



Earnings Call – Q2 - FY24

April 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.

Second Quarter Highlights



CURRENT PERIOD

\$18.3M

Revenue

\$0.20

Diluted EPS

39%

Adj. EBITDA as %
of Revenue

\$18.0M

Backlog

Prior Year Comparison (2Q23)

\$15.8M

Revenue

\$0.20

Diluted EPS

39%

Adj. EBITDA as
% of Revenue

\$15.4M

Backlog

General

- Overall software revenue growth of 11%
- Good renewal rate, upsell and new logo activity
- Active and strong pipeline

ADMET Predictor® (Cheminformatics)

+14%
Q2 Revenue
Growth

- 8 new customers
- 18 upsells to existing customers

+10%
YTD Revenue
Growth

GastroPlus® (Physiologically Based Pharmacokinetics)

+2%
Q2 Revenue
Growth

- 6 new customers
- 9 upsells to existing customers

+11%
YTD Revenue
Growth

MonolixSuite® (Clinical Pharmacology & Pharmacometrics)

+38%
Q2 Revenue
Growth

- 7 new customers
- 10 upsells to existing customers

+21%
YTD Revenue
Growth

General

- Overall services revenue growth of 27%
- Total backlog \$18.0M – strong as we enter second half of fiscal 2024
- Good momentum into second half fiscal 2024
- Continued volatility for project completion due to data delays and drug program start/stop decisions

Physiologically Based Pharmacokinetics (PBPK)

+39%

Q2 Revenue
Growth

- Strong performance after sluggish first quarter

+11%

YTD Revenue
Growth

Quantitative Systems Pharmacology (QSP)

+78%

Q2 Revenue
Growth

- Benefiting from immunology and cancer model projects

+89%

YTD Revenue
Growth

Clinical Pharmacology & Pharmacometrics (CPP)

+10%

Q2 Revenue
Growth

- Solid performance despite impact of volatility

+11%

YTD Revenue
Growth

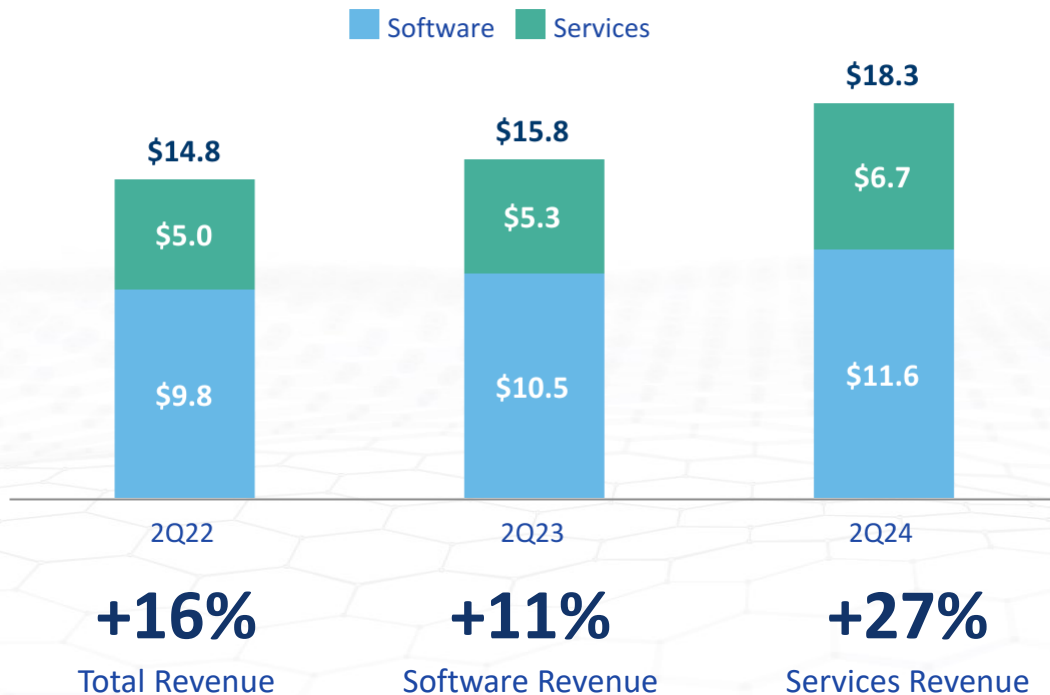
Financial Results

A large blue arrow pointing right, with the text 'Financial Results' inside it. The arrow is composed of a white shape on the left and a blue shape on the right, forming a continuous arrow pointing towards the right side of the image.

