



Sylogist Ltd.

Fourth Quarter and Full-Year 2024 Results Conference Call Transcript

Date: March 13, 2025

Time: 8:30 AM ET

Speakers:

- Alex Balca**
Corporate Development Analyst
- Bill Wood**
President and Chief Executive Officer
- Sujeet Kini**
Chief Financial Officer

Operator:

Good morning, everyone. Welcome to the Sylogist Limited Fourth Quarter and Full Year 2024 Results Conference Call and Webcast.

As a reminder, all participants are in a listen-only mode. 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, and then one using your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, and zero.

At this time, I'd like to turn the floor over to Alex Balca with Sylogist. Please go ahead.

Alex Balca:

Thank you, Jamie, and good morning.

Joining me to discuss Sylogist Q4 and full year 2024 results, Bill Wood, Sylogist President and Chief Executive Officer, along with Sujeet Kini, Chief Financial Officer.

This call is being recorded live at 08.30 AM Eastern Time on March 13, 2025.

Our Q4 2024 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 maybe 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 statements, whether as a result of new information, future events, or otherwise. The complete Safe Harbour statement is available in both our MD&A and press release, as well as on sylogist.com. We encourage our investors to read it in its entirety.

We are reporting our financial results in accordance with IFRS accounting standards or IFRS. We may also make reference to and discuss non-IFRS performance measures, which should be viewed as

supplemental. We have included in our MD&A the definitions of non-IFRS performance measures used by the Company.

All the dollar figures expressed on this call are in Canadian dollars unless otherwise noted.

I will turn it over to Bill first for opening remarks, then Sujeet will continue with a review of our Q4 financial performance, after which Bill will conclude with scripted remarks, at which time, we will open it up for questions. With that, Bill?

Bill Wood:

Thank you, Alex. Good morning, or good afternoon to everyone joining us.

Building on the momentum from the first three quarters of 2024, we delivered a strong fourth quarter. Our Q4 results further confirm our transition to an ARR-driven enterprise, with recurring revenue reaching 72% of total revenue. We continue to foster an increasingly engaged and empowered partner channel, a thriving customer community with strong net revenue retention, and an expanding presence across our three strategic markets. We're very pleased with the results of our value creation strategy.

I want to highlight a few key aspects of our Q4 performance. We saw a significant 63% year-over-year growth in bookings, driven by new logo wins as well as successful customer upsells and cross-sells. Of note, nearly 40% of our bookings came from our SylogistEd sector, showing the acceleration we anticipated in that segment.

Our effective go-to-market strategy focused on targeted competitor displacements and strong SaaS offerings, with sustained high win rates exceeding 50% in the quarter. This includes both direct and partner-led sales, underscoring our combined success against targeted competitors. We have an increasingly balanced pipeline and bookings across our SylogistMission, Ed, and Gov market segments.

Again, our bookings pipeline was up 63% year-over-year in Q4, and win rates remain high, underpinning further SaaS ARR growth as we look to 2025 and beyond. As I highlighted previously, a key pillar of our strategy is our partner network, which allows us to scale profitably and capture market opportunities quickly.

Over the past year, we've made significant progress in building and enabling a strong partner community within the SylogistGov and SylogistMission segments. Partner-attached bookings represented almost 32% of our total bookings this quarter, compared to just 12% in Q4 2023. In the SylogistMission and SylogistGov sectors, partner-attached bookings accounted for 60% of their respective total bookings, a very strong result for future value creation.

To ensure project success and effectively train, monitor, and co-deliver with partners during their ramp-up, we continue to invest in an expert internal project delivery team. While essential for building a strong partner ecosystem, this transition has temporarily compressed gross margins as we shift project service revenue to partners, while still absorbing internal project delivery team costs. However, this is intentional and a strategic phase of our transition.

As our partners gain expertise and take on a larger share of implementations, we expect a natural shift in our cost structure. Overtime, this will enhance our operating leverage as partners increasingly manage service delivery independently, allowing us to concentrate on scaling high-margin SaaS revenue.

