



Earnings Call – Q3 - FY24

July 2, 2024



Except for historical information, the matters discussed in this press release are forward-looking statements that involve risks and uncertainties. Words like “believe,” “expect,” and “anticipate” mean that these are our best estimates as of this writing, but 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 successfully integrate the Pro-ficiency business with our own, as well as expenses we may incur in connection therewith, 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, market conditions, macroeconomic factors, 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.

Third Quarter Highlights



CURRENT PERIOD

\$18.5M

Revenue

\$0.15

Diluted EPS

\$0.19

Adj.
Diluted EPS

31%

Adj. EBITDA as %
of Revenue

\$19.6M

Backlog

Prior Year Comparison (3Q23)

\$16.2M

Revenue

\$0.20

Diluted EPS

\$0.21

Adj. Diluted
EPS

40%

Adj. EBITDA as
% of Revenue

\$15.7M

Backlog

General

- Overall software revenue growth of 12%
- Good renewal rate, upsell and new logo activity
- Active and strong pipeline

ADMET Predictor® (Cheminformatics)

+15%

Q3 Revenue
Growth

- 15 new customers
- 10 upsells to existing customers

+12%

YTD Revenue
Growth

GastroPlus® (Physiologically Based Pharmacokinetics)

+7%

Q3 Revenue
Growth

- 14 new customers
- 8 upsells to existing customers

+9%

YTD Revenue
Growth

MonolixSuite® (Clinical Pharmacology & Pharmacometrics)

+13%

Q3 Revenue
Growth

- 13 new customers
- 3 upsells to existing customers

+18%

YTD Revenue
Growth

Third Quarter Services Highlights



General

- Overall services revenue growth of 18%
- Total backlog \$19.6M – strong as we enter fourth quarter of fiscal 2024
- Good momentum into fourth fiscal quarter of 2024

Physiologically Based Pharmacokinetics (PBPK)

-10%

Q3 Revenue
Decline

- Client sourced data delays impacting the initiation of contracted projects

+4%

YTD Revenue
Growth

Quantitative Systems Pharmacology (QSP)

+49%

Q3 Revenue
Growth

- Benefiting from immunology and cancer model projects

+74%

YTD Revenue
Growth

Clinical Pharmacology & Pharmacometrics (CPP)

+27%

Q3 Revenue
Growth

- Solid performance despite impact of volatility

+16%

YTD Revenue
Growth

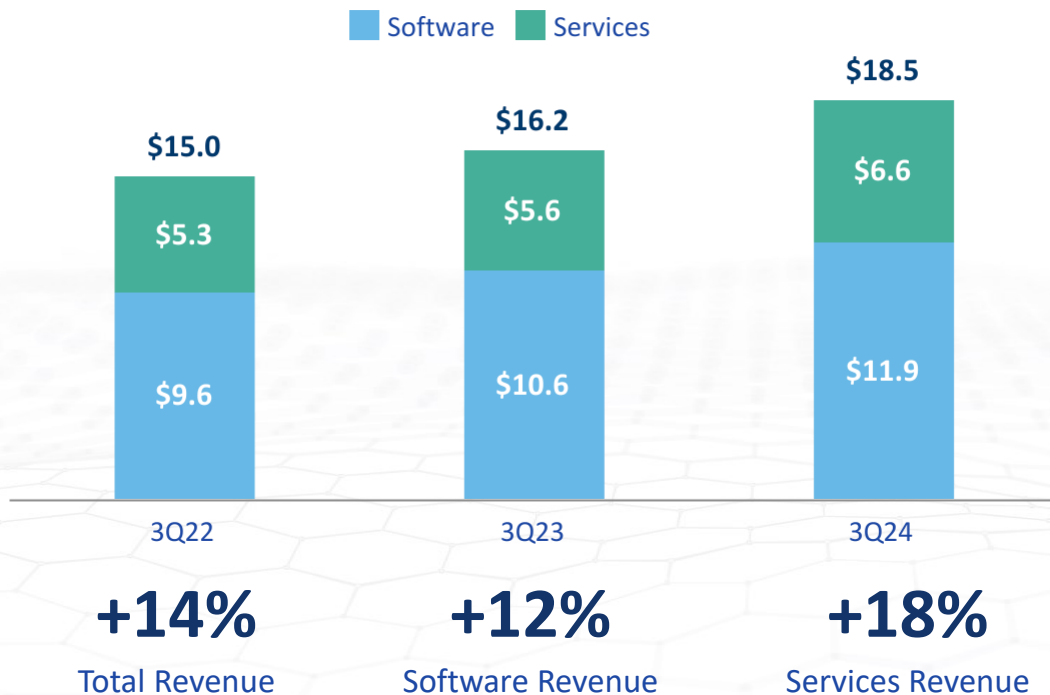
Financial Results

A large blue arrow pointing right, with the text 'Financial Results' inside it. The arrow is composed of a white triangular shape pointing right, which is set against a solid blue background. The text 'Financial Results' is written in a blue, sans-serif font and is positioned within the white triangular area.

