Earnings Call - Q1 - FY23

January 4, 2023

Safe Harbor Statement

With the exception of historical information, the matters discussed in this presentation are forward-looking statements that involve a number of risks and uncertainties. Words like "believe," "expect" and "anticipate" mean that these are our best estimates as of this writing, but that there can be no assurances that expected or anticipated results or events will actually take place, so our actual future results could differ significantly from those statements. Factors that could cause or contribute to such differences include, but are not limited to: our ability to maintain our competitive advantages, acceptance of new software and improved versions of our existing software by our customers, the general economics of the pharmaceutical industry, our ability to finance growth, our ability to continue to attract and retain highly qualified technical staff, our ability to identify and close acquisitions on terms favorable to the Company, and a sustainable market. Further information on our risk factors is contained in our quarterly and annual reports and filed with the U.S. Securities and Exchange Commission.

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First Quarter Highlights

$12M
Revenue

$0.06
Diluted EPS

25%
Adj. EBITDA as % of Revenue

$16M
Backlog

- First quarter results in line with guidance

- Revenue seasonality impacted by expected shift in software renewal timing

  ◦ Some slowdown in buying activity pushed to calendar 2023 budgets

  ◦ $0.3M constant currency negative impact on revenue

- Profitability impacted by investment in people and seasonally low revenue quarter

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Supporting Client Success

- FDA collaborations to enhance product capabilities

- Virtual Bioequivalence trial simulations for regulatory accelerated approval

- GastroPlus® used to support new dosing regimens and accelerate approval

- QSP clinical trial optimization

- NAFLDsym® used to reprioritize pipeline

- DILIsym® informs dosing for liver safety

- Clinical trial simulation predictions used for investment prioritization

- GastroPlus® used to support First in Human dose selection

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First Quarter Software Highlights

General

- Overall software revenue decline of 17%
- Renewal pattern and revenue seasonality shifting as anticipated
- Slower pace of new sales with new customers delaying purchases to new budget year
- University+ program has 266 individual licenses across 54 countries

GastroPlus®

-24%
Q1 Revenue Decline

- 1 new customer
- 8 upsells to existing customers
- 14 peer reviewed journal articles published in Q1

MonolixSuite®

-1%
Q1 Revenue Decline

- 10 new customers
- 2 upsells to existing customers

ADMET Predictor®

-25%
Q1 Revenue Decline

- 4 new customers
- 5 upsells to existing customers

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First Quarter Services Highlights

General

- Overall service revenue growth 17%
- Total backlog $15.8M
- Successful recruiting quarter despite continued competitive market

+23%

Q1 Revenue Growth

PKPD

- Shift to higher margin time and materials contracts vs fixed priced projects with positive margin impact
- Multiple new client relationships

-28%

Q1 Revenue Decline

QSP/QST

- Nature of QSP/QST projects more volatile

+74%

Q1 Revenue Growth

PBPK

- Reflects deeper implementation of PBPK modeling – expanding use cases and perceived value/impact

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Capital Allocation Strategy Update

