



Earnings Call – Q4 - FY23

October 25, 2023



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 successfully integrate the recently acquired Immunetrics business with our own, as well as expenses we may incur in connection therewith, 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.

\$16M

Revenue

\$0.03

Diluted EPS

\$0.18

Adjusted
Diluted EPS

31%

Adj. EBITDA as %
of Revenue

\$20M

Backlog

- Strong revenue and earnings results for fiscal 2023
- Conditions in our market remain similar to what we have seen past several quarters
 - Small biotech slowdown
 - Large Pharma spending cautiousness
- Integration of Immunetrics going well
- Achieved revenue and adjusted diluted earnings per share guidance

General

- Overall software revenue growth of 59%
- Continued market spending cautiousness
- Renewal harmonization essentially complete - results as expected
- Renewal rate negatively impacted by several non-renewals due to M&A activity in client base
- Good yield on price increase

GastroPlus®

+76%

Q4 Revenue
Growth

- 10 new customers
- 11 upsells to existing customers
- 22 peer reviewed journal articles published in Q4

+11%

FY Revenue
Growth

MonolixSuite®

+18%

Q4 Revenue
Growth

- 7 new customers
- 5 upsells to existing customers
- Held highly successful PKAnalix Summer School; educated +450 scientists from 40 countries

+15%

FY Revenue
Growth

ADMET Predictor®

+46%

Q4 Revenue
Growth

- 6 new customers
- 5 upsells to existing customers

+6%

FY Revenue
Growth

Fourth Quarter Services Highlights



General

- Overall services revenue growth 8%
- Total backlog \$20M – projects to be performed within 12 months decreased from 80% to 79%
- Successful recruiting quarter (2 new hires, 12 YTD)
- 201 total projects worked on during the quarter

PKPD

-1%

Q4 Revenue
Decline

- Q4 saw higher % of fixed price projects impacting growth
- Recent trend of larger % of T&M expected to return and continue in FY24

+10%

FY Revenue
Growth

QSP/QST

+60%

Q4 Revenue
Growth

- Benefit from Immunetrics acquisition

1%

FY Revenue
Growth

PBPK

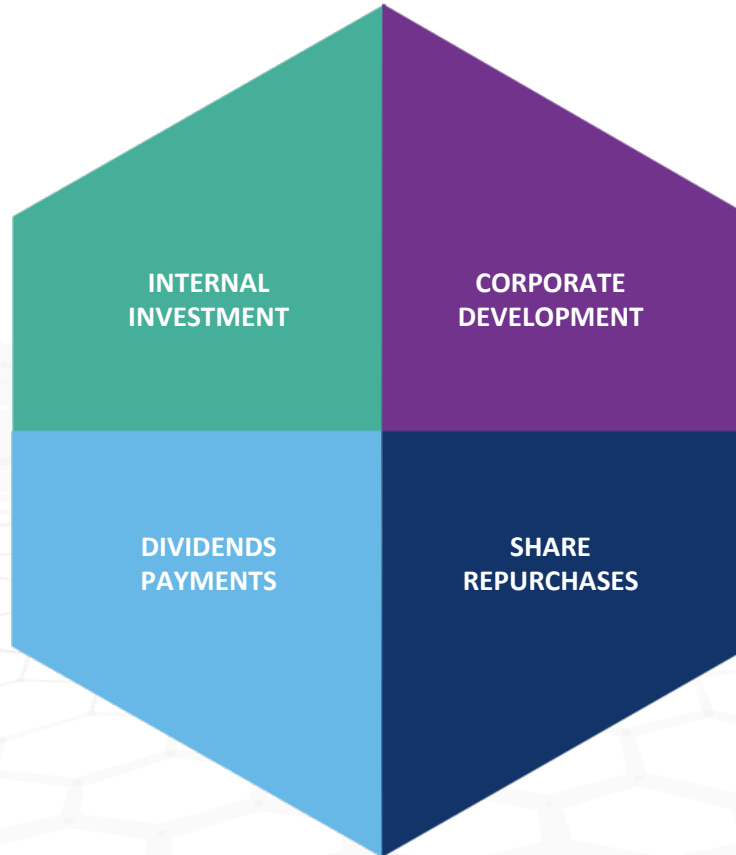
-1%

Q4 Revenue
Decline

- Temporary impact by lower billable hours
- Outlook strong

+22%

FY Revenue
Growth



- Product R&D
- Employee Recruiting and Retention - 27 new hires for FY23, including 13 from Immunetrics
- Enterprise Technologies