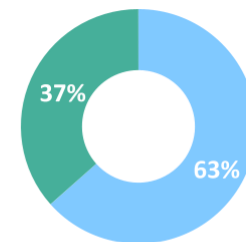
Revenue - Q2 FY24



(in millions)

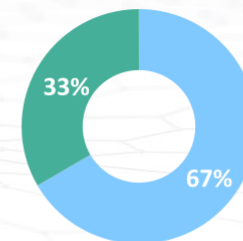


2Q24 Mix



Software Services

2Q23 Mix

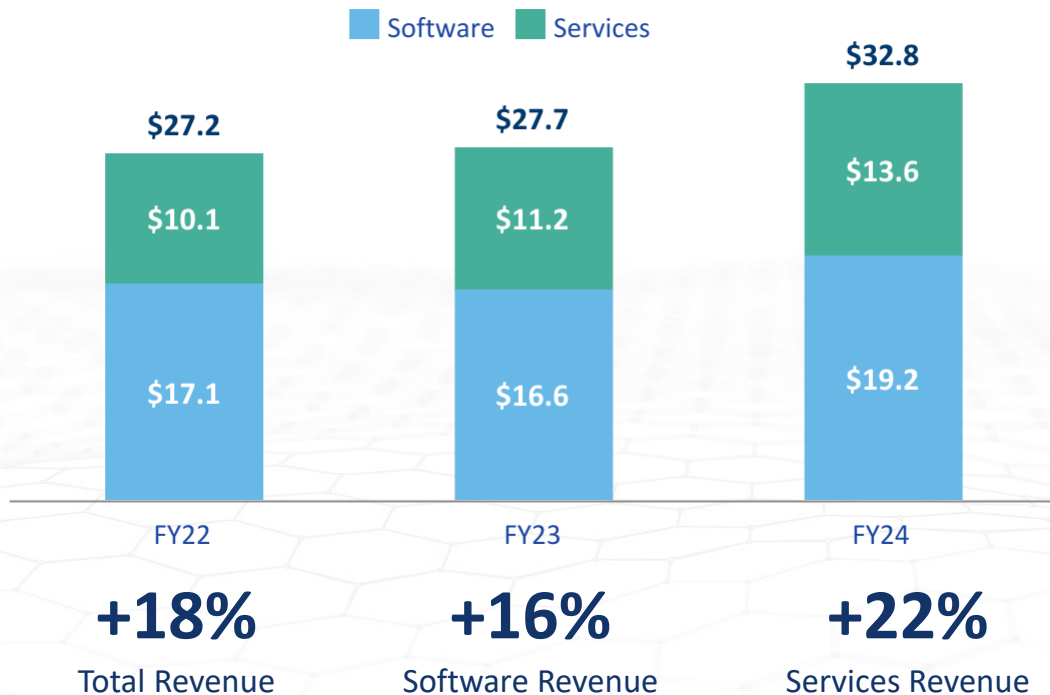


Software Services

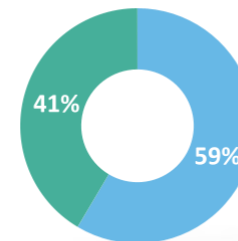
Revenue - YTD



(in millions)