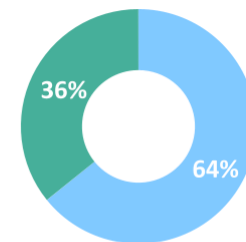
Revenue - Q3 FY24



(in millions)

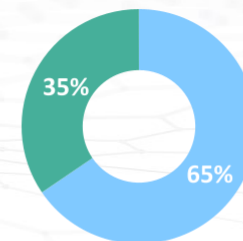


3Q24 Mix



Software Services

3Q23 Mix

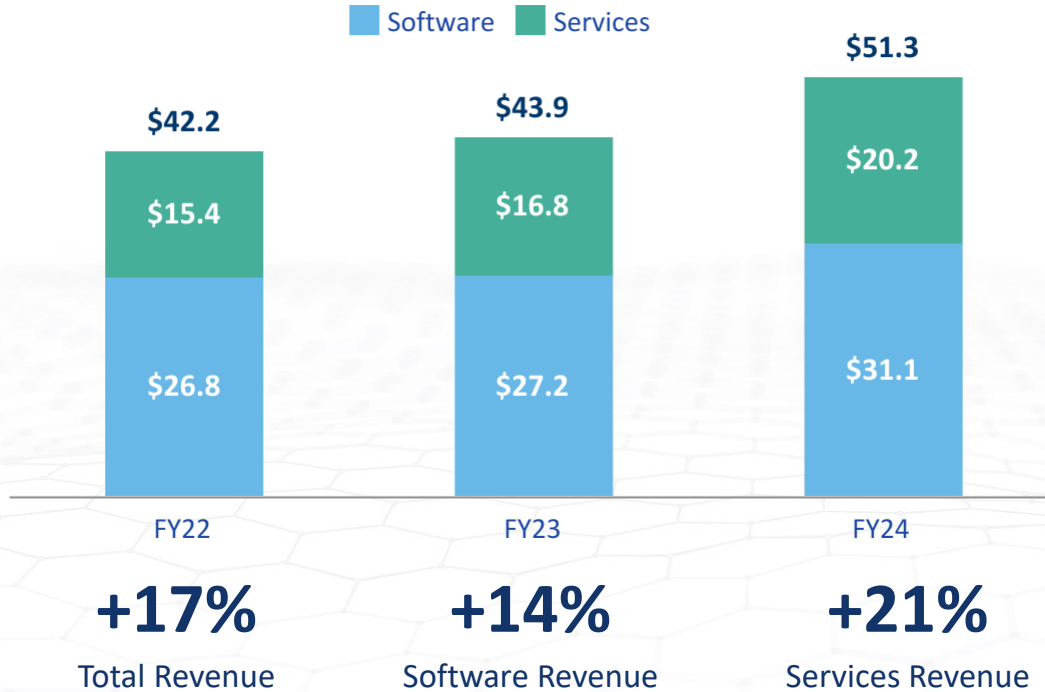


Software Services

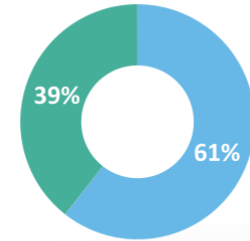
Revenue - YTD



(in millions)