- Product R&D
- Employee Recruiting and Retention
- Enterprise Technologies

- Acquisitions
- Strategic investments and partnerships

Internal Reinvestment

Corporate Development

Dividend Payments
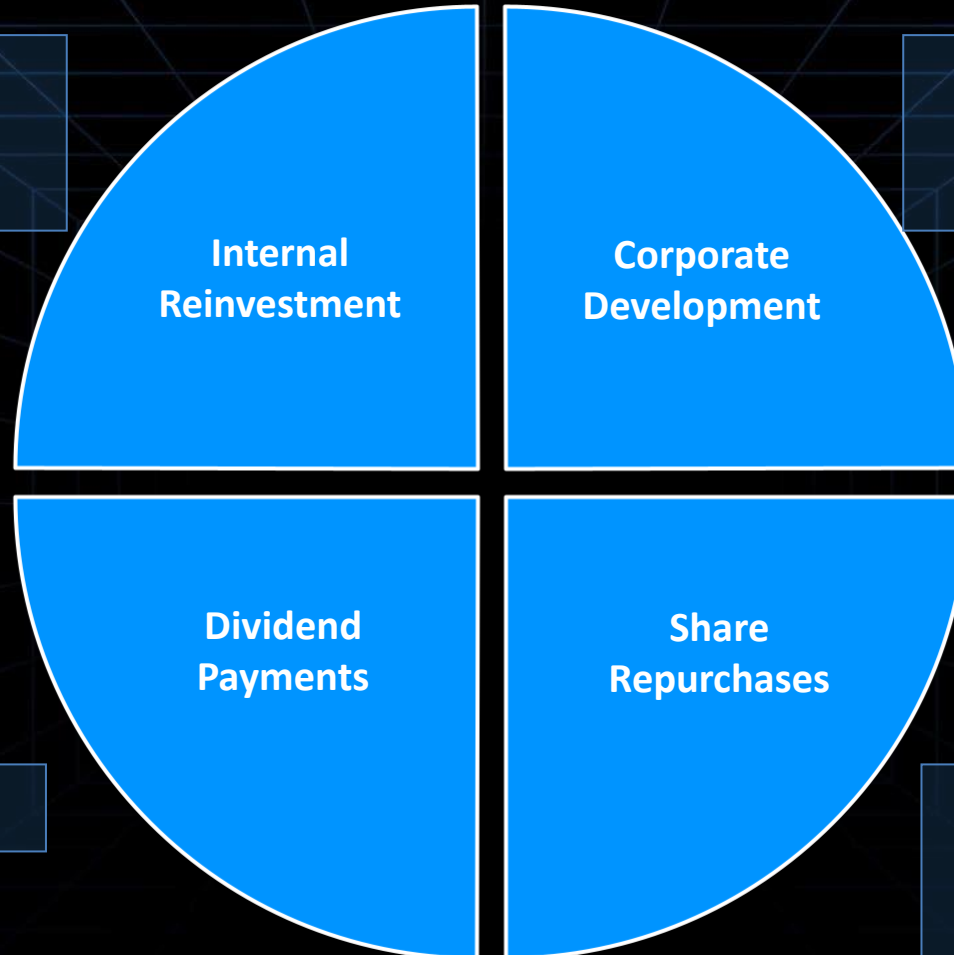
Share Repurchases

- Maintain current level

- $50M share repurchase program
- $20M under accelerated share repurchase (ASR)

