Sylogist Ltd.

Third Quarter 2026 Results Conference Call

Transcript

Date: **November 12, 2026**

Time: **8:30 AM ET**

Speakers: **Joel Leetzow**
Chief Executive Officer

Dave Miller
Chief Operating Officer

Khush Sarao
Senior Director of Marketing

Operator:
Thank you for standing by. This is the conference operator.

Welcome to the Sylogist Third 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 Khush Sarao. Please go ahead.

Khush Sarao:
Thank you, Danielle.

On the call today to discuss Sylogist's third quarter 2026 results are Joel Leetzow, Sylogist's Chief Executive Officer, along with David Miller, the Company's Chief Operating Officer.

This call is being recorded live at 8:30 a.m. Eastern Time on Thursday, November 12, 2026.

I would like to remind everyone that Sylogist's Q3 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 press release, as well as Sylogist.com. We encourage all 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.

© 2026 SYLOGIST LTD.

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. David will then provide an overview of our Q3 financial performance, and Joel will return with closing remarks before we open the line for Q&A.

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

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

Joining us is David Miller, our new Chief Operating Officer and incoming CFO, effective tomorrow.

I've now been with Sylogist for six months. The first part of that time was about listening to our employees, customers, partners, Board, and shareholders, understanding the business in depth. Since then, the focus has shifted to action. We have made decisions on our cost structure, our sales organization, and how we deliver for customers, and that work is well underway.

Our third quarter results show both of those things. Total revenue declined 6% year-over-year, and Project Services delivered a negative 1% gross margin, which is not acceptable. At the same time, the core of the business is performing. Our SaaS ARR grew 4%, led by a doubling of ARR from our Victim Services Suite. Adjusted EBITDA was $1.6 million, a 10.7% margin, holding steady through a period of significant change. We generated $7.3 million of cash from operations in the quarter, bringing our cash balance to $9.3 million.

This morning I'll cover three areas: the growth in our business, what we are doing in Project Services, and our sales momentum and partner channel. David will then take you through the financials.

Reported ARR was essentially flat year-over-year at $46 million, but that figure combines two very different parts of our business. The legacy products are in planned decline as customers convert to our modern platforms or exit. Our modern cloud platforms are growing and now carry a growing share of the business.

© 2026 SYLOGIST LTD.

SaaS ARR grew 4% from $33.6 million to $35 million, with SaaS net revenue retention of 100%. We experienced growth in our Victim Services Suite and our cloud-based Government ERP platform. Customers are choosing these platforms and expanding with us.

Retention is where we can do better. Churn and downsell in the core business are higher than we want, and we are working through the drivers account by account. Our job now is to make that growth more consistent, lift retention above where it is today, and turn it into better profitability.

Project Services is where we fell short, and I want to be direct about it. A negative margin means we are carrying delivery costs that our services revenue is not covering. Much of this quarter's cost came from clearing non-billable and channel-related support activities. That work consumes capacity but no longer generates revenue.

At the same time, we are changing how services are sold. New engagements are being scoped and priced to standard packages with tighter limits on custom scope. We are also taking direct action on delivery, utilization, and accountability. Our aim is to return Project Services to a healthy contribution margin through 2027.

As you will remember, in Q2 we announced optimization initiatives to sharpen our customer focus and strengthen capital allocation. As part of those changes, I took direct leadership of the sales organization. We have defined target segments and ideal customer profiles for each of the businesses, focused our marketing on a short list of high-intention accounts, and tightened how we qualify opportunities.

The early results are encouraging. Q3 ARR bookings were our strongest in five quarters. Our cloud-based Government ERP had a particularly strong quarter. We are not yet where we want to be. We are building our 2027 sales plans bottom-up by segment with clear ownership so that growth is broader and more predictable.

Partners are central to that. Partner-sourced bookings reached a five-quarter high in Q3, accounting for more than half of the total. We have aligned with our channel partners on certification and training as a condition of participation, and our key partners have committed to certify their staff by February 27. We're also moving to cooperative deployments with defined roles: Sylogist leads product, architecture,

© 2026 SYLOGIST LTD.

and data conversion, and partners lead in their areas of strength. Partners remain important to our scale and market reach. We will keep project services in-house where doing so improves customer outcomes and earns an appropriate margin.

The objective remains unchanged: our products must be positioned to win, and our customers and partners must have what they need for a high-quality experience.

With that, I'll turn it over to Dave to walk you through the detailed financial results for the third quarter. David?

David Miller:
Thank you, Joel, and good morning, everyone.