In the latter part of 2025 and beyond, we anticipate strong scalability and even more profitable revenue mix, further reinforcing our long-term value creation strategy. Strong execution continues to drive growth in our higher-margin SaaS ARR and SaaS NRR. In Q4, our SaaS ARR increased by 17% year-over-year to CAD 31 million, and SaaS NRR came in at a healthy 108%.

I'll now hand it over to Sujeet to provide more details on our financial performance for the quarter. Sujeet?

Sujeet Kini:

Thank you, Bill. Good morning, and good day, everyone.

Before diving into the numbers, I'd like to remind you, like I did last quarter, that we divested our managed IT services division in Q2 2024. Therefore, to provide a clearer comparison, we have adjusted certain comparative period-over-period metrics to reflect the impact of this acquisition. As Bill

mentioned, our Q4 results reinforce our successful transition to a SaaS-driven enterprise with a strong focus on high-margin SaaS revenue and ARR growth.

On the revenue front, our Q4 revenue was CAD 15.3 million, down 1% year-over-year, and full-year revenue reached CAD 64.5 million, up 2% year-over-year. SaaS subscription revenue grew at 15%, offset overall by declines in project services revenue and hardware and other revenue. SaaS revenue now represents 72% of our recurring revenue, up from 66% last year.

Total ARR grew by 9% to CAD 44.9 million, with SaaS ARR up 17% to CAD 31.1 million. As Bill mentioned, SaaS NRR improved to 108%, up from 107% in Q3 2024.

From a gross margin perspective, Q4 gross margins declined to 59% versus 62% at the same time last year, and full year gross margins declined to 60% versus 62%, primarily due to the maintaining of internal project services to support our transition to a partner-led delivery model.

From a G&A perspective, G&A increased by CAD 0.3 million in Q4 2024 to CAD 2.7 million at 17% of revenue versus 15% last year. Full year G&A declined to 17% of revenue versus 19% last year.

From a sales and marketing perspective, Q4 expenses rose to CAD 1.9 million, or 12% of revenue versus 10% last year, this reflecting our strategic investments in headcount and lead generation. Full year spending increased to CAD 6.9 million rather, 11% of revenue versus 9%, with sales and marketing headcount growing to 26% from 22% at the beginning of the year.

On the R&D front, Q4 gross R&D spend remained stable at CAD 2.4 million. Full year gross R&D rose to CAD 9.8 million, or 15% of revenue versus 14% last year, this driven by continued innovation in the SylogistEd and SylogistGov platforms.

From an Adjusted EBITDA perspective, Q4 Adjusted EBITDA was CAD 3.2 million at an Adjusted EBITDA margin of 21.1% versus 30.9% last year. Our EBITDA margins were impacted by lower levels of project services revenue and costs tied to the partner-led transition. Full year Adjusted EBITDA was CAD 16.4 million at a 25.4% margin versus 27.7% last year.

Finally, we ended Q4 with CAD 13.3 million of cash and cash equivalents, which is consistent with our seasonal invoicing patterns.

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

Bill Wood:

Thanks, Sujeet.

Since joining Sylogist, I've emphasized the importance of happy customers, not just earning their trust but also their advocacy. We're very pleased to report that our 2024 Net Promoter Score from an all-customer blind survey in November came in at 62. That's more than 20% higher than our already strong score of 51 in 2023. A 20% year-over-year increase in our NPS is a testament to the trust we've built with our customers. Equally important, it validates our focus on delivering solutions that drive real value and strengthen our competitive differentiation. Thanks to our outstanding team and a customer-first mindset, our investments are yielding the desired results. We've laid the foundation for growing recurring revenue, enhancing our operating leverage and expanding free cash flow.

With our three leading SaaS platforms now in market, our competitor displacement strategy gaining traction and the successful shift to a partner-driven model, we're well positioned to deliver increasingly profitable growth that's scalable, repeatable, and aligned with long-term shareholder value creation. We sincerely appreciate your confidence in Sylogist and look forward to continuing success in 2025.

With that, let's take some questions.

Operator:

Ladies and gentlemen, thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, and then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, we do ask that you please pick up your handset prior to pressing the keys. To withdraw your question, you may press star, and two. Once again, that is star, and then one to join the question queue.