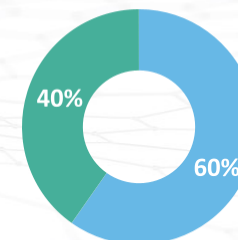


FY24 Mix



Software Services

FY23 Mix

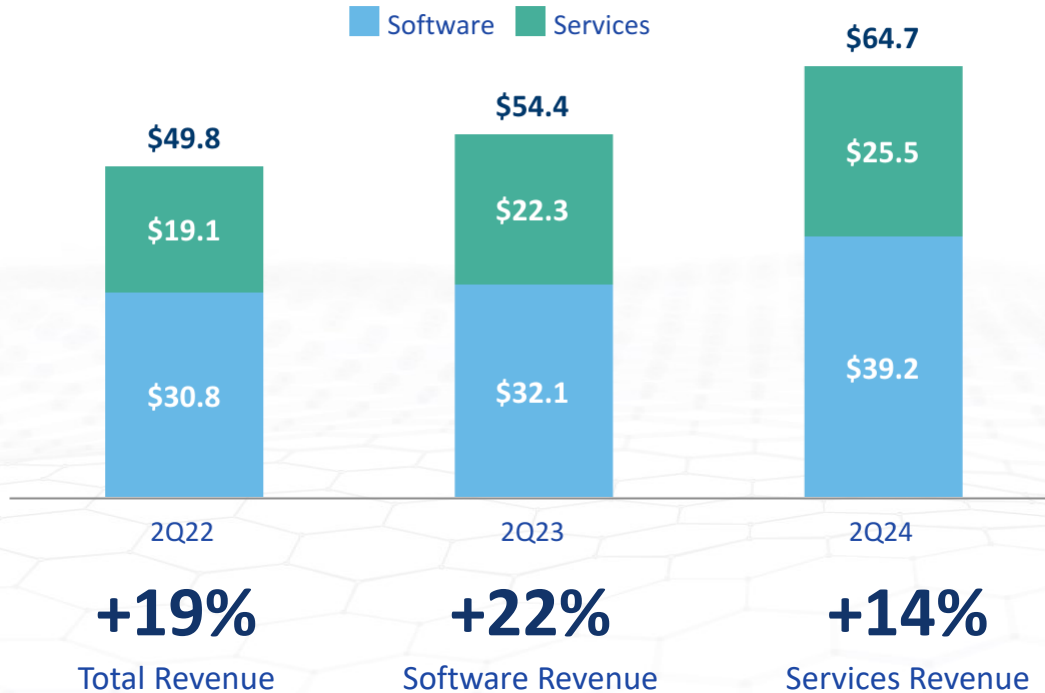


Software Services

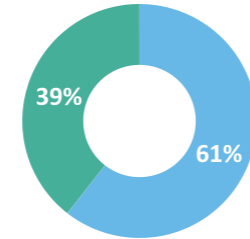
Revenue - Trailing Twelve Months (TTM)



(in millions)

