



Earnings Call – Q1 - FY24

January 3, 2024



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, 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.

First Quarter Highlights



CURRENT PERIOD

\$14.5M

Revenue

\$0.10

Diluted EPS

23%

Adj. EBITDA as %
of Revenue

\$18.9M

Backlog

Prior Year Comparison (1Q23)

\$12.0M

Revenue

\$0.06

Diluted EPS

25%

Adjusted
EBITDA as %
of Revenue

\$15.8M

Backlog

General

- Overall software revenue growth of 25%
- Renewal rate improvement compared to last year
- Active and strong pipeline

GastroPlus® (Physiologically Based Pharmacokinetics)

+27%

Q1 Revenue
Growth

- 6 new customers
- 9 upsells to existing customers
- Continued strong performance in China (+51% YoY): 2 new biotech customers + good renewal outcomes

MonolixSuite® (Clinical Pharmacology & Pharmacometrics)

-1%

Q1 Revenue
Decline

- 9 new customers; 10 upsells to existing customers
- Biotech churn still exists
- Positive feedback from the Autumn training class with 600+ attendees

ADMET Predictor® (Cheminformatics)

+3%

Q1 Revenue
Growth

- 2 new customers
- 5 upsells to existing customers
- 2 nonrenewals - 1 small biotech; 1 push to CY24

First Quarter Services Highlights



General

- Overall services revenue growth of 17%
- Total backlog \$18.9M – projects to be performed within one year also increased
- Good momentum out of fiscal 2023 continues
- Choppy project flow due to data and other client delays

Clinical Pharmacology & Pharmacometrics (CPP)

+12%

Q1 Revenue
Growth

- Excellent bookings quarter - continued momentum from Q4 FY23
- Successful fall conference season with leads generated at ACCP, AAPS, and ACoP; good visibility and presence

Quantitative Systems Pharmacology (QSP)

+100%

Q1 Revenue
Growth

- Some benefit from Immunetrics acquisition
- Successfully drafted and delivered FDA-targeted regulatory report for DILIsym
- Received feedback from a client that information provided to their investor through QSP project led them to significantly reduce their position and avoid losses for a less than optimal therapeutic

Physiologically Based Pharmacokinetics (PBPK)

-12%

Q1 Revenue
Decline

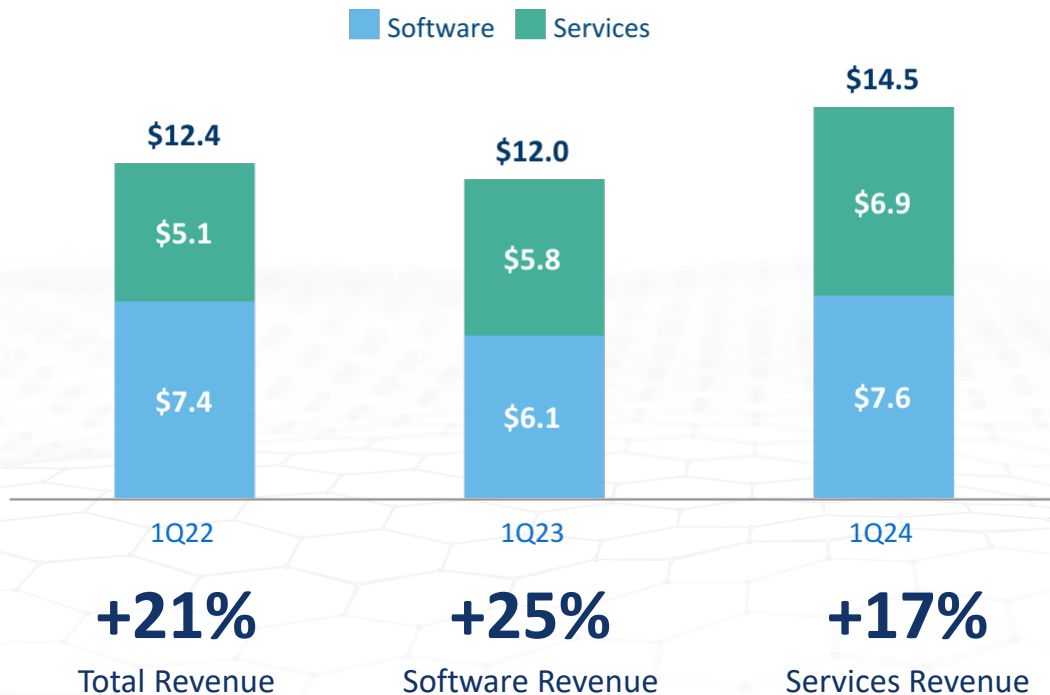
- Several client data delays impacted project deliveries / milestones
- Additional FDA grant awards
- Outlook good for year