Our first question today comes from Amr Ezzat from Ventum Capital Markets. Please go ahead with your question.

Amr Ezzat:

Good morning. Thanks for taking my question. My first one is on the shifting political landscape and I guess all the federal budget cuts. Bill, I was wondering if you could give us some colour on how you see that impacting your key verticals, particularly education and municipal customers who might rely on federal funding?

Bill Wood:

Good morning, Amr. Undoubtedly, there is some turbulence relative to the cuts that are going on. I would say that our view so far, which we are keeping a close thumb on the pulse of, is largely subsegments. So far, really, where we see a potential headwind would be in our NGO community, which are most directly funded in their efforts on the global scale. I would remind everyone that, that segment, in terms of our overall community, while important, it hasn't been really where we have been placing a lot of our emphasis in terms of our growth and our transition as we went to a three-pronged strategy. We will keep abreast of that and we'll certainly continue to monitor that and shift accordingly.

But I do want to say that our three-pronged strategy and the thesis of diversifying, so just beyond just our NPO footprint of old, really has given us more stability as there are always things going on in the markets. This one, I think, is more material.

On the Ed side, we see it as an opportunity. We do feel that some of the cuts will put and shine a light on maybe some of the agreements they have in place that are not necessarily returning the value for the dollars being paid. We see very strong bookings activity, really, across our Gov and Ed segments, and that's continuing. Deals are closing and matriculating at a good pace. The overall non-profit, Ed and Gov sectors, we still are confident that our '25 view is quite good in terms of what we expect.

Amr Ezzat:

Understood. In your MD&A, you reiterated your SaaS ARR growth guidance for 2025 of like 20% to 25%, very appropriate given that it's 2025. Does that guidance take into account the turbulence you're seeing specifically in the NGO space? Maybe you could walk us through the different factors that would effectively take you to the high ends of that range or the low end of that range?

Bill Wood:

Yes, the view that we have for 2025 is certainly going to be somewhat noisier in terms of as we fully digest what's going on in terms of the spending cuts. But a good portion of that acceleration that we see is already tied to projects in ARR that we're recognizing now more fulsomely based on activities that we had going on in the latter part of 2024 and that we have going on currently in early 2025. We do have continued confidence that the general outlook that we provided is achievable in that range as we set forth based on what activity we already have going on.

Amr Ezzat:

Okay. On the very strong bookings prints for the quarter, can you walk us through, I know you don't give always all the segmentation, but can you give us the mix by vertical? I'm interested in whether you saw a lot of traction in Gov. Then is there a handful of small contracts? Is there one big large contract in there, or is it very broad-based? How do we think about that?

Bill Wood:

Yes, we're not going to get into the specifics of the bookings pipeline. But I will say that we are, as I mentioned, we are seeing more balance in our pipeline, which I think is a very good sign in terms of our strategy, as my remarks highlighted. That really leads to the three pistons of the engine really firing now in terms of both our activities leading to deals in our pipeline. I don't mean these just super, uber top of the funnel, but these are SQL and we have either direct resources and/or direct resources in combination with partners that I've really engaged in discussions to validate that these are deals that we believe are possible.

I think that we have said that the Gov sector, we do have both the municipal government, which we are very excited about in terms of the traction we see going on there, as well as the victim services suite offering that we have particular competitors in our sites and we have good visibility in terms of where our offering fits vis-a-vis the landscape. Some of those are larger deals and we're excited about that in terms of ARR and as well as our ability to have really a good strong profile in a segment that has been dominated by one or two providers up to this point that we have successfully displaced already and ultimately continue to expect that will occur in 2025 and beyond. Yes, there are some larger deals, but we don't think those are necessarily atypical for the overall cadence of the business going forward.

Amr Ezzat:

If you'll allow me one more, in that booking number, do we have anything new in for victim services suite or not yet?

Bill Wood:

We do.

Amr Ezzat:

Okay. Fantastic. Thanks. I'll pass the line.

Bill Wood:

Thanks, Amr.

Operator:

Our next question comes from Gavin Fairweather from Cormark. Please go ahead with your question.

