



AIC Equity Fund Pitch

Sylogist Ltd.

TSX: SYZ

November 3, 2023

Current Price: 7.34 CAD

24 Month Target Price: 15.69 CAD

Implied Upside: 113.8%

IRR: 46.2%

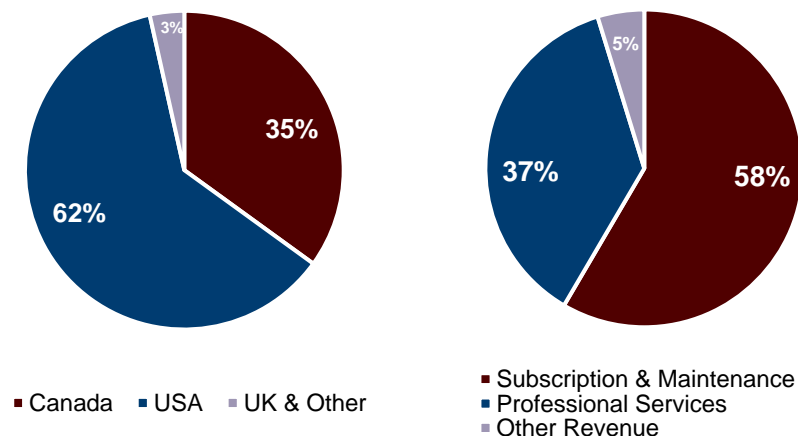


Sylogist Overview

Business Description

- Sylogist is a public sector SaaS business that provides software solutions to local/municipal governments, education administrators (public school districts), and non-profit organizations.
- Sylogist has 3 main product offerings: SylogistGov, SylogistMission, and SylogistEd.
 - 100% pure SaaS platforms
- 2000 customers across the Canada, USA, and UK.
- Public sector software is very sticky: mission-critical software that can't be easily replaced.

Revenue Breakdown



Product Breakdown

SylogistMission

Fundraising platform for nonprofits.

Acquisition of MissionCRM.

Now ERP shows donors how dollars are used.

Integrated CRM + ERP.

SylogistGov

Only Microsoft based ERP System for Muni government.

Brand new offering from Sylogist.

Customers started going live in September.

SylogistEducation

Finance, budgeting, student info, etc. for education admin.

Used Municipal Accounting System acquisition to revamp the platform.

Key Stats

Market Cap: 171.3M	LTM Revenue: 62.2M
Enterprise Value: 183.3M	LTM EBITDA: 16.2M
Net Debt / EBITDA: 1.3x	LTM Sales Growth: 21.3%
NTM EV/EBITDA: ~9.3x	

Investment Thesis

- Sylogist has historically been a company with poor corporate governance, where management interests haven't been aligned with shareholders, leading to poor stock and company performance.
- Following the retirement of the former CEO in 2020, the board led a strategic-review of the business, and ultimately decided that repairing customer relationships and driving organic growth would create more shareholder value than being acquired.
 - The board appointed public sector SaaS veteran Bill Wood in Q4 2020 to increase shareholder value.
- Bill Wood has helped drive rapid organic growth, fueled by a few acquisitions that have helped improve Sylogist's software offerings.
- Driven by investments in sales, marketing, and product development, Sylogist has gone 2 straight quarters with organic growth >20%.
- Sylogist is likely near trough EBITDA, with room for margin expansion over the next several years.
 - Organic growth of 20% coupled with margin expansion creates an opportunity for substantial EBITDA growth.
- Sylogist is trading at ~9x NTM EBITDA, far cheaper than other public sector SaaS peers.

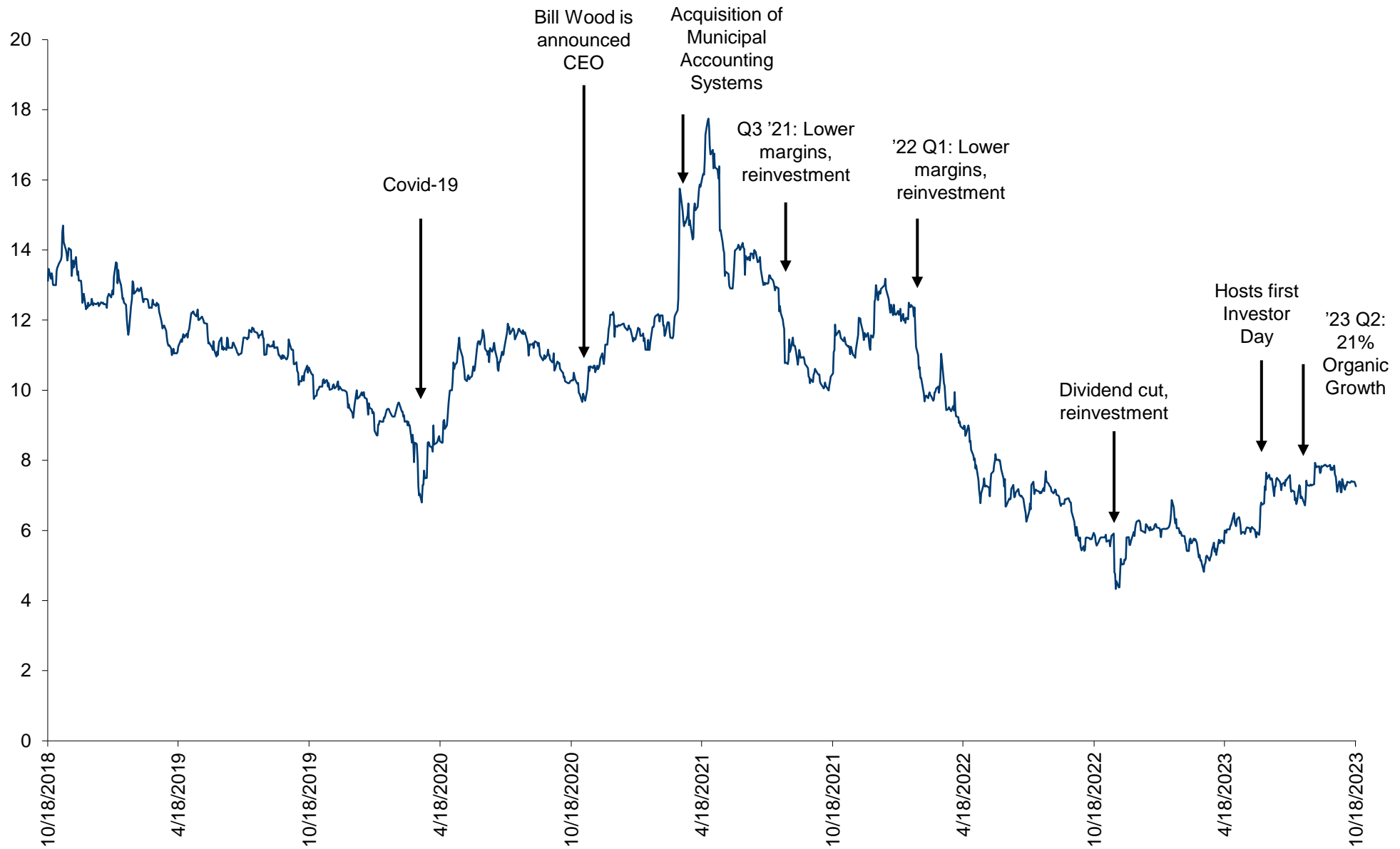
Why does this opportunity exist?