Let me take you through the quarter. I will cover annual recurring revenue, net revenue retention, revenue by type, gross margins, operating expenses, Adjusted EBITDA, and cash, and then a quick update on our credit facility.

ARR and SaaS ARR for the third quarter of fiscal 2026 were $46 million and $35 million, growing 0.4% and 4%, respectively, compared to the third quarter of fiscal 2025. SaaS ARR growth was primarily attributable to growth within our Government segment, specifically our Victim Services Suite and our cloud-based Gov ERP platform, as highlighted by Joel.

SaaS net revenue retention, or NRR, declined to 100% in the third quarter of fiscal 2026, compared to 106% at the end of the third quarter of fiscal 2025. The decline in NRR came primarily from churn and downsell from our Education and Solutions segment.

Total revenue for Q3 fiscal 2026 was $14.9 million compared to $15.9 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 revenue in the current quarter compared to the same period last year.

Our SaaS revenue momentum continues with SaaS revenue growing 2.4% year-over-year. Within our operating segments, SaaS revenue grew 17% in our Solutions segment, 14% in our Gov segment and 4% in our Mission segment, partially offset by a 4% decline in our Ed segment.

© 2026 SYLOGIST LTD.

Maintenance and Support revenue declined 12% year-over-year, largely driven by customer churn within our Gov and Mission segments.

Recurring revenue represented 75% of our total revenue in Q3, up from 72% in the same period last year, reflecting continued growth in our SaaS subscription base.

Project Services revenue was $3 million this quarter compared to $4.2 million last year. This decline in Project Services was primarily within our Gov and Ed segments.

Our gross profit margin declined to 55% for the current quarter compared to 60% in the same period in 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 fully offset by revenue. As Joel mentioned, much of this quarter's delivery cost went to clearing non-billable and channel support-related activities, which consumed capacity without generating revenue.

Our general and administrative expenses were flat at $2.8 million for Q3 fiscal '26 compared to the same period last year.

Sales and marketing expense decreased to $1.2 million in Q3 fiscal '26 from $1.8 million in Q3 fiscal '25, primarily due to lower headcount expenses and lower programmatic marketing spend.

Gross research and development expense remained flat at $2.6 million in Q3 fiscal '26 compared to the same period in '25.

Our Q3 Adjusted EBITDA, or Earnings Before Interest Expense, Interest Income, Income Taxes, Depreciation, and Amortization adjusted for the items set out in our MD&A was $1.6 million, representing an Adjusted EBITDA margin of 10.7%, compared to $3.1 million, or 19.3%, in Q3 fiscal '25. Excluding the impact of R&D capitalization in Q3 fiscal '25, Adjusted EBITDA margin in the comparable period was $2.4 million, or 15%.

© 2026 SYLOGIST LTD.

Net loss for the quarter was $1.8 million compared to $0.9 million for Q3 '25, negatively impacted by the lower Project Services revenue, lower gross profit, and the absence of capitalized development expenditures.

Cash and cash equivalents for the third quarter '26 increased $6.9 million to an ending balance of $9.3 million, largely related to cash flow from operating activities during the period.

Lastly, I would like to highlight on November 9, 2026, subsequent to the end of the quarter, we executed an amendment with our lender to extend the maturity date of our credit facility from September 30, '27 to September 30, 2028.

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

Joel Leetzow:
Thank you, David.

Looking ahead, our priorities for the remainder of fiscal 2026 are clear: improve execution, finish clearing out our Project Services backlog, continue strengthening the product portfolio, stay focused on investing 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 improve profitability.

We have more work ahead. Our progress will be measured by results, improving ARR 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 the strengths behind a clear operating model and stronger accountability, we believe we can create sustainable value for customers, employees, and shareholders.

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

© 2026 SYLOGIST LTD.

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.

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

Gavin Fairweather:
Oh, hey, good morning, and thanks for taking my questions, and welcome to Dave.

Maybe to start with Joel, I think in recent quarters, retention has been impacted by some of your prior end-of-life product announcements, which I think that you've eased up. I'm curious if you're seeing any green shoots on retentions for the quarter ahead, given some of the shift in posture there.

Joel Leetzow:
We've had some, Gavin—and good morning, by the way. We've had some that have chose to stay and some that have continued to churn. What we are doing is communicating with all of them to make sure that they know there is an option to stick around longer and that their business is important to us.

Gavin Fairweather:
Good to hear.

Then, Joel, when you took over, you discussed some of the work to get the SaaS products fully ready for market. I think you described the products as being kind of 90% done. Maybe you could just provide us with an update on that front and touch on GovNet and where you stand on those R&D efforts to get those products fully ready for market.