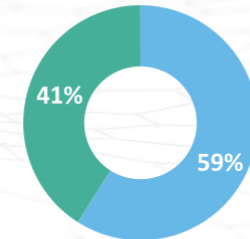


2Q24 Mix



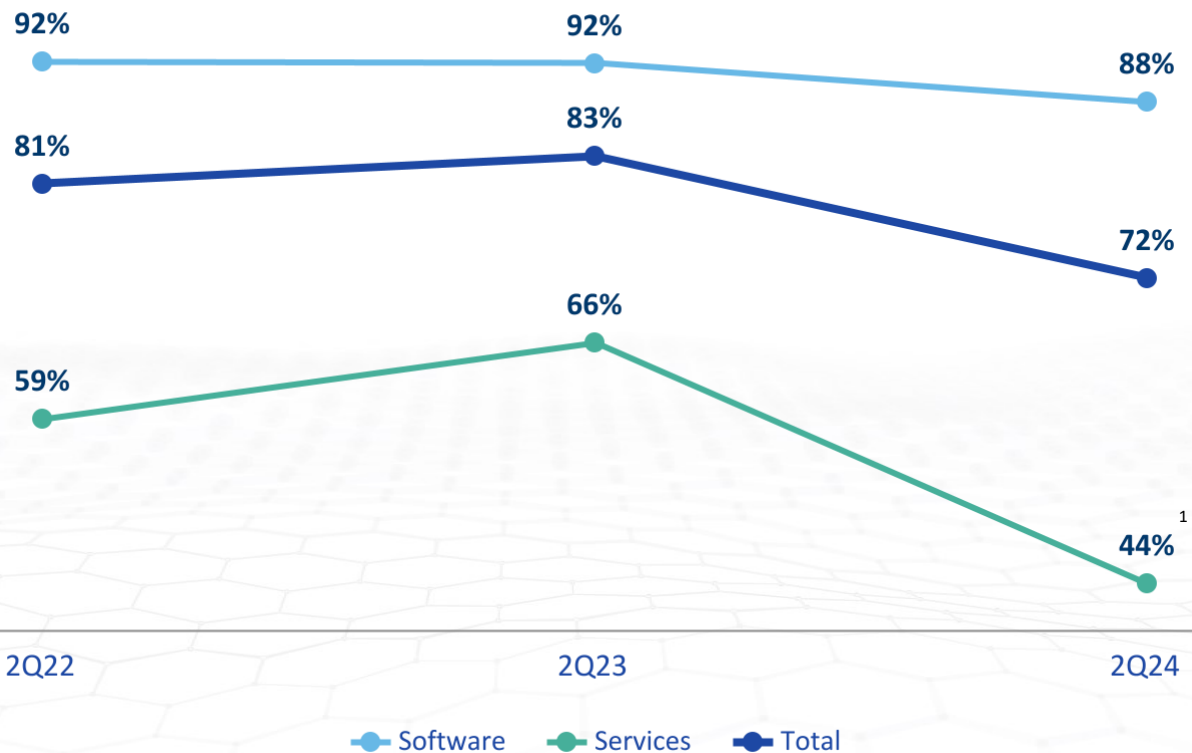
Software Services

2Q23 Mix



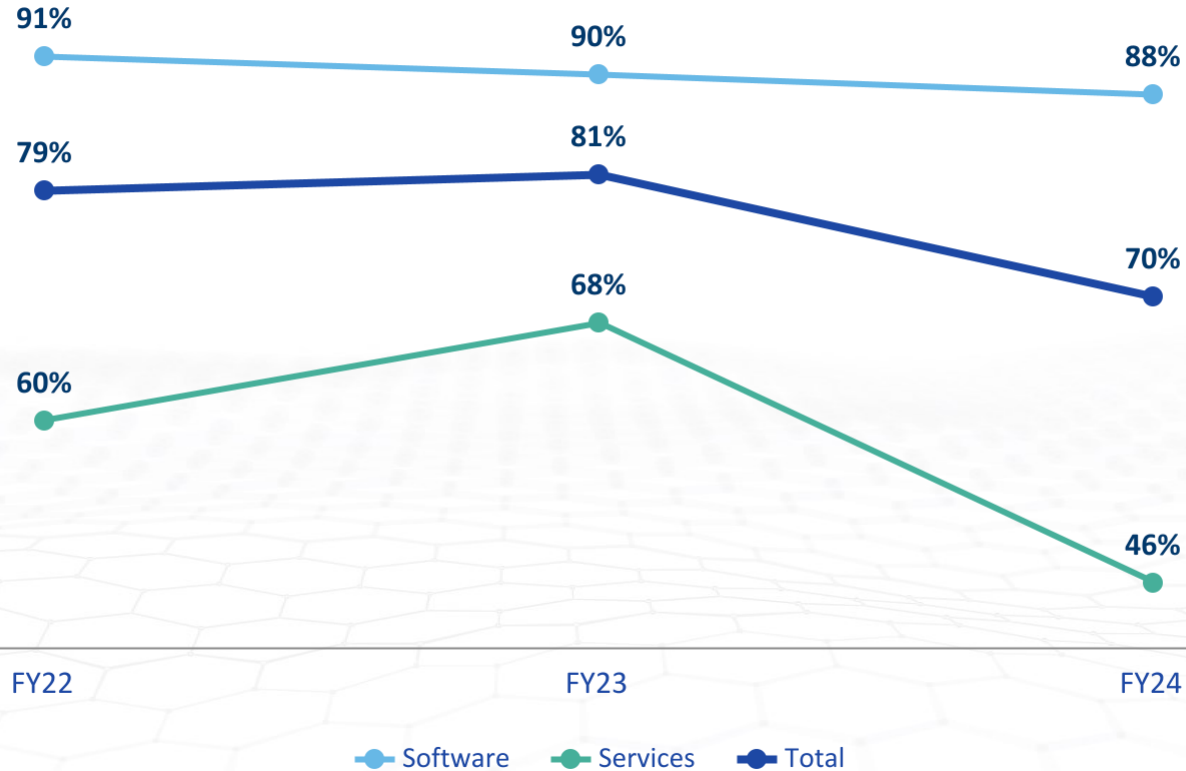
Software Services

Gross Margin Trends - Q2 FY24



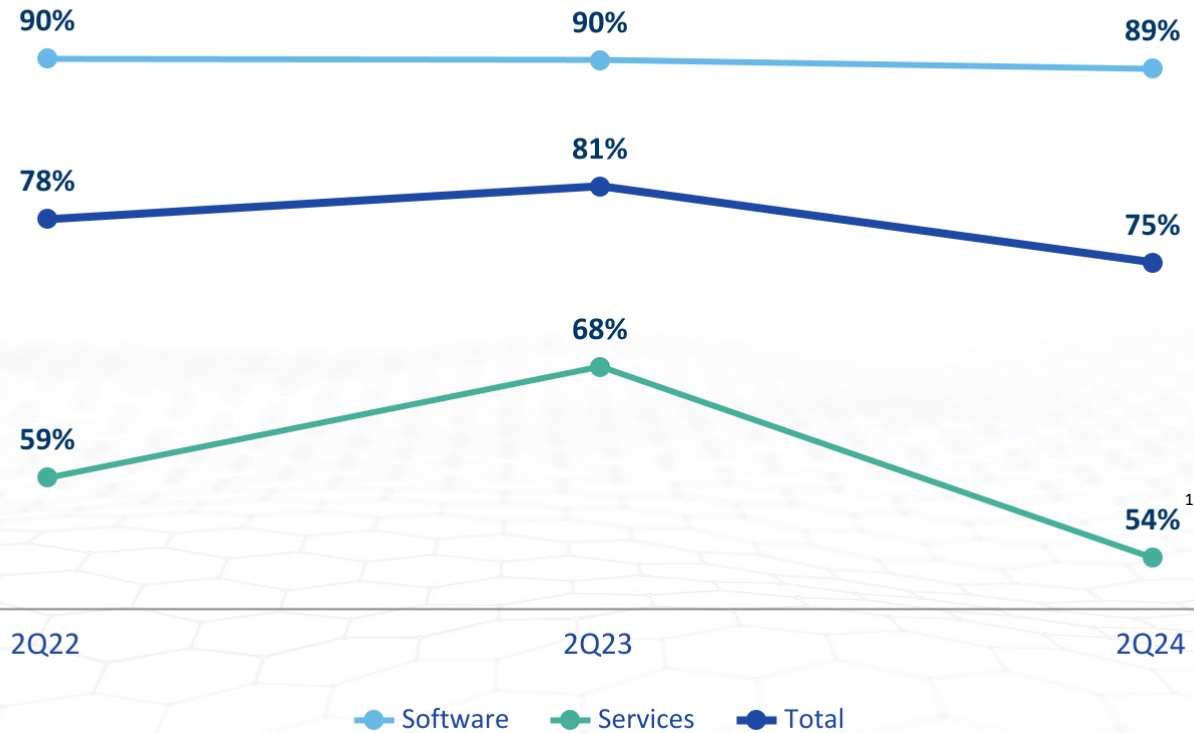
¹ Decrease in gross margin was partially due to a shift in reporting effective 1Q'24, where certain cost items are reflected in cost of revenues for services that were previously in SG&A expense.