- Obscure corner of the market in Canadian small-caps. Investors Relations has previously done a poor job in explaining the Sylogist story.
 - If investors know Sylogist of the past, they may not be familiar with the recent turnaround of the business.
- Margins have fallen from half of their pre-2020 levels due to increased investments in the business. This leads investors who don't dig deep enough to see stagnating EBITDA numbers since 2018.



Timeline

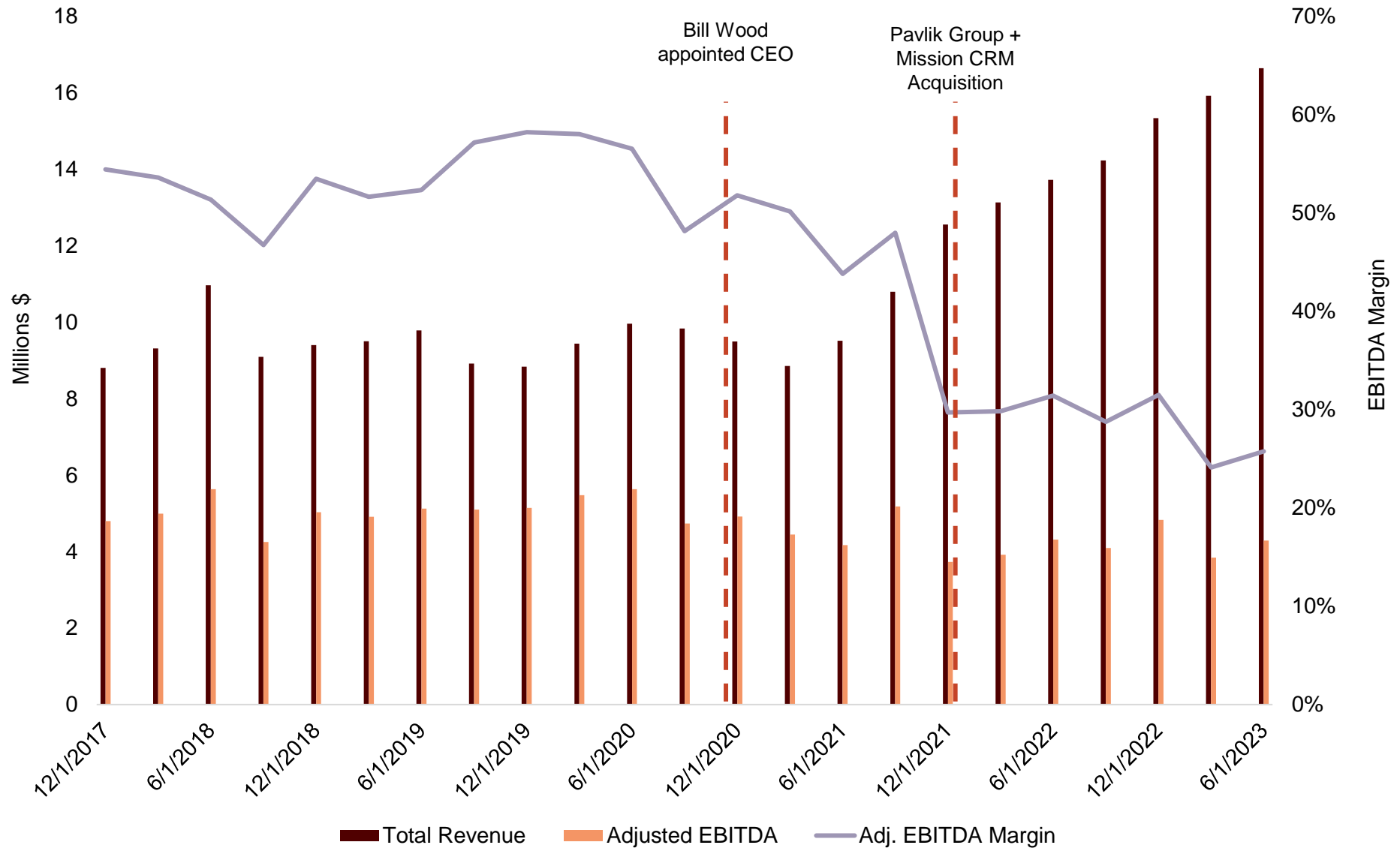
Sylogist is set up at 10-year lows despite improved business fundamentals.



