



# **S+** *SimulationsPlus*

Earnings Call - Q2 - FY23

**April 5, 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.

# Second Quarter Highlights

**\$16M**

Revenue

**\$0.20**

Diluted EPS

**40%**

Adj. EBITDA as %  
of Revenue

**\$15M**

Backlog

- Second quarter results in line with guidance
- Revenue seasonality impacted by expected shift in software renewal timing
  - Continue to see slower pace of sales cycles due to customer budget constraints
  - Churn in small biotech accounts
  - \$0.2M constant currency negative impact on revenue
- EPS ahead of guidance; EBITDA back to historical levels

# Supporting Client Success

- New AI/ML drug discovery collaborations
- pKa collaboration with large agrochemicals company extending ML models
- 4 new FDA grant submissions
- Critical PBPK service support to multiple clients
- Supported multiple high profile regulatory submissions with pharmacometric modeling and simulation support
- Initiated additional projects with investment groups following prior quarter success

# Second Quarter Software Highlights

## General

- Overall software revenue growth of 7%
- Renewal pattern and revenue seasonality shifting as anticipated
- Slower pace of new sales with new customers delaying purchases
- University+ program has 278 individual licenses across 54 countries
- Good yield on price increase

**+18%**

Q2 Revenue  
Growth

## GastroPlus®

- 6 new customers
- 6 upsells to existing customers
- 25 peer reviewed journal articles published in Q2

**-1%**

YTD Revenue  
Decline

**-8%**

Q2 Revenue  
Decline

## MonolixSuite®

- 5 new customers
- 6 upsells to existing customers
- Impacted by renewal harmonization and forex

**-5%**

YTD Revenue  
Decline

**-2%**

Q2 Revenue  
Decline

## ADMET Predictor®

- 1 new customer
- 8 upsells to existing customers
- Impacted by Biotech churn

**-12%**

YTD Revenue  
Decline

# Second Quarter Services Highlights

## General

- Overall service revenue growth 4%
- Total backlog \$15.4M – projects to be performed within 12 months increased from 70% to 78%
- Successful recruiting quarter despite continued competitive market (2 new hires)
- 188 total projects worked on during the quarter

**+19%**

Q2 Revenue  
Growth

## PKPD

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

**+21%**

YTD Revenue  
Growth

**-32%**

Q2 Revenue  
Decline

## QSP/QST

- Nature of QSP/QST projects more volatile
- Prior quarter included significant CRO pass through revenue

**-30%**

YTD Revenue  
Decline

**+29%**

Q2 Revenue  
Growth

## PBPK

- Reflects deeper implementation of PBPK modeling – expanding use cases and perceived value/impact
- 4 FDA projects in process

**+50%**

YTD Revenue  
Growth

# Capital Allocation Strategy Update

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

**Internal  
Investment**

**Corporate  
Development**

- Acquisitions
- Strategic investments and partnerships

**Dividend  
Payments**

**Share  
Repurchases**

- Maintain current level
  - ✓ \$0.06 per share paid Feb. 6<sup>th</sup>
  - ✓ \$0.06 per share payable May 1<sup>st</sup>

- \$50M share repurchase program authorized
- \$20M accelerated share repurchase (ASR) implemented