- Maintain current level
- \$0.06 per share paid Feb. 6th
- \$0.06 per share paid May 1st
- \$0.06 per share paid August 7th
- \$0.06 per share payable November 6th

- Acquisitions
- Strategic investments and partnerships
- Immunetrics acquisition consummated in Q4

- \$50M share repurchase program authorized
- \$20M accelerated share repurchase (ASR) implemented and completed in Q3

	<u>Guidance</u>
Total Revenue	\$66M to \$69M
Total Revenue Growth	10% to 15%
Software Revenue Mix	55% to 60%
Services Revenue Mix	40% to 45%
Diluted EPS	\$0.66 to \$0.68

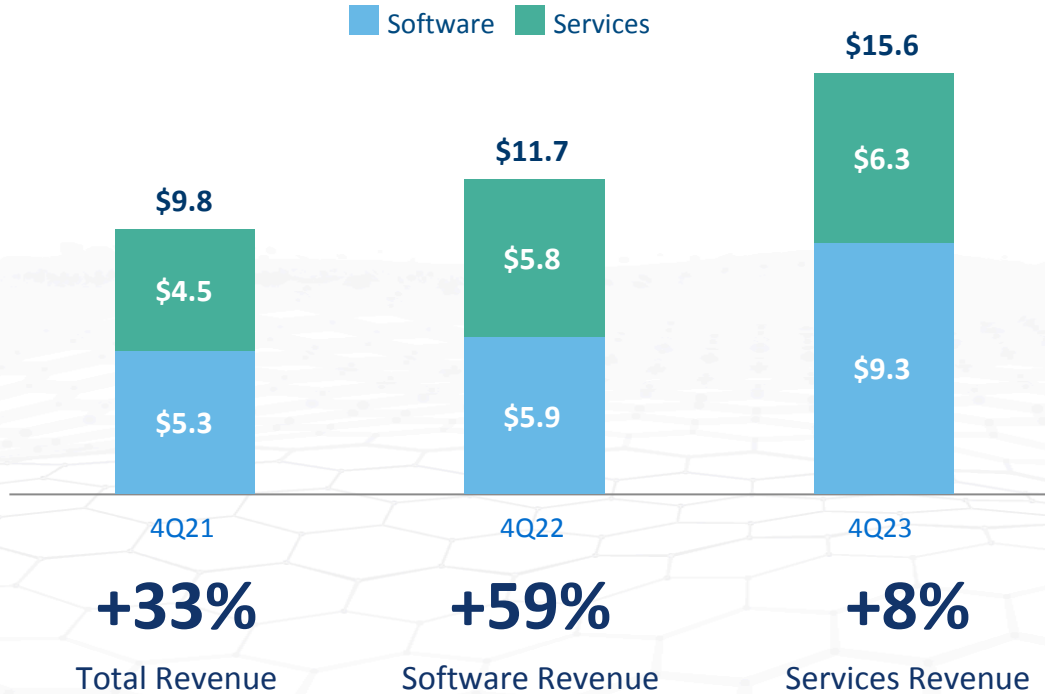
Financial Results

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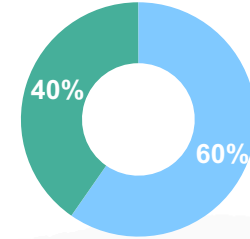
Revenue - Q4



(in millions)