Financial Snapshot



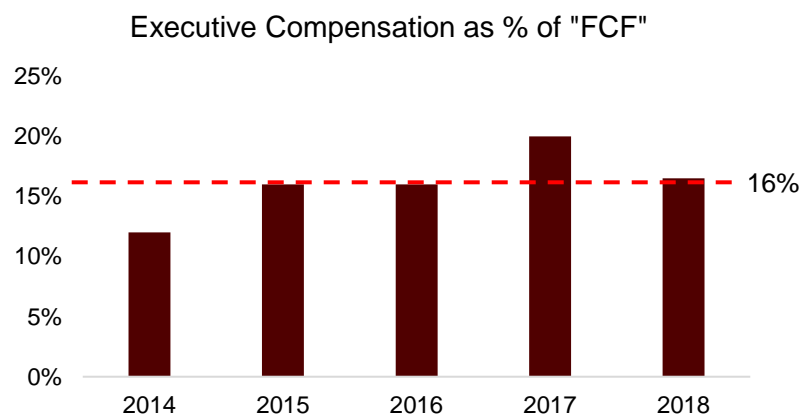
Sylogist is set up at 10-year lows despite improved business fundamentals.



Shift in corporate governance

Pre Q4 2020 Management Shift

- Board of directors only had 4 members, who were in the pocket of management.
- In 2014, the board started to award executive annual bonuses based solely on free cash flow.
 - This resulted in management milking the business for cash, resulting in neglected customers and a stagnating product.
 - In 2014, the year the compensation structure was changed, executives took 12% of FCF as bonuses.
 - “Mr. Wilson and Mr. Elder were eligible for annual bonuses, payable in cash, based on FCF of the Corporation for the period. Mr. Wilson and Mr. Elder were paid 8% and 4% respectively of such free cash flow.”
- Free cash flow was defined as “cash from operating activities, before non-cash changes in working capital, management bonuses and acquisition and integration costs.”



Post Q4 2020 Management Shift

- Increased board of directors to 6 members (could be bigger, but better nonetheless).
- **NONE** of the board members from before 2018 remain today.
- Industry veteran, Bill Wood, named CEO
- Instead of being based on free cash flow, annual compensation is determined by:
 1. Organic Growth
 2. “Operational Excellence”
 3. Net revenue retention
 4. Customer wellness
- This has better incentivized management to create value for shareholders and encourages reinvesting cash flows back into the business.

The market has **not recognized** the **improved corporate governance** of Sylogist, and is therefore pricing the business at an **unfair discount**.

Sylogist has invested organically and inorganically to improve its product offerings.



“Only 100% SaaS, fully integrated, fundraising to finance platform for nonprofit organizations. You can see dollars raised from MissionCRM, integrated with the ERP to see how the dollars are used, that can then be reported to donors... That end-to-end capability is something I’ve been chasing for almost two decades.”

- Bill Wood, Sylogist CEO

- Acquired MissionCRM and integrated it with existing solution: Serenic Navigator ERP
- Combining the CRM with ERP gives customers a fully integrated SaaS solution, that wasn’t available before.



“Completely new local government and city ERP platform for cities and towns across North America. Determined a re-write made sense. Customers are upgrading and going live on Sylogist Gov, and new logos are cuing in our pipeline.”

- Bill Wood, Sylogist CEO

- Previously had a legacy solution, but decided a new platform was needed
- Midsized local and city governments are ignored by larger providers, providing an opportunity for Sylogist Gov



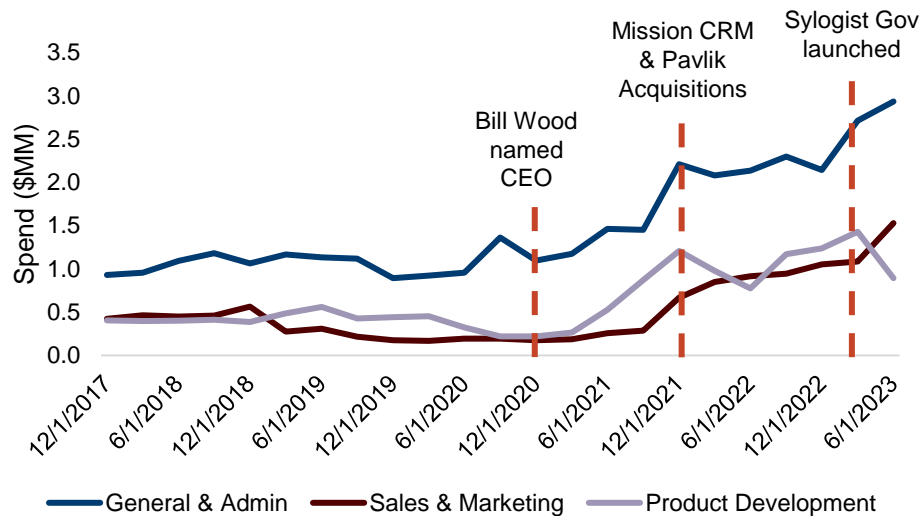
“I determined that the technology, costs, time to implement, and risks to create a new system were significantly greater than acquiring what we wanted, and I knew a company that already had it.”

- Bill Wood, Sylogist CEO

- Acquired Municipal Accounting Systems, a SaaS school administration software, used at 450 school districts in Oklahoma
- Moved technology over to Sylogist and rebranded to Sylogist Ed
- Expanded to North Carolina this year and planning to expand to two other states in 2024.

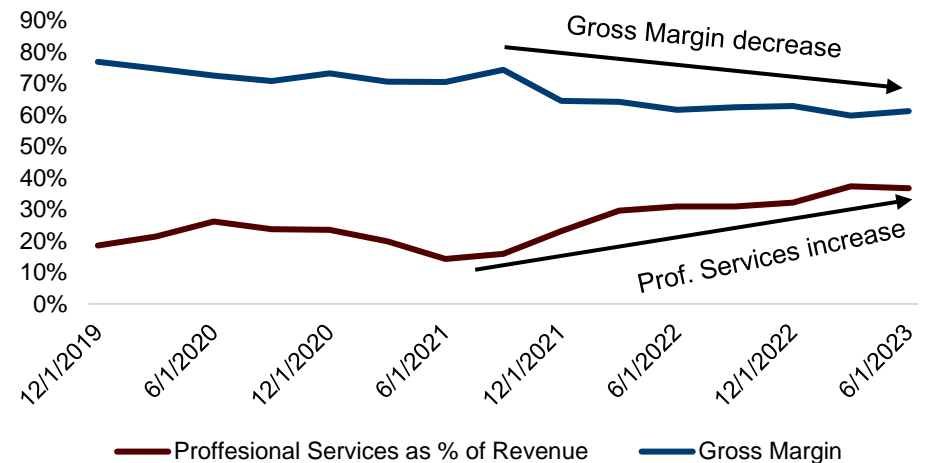
Sacrificing Short-Term Margins For *Still* Profitable Growth