# Maintaining FY23 Guidance

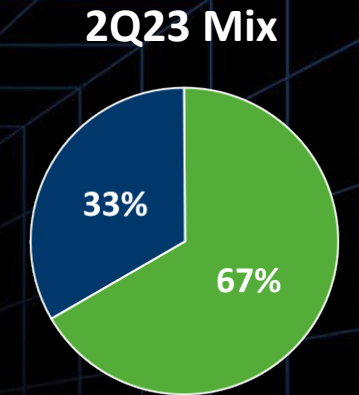
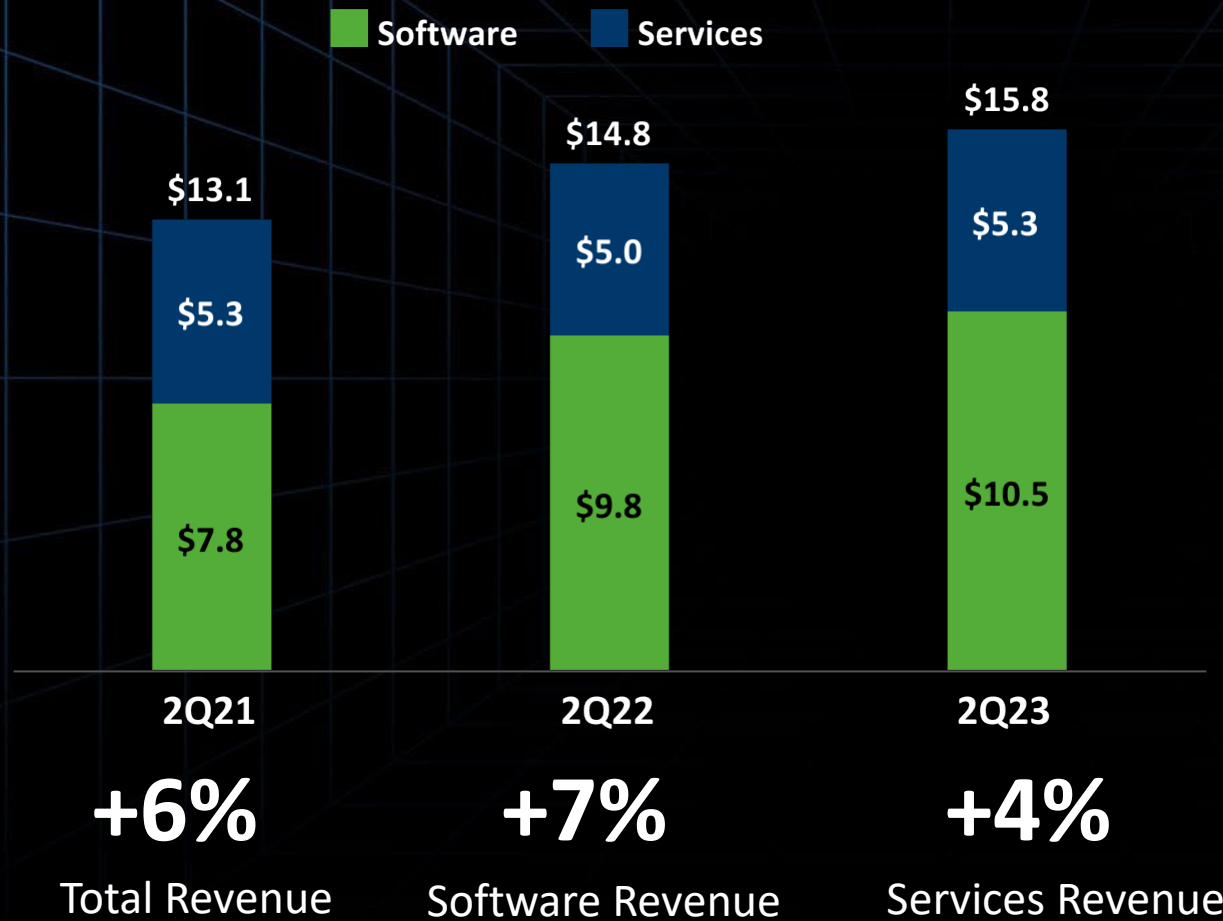
<b>Total Revenue</b>	<b>\$59.3M to \$62.0M</b>
<b>Total Revenue Growth</b>	<b>10% to 15%</b>
<b>Software Revenue Mix</b>	<b>60% to 65%</b>
<b>Service Revenue Mix</b>	<b>35% to 40%</b>
<b>Diluted EPS</b>	<b>\$0.63 to \$0.67</b>



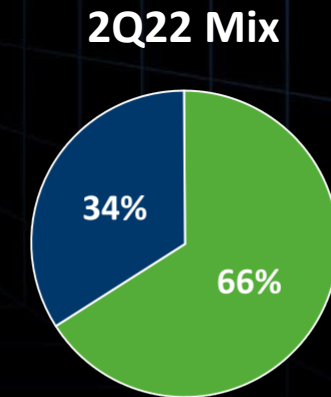
# Financial Results

# Revenue - Q2

(in millions)