Joel Leetzow:
Sure, Gavin. As you and I and other folks have talked about, the opportunity for us with agentic development being brought into the Company deeply across the teams has actually really netted strong results in accelerating our delivery ability around product R&D, QA, and ultimately delivering a better customer experience for the customer.

© 2026 SYLOGIST LTD.

I would say in the past six months of which I've been here, big strides have been made. We still have some work to do in the software market. I think we're always going to be innovating for parity for what our customers are expecting, competitors within the market, etc. But we are certainly closing the gap between being less than ready and being ready to win.

Gavin Fairweather:
Good to hear. Then just on services, you talked about clearing out some of the non-billable and channel support activities with the contribution margin expected to improve in '27. Maybe you can just provide a bit more colour on the shape of those non-billable and support activities that might be tied to prior commitments of the organization and when you would expect a lot of those to be cleared out.

Joel Leetzow:
Sure. As we engage partners and change the business from being a direct model to a channel model, we've spoken in the past about the effort in training, bringing those partners up to speed, ensuring that our reputation and the reputation is solid throughout the collaboration of the project, and that they get their resources trained and up to speed.

We've made a lot of progress with our partners over that same time in regards to what they do in the implementations, what we do in the implementations. The material difference is we are now taking on co-billable work with our partners instead of them doing the work, us doing the work, and them collecting the fees for it while they're trained. That'll make a material difference in '27 in several ways.

One is just our overall margin on services will be better because we'll be billing for them. We'll also be checking our bench strength to make sure that we have an alignment with the needs of our customers so that we're standing by, but that we're not standing by in such a force that we have an overage on our labour equation to what's required within the market.

But no, we have high expectations that the margin is going to continue to improve.

Most of that work is, frankly, behind us. As I spoke about during the first part of the call, the training and certification work that we're doing with the partners is going to really elevate their ability to deliver their side without our help, which is going to reduce the strain on our resources as well.

© 2026 SYLOGIST LTD.

Gavin Fairweather:

Maybe just to follow up, what's been the feedback from the partners? Obviously, a pretty big change in the way that Sylogist and the channel are working together. Are a lot of them viewing this as a win-win, or have you gotten some feedback from some partners on maybe this isn't the program that they are looking for? Any thoughts on that front would be helpful.

Joel Leetzow:

I would say actually the partners have been, one, engaged with me directly. That's a relationship they have not had in the past and they've been very welcoming to me in being involved. We've applied a common sense to the relationship and I think actually they're well on board to think that by having candid conversations about who does what and how well we are capable of doing it together, we've really been able to come together in a way that we hadn't in the past to be a collaborator on these projects instead of being three groups in a room: the customer, us and the partner. We're now approaching it as one group in the room and how do we get through this together.

They also have an understanding that we need to be a profitable company in order to support them. They've actually taken to the conversations around these changes under the conversation of improvement for us as something that's also good for them.

Gavin Fairweather:

Thanks much. I'll pass the line.

Joel Leetzow:

Thank you, Gavin.

Operator:

The next question comes from Daniel Rosenberg from Paradigm. Please go ahead.

Daniel Rosenberg:

Hi. Good morning.

Joel Leetzow:

Hi Dan.

© 2026 SYLOGIST LTD.

Daniel Rosenberg:

Hey, good morning, Joel and David. My first question comes around the PS backlog that you spoke to. I know you said some negative contribution margin in this quarter. I'm wondering, when you look at the backlog, how much more work is there in terms of how much longer does it take for that negative drag to roll off? At what point do you see it contributing positively to overall results?

Joel Leetzow:

We've made a lot of progress in Q3 to get through a lot of that work. We're still going to have some into Q1, and then we're going to have a trickle off across 2027. What I expect to see, Daniel, is a constant improvement in margin as the work that we're doing and the changes that we made ultimately show up in the numbers. But I expect that by the end of '27, we'll have a completely reset Professional Services organization. That's something that we can be proud of and live with those margins for a long time.

Daniel Rosenberg:

Just to follow on to that, I'm curious, how much flexibility do you have? You spoke to the labour equation. In that regard, in terms of staffing up versus rolling off, as you see in that pipeline, maybe how much visibility is required to have that professional services operation running smoothly?

Joel Leetzow:

That's another change that we've made along the way, Daniel, is to bring the Professional Services group into the sales process so that we can measure the size of opportunities at a more professional level. Getting them better on the quote and estimate allows us to shape the size of those resources and also predict from a pipeline perspective what's coming to do exactly what you suggested, which is either roll off in the absence of business or roll on with the onboarding of business.

