Sylogist Ltd.

First Quarter 2026 Results Conference Call Transcript

Date: **May 12th, 2026**

Time: **8:30 AM ET**

Speakers:

Jennifer Smith
LodeRock Advisors

Craig O'Neill
Interim Chief Executive Officer

Sujeet Kini
Chief Financial Officer

Operator:
Welcome to the Sylogist First Quarter 2026 Results Conference Call and Webcast.

As a reminder, all participants are in a listen-only mode, and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. Should you need assistance during the conference call, you may reach an Operator by pressing star, then zero.

I would now like to turn the conference over to Jennifer Smith with LodeRock Advisors. Please go ahead.

Jennifer Smith:
Thank you, Danielle, and good morning.

Joining me to discuss Sylogist's First Quarter 2026 Results are Craig O'Neill, Sylogist's Interim Chief Executive Officer, along with Sujeet Kini, the Company's Chief Financial Officer.

This call is being recorded live at 8:30 A.M. Eastern Time on Tuesday, May 12, 2026.

I'd like to remind everyone that our Q1 2026 press release, MD&A, financial statements, and accompanying notes have been issued and are available for download on SEDAR+.

Please note that some of the statements made on the call today may be forward-looking. Actual events or results may differ materially from those expressed or implied, and Sylogist disclaims any intent or obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. A complete safe harbor statement is available in both our MD&A and press release, as well as on Sylogist.com. We encourage all of our investors to read in this entirety.

Additionally, we are reporting our financial results in accordance with IFRS accounting standards. Today, we may also refer to or discuss non-IFRS performance measures, which should be viewed as supplemental. We have included in our MD&A the definition of certain non-IFRS performance measures used by the Company. Furthermore, all of the dollar figures expressed on this call are in Canadian dollars, unless otherwise stated.

Now, I will be turning the call over to Craig for his opening remarks. Following that, Sujeet will provide an overview of our Q1 financial performance, with Craig returning to conclude with closing remarks. After which, we will open the line for Q&A.

With that, I'll hand the call over to Craig.

Craig O'Neill:
Great. Thank you, Jen, and good morning, everyone. Thanks for joining us today.

It's been just over three months since I took over as Interim CEO, and about two months since our last update. Since then, I've dedicated my time to diving deeper into the business and our products, our partners, and our market opportunities. What I've found has reinforced my confidence in our business. We have some excellent growth opportunities ahead of us. We're reaching product market fit for these opportunities, and we have a growing list of partners who recognize this and are motivated to work with us.

Sylogist is advancing on its transformation journey, from a software vendor with older perpetual license-style products to a modern SaaS business with cloud-based products implemented via a partner ecosystem. That journey is a challenging one, and it's not yet complete, but it is showing early signs of improving revenue quality and operational efficiency.

I'm pleased to report that Sylogist's Adjusted EBITDA, recurring revenue, and gross margins stabilized sequentially while the Company's SaaS Subscription revenue improved compared to Q1 of 2025. These results reflect the Company's sustained focus on this transformation.

Looking ahead, the Company remains intent on completing the final steps in the transformation. Following several years of investment, we are now proving the value of our cloud-based products with our customers and partners, especially in our Government and Education segments. We're maturing our partners' sales and delivery capabilities and our ongoing support for them.

We're also making meaningful progress on operational efficiency and go-to-market performance, and that includes this ongoing transition to partner-led project delivery. Although that transition has created some short-term pressure on one-time project services revenue, we anticipate that it will unlock greater scalability in the future as our SaaS products gain traction in their target markets and ultimately drive stronger recurring revenue growth.

For these reasons and more, my confidence in the long-term prospects for the Company has grown stronger. We've got a talented team. We have a portfolio of ERP, CRM, and other mission-critical software solutions that are valued by our customers. We continue to strengthen our brand in a competitive environment that can significantly benefit from our suite of products.

With that, I'm going to turn it over to Sujeet to walk you through the financials for the quarter and the year. Sujeet?

Sujeet Kini:
Thank you. Thank you, Craig. Thank you, Craig, and good morning, everybody.

