Sylogist Ltd.

Second Quarter 2026 Results Conference Call and Webcast Transcript

Date: **August 12, 2026**

Time: **8:30 AM ET**

Speakers:

Joel Leetzow
President and Chief Executive Officer

Sujeet Kini
Chief Financial Officer

Alex Balca
Corporate Development Analyst

Operator:
Welcome to the Sylogist Ltd. Second 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 Alex Balca. Please go ahead.

Alex Balca:
Thank you, Nick, and good morning.

Joining me to discuss Sylogist's second quarter 2026 results are Joel Leetzow, Sylogist's 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 Wednesday, August 12, 2026.

I would like to remind everyone that Sylogist's second quarter 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 Harbour statement is available in both our MD&A and press release, as well as on Sylogist.com. We encourage all our investors to read these materials in their entirety.

Additionally, Sylogist is reporting financial results in accordance with IFRS accounting standards as issued by the International Accounting Standards Board. Today, the Company may also refer to or discuss non-IFRS performance measures, which should be viewed as supplemental. The Company has included in its MD&A definitions of the non-IFRS performance measures used by the Company.

All dollar figures expressed on this call are in Canadian dollars, unless otherwise stated.

I will now turn the call over to Joel for his opening remarks. Sujeet will then provide an overview of our Q2 financial performance, and Joel will return with closing remarks before opening the line for Q&A.

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

Joel Leetzow:
Thank you, Alex, and good morning everyone. Thank you for joining us today.

It's been just under three months since I've joined Sylogist as CEO. During that time I've spent a great deal of time with our employees, customers, partners, Board, and shareholders, assessing the strengths of the business and where we need to improve. What I've seen has reinforced my confidence in Sylogist's long-term potential. It has also confirmed that we have more work ahead of us.

Our second quarter results reflect both encouraging progress and areas that require improvement. SaaS subscription revenue grew 5% year-over-year, SaaS ARR grew 6%, and our Adjusted EBITDA margin improved sequentially from the first quarter. At the same time, total revenue declined 6%, SaaS net revenue retention was 99%, and project services performance was below where it needs to be. These results reinforce the priorities that we have established. We need to improve execution, strengthen our product portfolio, invest in the customer experience, and operate with greater discipline.

Following years of investment, Sylogist has a strong base of mission-critical cloud products. Our job now is to translate those assets into more consistent, reoccurring revenue growth, stronger retention, and improved profitability.

In June, we announced optimization initiatives intended to sharpen our customer focus and strengthen capital allocation. As part of those changes, I assumed direct leadership of the sales organization. We are bringing greater accountability to how we position our products, pursue opportunities, and deliver successful customer outcomes.

Project Services performance is not where it needs to be. Project Services revenue declined 20% in the quarter, and associated gross margin fell to 8%. We are taking direct action to improve delivery, utilization, and accountability. Partners remain important to our scalability and market reach, but we will selectively retain project services where doing so improves customer outcomes, supports ARR growth, and delivers appropriate margins. The objective is straightforward. Our products must be positioned to win, and our customers and partners must have the resources required to deliver a high-quality experience.

With that, I'll turn it over to Sujeet to walk you through the detailed financial results for the quarter and first half. Sujeet.

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

Our Q2 results continue to reflect our ongoing transition to a SaaS-driven enterprise with a focus on growing ARR and increasing the mix of recurring revenue.

Total revenue for Q2 fiscal ‘26 was $14.7 million compared to $15.7 million for the same period last year. While SaaS revenue continues to grow, the year-over-year decline in total revenue was primarily due to lower Project Services and Hardware revenue in the current quarter compared to the same period last year.

SaaS revenue momentum continues with SaaS revenue growing 5% year-over-year. Within its component parts, SaaS revenue grew 17% in our Solutions segment, 14% in our Gov segment and 6% in our Ed segment, partially offset by a decline of 3% in our Mission segment. Maintenance and Support revenue declined 6% year-over-year, this decline happening primarily within our Mission and Gov segments.