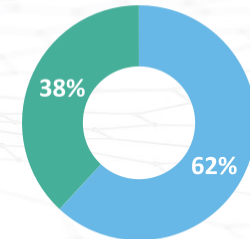


FY24 Mix



Software Services

FY23 Mix

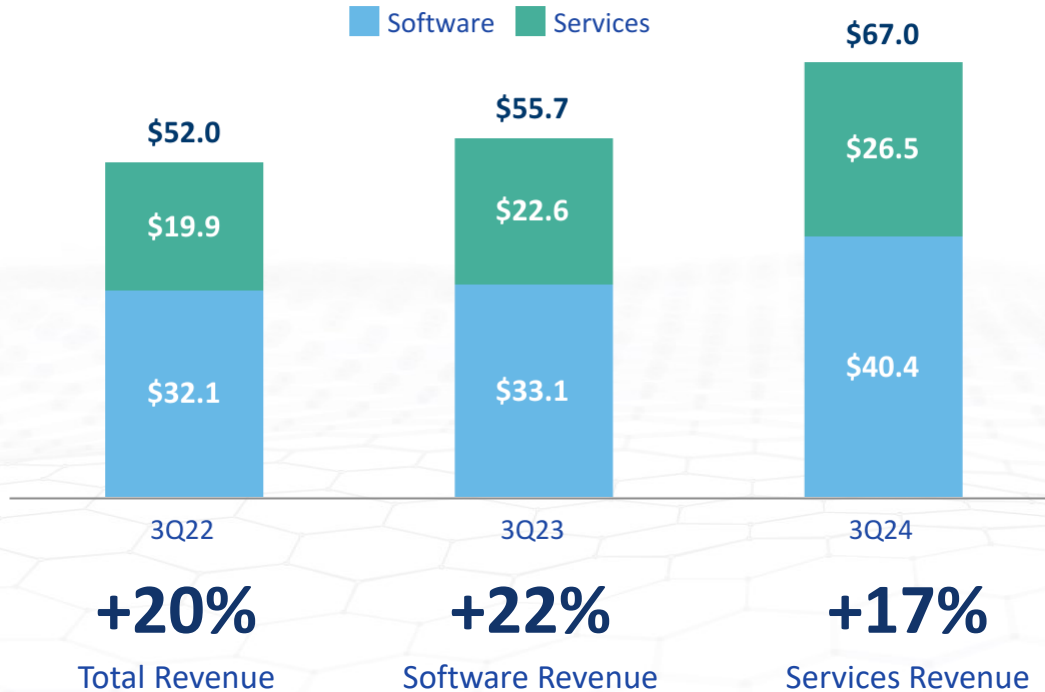


Software Services

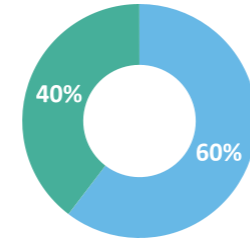
Revenue - Trailing Twelve Months (TTM)



(in millions)