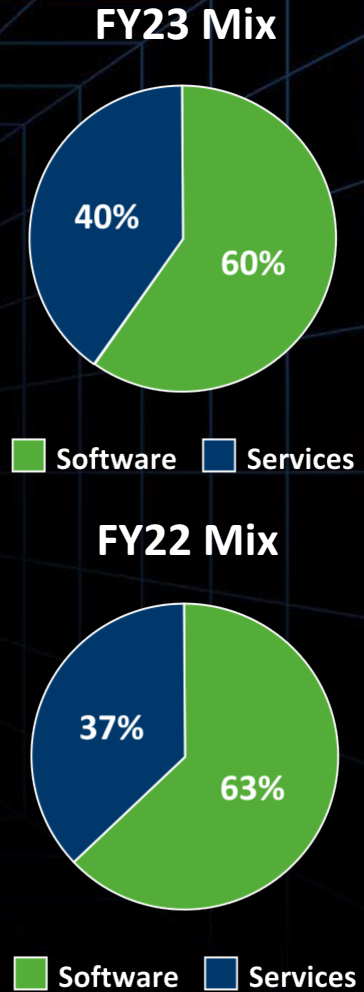
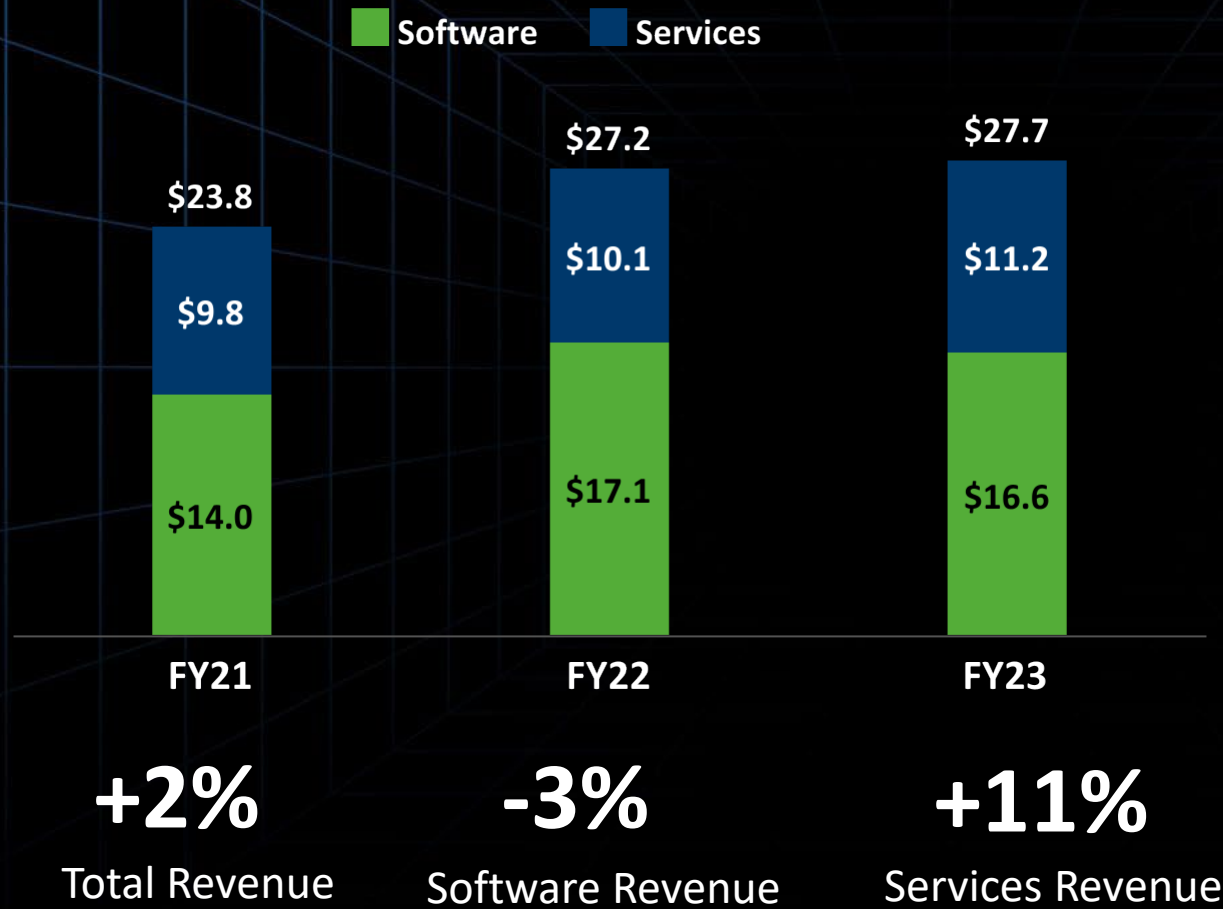
Software Services