Project Services revenue was $3.3 million this quarter compared to $4.2 million last year. This decline in PS was primarily within our Mission and Ed segments.

Recurring revenue represented 76% of total revenue in Q2, up from 70% in the same period last year. SaaS revenue made up 74% of recurring revenue, up from 72% at the same time last year, reflecting continued net growth in our SaaS subscription base.

ARR and SaaS ARR for the second quarter of fiscal ‘26 were $45 million and $33.5 million, growing 3% and 6% year-over-year, respectively. SaaS ARR growth was primarily attributable to growth within our Ed and Gov segments.

SaaS NRR, or net revenue retention, declined 99% in the second quarter of fiscal ‘26, compared to 107% at the end of the second quarter of fiscal 2025. This decline was largely tied to churn within our legacy customer base in the Gov and Ed operating segments. Importantly, this decline is not reflective of any underlying weakness within our modern SaaS platforms.

Q2 gross margin was stable at 57% for the current quarter compared to 58% in the same period last year. Recurring revenue gross margin improved to 72% from 71% in Q2 fiscal 2025.

Blended gross margin compression continued to be primarily attributable to Project Services, where we are carrying associated delivery costs that are not currently being fully offset by revenue.

G&A expenses for Q2 fiscal ‘26 increased to $2.8 million, compared to $2.5 million in the same period last year, primarily due to higher professional fees and legal expenses in the current quarter.

Sales and marketing expenses decreased to $1.3 million in Q2 fiscal ’26 from $2 million in Q2 fiscal 2025, primarily due to lower employee-related expenses and lower programmatic marketing expenses.

Gross R&D spent for both Q2 fiscal 26 and Q2 fiscal 2025 was stable as a percentage of revenue at 18%. As we've discussed on our earlier calls, we have discontinued capitalizing R&D in line with best practice, and we expect this practice to continue as our platforms near technical readiness.

Q2 Adjusted EBITDA was $1.6 million, representing a 10.8% Adjusted EBITDA margin. This was up sequentially from 7.9% in Q1 fiscal 2026, and compares to 15.3% in Q2 of last year. Additionally, we note that absent the impact of capitalized R&D, the Adjusted EBITDA margin for the same quarter last year was 10.9%.

GAAP net loss for the quarter was adversely impacted by approximately $0.7 million worth of shareholder engagement costs, and an additional $0.2 million of severance-related accruals related to salary continuance payments to a former executive. Additionally, expenses incurred in fiscal ‘26 in connection with shareholder engagement activities were $1.9 million.

Our cash balance at the end of Q2 was $2.5 million, this being adversely impacted by shareholder engagement costs incurred during the first half of fiscal 2026.

We also note that we typically enter our higher cash generation period at this point in the year, and our cash balance today is approximately $9 million.

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

Joel Leetzow:
Thank you, Sujeet.

Looking ahead, our priorities for the remainder of fiscal 2026 are clear: improve execution, strengthen the product portfolio, invest in the customer experience, and operate with discipline. We will continue to align our cost structure and resources with opportunities that can generate sustainable, reoccurring revenue growth and improved profitability.

We have more work ahead. Our progress will be measured by results, improving ARR growth and retention, stronger Project Services execution, better margins, and a more consistent experience for our customers and our partners.

I remain confident in Sylogist's long-term opportunity. We have talented people, deeply embedded customer relationships, and mission-critical products in attractive public sector markets. By uniting those strengths behind a clearer operating model and a stronger accountability, we believe we can create sustainable value for customers, employees, and 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 and then two. We will pause for a moment as callers join the queue.

The first question will come from Gavin Fairweather with ATB Cormark. Please go ahead.

Gavin Fairweather:
Oh, hey, good morning and thanks for taking my questions. Maybe, Joel, just to start with you, just on growth engines within the business. After a bit more time in the seat and getting feedback from partners

and customers, I'm curious where you see the best growth opportunities in the portfolio today and how you're thinking about timelines to getting growth going there.