Financial Results

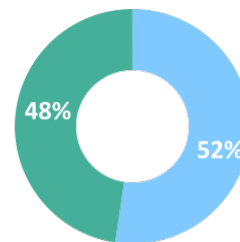
Revenue - Q1 FY24



(in millions)

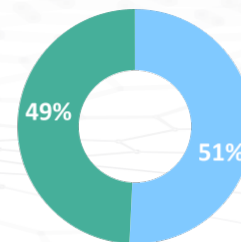


1Q24 Mix



■ Software ■ Services

1Q23 Mix

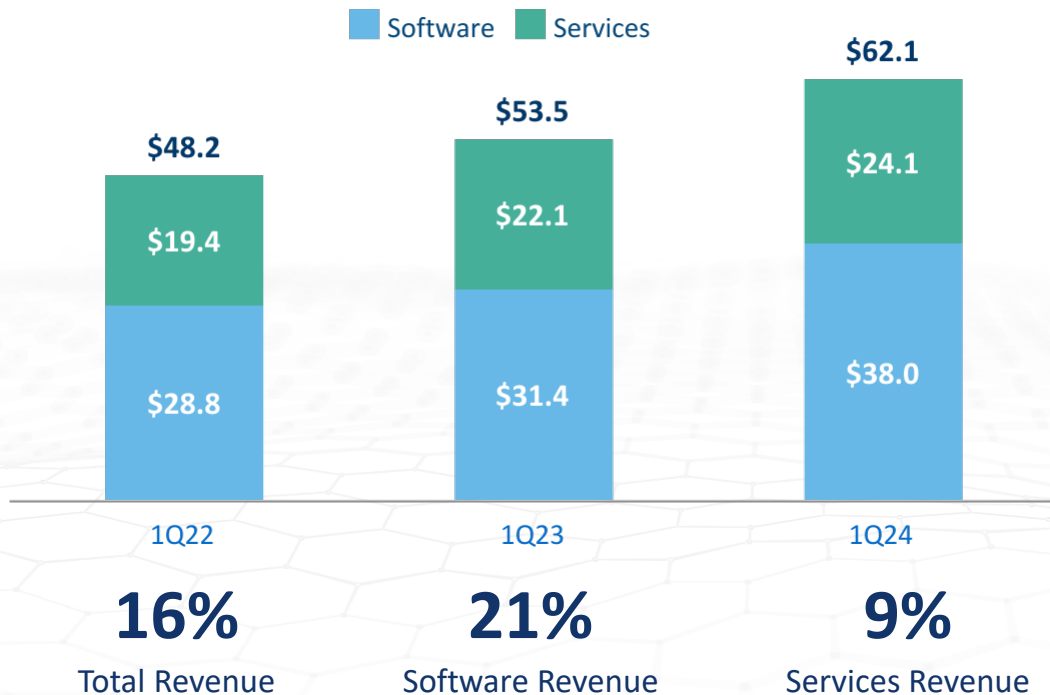


■ Software ■ Services

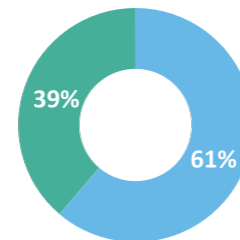
Revenue - Trailing Twelve Months (TTM)



(in millions)