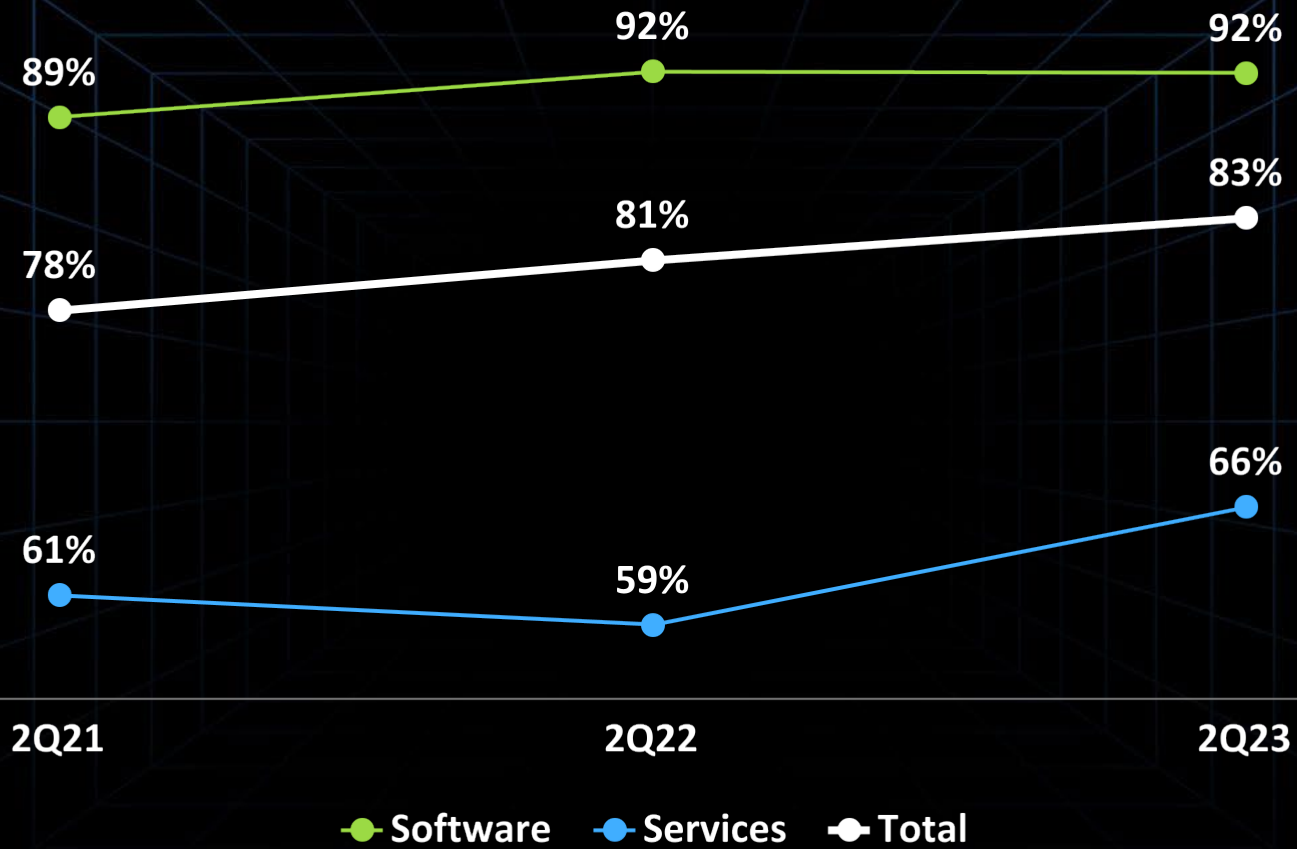
Software Services

# Revenue - YTD

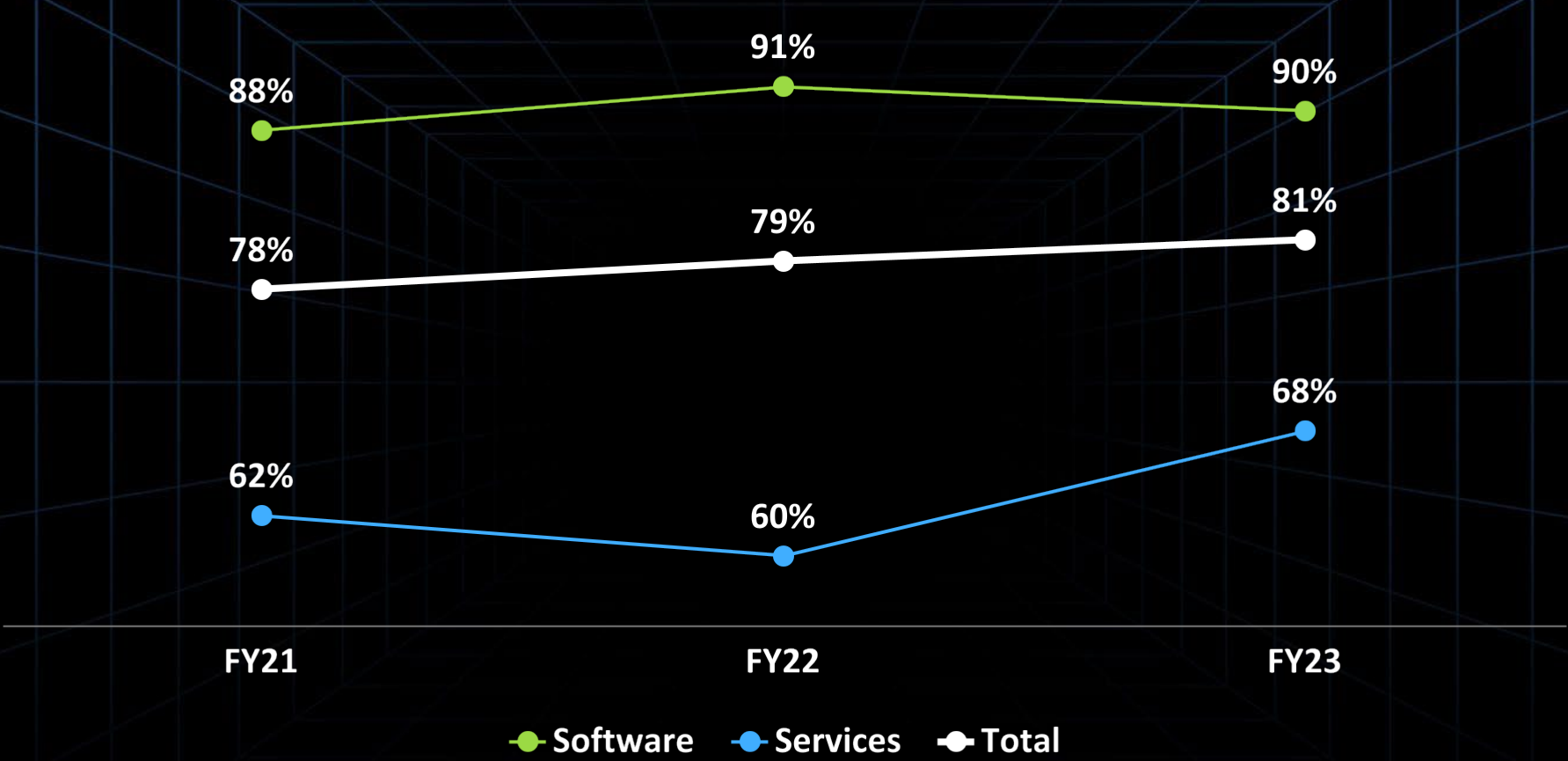
(in millions)