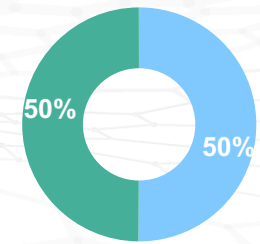


4Q23 Mix



Software Services

4Q22 Mix

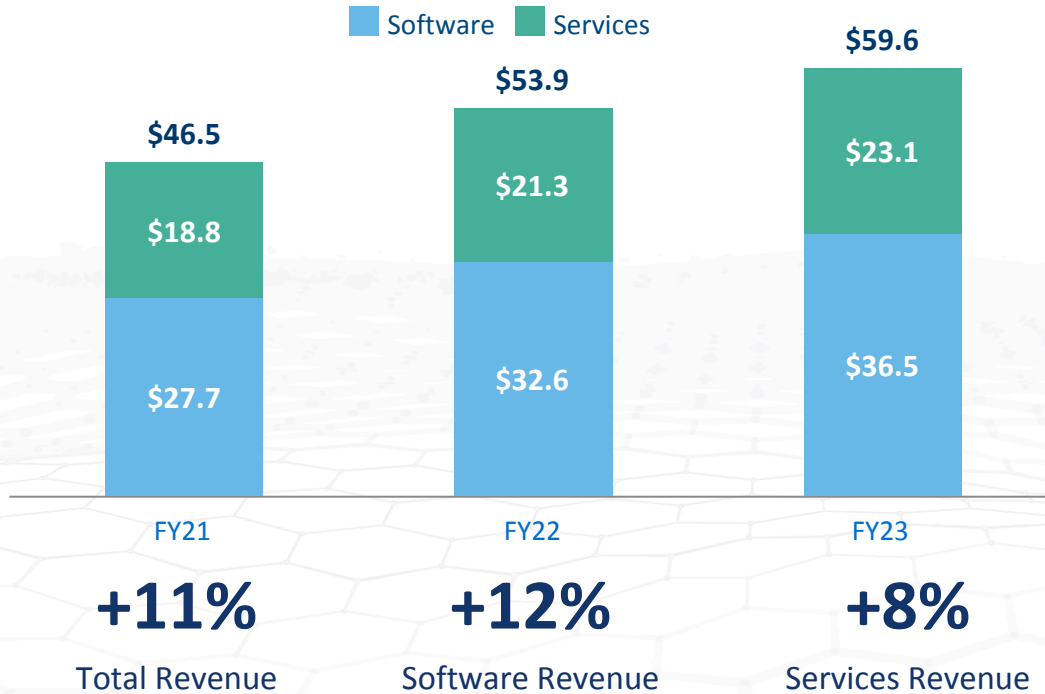


Software Services

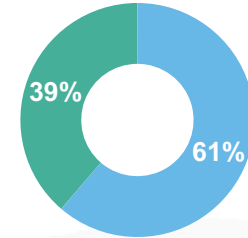
Revenue - Fiscal 2023



(in millions)