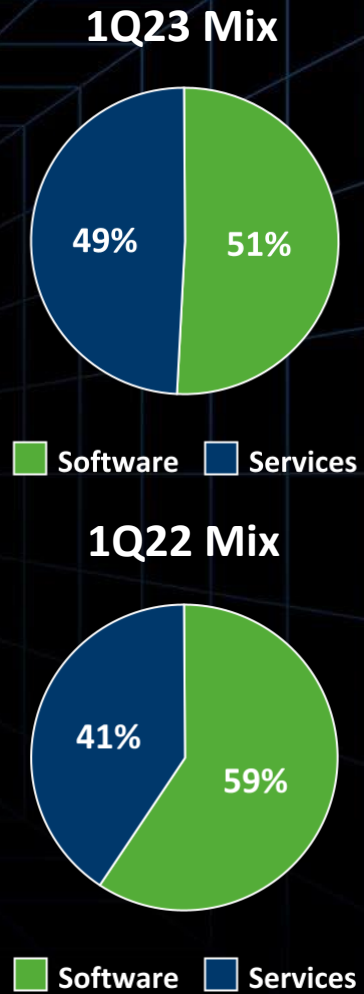SimulationsPlus
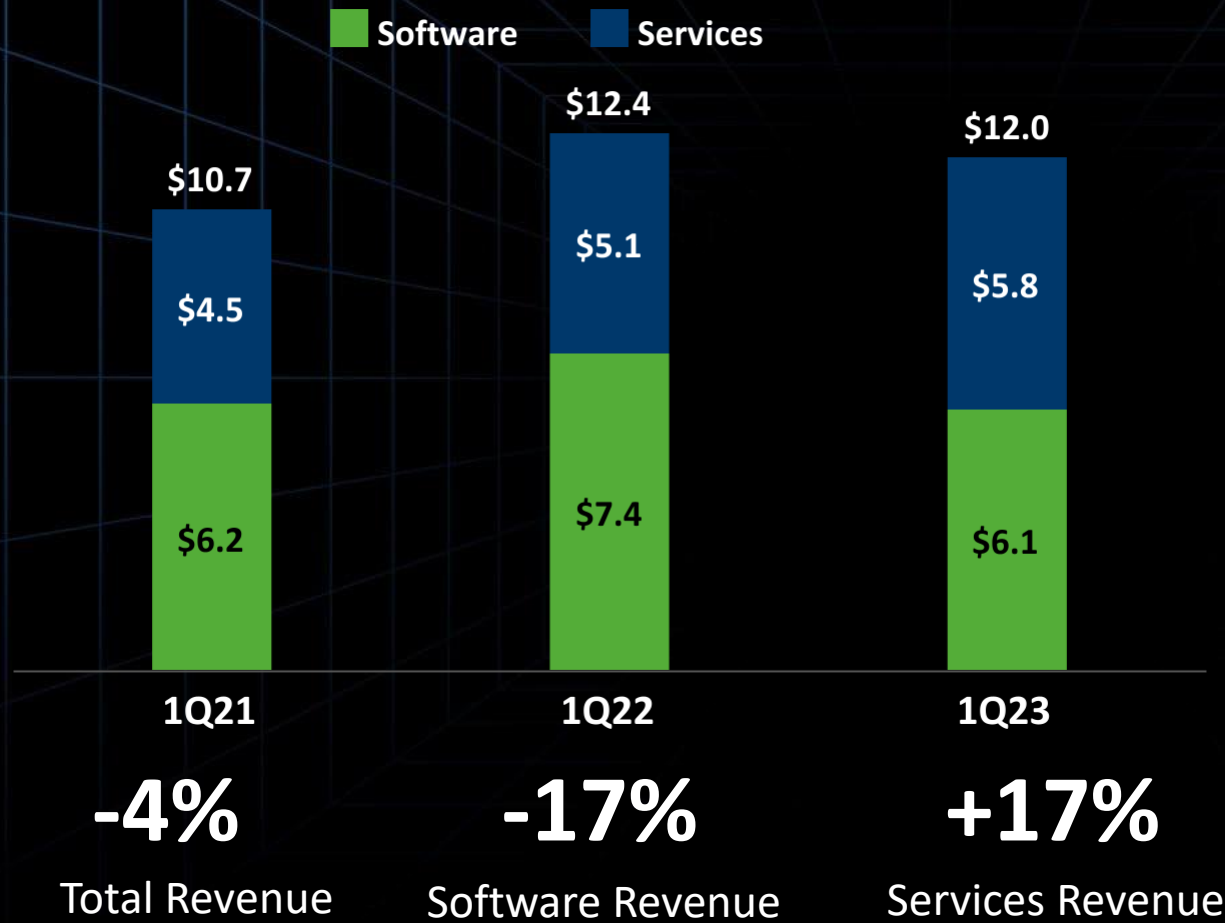
FY23 Guidance

Total Revenue	$59.3M to $62.0M
Total Revenue Growth	10% to 15%
Software Revenue Mix	60% to 65%
Service Revenue Mix	35% to 40%
Diluted EPS	$0.63 to $0.67

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Financial Results

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Revenue - Q1
(in millions)

1Q23 Mix

Software | **Services**

49% | 51%

Software | Services

1Q22 Mix

41% | 59%

Software | Services

$10.7
$4.5
$6.2

$12.4
$5.1
$7.4

$12.0
$5.8
$6.1

1Q21 | **1Q22** | **1Q23**

-4% | **-17%** | **+17%**
Total Revenue | Software Revenue | Services Revenue

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Gross Margin Trends - Q1

Software: 87% (1Q21), 90% (1Q22), 85% (1Q23)
Total: 77% (1Q21), 78% (1Q22), 78% (1Q23)
Services: 64% (1Q21), 60% (1Q22), 70% (1Q23)