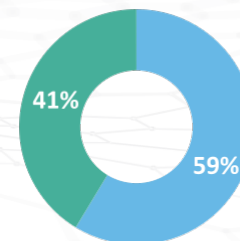


1Q24 Mix



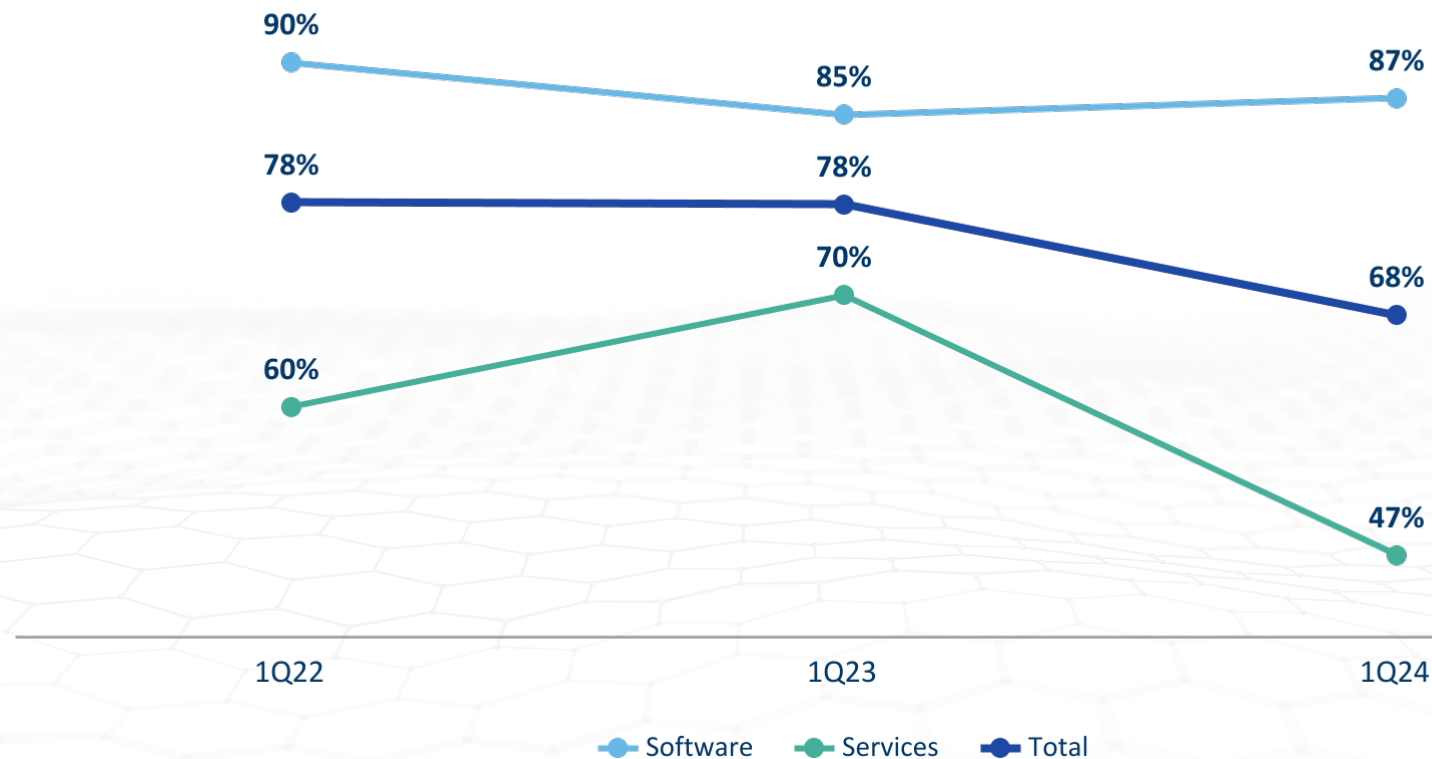
■ Software ■ Services

1Q23 Mix

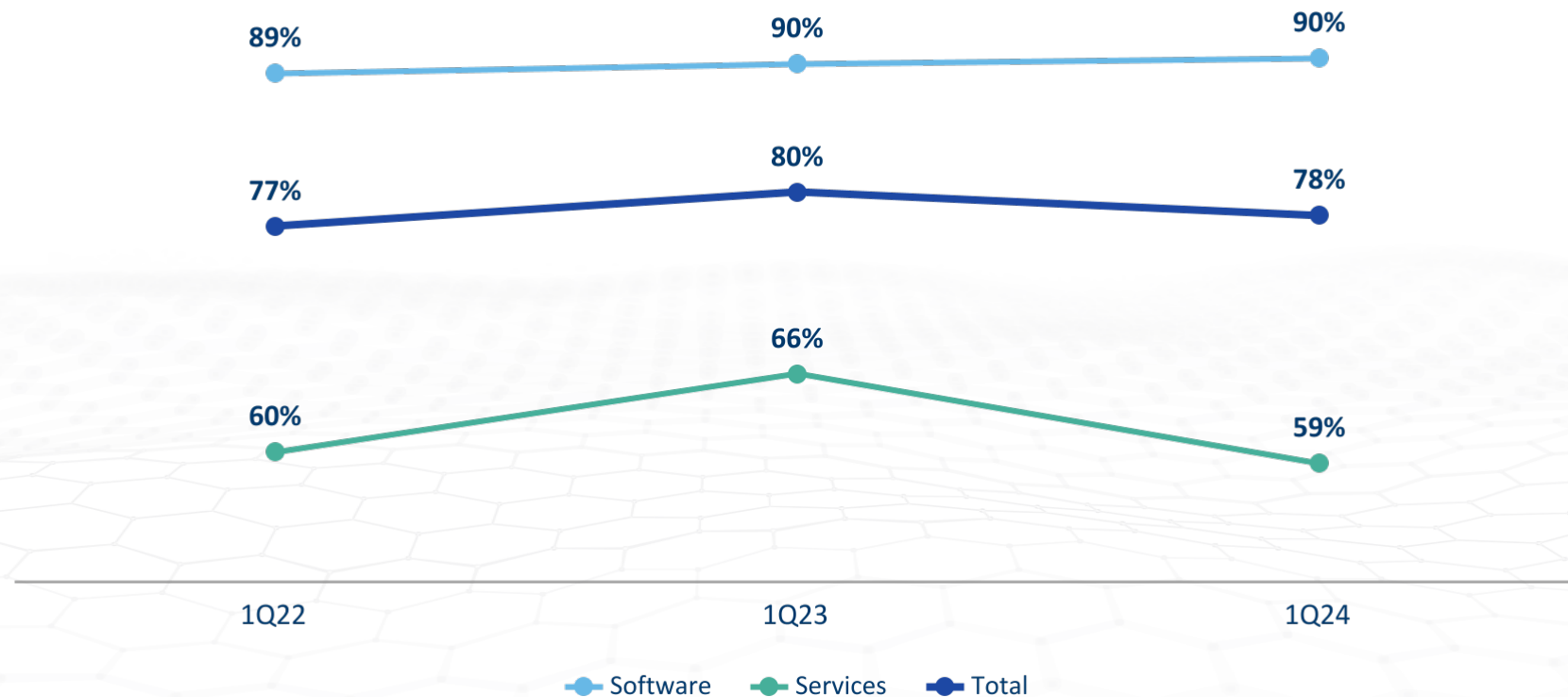


