comparison to $9.3 million for the same period in fiscal 2018. The increase is attributable to higher product costs of $0.7 million and higher services costs of $2.3 million.

The cost of products increased to $2.4 million, up $0.7 million or 40%, in the fourth quarter of fiscal 2019 in comparison to $1.7 million for the same period in fiscal 2018. The increase is mainly due to the acquisition of PCSYS, which had an impact of $1.1 million partially offset by lower costs in our organic business (lower equipment revenue).

The cost of services increased to $9.4 million, up $2.3 million or 32%, in the fourth quarter of fiscal 2019 in comparison to $7.1 million for the same period in fiscal 2018. The increase is primarily the result of the acquisitions of OrderDynamics and PCSYS, which contributed $2.1 million. The cost of services includes tax credits of $0.4 million for the fourth quarter of fiscal 2019 compared to $0.5 million for the same period in the previous fiscal year.

Gross Profit

Gross profit increased to $10.9 million, higher by $1.3 million or 14%, in the fourth quarter of fiscal 2019 in comparison to $9.6 million for the same period last year. This is mainly attributable to higher service margin of $2.7 million offset by lower products margin of $1.4 million. Total gross profit percentage in the fourth quarter of fiscal 2019 was lower at 47% compared to 51% for the same period of fiscal 2018. The key driver for this decline was the lower mix of license revenue in the fourth quarter of fiscal 2019.

Services gross profit during the fourth quarter of fiscal 2019 increased by $2.7 million to $9.0 million in comparison to $6.2 million in the same period of fiscal 2018. Services gross profit was 49% of services revenue in the fourth quarter of fiscal 2019 in comparison to 47% for the comparable period last year.

The products margin decreased by $1.4 million in the fourth quarter of fiscal 2019 compared to the same period last year, as a result of lower proprietary product revenue of $1.5 million. This was the result of lower license revenue and was directly impacted by the shift to SaaS noted above.

Operating Expenses

Total operating expenses for the fourth quarter of fiscal 2019 increased to $11.7 million, higher by $3.9 million or 50%, compared to $7.8 million for the same period last year. The acquisitions of OrderDynamics and PCSYS contributed $2.5 million of the increase. The most notable differences between the fourth quarter of fiscal 2019 in comparison with the same period in fiscal 2018 are as follows.

- Sales and marketing expenses amounted to $5.1 million, $1.4 million higher than the comparable quarter last year. The acquisitions of OrderDynamics and PCSYS contributed $1.0 million of the increase while the increase in the organic business is primarily due to higher personnel costs including commission.
- General and administrative expenses increased to $2.8 million, $1.2 million higher than the comparable quarter last year. The acquisitions of OrderDynamics and PCSYS contributed $0.4 million of the increase while acquisition costs and stock-based compensation costs accounted for $0.5 million of the increase with the balance primarily increased bonus costs and legal expenses.
- Net R&D expenses amounted to $3.9 million in fourth quarter of fiscal 2019, up $1.3 million from the same quarter last year. The acquisitions of OrderDynamics and PCSYS accounted for $1.1 million of the increase with the balance coming from the organic business. The Company recorded $0.4 million of R&D refundable and non-refundable tax credits and refundable and non-refundable e-business tax credits in the fourth quarter of fiscal 2019 in comparison to $0.3 million for the same period in fiscal 2018. The Company amortized deferred development costs and other intangible assets of $0.2 million in the fourth quarter of fiscal 2019 in comparison to $0.3 million for the same period in the prior fiscal year.

(Loss) Profit from Operations

The Company recorded a loss from operations of $0.8 million representing 4% of revenue in the fourth quarter of fiscal 2019 in comparison to an income from operations of $1.7 million representing 9% of revenue for the same period in fiscal 2018. Contributing to the decrease in profit was $1.6 million of acquisition costs, OrderDynamics operating losses and stock-based compensation expenses as well as the decrease in license revenue mentioned previously. The decrease in profit is also due to higher operating expenses partially offset by higher professional services and cloud, maintenance and subscription margin and profit from PCSYS. The Company is seeing increased software as a service (SaaS) bookings. As mentioned above, this has had an impact on operating profit in the current period and will continue to affect operating profit in the medium term.

Net Finance Costs

In the fourth quarter of fiscal 2019 and 2018, the Company recorded net finance costs of $0.1 million primarily related to long-term debt.

Income Taxes

In the fourth quarter of fiscal 2019, the Company recorded an income tax benefit of $1.0 million in comparison to an income tax expense of $14,000 in the fourth quarter of fiscal 2018. The decrease in income tax expense as compared to the same period in fiscal 2018 is due to the decrease in profitability and to the recognition of additional deductible temporary differences as well as to an increase in the net change in unrecognized deductible temporary difference in fiscal 2019 and an increase in net origination and reversal of temporary differences giving rise to deferred tax benefit.

Profit

The Company realized profit of $0.1 million or 0.01 per share in the fourth quarter of fiscal 2019 compared to $1.8 million or $0.13 per share for the same period in fiscal 2018.

Quarterly Selected Financial Data

(Quarterly data are unaudited)

In thousands of Canadian dollars, except per share data

Fiscal Year 2019	Q1	Q2	Q3	Q4	Total
Total Revenue	16,282	18,184	18,792	23,191	76,449
Profit (loss)	13	596	(1,429)	79	(741)
Comprehensive Income (loss)	63	552	(1,307)	(143)	(835)
Adjusted EBITDA[12]	536	1,654	(98)	684	2,776
Basic and Diluted Earnings per Common Share	NIL	0.05	(0.11)	0.01	(0.06)

Fiscal Year 2018	Q1	Q2	Q3	Q4	Total
Total Revenue	16,511	18,072	17,227	18,908	70,718
Profit	69	1,356	722	1,802	3,949
Comprehensive (Loss) Income	864	701	1,057	1,493	4,115
Adjusted EBITDA[12]	687	2,184	1,312	2,307	6,490
Basic and Diluted Earnings per Common Share	0.01	0.10	0.06	0.13	0.30

In the fourth quarter of fiscal 2019, the Company recorded $0.5 million of costs related to the acquisition of OrderDynamics and PCSYS and $0.1 million related to stock-based compensation expense. This had a negative impact on Profit. Also, included in the fourth quarter of fiscal 2019 is the loss related to OrderDynamics of $1.1 million. This had a negative $1.1 million impact on Profit and a negative $0.9 million impact on Adjusted EBITDA. The total of the above items had a $1.7 million negative impact on Profit and a $0.9 million negative impact on Adjusted EBITDA in the fourth quarter of fiscal 2019.