Our Q1 results continue to reflect our ongoing transition to a SaaS-driven enterprise with a clear focus on growing ARR. Total revenue for Q1 ‘26 was $14.7 million compared to $16.3 million for the same period last year. The decline in top-line revenue was primarily due to reduced project services, or PS, revenues.

SaaS Subscription revenue grew 5% year-over-year. Within its component parts, SaaS Subscription revenue grew by 34% within our Gov segment, 48% within our Solution segment, offset by a decline of 9% within our Mission segment.

Maintenance and Support revenue declined 8% year-over-year. This decrease was largely within our Mission segment and related to the revenue impact of DOGE-related losses that happened in fiscal ‘25.

PS revenue was $3.5 million this quarter compared to $4.9 million last year, consistent with our purposeful shift to partner-led delivery. This decline in PS was primarily within our Mission segment.

Recurring revenue represented 75% of total revenues in Q1, up from 67% in the same period last year. SaaS revenue made up 74% of recurring revenue, up from 71% at the same time last year, reflecting continued net growth in our SaaS subscription base.

ARR and SaaS ARR for the first quarter of fiscal ‘26 were $45.6 million and $33.6 million, growing at 3% and 7% year-over-year, respectively. The year-over-year ARR and SaaS ARR growth is primarily attributable to growth within our Gov operating segment, supplemented by growth within Solutions. I would also note that FX movements adversely impacted this year-over-year growth. On a constant currency basis, total ARR grew by 6% year-over-year, and SaaS ARR grew by 10% year-over-year.

SaaS NRR, or net revenue retention, declined in the first quarter of fiscal ‘26 to 98%, compared to 108% at the end of the first quarter of fiscal 2025. This decline is largely tied to churn that we saw in our legacy customer base. We will note that this is not reflective of any issues within our core SaaS customers and is broadly what we would expect as we work through the remaining legacy tail.

Q1 gross profit margins were 57%, compared to 59% in the same period last year. Separating out recurring revenue, recurring revenue gross margins improved approximately to 71%, compared to 69% in Q1 of 2025. Gross profit margin compression at the blended level continues to be primarily attributable to PS, where we are still carrying some associated delivery and partner enablement costs.

On the OpEx front, G&A was relatively stable at $3 million for both the current quarter and in the same period last year. Sales and marketing expenses were $1.6 million lower by $0.5 million, primarily due to lower levels of employee-related expenses, as our overall sales and marketing expense-related headcount declined to 22, compared to 25 at the same time last year.

On the R&D front, gross R&D spend declined slightly to $2.6 million from $2.8 million last year and was relatively stable as a percentage of revenue at 18% of revenue compared to 17% last year. As we had discussed during our year-end call in March, we have discontinued capitalizing R&D in line with best practice in this regard, and we expect this practice to continue as our platforms near technical readiness.

From an Adjusted EBITDA perspective, Q1 Adjusted EBITDA was $1.2 million at a 7.9% margin, compared to 16.1% in Q1 of last year. Absent the impact of capitalized R&D, Adjusted EBITDA for the same quarter last year would have been 10.3% rather than 16.1%. This year-over-year change in Adjusted EBITDA reflects the impact of lower PS revenues, the cost of carrying some portion of our internal PS bench, and the absence of capitalized research and development costs in the current period.

GAAP net income for the quarter was adversely impacted by approximately $1.2 million of shareholder engagement costs and an additional $1.4 million of severance-related accruals in connection with an accrual for salary continuance payments to a former executive. Total cumulative expenses incurred to date in connection with shareholder engagement activities are $1.8 million.

Our cash balance at the end of Q1 was $4 million, reflecting share repurchase activity and shareholder engagement costs incurred in the period.

On the capital allocation front, the Board took a deliberate step this quarter, suspending our quarterly dividend to concentrate on capital return activity through our NCIB. We think that this is the right call at current share price levels. Our NCIB was renewed by the Toronto Stock Exchange in February this year, and during Q1, we put it to work repurchasing 95,000 common shares at an average price of $3.84. We intend to continue utilizing this program going forward.

With that, I'll hand it back to you, Craig. Craig?