Increased Spending To Serve Customers



- Since Bill Wood was named CEO, Sylogist has increased spending across the board: G&A, Marketing, and Product Development
- Increased sales & marketing department from 3 to 16 employees.
- From Q4 2020 to Q4 2022, Sylogist increased Product Development spend by ~5x.
 - Now that all 3 of Sylogist's SaaS platforms have been developed and launched, we saw a decrease of product development spend from \$1.43M in Q1 '23 to \$890K in Q2 '23.
- Despite lower margins, returns on invested capital are still at ~19% LTM, far above Sylogist's cost of capital.
- Now sitting at an NPS score of 50.

Lower Margins on Professional Services

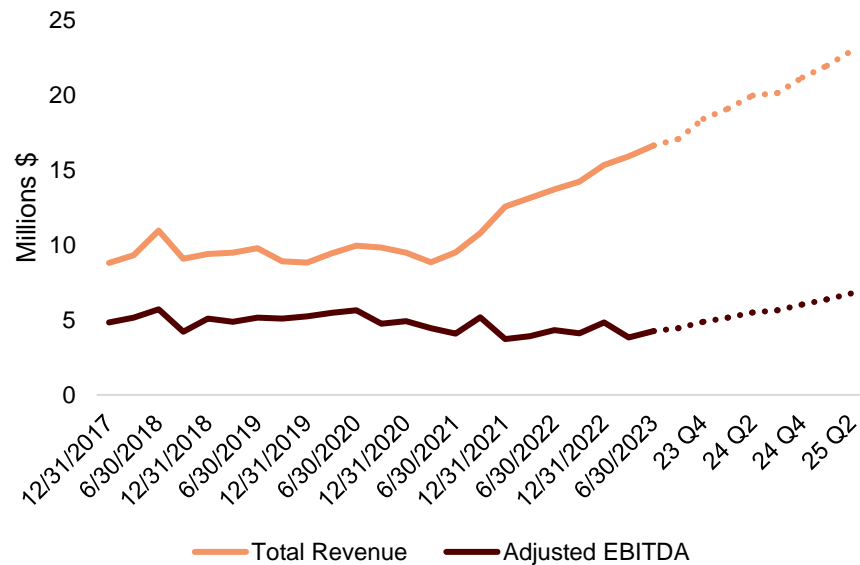


- An increase in professional services revenue as a percentage of total revenue has led to a decline in gross margins
 - Prof. Services have lower margins than SaaS
- Professional services have been driven by an increase in SaaS implementation; this is primarily revenue from onboarding new customers.
 - Sylogist has reported a 64% "attachment rate" to Sylogist software, i.e., **64% of professional services revenue will lead to incremental SaaS revenue in 12 months.**
- As professional services converts to SaaS, this will drive high quality recurring revenue, but will also be accretive to gross margins.
 - Also acquired Pavlik, which is more professional services oriented. Likely accounts for the majority of the 36% of professional services not attached to SaaS.

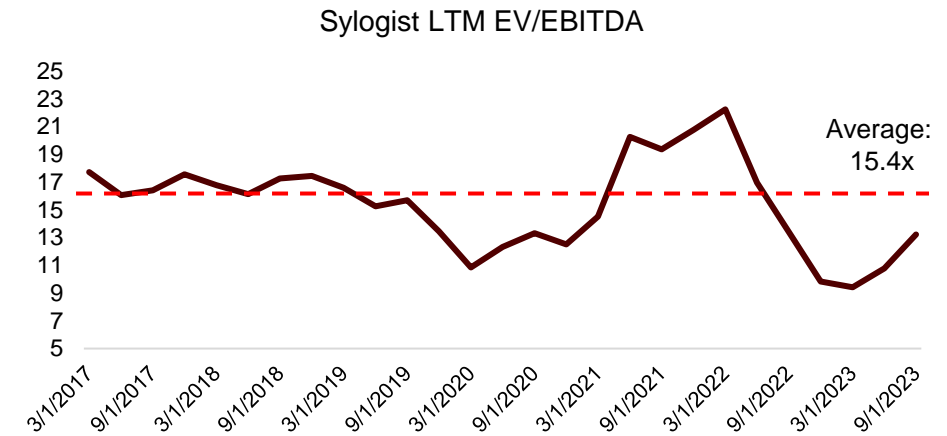
Valuation



Revenue + Margins Projections



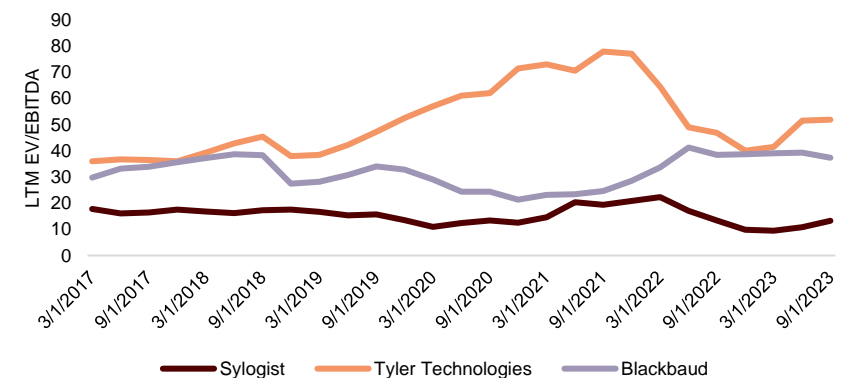
Multiple



- It is difficult to use historical EV/EBITDA numbers for Sylogist due to the lack of analyst coverage and earnings estimates in the past.
 - Therefore, we can use NTM +1 EBITDA and multiply it by the historical average LTM EV/EBITDA for a 24-month target price.