■ Software ■ Services

Gross Margin Trends - Q1 FY24



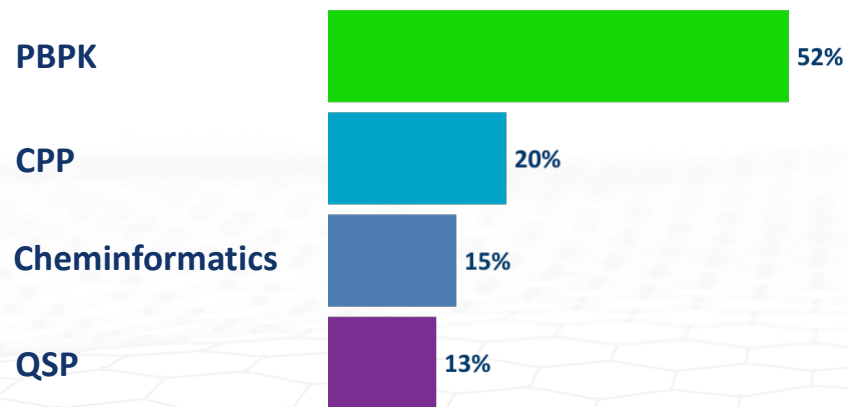
Gross Margin Trends - TTM



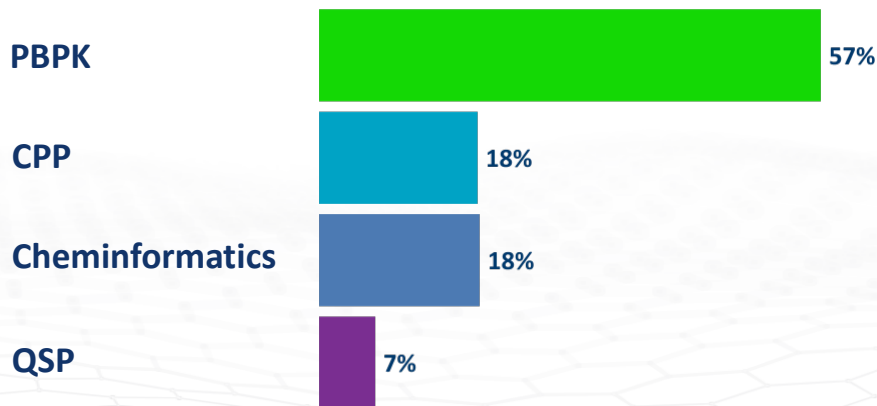