Gavin Fairweather:

Good morning. Thanks for taking my question. Maybe to start, just in terms of the partner strategy, maybe we can get a bit more detail in terms of what you're seeing in the (audio interference 20:46). Curious for your assessment of how your partners are maturing in terms of their ability to sell, ability to implement, and if you could (audio interference 20:58) hiring patterns or resourcing patterns that you're seeing in that base, that would be helpful.

Bill Wood:

Hey, Gavin, good morning. Yes, we're really pleased with what we're seeing. As I said the last couple of quarters, the whole partner evolution has picked up at a pace, and the handoff of that revenue has picked up at a pace that even has surprised us. I think that, that is—bodes well in terms of what it signals of how they feel about our overall platform where it fits in the competitive landscape, as well as us as a partner to give them the tools they need to be successful in delivering as well as we've been able to here over our last few years.

To that end, their implementations capacity, they're building up their teams, that's going through their accreditation process in terms of certification. A lot of our activities as we've highlighted are still

requiring co-delivery, but we're seeing now as we get into '25 and certainly in the mid and latter part, we'll be able to hand off more of that to more of an autonomous profile and we'll really be monitoring or we'll be in the backseat, they'll be in the front seat. That's an exciting phase that we anticipated may take us to 2026. We expect we'll see more of that happening in 2025. The results really then coming to bear in terms of our operating leverage as we think about '26 more specifically.

They're doing two things, as you highlighted. We're arming them and enabling them with regards to the implementation, but they're also becoming very effective with their site lines to cohorts of opportunities. Many of our partners have cohorts of existing customers that are on legacy platforms that they have been somewhat waiting for a platform that fits the profile of those cohorts. They're giving us a fast track to opportunities that are in our pipeline and matriculating at a good clip with their advocacy of why it makes sense for that particular customer to move forward with a Sylogist solution.

The Gov sector is partner led from out of the chute. We're really seeing the buildup now of the partner community on the mission side real fulsomely with new partners coming in that have deep experience and well-known brands in the space. We're excited about that.

Gavin Fairweather:

That's great to hear. I appreciate that. Maybe just building off of that in terms of the professional services side, maybe we can touch on the outlook. I'm not sure who wants to take another Bill or (audio interference 23:42). How's the backlog entering 2025? As you're starting to hand off more of the PS work to partners in 2025, how should we be thinking about the evolution of that top line?

Bill Wood:

I'll take the headline there. As I mentioned to Amr, we have good sense of our rev rec, both in terms of SaaS and where we fit relative to our partners in 2025. Because a lot of those projects are either already underway, or we're on the verge of in terms of the matriculation or deals that have already been executed. I think our overall RPO is a blend of new logos, as I mentioned, as well as cross-sells and upsells, as my prepared comments mentioned, where those upgrades of legacy customers are now transitioning to our SaaS platform.

We're engaging partners on those fronts as well. The combination of our overall backlog in terms of what our workforce needs to look like, as well in terms of enabling our partners and co-delivering with

them, but also the SaaS ARR recognition, we have a good sightline too for 2025. We feel good about that in terms of the backlog transitioning on a cadence that we have planned for and is kind of unfolding as we expected.

Sujeet, is there anything to add to that?

Sujeet Kini:

Yes, thanks, Bill. That was a great summary. Gavin, in addition to what Bill was saying, I think the one comment we will make, and Bill alluded to this, we're also moving on the project services side. Bill talked more about the ARR pickup, but on the project services side, we're consciously and purposefully moving to a co-delivery model. We do not articulate specifics in terms of a backlog. It is embedded within that RPO number.

That being said, essentially, I'll call it the non-core side of things on the solution, so just solution side of things. We moved to an active co-delivery model, which allows us to hand over essentially the performance obligations and pay us to a specific partner, and then we pick up a margin. But that is a very purposeful shift in terms of our strategy.

On the other front, like Bill said, we moved to a co-delivery model, which it's a combination of us doing the work, us shadowing the partner, or the partner fully doing it. That is fully in transition.

Gavin Fairweather:

That's great. Appreciate the comments. Then just lastly for me, you've done the big lift on the R&D side in terms of launching your new product. How would you describe the R&D priorities going forward across your product suite in terms of areas that could drive additional revenue for you or drive additional (audio interference 26:39)?