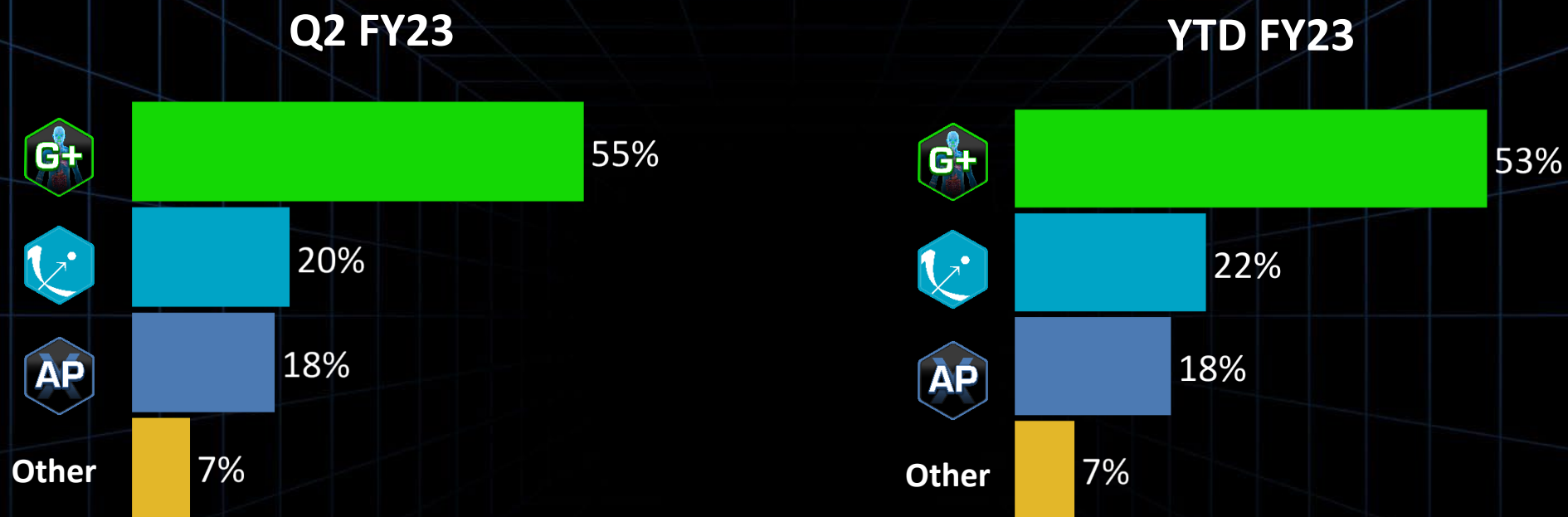
# Gross Margin Trends - Q2



# Gross Margin Trends - YTD



# Software Revenue by Product

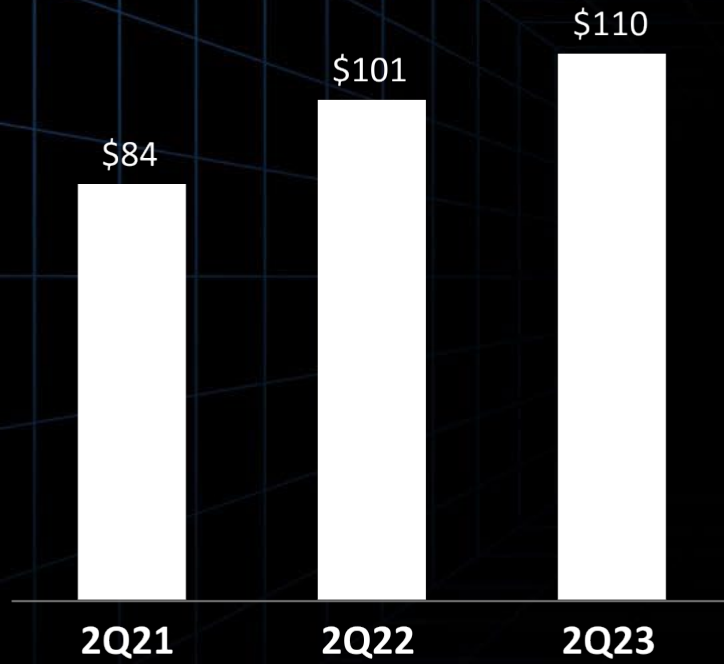


Software Product as % of Software Revenue

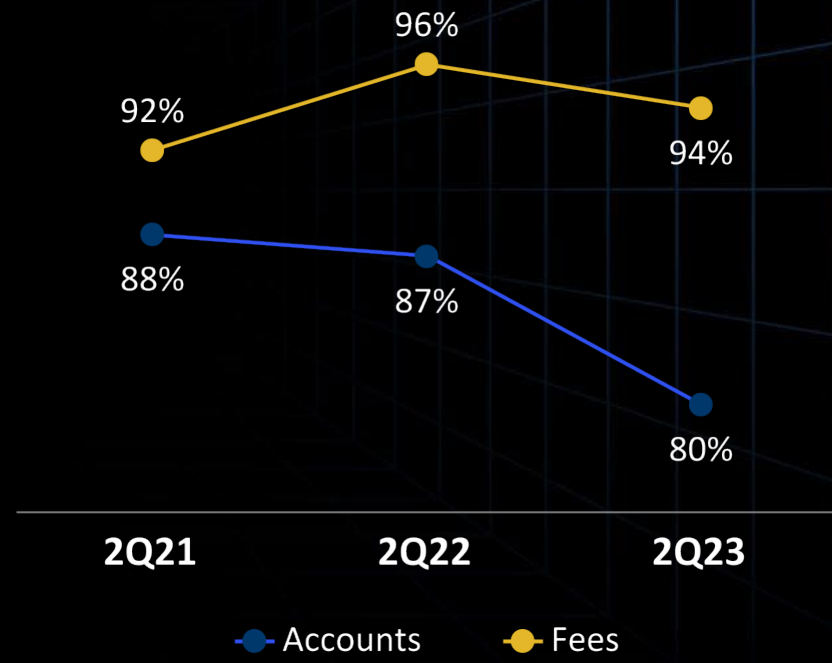
# Software Performance Metrics - Q2

Commercial Customers

## Avg. Revenue per Customer (in thousands)



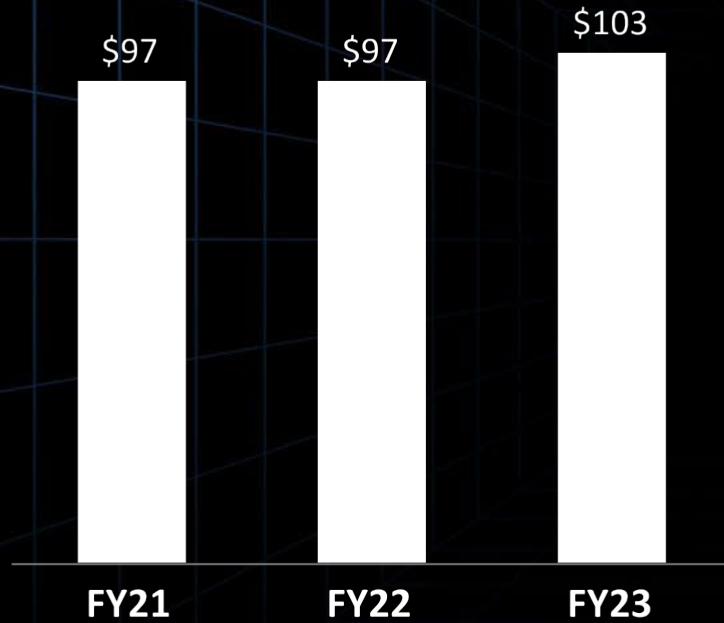
## Renewal Rates



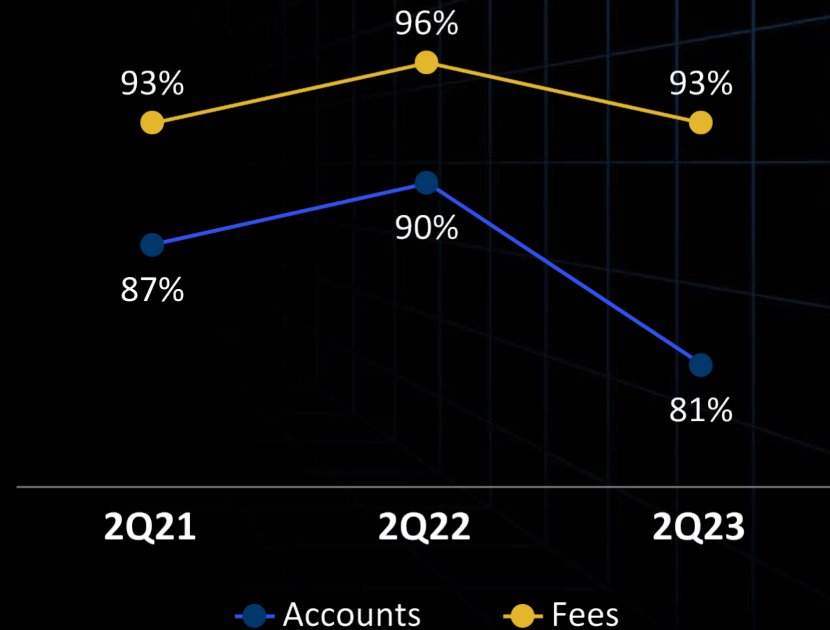
# Software Performance Metrics - YTD

## Commercial Customers

### Avg. Revenue per Customer (in thousands)



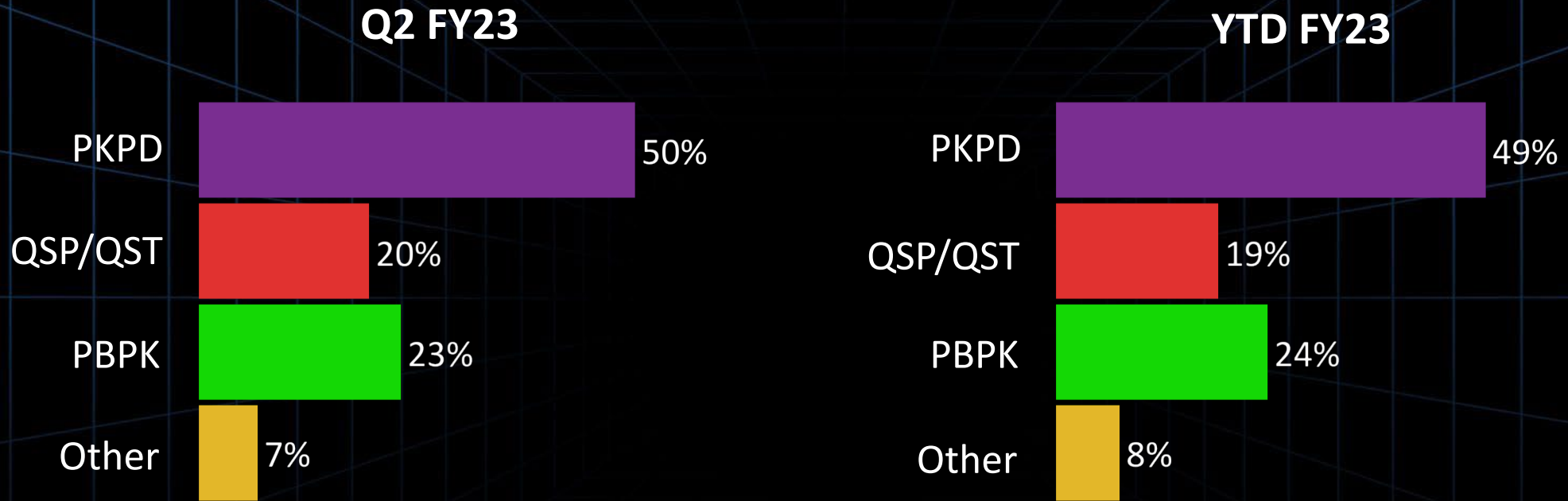
### Renewal Rates



**University+ Customers: 278 in 54 countries**



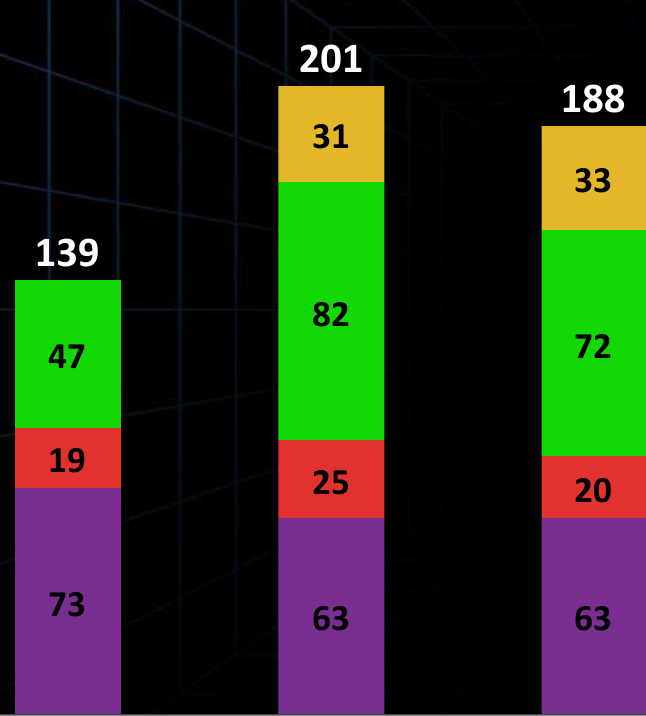