NTM +1 EBITDA	24.8
Average Historical LTM EV/EBITDA	15.4
Implied Enterprise Value	382.4
Debt	21.9
Cash	9.8
Implied Equity Value	370.3
Shares Outstanding	23.6
Implied Price/Share	\$15.69
Current Price/Share	\$7.34
Implied 24 Month Upside	113.8%
IRR	46.2%

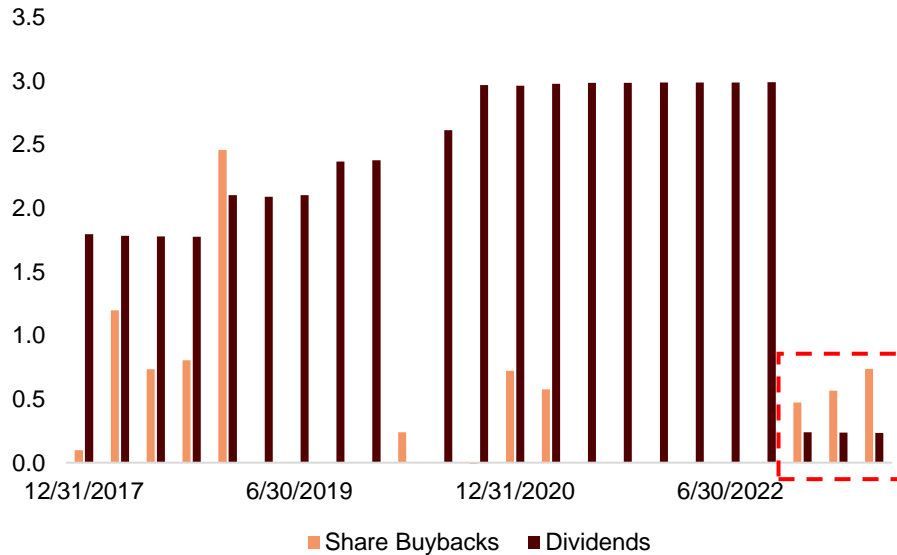
Public Sector Software Multiples



- Not asking for a Tyler Tech multiple, but if Sylogist gets its M&A machine going, we could see a multiple similar to Blackbaud/Tyler Tech (not underwriting this)

Insider Ownership & Share Buybacks

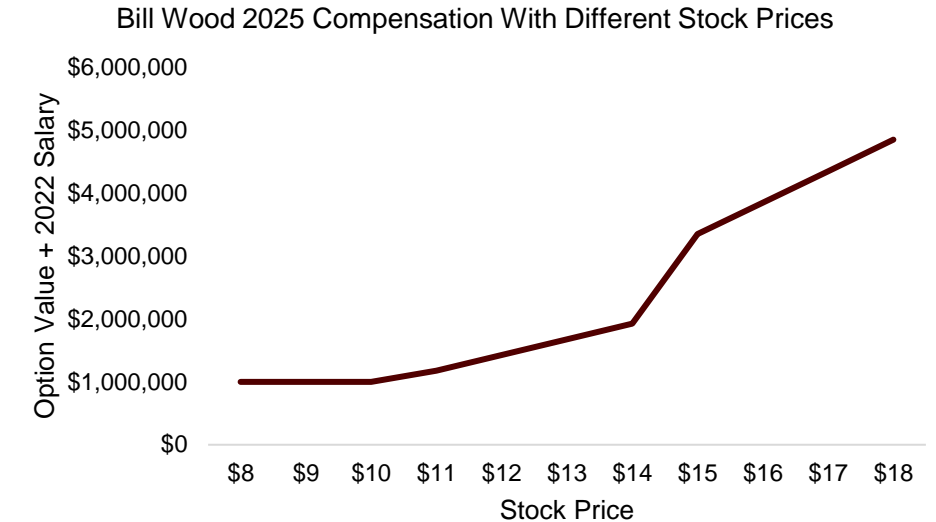
Cut Dividend, Buying Back Shares Opportunistically



- Sylogist cut its \$3M to ~\$250K quarterly dividend in Q4 2022
 - Freed up ~\$11M of free cash flow for additional reinvestment
- Believes shares are fundamentally undervalued, and have been reducing share count through share repurchases.

Insider Ownership

- Barry Foster – Director who initiated the management and corporate governance change.
 - Owns ~3% of outstanding shares, \$5.1M CAD
- Bill Wood: \$300K CAD, 0.2% of outstanding shares
 - 500,000 underlying shares from options, \$10.30 strike price

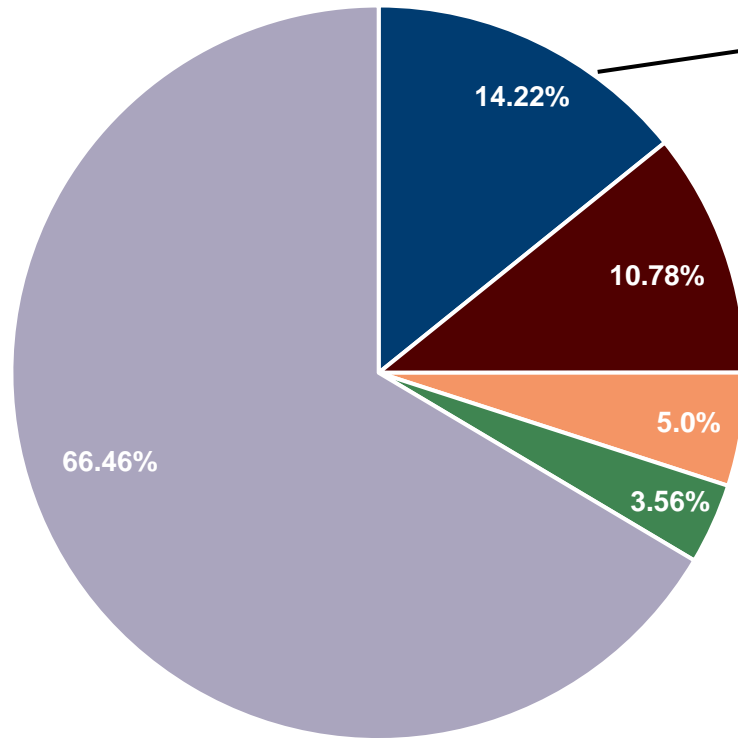


- Mr. Wood is properly incentivized to create shareholder value, and will receive a significant payday if the stock price exceeds \$15 by November 10, 2025
- These aligned incentives have already displayed themselves through the complete overhaul of the business.