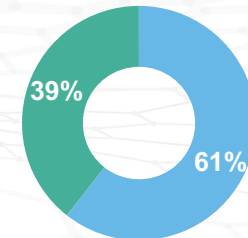


FY23 Mix



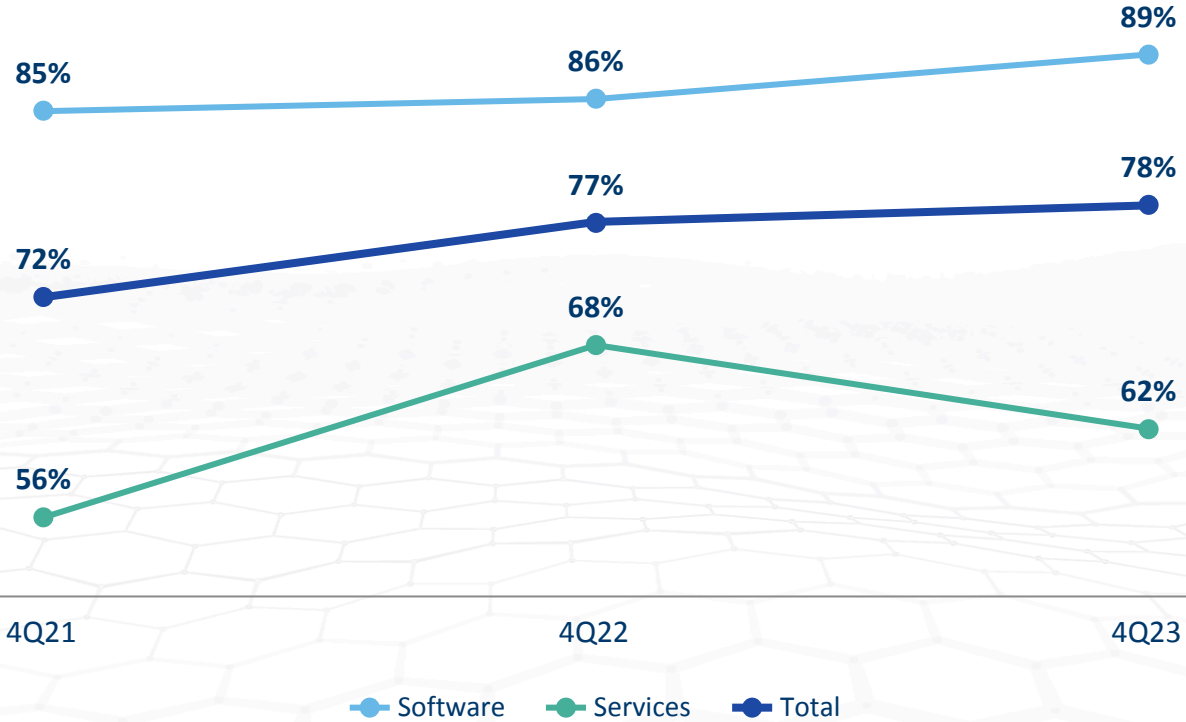
Software Services

FY22 Mix

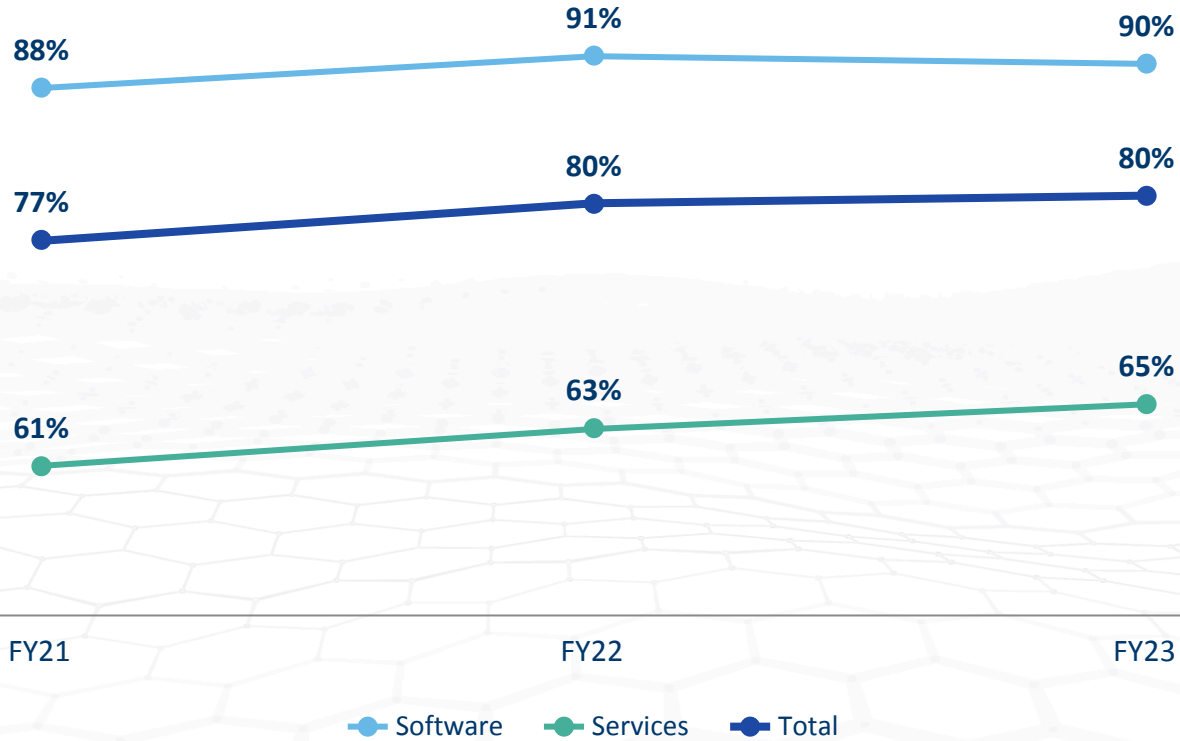


Software Services

Gross Margin Trends - Q4



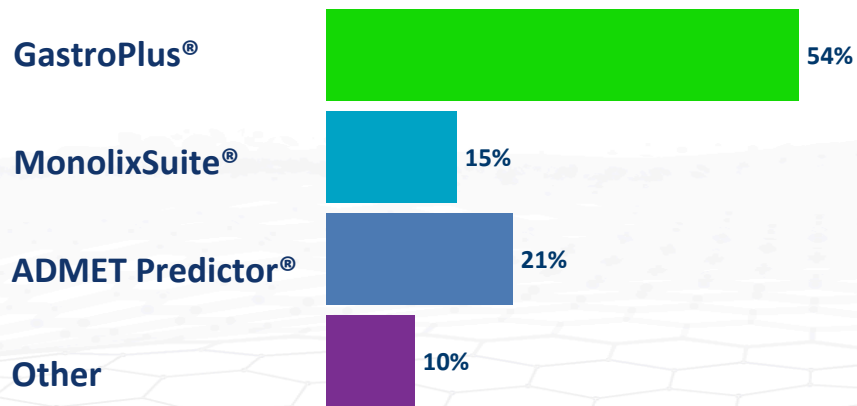