[12] See Non-IFRS Performance Measure

As noted above, the decline in our organic perpetual license revenue in the fourth quarter was influenced by a shift to SaaS subscription bookings. During the fourth quarter of fiscal 2019, approximately 60% of our software product bookings were SaaS compared to 4% in the fourth quarter of fiscal 2018. This had a material impact on Profit and Adjusted EBITDA in the fourth quarter as these bookings result in revenue recognition over the coming years (typically five-year contracts recognized rateably) as opposed to up front revenue recognition for perpetual license bookings.

In the third quarter of fiscal 2019, the Company recorded $0.8 million of costs related to the acquisition of OrderDynamics and PCSYS and $0.1 million related to stock-based compensation expense. This had a negative impact on Profit. Included in the third quarter of fiscal 2019 is the loss related to OrderDynamics of $0.7 million. This had a negative $0.7 million impact on Profit and a negative $0.6 million impact on Adjusted EBITDA. Additionally, the third quarter of fiscal 2019 included non-recurring marketing rebranding program costs of $0.4 million. This had a negative impact on Profit and Adjusted EBITDA. The total of the above items had a $2.0 million negative impact on Profit and a $1.0 million negative impact on Adjusted EBITDA in the third quarter of fiscal 2019.

In the fourth quarter of fiscal 2019, the Company recorded $0.1 million of Canadian federal non-refundable research and development tax credits and $2.1 million of deferred tax benefit.

In the fourth quarter of fiscal 2018, the Company recorded $0.1 million of Canadian federal non-refundable research and development tax credits and $0.9 million of deferred tax benefit.

Business acquisitions

OrderDynamics

On November 14, 2018, Tecsys Inc. acquired 100% of the issued and outstanding shares of OrderDynamics Corporation ("OrderDynamics") for a total consideration of $13,399,461 including $9,380,184 of cash paid at closing, $500,000 of cash paid in January 2019, the assumption of $1,604,512 of short term liabilities owed by OrderDynamics to Canada Revenue Agency ("CRA Liability") and future cash payments of (a) $500,000 held back pending final calculation of the CRA Liability ("CRA Liability Holdback") and (b) $1,500,000 held back for indemnification security ("Indemnification Holdback"), which was recorded at present value. The CRA Liability Holdback will be paid to the seller upon final agreement with Canada Revenue Agency on the CRA Liability. The Indemnification Holdback will be released two years from the date of closing, subject to the terms of the share purchase agreement and is recorded in other non-current liabilities.

The acquisition was funded from existing cash balances. See note 9 - Long-term investments.

As at April 30, 2019, an amount of $0.5 million related to Canada Revenue Agency Holdback and $1.9 million related to Canada Revenue Agency liability including interest is included in other current liabilities. See note 13 - Accounts payable and accrued liabilities.

As at April 30, 2019, an amount of $1.5 million related to indemnification holdback, recorded at its present value of $1.4 million, is included in other non-current liabilities. See note 13 - Accounts payable and accrued liabilities.

The operating results of OrderDynamics are included in the consolidated results from the date of acquisition. For the period from November 14, 2018 through April 30, 2019, OrderDynamics generated revenue of $2,912,000 and incurred an operating loss of $1,814,000. If the acquisition had closed on May 1, 2018, OrderDynamics' revenue and operating loss would have amounted to $6,525,000 and $3,211,000, respectively.

On November 14, 2018, the acquired receivables comprise primarily accounts receivable representing the gross contractual amount receivable which is equal to fair value.

OrderDynamics is a software company based in Richmond Hill, Ontario with a Software as a Service distributed order management solution enabling retail merchants and brand managers to optimize inbound business-to-consumer order channels and fulfilment, increasing sales, reducing operating costs, and improving customer satisfaction.

Purchase price

The following table represents the preliminary purchase price allocation based on the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition, with any excess allocated to goodwill.

Cash payment on closing	$ 9,880
Canada Revenue Agency liability	1,605
Canada Revenue Agency Holdback	500
Indemnification Holdback	1,414
Total purchase price	$13,399

Purchase Price Allocation

Assets Acquired		
Accounts receivable	$	875
Prepaid expenses		296
Other receivables		36
Property and equipment		43
Identified intangible assets:		
Technology assets		5,074
Customer assets		884
Deferred tax assets		1,579
		8,787
Liabilities Assumed		
Bank overdraft	$	12
Accounts payable and accrued liabilities		512
Deferred revenue		418
Deferred tax liabilities		1,579
		2,521
Net Assets Acquired		**6,266**
Goodwill		7,133
Gross purchase consideration	**$**	**13,399**

This purchase price allocation is preliminary. The final purchase price allocation could result in changes to the fair value of assets acquired and liabilities assumed.

The deferred tax liabilities represent the tax effect from the recognition of identifiable intangible assets at date of acquisition, at OrderDynamics' statutory rate of 26.5%. The deferred tax assets represent the recognition of previously unrecognized tax assets to the extent of the deferred tax liabilities recognized.

This acquisition will allow the Company to broaden its existing supply chain solutions offering by providing order management and e-fulfilment capabilities.

Goodwill recorded in connection with this acquisition is non-deductible for tax purposes. Goodwill is primarily attributable to expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets.