The few people who know about the opportunity seem to love it.

2 Canadian Small-Cap Hedge Funds combined own ~25% of the business.

Public Ownership



- PenderFund Capital Management
- Seymour Investment Management
- Mutual Funds
- Insiders
- Public & Other



Top 10 Holdings	Fonds (%)
Sylogist Ltd.	6.2
Copperleaf Technologies Inc.	5.5
TerraVest Industries Inc.	4.7

Sylogist is Pender's largest holding in their Small Cap Opportunity's Fund.

"[We] believe that the company is well positioned and reaching an inflection point in growth."

- June 2023 Portfolio Update



"We came away from Sylogist's recent investor day with increased conviction that a reinvigorated sales team and technology offering are helping drive profitable growth and see significant potential for organic growth and margin expansion, which should drive earnings and valuation expansion."

- Q2 2023 Fund Letter

Closing Thoughts



“For those of you that may know Sylogist of the past, I offer that today we are recognized by name only and our stock symbol... and are 100% aligned with creating value for our shareholders.”

-Bill Wood, Sylogist CEO

- Sylogist is not the same company it was 5 years ago.
 - Sylogist is better setup for organic growth, inorganic growth, and margin expansion than ever before in its history.
 - Bill Wood is the most qualified CEO Sylogist has ever had, and we can already see the results: 3 different 100% SaaS solutions and 20%+ organic revenue growth for 2 straight quarters.
- Despite being a fundamentally better business, Sylogist is trading at one of its lowest multiples in the past 5 years.
- Opportunity for multiple expansion and EBITDA growth as margins have likely troughed.

Appendix

Sylogist History

Founded in Calgary, Alberta in 1993

Acquired first business, Abaco Mobile, in 2002.

Acquired education software, Bellamy Software, in 2006

Acquired education software, Masterworks, in 2007

Acquired assets of a fuel management solutions business, RMS Solutions, in 2012.

Acquired education platform, Epic Data International, in 2013.

Acquired "public sector software", Weave Corp, in 2013.

Acquired non profit and education software company, Serenic Software, in 2014.

Sylogist signs global agreement for public sector with Microsoft. 2016

Acquired education software, K12 Enterprise and the assets of Sunpac, in 2017.

Acquired non profit software Infostrat, in April 2020

Municipal Accounting Systems, march 18, 2021

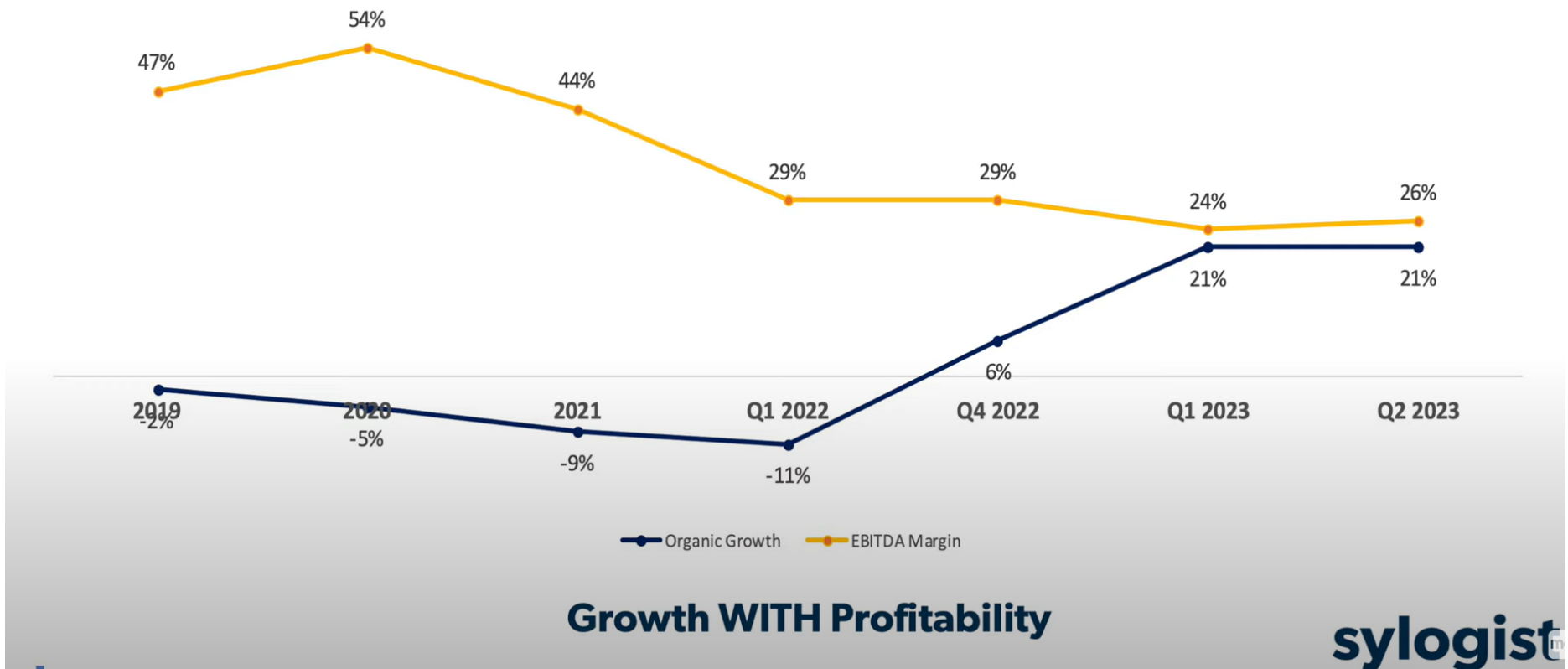
Sylogist moved over from the TSX Venture Exchange to the TSX Exchange on march 30, 2021.