Gross Margin Trends - Fiscal 2023



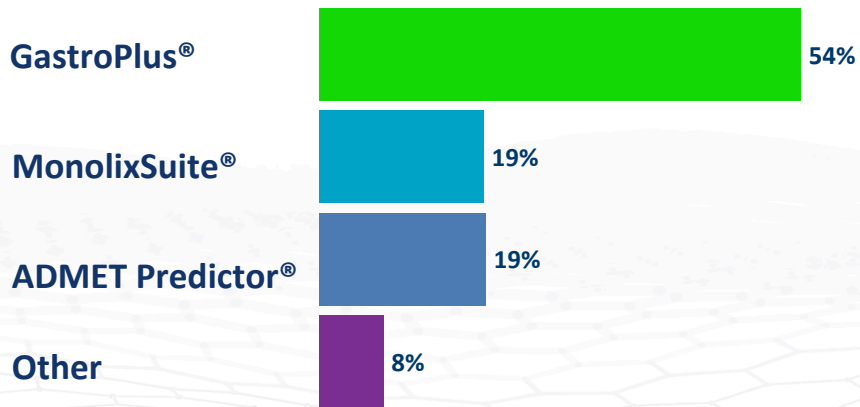
Software Revenue by Product



Q4 FY23



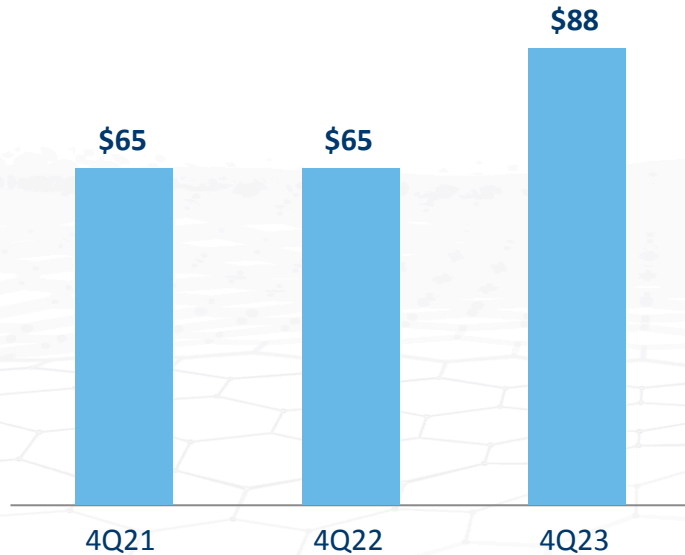
FY23



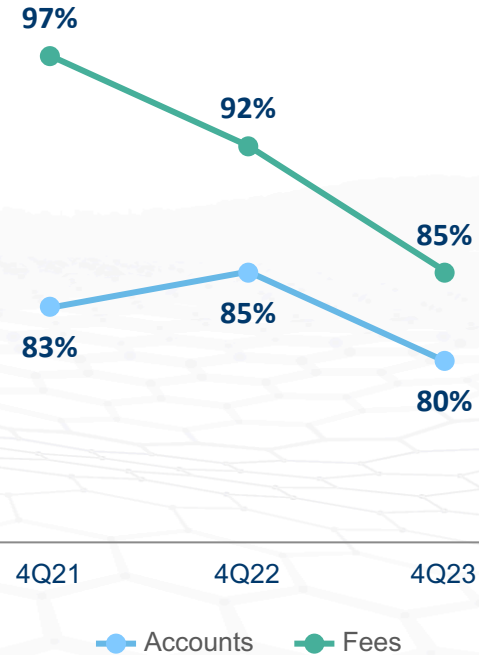
Software Product as % of Software Revenue