Bill Wood:

We feel very good.

Sujeet Kini:

Go ahead.

Bill Wood:

On the macro standpoint, we feel very good about the competitiveness. Our win rates are reflecting that, Gavin. However, we do see platform expansion as a great way for cross-sell and upsell in terms of utilization and usage amongst our customers and the competitiveness of where our platforms sit overall. Our R&D, while as a percentage of revenue, it will certainly stay in the same net dollar range. As a percentage of revenue, we see it coming down over time. We don't think, as you highlighted, with a lot of the heavy lift behind us, we'll continue to innovate. We feel ahead of the pack in terms of our AI posture and what's already enabled within our platforms and being made available to customers already. We need to continue to drive that forward from a differentiation standpoint.

We also see the idea of now that our platforms are really better positioned to plug in, not necessarily IP that we need to acquire or build ourselves, but we can partner with entities that have additive or a technology or IP that our customers may desire, which can plug into our platform now more seamlessly. We can set up a royalty scenario with that provider to allow them to ride our coattails in and plug into our platform and ultimately get the spoils of that in terms of revenue dropping to our bottom line at a very low cost.

I think the overall competitiveness of our platforms is great. I would say on the landscape, they are superior in terms of where they fit and what they offer. Our win rates reflect that and our R&D will really be around the idea of utilization. How can we continue to make and provide decision support and tools that allow more users to actively participate in deriving value from the system?

Gavin Fairweather:

Appreciate that. Thanks. I'll pass the line.

Bill Wood:

Thanks, Gavin.

Operator:

Our next question comes from Daniel Rosenberg from Paradigm Capital. Please go ahead with your question.

Daniel Rosenberg:

Hey, good morning, Bill and Sujeet. My first question was around your comments about the delivery team. You mentioned some incremental costs in supporting your partner channel strategy and getting up to speed. I was just wondering how we should think about a baseline margin profile. Are there additional costs to come on as that delivery team is built up or has it all been completed to date? Then just as a follow-up, how have you seen or what do you expect that to support? Is it win rates or speed to delivery? What things are you looking at to support your partner channel strategy?

Sujeet Kini:

Yes. Dan, maybe I can take the—sorry, Bill. I'll quickly take the financial part of the question and I'll hand it over to you. Dan, just for clarity, we're not articulating that there is going to be an incrementality in terms of the costs. What is happening, though, is the gross margin compression comment is more around the fact that we are carrying a team that was formerly billable, but now is essentially fully targeted towards the onboarding of partners. Essentially, what's happening is year-over-year, there is a reduction on the project services revenue side but that cost continues, and that is the gross margin compression comment. There's not an incrementality, but within, if you will, our cohort of PS delivery engineers, we've got a cohort that will be targeted towards the partner onboarding side of things.

The difference also is that now we have a dedicated team that is working on this transition. I just wanted to emphasize that it's not an incremental impact to the financial statements, but it does have a margin impact because there is a portion of the revenue that one doesn't pick up, but the cost continues.

I'll hand it over to Bill for additional comments.

Bill Wood:

Yes, perfect. That was great, Sujeet. I feel the only thing I would add is really on the what does it give us portion of your question, Daniel. I feel that it allows us to get into a posture where scalability and operating leverage really is the whole thesis behind why the shift to a partner-led delivery model is valuable. Really, for a SaaS company, it really unlocks that last chapter of not having to continue to burden more operating costs within the business to scale the business in terms of more deal activity, more successful implementations, and for us, leading to more direct ARR opportunity as we grow the business versus the continuation of professional service delivery. One is approximately 40-plus margin

activity in the project services, where SaaS revenue, which we are now seeing more and more of building into our profile is a higher margin.

As we get out of this transition, and it will never end, I want to be clear, we'll always have new partners, we'll have reconstitution, we'll have re-learnings, we'll have new team members of those partners that come on. It will never fully disappear, but not nearly to the size and scale that it is now, it will be more of a maintenance, feeding and nurturing aspect versus the heavy lift that we're going through now to enable the larger partner community all coming on at once.