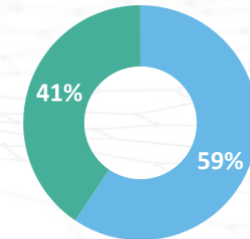


3Q24 Mix



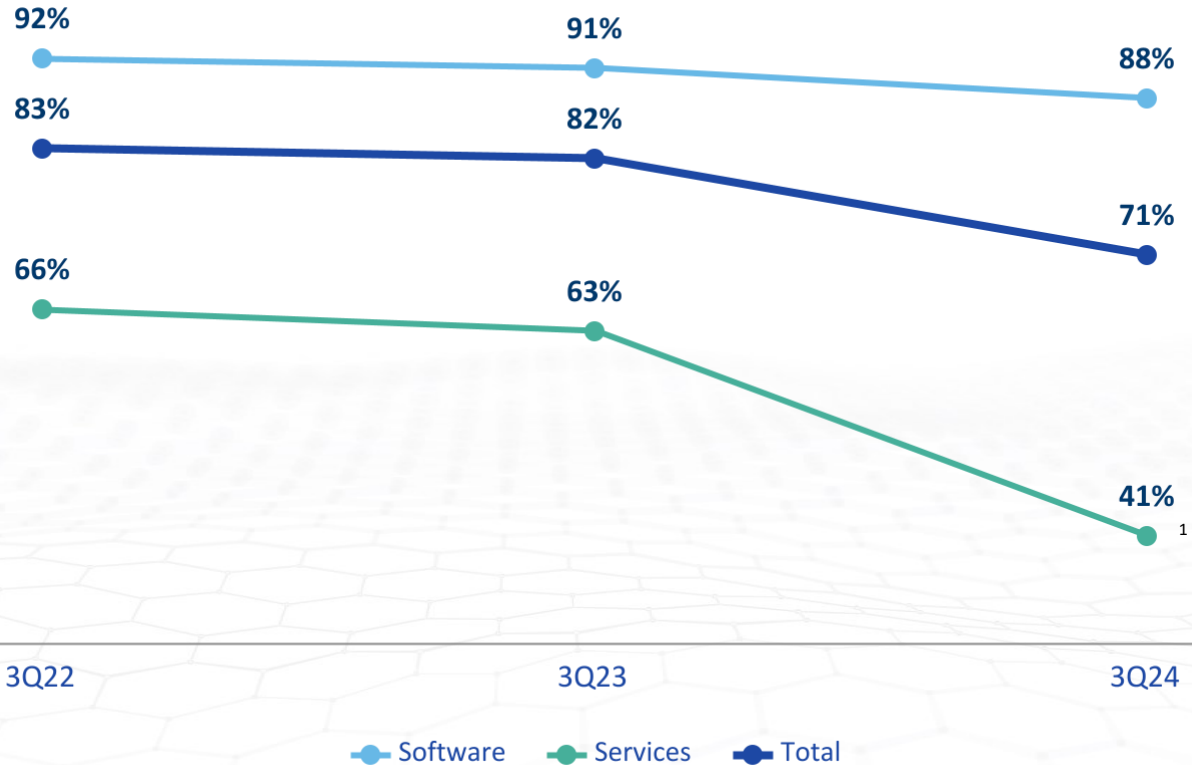
Software Services

3Q23 Mix



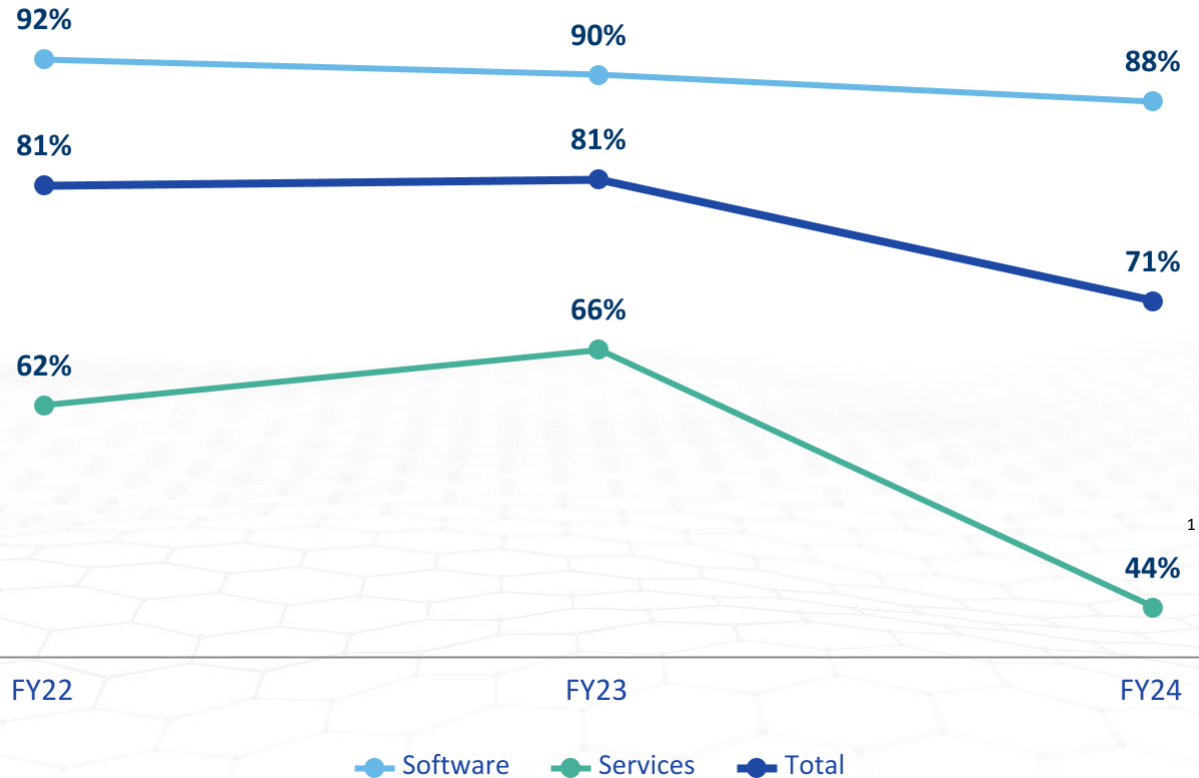
Software Services

Gross Margin Trends - Q3 FY24



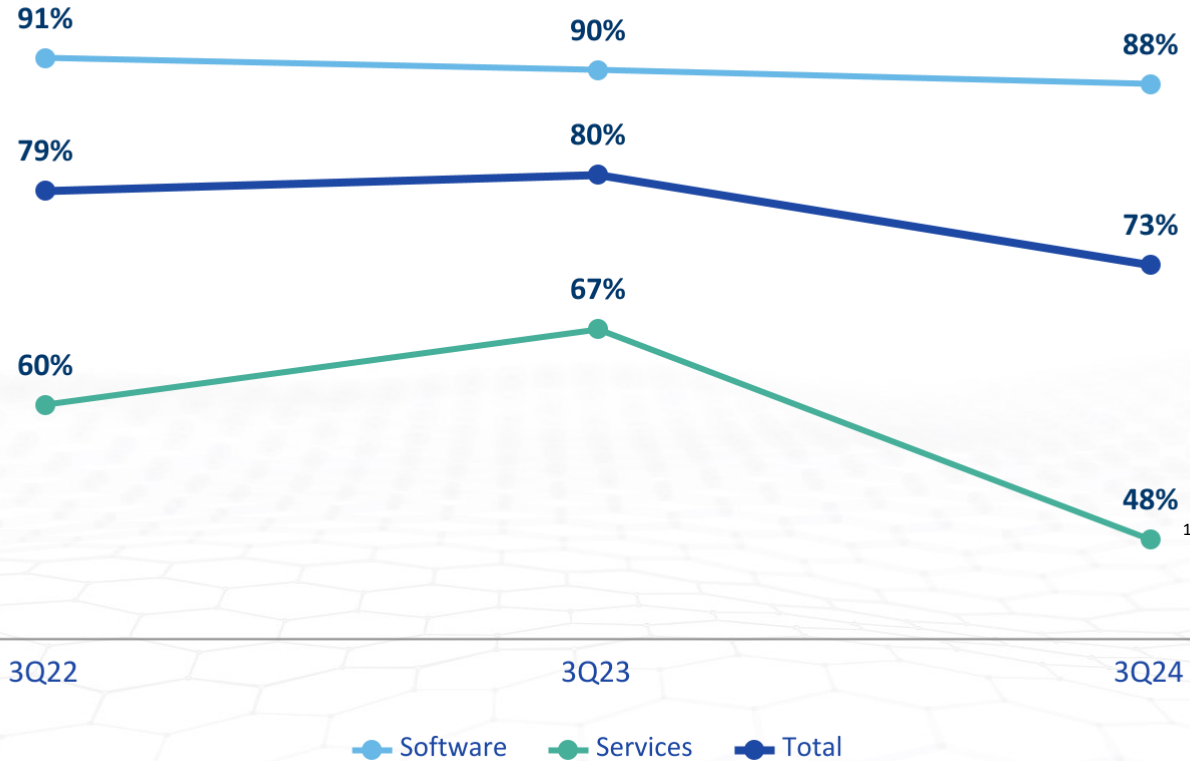
¹ Decrease in gross margin was partially due to a shift in reporting effective 1Q'24, where certain cost items are reflected in cost of revenues for services that were previously in SG&A expense.