Software Revenue by Business Unit



1Q24



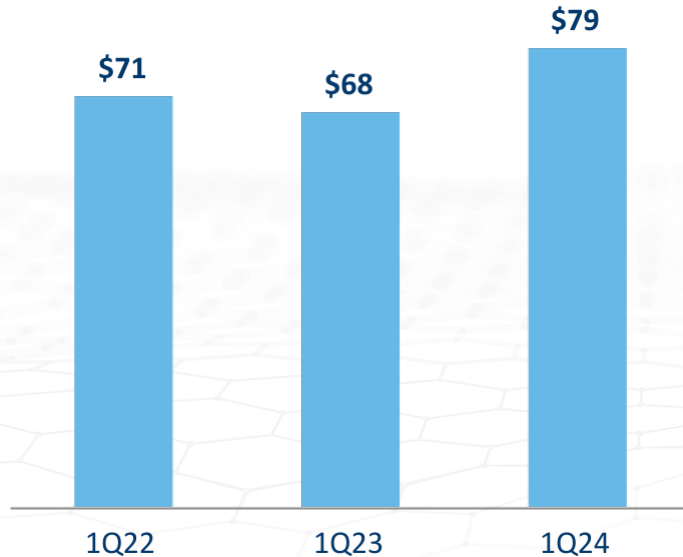
TTM



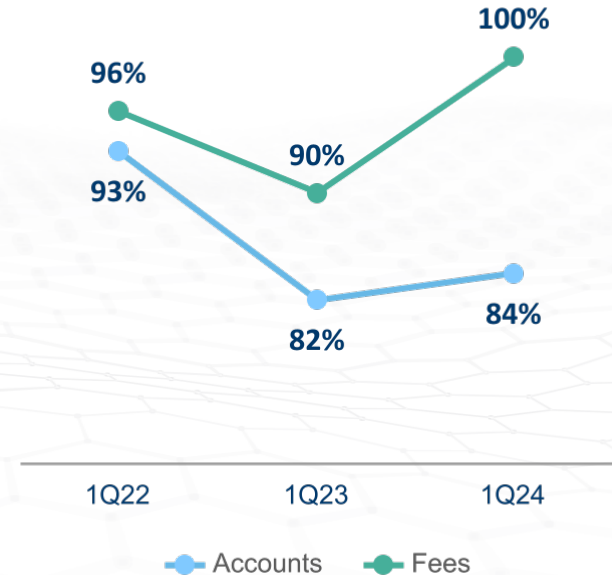
Software Business Unit as % of Software Revenue