Craig O'Neill:
Thank you, Sujeet.

As we look forward, our Board of Directors and Senior Management team are aligned in our unwavering conviction that Sylogist will be successful in its SaaS transformation. Working together with our Board, we remain highly focused on delivering on a number of core priorities over the next 12 to 18 months.

Number one, we plan to complete our transition to a SaaS ARR-driven business model, as we believe that growing our recurring revenue from SaaS subscriptions will be the core value driver for Sylogist.

Two, we'll continue to focus on our partner channel strategy and our partner-led delivery. We intend to balance this with a renewed attention on direct sales and high-value services delivery. We remain confident that increasing our partner cash bookings through higher partner win rates and then scaling delivery through partners is essential to our growth.

We've also become convinced that augmenting partner sales with our Direct Sales team will further strengthen our results. We believe we can offer highly profitable project services alongside our partners, complementing their work, improving project success and customer satisfaction, and bolstering the Company's Services revenues.

Three, we'll continue to raise our level of customer service with a strong emphasis on improving our net promoter scores, which should over time result in improved net revenue retention, low customer return, and heightened customer loyalty.

Number four, we'll pursue a focused R&D mandate that improves product innovation, provides better tools for integrations and data conversions, especially for our partners, and introduces new AI capabilities that will further differentiate Sylogist in the marketplace.

We remain excited about our future and the ability to create value for our customers, our partners, and our shareholders.

With that, let's open it up for questions.

Operator:
Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star then two. We will pause for a moment as callers join the queue.

The first question comes from Gavin Fairweather from ATP Cormark. Please go ahead.

Gavin Fairweather:
Oh, hey, good morning. Thanks for taking my questions. Maybe just to start, Craig, on the go-to-market redesign. Can you just discuss in a bit more detail what your plans are there in terms of which verticals you're planning to increase direct sales and then discuss any need to hire more account executives or ramp up marketing in those verticals to lock on?

Craig O'Neill:

Sure. Yes. First of all, I'll say that we're not ramping up in the short term. We're going to really match our sales and marketing spend and efforts with our product readiness. As I mentioned a couple of times in my comments, we're on this transition. We've been getting these SaaS products ready for market to replace some of our legacy products and competitors' legacy products. We've made a lot of progress there, but we're not totally done. We want to be wise about how we start to ramp up spend and make sure that we're doing that when we know we can build pipeline on deals that we can close. No immediate term ramp-up, we'll be kind of staying the course.

But where we see big opportunity, there's actually several places, but especially in Gov and Ed. Our VSS product, our GovERP product, and our SylogistEd product in states outside of Oklahoma, we see lots of opportunity there. We're bullish on the CRM product as well. Our sort of cornerstone product, MissionERP, we're bullish on that, but kind of that's a very mature product. We've got kind of mature market share. We think we can continue to do well there, but the real growth will come from the other products.

That's where we'll focus when we feel like we've got product market fit and we're ready to really increase the trajectory of our go-to-market. We'll prepare for that in the meantime, but we're not going to ramp up per se in the short term.

Gavin Fairweather:

Got it. As you talk to your product leadership, how do you think about the timelines to get product market fit across some of your big products?

Craig O'Neill:

Yes, and I spend a lot of time with them. We're actually very close with all of the above. The nuance about product market fit is it's one thing to gain it, to know you've got it, to know the product is ready, and it's another thing to start to get market-wide recognition of that so that you can really begin to get some acceleration. We're really close now to having good product market fit in GovERP and SylogistEd for states outside of Oklahoma. VSS, we're there now, and I think we've got market recognition we're there.

We've got some more work to do in terms of planting seeds, getting customer references, convincing based on project success, that GovERP and SylogistEd are ready for their new markets. Hard to put a figure on how long that will take. The part that we can control, which is knowing that we've addressed known gaps and that current customers who are implementing are happy, we're really close in both of those. Then we just need to work to ensure the market gets it and responds accordingly. I'd say coming soon, but hard to put an exact figure on it, but coming pretty soon.