PCSYS A/S

On February 1, 2019, Tecsys Inc. acquired 100% of the issued and outstanding shares of PCSYS A/S ("PCSYS") for $13,370,000, net of cash and cash equivalents acquired, and consisting of $10,355,088 of cash paid at closing, $792,135 cash paid in March 2019 for working capital adjustments and future cash payments of (a) $1,216,800 held back for indemnification security ("Indemnification holdback") payable fifty percent 12 months after closing and fifty percent 24 months after closing and (b) $1,006,036 Earnout payment based on achieving certain revenue and earnings before income taxes, depreciation and amortization targets through September 30, 2019.

Cash payments for the acquisition were funded with a bank term loan of $12.0 million and existing cash balances. See note 12 - Banking facilities and long-term debt.

On February 1, 2019, the acquired receivables comprise primarily accounts receivable representing the gross contractual amount receivable which is equal to fair value.

As at April 30, 2019, an amount of $0.7 million related to indemnification holdback including interest and $1.0 million related to contingent consideration is included in other current liabilities. See note 13 - Accounts payable and accrued liabilities.

At April 30, 2019, an amount of $0.6 million related to indemnification holdback is included in other non-current liabilities. See note 13 - Accounts payable and accrued liabilities.

The results of PCSYS' operations have been included in the Company's results of operations from the date of acquisition. For the period from February 1, 2019 through April 30, 2019, PCSYS generated revenue of $3,306,000 and incurred an operating profit of $297,000. If the acquisition had closed on May 1, 2018, PCSYS' revenue and an operating profit would have amounted to approximately $13,802,000 and $1,618,000 respectively.

PCSYS, a Danish technology company, is a Scandinavian leader in software and hardware solutions for warehouse management, transportation management, and labelling systems. PCSYS supports more than 1,000 companies on their journey to achieve supply chain excellence by using robust technology to manage ever changing requirements and introduce new productivity and cost-savings strategies. This acquisition brings two technology-based companies together with the intention to reach new markets and be a stronger supply chain partner to new and existing customers worldwide.

Purchase price

The following table represents the preliminary purchase price allocation based on the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition, with any excess allocated to goodwill.

Net cash consideration on closing	$ 10,355
Working capital adjustment paid on March 2019	792
Indemnification holdback, payable in two equal annual instalments to February 2021	1,217
Contingent consideration – Earnout	1,006
Total purchase price	$13,370

Purchase Price Allocation

Assets Acquired		
Cash	$	595
Accounts receivable		1,933
Work in progress		66
Inventory		5
Prepaid expenses		134
Other receivables		97
Property and equipment		56
Identified intangible assets:		
Technology assets		1,185
Customer assets		7,111
		11,182
Liabilities Assumed		
Accounts payable and accrued liabilities		1,319
Deferred revenue		776
Other current liabilities		69
Deferred tax liabilities		1,825
		3,989
Net Assets Acquired		7,193
Goodwill		6,772
Gross purchase consideration	**$**	**13,965**
Less: Cash acquired on acquisition		**595**
Purchase price, net of cash acquired	**$**	**13,370**

This purchase price allocation is preliminary. The final purchase price allocation could result in changes to the fair value of assets acquired and liabilities assumed.

The deferred tax liabilities represent the tax effect from recognition of identifiable intangible assets at date of acquisition, at the PCSYS statutory rate of 22.0%.

Goodwill recorded in connection with this acquisition is non-deductible for tax purposes. The goodwill recognized in connection with this acquisition is primarily attributable to synergies with existing businesses, and other intangibles that do not qualify for separate recognition including assembled workforce.

Liquidity and Capital Resources

On April 30, 2019, current assets totaled $38.5 million compared to $35.0 million at the end of fiscal 2018. Cash and cash equivalents increased to $14.9 million compared $13.5 million in fiscal 2018.

Accounts receivable and work in progress totaled $15.8 million on April 30, 2019 compared to $14.6 million as at April 30, 2018.

The Company's DSO[13] (days sales outstanding) stood at 61 days at the end of fiscal 2019 compared to 69 at the end of fiscal 2018.

Current liabilities on April 30, 2019 increased to $31.0 million compared to $19.9 million at the end of fiscal 2018 mainly due to an increase in accounts payable and accrued liabilities, deferred revenue and current portion of long-term debt. Working capital decreased to $7.5 million at the end of April 30, 2019 in comparison to $15.0 million at the end of fiscal year 2018. The decrease was driven by a $4.1 million increase in other current liabilities related to liabilities assumed in the acquisitions as well as holdback and earn-out liabilities assosiated with the acquisitions.

The Company believes that funds on hand at April 30, 2019 combined with cash flow from operations and its accessibility to banking facilities will be sufficient to meet its covenants, and its needs for working capital, R&D, capital expenditures, and dividends for at least the next twelve months.

[13] See Key Performance Indicators

Cash from Operations

Operating activities generated $4.1 million of cash in fiscal 2019 in comparison to $3.7 million in fiscal 2018. Operating activities excluding changes in non-cash working capital items related to operations generated $0.6 million in fiscal 2019 and $5.1 million in fiscal 2018. The decrease is primarily due to lower overall profitability and includes the impact of acquisition costs paid as well as the shift to SaaS mentioned previously.

Non-cash working capital items generated funds of $3.5 million in fiscal 2019 primarily due to a decrease in accounts receivable and an increase in deferred revenue.

Non-cash working capital items used funds of $1.4 million in fiscal 2018 primarily due to a decrease in deferred revenue.

Financing Activities

Cash flows generated from financing activities amounted to $8.9 million for fiscal 2019 in comparison to $7.9 million for fiscal 2018.

During fiscal 2019, financing activities related primarily to proceeds received from the Term Loan of $12.0 million. Cash proceeds from the Term loan were subsequently used for the acquisition of PCSYS.

During fiscal 2018, 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 included 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 $1,016,280 have been recognized as a reduction of the proceeds, resulting in net total proceeds of approximately $10,489,000 for the treasury offering.

During fiscal 2019, the Company repaid $0.3 million of the long-term debt compared to $0.1 million for fiscal 2018.