Gross Margin Trends - YTD



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Gross Margin Trends - TTM

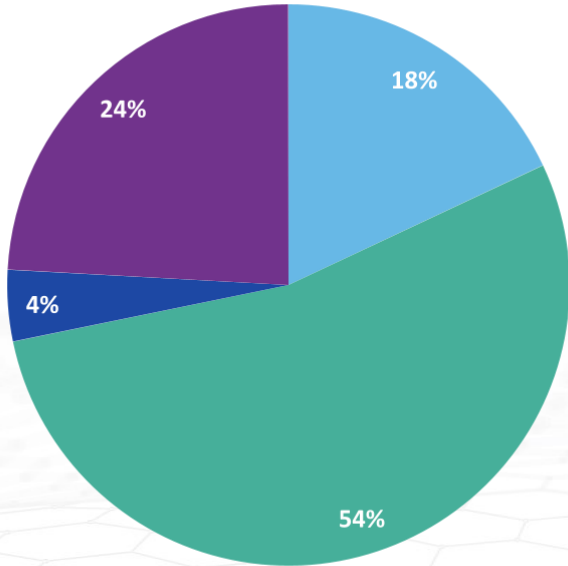


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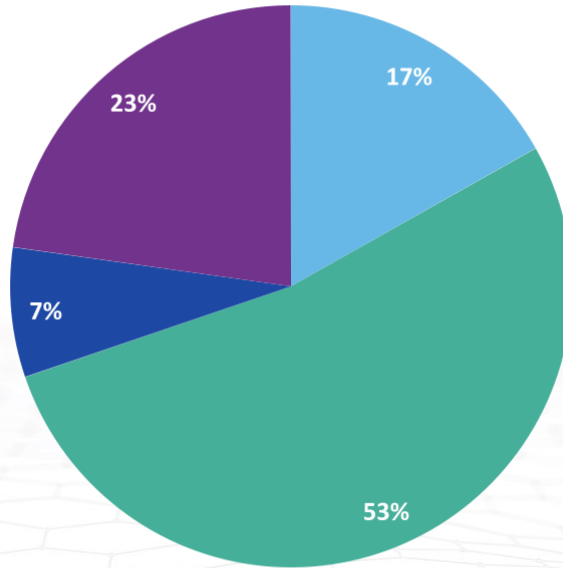
Software Revenue by Business Unit