Software   Services   Total

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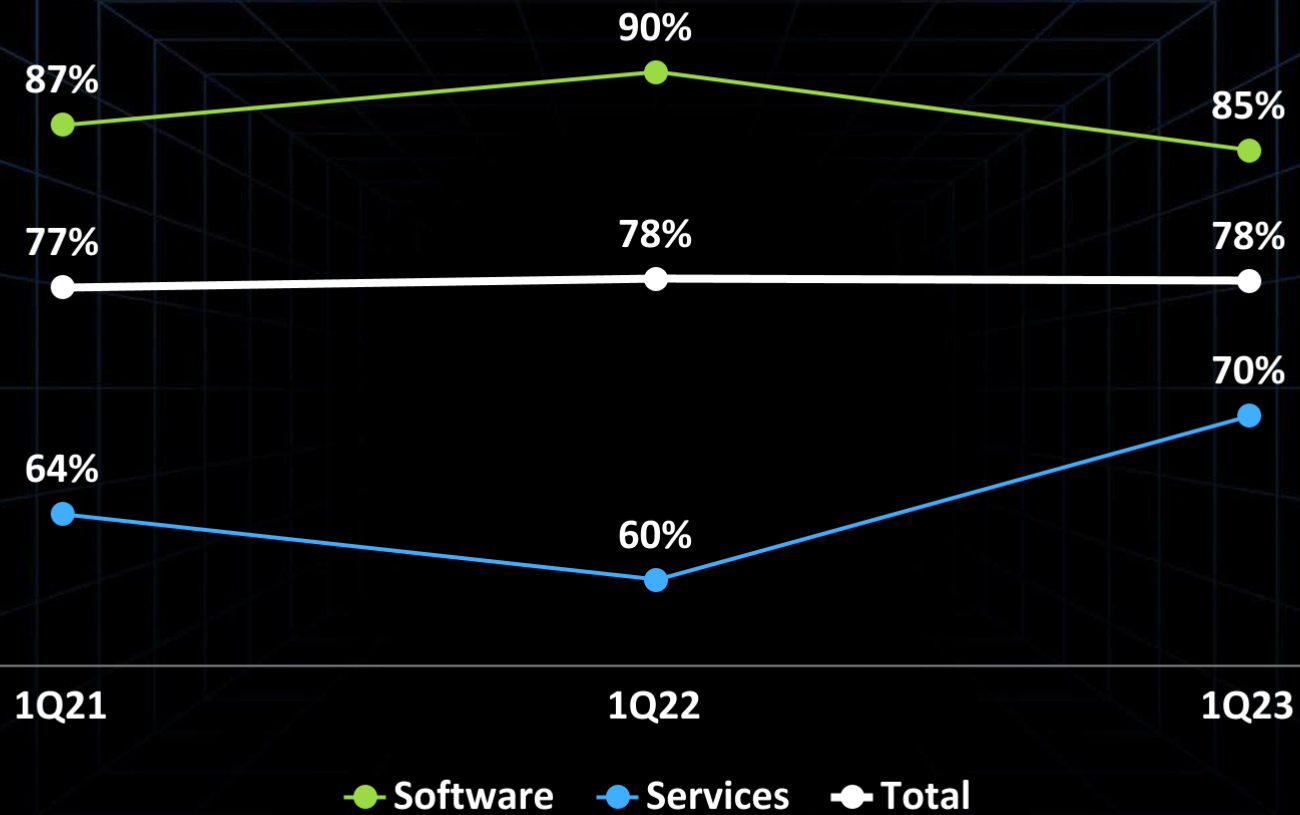
Software Revenue by Product