Commercial Customers

Avg. Revenue per Customer
(in thousands)

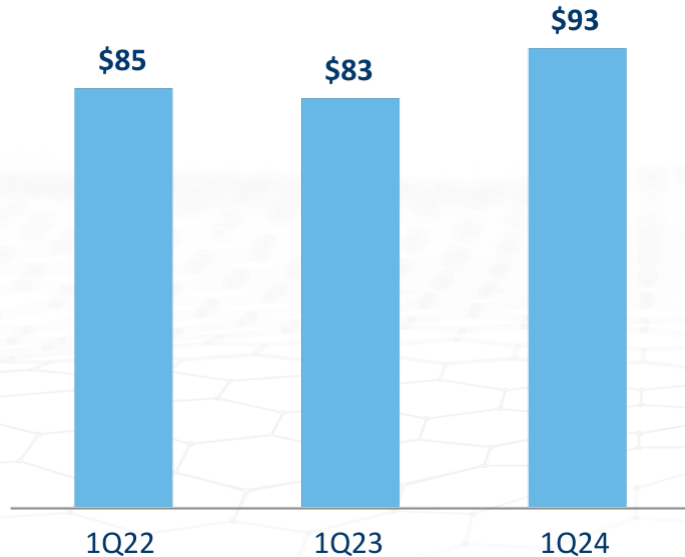


Renewal Rates

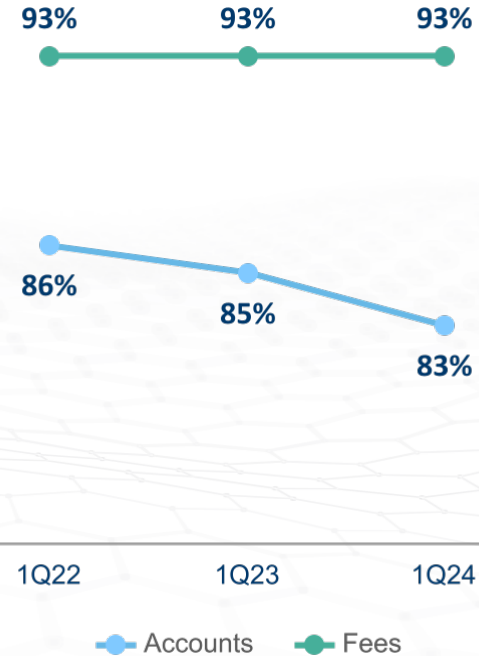


Commercial Customers

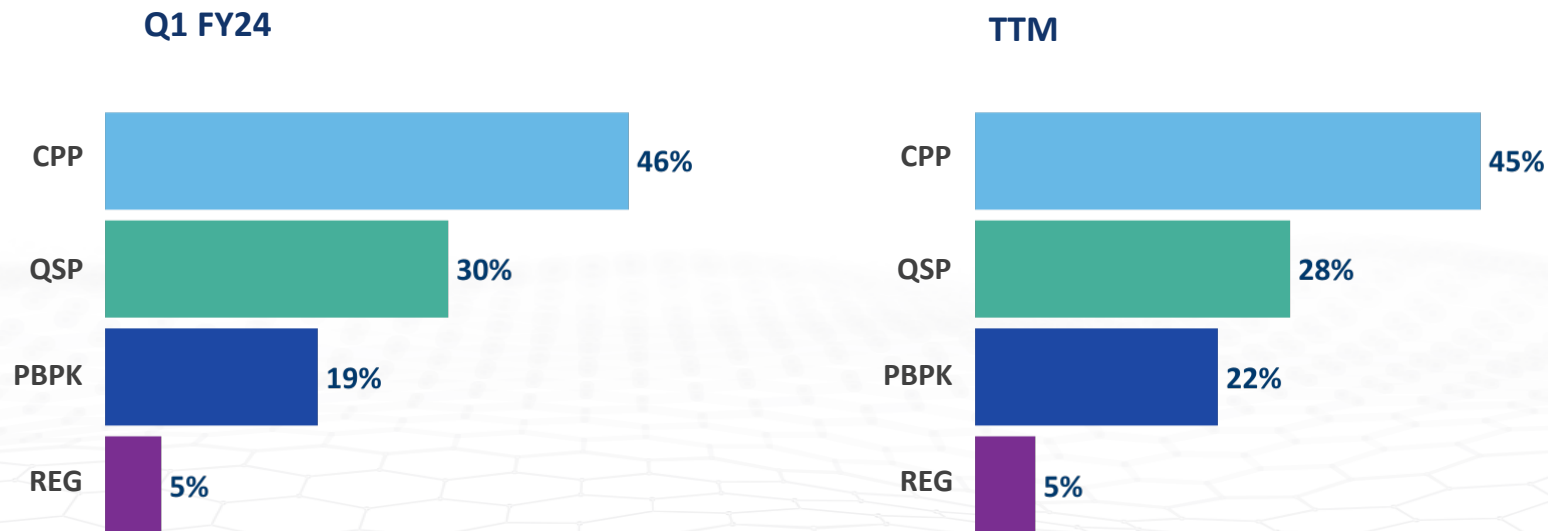
Avg. Revenue per Customer
(in thousands)