Joel Leetzow:
Good morning, Gavin. Thanks for joining the call.

The specific growth engines that I would say have a great amount of upside for us, one is the government DRSP space. We have an opportunity ahead of us. I won't get too much into the details on the commercial side because of competitive intel, but I'm excited about our positioning and where the product currently is, and the take-up from our channel and partners in that arena have been fantastic. It's also already showing some growth, and the pipeline is really building across that platform, and I'm really excited and encouraged by it.

Second is education. It's always been one of our strong suits at Sylogist, and we continue to make progress in that side of the business. Our Victim Services has been growing over time, and it continues to grow, and once again, we've got a nice pipeline within that product and building.

And then our services is something that I think is all over this story historically with changes to channel and things that we've done in that nature, but the channel has been loud and clear with me that they need those services and they need our support. So, we will definitely be seeing some growth on the services side of the business as well.

Gavin Fairweather:
That's helpful. And just on the partners, I know you've identified the partner program as an area for improvement. Maybe you can just discuss where you are in the process of redesigning that program and any early feedback you've gotten from the channel network there.

Joel Leetzow:
Sure. We have just an amazing portfolio of partners. Some of the biggest names in the ERP and accounting business worldwide have supported us on selling our products, installing our products, and providing service and support for our mutual customers.

I've engaged with the majority of the partners personally. They've given me feedback about what we've historically done together, how we can grow the business together, and I'm reassured each day by their commitment to invest and build a practice around the Sylogist products.

They've also told us that we need to do some things better, and I've mentioned earlier what some of those things are, but we need to be there with documentation and an opportunity for them to help serve the customer in ways with product and technology that we have not delivered as good as we should have in the past, and we're making big strides to improve that.

Gavin Fairweather:
That's great. Then just on the professional services, Ben, if I look back a few years, you used to deliver about $20 million of revenue with a call space that's similar to where you are today. Is that the plan over the next few years to try to ramp services back up to that level? Is that achievable? Any comments that would be helpful?

Joel Leetzow:
I don't think it's going to go back to that level, Gavin, because we've changed our business model to a channel-first mantra, and so some of those services are absolutely going to be taken on by our partners. The benefit, though, to us is that the partners allow the ecosystem of Sylogist to expand beyond our organic capabilities as a company. So by using their services, sales skills, and I'll just say general fit within the market and experience that they bring to the table, our goal in the future is to make Sylogist bigger through the partners versus historically at the onset of these partner programs we had to do some investments to make sure that the partners were trained, knew what they were doing, and in many cases, we had to do joint installs together. In the future, we'll still be continuing to do them together, but it will be on a professional services engagement model with us versus the courtesy of supporting our partners through a transition.

Gavin Fairweather:
Great. Then lastly for me, maybe for Sujeet, I know that there was some restructuring of the business mid-quarter. Maybe you can provide us with a bit of help on the cost profile of the business as we enter into the second half.

Sujeet Kini:
Yes, absolutely, Gavin. Just so that I understand your question, is the question more around where do we see OpEx going in the next couple of quarters kind of thing?

Gavin Fairweather:
Yes, exactly. The cost structure, because you had a partial quarter of the restructuring benefit there in the June quarter.

Sujeet Kini:
Yes, absolutely. So from an overall restructuring perspective, we essentially as a combination of contractors and full-time employees, we were able to reduce our bench strength in approximately kind of the 40 people, 40 headcount range, approximate savings from a cost perspective in the $3 million range.

From an OpEx perspective, we do expect our profile on the OpEx line, sales and marketing, G&A, R&D to stay in the same range as we see currently in Q2. So essentially that reduction that you've seen in Q2 will continue in that same range. Overall, we expect our cost structure to stay in that general range.

Gavin Fairweather:
Thanks. I'll pass the line.

Operator:
Again, if you have a question, please press star and then one.