1Q23

G+ 50%
26%
AP 18%
Other 6%

1Q22

G+ 54%
21%
AP 20%
Other 5%
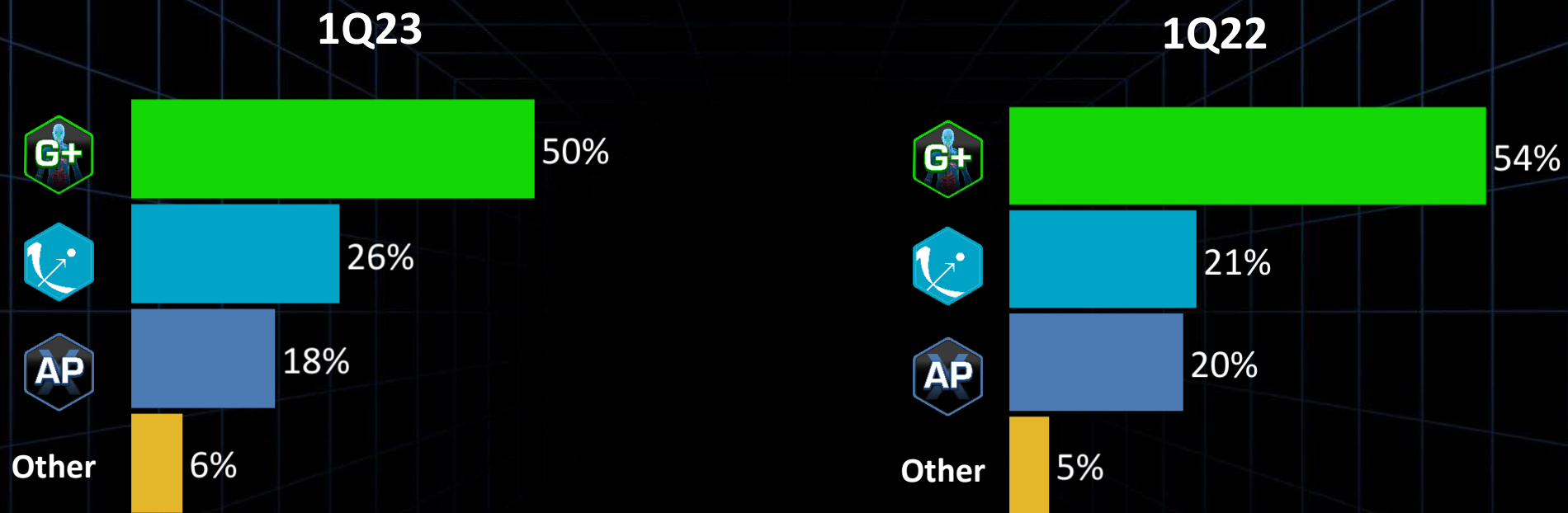
Software Product as % of Software Revenue
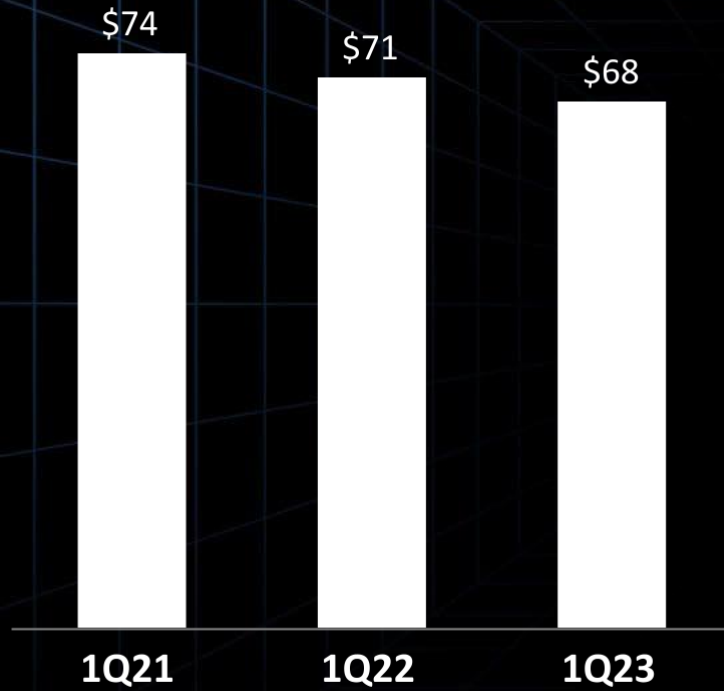
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Service Revenue by Type