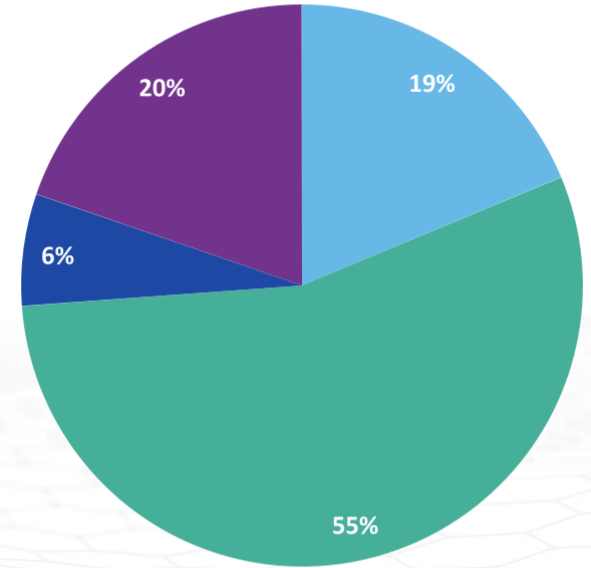
2Q24



YTD



TTM

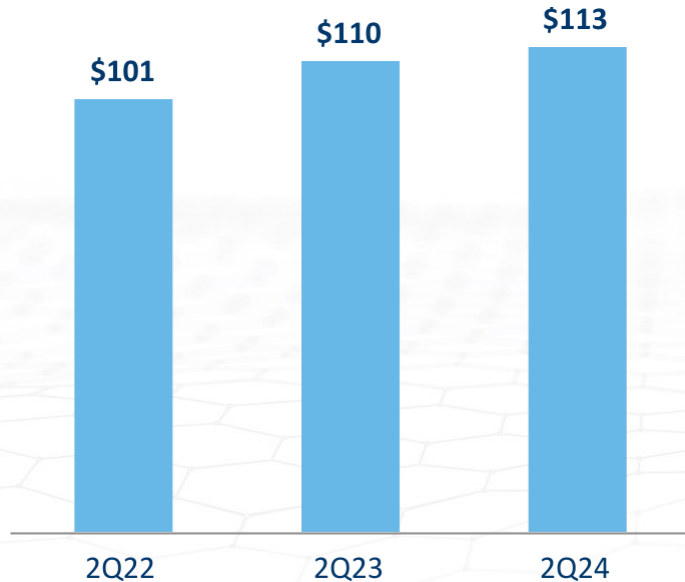


CHEM PBPK QSP CPP

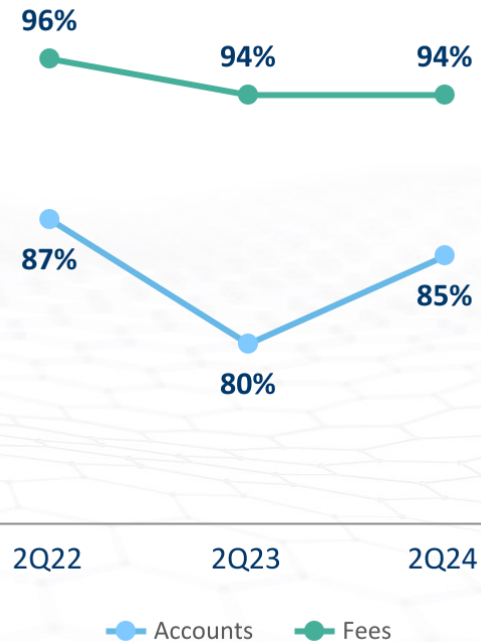
Software Business Unit as % of Software Revenue

Commercial Customers

Avg. Revenue per Customer (in thousands)

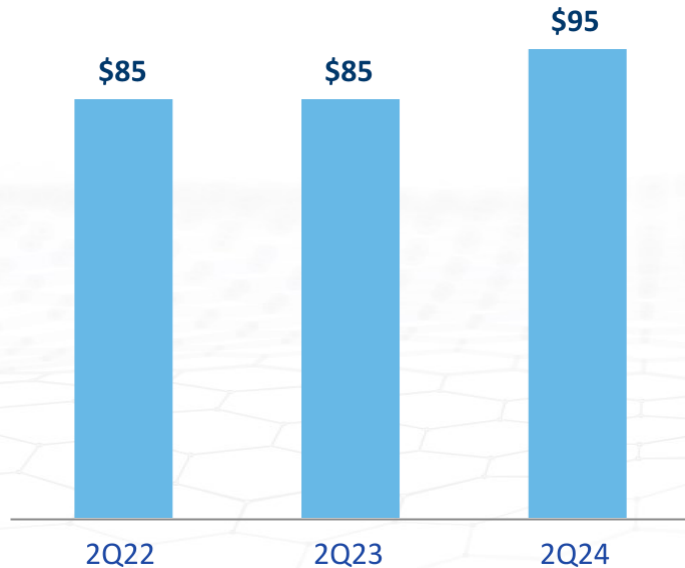


Renewal Rates

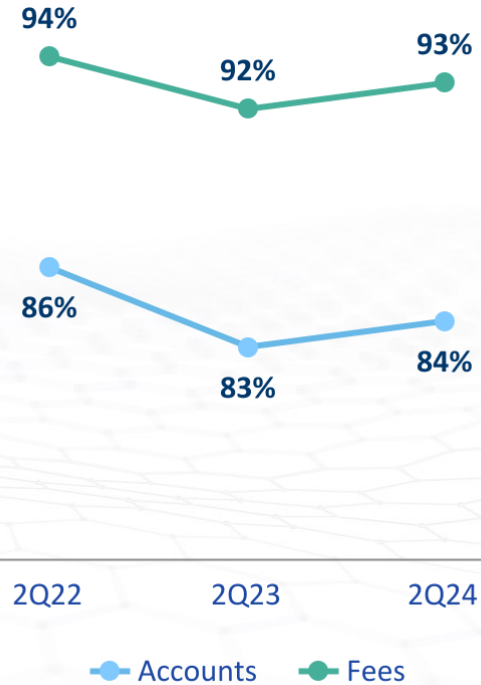


Commercial Customers

Avg. Revenue per Customer
(in thousands)