Gavin Fairweather:
Yes, I appreciate that. Then just on the professional services delivery, I'm curious if you have a metric at your fingertip in terms of how much of the delivery and services revenue is being captured by partners now and how you see that ratio changing.

Craig O'Neill:
Yes. I don't have an exact percentage, but it's definitely swung to they're doing much more than we're doing. It's certainly greater than 50% and might be well over 50%. We see that continuing. We've been in this awkward in-between state where they're taking on the project, but they still need our help. Some of that has been billable, but quite frankly, we've done quite a lot of work with partners because of our desire to make them successful, and we've not billed for that work.

We think that this awkward in-between period is ending. The amount of non-billable work we do in support of partners is going to diminish very rapidly now. We'll be running our PS group as a profit center. We're going to be doing all the things you do in a good professional services group, measuring utilization and billable rates and so on and so forth. But in my discussion with partners and with our folks within Sylogist that work with partners, they recognize the need ongoing for expert services from Sylogist. Not only do they not feel threatened by it, they want our help, but they'll be in the high-value areas where we can charge good rates or we're billing at high utilization rates. Therefore, we're going to run a smaller but nicely profitable practice that's really there to complement partners, not to replace partners.

The exact mix of that, I mean, we've made some forecasts. We won't share those because they need to be tested, and we're not sharing guidance at this point. But we see the professional services group becoming a lean but profitable group going forward.

Gavin Fairweather:

I appreciate that. Then just lastly for me on SaaS NRR, it feels like you've felt a bit of pressure on the Mission side and some legacy customers. I know you're not giving guidance, but can you maybe talk from a high level about your general expectations for SaaS NRR as you look through the year?

Craig O'Neill:

Yes, we believe that most of that is behind us. We've had a number of legacy products. We had actually declared end-of-life on those products. We've extended those end-of-life deadlines because, quite frankly, we weren't really fully ready with the new products, very close but not quite. We've given our customers some breathing room, and we don't want to force them to make a decision that's going to have them look at other vendors. There's that. But then also much of the legacy backlog has been dealt with now. It's not over completely, but it won't have the same kind of effect going forward.

Gavin Fairweather:

Thanks so much. I'll pass the line.

Operator:

As a reminder, if you have a question, please press star, one. The next question comes from Suthan Sukumar from Stifel, Canada. Please go ahead.

Suthan Sukumar:

Good morning, Craig. My first question, I wanted to touch on Mission. We saw a decline in the Mission segment again this quarter. I know you guys provided some additional colour on the churn dynamics you're seeing play out in Government and Ed, mostly being legacy considerations. Can you talk about what's happening specifically in the Mission segment? Because it has been a couple quarters now where we've seen sort of elevated churn activity, just curious what's playing out in the segment today.

Craig O'Neill:

Yes. We're, we don't have any alarm bells going off and we've had a couple of soft quarters. We think that there's still, as I said, it's a more mature market for us. We don't have the same level of growth opportunity there, but we think we've got moderate growth opportunity there versus decline. What might not be as obvious about MissionERP is, there was, there was legacy baggage with that as well, as

Microsoft has modernized their business central platform over the years. In fact, they've modernized it a lot. It's been somewhat challenging for still just to keep up with all of that.

There were customers that were on MissionERP on business central, but legacy versions, I won't get into all the details as to what Microsoft's done over the years, but that's like the other price where we had true legacy products. We had legacy technology issues with MissionERP. That's contributed to some of this. Then as Sujeet mentioned in his comments, some of it was DOGE related pressure. Again, we think more than think, we strongly believe most of that is behind us. We think that the impact of churn will be reduced and that we do think there's good opportunity to sell and to grow moderately. We think that'll stabilize.

Suthan Sukumar:
Okay, great. Thank you. For my next question, I just wanted to touch on the bookings trends that you guys are seeing now. I didn't see SaaS ARR bookings disclosed this quarter. Is there any colour you could provide there and curious what, how you think about the mix of bookings versus net new versus renewals over the course of this year?