1Q23

PKPD	49%
QSP/QST	18%
PBPK	25%
Other	8%

1Q22

PKPD	46%
QSP/QST	29%
PBPK	17%
Other	8%
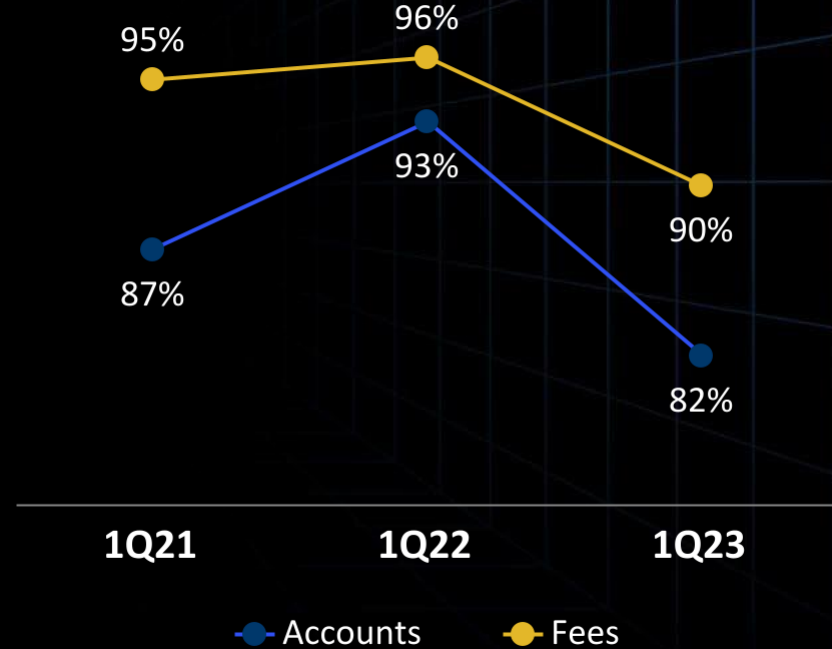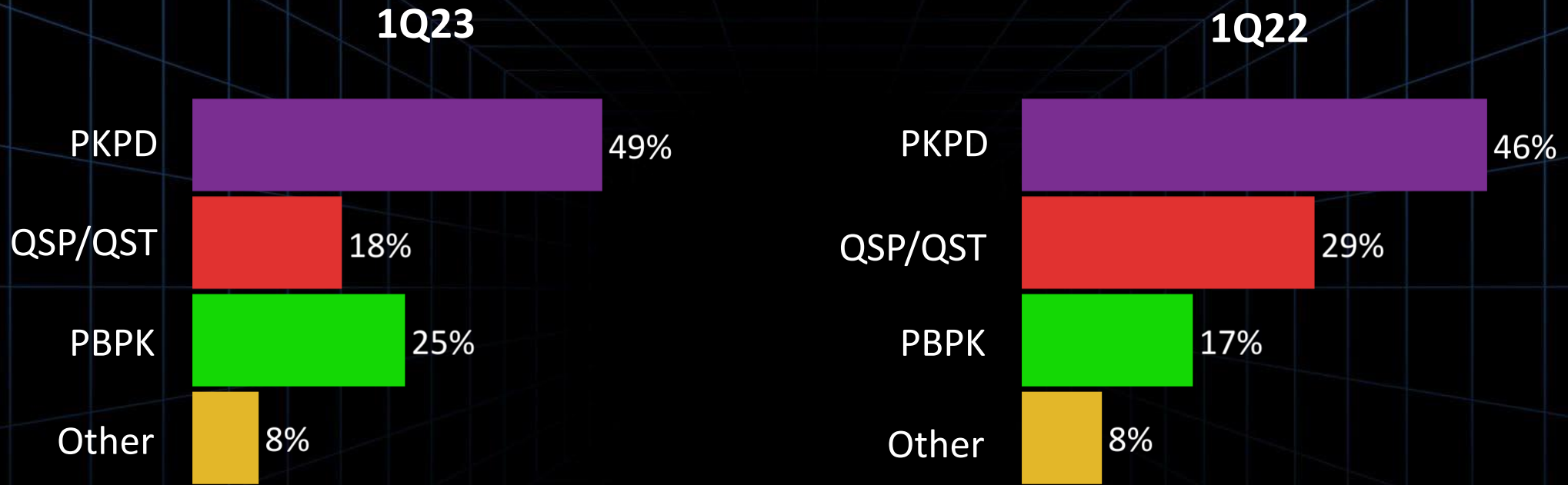
Services as % of Service Revenue