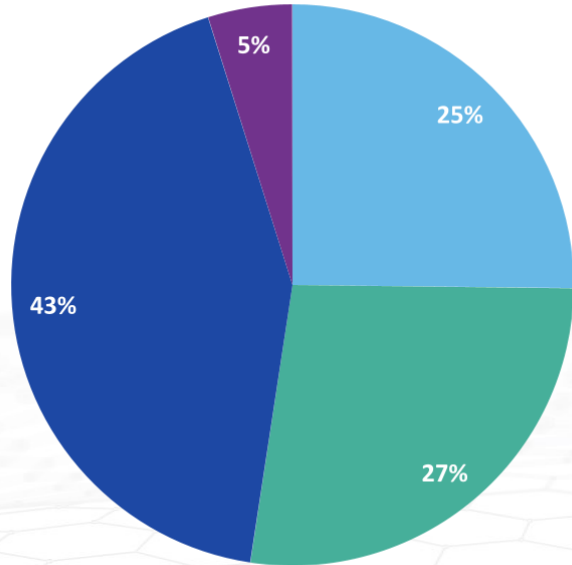
Renewal Rates



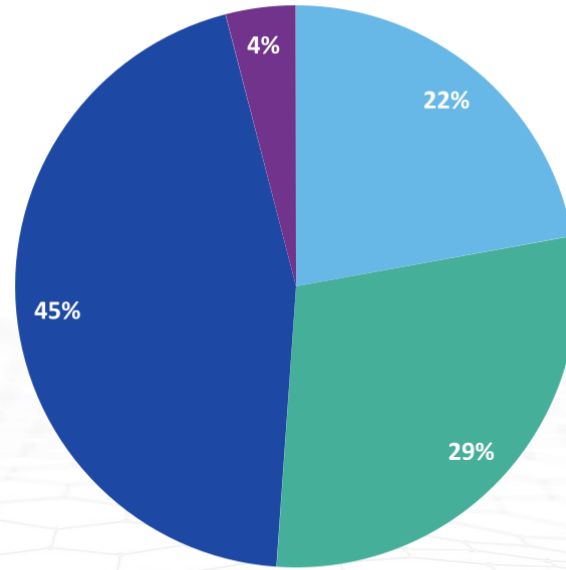
Services Revenue by Business Unit



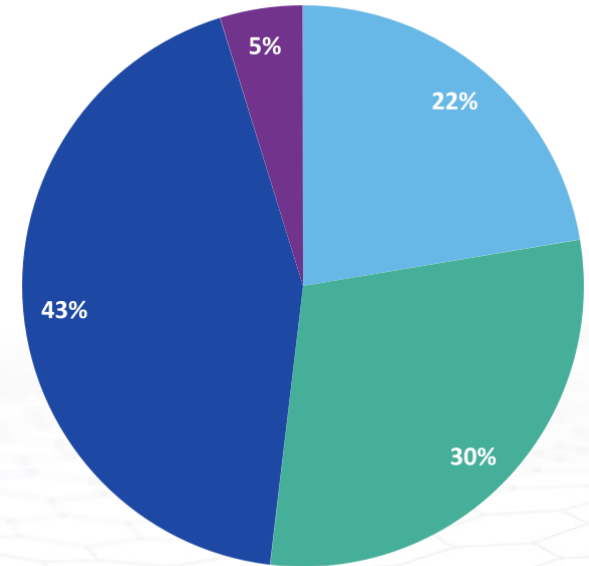
2Q24



YTD



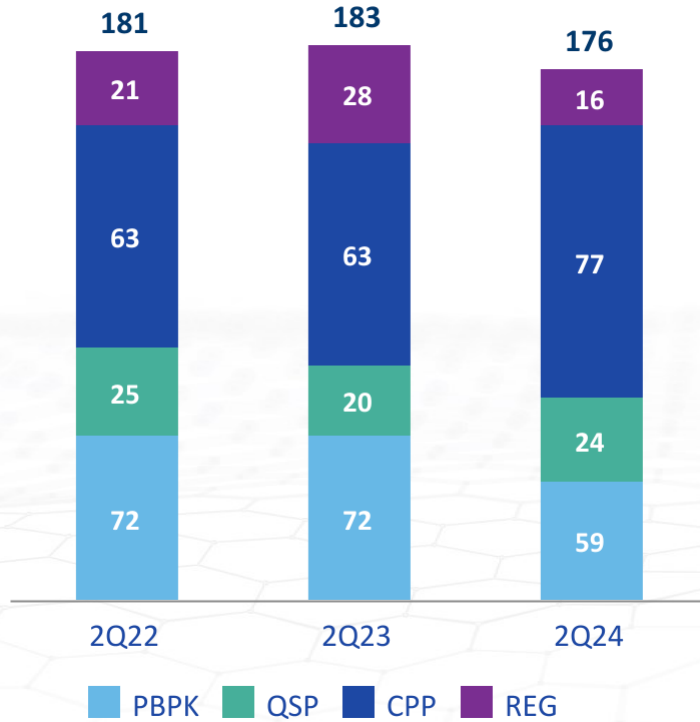
TTM



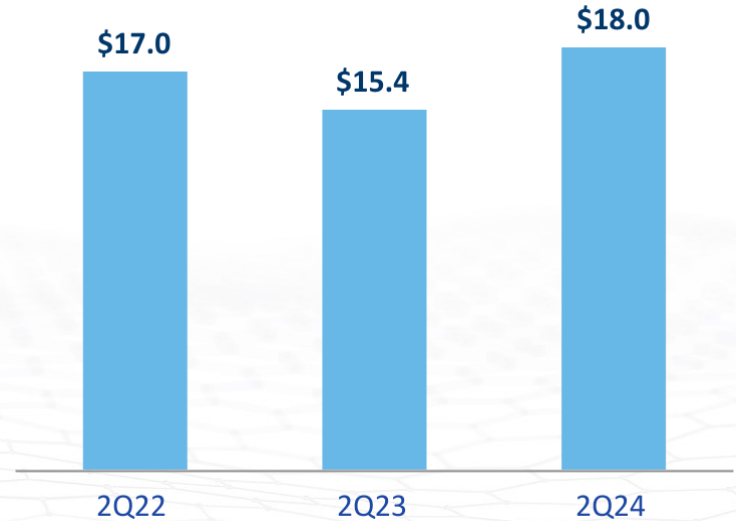
PBPK QSP CPP REG

Services Business Unit as % of Services Revenue

Total Projects



Backlog



Income Statement Summary - Q2 FY24



(in millions, except Diluted EPS)

	2Q24	% of Rev	2Q23	% of Rev
Revenue	\$18.3	100%	\$15.8	100%
Revenue growth	16%		6%	
Gross profit	13.2	72%	13.1	83%
R&D	1.3	7%	1.3	8%
S&M	1.9	11%	1.7	11%
G&A	5.5	30%	6.0	38%
Total operating exp	8.8	48%	9.1	58%
Income from operations	4.4	24%	4.0	26%
Income before income taxes	5.3	29%	5.1	32%
Income taxes	(1.2)	7%	(0.9)	6%
Effective tax rate	23%		18%	
Net income	\$4.0	22%	\$4.2	27%
Diluted earnings per share	\$0.20		\$0.20	
Adjusted EBITDA	\$7.1	39%	\$6.2	39%

Income Statement Summary - YTD



(in millions, except Diluted EPS)

	2Q24	% of Rev	2Q23	% of Rev
Revenue	\$32.8	100%	\$27.7	100%
Revenue growth	18%		2%	
Gross profit	23.1	70%	22.4	81%
R&D	2.5	8%	2.5	9%
S&M	3.9	12%	3.2	12%
G&A	11.2	34%	11.8	43%
Total operating exp	17.7	54%	17.5	63%
Income from operations	5.4	16%	4.9	18%
Income before income taxes	7.7	23%	6.7	24%
Income taxes	(1.7)	5%	(1.3)	5%
Effective tax rate	22%		19%	
Net income	\$6.0	18%	\$5.4	20%
Diluted earnings per share	\$0.29		\$0.26	
Adjusted EBITDA	\$10.5	32%	\$9.2	33%

Balance Sheet Summary



(in millions)

	February 29, 2024	August 31, 2023
Cash and short-term investments	\$108.5	\$115.5
Total current assets	128.0	130.4
Long-term investments*	\$9.0	\$—
Total assets	\$194.0	\$186.1