Daniel Rosenberg:

Thanks for that. Continuing on the theme of the partner channels, I was wondering if you could explain if there are any differences between Ed, Gov, and Mission and pursuing partners? Is it a different group of partners for each one? What are the synergies or just differences in the go-to-market between the business lines?

Bill Wood:

Yes, I just want to mention that the Ed community, we have not yet engaged partners. We've tried to mention that so that that is clear that we're doing that as direct delivery now because of the smaller physical footprint of where we're going about in seeing the traction versus trying to get a North American posture as we are with Mission and Gov.

The partners, I will say, have nuances, they have specialty areas, if you will. I do want to say that we see more of the partners having an appetite for both Mission and Gov, but they really usually come on with a team that's specialized within a particular segment. Then once that team proves out or sometimes in parallel now with a couple of partners that we're talking to, they already have business divisions and expertise in both the Gov and the Mission nonprofit segments.

We see a more blended long-term partner community that have teams that are experts in both. Some maybe will be a specialist in one or the other, but that we think will evolve over time as they get more and more familiar because the key part of our thesis is our platforms are generally the same technology for one or the other. It's the same fundamentals. However, on the Gov side, there's modules in assessment and tax and billing and so on that doesn't necessarily apply to the not-for-profit or the Mission side, but the underpinning of the overall ERP solution is exactly the same. The technology is

the same. The platform is the same. It's really just gaining their team's expertise in the nuances to be able to explore potentially being experts in both and partners in both. We have some that are doing both already, I want to highlight.

Daniel Rosenberg:

Okay. Good to hear. In the quarter, a lot of the KPIs are pointing to success of the channel partner strategy, but I was curious about the NPS score. Just what are the drivers that you are seeing customers appreciate driving that NPS score? Yes, if you could just elaborate on some of the factors that you think are changing that are supporting continued improvement there.

Bill Wood:

Thanks for asking that, because I think it points to, I started, if you go all the way back to my first earnings call, I said, we really need to talk about and get to the idea where our customers are our advocates. I would say as much as the technology shift, that was as much of a lean-in on behalf of everybody at Sylogist to make that happen. I will say that it is the investments we've made in our account management and our overall support teams that are really the liaison to customers. Many of them really had, when I first joined not that long ago, they were who is Sylogist, if you will. I had this technology. I really don't hear from people a whole lot.

Well, that's changed in such a material way. It's been incremental. If you look back at the progression of our NPS and we've done it in the same transparent, very objective way year-after-year, it really signals that they're now seeing us as that idea of a partner. We listen, we create forums for them to share their ideas, we talk to them about what we can do for them uniquely, how we fit into their strategy and can complement their team. We have a real concerted playbook that is them thinking of us as their partner. Importantly now, they see our platforms giving them the tools that maybe they didn't have before. They're excited about the security improvements that have gone on and protecting their organizations. The idea of the usability of the system, the ability to get things out of the system far easier, more people to be engaged with it, where AI is starting to benefit them already. I do feel that the NPS is our best bellwether of where as a company and ultimately then sharing that with their colleagues and peers, which is the best marketing that we could possibly have.

Daniel Rosenberg:

Thanks. Thanks for taking my questions.

Operator:

Once again, if you would like to ask a question, please press star, and one.

Our next question comes from Suthan Sukumar from Stifel Canada. Please go ahead with your question.

Suthan Sukumar:

Good morning, gents, and congrats on this sustained SaaS momentum. It's great to see. For my first question, I wanted to touch on NRR. I saw the sequential improvement. I'm just curious, is that more of a function of routine upgrades, usage expansion, or is that more related to add-on of new solutions and capabilities?

Bill Wood:

Good morning, Suthan. It's both. I'll take it at the macro level. It's both. Certainly, we're seeing the upgrades that are contributing to a SaaS posture, which includes more utilization, larger footprint, more seats, and so on, as well as the idea of where we have a certain build-in of our five year agreements starting to have a positive effect. To earn the right to have five year agreements in this space, it really fits to that whole NPS and trust factor. You're seeing that predictability of our ARR that now has a 5% general lift per year built-in compounding over the agreement. That's contributing as well, sir.