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Services Performance Metrics

Total Projects

Quarter	PKPD	QSP/QST	PBPK	Other	Total
1Q21	57	12	38	14	121
1Q22	67	22	55	25	169
1Q23	70	24	73	26	193

Legend: PKPD, QSP/QST, PBPK, Other

Backlog

Quarter	Backlog (in millions)
1Q21	$12
1Q22	$15
1Q23	$16

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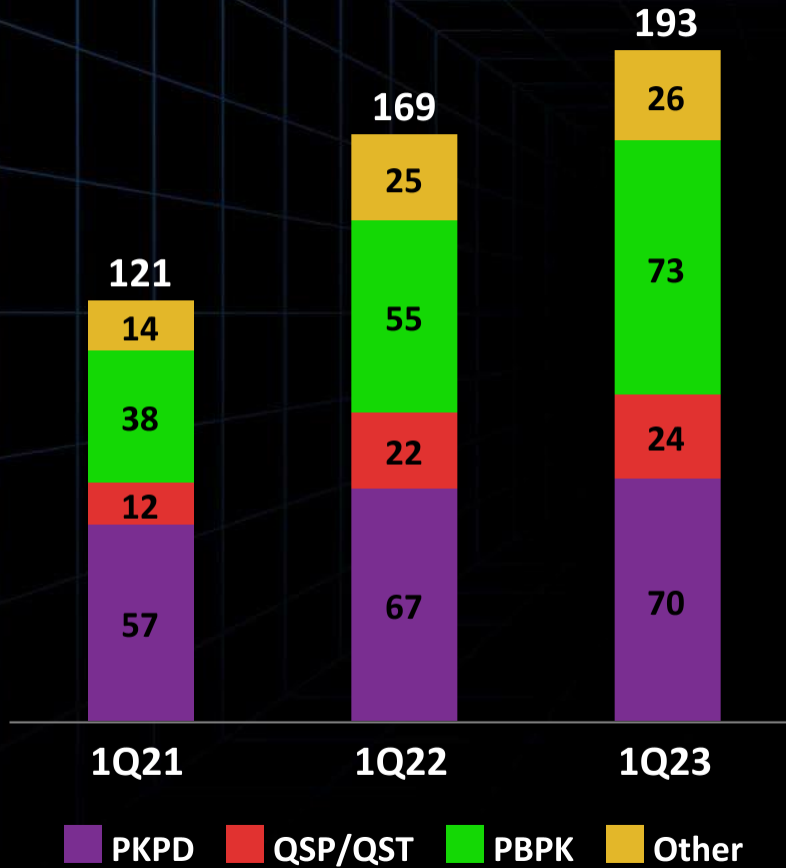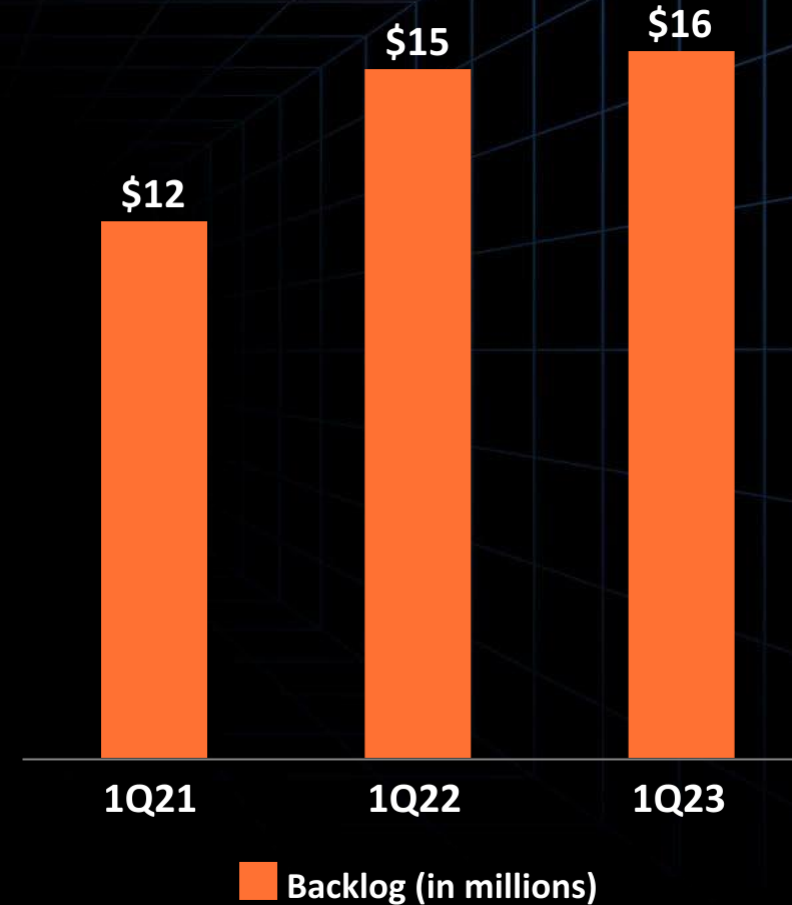
Income Statement Summary - Q1
(in millions, except Diluted EPS)