Mission CRM, Ocrober 6, 2021

Pavliks.com, October 18, 2021

Investor Presentation Strategic Shift Visualization

Sylogist's Paradigm Shift



Bill Wood Experience

Experience



President & CEO, Board of Directors

Sylogist Ltd.

Nov 2020 - Present · 3 yrs

Boston, Massachusetts

Sylogist is a publicly traded SaaS & professional services company that provides mission-critical solutions to public sector organizations. Sylogist's customers include nonprofit & non-governmental organization: ...see more



President & CEO, Board of Directors

FrontStream

Apr 2016 - Sep 2019 · 3 yrs 6 mos

Cambridge, MA

FrontStream is a leading, private equity-backed SaaS provider of fund raising, employee giving, payments, and donation payout capabilities. Bill was hired as the company's President & CEO by Arsenal Capital Partn ...see more

President & CEO, Board of Directors

Access International

Oct 2002 - Oct 2013 · 11 yrs 1 mo

Cambridge, MA

Access is a leading provider of fundraising, CRM and ERP solutions to large nonprofit organizations and municipalities. Hired by its founders as President and CEO, Bill led a company turnaround designed to ...see more



President & Founder

DonateTo.com

Jun 1999 - Jul 2002 · 3 yrs 2 mos

Greater Boston Area

Bill had the vision, designed the end-to-end solution and developed the business plan to launch DonateTo.com, a pioneering, white-label SaaS charitable giving platform aimed at high traffic portals, e-businesses and ...see more



Vice President, Sales & Marketing

Blackbaud

May 1984 - May 1992 · 8 yrs 1 mo

Charleston, SC

Blackbaud, Inc. was founded in 1982 and grew to be the leading provider of software solutions and services to the nonprofit and education markets. Bill was one of Blackbaud's early team members and its first sale ...see more

Product Offerings



Recurring Revenue Breakdown

Crossover to a SAAS-centric Model



Investor Presentation: Sylogist Transformed

Sylogist Today: Transformed

**ORGANIC
GROWTH**

PROFITABILITY

**Strategic
M&A**

NPS SCORE: 51

What is a good NPS score?



Gross Margin Regression

SUMMARY OUTPUT

<i>Reaession Statistics</i>	
Multiple R	0.867952933
R Square	0.753342293
Adjusted R Square	0.712232676
Standard Error	0.031156916
Observations	15

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	0.035578515	0.017789258	18.32520792	0.0002252
Residual	12	0.011649041	0.000970753		
Total	14	0.047227556			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-0.026147251	0.537220844	-0.048671327	0.961981925	-1.196650919	1.144356416	-1.196650919	1.144356416
Subscription & Maintenance	0.896280233	0.545691041	1.642468292	0.12642009	-0.292678409	2.085238874	-0.292678409	2.085238874
Professional Services	0.27242748	0.590958853	0.460992298	0.653047445	-1.015161252	1.560016212	-1.015161252	1.560016212