Commercial Customers

Avg. Revenue per Customer (in thousands)

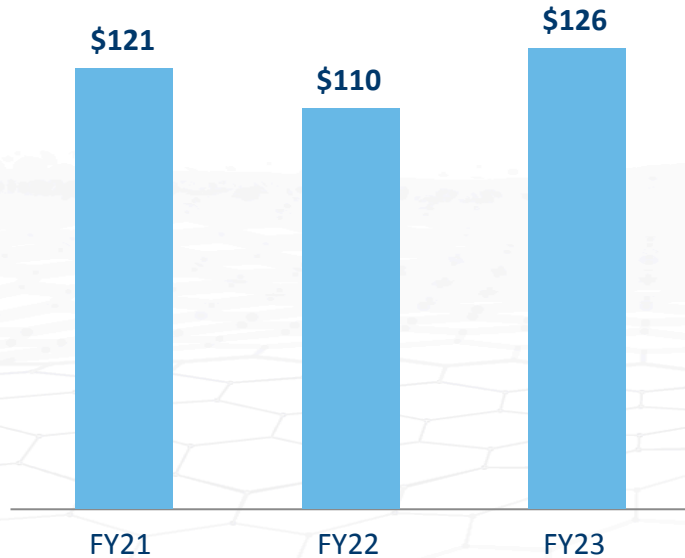


Renewal Rates

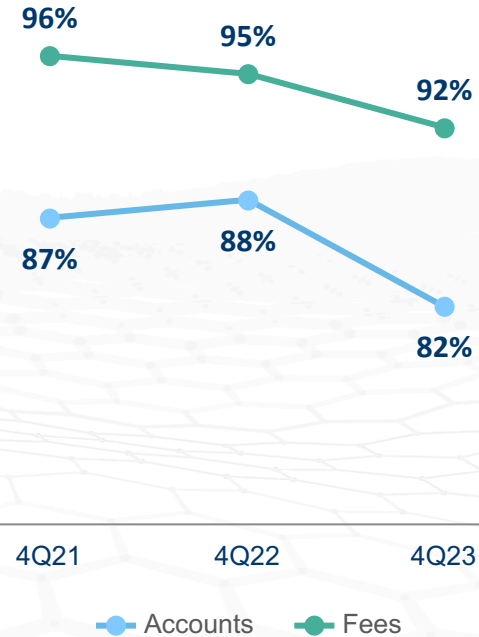


Commercial Customers

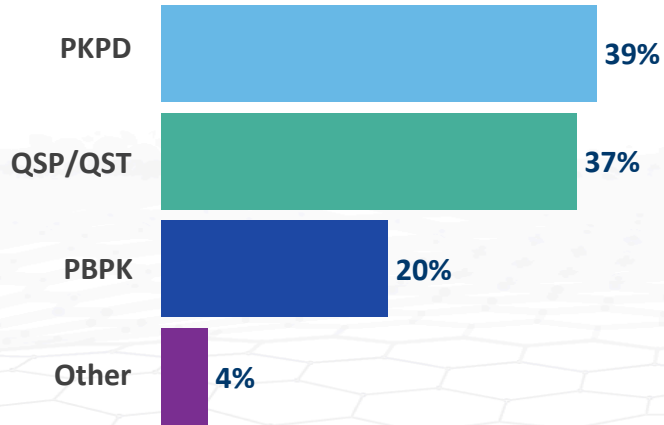
Avg. Revenue per Customer (in thousands)