Craig O'Neill:
Yes, it kind of comes back to something I was saying earlier, which is we're readying these products. We're, we're near the end of the work to ready the products that we think can really drive growth. Now, VSS, the, the victim services solution is there. We've got, we're very bullish on bookings going forward with that product. Again, I should mention something we've said before, which is VSS is large deals with large sales cycle, so it's lumpy, but we're bullish that there's, there's good sized deals and several of them in the, in the coming quarters.

We're ready there and we're focused there. We're doing RFPs. We're, we're feeling confident about our ability to win those RFPs. In the other areas, GovERP and SylogistEd. We're not yet at that sort of market recognized product market fit. Therefore, we're not really hitting the gas pedal to go faster and to accelerate our bookings in the next quarter or two. Can't give you the exact timeframe, but there's going to be a little bit of time before we see bookings really pick up there. We're making progress now, but we think the accelerated progress is going to come in the near future.

Suthan Sukumar:

Okay. Okay. Great. I guess just the last one for me on, on the VSS opportunity. Can you speak about your pipeline growth in this segment here? Is your, is your sort of lens on the TAM opportunity? Is it, is it still primarily US driven or are you seeing any global opportunities build? Just a second part of that question is can you provide an update on the Texas rollout and remind us on the timing of the anticipated revenue recognition changes, given that you're approaching the second year milestone of the contract.

Craig O'Neill:

Yes. That last bit I'll leave to Sujeet, but I'll talk about the first bit. The pipeline is good. In fact, the pipeline today for VSS is somewhat better than we anticipated at the start of the year. That's because there's some states that are showing signs of moving and changing their systems earlier than we had anticipated, which is great. We're really pleased about the pipeline.

The other side of the story with VSS, as I said, is these are large deals that government deals there's some heavyweight procurement processes. It's challenging. We're still learning how to pin down and forecast when the deal will close with accuracy, but the number of deals in our pipe and our sense of optimism or confidence in winning those deals is higher than it was at the start of the year. We're excited about that product. Sujeet, can you talk to Texas and the timing on revenue and so on?

Sujeet Kini:

Yes. Morning, Suthan. Yes, just linking this back to the comments we had made on the earlier call and on in the call in March, we had indicated Texas was at around the seven, zero 70% completion mark. Currently at the end of March 31, we are at 92%. A significant traction in the current quarter. We'd also indicated last quarter that we expect to be done by the end of H1. We're on track from that perspective as well.

Then the final comment I'll make there is we, the contract comes up for renewal essentially first of September this year. Again, on track and not seeing anything that would cause us concerns from the point of view of the renewal of the contract. Really 70% going up to 92% and expect to be done from all jails going live by the end of each one of this year.

Suthan Sukumar:

Got you. Great. Then from a revenue recognition perspective, I guess at that September 1 milestone is when we should expect that mix of revenue to shift from pro services to SaaS. Is that correct?

Sujeet Kini:

Yes, that is correct. Just to put a little bit of nuance on that, the ARR pickup is immediate and then the revenue impact of course is over the, over one month of Q3. Then it goes into full gear into Q4.

Suthan Sukumar:

Got it. Okay. Okay. Great. Thank you for taking my questions, guys. I appreciate the colour. I'll pass the line.

Craig O'Neill:

Thanks.

Operator:

This concludes the question-and-answer session. I would like to turn the conference back over to Craig O'Neill for closing remarks.

Craig O'Neill:

Great. Thank you so much.

Thank you for attending everyone. Thank you for your questions. Thank you for your support of us as a Company. We appreciate it. We appreciate the fact that you've been supportive through these times and, and that you keep a close watch and ask us great questions.

I've just got to repeat again that given my time here, my confidence has increased about the business. We're confident about our markets. We're confident about our products ability to serve the needs of our markets. We're confident, although we recognize that the transition has taken longer than expected, it's been hard work. Me coming from the outside. I certainly see this with fresh eyes is that the transformation, the Company was undergoing is a difficult one. It's a challenging one. Yes, it took longer, but the Company's reaching the end of that. We'll see that bear fruit in the coming quarters.

We appreciate you sticking with us through this and for your support and your attention and look forward to updating you on more progress next time. Take care.

Operator:
This brings to a close today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.