	1Q23	% of Rev	1Q22	% of Rev
Revenue	$12.0	100%	$12.4	100%
Revenue growth	(4)%		16%	
Gross profit	9.3	78%	9.7	78%
R&D	1.2	10%	0.9	7%
SG&A	7.2	61%	5.0	40%
Total operating exp	8.4	70%	5.9	47%
Income from operations	0.9	7%	3.8	31%
Income before income taxes	1.6	14%	3.9	31%
Income taxes	(0.4)	3%	(0.8)	7%
Effective tax rate	23%		22%	
Net income	$1.2	10%	$3.0	24%
Diluted earnings per share (in dollars)	0.06		0.15	
Adjusted EBITDA	$3.0	25%	$5.3	42%

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Balance Sheet Summary
(in millions)

	November 30, 2022	August 31, 2022
Cash and short-term investments	**$131.5**	**$128.2**
Total current assets	148.7	146.8
Total assets	**$190.5**	**$188.4**
Current liabilities	8.0	7.7
Long-term liabilities	2.3	2.4
Total liabilities	10.3	10.1
Shareholders' equity	180.1	178.2
Total liabilities and shareholders' equity	**$190.5**	**$188.4**

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FY23 Outlook Commentary

Guidance

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Commentary

- Q2 revenue growth 7% to 11%
- Fixed total costs = cost of revenue + R&D expense + SG&A expense
- Fiscal year trends on-track
- Interest income and share repurchase
- Q2 diluted EPS $0.17 to $0.19

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Conclusion

CONTINUED LEADERSHIP POSITION IN BIOSIMULATION MARKET

- **Delivering on our commitment to scientific leadership**
  - Internal R&D investment
  - Expanding industry and regulatory partnerships
- **Enhancing our client facing capabilities**
  - Growth and maturity of business development team
  - Focus on expanding our local coverage of EU market
  - Focus on supporting accelerated growth in distributor network
- **Challenges being addressed**
  - Evolving seasonality due to software renewal timing changes
  - Continued competitive market for scientific talent
  - General market dynamics: inflation, recession & forex
- **Focus on Capital Allocation**
  - Internal reinvestment
  - Broader acquisition and strategic investment approach
  - Stock repurchase program

WELL POSITIONED TO ACHIEVE OUR FY23 GOALS

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