Renewal Rates

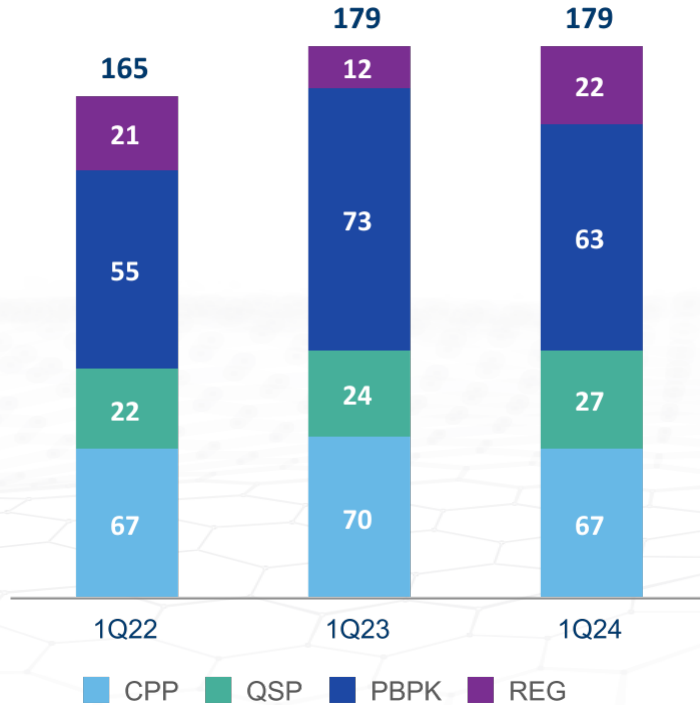


Services Revenue by Business Unit

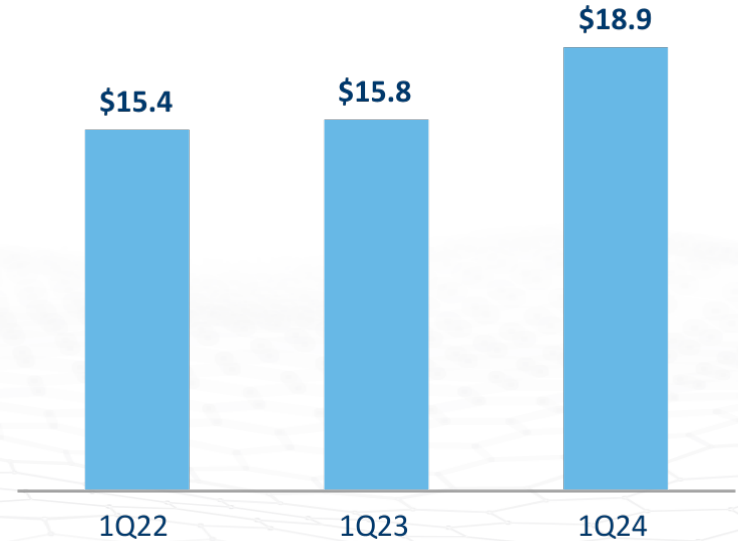


Services Business Unit as % of Services Revenue

Total Projects



Backlog



Income Statement Summary - Q1 FY24



(in millions, except Diluted EPS)

	1Q24	% of Rev	1Q23	% of Rev
Revenue	\$14.5	100%	\$12.0	100%
Revenue growth	21%		(4)%	
Gross profit	9.8	68%	9.3	78%
R&D	1.2	8%	1.2	10%
S&M	2.0	14%	1.5	12%
G&A	5.7	39%	5.8	48%
Total operating exp	8.9	61%	8.4	70%
Income from operations	1.0	7%	0.9	7%
Income before income taxes	2.4	17%	1.6	14%
Income taxes	(0.5)	3%	(0.4)	3%
Effective tax rate	19%		23%	
Net income	\$1.9	13%	\$1.2	10%
Diluted earnings per share	\$0.10		\$0.06	
Adjusted EBITDA	\$3.4	23%	\$3.0	25%

Balance Sheet Summary



(in millions)

	November 30, 2023	August 31, 2023
Cash and short-term investments	\$113.9	\$115.5
Total current assets	129.7	130.4
Total assets	\$185.8	\$186.1
Current liabilities	8.6	12.0
Long-term liabilities	4.8	4.1
Total liabilities	13.4	16.1
Shareholders' equity	172.3	170.0
Total liabilities and shareholders' equity	\$185.8	\$186.1

	<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

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

- Appointed new CRO to lead sales effort