# Service Revenue by Type



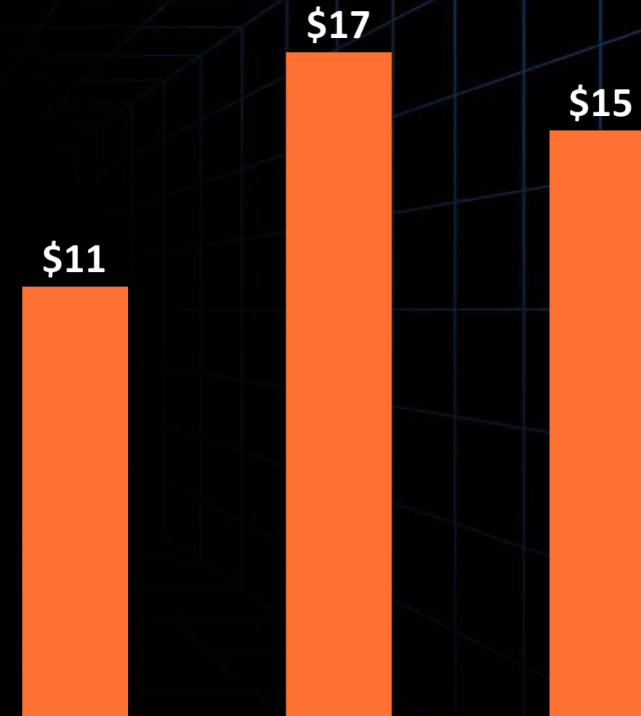
Services as % of Service Revenue

# Services Performance Metrics

## Total Projects



## Backlog



PKPD QSP/QST PBPK Other

Backlog (in millions)

# Income Statement Summary - Q2

(in millions, except Diluted EPS)

	2Q23	% of Rev	2Q22	% of Rev
Revenue	\$15.8	100%	\$14.8	100%
Revenue growth	6%		13%	
Gross profit	13.1	83%	12.0	81%
R&D	1.3	8%	0.9	6%
SG&A	7.8	49%	5.6	38%
Total operating exp	9.1	58%	6.5	44%
Income from operations	4.0	26%	5.5	37%
Income before income taxes	5.1	32%	5.5	37%
Income taxes	(0.9)	6%	(1.1)	8%
Effective tax rate	18%		20%	
Net income	\$4.2	27%	\$4.4	30%
Diluted earnings per share (in dollars)	0.20		0.21	
Adjusted EBITDA	\$6.2	40%	\$7.2	48%

# Income Statement Summary - YTD

(in millions, except Diluted EPS)