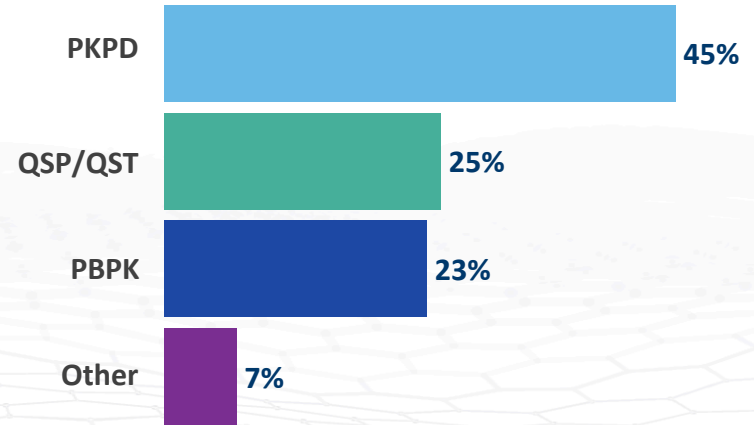
Renewal Rates



Q4 FY23

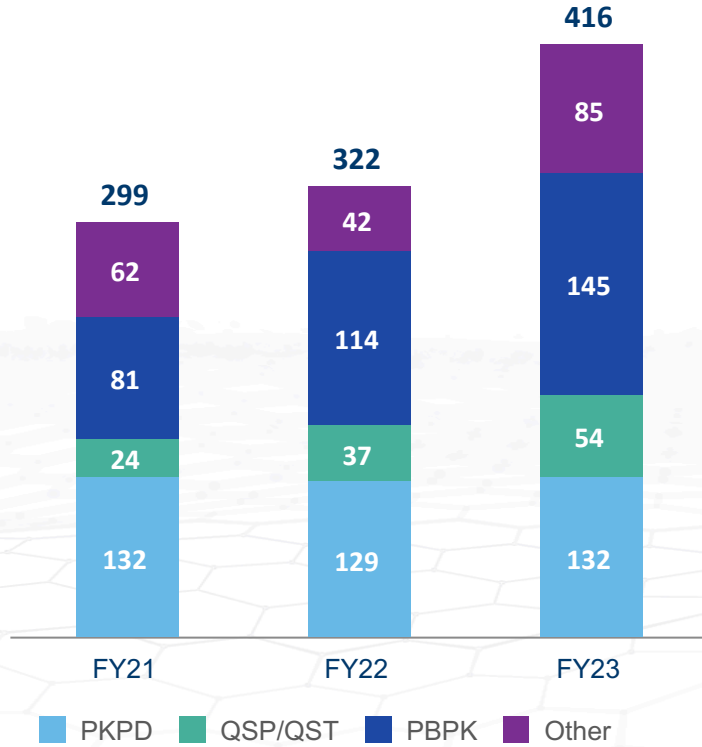


FY23

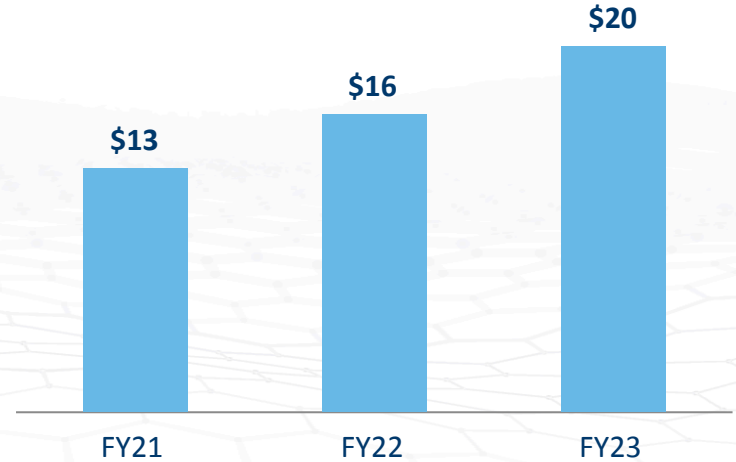


Services Type as % of Services Revenue

Total Projects



Backlog



Income Statement Summary - Q4



(in millions, except Diluted EPS and Adjusted Diluted EPS)