- Reorganized operations to put clients first
- Focus on supporting accelerated growth in distributor network

Challenges being addressed

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

Focus on Capital Allocation

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

STRONG FISCAL 2023 & START TO FISCAL 2024

Adjusted EBITDA Non-GAAP Reconciliation*



(in millions)

	FY 2022				FY 2023				FY 2024	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY	FY
Net Income	\$3.0	\$4.4	\$4.1	\$1.0	\$1.2	\$4.2	\$4.0	\$0.5	\$1.9	\$12.5	\$10.0
Excluding:											
Interest income and expense, net	(0.1)	(0.1)	(0.1)	(0.4)	(0.8)	(1.0)	(1.1)	(1.3)	(1.3)	(0.7)	(4.1)
Provision for income taxes	0.8	1.1	0.7	(0.1)	0.4	0.9	0.9	(0.5)	0.5	2.6	1.7
Depreciation and amortization	0.8	1.0	0.9	0.9	0.9	0.9	0.9	1.1	1.1	3.6	3.9
Stock-based compensation	0.6	0.7	0.7	0.7	0.9	1.2	1.1	1.1	1.3	2.7	4.2
(Gain) loss on currency exchange	(0.1)	(0.1)	0.2	0.2	—	—	0.3	0.2	—	0.2	0.5
Impairment of other intangibles	—	—	—	—	—	—	—	0.5	—	—	0.5
Change in value of contingent consideration	0.1	0.1	—	—	—	—	—	0.7	(0.1)	0.3	0.7
Mergers & Acquisitions expense	—	—	—	0.3	0.3	0.1	0.4	2.5	—	0.3	3.3
Adjusted EBITDA	\$5.3	\$7.2	\$6.5	\$2.5	\$3.0	\$6.2	\$6.5	\$4.9	\$3.4	\$21.5	\$20.6

*Numbers may not add due to rounding