During fiscal 2019, the Company declared quarterly dividends of $0.05 for the first two quarters and $0.055 for each of the following quarters for an aggregate of $2.8 million. During fiscal 2018, the Company declared quarterly dividends of $0.045 for each of the first two quarters and $0.05 for each of the following two quarters for an aggregate of $2.5 million.

Investing Activities

During fiscal 2019, investing activities used funds of $11.5 million in comparison to $11.6 million for fiscal 2018.

In fiscal 2018, $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. These funds were partially used for the acquisition of OrderDynamics on November 14, 2018. Cash proceeds from the Term Loan mentioned above of $12.0 million were subsequently used for the acquisition of PCSYS.

The Company used funds of $0.6 million and $1.6 million for the acquisition of property and equipment and intangible assets in fiscal 2019 and fiscal 2018, respectively.

Additionally, the Company invested in its proprietary products with the capitalization of $0.2 million reflected as deferred development costs in fiscal 2019 and fiscal 2018, respectively.

The Company received interest of $0.2 million and $0.3 million in fiscal 2019 and fiscal 2018, respectively.

Commitments and Contractual Obligations

The Company has a lease agreement for its head office in Montreal, Quebec. The lease term was expected to terminate on October 31, 2020, however, in April 2017, the Company signed an amendment and exercised its option to extend the term of its lease for the head office in Montreal for an additional period of five years and one month, which expires November 30, 2025, and to occupy additional space in the same building as of December 1, 2017. The Company has a lease agreement for its office in Markham, Ontario. The lease term of ten years and eight months terminates on July 31, 2022. The Company also has a lease agreement for its office in Laval, Quebec. The lease term of ten years ends on February 28, 2026. These are the principal leases of the Company.

As at April 30, 2019, the principal commitments consist of operating leases, long-term debt and other obligations. The following table summarizes significant contractual obligations as at April 30, 2019.

In thousands of Canadian dollars

		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years
Long-term Debt	11,849	1,022	3,627	7,200	-
Operating Leases	13,804	3,048	4,545	3,301	2,910
Other Obligations	18,077	15,744	2,333	-	-
Total Contractual Obligations	43,730	19,814	10,505	10,501	2,910

Under the terms of a licensing agreement with a third party, the Company is committed to pay royalties calculated at a rate of 1.25% of revenue derived from that portion of the EliteSeries product line that utilizes the embedded third-party software, excluding reimbursable expenses and hardware sales. Revenue derived from the operations of other business units or acquired companies are exempt from these royalties. The agreement automatically renews for consecutive one-year terms. The Company has incurred royalty fees related to this agreement of $0.1 million in fiscal 2019 (2018 – $0.1 million).

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.

During fiscal 2019, the Company declared a dividend of $ 0.05 on two occasions that were paid on August 3, 2018 and October 5, 2018 to shareholders of record at the close of business on July 20, 2018, and September 21, 2018 and declared a dividend of $0.055 on two other separate occasions that were paid on January 11, 2019 and April 11, 2019 to shareholders of record at the close of business on December 21, 2018 and March 21, 2019, respectively, for an aggregate of $2.7 million.

During fiscal 2018, the Company declared a dividend of $ 0.045 on two occasions that were paid on August 4, 2017 and October 6, 2017 to shareholders of record at the close of business on July 21, 2017, and September 22, 2017 and declared a dividend of $0.05 on two other separate occasions that were paid on January 11, 2018 and April 12, 2018 to shareholders of record at the close of business on December 21, 2017 and March 22, 2018, respectively, for an aggregate of $2.5 million.

Related Party Transactions

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of $575,000 (2018-$538,000) to facilitate their purchase of the Company's common shares during fiscal 2019. As of April 30, 2019, loans outstanding amounted to $241,000 (2018-$305,000).

Contingencies

In the normal course of operations, the Company may be exposed to lawsuits, claims and contingencies. Provisions are recognized as liabilities in instances when there are present obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and where such liabilities can be reliably estimated. Although it is possible that liabilities may be incurred in instances where no provision has been made, the Company has no reason to believe that the ultimate resolution of such matters will have a material impact on its financial position.

Subsequent Event

On July 3, 2019, the Company's Board of Directors declared a quarterly dividend of $0.055 per share to be paid on August 2, 2019 to shareholders of record on July 19, 2019.

Off-Balance Sheet Agreements

The Company was not involved in any off-balance sheet arrangements as at April 30, 2019 with the exception of operating leases as noted in the "Commitments and Contractual Obligations" above.

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, potential regulatory changes in the United States health care system from which the Company derives a significant amount of its revenue continues to go through a period of uncertainty. This uncertainty may impact the Company's revenue.

Fiscal 2019 was a robust period with bookings amounting to $63.2 million (including OrderDynamics and PCSYS), and this continued the trend from fiscal year 2018 where bookings totaled $48.1 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 economic growth and the demand for supply chain management software.

Given the current backlog[14] of $76.6 million (including OrderDynamics and PCSYS), comprised primarily of services, the Company's management believes that the services revenue level, which includes cloud, maintenance, subscription and professional services ranging between $17.5 million and $18.5 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. We see continued market appetite for subscription based SaaS licensing. To the extent our bookings shift from perpetual licence to SaaS, revenue and operating profit will be impacted in the medium term and this could be material.

The exchange rate of the U.S. dollar in comparison to the Canadian dollar continues to be an important factor affecting revenues and profitability as the Company generally derives approximately 60% to 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 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.

Financial Instruments and Financial Risk Management

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, other accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments. The fair value of the long-term debt was determined to be not significantly different from its carrying value.

Derivative instruments are also recorded as either assets or liabilities measured at their fair value. As such, the net fair value of all outstanding foreign exchange contracts representing a $0.3 million loss was recorded as a liability in accounts payable and accrued liabilities as at April 30, 2019 (April 30, 2018 - $0.2 million loss was recorded as a liability in accounts payable and accrued liabilities).

Derivatives in the form of forward exchange contracts are used to manage currency risk related to the fluctuation of the U.S. dollar. The Company is exposed to currency risk as a certain portion of the Company's revenue and expenses are realized 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.