	4Q23	% of Rev	4Q22	% of Rev
Revenue	\$15.6	100%	\$11.7	100%
Revenue growth	33%		19%	
Gross profit	12.3	78%	9.1	77%
R&D	1.1	7%	0.8	7%
SG&A	11.5	73%	7.6	65%
Total operating exp	12.5	80%	8.4	71%
Income from operations	(0.3)	2%	0.7	6%
Income before income taxes	0.1	—%	0.9	8%
Income taxes	0.5	3%	0.1	1%
Effective tax rate	674%		8%	
Net income	\$0.5	3%	\$1.0	8%
Diluted earnings per share (in dollars)	0.03		0.05	
Adjusted EBITDA	\$4.9	31%	\$2.5	22%
Excluded items	\$3.1		\$0.3	
Adjusted Diluted EPS	0.18		0.06	

Income Statement Summary - Fiscal 2023



(in millions, except Diluted EPS and Adjusted Diluted EPS)

	FY23	% of Rev	FY22	% of Rev
Revenue	\$59.6	100%	\$53.9	100%
Revenue growth	11%		16%	
Gross profit	47.9	80%	43.1	80%
R&D	4.5	8%	3.2	6%
SG&A	34.7	58%	25.0	46%
Total operating exp	39.2	66%	28.2	52%
Income from operations	8.7	15%	14.9	28%
Income before income taxes	11.7	20%	15.1	28%
Income taxes	(1.7)	3%	(2.6)	5%
Effective tax rate	15%		17%	
Net income	\$10.0	17%	\$12.5	23%
Diluted earnings per share (in dollars)	0.49		0.60	
Adjusted EBITDA	\$20.6	35%	\$21.5	40%
Excluded items	\$3.8		\$0.3	
Adjusted Diluted EPS	0.67		0.61	

Balance Sheet Summary



(in millions)

	August 31, 2023	August 31, 2022
Cash and short-term investments	\$115.5	\$128.2
Total current assets	130.4	146.8
Total assets	\$186.1	\$188.4
Current liabilities	12.0	7.7
Long-term liabilities	4.1	2.4
Total liabilities	16.1	10.1
Shareholders' equity	170.0	178.2
Total liabilities and shareholders' equity	\$186.1	\$188.4

CONTINUED LEADERSHIP POSITION IN BIOSIMULATION MARKET

Delivering on our commitment to scientific leadership

- Internal R&D investment
- Expanding industry and regulatory partnerships
- MIDD+ – 3rd annual SLP sponsored conference

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

- Software renewal timing changes on track
- Small biotech churn
- General market dynamics: inflation, recession & forex

Focus on Capital Allocation

- ASR program has been completed
- Immunetrics acquisition completed in Q4

STRONG FY 23 ACHIEVEMENTS IN LINE WITH GUIDANCE

Adjusted EPS Non-GAAP Reconciliation*



(in millions, except Diluted EPS and Adjusted Diluted EPS)

	FY 2022				FY 2023				2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY
Net Income (GAAP)	\$3.0	\$4.4	\$4.1	\$1.0	\$1.2	\$4.2	\$4.0	\$0.5	\$12.5	\$10.0
Excluding:										
Mergers & Acquisitions expense	—	—	—	0.3	0.3	0.1	0.4	0.9	0.3	1.7
Immunetrics transaction costs	—	—	—	—	—	—	—	2.3	—	2.3
Cognigen trade name write-off	—	—	—	—	—	—	—	0.5	—	0.5
Tax effect on above adjustments	—	—	—	(0.1)	(0.1)	—	(0.1)	(0.5)	(0.1)	(0.7)
Adjusted Net income (Non-GAAP)	\$3.0	\$4.4	\$4.1	\$1.2	\$1.5	\$4.2	\$4.3	\$3.7	\$12.8	\$13.8
Weighted-average common shares outstanding:										
Diluted	20.7	20.7	20.8	20.9	20.8	20.5	20.4	20.4	20.7	20.5
Diluted EPS (GAAP)	\$0.15	\$0.21	\$0.20	\$0.05	\$0.06	\$0.20	\$0.20	\$0.03	\$0.60	\$0.49
Adjusted Diluted EPS (Non-GAAP)	\$0.15	\$0.21	\$0.20	\$0.06	\$0.07	\$0.21	\$0.21	\$0.18	\$0.61	\$0.67

*Numbers may not add due to rounding

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S+ *SimulationsPlus*