Gross Margin Trends - YTD



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Gross Margin Trends - TTM

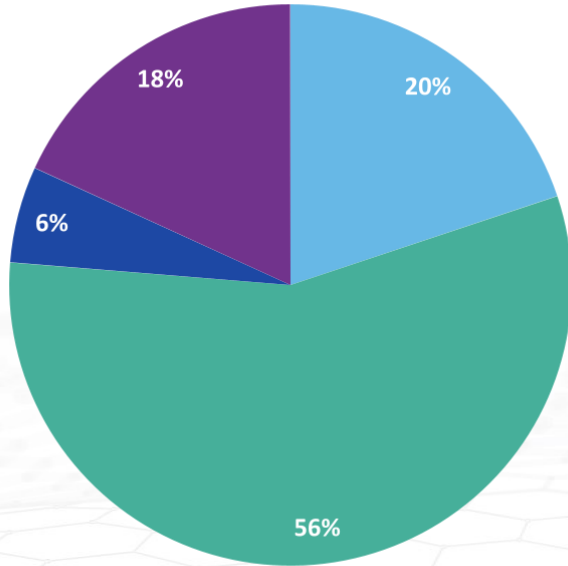


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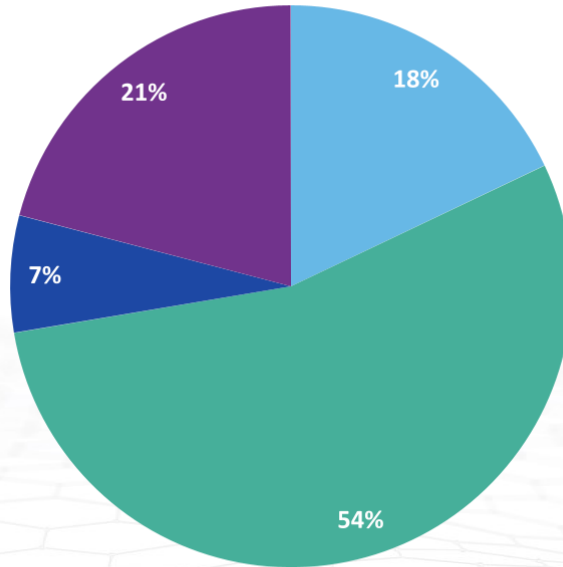
Software Revenue by Business Unit