[14] See Key Performance Indicators

The Company's hedging strategy is practiced on two fronts. Firstly, the Company enters into forward exchange contracts to hedge approximately 50% of its highly probable future revenue denominated in U.S. dollars covering approximately the six month span beyond the current reporting date with the intention of stabilizing revenue and margin expectations due to possible short term exchange fluctuations, and secondly in order to offset the impact of the fluctuation of the U.S. dollar regarding the revaluation of its U.S net monetary asset and liability position. In this regard, the Company practices economic hedging regularly by analysing its net U.S. monetary asset and liability position and uses forward exchange contracts to equilibrate its position. 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. The Company uses derivative financial instruments only for risk management purposes, not for generating speculative trading profits.

Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, accounts receivable, and other receivables. The Company's cash and cash equivalents are maintained at major financial institutions.

At April 30, 2019, there is one customer comprising 9% (fiscal 2018-12%) of total trade accounts receivable and work in progress. Subsequent to April 30, 2019, this amount has been substantially collected. Generally, there is no particular concentration of credit risk related to the accounts receivable due to the distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of all its customers and establishes an allowance for expected credit loss when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit.

Refer to note 21 of the April 30, 2019 Annual Consolidated Financial Statements for additional discussion of the Company's risk management policies, including currency risk, credit risk, liquidity risk, interest rate risk and market price risk.

Outstanding Share Data

As at July 3, 2019, the Company has 13,082,376 common shares outstanding as there were no transactions since the end of the fiscal year.

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 consolidated financial statements.

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 bundled arrangements where judgment is required in identifying performance obligations and allocating revenue to each performance obligation, which may include licenses, professional services, maintenance services and subscription services, based on the relative stand-alone selling price of each performance obligation. As certain of these performance obligations have a term of more than one year, the identification and the allocation of the consideration received to the performance obligations impacts the amount and timing of revenue recognition.

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various refundable and non-refundable tax credits earned from the federal and provincial governments 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.

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 expected credit losses:

The Company recognizes a loss allowance for expected credit losses on trade accounts receivable, using a probability weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration credit loss insurance and the credit-worthiness of each customer, taking into account each customer's financial condition and payment history and forward-looking information. Furthermore, these estimates must be continuously evaluated and updated. If actual credit losses differ from estimates, future earnings would be affected.

(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.

New Accounting Standards and Interpretations adopted during the year

IFRS 15: Revenue from Contracts with Customers (''IFRS 15"):

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.

The Company has determined that the adoption of IFRS 15 impacted the accounting for its: a) license arrangements that require the customer to renew its annual support agreement in order to maintain its right to continue to use the software; and b) capitalization of contract acquisition costs. Under previous revenue recognition policies, the license revenue mentioned in a) above was deferred and recognized ratably over a twelve-month period. Under IFRS 15, revenue under these license arrangements is recognized ratably over the estimated life of the software, which is seven years. Contract acquisition costs, including incremental commissions paid to employees, were previously expensed upon commencement of the related contract revenue. Under IFRS 15, the Company capitalizes contract acquisition cost related to contracts having a term of at least 12 months or for contracts which have license fees described above. These capitalized contract costs will be expensed over the terms of the contract or the estimated life of the software.

Impact of transition

Effective May 1, 2018, the Company adopted IFRS 15 using the modified retrospective transition method. Accordingly, the information presented for fiscal year ended April 30, 2018 has not been restated. It remains as previously reported under IAS 18, IAS 11 and related interpretations.

The following tables summarizes the impact of adopting IFRS 15 on the Company Consolidated Statement of Financial Position as at May 1, 2018 and its Statement of Income and Comprehensive income for year ended April 30, 2019. There was no impact on the Company's Consolidated Statement of Cash Flows for these periods.

		Impact of adopting IFRS 15 on May 1, 2018
Software license - Deferred revenue	$	(981)
Previously expensed contract acquisition costs - Prepaid expenses		406
Related income tax impact - Deferred tax assets		154
Impact at May 1, 2018 - Retained earnings	$	(421)

		Impact of adopting IFRS 15 for the year - ended April 30, 2019
Revenue – Proprietary products - increase	$	345
Operating expenses – Sales and marketing – Increase		(155)
Related income tax – Deferred tax assets		(50)
Impact at April 30, 2019 – Consolidated Statements of Income and Comprehensive income	$	140

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

Effective May 1, 2018, the Company adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flows characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Trade and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost. There is no change to the initial measurement of the Company's financial assets resulting from the adoption of IFRS 9. Impairment of financial assets is based on an expected credit loss (''ECL") model under IFRS 9, rather than the incurred loss model under IAS 39. ECL's are a probability-weighted estimate of credit losses. The Company calculated ECL's based on consideration of customer-specific factors and actual credit loss experience over the past two years. Based on our analysis, historical default rates generally represent a reasonable approximation for future expected defaults. As a percentage of revenue, the Company's actual credit loss experience has not been material.

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 International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are mandatory but not yet effective for the year ended April 30, 2019, and have not been applied in preparing these consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company, except for the following:

IFRS 16, Leases ("IFRS 16"):

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize a right-of-use asset as well as a lease liability reflecting the present value of future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating expense that were recognized under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and offers the option on transition of adopting a full retrospective approach or a modified retrospective approach. The Full Retrospective Approach involves restating each prior reporting period presented, applying IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The Modified Retrospective Approach involves recognizing the cumulative effect of initially applying IFRS 16 in retained earnings at the date of initial application.

The Company has elected to apply IFRS 16 using the Modified Retrospective Approach. Under this method, the lessee can, on a lease-by-lease basis, measure the right-of-use asset based on two methodologies. The first methodology consists of measuring the right-of-use asset at the date of initial application as if IFRS 16 had been applied since the beginning of the lease, but discounted using a rate at the date of initial application. The cumulative effect of initially applying IFRS 16 at initial application will be recognized in retained earnings on May 1, 2019. The second methodology consists of having the right-of-use asset equal the lease liability, adjusted for any prepaids or accrued lease payments.