The next question will come from Daniel Rosenberg with Paradigm Capital. Please go ahead.

Daniel Rosenberg:
Hi. Good morning, Joel and Sujeet. The product portfolio, I was curious if you could share at a high level the thoughts you have around, I know you talked about rationalization or optimization. Just any colour there you could share would be helpful. Thanks.

Joel Leetzow:
Daniel, you mean across the product portfolio? How are we optimizing?

Daniel Rosenberg:
Yes, exactly.

Joel Leetzow:

Sure. Well, as I think many of you know, we have a combination of legacy businesses that were acquired. We have transitioned where we have built new products for those customers to migrate to, what I'll call modern SaaS technology. For us, it's a balance between capital investment, putting these products in a position to win and ultimately making material inroads into markets that we've done well at in the past, but I wouldn't say that we've owned those markets. The strategy across the portfolio is to elevate those that we see great progress in. A lot of that feedback will come from our customers seeing value in what we're doing, in the partners and where they're seeing opportunities.

But across the portfolio, between ERP, CRM, payroll, and some of the other service projects that we have done, maybe the most exciting part about the products is when I talk to customers they seem to be best in class and it's really encouraging for us as a company to hear that feedback and know that we've been going in the right direction. We've just got more work to do.

Daniel Rosenberg:
Thanks for that.

Just following on that thread, with the AI theme, there's been talks of reprioritizing capital allocation by IT budgets. I was curious what you're hearing from customers. How do you think about threats or opportunities with AI? Or are these dialogues even happening in the market? What are you hearing?

Joel Leetzow:
Sure. First of all, our customers are expecting us to have AI-enabled tools for them to use with the products that we have. Because we're part of the Microsoft family of products in Microsoft Stack, we have native Co-pilot experience built within many of our products already from an AI user perspective.

The other side of what our customers may not necessarily be expecting through AI, but what we're expecting through AI is the other side of it, which is the use within our company has been well-embraced during my tenure. We've been able to do some of the things that you would expect with AI around QA, documentation, checking our own work. And it definitely is impacting, I'll say, the automation capabilities, which will ultimately lead to efficiencies within the business.

So, looking at it from an embrace it on all sides, move forward with diligence to ensure that we're not necessarily getting ahead of the technology. But I believe for us to be competitive in 2026 and beyond, AI definitively has to be a major part of our strategy, both for our customers and for ourselves.

Daniel Rosenberg:
Okay. And lastly for me, just on the VSS contract that you guys have, could you please provide an update as well as any colour on the pipeline around the VSS solution that you have? And I'll pass the line. Thank you.

Joel Leetzow:
Sure. So, the VSS solution for Victims Services, I've had the pleasure of both participating on the ground in Texas with our customer down there and phone calls with the balance of our customers nationwide, there's absolutely an importance to this business.

There's accounting and there's CRM, those are certainly important business tools. But in the Victims Services side of the business, we are protecting human beings. And that is a mission that the States, the penitentiaries, and the prison systems have embraced us on, and the community of users, which in their case are the citizens of their communities, have appreciated the additional safety and coverage of the solution.

So, my overall assessment of the market is that we're in a position to win. Our customers are supporting us with references and push in that area. And I have a belief that that business is going to continue to grow at a modest-to-increasing over the year as we get a little bit more footing underneath us and understand the pipeline that we have. Competing in that market is a little bit different than anything else. There's laws involved and other things that aren't part of a standard commercial process, but I think we're good at it and we're going to get better at it.

Operator:
The next question will come from Suthan Sukumar with Stifel. Please go ahead.

Suthan Sukumar:
Good morning, gents. Thank you for taking my questions.

For the first question, I want to touch on go-to-market. Joel, can you speak to some of the changes underway on the go-to-market side? What are some of the key priorities you are focusing on for the business, being new on the scene?