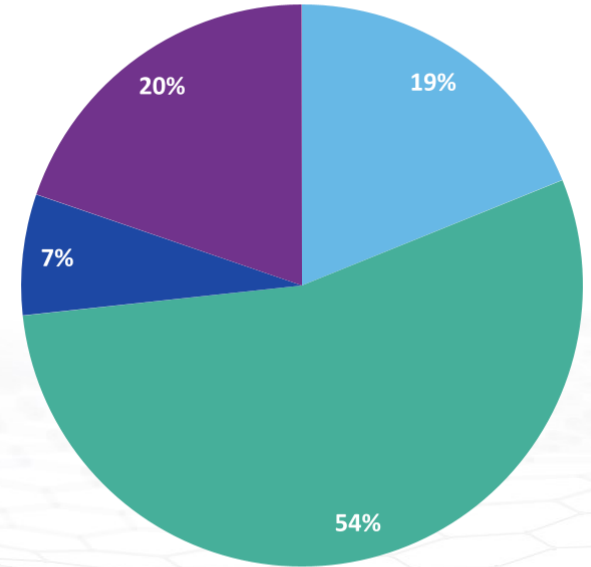
3Q24



YTD



TTM

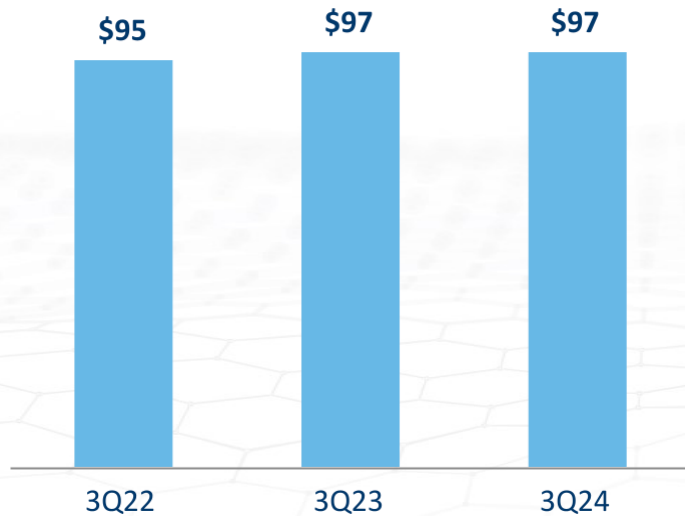


CHEM PBPK QSP CPP

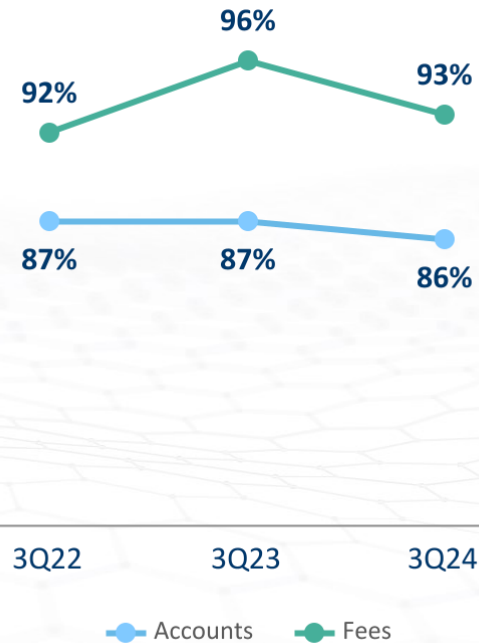
Software Business Unit as % of Software Revenue

Commercial Customers

Avg. Revenue per Customer (in thousands)



Renewal Rates

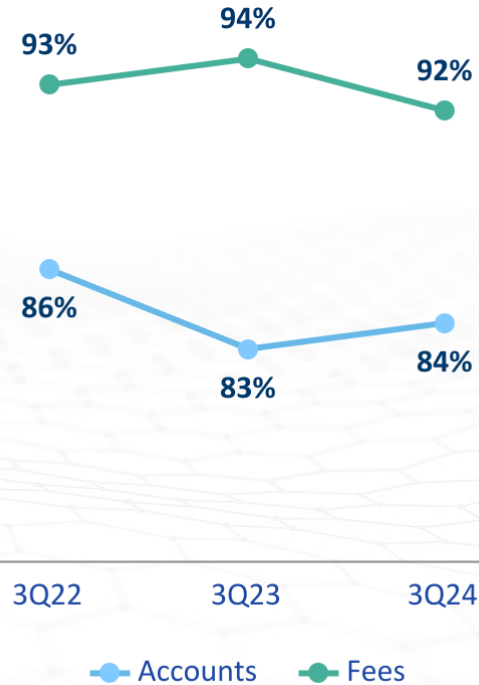


Commercial Customers

Avg. Revenue per Customer
(in thousands)