The implementation of IFRS 16 allows for certain practical expedients at the date of initial application. The Company has elected to use the following exemptions and practical expedients:

(i) Use of the same discount rate for portfolio of leases with similar characteristics;

(ii) Exemption, on a lease-by-lease basis, of recognizing a right-of-use asset and lease liability when the lease term is within 12 months of the date of initial application. After date of initial application, the Company will exempt the recognition of right-of-use asset and lease liability to all leases that are short-term.

(iii) Exemption, on a lease-by-lease basis, of recognizing a right-of-use asset and lease liability when the lease has an underlying asset that is of low value;

(iv) Exclude initial direct costs, at the date of initial application only, on a lease-by-lease basis from the measurement of the right-of-use asset;

(v) Use hindsight at the date of initial application only, on a lease-by-lease basis, to determine the lease term if the contract contains options to extend or terminate the lease;

(vi) No reassessment on whether a contract is or contains a lease under IAS 17;

This standard will have a significant impact on the Company's Consolidated Statement of Financial Position. The Company expects that the adoption of IFRS 16 will result in a material increase to its assets and liabilities through the recognition of right-of-use assets and lease liabilities. The Company is currently assessing the impact of adoption of this Standard and estimates that the increase of assets should represent approximately a range from $8.0 million to $9.0 million and increase of liabilities should represent approximately a range from $10.0 million to $11.0 million, excluding any tax impact. The impact described is subject to change upon completion of the implementation of the standard.

Risks and Uncertainties

The Corporation has incurred net losses in the past and may incur losses in the future.

The Corporation incurred net profits from fiscal 2008 to fiscal 2018, but incurred losses in fiscal 2019. The Corporation continuously adjusts its operating model to ensure ongoing profitability. However, there can be no assurance that the Corporation will achieve or sustain profitability in the future. As of April 30, 2019, the Corporation had retained earnings of $10.6 million. The limited operating history of the Corporation as a public company and its dependence on a market characterized by rapid technological change make the prediction of future results of operations difficult or impossible. There can be no assurance that the Corporation can generate substantial revenue growth on a quarterly or annual basis, or that any revenue growth that is achieved can be sustained. Revenue growth that the Corporation has achieved or may achieve may not be indicative of future operating results. In addition, the Corporation may increase its operating expenses in order to fund higher levels of R&D, increase its sales and marketing efforts, develop new distribution channels, broaden its customer support capabilities and expand its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased revenues, the Corporation's business, results of operations and financial condition would be materially adversely affected.

If the Corporation is unable to attract new customers or sell additional products to its existing customers, its revenue growth and profitability will be adversely affected.

To increase its revenue and achieve and maintain profitability, the Corporation must regularly add new customers or sell additional solutions to its existing customers, which it plans to do. Numerous factors, however, may impede its ability to add new customers and sell additional solutions to its existing customers, including its inability to convert companies that have been referred to the Corporation by its existing network into paying customers, failure to attract and effectively train new sales and marketing personnel, failure to retain and motivate its current sales and marketing personnel, failure to develop relationships with partners or resellers and/or failure to ensure the effectiveness of its marketing programs. In addition, if prospective customers do not perceive its solutions to be of sufficiently high value and quality, it will not be able to attract the number and types of new customers that it is seeking.

Impact of transitioning from primarily on-premise perpetual license sales to a higher mix of Software as a Service ("SaaS")

The Corporation offers certain of its solutions as Software as a Service ("SaaS") which will negatively impact revenue and earnings in the transition period and make forecasting its revenue, earnings and cash flow more unpredictable. The Corporation significantly began to offer more of its solutions under the SaaS option in fiscal 2019, in addition to its on-premise perpetual license option. Under a SaaS subscription agreement, customers pay a periodic fee for the right to use the Corporation's software within a cloud-based environment that it provides and manages over a specified period of time. The Corporation believes that over time a growing number of its customers and prospects will elect to purchase its solutions as SaaS rather than under an on-premise perpetual license.

Until the Corporation has fully transitioned to a stable mix of SaaS and on-premise perpetual license arrangements, it expects that combined license and SaaS revenue will decrease due to the difference in revenue recognition for an SaaS (for which revenue is recognized ratably over the term of the SaaS arrangement) and an on-premise perpetual license (for which revenue is generally recognized upon purchase) and that maintenance revenue (which comprises a significant portion of Tecsys' revenue) may also be impacted due to support being included in the SaaS offering.

The Corporation's revenue, earnings and cash flow are based on the mix of revenue between SaaS and on-premise perpetual license revenue including timing, number and size of deals. If a greater percentage of its customers purchase its solutions as SaaS in any period, Tecsys' revenue, earnings and cash flow will likely fall below expectations for that period.

Fluctuations in Quarterly Results may fail to meet the expectations of investors or security analyst which could cause the Corporation's share price to decline.

The Corporation's quarterly operating results have in the past, and will in the future, fluctuate significantly, depending on factors such as the demand for the Corporation's products, the size and timing of orders, the mix of on-premise perpetual license and SaaS, the number, timing and significance of new product announcements by the Corporation and its competitors, the ability of the Corporation to develop, introduce and market new and enhanced versions of its products on a timely basis, the level of product and price competition, changes in operating expenses, changes in average selling prices and product mix, sales personnel changes, the mix of direct and indirect sales, product returns and general economic factors, among others.

In particular, the Corporation's quarterly results are affected by the mix of on-premise perpetual license and SaaS, timing of new releases of its products and upgrades. The Corporation's operating expenses are based on anticipated revenue levels in the short term and are relatively fixed and incurred throughout the quarter. As a result, if the revenues are not realized in the expected quarter, the Corporation's operating results could be materially adversely affected. Quarterly results in the future will be influenced by these or other factors, including possible delays in the shipment of new products and purchasing delays of current products as customers anticipate new product releases. Accordingly, there will be significant variations in the Corporation's quarterly operating results.

Lengthy Sales and Implementation Cycle could have an adverse effect on the amount, timing and predictability of the Corporation's revenue.