	2Q23	% of Rev	2Q22	% of Rev
Revenue	\$27.7	100%	\$27.2	100%
Revenue growth	2%		14%	
Gross profit	22.4	81%	21.6	79%
R&D	2.5	9%	1.8	7%
SG&A	15.0	54%	10.6	39%
Total operating exp	17.5	63%	12.4	45%
Income from operations	4.9	18%	9.3	34%
Income before income taxes	6.7	24%	9.4	35%
Income taxes	(1.3)	5%	(2.0)	7%
Effective tax rate	19%		21%	
Net income	\$5.4	20%	\$7.4	27%
Diluted earnings per share (in dollars)	0.26		0.36	
Adjusted EBITDA	\$9.2	33%	\$12.4	46%

# Balance Sheet Summary

(in millions)

	February 28, 2023	August 31, 2022
<b>Cash and short-term investments</b>	<b>\$115.3</b>	<b>\$128.2</b>
Total current assets	131.5	146.8
<b>Total assets</b>	<b>\$173.2</b>	<b>\$188.4</b>
Current liabilities	6.0	7.7
Long-term liabilities	2.6	2.4
Total liabilities	8.6	10.1
Shareholders' equity	164.6	178.2
<b>Total liabilities and shareholders' equity</b>	<b>\$173.2</b>	<b>\$188.4</b>

# Conclusion

## CONTINUED LEADERSHIP POSITION IN BIOSIMULATION MARKET

- **Delivering on our commitment to scientific leadership**
  - Internal R&D investment
  - Expanding industry and regulatory partnerships
  - MIDD+ – 3<sup>rd</sup> 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**
  - Evolving seasonality due to software renewal timing changes
  - Small biotech churn
  - Continued competitive market for scientific talent
  - General market dynamics: inflation, recession & forex
- **Focus on Capital Allocation**
  - ACR program near completion

**WELL POSITIONED TO ACHIEVE OUR FY23 GOALS**