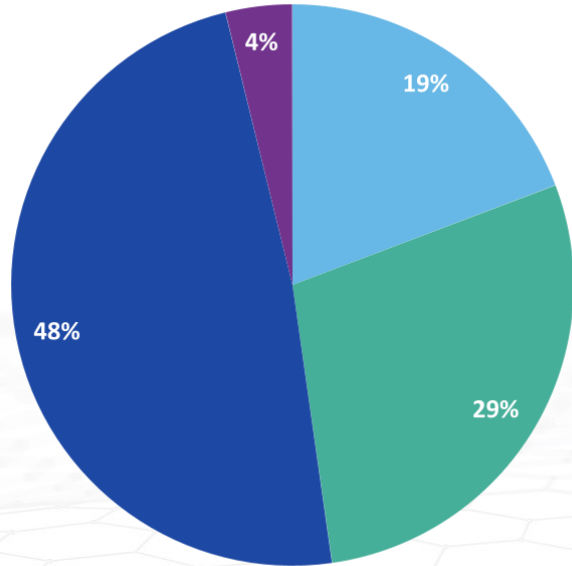
Renewal Rates



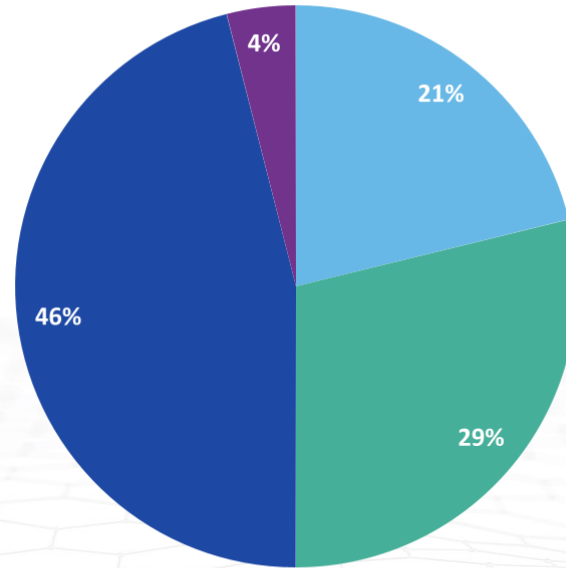
Services Revenue by Business Unit



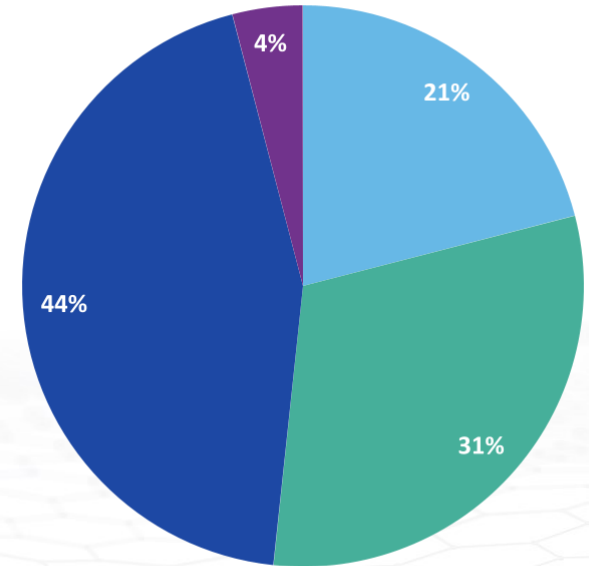
3Q24



YTD



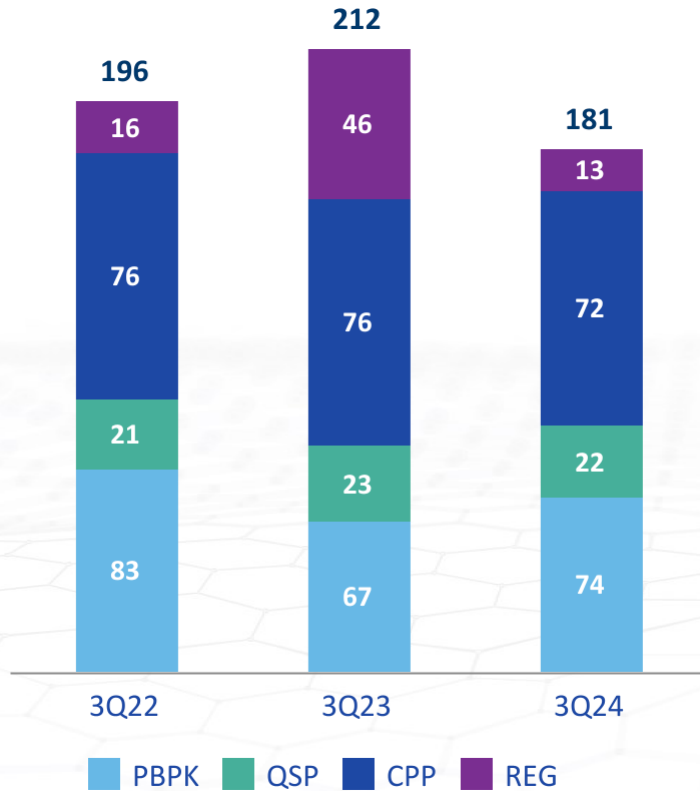
TTM



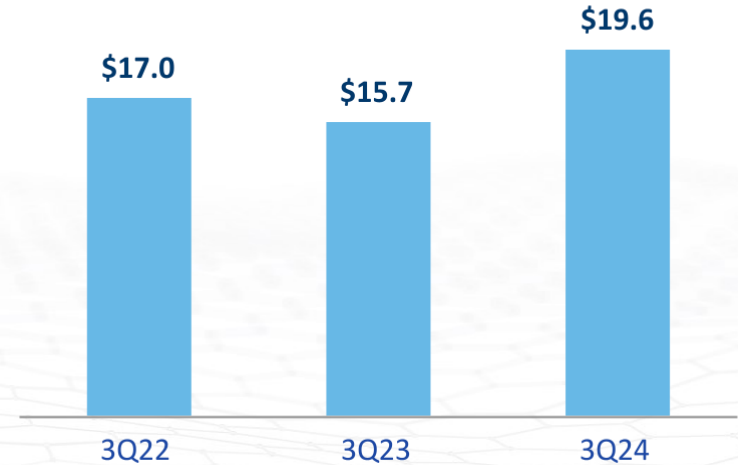
PBPK QSP CPP REG

Services Business Unit as % of Services Revenue

Total Projects



Backlog (in millions)



Income Statement Summary - Q3 FY24



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

	3Q24	% of Rev	3Q23	% of Rev
Revenue	\$18.5	100%	\$16.2	100%
Revenue growth	14%		9%	
Gross profit	13.3	71%	13.3	82%
R&D	1.3	7%	0.9	6%
S&M	2.4	13%	1.7	10%
G&A	7.7	41%	6.5	40%
Total operating exp	11.4	61%	9.2	57%
Income from operations	1.9	10%	4.1	25%
Income before income taxes	3.9	21%	4.9	30%
Income taxes	(0.8)	4%	(0.9)	6%
Effective tax rate	19%		19%	
Net income	\$3.1	17%	\$4.0	25%
Diluted earnings per share	\$0.15		\$0.20	
Adjusted EBITDA	\$5.7	31%	\$6.5	40%
Excluded items:	\$0.7		\$0.3	
Adjusted Diluted EPS	\$0.19		\$0.21	