Suthan Sukumar:

Great. That's helpful. What are you anticipating what might be a more active renewal cycle considering the initial, call it SaaS customers that you brought on for non-profit when you first re-platformed? What are you thinking about the expansion upsell opportunity there versus just overall retention of that initial cohort?

Bill Wood:

Just so I'm clear, Suthan, are you referring to those that came on over the last couple of years or there are more of our legacy customers that have been upgrading on a pretty predictable scale? I just want to make sure I answer the right question there.

Suthan Sukumar:

I think it'll be both, but I just really focus on that initial cohort of SaaS customers that came on mission when you first rolled out that new offering.

Bill Wood:

Yes, I think a big part of the NPS success speaks to the idea of our customers being of a mindset of why would I change? I have what I'm looking for. I have a partner in Sylogist that is there for me when I need them. I feel like there's predictability and transparency of how we're conducting business. That is not necessarily the landscape of the competition right now in terms of how they're viewed. I think a key part of the success as we think about Sylogist going forward is our extraordinarily low churn. At this point, it is very, very, very small in terms of the overall ability for us to roll forward. I have very, very little concern in terms of a cohort coming up on that signed five year agreements that are maybe 2.5 years into that, Suthan.

I really now view Sylogist customers through a lens of several iterations of five year agreements and an LTV that's measured over 15, 17, 20 years in terms of the general posture of the public sector. But we're not necessarily doing that through a got them by the short hairs in the neck where they're going to go. Actually, they're excited about continuing to progress with Sylogist moving forward. I think as we look at the long-term value creation of Sylogist, it's through an LTV lens, which is, I want to say, certainly many cycles of five years agreement. We have very, very, as we sit right now, very high degree of confidence that our customers will be with us for a good period of time.

Suthan Sukumar:

That's great to hear. For the next question, guys, I want to touch on, what are penetration rates like today for both the ERP and CRM aspects of your end-to-end solution? I'm just kind of curious how that looks within the existing basic customers and how that might also look for some of the net new deals that you guys are signing?

Bill Wood:

On the overall programmatic move forward of our legacy customers that are opportunities to transition to our three primary platforms, that's been progressing. To the credit of the team, that's been progressing at a very organized and planned cadence to make sure that it fits with that particular customer schedule, as well as we're not overburdened with upgrades while we're also delivering or co-

delivering with partners on new logo implementation. We're well along. I think that we've signaled as high as 70% or greater in terms of the overall upgrades of those candidates that are fits for the SaaS platforms of new, if you will.

On the overall penetration of opportunities, we're just scratching the surface so far of our competitor displacement. Those are large cohorts that we feel with each successful implementation or opportunity that we win and then successfully implement, that whole idea of one leading to three, leading to seven, leading, you get that snowball effect and flywheel effect once you have penetrated a particular competitor's customer community.

The benefit to us is the more that we do that, the rinse floss repeat of the same data conversion of what we know, the idiosyncrasies of a particular competitor system, increases with each one and our ability to do that efficiently goes way up and hand that playbook off to our and work that with our partners as well. We're just scratching the surface. I want to emphasize that, of those competitor customer cohorts that we're now starting to make hay in, and we feel that leads to real acceleration for us and scalability as we look out to '25 and certainly beyond. This is a many, many year opportunity for us with hundreds of competitors customers in play.

Suthan Sukumar:

Okay. Awesome. Thank you for taking my questions. I'll pass the line.

Operator:

Ladies and gentlemen, at this time, and showing no additional questions. We'll be concluding today's question-and-answer session. I'd like to turn the floor back over to Bill Wood for closing remarks.

Bill Wood:

Yes, thank you. The transition of Sylogist has been powered by remarkable commitment and dedication of what I truly believe is the best team I've ever had the privilege to lead. As I just said, we're just getting started and our confidence in the Company's future has never been stronger. I really appreciate you joining today's call and for your continued trust in Sylogist. Wishing you all a great day. Bye for now.

Operator:

Ladies and gentlemen, this brings to a close today's conference call. You may disconnect your lines.
Thank you for participating, and have a pleasant day.