Right now, the pipeline looks good. The sales revenue, as you know, is up. So we're actually on the other side of that, which is to ensure that we have enough resources to do good work for our customers.

Daniel Rosenberg:

Then turning to just the different segments, it looked like Gov had some pressure if you look at it year-over-year. Anything in the quarter that may have caused that? Then just, I know you've made an effort

© 2026 SYLOGIST LTD.

to look at that pipeline and see it as an opportunity, and so just speak to what that rebound might look like.

Joel Leetzow:
Sure. What I simply think of as the new Government ERP product is doing fantastic. There's been no setbacks. The sales momentum is there and the volume is incredible.

Where you're seeing the down against Gov is the fact that we've historically used the name Gov for more products than one, and our legacy products continue to have had some churn that we've not been able to either convince the customer to move to our new platform or to stay with us on the old platform. But the problem is not a contraction of opportunities for the product itself. It's just the pace of the intentional sunsetting that was designed by the prior group and where we are today.

Ultimately, those customers will stay or turn off. We'll be at the end of that conversion cycle, and I remain really confident that the new Government ERP product is well positioned within the market to do great things, win, deliver value for our customers and our partners.

Daniel Rosenberg:
Maybe I'll just sneak one more in for David. Welcome to the role.

David, can you just speak to the working capital? Seasonally, I know Q3 is strong, but just how do we think about the working capital changes into Q4 and Q1? Is there a return to the mean kind of thing? Or if you could just speak to that, please. Thanks.

David Miller:
Sure. Thanks, Daniel, and nice to meet you.

You might have seen in the numbers that our facility moved to a current liability during the quarter that will return in Q4 back to a long-term liability with the extension of the facility.

We have a significant number of billings that happen late in Q2, early Q3, and so there is a bit of a buildup in cash through Q3, as you witnessed. We'll likely see that start to draw back down through Q4 and Q1. So, yes, expecting that to run out through the end of the year.

© 2026 SYLOGIST LTD.

Daniel Rosenberg:

Okay. Thanks for taking my questions. I'll pass the line.

Joel Leetzow:

Sure. Thanks, Daniel.

David Miller:

Thanks.

Operator:

Thanks. As a reminder, if you have a question, please press star, one.

The next question comes from Suthan Sukumar from Stifel. Please go ahead.

Joel Leetzow:

Good morning, Suthan.

Suthan Sukumar:

Good morning, gents, and welcome, David.

For my first question, I wanted to check in on the Texas VSS contract. Was the anticipated step-up in the contract—did that play out in Q3 as expected? Did the annual renewal come in at the expected value and overall terms that you were expecting?

Joel Leetzow:

Yes, it did, and yes, it did. But I'll let David speak to the numbers.

David Miller:

Sorry, I missed the question. Can you repeat it?

Suthan Sukumar:

© 2026 SYLOGIST LTD.

Yes, I was just asking about the Texas VSS contract. We were expecting to see a step-up from an ARR perspective in Q3. Just wondering if that played out as expected, and then just with annual renewal of the contract, are the terms and the value of that still largely in line with what you're expecting?

David Miller:
Good question. As Joel mentioned in his script, VSS did double in ARR during the quarter. The majority of that is from the renewal of that contract. And so yes, it did renew in the quarter and up from what it was originally signed on two years ago.

Suthan Sukumar:
Okay, great.

Just looking at the ARR trajectory ahead, I know from a seasonal standpoint, I think my view here was that Q3 was typically the strongest for you guys given the public sector year-end timing then. How should we be thinking about the bookings and ARR trajectory in the quarters ahead going forward? Is there some seasonality we should be thinking about, or is this just mainly a function now of just sales execution?

Joel Leetzow:
Each of the businesses has some, I'll say, seasonality to the procurement cycles that our customers go through. Ed is clearly in the summertime, and government tends to shut down at certain times of the year. But as you look across our portfolio, I'd like to think that we'll beat the seasonality on the left with the lack of seasonality on the right across the year, and we'll start to really see an evening across the way that the business is performing on an annual basis.

We do have a diverse portfolio and a diverse set of customers, and I think we're just going to have to strategically plan both in the pipeline and resources to ensure that the lumpiness becomes less lumpy and we can show a much more even upward trajectory over time.

Suthan Sukumar:
Okay. Okay, great. From a Mission standpoint, can you talk about what you're seeing there from a competitive backdrop positioning and in terms of your go-to-market strategy today and the pipeline that

© 2026 SYLOGIST LTD.

you have? How much of that is currently displacement opportunities versus net new/greenfield type opportunities?