Income Statement Summary - YTD



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

	3Q24	% of Rev	3Q23	% of Rev
Revenue	\$51.3	100%	\$43.9	100%
Revenue growth	17%		4%	
Gross profit	36.3	71%	35.7	81%
R&D	3.8	7%	3.4	8%
S&M	6.3	12%	4.9	11%
G&A	18.9	37%	18.4	42%
Total operating exp	29.0	57%	26.7	61%
Income from operations	7.3	14%	9.0	20%
Income before income taxes	11.5	22%	11.6	26%
Income taxes	(2.4)	5%	(2.2)	5%
Effective tax rate	21%		19%	
Net income	\$9.1	18%	\$9.4	21%
Diluted earnings per share	\$0.45		\$0.46	
Adjusted EBITDA	\$16.2	32%	\$15.7	36%
Excluded items:	\$0.8		\$0.7	
Adjusted Diluted EPS	\$0.49		\$0.49	

Balance Sheet Summary



(in millions)

	May 31, 2024	August 31, 2023
Cash and short-term investments	\$119.0	\$115.5
Total current assets	135.6	130.4
Total assets	\$192.7	\$186.1
Current liabilities	11.3	12.0
Long-term liabilities	0.5	4.1
Total liabilities	11.8	16.1
Shareholders' equity	180.9	170.0
Total liabilities and shareholders' equity	\$192.7	\$186.1

	<u>Guidance</u>
Total Revenue	\$69M - \$72M
Total Revenue Growth	15% - 20%
Software Revenue Mix	55% - 60%
Services Revenue Mix	40% - 45%
Diluted EPS	\$0.46 - \$0.48
Adjusted Diluted EPS	\$0.54 - \$0.56

CONTINUED LEADERSHIP POSITION IN BIOSIMULATION MARKET

Delivering on our commitment to scientific leadership

- FDA renewal of DILIsym licenses
- Collaboration with Toxicology Research Agency
- Collaboration with Northeastern University and The TIM Company through new FDA Grant

Developing organization to drive growth

- Leadership appointments supporting commitment to clients and drive growth
- Reorganized operations to put clients first
- Focus on supporting accelerated growth in distributor network

Expanding our software and services portfolio

- Release of GastroPlusX
- Acquisition of Pro-ficiency

Creating shareholder value

- Delivering consistent revenue growth and profitability
- Increase in services backlog and TTM avg. revenue per customer
- Strategic M&A
- Corporate development initiative

STRONG YTD PERFORMANCE IN 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	Q3	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	\$3.1	\$12.5	\$10.0	\$9.1
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)	(1.5)	(0.7)	(4.1)	(4.2)
Provision for income taxes	0.8	1.1	0.7	(0.1)	0.4	0.9	0.9	(0.5)	0.5	1.2	0.8	2.6	1.7	2.4
Depreciation and amortization	0.8	1.0	0.9	0.9	0.9	0.9	0.9	1.1	1.1	1.1	1.3	3.6	3.9	3.5
Stock-based compensation	0.6	0.7	0.7	0.7	0.9	1.2	1.1	1.1	1.3	1.6	1.7	2.7	4.2	4.6
(Gain) loss on currency exchange	(0.1)	(0.1)	0.2	0.2	—	—	0.3	0.2	—	0.1	—	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)	0.4	(0.6)	0.3	0.7	(0.3)
Mergers & Acquisitions expense	—	—	—	0.3	0.3	0.1	0.4	2.5	—	—	0.9	0.3	3.3	0.9
Adjusted EBITDA	\$5.3	\$7.2	\$6.5	\$2.5	\$3.0	\$6.2	\$6.5	\$4.9	\$3.4	\$7.1	\$5.7	\$21.5	\$20.6	\$16.2

*Numbers may not add due to rounding

Adjusted EPS Non-GAAP Reconciliation*



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

	FY 2023				FY 2024			FY 2022	FY 2023	FY 2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Full Year	Full Year	YTD
Net Income (GAAP)	\$1.2	\$4.2	\$4.0	\$0.5	\$1.9	\$4.0	\$3.1	\$12.5	\$10.0	\$9.1
Excluding:										
Mergers & Acquisitions expense	0.3	0.1	0.4	0.9	—	—	0.9	0.3	1.7	0.9
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)	(0.5)	—	—	(0.2)	(0.1)	(0.7)	(0.2)
Adjusted Net income (Non-GAAP)	\$1.5	\$4.2	\$4.3	\$3.7	\$1.9	\$4.0	\$3.9	\$12.8	\$13.8	\$9.9
Weighted-average common shares outstanding:										
Diluted	20.8	20.5	20.4	20.4	20.3	20.3	20.4	20.7	20.5	20.3
Diluted EPS (GAAP)	\$0.06	\$0.20	\$0.20	\$0.03	\$0.10	\$0.20	\$0.15	\$0.60	\$0.49	\$0.45
Adjusted Diluted EPS (Non-GAAP)	\$0.07	\$0.21	\$0.21	\$0.18	\$0.10	\$0.20	\$0.19	\$0.61	\$0.67	\$0.49

*Numbers may not add due to rounding



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