Joel Leetzow:

Sure. Business development is something that is near and dear to my heart. As I think you heard earlier, I've taken over the sales team and worked with our sales professionals and, as importantly, our channel, which is really, in many ways, the front representative of Sylogist in the market in 2026.

I'm encouraged by the pipeline growth. We've also spent a good deal of time in ensuring that the pipeline is legitimate and real. I've been involved in quite a few of the deals on the front lines with prospects and customers, and I'm quite excited about where we're going with the opportunities ahead.

We just really need to be in a better position to win with the products, meaning they've evolved over time and their features and functions are getting on par with our legacy systems, which is a big jump over 30 years of development, trying to catch up in a short amount of time. But we're really close, and our customers have shared we're close, and the partners have shared we're close.

So, I think the challenge for us is not the size of the market. I think there's plenty of market for each of these products to thrive and grow. We just have to really be smart about where we spend our time and focus to ensure that we're in the markets that we can serve best.

Suthan Sukumar:
Got it. Okay, great.

For my next question I wanted to touch on the mission segment. We've seen a persistent churn in recent periods. From where you sit, has that largely been contained now? What do you see as needed to enhance the competitive profile for this segment going forward? I'm just wondering is that product or go-to-market just based on your feedback from the first question?

Joel Leetzow:
The Mission segment is incredibly important to us. Going forward, the customers we serve in that market are longstanding. There has definitely been a lull on that side of the fence from a recent sales activity, and I do think that we have that solved. We've identified some of the challenges; pricing, services, the way that we've packaged our product to go-to-market. The Mission team has worked really close with me to find a way to position the product properly, and I'm quite excited about the pipeline that's building.

So, I think the Mission side of the business is – I don't know if the proper word is on the rebound, but it's certainly something that I have spent time with and I believe is going to be a shining star for this business.

Suthan Sukumar:
Got it. Then, just that churn we've seen in recent quarters, has that largely been contained at this point, or is there risk for more to come?

Joel Leetzow:
Well, there's two sides of the business when you think about legacy churn and new customers.

I'm proud to say we don't have a problem with new customers churning. We have a problem with legacy customers potentially churning, and has that been contained? It absolutely has been. Part of that is going to the front lines and talking with customers, and part of that is about our business model, our renewal strategies, and how we approach our customers. I'm proud to say it's improved in a short amount of time and it will continue to do so.

Suthan Sukumar:
Okay, great. Thank you.

Then, this is the last one for you guys. It's on capital allocation.

Joel, I guess relative to your predecessors, how would you say your view differs on leveraging M&A to accelerate product and market access?

Joel Leetzow:
Sure. Well, I've had quite a bit of experience with M&A with my time at Descartes, and I've seen the mechanism work, and I've also seen the stability required by a company to take on acquisitions. I believe we'll work on getting our house in order first, but I definitely think on the horizon there is an opportunity for us to enhance the business through acquisitions.

Suthan Sukumar:
Okay. Okay, excellent. Thank you for taking my questions, guys. I appreciate the colour. I'll pass the line.

Joel Leetzow:
Our pleasure.

Operator:
This concludes the question-and-answer session. I would like to turn the conference back over to Joel Leetzow for closing remarks.

Joel Leetzow:
Thank you. Looking ahead, our priorities for the remainder of fiscal 2026 are clear: improve execution, strengthen the product portfolio, invest in the customer experience, and operate with discipline. We'll continue to align our cost structure and resources with the opportunities that can generate sustainable, reoccurring revenue growth and improved profitability.

We have more work ahead. Our progress will be measured by results, improving ARR growth and retention, stronger Project Services execution, better margins, and a more consistent experience for our customers and partners.

I remain confident in Sylogist's long-term opportunity. We have talented people, deeply embedded customer relationships, and mission-critical products in attractive public sector markets. By uniting those strengths behind a clearer operating model and stronger accountability, we believe we can create sustainable value for customers, employees, and shareholders. Thank you.

Operator:
The conference has now concluded. You may now disconnect your lines. Thank you for participating and have a pleasant day.