Joel Leetzow:
Here's what I would say. First of all, there was a couple of questions in there. Let me try and answer them all.

The Mission business is something that we've taken a really hard look at. It's traditionally on the ERP side, a large volume of business and a large portion of our portfolio in total. I know that others have spoken in the past about the changes in the U.S. federal budgeting and how that's affected through DOGE some of our customers. What I can say is that seems to have slowed down drastically. If anything, it seems to have levelled out to the point that we're now seeing some stability within the nonprofit space.

Our pipeline is looking good. We've worked on it really hard for the past six months.

A little bit different on the competitive landscape is we're trying to focus on what we do really well. I won't go into details for competitive reasons on the phone call about exactly what those are. But we are representing ourselves really well in competitive RFPs, bids. I expect '27 to be something where we, once again, show the work that we've done in that business, specifically between the CRM and the ERP. I'm quite excited about where it's going to go.

Suthan Sukumar:
Okay. Okay, great. That's good to hear.

David, a question for you here on the margin profile. You guys don't give out guidance, obviously, but just wondering, how are you thinking about the EBITDA margin trajectory from here on in? It sounds like there's some more optimization to be done on the professional services side, so that's good. We'll see some moving pieces there in the gross margin as a result.

But from an OpEx perspective, do you anticipate any big changes there? More broadly, how should we be thinking about margins, EBITDA margins going forward?

© 2026 SYLOGIST LTD.

David Miller:
Good question.

I think, as we've mentioned, there is still some backlog there in non-billable and channel support here in Q4, as Joel mentioned. I'm not expecting the Project Services to contribute too much in the last quarter here, so there may be still continued drag on the margins related to that.

But from an EBITDA margin perspective, it's obviously our objective to continue to improve that and we're looking at every opportunity to do that.

I think the team has done a great job in rationalizing and so we'll continue those efforts through Q4 and into 2027 across the operations of the team and make sure that we're fully focused and ready to support our customers through '27 and our investors through '27.

Suthan Sukumar:
Joel, maybe one last one for you. You have another quarter now under your belt. When you look at the end markets that you guys are serving, where do you see the biggest opportunity? Where are you the most excited?

Joel Leetzow:
I'm most excited that what we make across the portfolio widely, not just Education or Mission or Gov, our customers want more of what we do. I think that's probably the most inspiring part of Sylogist for me besides the great staff that we have. So, trying to figure out the balance of how to accelerate in the markets that we're winning at, how to make sure that we remain competitive out in the market. As we've talked about, this is not exactly—the markets we serve are not generally high-speed innovation. They tend to be more on the laggard side of adoption of technology, and I think we're really well positioned to bring some new things with AI to that market that's going to create some inspiration for those customers.

I don't want to sound trite about it, but I'm equally excited as we look across all of the businesses. All of them have an opportunity to grow and we just have to make sure that we're being really specific about where we make our investments and where we may have to pull back on some investments to allow the shinier stars to shine brighter.

© 2026 SYLOGIST LTD.

Suthan Sukumar:

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

Joel Leetzow:

Thanks for coming.

David Miller:

Thank you.

Operator:

There's a follow-up question from Gavin Fairweather from Cormark. Please go ahead.

Gavin Fairweather:

Hey, just quickly to follow up on education. I think you referenced some SaaS churn. We did see SaaS revenue tick down a little bit. Was that some of the early North Carolina SaaS implementations? Maybe you can just talk about the stability you're seeing in Oklahoma. How are you thinking about growth for the U.S. education SaaS business? I understand there have been some RFPs and changes in some of the states that you've been targeting.

Joel Leetzow:

Yes. The most important thing that we need to do with Education is to address the churn. We are having some limited success in expanding in Oklahoma. As you know, Gavin, we have a very large customer base there, particularly in the small-to-medium school districts that we serve. We have, because of North Carolina, built our Education product out so that we can cover both types of school systems within the United States. You have cash accounting and accrual accounting. We had to go into accrual to move beyond Oklahoma initially. We've, of course, done that work and it's behind us. So now we have the capability to sell to all 50 states in the United States, and we're resetting our sales plans for '27 on exactly how we're going to approach doing so.

Gavin Fairweather:

Thanks so much. That's it for me.

© 2026 SYLOGIST LTD.

Joel Leetzow:
Thanks, Gavin.

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

Joel Leetzow:
Thank you. First of all, I'd like to thank everyone for coming this morning, for the great questions. I'd like to welcome Dave Miller. I'm excited to have him here, and we'll look forward to speaking to everybody next quarter.

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

© 2026 SYLOGIST LTD.