Current liabilities	14.5	12.0
Long-term liabilities	2.4	4.1
Total liabilities	16.9	16.1
Shareholders' equity	177.0	170.0
Total liabilities and shareholders' equity	\$194.0	\$186.1

*Investments greater than twelve months, do not exceed eighteen months and can readily be converted to cash when needed.

	<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

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

- Small biotech churn
- General market dynamics: inflation, recession & forex

Focus on Capital Allocation

- ASR program has been completed
- Corporate development initiative

STRONG START TO FISCAL 2024

Adjusted EBITDA Non-GAAP Reconciliation*



(in millions)

	FY 2022				FY 2023				FY 2024		FY 2022	FY 2023	FY 2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Full Year	Full Year	YTD
Net Income	\$3.0	\$4.4	\$4.1	\$1.0	\$1.2	\$4.2	\$4.0	\$0.5	\$1.9	\$4.0	\$12.5	\$10.0	\$6.0
Excluding:													
Interest income and expense, net	(0.1)	(0.1)	(0.1)	(0.4)	(0.8)	(1.0)	(1.1)	(1.3)	(1.3)	(1.3)	(0.7)	(4.1)	(2.6)
Provision for income taxes	0.8	1.1	0.7	(0.1)	0.4	0.9	0.9	(0.5)	0.5	1.2	2.6	1.7	1.7
Depreciation and amortization	0.8	1.0	0.9	0.9	0.9	0.9	0.9	1.1	1.1	1.1	3.6	3.9	2.2
Stock-based compensation	0.6	0.7	0.7	0.7	0.9	1.2	1.1	1.1	1.3	1.6	2.7	4.2	2.9
(Gain) loss on currency exchange	(0.1)	(0.1)	0.2	0.2	—	—	0.3	0.2	—	0.1	0.2	0.5	0.1
Impairment of other intangibles	—	—	—	—	—	—	—	0.5	—	—	—	0.5	—
Change in value of contingent consideration	0.1	0.1	—	—	—	—	—	0.7	(0.1)	0.4	0.3	0.7	0.3
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	\$7.1	\$21.5	\$20.6	\$10.5

*Numbers may not add due to rounding



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