The sale and implementation of the Corporation's products generally involves a significant commitment of resources by prospective customers. As a result, the Corporation's sales process is often subject to delays associated with lengthy approval processes attendant to significant capital expenditures. For these and other reasons, the sales cycle associated with the signing of new sales agreements for the Corporation's products varies substantially from customer to customer and typically lasts between six and twelve months. During this time, the Corporation may devote significant resources to a prospective customer, including costs associated with multiple site visits, product demonstrations and feasibility studies, and experience a number of significant delays over which it has no control. In addition, following a new sales agreement, the implementation period may involve six to twenty-four months for consulting services, customer training and integration with the customer's other existing systems.

Defects, Delays or Interruptions in providing SaaS will have an impact on the operating results of the Corporation.

If the Corporation encounters defects, delays or interruptions in its SaaS, the demand for these services could diminish, and the Corporation could incur significant liability. The Corporation currently utilizes data center hosting facilities and cloud compute service providers, which are managed by third-parties, to provide cloud-based solutions and hosting services to its customers. If the data center facilities or cloud compute service providers fail or encounter any damage, it could result in interruptions in services to the Corporation's customers. This could result in unanticipated downtime for the Corporation's customers, and in turn, its reputation and business could be adversely affected. In addition, if the Corporation's customers use SaaS arrangements in unanticipated ways, this could cause an interruption in service for other customers attempting to access their data. Moreover since SaaS customers access the services via the internet, any interruptions in the internet availability will affect the customers' operations.

If any defects, delays or interruption in the Corporation's SaaS solutions occur, customers could elect to cancel their service, delay or withhold payment to the Corporation, not purchase from the Corporation in the future or make claims against it, which could adversely affect its business reputation, results of operations, cash flow, and financial condition.

Security breaches could delay or interrupt service to its customers, harm its reputation or subject the Corporation to significant liability and adversely affect its business and financial results. Its ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.

The Corporation's operations involve the storage and transmission of the confidential information of many of its customers and security breaches could expose it to a risk of loss of this information, litigation, indemnity obligations and other liability. If its security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to its customers' data, including personally identifiable information regarding users, damage to its reputation is likely, its business may suffer and it could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, it may be unable to prevent these techniques or to implement adequate preventative measures. The Corporation has implemented technical, organizational and physical security measures, including employee training, backup systems, monitoring and testing and maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access to confidential information of its customers and to reduce the likelihood of disruptions to its systems.

Despite these measures, all its information systems, including back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failure due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events. The Corporation or its third-party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber-terrorists and others may attempt to breach its security measures or those of its third-party service providers' information systems.

If a breach of its security measures occurs, the market perception of their effectiveness could be harmed and the Corporation could lose potential sales and existing customers. Further, a security breach affecting one of its competitors or any other company that provides hosting services or delivers applications under a SaaS model, even if no confidential information of its customers is compromised, may adversely affect the market perception of its security measures and it could lose potential sales and existing customers.

The Corporation's ability to develop new products and services in order to sell its solutions into new markets or further penetrate its existing markets will impact its revenue growth.

The software industry is characterized by rapid technological change and frequent new product introductions. Accordingly, the Corporation believes that its future success depends upon its ability to enhance current products or develop and introduce new products that enhance performance and functionality at competitive prices. The Corporation's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on its business, results of operations and financial condition.

The ability of the Corporation to compete successfully will depend in large measure on its ability to maintain a technically competent R&D staff and adapt to technological changes and advances in the industry, including providing for the continued compatibility of its software products with evolving computer hardware and software platforms and operating environments. There can be no assurance that the Corporation will be successful in these efforts.

The markets in which the Corporation participates is highly competitive, its failure to compete successfully would make it difficult to add and retain customers and would reduce and impede its growth.

The Corporation competes in many cases against companies with more established and larger sales and marketing organizations, larger technical staff and significantly greater financial resources. As the market for the Corporation's products continues to develop, additional competitors may enter the market and competition may intensify. Additionally, there can be no assurance that competitors will not develop products superior to the Corporation's products or achieve greater market acceptance due to pricing, sales channels or other factors.

If the Corporation fails to retain its key employees, its business would be negatively impacted.

The Corporation's dependence on key personnel to operate its business represents risk of loss of expertise if key personnel were to leave.

The Corporation depends on the experience and expertise of its executive management team. Competition for executives, as well as for skilled product development and technical personnel, in the software industry is intense and the Corporation may not be able to retain or recruit needed personnel. If the Corporation is not able to retain and attract existing and additional highly-qualified management, sales and technical personnel, it may not be able to successfully execute its business strategy.

The Corporation's ability to support the growth of its business will be substantially dependent upon having in place highly trained internal and third-party resources to conduct pre-sales activity, product implementation, training and other customer support services.

The Corporation's strategy includes pursuing acquisitions and its potential inability to successfully integrate newly-acquired companies or businesses may adversely affect its financial results.

The Corporation may continue to expand its operations or product line through the acquisition of additional businesses, products or technologies which may include different geographic locations. Acquisitions may involve a number of special risks, including diversion of Management's attention, failure to retain key acquired personnel, risk associated with specific vertical markets, business model, integration, geographic locations, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

Risk of Software Defects could adversely affect the Corporation's business.

Software products as complex as those offered by the Corporation frequently contain errors or defects, especially when first introduced or when new versions or enhancements are released. Despite product testing, the Corporation has in the past released products with defects, discovered software errors in certain of its new versions after introduction and experienced delays or lost revenue during the period required to correct these errors. The Corporation regularly introduces new releases and periodically introduces new versions of its software. There can be no assurance that, despite testing by the Corporation and its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after commencement of commercial shipments.

Risk Related to Protection of Intellectual Property

The Corporation considers certain aspects of its internal operations, software and documentation to be proprietary, and relies on a combination of copyright, patents, trademark and trade secret laws; confidentiality agreements with employees and third parties; protective contractual provisions (such as those contained in its license agreements with consultants, vendors, partners and customers) and other measures to maintain its intellectual property rights. Any of the Corporation's intellectual property rights could be challenged, invalidated, circumvented or copied, causing a competitive disadvantage, lost opportunities or market share, and potential costly litigation to enforce or re-establish the Corporation's rights. This could materially and adversely affect the Corporation's business, operating results and financial condition.