Expanded Income Statement

					Info Strat				Bill Wood				MAS				Pavlik Group + Mission CRM						
	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023
Total Revenue	8.8	9.3	11.0	9.1	9.4	9.5	9.8	8.9	8.8	9.4	10.0	9.8	9.5	8.9	9.5	10.8	12.6	13.1	13.7	14.2	15.3	15.9	16.7
Cost of Sales	2.1	2.4	3.3	2.7	2.3	2.5	2.4	1.9	2.0	2.4	2.7	2.9	2.5	2.6	2.8	2.8	4.5	4.7	5.3	5.3	5.7	6.4	6.5
Gross Profit	6.7	6.9	7.7	6.4	7.1	7.0	7.4	7.0	6.8	7.1	7.2	7.0	7.0	6.3	6.7	8.0	8.1	8.4	8.5	8.9	9.7	9.5	10.2
General & Admin	0.93	0.96	1.09	1.18	1.06	1.17	1.14	1.12	0.89	0.92	0.96	1.36	1.10	1.18	1.46	1.45	2.21	2.08	2.14	2.30	2.14	2.71	2.94
Employee Bonuses	0.59	0.63	0.81	0.99	0.63	0.85	0.78	0.92	0.10	0.00	0.00	0.82	0.00	0.00	1.17	0.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Executive Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.21	0.00	0.00
Professional Fees	0.13	0.13	0.14	0.13	0.09	0.13	0.27	0.13	0.14	0.04	0.13	0.45	0.55	0.19	0.29	0.24	0.29	0.62	0.33	0.38	0.39	0.45	0.55
Acquisition Related Costs	0.12	0.05	0.01	0.00	0.00	0.00	0.00	0.32	0.18	0.06	0.30	0.18	0.04	0.44	0.27	0.36	0.23	0.16	0.21	0.01	0.00	0.00	0.00
Sales & Marketing	0.42	0.46	0.45	0.46	0.56	0.27	0.31	0.22	0.18	0.17	0.19	0.19	0.18	0.19	0.26	0.29	0.67	0.85	0.91	0.94	1.05	1.09	1.53
Product Development	0.40	0.40	0.40	0.41	0.39	0.49	0.56	0.43	0.44	0.45	0.32	0.22	0.22	0.26	0.53	0.87	1.21	0.98	0.77	1.17	1.24	1.43	0.89
Depreciation of PPE	0.05	0.04	0.04	0.03	0.04	0.03	0.03	0.02	0.01	0.01	0.08	-0.07	0.01	0.01	0.02	0.02	0.03	0.03	0.03	0.04	0.04	0.05	0.05
Am of Intangible	0.82	0.80	0.82	1.43	0.91	0.91	0.92	0.88	0.98	0.98	1.00	1.23	1.12	1.28	2.09	2.12	2.52	2.59	2.61	2.68	2.35	2.49	2.51
Stock Based Comp	0.06	0.10	0.09	0.07	0.06	-0.01	0.03	0.04	0.73	0.73	0.43	-0.81	0.27	0.48	0.52	0.51	0.40	0.11	0.19	0.18	0.13	0.08	0.07
FX loss (gain)	-0.04	-0.16	-0.08	0.04	-0.06	0.04	-0.04	0.02	-0.10	0.00	-0.01	0.00	0.00	0.01	0.09	0.00	0.00	0.00	0.00	-0.01	0.00	0.01	0.03
Change in Purchase Consideration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.43	0.44	0.47
Gain From Bargain Purchase	0.00	0.00	0.00	-2.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share Based Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.64	0.45	0.11	-0.20	0.42	-0.33	-0.17	-0.12	0.29	0.05	0.64
Interest Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.12	0.07	0.05	0.34	0.30	0.41	0.33	0.47	0.51
Interest Income	-0.05	-0.07	-0.10	-0.12	-0.14	-0.15	-0.15	-0.24	-0.16	-0.16	-0.01	-0.01	0.00	0.00	0.00	-0.02	0.00	0.00	0.00	-0.01	-0.04	0.00	0.00
Adjusted EBITDA	4.2	4.4	4.8	3.3	4.4	4.1	4.3	4.2	5.0	5.5	5.6	3.9	4.9	4.4	3.0	4.8	3.7	3.9	4.3	4.1	4.8	3.8	4.3
Adjusted EBITA	4.2	4.3	4.8	3.2	4.4	4.0	4.3	4.2	5.0	5.5	5.6	4.0	4.9	4.4	3.0	4.8	3.7	3.9	4.3	4.1	4.8	3.8	4.2
Adjusted EBIT	3.3	3.5	4.0	1.8	3.5	3.1	3.4	3.3	4.1	4.5	4.5	2.8	3.8	3.2	0.9	2.6	1.2	1.3	1.7	1.4	2.4	1.3	1.7
Current Income Tax	0.4	0.7	0.8	1.6	1.3	1.1	1.0	0.9	-0.3	0.6	0.1	0.8	1.1	0.8	0.5	1.1	1.0	0.9	0.8	0.6	0.8	0.6	0.8
Deferred Income Tax Recovery	-0.2	0.4	0.0	-1.5	-0.4	-0.2	-0.2	-0.2	-2.0	0.4	0.5	0.3	-0.1	-0.2	-0.7	-0.5	-0.8	-0.5	-0.6	-1.4	-0.4	-0.5	-0.7
Net Income	3.015	2.500	3.187	4.470	2.628	2.373	2.664	2.344	-6.367	2.824	3.164	2.348	1.880	1.115	-0.008	1.386	-0.165	0.685	0.895	1.455	-0.319	0.103	-0.072
Gross Margin	75.8%	74.5%	70.3%	70.8%	75.9%	73.3%	75.6%	78.4%	76.9%	74.8%	72.6%	70.8%	73.3%	70.7%	70.5%	74.4%	64.5%	64.3%	61.7%	62.5%	62.9%	59.8%	61.2%
Adj. EBITDA Margin	47.8%	46.8%	44.0%	35.9%	46.8%	42.7%	44.4%	46.8%	57.1%	58.0%	56.5%	39.8%	51.8%	50.2%	31.5%	44.3%	29.7%	29.8%	31.4%	28.8%	31.5%	24.1%	25.8%
Adj. EBITA Margin	47.2%	46.3%	43.6%	35.5%	46.4%	42.3%	44.1%	46.6%	57.0%	57.9%	55.7%	40.5%	51.7%	50.0%	31.3%	44.1%	29.5%	29.6%	31.2%	28.5%	31.2%	23.8%	25.5%
Adj. EBIT Margin	37.9%	37.7%	36.2%	19.9%	36.7%	32.7%	34.7%	36.7%	45.9%	47.6%	45.6%	28.1%	39.9%	35.6%	9.3%	24.5%	9.4%	9.9%	12.1%	9.7%	15.9%	8.2%	10.4%
G&A as % of Revenue	10.5%	10.3%	10.0%	13.0%	11.3%	12.3%	11.6%	12.6%	10.1%	9.8%	9.6%	13.8%	11.6%	13.3%	15.4%	13.5%	17.6%	15.8%	15.6%	16.1%	14.0%	17.0%	17.6%
Sales & Marketing as % of Rev	4.8%	5.0%	4.1%	5.1%	6.0%	2.9%	3.1%	2.4%	2.0%	1.8%	1.9%	2.0%	1.8%	2.1%	2.7%	2.6%	5.3%	6.5%	6.7%	6.6%	6.8%	6.8%	9.2%
Product Dev as % of Rev	4.6%	4.2%	3.7%	4.5%	4.1%	5.1%	5.7%	4.8%	5.0%	4.8%	3.2%	2.2%	2.3%	3.0%	5.5%	8.1%	9.6%	7.4%	5.6%	8.2%	8.1%	9.0%	5.4%
Cost of Sales as % of Rev	24.2%	25.5%	29.7%	29.2%	24.1%	26.7%	24.4%	21.6%	23.1%	25.2%	27.4%	29.2%	26.7%	29.3%	29.5%	25.6%	35.5%	35.7%	38.3%	37.5%	37.1%	40.2%	38.8%
Amortization as % of Rev	9.3%	8.6%	7.4%	15.7%	9.7%	9.6%	9.4%	9.9%	11.1%	10.3%	10.1%	12.5%	11.8%	14.4%	22.0%	19.6%	20.0%	19.7%	19.0%	18.9%	15.3%	15.7%	15.1%
QoQ Revenue Growth		5.7%	17.8%	-17.1%	3.4%	1.1%	3.0%	-8.8%	-1.0%	6.8%	5.5%	-1.3%	-3.4%	-6.7%	7.4%	13.4%	16.3%	4.6%	4.5%	3.7%	7.8%	3.8%	4.6%
YoY Revenue Growth					6.7%	2.0%	-10.8%	-1.9%	-6.0%	-0.6%	1.8%	10.2%	7.5%	-6.2%	-4.5%	9.8%	32.3%	48.3%	44.2%	31.8%	22.2%	21.2%	21.3%