Risk of Third-Party Claims for Infringement

The Corporation is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Corporation or its licensees with respect to current or future products. The Corporation expects that software developers will increasingly be subject to such claims as the number of products and competitors in the Corporation's industry segment grows and as functionality of products in different industry segments overlaps.

Reliance on Third-Party Software

The Corporation relies on certain software that it sub-licenses from third parties. There can be no assurance that these third-party software companies will continue to permit the Corporation to sub-license on commercially reasonable terms.

Cyber Security

With the increasing sophistication and persistence of cyber-threats, Tecsys is well aware of the need to manage the risks of data loss, malware and malicious attacks, whether originating internally or externally. Tecsys has implemented a continuously-evolving security program to keep pace with these threats. Independent checks reveal that Tecsys has not experienced material breaches in cyber security. Tecsys continues to monitor these risks and continues to fortify its defenses against intrusion and refine its security governance. Despite the Corporation's security measures, its information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise Tecsys' networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

Currency Risk

A significant part of the Corporation's revenues are realized in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies may have a material adverse effect on the margin the Corporation may realize from its products and services and may directly impact results of operations. From time to time, the Corporation may take steps to manage such risk by engaging in exchange rate hedging activities; however, there can be no assurance that the Corporation will be successful in such hedging activities. The Corporation also has an operating subsidiary in Denmark. Significant fluctuations between the Danish krone and the Canadian dollar may have an impact on the Corporation's operating results.

The Corporation may need to raise additional funds to pursue its growth strategy or continue its operations, and it may be unable to raise capital when needed or on acceptable terms.

From time to time, the Corporation may seek additional equity or debt financing to fund its growth, enhance is products and services, respond to competitive pressures or make acquisitions or other investments. Its business plans may change, general economic, financial or political conditions in its markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on its cash flows and the anticipated cash needs of its business. Any of these events or circumstances could result in significant additional funding needs, requiring the Corporation to raise additional capital. It cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, it may be unable to expand its business at the rate desired and its results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of its shares.

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 April 30, 2019. The PCSYS acquisition occured in Q4 of fiscal 2019 and we have elected to scope this out of the certification.

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.

An evaluation was carried out under the supervision and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer to evaluate the design and operating effectiveness of the Company's internal controls over financial reporting as at April 30, 2019. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the internal control over financial reporting, as defined by National Instrument 52-109 was appropriately designed and operating effectively. The evaluations were conducted 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), a recognized control model, and the requirements of National Instrument 52-109, Certification of Disclosures in Issuers' Annual and Interim Filings. The PCSYS acquisition occured in Q4 of fiscal 2019 and we have elected to scope this out of the certification.

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".

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 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 acquisition related costs, stock-based compensation and non-recurring costs. 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 and Adjusted EBITDA calculation for fiscal 2019, 2018 and 2017 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:

		2019		2018		2017
Profit for the period	$	(741)	$	3,949	$	5,998
Adjustments for:						
Depreciation of property and equipment		879		760		819
Amortization of deferred development costs		949		1,118		1,319
Amortization of other intangible assets		995		462		486
Interest expense		196		4		81
Interest income		(197)		(259)		(103)
Income taxes		(1,018)		456		1,764
EBITDA	$	1,063	$	6,490	$	10,364
Adjustments for:						
Acquisition related costs		1,347		-		-
Stock based compensation		366		-		-
Non-recurring costs (Canadian tax credits)		-		-		(4,688)
Adjusted EBITDA	$	2,776	$	6,490	$	5,676

In the fourth quarter of fiscal 2017, the Company recorded $4.7 million of Canadian federal non-refundable research and development tax credits representing primarily tax credits earned in prior years for which the criteria for recognition was met in fiscal 2017.

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.

Recurring Revenue

Recurring revenue (also referred to as Annual Recurring Revenue) is defined as the contractually committed purchase of SaaS, proprietary software maintenance, customer support, application hosting, database administration services and third-party maintenance 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. This portion of the Company's revenue is predictable and stable.

Bookings

Broadly speaking, bookings refers to the total value of accepted contracts, including software licenses and other proprietary products and related support services, SaaS, third-party hardware and software and related support services, contracted work for 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 have historically been 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. Acknowledging the business shift to SaaS and in order to provide greater clarity around expected timing of future revenue, the Company intends to provide disaggregated information about bookings including software product bookings (perpetual license as well as SaaS Annual Recurring Revenue bookings) and professional services bookings. Accordingly, we expect to phase out the reporting of TCV bookings.

Backlog

Generally, backlog refers to something unfulfilled. In a traditional software company, this term is used largely within finance. Historically for Tecsys, backlog referred to the value of contracted orders that have not shipped and services that had not yet been delivered. Backlog could also 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 Company's quantification of backlog was not limited to the first year, nor would it typically exclude certain transaction types. In this context, backlog was really "revenue backlog" and was the total unrecognized future revenue from existing signed contracts. Historically, Backlog included recurring revenue as discussed earlier.

With the Company's shift to SaaS, we believe it has become more relevant to measure Backlog from two different perspectives: (a) Professional Services Backlog that includes the value of contracted orders for the delivery of professional services (including those contracted orders that may extend beyond one year) and (b) the natural backlog that is created by Annual Recurring Revenue (recurring revenue assuming the customer will renew the contractual commitment on a periodic basis as those commitments come up for renewal). We believe that this disaggregation provides greater visibility to stakeholders in particular as the Company continues its transition to SaaS. As such, we expect to phase out the reporting of aggregated Backlog amounts.

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.

Additional Information about Tecsys

Additional information about the Company, including copies of the continuous disclosure materials such as annual information form and the management proxy circular are available through the SEDAR website at https://www.sedar.com.